INCA MINERALS LTD
ACN 128 512 907

# Annual Financial Report

For the year ended 30 June 2019

**CONTENTS**

## CORPORATE PARTICULARS

| | | |
|---|---|---|
| **Directors** | Mr Ross Brown<br>Mr Gareth Lloyd<br>Dr Jonathan West | Managing Director<br>Director<br>Director |
| **Company Secretary** | Mr Malcolm Smartt | |
| **Registered Office** | Suite 1, 16 Nicholson Road<br>Subiaco, WA, 6008 | |
| **Corporate Office** | Suite 1, 16 Nicholson Road<br>Subiaco, WA, 6008 | |
| **Mailing Address** | PO Box 38<br>West Perth, WA, 6872 | |
| **Share Registry** | Advanced Share Registry Services Pty Ltd<br>110 Stirling Highway<br>Perth, WA, 6009 | |
| **Auditor** | Stantons International<br>Level 2, 1 Walker Avenue<br>West Perth, WA, 6005 | |

## MANAGING DIRECTOR'S ANNUAL REVIEW

Twelve months ago, I referred to 2017/2018 as a period of "*exploration re-set*". This year, I would like to refer to 2018/2019 (the **Report Period**), as a period of "transformation". The much anticipated farm-in/joint venture agreement (**EIJVA**) was executed with South32 Limited (**South32**) involving our flagship project, Riqueza, located in Peru; and, as part of a deliberate strategy of repeating the partnership path, we have acquired three exploration projects in Australia that are considered highly prospective for large-scale (**Tier-1**) IOCG and porphyry mineral systems; and we have altered the board and increased our technical expertise to translate exploration activities to shareholder wealth.

From "going alone" in the pursuit of small-scale mineralisation, we are now partners with South32 in the pursuit of Tier-1 porphyry and skarn mineralisation at Riqueza. From focussing solely on Peru, we have now broadened our exploration footprint to include the highly prospective areas of the Northern Territory and north east Queensland, and we are now among the first movers in East Timor. From copper-zinc focussed we have now broadened our focus to include gold-copper whilst increasing our exposure to other base metals, battery and food security commodities.

The Report Period represents a period of measured and coordinated transformation associated with the company's exploration strategy of "finding, minding and combining projects". **Finding** means generating or acquiring projects that have Tier-1 potential, particularly in the porphyry-IOCG space. **Minding** means incubating projects and implementing low-cost value-adding exploration, to progress them to a point where they are potentially attractive to the major mining houses. **Combining** means putting projects and partners together.

A significant aspect of this strategy is the material reduction of operating costs, administrative cost reduction measures, including but not limited to salary sacrifices. Another aspect of the strategy is increased communication and transparency with our own shareholders committing to "user-friendly" ASX announcements and conducting Q&A Shareholder Workshops.

The three far-reaching outcomes that exemplify the tremendous successes of the Report Period include:

- **The execution of the Inca-South32 EIJVA**: South32 has the option to spend no less than US$9million to earn 60% of Riqueza over a four-year period.
- **The acquisition of new projects with Tier-1 potential**: These include the Frewena Fable IOCG Project, the Lorna May IOCG Project and the MaCauley Creek Gold-Copper Porphyry Project;
- **The appointment of key new personnel to the board and upper management**: Dr Jonathan West was appointed to the board as a NED, and Mr Robert Heaslop was appointed as Regional Exploration Manager.

The strategy that was incubated in 2017-2018 is now fully in play. We have a track record of securing partnerships; we have the track record of discoveries and have laid out three new exciting projects in Australia that have Tier-1 potential; and we have the right personnel to execute the plan to the fullest extent, and in full view of our shareholders.

Finally, I would encourage all those interested, if you haven't already done so, to visit our website or the ASX website to read our company announcements of the Report Period. Our ASX code is ICG. Thank you.

**Ross Brown**
**Managing Director**

## DIRECTORS' REPORT

The Directors of Inca Minerals Limited (**Inca** or **Company**) present their financial report on the Company and its controlled entities (**Group**) for the year ended 30 June 2019.

**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
- Gareth Lloyd, Director
- Jonathan West, Director (appointed 21 January 2019)
- Justin Walawski, Director (resigned 22 January 2019)

**Information on Directors and Company Secretary**

**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 Urcaguary Pty Ltd (**Urcaguary**), the Company's fully owned subsidiary (formerly called Inca Minerals Limited) and he became the Company's Managing Director after its takeover of Urcaguary. As at 30 June 2019, and in addition to his position with the Company, Mr Brown remains a Director of Urcaguary 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 (continued)

**Information on Directors and Company Secretary (continued)**

**GARETH LLOYD** B.Sc (Hons)
Director

As at 30 June 2019, 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.

**DR JONATHAN WEST** BSc (Hons), MSc (Explor Geol), PhD.

Director (appointed 21 January 2019)

Dr Jonathan West has worked across a variety of resource and energy development and management areas, in both the private and public sector for over 40 years, both in Australia and overseas. He has extensive senior management experience with a particular focus on strategic planning, policy development, resource development and management, and corporate and organisational change management. He has extensive experience with shareholder/stakeholder engagement and in working directly with traditional owners on a range of resource management and economic development projects. He was a director at Excelsior Gold Limited between 2016 – 2018.

**MALCOLM SMARTT** BA (Accounting), Grad Dip Corporate Management, FCPA, FCIS, FCIM
Company Secretary (appointed 17 May 2019)

Mr Smartt is a Corporate Consultant to listed and unlisted public companies. His is a qualified Accountant and Company Secretary having had considerable experience in Directional, Financial and Company Secretary roles with a number of listed companies in the resource sector in Australia, South East Asia and Africa.

**JUSTIN WALAWSKI** BBus., P.Grad.Dip., PhD, FCPA, MAICD
Director and Company Secretary (resigned as Director 22 January 2019 and as Company Secretary 17 May 2019)

Dr 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), Chairman of FAB Industries Pty Ltd 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.

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

## DIRECTORS' REPORT (continued)

**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's main focus is the exploration of its Peruvian projects with objectives being to find, develop and/or demonstrate the prospectivity of projects to potential partners. Inca will continue to seek opportunities for acquiring or farming into new tenements, and to divest or joint venture where it benefits shareholders.

In addition to Peru, the Company has also acquired projects in the highly prospective areas of the Northern Territory and north east Queensland, and has reviewed projects in East Timor with the possibility of acquiring a project in that region.

**Operating Results**

The Company's operating loss after income tax for the report period was $1,879,854 (2018: loss of $1,272,175).

**Principal Activities**

The Company's principal activities during the year were conducting exploration at our flagship Riqueza Project in Peru, partnership negotiations with South32 regarding Riqueza, assessing new projects and acquiring new projects. Inca's main focus of the year was to initiate a strategy of project acquisition, exploration and evaluation, and partnership. The strategy is designed to reduce operation costs, achieve partnerships over gold-copper focussed projects with Tier-1 potential and to have significant free carry positions.

**Review of Operations**

The Company's exploration activities, as well as other corporate activities of the year, were released to the Australian Securities Exchange (**ASX**) throughout the year ended 30 June 2019 (report period). These ASX announcements should be accessed (The Company's ASX code is **ICG**) and read in conjunction with this annual report.

