

**INDICO RESOURCES LTD**

FORM 51-102F1 – MANAGEMENT DISCUSSION &amp; ANALYSIS

NOVEMBER 30, 2007

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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 November 30, 2007 to the previous year. This MD&A should be read in conjunction with the Company’s unaudited financial statements for the period ended November 30, 2007. 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 January 18, 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](http://www.sedar.com).

**OVERALL PERFORMANCE**

On September 1, 2006 the Company completed its change of business to the resource sector and commenced exploration activities on the Metla Property in Northern British Columbia.

On November 8, 2007, the Company entered into a assignment agreement dated November 1, 2007, for a 18% carried interest in two exploitation concessions located in Argentina, with Oxipetrol-Petroleros De Occident S.A., and South American Hedge Fund LLC, for the purpose of exploring and developing hydrocarbons in exchange for the issuance of 7,000,000 Indico common shares in its capital stock payable to SHF as follows:

- 1) 1,000,000 common shares by January 1, 2008, subject to TSX Venture Exchange acceptance and
- 2) the remaining 6,000,000 common shares to SHF the earlier of:

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- (i) all 6,000,000 common shares shall be issued in the event of a commercial oil and gas well being completed and within 60 days of notification by Oxipetrol of such commercial well completion; or
- (ii) 2,000,000 shares shall be issued for each \$7,000,000 of oil and gas exploration expenditures incurred on the Concessions, to a maximum of 6,000,000 shares.

**EXPLORATION ACTIVITIES**

The Company completed a preliminary program of mapping and sampling on its Metla property located in north-western British Columbia during the period August 5 to August 20, 2006. While no significant work was performed during the quarter ended August 31, 2007, the Company is evaluating the results of the above program and will be deciding upon an appropriate course of action in the near future. The Company paid the first anniversary property obligation of \$20,000 and 100,000 shares on September 24, 2007.

**SELECTED FINANCIAL INFORMATION**

	<b>November 30, 2007</b>	<b>November 30, 2006</b>	<b>May 31, 2007</b>	<b>May 31, 2006</b>
	Six months	Six months	Annual	Annual
<i>Period ended:(selected items only)</i>	\$	\$	\$	-\$-
<b>Income</b>				
Revenue (interest)	5,818	14,188	23,597	4,735
<b>Expenses</b>				
Accounting and audit	12,121	96,133	74,540	34,292
Administration	12,049	12,454	26,321	22,504
Consulting	64,676	200,584	271,464	156,966
Investor relations	32,650	8,095	43,308	6,134
Legal	21,662	42,306	79,185	121,574
Listing and filing fees	15,680	24,190	41,621	45,692
Property investigations	37,227	-	-	-
Travel	6,569	20,936	41,060	16,854
Unrealized loss on held for trading investment	(11,170)		-	-
<b>Net Loss for the period</b>	<b>216,110</b>	<b>319,860</b>	<b>543,530</b>	<b>423,099</b>
Loss per common share (post consolidation)	(0.03)	(0.05)	(0.08)	(0.13)

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	November 30, 2007	November 30, 2006	May 31, 2007	May 31, 2006
<b>Balance sheet data:</b>				
<b>Assets</b>				
Cash	457,182	770,216	551,635	1,047,557
Mineral properties	249,518	199,518	199,518	n/a
Investments, at book value	1	1	1	1
Investments, at fair value	15,706	213,760	26,876	634,470
<b>Liabilities / equity</b>				
Current liabilities	49,659	47,341	51,768	192,314
Shareholders' equity	676,247	928,735	705,065	883,761
Average shares outstanding	6,606,496	6,342,100	6,446,461	3,256,724

The Company's financial statements are prepared in conformity with Canadian generally accepted accounting principles, and include the accounts of the Company and its wholly owned subsidiaries 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 \$423,714 as of November 30, 2007 which is sufficient for its requirements for the next 12 months; including its planned mineral exploration activities (see Capital Resources).

**RESULTS OF OPERATIONS****Years ended May 31, 2007 and 2006**

During the year ended May 31, 2007 the Company incurred a loss of \$543,530 compared to \$423,099 the previous year. Having completed the change of business to the resource sector during the year, all areas of activity increased over the comparable prior year period.

Consulting expense amounted to \$271,464 (2006 - \$156,966), however, the 2007 figure includes a charge for stock-based compensation of \$149,584 which more than accounts for any increase. During the year ended May 31, 2006, the Company's legal expense was \$121,574, but reduced to \$79,185 in the current year. The decrease was primarily due to the 2006 expenses involved in reviewing the Clearant/Bliss reverse merger transaction, and the reorganization of the company and the related change of business, including the consolidation of its share and private placement financings.

