INDICO

RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

Three Months Ended August 31, 2017 and 2016

Corporate Head Office

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(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

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INDICO RESOURCES LTD.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	August 31, 2017	May 31, 2017
ASSETS		
Current assets		
Cash	$ 5,534	$ 16,260
Accounts receivable	3,385	1,693
Prepaid expenses	9,187	12,329
	18,106	30,282
Property and equipment	435	470
Exploration and evaluation assets (note 3)	1	1
	$ 18,542	$ 30,753
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	$ 2,324,926	$ 2,419,787
Due to related parties (note 6)	1,354,885	1,259,685
Loans payable (notes 4 and 6)	1,311,034	1,306,158
	4,990,845	4,985,630
Shareholders' equity (deficiency)		
Share capital (note 5)	30,664,353	30,664,353
Share-based payments reserve	3,003,949	3,003,949
Deficit	(38,640,605)	(38,623,179)
	(4,972,303)	(4,954,877)
	$ 18,542	$ 30,753

Approved on behalf of the Directors:

"Robert Parsons" Director	*"Robert Baxter"* Director
Robert Parsons	Robert Baxter

INDICO RESOURCES LTD.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
THREE MONTHS ENDED AUGUST 31

		2017		2016
Expenses				
Consulting fees (note 6)	$	94,000	$	231,552
Depreciation		35		50
Exploration expenses (note 7)		1,107		66,850
Investor relations		1,656		2,873
Listing and filing fees		1,003		6,151
Office		10,093		18,253
Professional fees		59,187		92,941
Travel		-		18,302
		(167,081)		(436,972)
Foreign exchange gain		149,655		4,846
Net loss and comprehensive loss for the period	$	(17,426)	$	(432,126)
Basic and diluted loss per common share (note 10)	$	(0.00)	$	(0.00)
Weighted average number of common shares outstanding		147,003,489		147,003,489

INDICO RESOURCES LTD.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
THREE MONTHS ENDED AUGUST 31

		2017		2016
Operating activities				
Net loss for the period	$	(17,426)	$	(432,126)
Items not affecting cash:				
Depreciation		35		4,569
Unrealized gain on foreign exchange		(102,968)		(11,047)
Changes in non-cash working capital items:				
Accounts receivable		(1,692)		(650)
Prepaid expenses		3,142		7,424
Accounts payable and accrued liabilities		(94,861)		646,040
Due to related parties		95,200		(287,517)
Cash used in operating activities		(118,570)		(73,307)
Financing activities				
Cash received from loans payable		32,928		64,761
Cash provided by financing activities		32,928		64,761
Effect of foreign exchange on cash		74,916		11,719
Increase (decrease) in cash during the period		(10,726)		3,173
Cash, beginning of the period		16,260		3,175
Cash, end of the period	$	5,534	$	6,348

Supplemental cash flow information (note 11)

INDICO RESOURCES LTD.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share-based Payments Reserve	Deficit	Total
Balance, May 31, 2016	147,003,489	$ 30,664,353	$ 3,003,949	$ (32,896,947)	$ 771,355
Net loss for the period	-	-	-	(432,126)	(432,126)
Balance, August 31, 2016	147,003,489	30,664,353	3,003,949	(33,329,073)	339,229
Net loss for the period	-	-	-	(5,294,106)	(5,294,106)
Balance, May 31, 2017	147,003,489	30,664,353	3,003,949	(38,623,179)	(4,954,877)
Net loss for the period	-	-	-	(17,426)	(17,426)
Balance, August 31, 2017	147,003,489	$ 30,664,353	$ 3,003,949	$ (38,640,605)	$ (4,972,303)

1. NATURE OF OPERATIONS AND GOING CONCERN

The principal business activity of Indico Resources Ltd. (the "Company" or "Indico") is the acquisition, exploration and development of natural resource properties in Peru. Previously registered in Bermuda, the Company was extra-provincially registered in the province of British Columbia under the *Business Corporations Act* on June 22, 2006. The Company changed domicile from Bermuda to British Columbia by way of a continuance under the *Business Corporations Act* (British Columbia) effective October 15, 2009. The Company is an exploration stage company.

The head office of the Company is located at Suite 507 – 837 West Hastings Street, Vancouver, British Columbia V6C 3N6, Canada. The registered address and records office of the Company is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7, Canada.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from August 31, 2017. Management is aware in making its assessment of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, as explained below.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company has incurred a net loss of $17,426 for the period ended August 31, 2017 (2016 - $432,126), is currently unable to self-finance operations, has a deficit of $38,640,605 at August 31, 2017 (2017 - $38,623,179), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its exploration and evaluation assets.

The Company does not generate cash flow from operations, and has therefore relied principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these condensed interim consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations and financial condition.

The business of resource exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and to acquire, explore and maintain its exploration and evaluation assets. The recoverability of the carrying value of exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these assets, and future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company's exploration and evaluation assets do not reflect current or future values.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*". The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as investment held-for-trading, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting. These condensed interim consolidated financial statements are prepared in Canadian dollars, which is also the Company's functional currency.

