# Inca Minerals Limited

(formerly Condor Metals Limited)
ACN 128 512 907

# Financial Report

For the year ended 30 June 2012

**CONTENTS**

## CORPORATE PARTICULARS

| | | |
|---|---|---|
| **Directors** | Dr Justin Walawski<br>Mr Ross Brown<br>Mr Laurence Ziatas<br>Mr Gareth Lloyd | *Chairman*<br>*Executive Director*<br>*Non-Executive Director*<br>*Non-Executive Director* |
| **Company Secretary** | Dr Justin Walawski | |
| **Registered Office** | 1030 Wellington Street<br>West Perth, WA, 6005 | |
| **Corporate Office** | 1030 Wellington Street<br>West Perth, WA, 6005 | |
| **Mailing Address** | PO Box 249<br>Subiaco WA 6904 | |
| **Share Registry** | Advanced Share Registry Services<br>150 Stirling Highway<br>Perth WA 6009 | |
| **Auditor** | RSM Bird Cameron Partners<br>8 St Georges Terrace<br>Perth WA 6000 | |

## DIRECTORS' REPORT

The Directors of Inca Minerals Limited ('the Company') present their financial report on the Company and its controlled entities for the year ended 30 June 2012.

### 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.

- Justin Walawski, Chairman and Company Secretary (appointed on 21 May 2012)
- Ross Brown, Executive Director (appointed on 8 March 2012)
- Laurence Ziatas, Non-Executive Director (appointed on 8 March 2012)
- Gareth Lloyd, Non-Executive Director (appointed on 14 September 2012)
- Laurence Freedman AM, Non-Executive Chairman (resigned 18 May 2012)
- Ross Gillon, Non-Executive Director (Resigned 18 May 2012)
- Robert Schuitema Non-Executive Director and Company Secretary (resigned 18 May 2012)

### Information on Directors

JUSTIN WALAWSKI
Chairman and Company Secretary

As at 30 June 2012, and in addition to his position with Inca, Dr Walawski was also a non-executive director and Chair of the Finance & Audit Committee for Pindan College Limited (a public company owned by BHP Billiton, Rio Tinto, Woodside Petroleum and Chevron) and a facilitator for the AICD's Company Directors course in areas of financial literacy and financial strategy. Dr Justin Walawski has previously held positions on the ASX's Supervisory Liaison Committee, as Chairman, Deputy Chairman and Chief Executive of the North West Iron Ore Alliance, Chief Executive of the Association of Mining & Exploration Companies, Chairman of Special Olympics Australia (WA) and Director of CPA Australia (WA). He is also a former member of the Federal Australian Government's Mineral Exploration Action Implementation Committee and the West Australian Government's State Tax Reference Committee.

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

A geologist by profession, Mr Brown has had over 26 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 Australian-listed explorer White Star Minerals. As part of the transaction, Sandfire Resources NL became a shareholder of Whinnen as consideration for providing technical services to the company.

In 2006 Mr Brown developed an innovative exploration model for "Langer Heinrich-style" uranium mineralisation that was used as a basis for global project acquisitions in 2006 and 2007. These projects were packaged into Oklo Uranium Limited, which completed a successful $8M IPO on the Australian Stock Exchange in May 2007.

In 2001 Mr Brown created the diamond company, Central Kimberley Diamonds ("CKD"), which was listed on the German stock exchange, raising $3.9M. The company enjoyed several technical and milestone successes including the discovery of a large diamond-bearing gravel deposit and the production of diamonds from its own mine. In 2011 CKD was bought by an Australian exploration company who intends listing on AIM in London.

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. Ross immediately recognised the great potential of mineral discovery in that country and recognised the potential of Inca's lead project, Chanape, from being a known polymetallic deposit to being that of a potentially large gold-silver-copper porphyry deposit.

Mr Brown was the co-founder and Managing Director of Urcaguary Ltd, the Company's fully owned subsidiary (formerly called Inca Minerals Ltd) and he became the Company's Managing Director after its takeover of Urcaguary.

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

LAURENCE ZIATAS
Non-executive Director

Mr Ziatas commenced his working life as a lawyer and has had over 31 years' experience in a diversity of businesses as legal and business adviser, principal, Chairman, CEO and Director. He has been involved in the creation, project generation, fundraising and/or start-up and management, of numerous private and publicly listed ASX mineral exploration companies both in Australia and overseas.

Mr Ziatas brings to the Company his legal expertise and business experience including over two decades of small cap exploration company experience, and having completed an Executive MBA (UWA 2005) and a Master of Mediation and Conflict Resolution (UniSA 2010), an international business and conflict management and resolution skill set. Mr Ziatas has specialised and refined knowledge of Social License and stakeholder management, and a working knowledge and skill set in managing cultural diversity and sustainability issues.

Mr Ziatas was the co-founder and founding Chairman of Urcaguary Ltd, the Company's fully owned subsidiary (formerly called Inca Minerals Ltd) and was involved in the acquisition and promotion of the Company's portfolio of projects in Peru, as well as all aspects of the successful completion of the subsequent corporate take-over.

GARETH LLOYD
Non-executive Director (appointed 14 September 2012)

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.

LAURENCE FREEDMAN AM
Non-Executive Chairman (appointed 18 October 2010, Resigned 18 May 2012)

Mr Freedman's history with resource companies began as an analyst and later as a director of group companies with the Gold Fields Group. He later joined BT Australia as Manager Investments. In 1980, he resigned from BT to found the Equitilink Group. In 2000, he sold the Equitilink Group and has managed his private investment portfolio in shares, property and fixed income. Mr Freedman is Chairman of the Freedman Foundation.