During the report period, the Company's payments to suppliers and employees combined with payments for exploration and payments for project acquisitions totalled $3.350 million, of which $2.485 million (74.18%) represents cash flows on exploration, and $0.865 million (25.82%) represents cash outflows on administrative staff and administration. As in previous years, these figures highlight the Company's continued focus on the deployment of funds for exploration purposes to extract value through mineral discovery at its projects. The value-proposition this year now also extends to developing partnerships for extant and new projects alike.

The Company focussed on delivering the Inca-South32 Earn-in and Joint Venture Agreement (**EIJVA**), for the Riqueza Project in Peru, negotiations for which commenced in the previous annual report period. Prior to the execution of the EIJVA the Company purposely reduced exploration activities at Riqueza in the knowledge that post-EIJVA activities would be solely funded by South32. The Company also focussed on delivering additional projects selected on the basis that they would be attractive to major mining houses and therefore enjoy a trajectory similar to Riqueza.

**DIRECTORS' REPORT (continued)**

**OPERATING AND FINANCIAL REVIEW (continued)**

**Review of Operations (continued)**

Very significant developments were achieved during the report period at Riqueza. These include:

- The execution of the Inca-South32 EIJVA with principal terms and conditions being:
    - A commitment of US$9 million for 60% of the project company, Brillandino Minerals S.A.C. (**BMS**)
    - An option to acquire an additional 10% of BMS by funding a Prefeasibility Study (**PFS**)
    - Either a 60:40, 70:30 JV may be formed where Inca may be diluted to a Net Smelter Royalty if it elects not to fund beyond the PFS
- South32 funded exploration has recognised a Intermediate Sulphidation (**IS**) Epithermal Thermal mineral system at Riqueza, centred in the south-central part of the project area, but which extends to include multiple known zones of mineralisation including the Colina Roja gold-silver Prospect, the Uchpanga gold-silver-base metals Prospect, the new Cuncayoc Copper copper-silver Prospect and the Humaspunco-Pinta silver-lead-zinc Prospect.
- Post-report period developments include the identification of several very large magnetic bodies extending below surface geophysics targets generated (and reported) during the previous year. One such 3D modelled magnetic body has the dimension of 1,000m x 400m x 500m (or 200 million cubic metres).

Very significant developments were achieved during the report period in terms of new projects. These include:

- The acquisition of the Frewena Fable IOCG Project in the Northern Territory (a post-report period acquisition). Frewena Fable hosts a walk-up IOCG target that is over 5,000m (5kms) across. The target comprises coincident conductivity anomalies, bornite-pyrite ASTER anomalies, magnetic, radiometric and geomorphological anomalies. The project is live.
- The acquisition of the Lorna May IOCG Project in the Northern Territory. Lorna May hosts a walk-up IOCG target that is 7,000m (7kms) across. The target comprises coincident conductivity anomalies, magnetic and gravity anomalies. At the time of writing the project is not granted.
- The acquisition of the MaCauley Creek (**Mac Creek**) gold-copper-molybdenum Project in northeast Queensland. Mac Creek hosts a walk-up porphyry target that is over 13,000m (13km) across. The target comprises coincident magnetic, radiometric and geomorphological anomalies, as well as hosting mineralised granites and porphyry-related alteration. The project is live.
- The acquisition of a suite of projects in East Timor. The Company enjoys early-mover status in East Timor but at the time of writing the projects are not granted. Commodities include gold, silver, copper, nickel, chromite, phosphate and vanadium. All projects host walk-up mineralised targets. The Ossu Project hosts a potential gold-silver-copper-zinc volcanic massive sulphide deposit and the Paatal Project hosts phosphate-bearing sediments.
- The acquisition of the Toolebuc vanadium Project in central Queensland. It hosts a 7,000 (7km) strike length of Toolebuc Formation sediments that are known to contain potentially economic vanadium mineralisation. Elsewhere in the vicinity, the Toolebuc Formation hosts the fourth largest vanadium deposit in the world. The project is live.

During the report period the Company also built upon its technical capacity commensurate with the broadening project portfolio. Dr Jonathan West was appointed as NED to the Board of Directors and Mr Rob Heaslop was appointed as Regional Exploration Manager to manage the Australian portfolio.

**DIRECTORS' REPORT (continued)**

**OPERATING AND FINANCIAL REVIEW (continued)**

**Review of Operations (continued)**

The 2018-2019 report period represents a very significant year, a year of transformation for Inca and its shareholders. Pre-empting the increasing fluctuating fortunes of the resource sector and volatility of the money markets, some time ago the Company instigated a strategy of sustained exploration through partnerships to reduce operating costs while accessing exploration know-how and large exploration treasuries. This strategy is now fully in play.

**Financial Position**

The net assets of the Group were $6,512,208 as at 30 June 2019 ($5,761,426 as at 30 June 2018).

**Significant Changes in the State of Affairs**

The Company raised capital of $2.4 million (before broker commissions and other costs of capital raising) during the report period via the issue of 492,812,207 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**

On 4 July 2019, the Company issued 8,750,000 fully paid ordinary shares at $0.005 per share, raising $43,750 (before associated costs). Each share had a free attaching option issued on the basis of 1 option for every 1 share issued, exercisable at $0.012 on or before 7 August 2020. This resulted in the issue of 8,750,000 options on the same date.

On 22 August 2019, the Company issued 40,000,000 fully paid ordinary shares at $0.00375 per share, raising $150,000 (before associated costs).

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the Company's operations or the state of affairs of the Company in future financial years.

**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.

**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.

## DIRECTORS' REPORT (continued)

**OPERATING AND FINANCIAL REVIEW (continued)**

**Indemnification of Officers and Insurance Premiums**

The Company 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 Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid in respect of Directors' and Officers' insurance during the year amounted to $17,457 (2018: $13,265). Insurance premiums have not been allocated to individual directors or key management personnel.

**Options**

At the date of this report, there are 408,662,207 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, 8 meetings of directors were held. Attendances by each director were as follows:

| | Board Meetings | |
|---|---|---|
| | No. of meetings eligible to attend | Number attended |
| Mr Ross Brown | 8 | 8 |
| Mr Gareth Lloyd | 8 | 8 |
| Mr Jonathan West | 2 | 2 |
| Mr Justin Walawski | 6 | 6 |

**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.

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.

## DIRECTORS' REPORT (continued)

**REMUNERATION REPORT (AUDITED) (continued)**

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 regularly reviews their remuneration based on market practice, duties and accountability. Independent external advice is sought when required. No external advice was sought during the report period. 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 2019.

**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[3] |
|---|---|---|---|---|
| Ross Brown[1] | 1 March 2012 | 6 months | $255,708 per annum | The Company may terminate employment by giving 6 months' notice or 6 months payment in lieu |
| Gareth Lloyd | 14 September 2012 | Nil | $50,000 per annum director fees | None |
| Jonathan West | 21 January 2019 | Nil | $50,000 per annum director fees | None |
| Justin Walawski[2] | 21 December 2015 | 6 months | $220,000 per annum<br>$40,000 per annum director fees | None |

[1] Mr Brown is engaged as Managing Director under a contract of employment with the Company. In addition to his base salary, Mr Brown was eligible to receive an additional $20,000 performance-based remuneration (excluding superannuation), none of which became payable during the report period as the conditions had not been met.

