



17 April 2018

PERU'S NEW EXPLORATION REGULATIONS NOW IN FORCE

HIGHLIGHTS

- New Peruvian exploration permit regulations operational
- Cerro Rayas concession applications advance

As shareholders are aware, Inca Minerals Limited (**Inca** or **Company**) has anticipated the activation of New Exploration Regulations (**NER**) governing exploration and drilling permit regulations in Peru (refer Inca's December 2017 quarterly activities report announced 31 January 2018). Inca can now advise that Peru's Ministry of Energy and Mines (**MEM**) has finalised and gazetted the NER which are now officially in force.

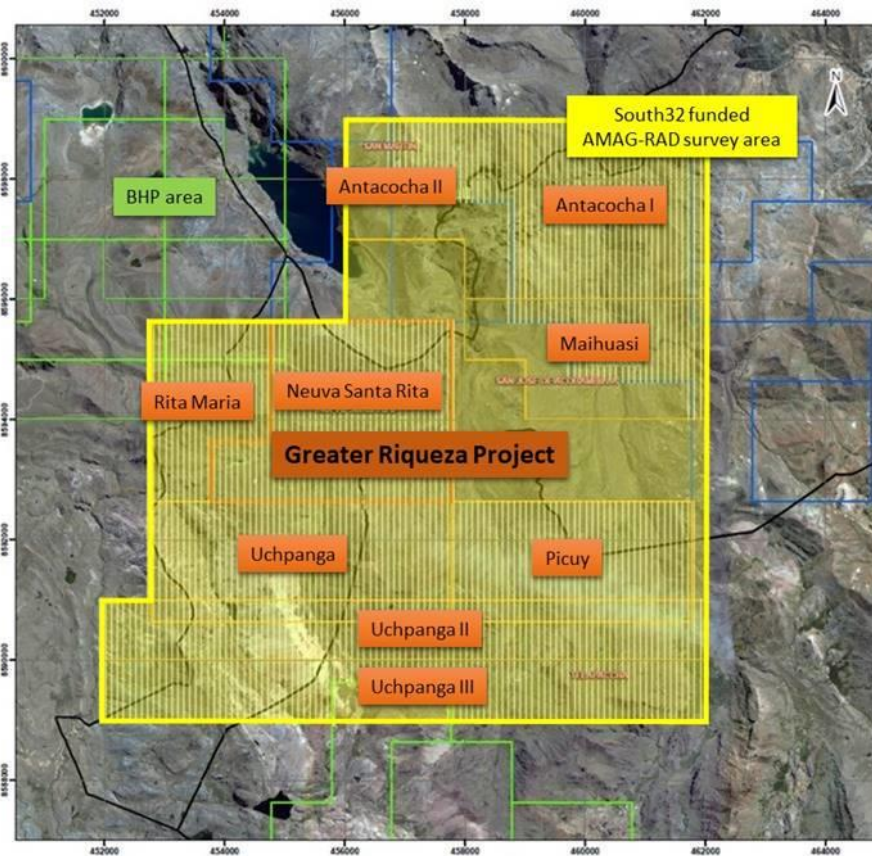


Figure 1 LEFT: The South32 funded geophysics survey coverage at Inca's Greater Riqueza project.

Implications of NER for Inca's Riqueza Project

Inca already has a valid DIA exploration and drilling permit for its Riqueza project area (comprised of the Neuva Santa Rita concession). Importantly, under the NER, this permit is unaffected other than being renamed as a "Ficha Técnica Ambiental" (**FTA**) permit. Importantly, the permitted number of drilling platforms and the drilling meterage capacity remain unchanged. Currently, Inca has used 12 platforms and completed circa 3,726 metres of drilling under the old DIA permit. Therefore, a further 8 platforms and at least 10,284 metres of drilling remain available to Inca under the old DIA, and now the new FTA, and Inca can recommence drilling at any time.