Mr Freedman has held the following directorships of other public companies within the last three years:

- Carrick Gold Limited
- Phoslock Water Solutions Limited

ROSS GILLON
Non-Executive Director (Appointed 12 May 2010 - Resigned 18 May 2012)

Mr Gillon, principal of the legal firm of Lawton Gillon, has been in legal practice for 30 years and has been legal advisor for Inca Minerals Limited since its listing in 2008. He has been a director of a number of public companies.

Mr Gillon has held the following directorships of other public companies within the last three years:

- Carrick Gold Limited
- Millennium Minerals Limited
- Red River Resources Limited
- Telezon Limited
- Terrain Minerals Limited

ROBERT SCHUITEMA
Director & Company Secretary (Appointed Director 9 September 2010 - Resigned 18 May 2012; Appointed Company Secretary 17 January 2011 – Resigned 18 May 2012)

Mr Schuitema is a Chartered Accountant, a member of the NZ Institute of Investment Analysts and is a director and company secretary of Phoslock Water Solutions Ltd and Carrick Gold Ltd. Mr Schuitema worked for 14 years with Chase Manhattan Bank & latterly JP Morgan Chase as Head of Mining & Metals for Asia Pacific. As an investment banker Mr Schuitema was actively involved in raising both debt (project finance, bank loans and long term bonds) and equity (including hybrids) and providing M&A advise for resource companies both in Australia and internationally.

Mr Schuitema has held the following directorships of other public companies within the last three years:

- Carrick Gold Limited
- Phoslock Water Solutions Limited

**DIRECTORS' REPORT (Cont'd)**

**Principal Activities**

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

**Operating Results**

The operating loss after income tax of the Company for the year ended 30 June 2012 was $3,891,050 (2011: loss of $526,984).

**Review of Operations**

During the year the Company completed a takeover of Urcaguary Limited (formerly Inca Minerals Limited) – an unlisted public company with prospective gold, silver, copper and molybdenum porphyry projects in Peru. Shortly thereafter, the Company changed its name from Condor Metals Limited (ASX: CNK) to Inca Minerals Limited (ASX: ICG).

The Inca Board of Directors underwent considerable change during the year. In February 2012 Mr Ross Brown joined the Company as its Managing Director and Mr Laurence Ziatas joined the Company as a non-executive director. In May 2012 Mr Ross Gillon, Mr Robert Schuitema and Mr Laurence Freedman resigned from the Board and Dr Justin Walawski joined the Inca Board as Chairman and Company Secretary.

For the vast majority of the year (and prior to the acquisition of Urcaguary Limited and that company's Peruvian projects) the Company's focus was largely on its Kallona iron and manganese project in the East Pilbara. However much of the June 2012 quarter saw the Company integrating and focusing on the Company's Peruvian projects and in particular, the Company's flagship project – Chanape.

**DIRECTORS' REPORT (Cont'd)**

**Financial Position**

The net assets of the Company were $9,573,705 as at 30 June 2012 (2011: $6,516,857).

**Significant Changes in the State of Affairs**

There were no significant changes in the state of affairs of the Company occurred during the financial period.

**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 period.

**Significant Events after Reporting Date**

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company or the state of affairs of the Company in future financial years, other than that noted below.

On the 14th and 15th of February 2012, the Company advised the Market of a claim against the Company's fully owned subsidiary by Trident Capital Pty Ltd ("Trident"). The Company further advised to the Market on 12 September 2012 that its subsidiary had, on that date, been served with a Writ of Summons by Trident. The Company's position, based on independent legal advice, remains unchanged in that the action is without any merit and will be vigorously defended.

On 16 August 2012, the Company announced to the market that it had raised $1.1 million through the placement of 64.7 million fully paid ordinary shares to sophisticated investors at $0.017 per share ("Placement"). The Placement was managed by Element Capital and will occur in two tranches (Tranche 1 and Tranche 2). Tranche 1 shares were issued within Inca's 15% placement capacity, pursuant to the ASX Listing Rules, with settlement on 23 August 2012. Tranche 2 shares will be issued, subject to shareholder approval, 7 days after approval is obtained at a General Meeting of shareholders scheduled for 28 September 2012.

**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 significant environmental regulation in respect of its exploration activities.

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 Company**

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

**Indemnification of Officers and Insurance Premiums**

The consolidated entity has paid premiums to insure the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the consolidated entity, other than conduct involving a wilful breach of duty in relation to the consolidated entity.

**DIRECTORS' REPORT (Cont'd)**

**Options**

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

**Risk Management**

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

**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.

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

**Key management personnel service agreements**

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

| | Commencement Date | Notice Period Base Salary | Base Salary | Termination Payments Provided * |
|---|---|---|---|---|
| Ross Brown | 1 March 2012 | 6 months | $200,000 | None |
| Justin Walawski | 21 May 2012 | 3 months | $5,400 per month | None |

* other than statutory entitlements.

There are no other agreements with key management personnel.