[2] Mr Walawski resigned as a Director on 22 January 2019 and as Company Secretary on 17 May 2019 and the service agreement has no further impact.

[3] Other than statutory entitlements.

At a General Meeting of the Company held on 31 May 2019, shareholders approved the ability for the Company to undertake a future issue of directors' remuneration-sacrifice shares to Mr Ross Brown, Mr Gareth Lloyd and Mr Jonathan West. Any shares are to be issued in accordance with the Company's Directors' Remuneration-Sacrifice Share Plan (**Share Plan**).

Under the Share Plan, the Company's directors have agreed to reduce their cash remuneration by up to 50% through the issue of shares, in lieu of cash consideration. The reduction in cash consideration is for an amount up to $127,854 for Mr Brown, up to $25,000 for Mr Lloyd, and up to $25,000 for Mr West. As at 30 June 2019, no shares in lieu of cash consideration have been issued or are issuable. Each director has indicated that they will elect to be issued shares in lieu of cash consideration during the year ended 30 June 2020.

There are no other agreements with key management personnel.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### Key Management Personnel Remuneration

(a) Key management personnel compensation

| 2019 | Short-term benefits | | | | Post-employment benefits | | Performance related compensation as % of total remuneration | Total |
|---|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Perfor-mance Bonus $ | Other $ | Non-monetary benefits $ | Super-annuation $ | Long service leave $ | | $ |
| ***Directors*** | | | | | | | | |
| Ross Brown | 255,708 | - | 3,600 | - | 24,438 | 34,228 | - | 317,974 |
| Gareth Lloyd | 50,000 | - | - | - | 4,750 | - | - | 54,750 |
| Jonathan West | 20,833 | - | - | - | 1,979 | | | 22,812 |
| Justin Walawski | 244,650 | - | 2,114 | - | 15,209 | - | - | 261,973 |
| ***Executives*** | | | | | | | | |
| - | - | - | - | - | - | - | - | - |
| **Totals** | **571,191** | **-** | **5,714** | **-** | **46,376** | **34,228** | **0.0%** | **657,509** |

Premiums of $17,457 were paid in relation to directors and officers liability insurance.

| 2018 | Short-term benefits | | | | Post-employment benefits | | Performance related compensation as % of total remuneration | Total |
|---|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Perfor-mance Bonus $ | Other $ | Non-monetary benefits $ | Super-annuation $ | Retirement benefits $ | | $ |
| ***Directors*** | | | | | | | | |
| Ross Brown | 235,792 | - | 3,600 | - | 25,000 | - | - | 264,392 |
| Gareth Lloyd | 50,000 | - | - | - | 4,750 | - | - | 54,750 |
| Justin Walawski | 230,467 | - | 3,600 | - | 18,075 | - | - | 252,142 |
| ***Executives*** | | | | | | | | |
| - | - | - | - | - | | - | - | - |
| **Totals** | **516,259** | **-** | **7,200** | **-** | **47,825** | **-** | **0.0%** | **571,284** |

Premiums of $13,265 were paid in relation to directors and officers liability insurance.

b) Options and rights granted as remuneration

No options or rights were granted as remuneration during the year (2018: $nil).

c) Share Based Payments

No share-based payments were issued as key management personnel remuneration during the year (2018: $nil).

**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (AUDITED) (continued)**

**Key Management Personnel Relevant Interests**

The relevant interests of key management personnel in the capital of the Company at the date of this report is as follows:

| *Director* | *Number of Ordinary Shares* | *Number of Options over Ordinary Shares* |
|---|---|---|
| Ross Brown | 35,911,762 | 3,500,000 |
| Gareth Lloyd | - | - |
| Jonathan West | 17,000,000 | 8,000,000 |

The following tables show the movements in the relevant interests of key management personnel in the share capital of the Company:

| **2019** | | | | |
|---|---|---|---|---|
| **Name** | **Opening balance 1 July 2018** | **Additions / Director Appointment** | **Disposals / Director Resignation** | **Closing balance 30 June 2019** |
| Ross Brown | 31,411,762 | 4,500,000 | - | 35,911,762 |
| Gareth Lloyd | - | - | - | - |
| Jonathan West | - | 17,000,000 | - | 17,00,000 |
| Justin Walawski | 3,060,002 | 777,773 | (3,837,775) | - |
| **Totals** | **34,471,764** | **22,277,773** | **(3,837,775)** | **52,911,762** |

| **2018** | | | | |
|---|---|---|---|---|
| **Name** | **Opening balance 1 July 2017** | **Additions** | **Disposals** | **Closing balance 30 June 2019** |
| Ross Brown | 31,411,762 | - | - | 31,411,762 |
| Gareth Lloyd | - | - | - | - |
| Justin Walawski | 2,448,001 | 612,001 | - | 3,060,002 |
| **Totals** | **33,859,763** | **612,001** | **-** | **34,471,764** |

**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.

END OF REMUNERATION REPORT

## DIRECTORS' REPORT (continued)

**Auditor's Independence Declaration**

We have obtained an Auditor's Independence Declaration. Please refer to "Auditor's Independence Declaration" included on page 44 of the financial statements.

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

Ross Brown
Director

Dated at Perth this 18th day of September 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**for the year ended 30 June 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| Revenue | 2 | 279,333 | 83,974 |
| Management and directors' fees | | (74,059) | (94,113) |
| Wages and salaries | | (270,171) | (266,467) |
| Administrative expenses | | (576,496) | (517,408) |
| Advertising and promotional costs | | (39,623) | (18,975) |
| Professional fees | | (184,756) | (106,421) |
| Listing and share registry expenses | | (70,886) | (67,826) |
| Depreciation | | (12,207) | (7,558) |
| Impairment of Peruvian Value Added Tax receivable | | (223,805) | (264,382) |
| Foreign exchange (loss) / gain | | (17,043) | (9,497) |
| Environmental rehabilitation | | (34,942) | (3,502) |
| Exploration and evaluation expenditure written off | 7 | (655,199) | - |
| **(Loss) before income tax** | | (1,879,854) | (1,272,175) |
| Income tax benefit | 3 | - | |
| **(Loss) after income tax** | | (1,879,854) | (1,272,175) |
| **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 | | 357,218 | 234,992 |
| **Total comprehensive (loss)** | | (1,522,636) | (1,037,183) |
| **(Loss) for the year attributable to members of Inca Minerals Limited** | | (1,879,854) | (1,272,175) |
| **Total comprehensive (loss) attributable to members of Inca Minerals Limited** | | (1,522,636) | (1,037,183) |
| Basic and diluted (loss) per share (cents) | 12 | (0.07) | (0.05) |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
**as at 30 June 2019**

