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Analyst Commentary July 3, 2008

INCA PACIFIC RESOURCES INC.

($1.50: IPR - TSX-V)

Recommendation
Speculative Buy (Maintained)

Risk
High

Target Price
1-Year: $3.40 (Maintained)
4-Year: $9.65 (Maintained)

Price (July 2)
$1.50

52-Week Range
$2.35-$0.88

Potential Return
1-Year: 2.3x
4-Year: 6.4x

Shares O/S
56.4 million

Market Cap
$84.5 million

Average Daily Volume
20-day: 97,700
150-day: 69,800

Year-End
November 30

$	BVPS	EPS
2006A	$0.67	$(0.04)
2007A	$0.65	$(0.04)
2008E	$0.86	$(0.07)
2009E	$1.29	$(0.05)

BVPS: Book Value Per Share
EPS: Earnings Per Share

Analysts
Eugene Bukoveczky, MBA, CFA
Bob Weir, B.Sc., B.Comm, CFA

Data Source: www.BigCharts.com

RECOMMENDATION

We continue to maintain our "Speculative Buy" Recommendation on Inca Pacific and 12-month Target Price of C$3.40.

RELEASE OF INDEPENDENT DUE DILIGENCE REVIEW

On June 23, 2008 Inca Pacific Resources Inc. announced that it had received a copy of a technical due diligence report, dated June 16, 2008, from Pincock Allen & Holt (PAH), independent engineers, which provides its observations on the Magistral project's technical, environmental and economic information, and provides an assessment of any project fatal flaws or risks.

PAH was retained in December 2007 by Cutfield Freeman & Co. Ltd. to act as an independent engineer on behalf of potential lending institutions in connection with the possible senior debt component of project financing. Cutfield Freeman is a London-based independent advisory firm that specializes in the mining sector and has been retained by Inca Pacific to assist in raising the funds for the Magistral project.

In January 2008, PAH completed a site visit to the Magistral project and completed a review of the Final Feasibility Study (FFS) prepared by Samuel Engineering with the assistance of other engineering/consulting groups in December 2007.

While PAH identified a number of issues that had to be completed or resolved, none were considered to be fatal flaws. In PAH's opinion, the FFS is a comprehensive stand-alone document and comprises a technically complete study that generally met or exceeded industry standards and validated the feasibility of the project.

In general, PAH views the Magistral project as well conceived, although certain risks to the development of the project exist. Among these risks, the two most notable were: (1) the high angle of the pit slope (which was viewed as being of critical importance); and (2) the fact that the port facility envisioned in the FFS may not be built. On the latter point, the Company is currently pursuing discussions with another port facility operator in the area.

Additionally, PAH also included an updated estimate of the total project Net Present Value (NPV) for Magistral based on a 15% upward revision in forecast copper and silver prices while keeping molybdenum prices unchanged. The revision yielded an estimated project NPV of US$206 million and an IRR of 18.1%.

COMMENT: *The PAH report is good news for Inca Pacific shareholders. It provides independent confirmation of both the operational feasibility and economic value of developing the Magistral mine. This was a major pre-condition necessary to securing the project financing from potential lenders like BNP Paribas and Barclays, both of which have provided Letters of Intent to finance the Magistral project.*

COMMENT: *The upward revision in project NPV to US$206 million reinforces our view that the shares are currently significantly undervalued. With 56.3 million shares outstanding, the augmented valuation implies a per share price of US$3.65. This is somewhat higher, but still generally in line with our one-year Target Price call of C$3.40. Should Inca Pacific elect to pursue a joint venture arrangement to develop the mine or, potentially, sell its interest altogether, this revised valuation will likely have raised the price bar considered in any such potential discussions.*

LABOUR UNREST

For the second time in as many years, a nationwide strike of mine workers in Peru has been called over the issue of employee profit-sharing. The government of Peruvian President Alan Garcia has expressed support for a bill that would improve labour benefits, but congressional leaders have not been able to reach a consensus. In the past, miners had the right to receive 8% of the gross profit of mines, but this was revoked during the rule of former Peruvian President Alberto Fujimori.

In 2007, Mr. Garcia's government called for, and subsequently received, an additional 3% "voluntary" levee from the mining companies to benefit local communities. Xstrata, which is developing the Las Bambas copper deposit, announced that it had set up a US$40 million fund for social development. For its own part, Inca Pacific has committed to making a US$5 million payment into a social development fund once production begins from the Magistral mine.

COMMENT: *We have always regarded this $5 million commitment as subject to further upward revision and have modeled an additional $5 million in contributions into our estimates. We believe that an incremental contribution of $10 million, payable in 2012, may now be required. This would have the effect of reducing the Net Asset Value (NAV) by $3 million, or approximately $0.05 per share from our original per share NAV estimate of $3.65.*

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***e*Research analysts on this report: Eugene Bukoveczky, MBA, CFA.:** Eugene Bukoveczky has considerable international oil and gas research experience. In Dubai, as a Senior Investment Analyst, he performed various responsibilities for one of the largest private client asset management operations in the Middle East, including establishing and managing a global emerging market equity investment portfolio that focused on large value-equity transactions. He also worked in Abu Dhabi as a Senior Business Analyst. Eugene also has extensive experience with risk management systems and derivatives trading assessment.

Bob Weir, B. Comm, B.Sc., CFA. Bob Weir has 40 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined *e*Research in 2004.

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Strong Buy: Expected total return within the next 12 months is at least 40%.

Buy: Expected total return within the next 12 months is between 10% and 40%.

Speculative Buy: Expected total return within the next 12 months is substantial, but Risk is High (see below).

Hold: Expected total return within the next 12 months is between 0% and 10%.

Sell: Expected total return within the next 12 months is negative.

*e*Research Risk Rating System

A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

High Risk: *Financial* - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends.

Operational - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.

Medium Risk: *Financial* - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.

Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry

Low Risk: *Financial* - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.

Operational - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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