**DIRECTORS' REPORT (Cont'd)**

**REMUNERATION REPORT (AUDITED) (Cont'd)**

**Key Management Personnel Remuneration**

(a) Key management personnel compensation

| **2012** | Short-term benefits | | Post-employment benefits | | | |
|---|---|---|---|---|---|---|
| Name | Cash salary and fees | Non-monetary benefits | Super-annuation | Retirement benefits | Other | Total |
| | $ | $ | $ | $ | $ | $ |
| *Directors* | | | | | | |
| Justin Walawski*** | 23,992 | - | - | - | - | 23,992 |
| Ross Brown | 67,097 | - | 6,039 | - | - | 73,136 |
| Laurence Ziatas | 24,692 | - | 682 | - | - | 25,374 |
| Laurence Freedman* | 45,834 | - | 4,125 | - | - | 49,959 |
| Ross Gillon* | 45,834 | - | 4,125 | - | - | 49,959 |
| Robert Schuitema* | 92,834 | - | 8,355 | - | - | 101,189 |
| *Executives* | | | | | | |
| John McKinstry ** | - | - | - | - | - | - |
| Wade Johnson ** | - | - | - | - | - | - |
| **Totals** | **300,283** | **-** | **23,326** | **-** | **-** | **323,609** |

* resigned during the year.

** services were provided to the Company via the individual's employment with Carrick Gold Limited ("Carrick"). The Company was then charged for the individuals' services by Carrick. During the financial year ended 30 June 2012, a total amount of $203,144 was paid by the Company to Carrick for administrative services provided by Carrick, which also included the amounts charged for Mr McKinstry and Mr Johnson.

*** includes payments made for consultancy fees in March and April 2012 prior to Dr Walawski becoming a Director and Company Secretary of Inca Minerals Ltd, as well as payments made post Dr Walawski's appointment as Director and Company Secretary.

**REMUNERATION REPORT (AUDITED) (Cont'd)**

**Key Management Personnel Remuneration (Cont'd)**

| **2011** | Short-term benefits | | Post-employment benefits | | | |
|---|---|---|---|---|---|---|
| Name | Cash salary and fees | Non-monetary benefits | Super-annuation | Retirement benefits | Other | Total |
| | $ | $ | $ | $ | $ | $ |
| *Directors* | | | | | | |
| Elaine Carr * | 19,230 | - | 1,731 | - | - | 20,961 |
| Brian Martin * | 37,500 | - | 3,375 | - | 25,000 | 65,875 |
| Ian Burston * | 8,424 | - | - | - | - | 8,424 |
| Laurence Freedman | 43,342 | - | 3,901 | - | - | 47,243 |
| Ross Gillon | 50,000 | - | - | - | - | 50,000 |
| Robert Schuitema | 47,853 | - | 4,307 | - | - | 52,160 |
| *Executives* | | | | | | |
| Bevan Jaggard * | 20,000 | - | - | - | - | 20,000 |
| John McKinstry | 50,010 | 66,331 | - | - | - | 116,341 |
| Wade Johnson | 25,000 | 23,945 | - | - | - | 48,945 |
| **Totals** | **301,359** | **90,276** | **13,314** | **-** | **25,000** | **429,949** |

* resigned during the year.

**END OF REMUNERATION REPORT**

**Directors' Relevant Interests**

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

| *Director* | *No of Ordinary Shares* | *No of Options over Ordinary Shares* |
|---|---|---|
| Justin Walawski | 612,000 | - |
| Ross Brown | 23,000,000 | - |
| Laurence Ziatas | 23,000,000 | - |
| Gareth Lloyd | 6,900,000 | - |

**Meetings of Directors**

During the financial period, 10 meetings of directors were held. There were 2 audit committee meetings held during the period. Attendances by each director during the period were as follows:-

| | Board Meetings | | Audit Committee | |
|---|---|---|---|---|
| | Number of meetings eligible to attend | Number attended | Number of meetings eligible to attend | Number attended |
| Justin Walawski | 2 | 2 | - | - |
| Ross Brown | 4 | 4 | - | - |
| Laurence Ziatas | 4 | 4 | - | - |
| Laurence Freedman | 8 | 8 | 2 | 1 |
| Ross Gillon | 8 | 8 | 2 | 2 |
| Robert Schuitema | 8 | 8 | 2 | 2 |

* not a member of relevant committee

**Non-Audit Services**

The Board of Directors is 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 audit committee 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, RSM Bird Cameron Partners, as shown at Note 15.

**Auditor's Independence Declaration**

We have obtained an Auditor's Independence Declaration. Please refer to "Auditor's Independence Declaration" included on page 39 of the financial statements.

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

Justin Walawski
Director

Dated at Perth this 28th day of September 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**for the year ended 30 June 2012**

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| Revenue | 2 | 133,604 | 202,128 |
| Management and directors' fees | | (248,235) | (309,749) |
| Wages and salaries | | (350,828) | (130,842) |
| Administrative expenses | | (534,770) | (103,236) |
| Advertising and promotional costs | | (72,783) | (83,795) |
| Professional fees | | (510,612) | (65,802) |
| Listing and share registry expenses | | (53,564) | (33,074) |
| Depreciation | | (23,049) | (2,614) |
| Exploration and evaluation expenditure written off | | (2,230,813) | - |
| **Loss before income tax** | | (3,891,050) | (526,984) |
| Income tax expense | 3 | - | - |
| **Loss after income tax** | | (3,891,050) | (526,984) |
| **Other comprehensive income** | | (18,392) | - |
| **Total comprehensive loss** | | (3,909,442) | (526,984) |
| Basic and diluted loss per share (cents) | 12 | (3.83) | (0.82) |