| | Note | 2019<br>$ | 2018<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 13(b) | 1,377,481 | 789,315 |
| Trade and other receivables | 5 | 30,597 | 124,531 |
| **Total Current Assets** | | 1,408,078 | 913,846 |
| | | | |
| **Non-Current Assets** | | | |
| Plant and equipment | 6 | 237,937 | 205,688 |
| Exploration and evaluation expenditure | 7 | 6,871,149 | 5,307,999 |
| **Total Non-Current Assets** | | 7,109,086 | 5,513,687 |
| | | | |
| **TOTAL ASSETS** | | 8,517,164 | 6,427,533 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 8(a) | 172,055 | 302,647 |
| Income received in advance | 8(b) | - | 277,988 |
| Provisions | 8(c) | 126,359 | 85,472 |
| Funding in advance | 8(d) | 1,706,542 | - |
| **Total Current Liabilities** | | 2,004,956 | 666,107 |
| | | | |
| **TOTAL LIABILITIES** | | 2,004,956 | 666,107 |
| | | | |
| **NET ASSETS** | | 6,512,208 | 5,761,426 |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 9 | 39,543,924 | 37,270,506 |
| Accumulated losses | | (33,276,010) | (31,396,156) |
| Foreign currency translation reserve | | 244,294 | (112,924) |
| | | | |
| **TOTAL EQUITY** | | 6,512,208 | 5,761,426 |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the year ended 30 June 2019**

| | Contributed Equity | Accumulated Losses | Foreign Currency Translation Reserve | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2018** | | | | |
| **Balance at 1 July 2017** | 35,742,124 | (30,123,981) | (347,916) | 5,270,227 |
| Total comprehensive loss for the year | - | (1,272,175) | 234,992 | (1,037,183) |
| Shares issued during the year | 2,064,910 | - | - | 2,064,910 |
| Cost of equity issue | (536,528) | - | - | (536,528) |
| **Balance at 30 June 2018** | 37,270,506 | (31,396,156) | (112,924) | 5,761,426 |
| **2019** | | | | |
| **Balance at 1 July 2018** | 37,270,506 | (31,396,156) | (112,924) | 5,761,426 |
| Total comprehensive loss for the year | - | (1,879,854) | 357,218 | (1,522,636) |
| Shares issued during the year | 2,401,111 | - | - | 2,401,111 |
| Cost of equity issue | (127,693) | - | - | (127,693) |
| **Balance at 30 June 2019** | 39,543,924 | (33,276,010) | 244,294 | 6,512,208 |

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**for the year ended 30 June 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Proceeds under Option Agreement | | - | 399,460 |
| Payments to suppliers and employees | | (864,928) | (664,836) |
| Interest received | | 1,151 | 4,368 |
| Net cash (used in) operating activities | 13 (a) | (863,777) | (261,008) |
| **Cash flows from investing activities** | | | |
| Payments for exploration expenditures | | (2,485,169) | (3,552,043) |
| Payments for plant and equipment | | (62,391) | (106,512) |
| Net cash (used in) investing activities | | (2,547,560) | (3,658,555) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares (net of share issue costs) | | 2,232,759 | 1,548,023 |
| Proceeds from S32 under Share Subscription and Earn-in Agreement | | 1,718,791 | - |
| Proceeds received in advance for shares | | 43,500 | - |
| Net cash from financing activities | | 3,995,050 | 1,548,023 |
| Net increase/ (decrease) in cash held | | 583,713 | (2,371,540) |
| Cash and cash equivalents at the beginning of the financial year | | 789,315 | 3,130,990 |
| Effect of exchange rate changes on cash and cash equivalents | | 4,453 | 29,865 |
| **Cash and cash equivalents at the end of the financial year** | 13 (b) | 1,377,481 | 789,315 |

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

## 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 18th September 2019 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 2019, 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 Group has applied AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers for the first time this reporting period. The amendments as a result of these standards did not have an impact on the amounts recognised in prior periods, and are not expected to significantly affect the current or future periods.

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 2019, the Group incurred after tax losses of $1,879,854 (2018: loss of $1,272,175) and the Group had net cash inflows of $583,713 (2018: net cash outflows of $2,371,540).

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

- The Group has cash at bank at the reporting date of $1,377,481, a net working capital deficiency of $596,878 and net assets of $6,512,208;
- The Company completed capital raisings in July and August 2019 raising $193,750 (before broker commissions and other costs of the capital raising) through the issue of 48,750,000 fully paid ordinary shares and 8,750,000 free attaching options;
- The ability of the Group to raise capital by the issue of additional shares under the Corporation Act 2001;
- Future funding provided for the Riqueza project by S32 under the Share Subscription and Earn-in Agreement; and
- The ability to curtail administration, operational and investing cash outflows as required.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**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 2018 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 21.

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**

The Group has applied AASB 15 Revenue from Contracts with Customers using the cumulative effective method. The Director have assessed that the adoption of AASB 15 does not have a significant impact on the Group as the Group does not have any significant revenues from contracts with customers.

**c) Income Tax**

The income tax expense / (benefit) 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 (benefit) 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.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 1: Statement of Significant Accounting Policies (continued)**

**c) Income Tax (continued)**

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.

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 Evaluation 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.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 1: Statement of Significant Accounting Policies (continued)**

**d) Mining Tenements and Exploration and Evaluation Expenditure (continued)**

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.

**e) Financial Instruments**

*Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

*Subsequent measurement of financial assets*

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 1: Statement of Significant Accounting Policies (continued)**

**e) Financial Instruments (continued)**

*Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

*- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows*

*- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

*Financial assets at fair value through profit or loss (FVTPL)*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

*Financial assets at fair value through other comprehensive income (FVOCI)*

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 1: Statement of Significant Accounting Policies (continued)**

**e) Financial Instruments (continued)**

*Impairment of financial assets*

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

*Trade and other receivables and contract assets*

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

*Classification and measurement of financial liabilities*

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 1: Statement of Significant Accounting Policies (continued)**

**e) Financial Instruments (continued)**

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 1: Statement of Significant Accounting Policies (continued)**

**g) Plant and Equipment (continued)**

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** | |
|---|---|
| Plant and equipment | 10–33% |
| Motor vehicles | 20–33% |
| IT equipment | 10-33% |
| 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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 1: Statement of Significant Accounting Policies (continued)**

**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 2019**

**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.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 1: Statement of Significant Accounting Policies (continued)**

*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).

**s) New Standards and Interpretations Not Yet Adopted**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

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

  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

The main changes introduced by the new Standard are as follows:

- recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciating the right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

The Company has a lease over its office premises that, under the adoption of the new AASB 16, will result in a right of use asset amounting to $70,204, and the corresponding lease liability of $70,204, on adoption.

The directors anticipate that the adoption of AASB 16 will not have a material impact on the Group's recognition of leases and disclosures.

**t) Comparative Figures**

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 2: Revenue**

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Interest received | 1,345 | 4,333 |
| Income received under option agreement | 277,988 | 79,641 |
| | 279,333 | 83,974 |

**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 | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Loss before income tax | (1,879,854) | (1,272,175) |
| Income tax at 27.5% (2018: 27.5%) | (516,960) | (349,848) |
| Tax effect of: | | |
| Deferred tax asset not recognised | 598,698 | 268,217 |
| Movement in unrecognised temporary differences | (98,464) | (35,499) |
| Tax effect of permanent differences | (500,234) | 526 |
| Income tax benefit | - | - |

(c) Unrecognised deferred tax balances

| | | |
|---|---|---|
| Revenue tax losses available to the Company | 26,689,724 | 24,217,023 |
| Potential tax benefit at 27.5% (2018: 27.5%) | 7,336,974 | 6,687,181 |

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.