Audit and accounting were higher as the Company retained outside consultants to assist in its MI52-109 and related internal control reporting requirements. The Company also entered into a consulting agreement for investor relations services on December 1, 2006 for US\$5,000 per month, which has

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resulted in higher costs in that category. Travel has increased consistent with the establishment of an administration office in Vancouver early in this fiscal year.

Other items for 2007 also included a gain on the forgiveness of an account payable of \$36,522 which had no comparable figure in 2006.

**Six months ended November 30, 2007 compared to six months ended November 30, 2006**

In the six months ended November 30, 2007 the Company had a net loss of \$216,110 as compared to a net loss of \$319,860 for the same period in 2006. Accounting and audit of \$12,121 (2006 - \$17,599), consulting of \$64,676 (2006 - \$200,584), legal of \$21,662 (2006 - \$42,306) and travel of \$6,569 (2006 - \$20,936) were the significant components of the higher loss in November 2006. These expenses were incurred with the reorganization of the company in the previous period, however consulting expense for the 2006 period also included \$149,584 of stock based compensation charges.

Investor relations of \$32,650 (2006 - \$8,095) and property investigation of \$37,227 (2006 – nil) were higher in the current year as these expenses are associated with the investigation of new properties and the implementation of a new investor relations contract.

As a result of adopting new accounting policies relating to financial instruments as described in note 3 to the financial statements, 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 period ended November 30, 2007 amounted to an unrealized loss of \$11,170 recorded as other income.

The Company's interest income decreased from \$14,188 in the 2006 quarter to \$3,186 in 2007 due to the use of funds since the March and June 2006 private placements.

**Three months ended November 30, 2007 compared to three months ended November 30, 2006**

In the quarter ended November 30, 2007 the Company had a net loss of \$104,370 as compared to a net loss of \$224,967 for the same period in 2006. Consulting expense of \$31,911 (2006 - \$185,584) and travel of \$396 (2006 - \$14,392) were the significant components of the higher loss in November 2006, however consulting expense for the 2006 period also included \$149,584 of stock based compensation charges. These expenses were incurred with the reorganization of the company in the previous year.

Investor relations of \$15,566 (2006 - \$5,299), legal of \$18,750 (2006 - \$5,094) and regulatory fees of \$14,742 (2006 - \$7,851) were higher in the current period compared to the previous year as a result of the Company's higher level of activity following its change of business to the resource sector.

As a result of adopting new accounting policies relating to financial instruments as described in note 3 to the financial statements, 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 period ended November 30, 2007 amounted to an unrealized loss of \$10,694 recorded as other income.

The Company's interest income decreased from \$6,404 in the 2006 quarter to \$2,633 in 2007 due to the use of funds since the March and June 2006 private placements.

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**QUARTERLY FINANCIAL INFORMATION**

	<b>November 2007</b>	<b>August 2007</b>	<b>May 2007</b>	<b>February 2007</b>
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses	98,606	115,172	128,735	141,931
Loss for the period	104,370	111,264	89,834	133,836
Loss per common share	\$0.01	\$0.02	\$0.01	\$0.02
	<b>November 2006</b>	<b>August 2006</b>	<b>May 2006</b>	<b>February 2006</b>
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses	237,281	103,775	117,100	103,567
Loss for the period	224,967	94,893	116,571	106,684
Loss per common share	\$0.03	\$0.02	\$0.03	\$0.04

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 will likely 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 \$15,705 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. As previously disclosed the Company has an option to acquire an interest in certain mineral properties (the Metla Claims) and has paid the first anniversary property obligation of \$20,000 and 100,000 shares on September 24, 2007. Its cash balance of \$457,182 at November 30, 2007 is considered sufficient its existing 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.

**OFF – BALANCE SHEET ARRANGEMENTS**

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

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**RELATED PARTY TRANSACTIONS**

	<b>November 30, 2007</b>	<b>May 31 2007</b>
<i><b>For the period:</b></i>		
Consulting and other fees paid to directors & officers (Glenn Pogue, Michael Kinley, Leonard Harris and Jerry Pogue) (May 2007 includes stock-based compensation of \$149,584)	\$ 64,676	\$271,464
Expense reimbursement	12,048	26,321
<i><b>As at balance sheet date:</b></i>		
Included in accounts payable	\$ 3,413	\$ -

During the periods the Company paid consulting fees to certain related parties pursuant to consulting contracts and rental commitments.

**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.

**CHANGES IN 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.

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**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 quarterly 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 November 30, 2007, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

**SUBSEQUENT EVENT**

On January 17, 2008, the Company received conditional acceptance from the TSX Venture Exchange with regards to the Argentinean Joint Venture. Final acceptance will be conditional upon the Company satisfying the filing requirements for expanded disclosure including a discussion on the exploration program with a breakdown of the program and budget and estimated timetable for commencement and completion.