On 5 April 2018 Inca announced the signing of an exclusive earn-in option with South32. That option includes agreement to conduct a project-wide geophysics survey, funded by South32, of the entire Greater Riqueza area (refer Figure 1). The 1,884 line kilometre geophysics survey incorporates airborne magnetics, radiometrics and digital terrain modelling with line spacing being 50m and a sensor height of 50m. In the event the survey confirms existing or new targets in the Riqueza project area then, Inca's current DIA (now FTA) drilling permit can immediately be used to drill those targets.

“The geophysics survey has been designed to map in three dimensions the internal architecture of the intrusive related mineral system that occurs at Riqueza” says Inca's Managing Director, Ross Brown. “Mineralised features such as the vein-manto-breccia replacement system at Humaspunco, the Callancocha Structure, the 750m long gossan at Uchpanga and the intrusive stocks and related skarn mineralisation at Pampa Corral will be flown during this survey and are expected to have a geophysical response. However, as this is a project-wide survey, it will also include the pervasive alteration system at Alteration Ridge and the Au-Ag bearing vein/stockwork system at Colina Roja in its coverage. We are excited and fully anticipate a raft of additional drill targets resulting from the geophysics spaced well beyond the Nueva Santa Rita concession area of our current Riqueza drill permit.”

In the event the geophysics survey does identify targets outside the current DIA/FTA permit area in other parts of the Greater Riqueza project area then, under the NER, Inca could apply for another FTA or a Category 1 DIA permit (**CAT1DIA**). An FTA might typically be used for low environmental impact drilling and exploration. Under the NER, an acceptable FTA permit application must be approved by MEM in no more than 10 business days and will permit up to 20 drilling platforms.

A CAT1DIA allows up to 40 drilling platforms and an affected area of up to 10 hectares. Once submitted, and after meeting any environmental requirements, an acceptable CAT1DIA permit application must be approved by MEM in no more than 30 business days.

The approval timeframes under the NER are considerably shorter than the framework formerly in place. All other things being equal, this should provide significant timing and cost-effective benefits for Inca. The Company hopes that MEM is able to meet the new guidelines under the NER and Inca will work with the authorities to assist them in any way possible to meet the approval timeframes.

Exploration is continuing along the Callancocha Structure (Humaspunco prospect - Riqueza project) with trenches being excavated and channel sampled southwest of the Rastrillo Deposit. Preparations for the geophysics survey are also under way and Inca will keep shareholders advised on both assays from channel sampling, and the geophysics survey commencement timeframe.

Implications of NER for Inca's Cerro Rayas Project

Cerro Rayas is located 15km from Greater Riqueza and, although the exploration model is different, the commodity mix of zinc, silver and lead is the same.

Exploration at Cerro Rayas, while far less advanced than Riqueza, has produced some exceptionally strong results. The demonstrable prospectivity saw the Company lodge applications for five additional concessions at Cerro Rayas (refer ASX announcement 12 February 2018).

All five concession applications (Puyuhuan, Huaytapata, Vicuna Puquio, Vicuna Puquio II and Tablamachay) have progressed well and without impediment along the approvals process. Figure 2 shows the expanded

