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To the Shareholders of Indico Resources Ltd

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) provides a detailed analysis of the business of Indico Resources Ltd. (“Indico” or the “Company”) and compares its financial results for the period ended August 31, 2008 to the previous year. This MD&A should be read in conjunction with the Company’s unaudited financial statements for the period ended August 31, 2008. The Company’s reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Company reports its financial position, results of operations and cash-flows in accordance with Canadian generally accepted accounting principles. This MD&A is made as of October 23, 2008.

This MD&A contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company’s ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Additional information relating to the Company can be located on the SEDAR website at www.sedar.com.

OVERALL PERFORMANCE

On July 3, 2008, the Company received final TSXV approval for the assignment agreement dated November 1, 2007, for an 18% carried interest in two exploitation concessions located in northwest Argentina, with OxiPetrol-Petroleros De Occident S.A., and South American Hedge Fund LLC. On July 25, 2008, the Company issued 1,000,000 shares to South American Hedge Fund LLC, the first requirement in the assignment agreement.

EXPLORATION ACTIVITIES

No exploration activities were carried out during the period.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company’s proposed business and the present stage of exploration of its resource properties, the following risk factors, among others, will apply:

Mining Industry is Intensely Competitive: The Company's business is the acquisition, exploration and development of resource properties. The mining industry is intensely competitive and the Company will compete with other companies that have far greater resources.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover resource deposits but from finding resource deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of resources and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The vast majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices: Even if commercial quantities of resource deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

Permits and Licenses: The operations of the Company will require consents, approvals, licenses and/or permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary consents, approvals, licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

No Assurance of Profitability: The Company has no history of earnings and due to the nature of its business there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, from the sale or optioning of a portion of its interest in its resource properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: The Company may become subject to liability for pollution or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Matters: Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any mining properties is and will continue to be subject to various reporting requirements and to obtaining certain government approvals and there can be no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of all of any significant exploration and development programs. The development of the Company's properties will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There can be no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its properties. In particular, failure by the Company to raise the funding necessary to maintain in good standing the various option agreements it has entered into could result in the loss of the rights of the Company to such properties.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its resource properties; (ii) the ability to produce resources from any resource deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Price Fluctuations and Share Price Volatility: In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

Surface Rights and Access: Although the Company acquires the rights to some or all of the resources in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its resource tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there

are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction

Title: Although the Company has taken steps to verify the title to the resource properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to resource properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

SELECTED FINANCIAL INFORMATION

Period ended:(selected items only)	August 31 2008	May 31 2008	May 31 2007
	Q1	Annual	Annual
Statement of Operations and Deficit data:	-\$-	-\$-	-\$-
Income			
Revenue (interest)	2,770	10,642	23,597
Expenses			
Accounting and audit	7,898	64,687	74,540
Administration	2,284	12,049	26,321
Consulting	124,504	249,260	271,464
Investor relations	34,058	48,361	43,308
Legal	3,352	50,158	79,185
Listing and filing fees	3,082	61,409	41,621
Property investigations	-	48,876	-
Travel	391	11,667	41,060
Unrealized loss (gain) on held for trading investment	(897)	18,799	-
Write off of mineral property	-	294,518	-
Net Loss for the period	167,041	870,140	543,530
Loss per common share	(0.02)	(0.11)	(0.08)
Balance sheet data:			
Assets			
Cash	958,892	600,738	551,635
Resource properties	-	-	199,518
Investments, at book value	1	1	1
Investments, at fair value	8,974	8,077	26,876
Liabilities / equity data:			
Current liabilities	30,673	77,756	51,768
Shareholders' equity	1,616,275	561,901	705,065
Average shares outstanding	9,048,535	7,059,069	6,446,461

The Company's financial statements are prepared in conformity with Canadian generally accepted accounting principles, and are expressed in Canadian dollars. All foreign currency amounts are converted into Canadian dollar equivalents using the temporal method as explained in the notes accompanying the Company's financial statements.

The Company has working capital of \$956,275 as of August 31, 2008 which is only sufficient for its general and administrative requirements for the next 12 months.

RESULTS OF OPERATIONS

Years ended May 31, 2008 and 2007

During the year ended May 31, 2008 the Company incurred a loss of \$870,140 compared to \$543,530 the previous year. The Company wrote off its mineral resource property (\$294,518) (2007 – \$nil) in Atlin, British Columbia. All expenses decreased during the year with the exception of listing and filing fees and property investigations. The investigation of a potential property together with an associated TSX filing fee impacted these two expense categories.

Stock based compensation of \$142,184 (2007 - \$149,584) was expensed to consulting fees of \$110,588 (2007 - \$149,584), and accounting fees of \$31,596 (2007 – \$nil).