Approval of consolidated financial statements

The condensed interim consolidated financial statements for the three months ended August 31, 2017 were reviewed, approved and authorized for issue by the Audit Committee on October 26, 2017.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Indico Peru S.A.C. ("Indico Peru"), which was incorporated under the laws of Peru on August 24, 2010. All significant intercompany balances and transactions have been eliminated upon consolidation.

3. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs for its exploration and evaluation assets relating to the Irmin Copper Gold project (formerly Ocaña), during the period ended August 31, 2017 and May 31, 2017:

		Total
Balance, August 31, 2017 and May 31, 2017	$	1

Property acquisitions

a) Irmin Copper Gold Porphyry Project (formerly Ocaña)

On September 14, 2010, the Company entered into an agreement wherein the Company, through Indico Peru, had been granted the exclusive option to acquire a 100% interest in the Ocaña Copper Gold Porphyry Project (subsequently named Irmin on September 8, 2015) ("Ocaña") in south-central Peru, by way of an option to acquire 100% of the issued and outstanding shares of Inversiones, which holds an option to acquire a 100% interest in the Ocaña property, by making, at its option, payments of cash and shares. The consideration due pursuant to the agreement is as follows.

3. EXPLORATION AND EVALUATION ASSETS (cont`d)

Property acquisitions (cont`d)

a) Irmin Copper Gold Porphyry Project (formerly Ocaña) (cont'd)

(i) Payment of US$17,750,000 over a five-year period as follows:

- US$387,273 on or before November 29, 2010 (Paid);
- US$322,727 on or before April 20, 2011 (Paid);
- US$451,818 on or before April 20, 2012 (Paid);
- US$516,364 on or before April 20, 2013 (extended to May 23, 2013) (Paid);
- US$580,909 on or before April 20, 2014 (Paid); and
- US$15,490,909 on or before April 20, 2015 (Amended and extended for five years).

(ii) Issuance of 8,500,000 common shares of the Company over a five-year period as follows:

- 200,000 on or before April 20, 2011 (Issued);
- 300,000 on or before April 20, 2012 (Issued);
- 500,000 on or before April 20, 2013 (Issued);
- 1,000,000 on or before April 20, 2014 (Issued); and
- 6,500,000 on or before April 20, 2015 (Issued).

In addition, the consortium that holds the underlying mineral rights at Ocaña will receive a 1% NSR on commercial production at the Ocaña Project.

In October 2014, the parties agreed to amend the final payment of US$15,500,000 due in April 2015. Under the terms of the amended payment schedule, the Company will pay:

- US$1,500,000 on April 20, 2015 (Paid);
- US$2,000,000 on April 20, 2016 (Paid);
- US$2,000,000 on April 20, 2017; (*)
- US$2,000,000 on April 20, 2018; and
- US$7,990,909 on April 20, 2019.

The 2016 option payment was paid by Aruntani.

* The owners of the Irmin property have questioned whether Inversiones has fulfilled certain of its obligations under the Mining Agreement. Inversiones is of the opinion that it has fulfilled all of its obligations, and has informed the owners that the April 20, 2017 option payment is being withheld pending settlement of this dissent. Indico agrees with the approach of Inversiones.

As part of the amending agreement, Inversiones is to commence construction of the project on or before June 30, 2016 and commence production on or before June 30, 2018. Should Inversiones not start construction of the project by June 30, 2016 it is required to pay a $50,000 penalty, and if it fails to commence production on or before June 30, 2018 it will be required to make advance royalty payments on a yearly basis of $300,000 payable from June 30, 2018 onwards. The advance royalty payments can be discounted from future royalty payments at a rate of 20% per year.

3. EXPLORATION AND EVALUATION ASSETS (cont'd)

Property acquisitions (cont'd)

a) Irmin Copper Gold Porphyry Project (formerly Ocaña) (cont'd)

On September 8, 2015, Inversiones entered into an agreement (the "Joint Venture Agreement") with Aruntani whereby the companies agreed to develop a mining project on the Ocaña properties through the incorporation of Compañia Minera Irmin SAC ("Irmin") a Peruvian corporation. Interest of this entity would be held 70% by Aruntani and 30% by Inversiones. Aruntani would fund Irmin US$18,700,000 representing its 70% investment while Inversiones would transfer its option to acquire the Ocaña properties. To date, Inversiones has spent approximately US$8,000,000, which represents its 30% investment.

The US$18,700,000 funded by Aruntani would be used to pay the remaining option payments Inversiones is required to make to the Property's optionors, which amount to approximately US$7,000,000 on scheduled payments over the next four years, acquire the land surface of the property, perform mineral reserves evaluation, perform and modify environmental studies, prepare a pre-feasibility study, perform drilling and commence the project construction program.

Once both entities have contributed their respective investments, any further funding must be contributed according to the entities' interest percentage. Under the agreement, Aruntani will have four out of five of Irmin's directors and will be responsible for managing the project. However, in order to enter into an agreement to sell the properties, enter into debt or modify Irmin's capital structure, 100% shareholder approval will be required. The companies also agreed on a name change for the project from Ocaña to Acana in June 2015 and then to Irmin in September 2015.