**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 | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| **Current** | | |
| Other receivables | 21,891 | 20,461 |
| Prepayments | 8,706 | 5,399 |
| GST and VAT | - | 98,671 |
| | 30,597 | 124,531 |

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 6: Plant and Equipment**

| | Plant and equipment $ | IT equipment $ | Leasehold Improvements $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2017 | 114,224 | 2,302 | 2,766 | 119,292 |
| Additions / (disposals) and writeoffs | 115,258 | 1,504 | - | 116,762 |
| Depreciation / writeback on disposals* | (27,973) | (1,012) | (1,381) | (30,366) |
| Balance at 30 June 2018 | 201,509 | 2,794 | 1,385 | 205,688 |
| At cost | 277,997 | 21,848 | 6,907 | 306,752 |
| Accumulated depreciation | (76,488) | (19,054) | (5,522) | (101,064) |
| Balance at 30 June 2018 | 201,509 | 2,794 | 1,385 | 205,688 |
| Balance at 1 July 2018 | 201,509 | 2,794 | 1,385 | 205,688 |
| Additions / (disposals) and writeoffs | 60,278 | - | (694) | 59,584 |
| Depreciation / writeback on disposals* | (25,282) | (1,362) | (691) | (27,335) |
| Balance at 30 June 2019 | 236,505 | 1,432 | - | 237,937 |
| At cost | 338,275 | 21,848 | 6,213 | 366,336 |
| Accumulated depreciation | (101,770) | (20,416) | (6,213) | (128,399) |
| Balance at 30 June 2019 | 236,505 | 1,432 | - | 237,937 |

* *Inclusive of depreciation capitalised to exploration and evaluation expenditure.*

**Note 7: Exploration and Evaluation Expenditure**

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

| | Consolidated 2019 $ | Consolidated 2018 $ |
|---|---|---|
| Exploration and evaluation phase – at cost | | |
| Balance at 1 July | 5,307,999 | 2,228,409 |
| Expenditure incurred (including exchange rate movements) | 2,218,349 | 3,079,590 |
| Expenditure written off | (655,199) | - |
| Balance at 30 June | 6,871,149 | 5,307,999 |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 8(a): Trade and Other Payables (current)**

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Trade and other creditors | 107,009 | 259,394 |
| Accrued liabilities | 21,546 | 43,253 |
| Share capital funds received in advance | 43,500 | - |
| | 172,055 | 302,647 |

None of the payables are past due date.

**Note 8(b): Income Received in Advance (current)**

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Income received in advance under an option agreement with South32* | - | 227,988 |
| | - | 227,988 |

*During the previous financial year, the Company received funds from South32 as consideration for an option to negotiate an earn-in agreement with the Company. The funds received must be used to undertake and prepare a final report on a geophysical survey at the Greater Riqueza project. As at 30 June 2018, the survey and final report were in progress and, as a consequence, part of the funds received are treated as income received in advance. The Company completed the survey and final report in the year ended 30 June 2019 at which time all income received in advance was recorded as revenue.

**Note 8(c): Provisions (current)**

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Annual leave | 92,131 | 85,472 |
| Long service leave | 34,228 | - |
| | 126,359 | 85,472 |

**Note 8(d): Funding in Advance (current)**

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Funding received under Share Subscription Agreement and Earn-In Agreement with South32* | 1,706,542 | - |
| | 1,706,542 | - |

*Under the terms of the Share Subscription and Earn-In Agreement (Agreement) with South32 Group Operations Pty Ltd (South32) dated 29 March 2019, this amount represents funding received from S32 in relation to project expenditure that the Company must incur on the Greater Riqueza Project held by its 100% subsidiary Brillandino Minerales S.A.C. (Brillandino).

Under the Agreement, and subject to all conditions within the Agreement being met, S32 will subscribe for and the Company will allot and issue shares in Brillandino equal to the amount of the funding received. Upon issuing shares in Brillandino, the amount of $1,706,542 will be recorded as share capital in the accounts of Brillandino, and as a non-controlling interest in the accounts of the Company.

Refer to note 20 for contractual obligations in relation to the Agreement.

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2019**

### Note 9: Contributed Equity

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| a) Paid up capital | | |
| 3,085,600,366 ordinary shares (30 June 2018: 2,592,788,159 ordinary shares) | 39,543,924 | 37,270,505 |

| b) Movements in shares on issue | **No of shares** | **Paid up capital $** |
|---|---|---|
| Balance at 30 June 2017 | 2,286,244,757 | 35,742,124 |
| Issued 6 July 2017 | 18,212,110 | 270,851 |
| Issued 22 November 2017 | 30,247,705 | 280,388 |
| Issued 12 December 2017 | 160,611,625 | 963,670 |
| Issued 22 December 2017* | 70,000,000 | 385,000 |
| Issued 2 March 2018 | 26,666,667 | 160,000 |
| Issued 12 April 2018 | 805,295 | 5,000 |
| Transaction costs from issue of shares* | - | (536,527) |
| Balance at 30 June 2018 | 2,592,788,159 | 37,270,506 |
| Issued 2 August 2018 | 27,500,000 | 137,500 |
| Issued 5 September 2018 | 136,128,818 | 680,644 |
| Issued 19 September 2018 | 32,961,000 | 164,805 |
| Issued 1 October 2018 | 12,900,000 | 64,500 |
| Issued 22 October 2018 | 9,875,000 | 39,500 |
| Issue 7 November 2018 | 10,000,000 | 50,000 |
| Issued 3 December 2018 | 143,292,389 | 716,462 |
| Issued 7 December 2018 | 1,540,000 | 7,700 |
| Issued 7 December 2018 | 12,950,000 | 51,800 |
| Issued 13 March 2019 | 13,450,000 | 67,250 |
| Issued 13 March 2019 | 25,150,000 | 102,750 |
| Issued 2 May 2019 | 46,640,000 | 233,200 |
| Issued 2 May 2019 | 14,925,000 | 60,000 |
| Issued 5 June 2019 | 3,000,000 | 15,000 |
| Issued 5 June 2019 | 2,500,000 | 10,000 |
| Transaction costs from issue of shares | - | (127,693) |
| Balance at 30 June 2019 | 3,085,600,366 | 39,543,924 |

** On 22 December 2017, 70,000,000 shares were issued as collateral only, and pursuant to the controlled placement facility with Acuity Capital, for nil consideration. For financial reporting purposes only, a nominal value of $385,000, based on the market price of these shares at the time of issue, has been recognised here.*

c) Movements in options on issue

There were 399,912,207 listed options issued during the year, and 399,912,207 listed options outstanding over unissued ordinary shares on issue at 30 June 2019. These options are exercisable at $0.012 per option at any time up to 7 August 2020.