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**as at 30 June 2012**

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 13(b) | 637,842 | 3,041,634 |
| Trade and other receivables | 5 | 149,502 | 136,144 |
| **Total Current Assets** | | 787,344 | 3,177,778 |
| **Non-Current Assets** | | | |
| Trade and other receivables | 5 | 237,900 | 214,602 |
| Plant and equipment | 6 | 44,782 | 50,325 |
| Exploration and evaluation expenditure | 7 | 8,670,646 | 3,284,387 |
| **Total Non-Current Assets** | | 8,953,328 | 3,549,314 |
| **TOTAL ASSETS** | | 9,740,672 | 6,727,092 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 8 | 166,967 | 210,235 |
| **Total Current Liabilities** | | 166,967 | 210,235 |
| **TOTAL LIABILITIES** | | 166,967 | 210,235 |
| **NET ASSETS** | | 9,573,705 | 6,516,857 |
| **EQUITY** | | | |
| Contributed equity | 9 | 14,241,787 | 7,275,497 |
| Accumulated loss | | (4,649,690) | (758,640) |
| Foreign currency translation reserve | | (18,392) | - |
| **TOTAL EQUITY** | | 9,573,705 | 6,516,857 |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the year ended 30 June 2012**

| | Contributed Equity | Accumulated Losses | Foreign Currency Translation Reserve | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2011** | | | | |
| **Balance at 1 July 2010** | 6,995,497 | (231,656) | - | 6,763,841 |
| Total comprehensive loss for the year | - | (526,984) | - | (526,984) |
| Shares issued during the year | 280,000 | - | - | 280,000 |
| **Balance at 30 June 2011** | 7,275,497 | (758,640) | - | 6,516,857 |
| **2012** | | | | |
| **Balance at 1 July 2011** | 7,275,497 | (758,640) | - | 6,516,857 |
| Total comprehensive loss for the year | - | (3,891,050) | (18,392) | (3,909,442) |
| Shares issued during the year | 7,025,090 | - | - | 7,025,090 |
| Cost of equity issue | (58,800) | - | - | (58,800) |
| **Balance at 30 June 2012** | 14,241,787 | (4,649,690) | (18,392) | 9,573,705 |

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**for the year ended 30 June 2012**

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (1,958,732) | (745,917) |
| Interest received | | 160,991 | 202,164 |
| Net cash used in operating activities | 13 (a) | (1,797,741) | (543,753) |
| **Cash flows from investing activities** | | | |
| Payments for exploration expenditures | | (1,637,102) | (735,410) |
| Payments for plant and equipment | | (9,032) | (52,939) |
| Cash acquired on acquisition of subsidiary | | 137,275 | - |
| Net cash used in investing activities | | (1,508,859) | (788,349) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares (net of share issue costs) | | 921,200 | - |
| Net cash provided by financing activities | | 921,200 | - |
| Net decrease in cash held | | (2,385,400) | (1,332,102) |
| Cash and cash equivalents at the beginning of the financial period | | 3,041,634 | 4,373,736 |
| Effect of exchange rate changes on cash and cash equivalents | | (18,392) | - |
| **Cash and cash equivalents at the end of the financial year** | 13 (b) | 637,842 | 3,041,634 |

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

**Note 1: Statement of Significant Accounting Policies**

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

The financial report was authorised for issue on 28 September 2012 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 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 2012, the company has reviewed all of the new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the company that there is no impact, material or otherwise, of the new Standards and Interpretations on its business and therefore, no changes are required to its accounting policies. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual 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 2012, the company and consolidated entity incurred after tax losses of $3,909,442 and $3,891,050 respectively and the consolidated entity had net cash outflows of $2,385,400.

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

- As disclosed in Note 18, subsequent to year end the company raised $1,100,000 from the issue of shares;
- The consolidated entity has cash at bank at the reporting date of $637,842, net working capital of $620,377 and net assets of $9,573,705;
- The ability of the Group to raise capital by the issue additional shares under the Corporation Act 2001; and
- The ability to curtail administration and operational cash out flows as required.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

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

**Accounting policies**

**a) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Inca Minerals Limited at the end of the reporting period. A controlled entity is any entity over which Inca Minerals Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the consolidated entity during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 20 to the financial statements.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**b) Revenue Recognition**

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

**c) Income Tax**

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

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

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

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

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.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

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

**c) Income Tax (continued)**

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

**d) Mining Tenements and Exploration and Development Expenditure**

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

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

Accumulated costs in relation to an abandoned area are written off in full against profit 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 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 have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted 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**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

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

**e) Financial Instruments (continued)**

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

*Classification and Subsequent Measurement*

i. *Financial assets at fair value through profit or loss*

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

ii. *Loans and receivables*

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

iii. *Held-to-maturity investments*

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

iv. *Available-for-sale financial assets*

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

v. *Financial liabilities*

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

*Fair value*

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

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

**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 the statement of comprehensive income.

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

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

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

**Depreciation**

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

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

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

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 statement of comprehensive income.