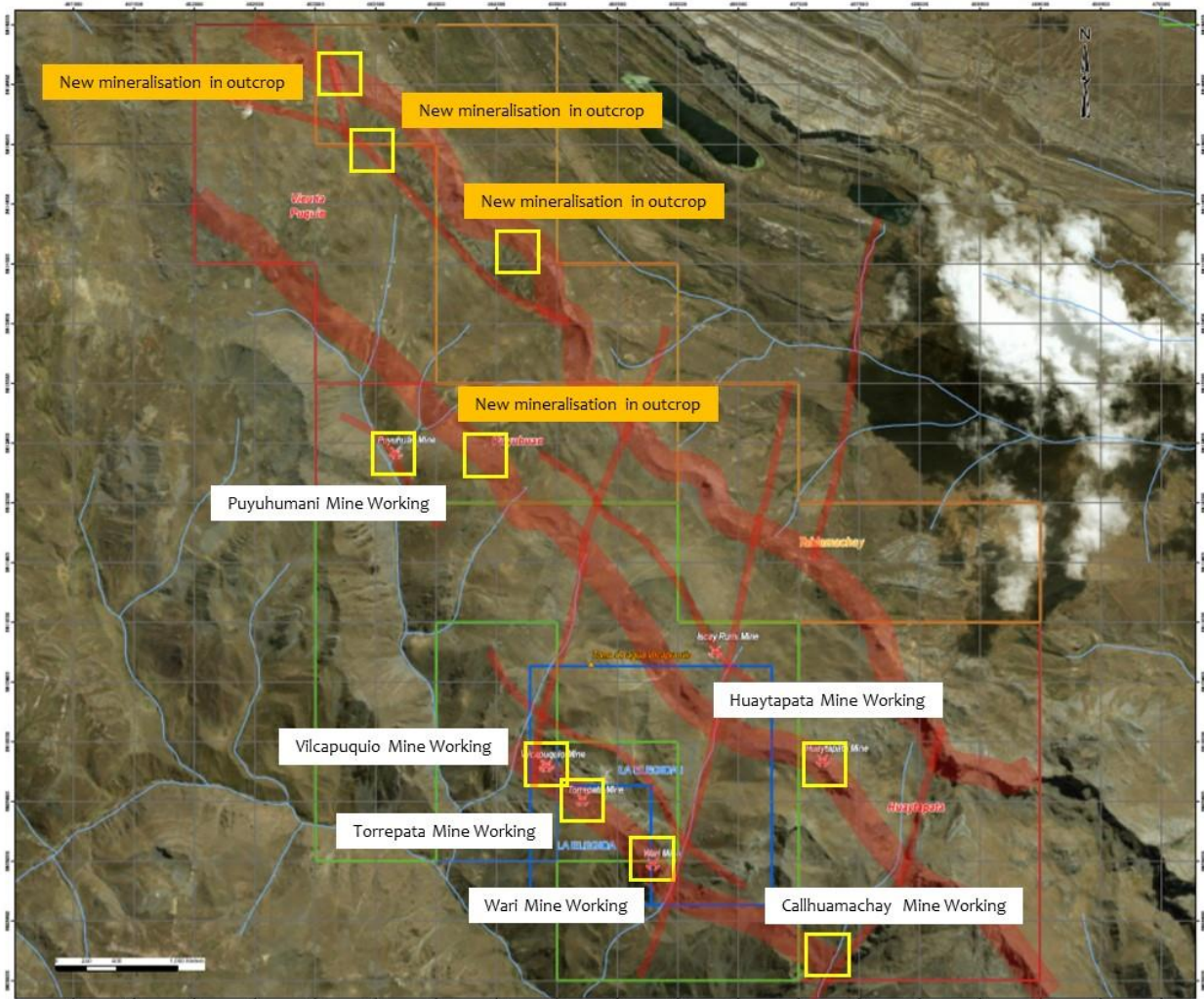


Figure 2 **ABOVE:** A satellite plan showing expanded Cerro Rayas project area and the sample location areas (yellow boxes). Known mineralisation is distributed along three prominent NW-SE mineralised corridors (translucent red-brown lines) and associated splay structures.

Cerro Rayas project area (i.e. a total of 7 concessions inclusive of the 2 original concessions La Elegida and La Elegida I). The Company's initial field work clearly points to mappable extensions of known mineralisation within the five new concessions and this has only strengthened the prospectivity of Cerro Rayas. "With these new concession applications, we have acquired numerous additional mine workings and many kilometres of structures believed to be important in controlling mineralisation" says Mr Brown. Mapping and sampling will continue at Cerro Rayas until such time as the Company is satisfied with having generated the optimal drill targets at which time it will lodge an FTA drill permit application and, rather than waiting months for approval, should receive approval within 10 business days.

The NER are intended to have a positive impact on exploration in Peru at both the national and project level. If MEM executes as intended, the NER should expedite the permit approvals process, facilitate improved drilling capacity and result in both shorter lead times and greater flexibility for drilling programs. Inca's Greater Riqueza and Cerro Rayas projects should both be direct recipients of these benefits.