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 2019**

### 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 2019. The totals of remuneration paid to key management personnel of the Company during the year are as follows:

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Short-term employee benefits (i) | 576,905 | 523,459 |
| Post-employment benefits (ii) | 80,604 | 47,825 |
| | 657,509 | 571,284 |

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

(ii) Includes superannuation contributions and long service leave entitlements.

b) Key management personnel shareholdings

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

| 2019 | | | | |
|---|---|---|---|---|
| **Name** | **Opening balance 1 July 2018** | **Additions / Director Appointment** | **Disposals / Director Resignation** | **Closing balance 30 June 2019** |
| Ross Brown | 31,411,762 | 4,500,000 | - | 35,911,762 |
| Gareth Lloyd | - | - | - | - |
| Jonathan West | - | 17,000,000 | - | 17,000,000 |
| Justin Walawski | 3,060,002 | 777,773 | (3,837,775) | - |
| **Totals** | **34,471,764** | **22,277,773** | **(3,837,775)** | **52,911,762** |

| 2018 | | | | |
|---|---|---|---|---|
| **Name** | **Opening balance 1 July 2017** | **Additions** | **Disposals** | **Closing balance 30 June 2018** |
| Ross Brown | 31,411,762 | - | - | 31,411,762 |
| Gareth Lloyd | - | - | - | - |
| Justin Walawski | 2,448,001 | 612,001 | - | 3,060,002 |
| **Totals** | **33,859,763** | **612,001** | **-** | **34,471,764** |

### Note 11: Related Party Transactions

There were no other transactions and balances with directors and other key management personnel.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 12: Loss Per Share**

| | Consolidated 2019 $ | Consolidated 2018 $ |
|---|---|---|
| a) Basic Earnings Per Share | | |
| Loss used in calculating basic earnings per share | (1,879,854) | (1,272,175) |
| Weighted average number of ordinary shares on issue during the year used as the denominator in calculating basic loss per share | 2,889,474,545 | 2,455,775,129 |
| Basic loss per share (cents) | (0.07) | (0.05) |

b) Diluted loss per share (cents)

Diluted loss per share is the same as basic loss per share as the Company is in a loss making position.

**Note 13: Cash Flow Information**

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

| | Consolidated 2019 $ | Consolidated 2018 $ |
|---|---|---|
| Net loss for the year | (1,879,854) | (1,272,175) |
| Depreciation | 12,207 | 7,558 |
| Impairment of Peruvian value added tax | 223,805 | 264,382 |
| Foreign exchange (gains) / losses | 17,043 | 9,497 |
| Exploration and evaluation expenditure written off | 655,199 | - |
| Peruvian capitalised exploration expenditure | 332,082 | 113,630 |
| Professional fees paid in share capital | 49,500 | 5,000 |
| Changes in assets and liabilities | | |
| (Increase) / decrease in trade and other receivables | 93,934 | (100,799) |
| Increase / (decrease) in trade and other payables | (130,592) | 435,177 |
| Increase / (Decrease) in provisions | 40,887 | (1,266) |
| Increase / (Decrease) in income received in advance | (277,988) | 277,988 |
| Net cash outflow from operating activities | (863,777) | (261,008) |

(b) Reconciliation of cash and cash equivalents

| | 2019 | 2018 |
|---|---|---|
| Cash balance comprises: cash assets | 1,377,481 | 789,315 |

(c) Non-cash financing activities

On 22 October 2018, the Company issued 9,875,000 fully paid ordinary shares for a total value of $39,500 as payment for services provided to the Company.

On 5 June 2019, the Company issued 2,500,000 fully paid ordinary shares for a total value of $10,000 as payment for services provided to the Company.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**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 2019 $ | Consolidated 2018 $ |
|---|---|---|
| Not later than one year | 791,786 | 646,501 |
| Between one and five years | 5,211,435 | 2,637,777 |
| | 6,003,221 | 3,284,278 |

The exploration expenditure commitments above include commitments related to agreements for the acquisition of interests in mining concessions pertaining to the Group's Greater Riqueza (**Riqueza**) and Cerro Rayas projects in Peru. As at 30 June 2019 the Group has met all its obligations in respect of the agreements and all future exploration commitments are payable at the Group's discretion and dependent upon the Group acquiring the exclusive rights to the mining concessions. The key terms of the agreements pertaining to concessions within the Riqueza and Cerro Rayas projects are set out below.

**1. Riqueza Project:** A 5-year mining concession transfer option and assignment agreement granting the Group the exclusive option to acquire 100% interest in a mining concession called Nueva Santa Rita and referred to as the Riqueza Project. The Group has the exclusive right to terminate at any time during the transfer option and assignment period and any unpaid amounts are not payable to the vendor. Other key terms are:

| | |
|---|---|
| Total Mining Concession Transfer Option & Assignment (**MCTOA**) Consideration | US$1,773,000 |
| Payment Timing of MCTOA Consideration | MCTOA Payment on Execution Date (**ED**): US$30,000*<br>MCTOA Payment 6 months from ED: US$20,000*<br>MCTOA Payment 12 months from ED: US$50,000*<br>MCTOA Payment 18 months from ED: US$60,000*<br>MCTOA Payment 24 months from ED: US$50,000*<br>MCTOA Payment 30 months from ED: US$63,000*<br>MCTOA Payment 36 months from ED: US$100,000*<br>MCTOA Payment 42 months from ED: US$100,000<br>MCTOA Payment 48 months from ED: US$150,000<br>MCTOA Payment 54 months from ED: US$150,000<br>MCTOA Payment 60 months from ED: US$1,000,000 |
| Mining assignment period | 5 years from the Execution Date (17 May 2016) |
| NSR Royalty | 2% NSR. The Group has a 20-year option to buy back 50% of the NSR for US$1,000,000 leaving a 1% NSR to the vendor. |
| Cancellability | The Group has the exclusive right to terminate at any time during the option and assignment period without cost or penalty. Any unpaid amounts are not payable to the vendor. |

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 14: Expenditure Commitments (continued)**

**2. Cerro Rayas Project - La Elegida Concession:** A 2-year mining concession transfer option and assignment agreement commencing 30 June 2017 granting the Group the exclusive option to acquire 100% interest in a mining concession known as La Elegida which forms part of the Group's Cerro Rayas Project. The Group has the exclusive right to terminate at any time during the transfer option and assignment period and any unpaid amounts are not payable to the vendor.

On 10 April 2019, the Group executed an addendum to the option and assignment agreement extending the payment timing. The total consideration payable remains unchanged. The addendum extended the assignment period to 34 months form the commencement date.

Other key terms are:

| | |
|---|---|
| Total Mining Concession Transfer Option and Assignment (**MCTOA**) Consideration | US$244,000 |
| Payment Timing of MCTOA Consideration | Mining assignment and purchase option payments (**MAPOP**):<br>MAPOP on Commencement Date (**CD**): US$50,000*<br>MAPOP on or before 6 months from CD: US$11,000*<br>MAPOP on or before 12 months from CD: US$90,000*<br>MAPOP on or before 24 months from CD: US$41,000*<br>MAPOP on or before 25 - 32 months from CD: US$4,000 per month. These payments total US$32,000.<br>MAPOP on or before the 33rd month from CD: US$10,000<br>MAPOP on or before the 34th month from CD: US$10,000 |
| Mining assignment period | 34 months from the Commencement Date (30 June 2017) |
| Cancellability | The Group has the exclusive right to terminate at any time during the option and assignment period without cost or penalty. Any unpaid amounts are not payable to the vendor. |

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

**3. Cerro Rayas Project - La Elegida I Concession:** A 2.5-year mining concession transfer option and assignment agreement commencing 10 October 2016 granting the Group the exclusive option to acquire 100% interest in a mining concession known as La Elegida I which forms part of the Group's Cerro Rayas Project. The Group had 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. The group exercised its right to early terminate the agreement, through a letter dated February 27, 2019. On 9 May 2019, the Group lodged with the Lima Registry Office the termination of the agreement and has no further rights or obligations pursuant to the agreement.