**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 2012**

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

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

**q) Foreign Currency Transactions Balances**

*Functional and presentation currency*

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

*Transactions and balances*

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

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

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

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

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

**r) Critical Accounting Estimates and Other Accounting Judgements**

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

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

*Key judgements*

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

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

**s) Comparative Figures**

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

| | Consolidated | |
|---|---|---|
| | 2012 | 2011 |
| | $ | $ |
| **Note 2 Revenue and other expenses** | | |
| Interest received | 125,604 | 202,128 |
| Sundry income | 8,000 | - |
| | 133,604 | 202,128 |
| Rent expense | 18,823 | - |

**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 | |
|---|---|---|
| | 2012 | 2011 |
| | $ | $ |
| Loss before income tax | (3,891,050) | (526,984) |
| Income tax at 30% | 1,167,315 | 158,095 |
| **Tax effect of:** | | |
| Deferred tax asset not recognised | (1,167,315) | (158,095) |
| Income tax expense | - | - |

(c) Unrecognised deferred tax balances

| | | |
|---|---|---|
| Tax losses available to the Company | 7,546,769 | 4,354,555 |
| Potential tax benefit at 30% | 2,264,031 | 1,306,366 |

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.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

**Note 5 Trade and other receivables**

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| **Current** | | |
| Interest receivable | - | 58,685 |
| Other receivables | 73,814 | 40,000 |
| Goods and services tax | 75,688 | 33,034 |
| Prepayments | - | 4,425 |
| | 149,502 | 136,144 |
| **Non-current** | | |
| Employee share loans | 237,900 | 214,602 |
| Total trade and other receivables | 387,402 | 350,746 |

Employee share loans consist of interest-free loans given to former senior executives in order to purchase shares in the Company. The loans have been measured at their discounted value based on market lending rates to fair value according to the loan term. For more information on the terms and conditions of the employee share loans refer to Note 11.

**Note 6 Plant and equipment**

| | Plant and equipment $ | Motor vehicles $ | IT equipment $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2010 | - | - | - | - |
| Additions | 10,656 | 40,026 | 2,257 | 52,939 |
| Depreciation | (545) | (2,017) | (52) | (2,614) |
| Balance at 30 June 2011 | 10,111 | 38,009 | 2,205 | 50,325 |
| At cost | 10,656 | 40,026 | 2,257 | 52,939 |
| Accumulated depreciation | (545) | (2,017) | (52) | (2,614) |
| Balance at 30 June 2011 | 10,111 | 38,009 | 2,205 | 50,325 |
| Balance at 1 July 2011 | 10,111 | 38,009 | 2,205 | 50,325 |
| Additions | 1,596 | - | 7,432 | 9,028 |
| Additions acquired on acquisition of subsidiary | 8,478 | - | - | 8,478 |
| Depreciation | (8,552) | (13,341) | (1,156) | (23,049) |
| Balance at 30 June 2012 | 11,633 | 24,668 | 8,481 | 44,782 |
| At cost | 20,730 | 40,026 | 10,159 | 70,915 |
| Accumulated depreciation | (9,097) | (15,358) | (1,678) | (26,133) |
| Balance at 30 June 2012 | 11,633 | 24,668 | 8,481 | 44,782 |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

### Note 7 Exploration and evaluation expenditure

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

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| Exploration and evaluation phase – at cost | | |
| Balance at 1 July | 3,284,387 | 2,548,977 |
| Expenditure incurred | 1,895,512 | 735,410 |
| Acquired on acquisition of subsidiary | 5,721,560 | - |
| Expenditure written off | (2,230,813) | - |
| Balance at 30 June | 8,670,646 | 3,284,387 |

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

### Note 8 Payables (current)

| | | |
|---|---|---|
| Trade and other creditors | 166,967 | 210,235 |

### Note 9 Contributed equity

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| a) Paid up capital | | |
| 190,651,500 ordinary shares (30 June 2011: 65,400,000 ordinary shares) | 14,241,787 | 7,275,497 |

| b) Movements in shares on issue | No of shares | Paid up capital $ |
|---|---|---|
| Balance at 1 July 2010 | 64,000,000 | 6,995,497 |
| Transaction costs from issue of shares in prior year | 1,400,000 | 280,000 |
| Balance at 30 June 2011 | 65,400,000 | 7,275,497 |
| Issued 8 March 2012 (*) | 98,106,500 | 5,886,390 |
| Issued 12 April 2012 | 24,500,000 | 980,000 |
| Issued 4 May 2012 (*) | 2,645,000 | 158,700 |
| Transaction costs from issue of shares | - | (58,800) |
| Balance at 30 June 2012 | 190,651,500 | 14,241,787 |

* fair value of shares issued as consideration for acquisition of Urcaguary Limited (note 20)

c) Movements in options on issue
There were nil options issued and nil outstanding options over unissued ordinary shares during the year.

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

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

### 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 2012.

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

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| Short-term employee benefits | 300,283 | 391,635 |
| Other payments | - | 25,000 |
| Post-employment benefits | 23,326 | 13,314 |
| | 323,609 | 429,949 |

b) Key management personnel shareholdings

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

| | Balance 1 July 2011 | Acquired/ Disposed | At Resignation | At Appointment | Balance 30 June 2012 |
|---|---|---|---|---|---|
| *Directors* | | | | | |
| Justin Walawski | - | - | - | 227,000 | 227,000 |
| Ross Brown | - | - | - | 23,000,000 | 23,000,000 |
| Laurence Ziatas | - | - | - | 23,000,000 | 23,000,000 |
| Laurence Freedman* | 7,137,869 | 100,000 | (7,237,869) | - | - |
| Ross Gillon* | 1,161,000 | (30,000) | (1,131,000) | - | - |
| Robert Schuitema* | 390,000 | - | (390,000) | - | - |
| *Executives* | | | | | |
| John McKinstry* | 1,000,000 | - | (1,000,000) | - | - |
| Wade Johnson* | 400,000 | - | (400,000) | - | - |
| **Totals** | **10,088,869** | **70,000** | **(10,158,869)** | **46,227,000** | **46,227,000** |