Other items for 2008 also included an adjustment necessary due to the adoption of a new accounting policy which had no comparable figure in 2007 (See May 31, 2008 audited financial statements, note 2). As a result of adopting new accounting policies relating to financial instruments, the carrying value of the investment was increased to fair value at June 1, 2007 with the corresponding increase reflected in an adjustment to deficit. Fair value adjustments for the year ended May 31, 2008 amounted to an unrealized loss of \$18,799. The Company's interest income decreased from \$23,597 in 2007 to \$10,642 in 2008 due to the decline in cash throughout the year.

QUARTERLY FINANCIAL INFORMATION

	August 2008	May 2008	February 2008	November 2007
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses	177,745	165,558	205,962	98,606
Write offs in the period	-	297,307	-	-
Loss for the period	167,041	441,721	212,785	104,370
Loss per common share	\$0.02	\$0.05	\$0.03	\$0.01
	August 2007	May 2007	February 2007	November 2006
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses	115,172	128,735	141,937	237,281
Loss for the period	111,264	89,834	133,836	224,967
Loss per common share	\$0.02	\$0.01	\$0.02	\$0.03

Three months ended August 31, 2008 compared to three months ended August 31, 2007

In the quarter ended August 31, 2008 the Company had a net loss of \$167,041 as compared to a net loss of \$111,264 for the same period in 2007. The major influence on the net loss was the stock based compensation expense of \$96,843 (2007 - \$nil). This was allocated to consulting fees (\$61,164), investor relations (\$15,291) and director fees (\$20,388).

The factors effecting quarter to quarter variance depend substantially on the timing of professional fees, consulting fees, and travel and investor relations expenditures. The planned change of business activities to oil & gas could have a significant impact in the form of higher operating costs for the next few quarters.

LIQUIDITY

The Company's working capital requirements amount to approximately \$120,000 per quarter, depending upon the timing of expenses such as professional fees and travel, but not including exploration costs.

One of the Company's non-cash assets is its investment in the shares of Clearant, a biotechnology company located in the United States. Clearant has completed its going public transaction, the market value of this investment has fallen from \$26,876 (May 31, 2007) to \$8,077 after giving effect to a 14:1 reverse split announced by Clearant on August 23, 2007. The Company will be considering its investment strategy for this asset in the very near future, but has classified this investment as held for trading.

CAPITAL RESOURCES

The Company depends upon the junior capital markets to raise equity financing needed to fund its working capital requirements. Its ability to continue doing so remains subject to the general investment climate and the ability to successfully acquire new businesses or assets. Its cash balance of \$958,892 at August 31, 2008 is considered only sufficient to cover its existing general and administrative obligations over the next twelve months. The proposed Argentina oil & gas transaction represents only a carried interest in the project and is not expected to require further cash expenditures.

Accordingly, if the Company substantially increases its planned expenditures on property acquisitions or exploration expenditures, additional funding will be required within the next twelve months. If the Company is unable to obtain any such additional funding as and when necessary, it would likely be required to scale back its property acquisition and/or exploration programs

OFF – BALANCE SHEET ARRANGEMENTS

The Company has not entered into any significant off-balance sheet arrangements or commitments.

RELATED PARTY TRANSACTIONS

	August 31, 2008	May 31 2007
<i>For the period:</i>		
Consulting, director and other fees paid to directors, (Leonard Harris, Keith Henderson and Michael Kinley) and former directors & officers (Glenn Pogue and Jerry Pogue)	\$ 104,116	\$ 233,461
Stock based compensation included in consulting fees	61,164	94,790
Expense reimbursement	nil	12,048
<i>As at balance sheet date:</i>		
Included in accounts payable	\$ 3,562	\$ nil

The Company paid rent and administration fees of \$3,575 (2007 - \$1,542) to Cardero Resource Corp., a public company related by common directors.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates include the rates of amortization for equipment, the recoverability of resource property interests, the assumptions used in the determination of the fair value of stock-based compensation and the determination of the valuation allowance for future income tax assets and accruals. Management believes the estimates are reasonable; however, actual results could differ from those estimates and would impact future results of operations and cash flows.

ACCOUNTING POLICIES

Effective June 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”) relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, investment, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted as part of the Company's continuous disclosure requirements is recorded, processed, summarized and reported, within the time periods specified by applicable regulatory authority. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports is accumulated and communicated to management, including the Company's Chief

Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure

EVALUATION OF DISCLOSURE ON CONTROLS AND PROCEDURES

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this management report, our CEO and CFO have determined that our current disclosure controls and procedures are effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have not been any changes in the Company's internal control over financial reporting or any other factors during the period ended August 31, 2008, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.