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

| | Consolidated 2019 $ | Consolidated 2018 $ |
|---|---|---|
| Not later than one year | 38,618 | 50,598 |
| Between one and five years | 52,654 | 180 |
| | 91,272 | 50,778 |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

### Note 15: Auditor's Remuneration

| | Consolidated 2019 $ | Consolidated 2018 $ |
|---|---|---|
| Statutory audit by auditor of the parent company | | |
| Audit and review of financial statements of parent entity | 29,100 | 28,500 |
| Under provision from the prior year | - | 63 |
| Audit and review of financial statements of subsidiary entity | 500 | 1,500 |
| | 29,600 | 30,063 |
| Statutory audit by auditor of Inca Minerales S.A.C. and Brillandino Minerales S.A.C. | 14,687 | 14,169 |
| Other services by auditor of Inca Minerales S.A.C. and Brillandino Minerales S.A.C. | 2,139 | - |
| | 16,826 | 14,169 |

### 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 (2018: 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 | | | |
| 2019 | 279,333 | | 279,333 |
| 2018 | 83,974 | - | 83,974 |
| Segment result | | | |
| 2019 | (515,928) | (1,363,926) | (1,879,854) |
| 2018 | (618,072) | (654,103) | (1,272,175) |
| Segment assets | | | |
| 2019 | 227,598 | 8,289,566 | 8,517,164 |
| 2018 | 491,117 | 5,936,416 | 6,427,533 |
| Segment liabilities | | | |
| 2019 | (188,181) | (1,816,775) | (2,004,956) |
| 2018 | (456,035) | (210,072) | (666,107) |
| Depreciation and amortisation expense | | | |
| 2019 | (2,938) | (9,269) | (12,207) |
| 2018 | (2,584) | (4,974) | (7,558) |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**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 (%) | Non-interest bearing $ | Floating interest rate $ | Fixed interest maturing 1 year or less $ | Fixed interest maturing 1 to 5 years $ | Total $ |
|---|---|---|---|---|---|---|
| **30 June 2019** | | | | | | |
| Cash and cash equivalents | 0.06 | 1,183,293 | 174,188 | 20,000 | - | 1,377,481 |
| **30 June 2018** | | | | | | |
| Cash and cash equivalents | 0.29 | 392,785 | 376,530 | 20,000 | - | 789,315 |

(b) Interest rate sensitivity analysis

At 30 June 2019, 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 $2,708 higher/lower (2018: $4,900), 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.

(c) 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.

(d) 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.

(e) 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 2019**

**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 2019** | | | | |
| **Financial liabilities due for payment** | | | | |
| Trade and other payables | (172,055) | - | - | (172,055) |
| Funds in advance | - | (1,706,542) | - | (1,706,542) |
| | (172,055) | (11,706,542) | - | (1,878,597) |
| **Financial assets – cash flows realisable** | | | | |
| Cash assets | 1,377,481 | - | - | 1,377,481 |
| Trade and other receivables | 30,597 | - | - | 30,597 |
| | 1,408,078 | - | - | 1,408,078 |
| **Net (outflow)/inflow on financial instruments** | **1,236,023** | **(1,706,542)** | **-** | **(470,519)** |
| **30 June 2018** | | | | |
| **Financial liabilities due for payment** | | | | |
| Trade and other payables | (302,647) | - | - | (302,647) |
| | (302,647) | - | - | (302,647) |
| **Financial assets – cash flows realisable** | | | | |
| Cash assets | 789,315 | - | - | 789,315 |
| Trade and other receivable | 124,531 | - | - | 124,531 |
| | 913,846 | - | - | 913,846 |
| **Net (outflow)/inflow on financial instruments** | **611,199** | **-** | **-** | **611,199** |

There were no Level 2 or Level 3 financial instruments.

(f) 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.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, is mainly in relation to its cash and cash equivalents and exploration and evaluation expenditure, and was as follows.

| | USD $ | PEN $ |
|---|---|---|
| **30 June 2019** | | |
| Cash and cash equivalents | 1,137,028 | 51,344 |
| Exploration and evaluation expenditure | - | 5,870,693 |
| **30 June 2018** | | |
| Cash and cash equivalents | 293,244 | 100,217 |
| Exploration and evaluation expenditure | - | 4,757,235 |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 17: Financial Risk Management Objectives and Policies (continued)**

(g) 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.

**Note 18: Events Subsequent to Reporting Date**

On 4 July 2019, the Company issued 8,750,000 fully paid ordinary shares at $0.005 per share, raising $43,750 (before associated costs). Each share had a free attaching option issued on the basis of 1 option for every 1 share issued, exercisable at $0.012 on or before 7 August 2020. This resulted in the issue of 8,750,000 options on the same date.

On 22 August 2019, the Company issued 40,000,000 fully paid ordinary shares at $0.00375 per share, raising $150,000 (before associated costs).

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the Company's operations 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: Contractual Obligations**

***Share Subscription and Earn-In Agreement (Agreement) with South32 Group Operations Pty Ltd (S32)***

On 29 March 2019, the Company entered into an Agreement with S32 in relation to share subscription and earn-in on its 100% subsidiary Brillandino Minerales S.A.C. (Brillandino), the holder of the Greater Riqueza Project. Under the Agreement, S32 can earn-in to Brillindino by way of the following.

*Phase 1 Funding*

During the Phase 1 funding period:

(a) S32 must contribute 100% of the annual funding to allow Brillandino to incur project expenditure forming part of the Phase 1 funding obligation;

(b) S32 must contribute such funding as is required to satisfy each annual funding, provided that S32, at a minimum, contributes the cumulative funding specified below within the following timeframes:

(i) Year 1 Commitment - US$1. 7 million.
(ii) Year 2 Commitment - US$3.7 million.
(iii) Year 3 Commitment – US$6.0 million; and
(iv) Year 4 Commitment - US$9.0 million.

*Share subscription*

*Tranche of subscription share*

Subject to satisfying each annual programme and annual budget, Brilliandino must allot and issue, such number of shares equivalent to:

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 20: Contractual Obligations (continued)**

(i) Year 1 Commitment - US$1. 7 million. Subscription Shares equivalent to 11% of the Shares (on a diluted basis) in Brilliandino.

(ii) Year 2 Commitment - US$3.7 million. An additional 13% of Shares (on a diluted basis) which results in S32 holding 24% of Shares (on a diluted basis);

(iii) Year 3 Commitment – US$6.0 million. An additional 16% of Shares (on a diluted basis) which results in S32 holding 40% of Shares (on a diluted basis);

(iv) Year 4 Commitment - US$9.0 million.
An additional 20% of Shares (on a diluted basis) which results in S32 holding 60% of Shares (on a diluted basis).

Over the course of the 4-year phase 1 period, should the US$9.0 million expenditure commitment be met by S32, S32 will be issued a total of 60% of the issued share capital in Brilliandino.