* ceased to be key management personnel during the year and shareholding is as at date of resignation.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

| | Balance 1 July 2010 | Acquired/ Disposed | At Resignation | At Appointment | Balance 30 June 2011 |
|---|---|---|---|---|---|
| *Directors* | | | | | |
| Ian Burston * | - | - | - | - | - |
| Elaine Carr * | 27,400 | - | (27,400) | - | - |
| Ross Gillon | 1,111,000 | - | - | 50,000 | 1,161,000 |
| Brian Martin * | 182,000 | - | (182,000) | - | - |
| Laurence Freedman | - | - | - | 7,137,869 | 7,137,869 |
| Robert Schuitema | - | - | - | 390,000 | 390,000 |
| *Executives* | | | | - | |
| Bevan Jaggard * | 218,800 | - | (218,800) | - | - |
| John McKinstry | - | | - | 1,000,000 | 1,000,000 |
| Wade Johnson | - | | - | 400,000 | 400,000 |
| **Totals** | **1,539,200** | **-** | **(428,200)** | **8,977,869** | **10,088,869** |

* ceased to be key management personnel during the year

**Note 11 Related party transactions**

Other transactions and balances with directors and other key management personnel

*Service agreement*

During the financial year, nil (2011: $40,000) was paid to Noble Pacific Pty Ltd.

*Investor relations services*

The Company has previously engaged Radar Group Pty Ltd, a former director-related entity, to perform investor relations activities on behalf of the Company. The total value of services provided in the current year was $53,500 (2011: $54,303). The services were provided on an arm's length basis. The Engagement was terminated in May 2012.

*Legal Services*

Minotaur Nominees Pty Ltd, a director-related entity, was engaged during the year to provide a legal and strategic review of the Company's Western Australian tenement and tenement rights at a cost of $10,000. The services were provided on an arm's length basis.

*Administrative Services*

Administrative services, including the provision of services provided by Key Management Personnel, were charged by Carrick Gold Limited ("Carrick"), a former director-related entity. During the financial year ended 30 June 2012, a total amount of $203,144 was paid by the Company to Carrick for these services.

*Employee Share Loans*

During the 2011 financial year the Company issued two unsecured interest-free non-recourse loans to two former executives in order to fund a purchase of the Company's shares on behalf of these executives. These executives are no longer employees of the Company. The loan term is for three years and 50% of the shares held must be kept in escrow for a minimum of two years; the other 50% of the shares held must be kept in escrow for three years. The loan agreements (Agreement) for Employee Shares contain the following repayment provisions:

Repayment of the Principal Sum (or any part of the Principal Sum that remains outstanding) (Outstanding Balance) must occur on the earlier of:

(a) The sale or transfer of any or all of the Employee Shares in accordance with the Agreement;

(b) 30 days after the Employee ceasing to employed by Carrick Gold Limited or any of its subsidiaries; and

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**Note 11 Related party transactions (continued)**

(c) The date which is three (3) years and one (1) month after the date of the Agreement,

(each being a Repayment Event).

In respect of the Repayment Event specified in (a) above, the Employee must repay the Outstanding Balance to Inca Minerals Limited (or its nominee) to the extent of the proceeds from the sale of the Employee Shares.

Upon the occurrence of a Repayment Event specified in (b) or (c) above, the Employee must repay Inca Minerals Limited (or its nominee) all of the Outstanding Balance.

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| **Note 12 Loss per share** | | |
| (a) Basic Earnings Per Share | | |
| Loss used in calculating basic earnings per share | (3,891,350) | (526,984) |
| Weighted average number of ordinary shares on issue during the year used as the denominator in calculating basic loss per share | 101,757,227 | 64,482,740 |
| Basic loss per share (cents) | (3.83) | (0.82) |
| (b) Diluted loss per share | | |

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

**Note 13 Cash flow information**

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

| | 2012 | 2011 |
|---|---|---|
| Net loss for the year | (3,891,050) | (526,984) |
| Depreciation | 23,049 | 2,614 |
| Exploration and evaluation expenditure written off | 2,230,813 | - |
| Changes in assets and liabilities, net of acquisition of subsidiary | | |
| Decrease in trade and other receivables | 213,721 | (60,757) |
| Decrease in trade and other creditors | (374,274) | 41,374 |
| Net cash outflow from operating activities | (1,797,741) | (543,753) |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

**Note 13 Cash flow information (continued)**

| | 2012 $ | 2011 $ |
|---|---|---|
| (b) Reconciliation of cash | | |
| Cash balance comprises: | | |
| - cash assets | 637,842 | 3,041,634 |

(c) Non-cash financing activities

During the year, the Company issued 100,751,500 fully paid ordinary shares at $0.06 per share to acquire its 100% owned subsidiary, Urcaguary Ltd (formerly Inca Minerals Ltd).

**Note 14 Expenditure commitments**

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets in which it has an interest. Outstanding exploration commitments for the next twelve months are as follows:

| | Consolidated | |
|---|---|---|
| | 2012 $ | 2011 $ |
| Not later than one year | 2,525,674 | 349,863 |
| Between one and five years | 12,350,000 | 454,367 |
| | 14,875,674 | 804,230 |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

The Group has entered into two separate agreements for the acquisition of interests in mining concessions with two separate parties:

1. Mining option and assignment agreements dated 24 June 2011 granting the Group the exclusive option to acquire Minera Altas Cumbres SAC's (MAC) interest in 20 mining concessions over land totalling 805.346 hectares referred to as the Chanape Project. The key terms of the agreements are set out below:

| | |
|---|---|
| Option consideration | US$1,500,000 consisting of 60 payments of $25,000 plus the applicable VAT commencing one month after signing date, i.e. 24 July 2011. (Term: 5 years) |
| Purchase price | US$3,000,000. |
| Additional purchase consideration | Shares in the Company to the Vendor's major shareholder (Mr Gino Venturi) to the value of USD$500,000 at an issue price of no less than AUD$0.20 cents per share twelve months after the Company lists. |
| Exclusive option & assignment fees | US$100,000 |
| Mining assignment period | 5 years from the date of signing of the agreement, i.e. 5 years from 24 June 2011. |
| Exploration expenditure committed | A minimum of US$3,600,000 plus applicable VAT on drilling as follows:<br>• 1 March 2012 to 31 December 2012 – US$350,000;<br>• 1 January 2013 to 31 December 2013 – US$500,000;<br>• 1 January 2014 to 31 December 2014 – US$750,000;<br>• 1 January 2015 to 31 December 2015 – US$1,000,000;<br>• 1 January 2016 to 31 December 2016 – US$1,000,000 |
| NSR Royalty | Upon the beginning of commercial production a US$20 per ounce of gold equivalent net smelter royalty to be calculated in accordance with the terms and conditions. |
| Cancellability | The Group has the right to terminate at any time during the option period. Any unpaid amounts are not payable to the vendor. |

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

*Part 1*

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

1. The Group spends US$3 million on exploration in the first 3 years to obtain 50% interest.
2. The Group and Chavez then incorporate a joint venture company (JVCO) and contribute their respective 50% interest in the Virgen De Chapi project and the two western concessions comprising part of the Oscar Alberto project into the JVCO.
3. The Group can then exercise an option to acquire the 50% in JVCO from Chavez as follows:
   a. US$3m cash; or
   b. Issuing shares to the value of US$3m in the Company to Chavez; or
   c. Combination of cash and shares at the Group's discretion; or
   d. Continuing with exploration and development within the JV structure with Chavez.

*Part 2*

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

*Part 3*

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

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

**Operating Commitments**

The Company has certain operating lease commitments. Non-cancellable operating leases contracted for but not recognised in the financial statements:

| | | |
|---|---|---|
| Not later than one year | 43,360 | 28,367 |
| Between one and five years | 86,720 | 40,737 |
| | 130,080 | 69,104 |

**Note 15 Auditor's remuneration**

| | | |
|---|---|---|
| Statutory audit | | |
| Audit and review of financial statements | 26,750 | 23,375 |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

## 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. In 2011, the Company only operated in mineral exploration in 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 (2011 - 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 | | | |
| 2012 | 117,297 | 16,307 | 133,604 |
| 2011 | 202,128 | - | 202,128 |
| Segment result | | | |
| 2012 | (3,777,873) | (113,177) | (3,891,050) |
| 2011 | (526,984) | - | (526,984) |
| Segment assets | | | |
| 2012 | 4,055,173 | 5,685,499 | 9,740,672 |
| 2011 | 6,727,092 | - | 6,727,092 |
| Segment liabilities | | | |
| 2012 | (66,236) | (100,731) | (166,967) |
| 2011 | (210,235) | - | (210,235) |
| Depreciation and amortisation expense | | | |
| 2012 | (23,049) | - | (23,049) |
| 2011 | (2,614) | - | (2,614) |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

**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 is set out below:

| | Weighted average interest rate (%) | Floating interest rate $ | Fixed interest maturing 1 year or less $ | Fixed interest maturing 1 to 5 years $ |
|---|---|---|---|---|
| **30 June 2012** | | | | |
| Cash assets | 4.99 | 137,842 | 500,000 | - |
| **30 June 2011** | | | | |
| Cash assets | 5.31 | 541,634 | 2,500,000 | - |

Interest rate sensitivity analysis

At 30 June 2012, if interest rates had changed by 50 basis points during the entire year with all other variables held constant, profit for the year and equity would have been $9,199 higher/lower (2011: $16,681), mainly as a result of higher/lower interest income from cash and cash equivalents.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

(b) Credit risk

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

(c) Commodity price risk

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

**Note 17 Financial risk management objectives and policies (continued)**

(d) Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows.

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

| | Less than 6 months $ | 6 months to 1 year $ | 1 to 5 years $ | Total $ |
|---|---|---|---|---|
| **30 June 2012** | | | | |
| **Financial liabilities due for payment** | | | | |
| Trade and other payables | (166,967) | - | - | (166,967) |
| | (166,967) | - | - | (166,967) |
| **Financial assets – cash flows realisable** | | | | |
| Cash assets | 637,842 | - | - | 637,842 |
| Trade and other receivable | 149,502 | - | 237,900 | 387,402 |
| | 787,344 | - | 237,900 | 1,025,244 |
| **Net (outflow)/inflow on financial instruments** | **620,377** | **-** | **237,900** | **858,277** |
| **30 June 2011** | | | | |
| **Financial liabilities due for payment** | | | | |
| Trade and other payables | (210,235) | **-** | **-** | (210,235) |
| | (210,235) | **-** | **-** | (210,235) |
| **Financial assets – cash flows realisable** | | | | |
| Cash assets | 3,041,634 | - | - | 3,041,634 |
| Trade and other receivable | 136,144 | - | 214,602 | 350,746 |
| | 3,177,778 | - | 214,602 | 3,392,380 |
| **Net (outflow)/inflow on financial instruments** | **2,967,543** | **-** | **214,602** | **3,182,145** |

(e) Foreign exchange risk

The Company is exposed to foreign exchange risk as certain transactions are denominated in United States dollars as a result of now operating in Peru.