*Right of withdrawal*

S32 may elect to withdraw on the completion of each annual programme/annual budget during Phase 1 provided that S32 has:

(i) fully met the expenditures set out in the relevant annual funding; and
(ii) by the proposed date of withdrawal, paid the total cumulative amount specified in the relevant annual commitment, then

S32 may exercise its right to withdraw from the Agreement and S32 is released from all further obligations, funding commitments and liabilities under the Agreement, and the Agreement will terminate.

*Failure to complete Phase 1 funding*

(a) Unless otherwise agreed in writing, if Inca complies with its obligations under the Agreement and S32 fails to contribute in accordance with the terms and conditions of the Agreement or withdraws from the Agreement then:

(A) S32 may issue a notice to Inca requiring Inca to acquire or buy back all of S32's Shares for $1; or
(B) Inca may issue a notice to S32 requiring S32 to sell all or agree to the buy-back of all of S32's shares to Inca for $1.

*Satisfaction of Phase 1 Funding Obligation*

If S32 satisfies the Phase 1 funding obligation and has not withdrawn from the Agreement:

(a) S32, Brillandino and Inca must promptly meet and negotiate in good faith to agree the final terms and conditions of a Shareholders' Agreement, which must be on customary terms and conditions, with such agreement to be reached within 90 days from the date that S32 satisfies the Phase 1 funding obligation; and
(b) S32 may within 60 days of the end of the Phase 1 funding period elect to exercise its right to carry out the Phase 2 funding obligation.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 20: Contractual Obligations (continued)**

*Phase 2 Funding*

Under the Phase 2 funding:

(i) S32 is entitled to subscribe for an additional total 10% shareholding in Brillandino; and
(ii) S32 must contribute 100% of the funding to allow Brillandino to incur project expenditure pursuant to such annual programmes and annual budgets as is necessary in order to complete a pre-feasibility study.

(b) Provided that S32 has satisfied the expenditures set out in the relevant annual programme and annual budget during the Phase 2 funding period, S32 may withdraw from its obligation to carry out the Phase 2 funding obligation at any time during the Phase 2 funding in which case S32 has no ·entitlement to retain any of the shares in Brillandino which it acquired as part of the Phase 2 funding obligation.

**Note 21: Controlled Entities**

| | Country of Incorporation | Percentage Controlled (%) | |
|---|---|---|---|
| | | **2019** | **2018** |
| Subsidiaries of Inca Minerals Limited: | | | |
| Urcaguary Pty Ltd | Australia | 100 | 100 |
| Inca Minerales S.A.C. | Peru | 100 | 100 |
| Brillandino S.A.C. | Peru | 100 | - |
| Dos Colinas S.A.C. | Peru | 100 | 100 |
| Hydra Minerals Ltd | Australia | 100 | 100 |
| Dingo Minerals Pty Ltd | Australia | 100 | 100 |

**Note 22: Parent Information**

| | **2019** | **2018** |
|---|---|---|
| | **$** | **$** |
| *Financial position* | | |
| Assets | | |
| Current assets | 225,921 | 487,088 |
| Non-current assets | 6,474,469 | 5,730,207 |
| Total assets | 6,700,390 | 6,217,295 |
| | | |
| Liabilities | | |
| Current liabilities | (188,181) | (455,535) |
| Non-current liabilities | - | - |
| Total liabilities | (188,181) | (455,535) |
| | | |
| **Net Assets** | **6,512,209** | **5,761,760** |
| | | |
| Equity | | |
| Issued capital | 39,543,925 | 37,270,506 |
| Accumulated Losses | (33,031,716) | (31,508,746) |
| **Total equity** | **6,512,209** | **5,761,760** |
| *Financial performance* | | |
| (Loss) for the year | (1,522,970) | (1,036,849) |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **(1,522,970)** | **(1,036,849)** |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2019**

**Note 22: Parent Information (continued)**

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.

The Company has certain operating commitments pertaining to non-cancellable operating leases and agreements contracted for but not recognised in the financial statements:

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Not later than one year | 17,947 | 17,780 |
| Between one and five years | 52,654 | 180 |
| | 70,601 | 17,960 |

**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 13 to 42, 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 2019 and of the performance for the year ended on that date of the Group;

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:

Ross Brown
Director

Dated at Perth this 18th day of September 2019

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

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18 September 2019

The Directors
Inca Minerals Limited
Suite 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 2019, 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)**

**Samir Tirodkar**
**Director**

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

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Inca Minerals Limited (the Company and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matters | How the matter was addressed in the audit |
|---|---|
| ***Carrying Value of Capitalised Exploration and Evaluation Expenditure*** | |
| As at 30 June 2019, Capitalised Exploration and Evaluation expenditure totals $6,871,149 *(refer to Note 1(d) and note 7 to the financial report*).<br><br>The carrying value of Capitalised Exploration and Evaluation expenditure is a key audit matter due to:<br><br>• The significance of the total balance (81% of total assets);<br>• The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any | Inter alia, our audit procedures included the following:<br><br>i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third party documentation;<br><br>ii. Reviewing the directors' assessment of the carrying value of the exploration and evaluation expenditure, ensuring the veracity of the data presented and that management has considered the effect of potential impairment indicators, |

indicators of impairment that may be present; and

- The assessment of significant judgements made by management in relation to the Capitalised Exploration and Evaluation Expenditure.

commodity prices and the stage of the Group's projects against AASB 6;

iii. Evaluation of Group documents for consistency with the intentions for the continuing of exploration and evaluation activities in certain areas of interest, and corroborated with enquiries of management. Inter alia, the documents we evaluated included:

  - Minutes of meetings of the board and management;
  - Announcements made by the Group to the Australian Securities Exchange; and
  - Cash flow forecasts; and

iv. Consideration of the requirements of accounting standard AASB 6. We assessed the financial statements in relation to AASB 6 to ensure appropriate disclosures are made.

***Contributed Equity***

The Group's Contributed Equity amounted to $39,543,924. During the reporting period, 492,812,207 ordinary shares were issued resulting in an increase in Contributed Equity of $2,273,419,net of capital raising costs *(refer to Note 9 to the financial report*).

Contributed Equity is a key audit matter due to:

- the quantum of share capital issued during the year; and
- the varied nature of the movements during the year.

We have spent significant audit effort on ensuring the Contributed Equity was appropriately accounted for and disclosed.

Inter alia, our audit procedures included the following:

i. Obtaining an understanding of the underlying transactions;

ii. Verifying all issued capital movements to the relevant ASX announcements;

iii. Vouching proceeds from capital raisings to bank statements and other relevant supporting documentation;

iv. Verifying underlying capital raising costs and ensuring these costs were appropriately recorded;

v. Ensuring consideration for services provided are measured in accordance with AASB 2 Share-Based Payments and agreed the related costs to relevant supporting documentation; and

vi. Ensuring the requirements of the relevant accounting standards and disclosures achieve fair presentation and reviewing the financial statements to ensure appropriate disclosures are made.

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report**.**

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. 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 entity'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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2019. 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 on the Remuneration Report

In our opinion, the Remuneration Report of Inca Minerals Limited for the year ended 30 June 2019 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 and Consulting Pty Ltd

**Samir Tirodkar**
Director

West Perth, Western Australia
18 September 2019