(f) Net fair value of financial assets and liabilities

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

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

## Note 18 Events subsequent to reporting date

There were no events of significance subsequent to 30 June 2012, other than that noted below.

On the 14th and 15th of February 2012, the Company advised the Market of a claim against the Company's fully owned subsidiary by Trident Capital Pty Ltd ("Trident"). The Company further advised to the Market on 12 September 2012 that its subsidiary had, on that date, had been served with a Writ of Summons by Trident. The Company's position, based on independent legal advice, remains unchanged in that the action is without any merit and will be vigorously defended.

On 16 August 2012, the Company announced to the market that it had raised $1.1 million through the placement of 64.7 million fully paid ordinary shares to sophisticated investors at $0.017 per share ("Placement"). The Placement was managed by Element Capital and will occur in two tranches (Tranche 1 and Tranche 2). Tranche 1 were issued within Inca's 15% placement capacity, pursuant to the ASX Listing Rules, with settlement on 23 August 2012. Tranche 2 shares will be issued, subject to shareholder approval, 7 days after approval is obtained at a General Meeting of shareholders scheduled for 28 September 2012.

## Note 19 Contingent liabilities

There are no contingent liabilities at reporting date.

## Note 20 Controlled entities

| | Country of Incorporation | Percentage Owned (%) | |
|---|---|---|---|
| | | **2012** | **2011** |
| Subsidiaries of Inca Minerals Limited: | | | |
| Urcaguary Ltd (formerly Inca Minerals Limited) | Australia | 100 | - |
| Inca Minerales SAC | Peru | 100 | - |

During the year the Company acquired 100% of the issued capital of Urcaguary Limited ("Urcaguary") and Urcaguary's controlled entity (Inca Minerales SAC).

The acquisition of Urcaguary was treated as an asset purchase. It was impractical to determine the fair value of Urcaguary using other methods, management of the Group therefore measured the purchase based upon the fair value of the shares and options issued in acquiring the company.

The total cost of the acquisition was $6,045,090 and comprised the issue of 100,751,500 ordinary shares with a fair value of $0.06 per share. The fair values of the shares are based on the quoted price of the shares of Inca Minerals Limited on 14 February 2012 when the offer became unconditional.

| | Recognised on acquisition $ |
|---|---|
| Cash | 137,275 |
| Trade and other receivables | 250,377 |
| Plant and equipment | 8,474 |
| Exploration and evaluation | 5,979,970 |
| Trade and other payables | (331,006) |
| Net assets acquired | 6,045,090 |
| | |
| Cost of acquisition | |
| Shares issued at fair value | 6,045,090 |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2012**

**Note 21 Parent Information**

| | **2012** | **2011** |
|---|---|---|
| | **$** | **$** |
| *Financial position* | | |
| Assets | | |
| Current assets | 611,548 | 3,177,778 |
| Non-current assets | 9,020,743 | 3,549,314 |
| Total assets | 9,632,291 | 6,727,092 |
| Liabilities | | |
| Current liabilities | 58,586 | 210,235 |
| Non-current liabilities | - | - |
| Total liabilities | 58,586 | 210,235 |
| **Net Assets** | **9,573,705** | **6,516,857** |
| Equity | | |
| Issued capital | 14,241,787 | 7,275,497 |
| Accumulated Losses | (4,668,082) | (758,640) |
| Reserves | - | - |
| **Total equity** | **9,573,705** | **6,516,857** |
| *Financial performance* | | |
| (Loss) for the year | (3,909,442) | (526,984) |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **(3,909,442)** | **(526,984)** |

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.

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

### Note 22 New standards and interpretations issued but not yet effective

At the date of this financial report, the following standards and interpretations have been issued but are not yet effective:

| Reference | Title | Summary | Application date (financial years beginning) |
|---|---|---|---|
| AASB 9 | Financial Instruments | Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39. | 1 January 2013 (likely to be extended to 2015 by ED 215) |
| AASB 10 | Consolidated Financial Statements | Replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements. | 1 January 2013 |
| AASB 12 | Disclosure of Interests in Other Entities | Replaces the disclosure requirements of AASB 127 and AASB 131 pertaining to interests in other entities. | 1 January 2013 |
| AASB 127 | Separate Financial Statements | Prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. | 1 January 2013 |
| AASB 13 | Fair Value Measurement | Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement. | 1 January 2013 |
| AASB 119 | Employee Benefits | Prescribes the accounting and disclosure for employee benefits. This Standard prescribes the recognition criteria when in exchange for employee benefits. | 1 January 2013 |

The entity has decided against early adoption of these standards and interpretations. Furthermore, these changes in standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### Note 23 Company details

The principal place of business of the Company is:

Inca Minerals Limited
1030 Wellington Street
West Perth, WA, 6005
Australia

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 11 to 37, 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); and
   b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated entity;
2. the directors have been given the declarations required by s295A of the *Corporations Act 2001* that:
   a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors:

Justin Walawski
Director

Dated at Perth this 28th day of September 2012

**RSM Bird Cameron Partners**
8 St George's Terrace Perth WA 6000
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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Inca Minerals Limited for the year ended 30 June 2012, 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.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

D J WALL
Partner

Perth, WA
Dated: 28 September 2012

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

## Report on the Financial Report

We have audited the accompanying financial report of Inca Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RSM Bird Cameron Partners

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Inca Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

(a) the financial report of Inca Minerals Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Inca Minerals Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS

David Wall.

Perth, WA
Dated: 28 September 2012

D J WALL
Partner