On May 20, 2016, the Company entered into a LOI with Aruntani pursuant to which the Company will sell to Aruntani all of the shares of Indico Peru, which has an irrevocable option to acquire all of the shares in the capital of Inversiones, an entity holding an option to acquire a series of concessions of the Irmin Copper Gold Porphyry Project (the "Transaction").

As part of the Transaction, Aruntani will acquire the Company's legal and beneficial right, title and interest in the Irmin Property, including any interest held pursuant to the Joint Venture Agreement. As consideration of the acquisition of all shares of Indico Peru, Aruntani will pay the Company US$6,000,000 in cash and will grant the Company a 1% NSR over the Irmin Property. Closing of the Transaction is subject to, among other things, the approval of the TSX Venture Exchange ("TSX-V"), minority shareholder approval and valuation, and any other applicable governmental or regulatory authorities.

Realization of assets

The investment in exploration and evaluation assets comprises a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (cont'd)

Realization of assets (cont'd)

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Title to exploration and evaluation assets

The acquisition of title to exploration and evaluation assets is a detailed and time-consuming process. The Company has taken steps, in accordance with industry standards for the current stage of exploration activities, to verify title to assets in which it has an interest. Although the Company has taken every reasonable precaution to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

Environmental expenditures

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits.

Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries. The Company has determined, as of August 31, 2017, the disturbances to earth are minimal, and therefore did not record provisions for environmental rehabilitation expenditures.

4. LOANS PAYABLE

		Total
Balance, May 31, 2017	$	1,306,158
Funds received		32,928
Foreign exchange adjustment		(28,052)
		4,876
Balance, August 31, 2017	$	1,311,034

During the period ended August 31, 2017, the Company received $2,928 from an arm's length individual and $30,000 from the CEO in the form of non-interest-bearing short-term loans due on or before May 2018. At August 31, 2017, the total amount of loans payable amounted to $1,311,034 (May 31, 2017 - $1,306,158).

(Expressed in Canadian Dollars)

5. SHARE CAPITAL

Authorized

Unlimited number of voting common shares without par value.

Issued

There were no shares issued during the period ended August 31, 2017.

Stock options

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the Plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of five years with vesting terms determined by the Board of Directors.

There were no stock options granted during the period ended August 31, 2017.

Stock option transactions are summarized as follows:

	August 31, 2017		May 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	3,940,000	$ 0.10	5,990,000	$ 0.10
Expired	-	$ -	(2,050,000)	$ (0.10)
Balance, end of the period	3,940,000	$ 0.10	3,940,000	$ 0.10

The weighted average remaining contractual life of options outstanding at August 31, 2017 was 2.93 (May 31, 2017 – 3.19) years.

Stock options outstanding and exercisable are as follows:

	August 31, 2017			May 31, 2017		
Expiry date	Exercise price	Options outstanding	Options exercisable	Exercise price	Options outstanding	Options exercisable
August 6, 2020	$ 0.10	3,940,000	3,940,000	$ 0.10	3,940,000	3,940,000
		3,940,000	3,940,000		3,940,000	3,940,000

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (cont'd)

Warrants

	August 31, 2017		**May 31, 2017**	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of the period	20,000,000	$ 0.10	47,289,240	$ 0.13
Expired	(20,000,000)	$ 0.10	(27,289,240)	$ 0.15
Balance, end of the period	-	$ -	20,000,000	$ 0.10

The weighted average remaining contractual life of warrants outstanding at August 31, 2017 was nil (May 31, 2017 – 0.14) years.

Warrants outstanding:

	August 31, 2017		**May 31, 2017**	
Expiry date	Exercise price	Number of warrants	Exercise price	Number of warrants
July 23, 2017	$ -	-	$ 0.10	20,000,000
		-		20,000,000

6. RELATED PARTY TRANSACTIONS

During the periods ended August 31, 2017 and 2016, the Company entered into the following transactions with related parties:

Management compensation

Key management personnel compensation is comprised of the following:

For the three months ended August 31,	**2017**	**2016**
Consulting fees to CEO	$ 60,000	$ 60,000
Consulting fees to CFO	15,000	15,000
Directors' fees (included in consulting fees)	10,000	73,879
	$ 85,000	$ 148,879

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (cont'd)

Transactions with other related parties

For the three months ended August 31,	2017	2016
Consulting fees to Corporate Secretary	$ 9,000	$ 9,000
	$ 9,000	$ 9,000

At August 31, 2017, included in due to related parties was $1,354,885 (May 31, 2017 - $1,259,685) in expenses owing to companies with common directors.

At August 31, 2017, included in loans payable was $848,078 (May 31, 2017 - $826,850) in loans payable to directors, officers and a company with common directors. These amounts were unsecured and non-interest-bearing.

Key management personnel were not paid any short-term benefits, post-employment benefits, termination benefits or other long-term benefits during the periods ended August 31, 2017 and 2016.

7. EXPLORATION AND EVALUATION EXPENDITURES (RECOVERY), NET

The exploration and evaluation expenditures were as follows for the periods ended August 31:

	2017	2016
Irmin Copper Gold Porphyry Project (formerly Ocaña)		
Community relations	$ -	$ 30,768
Depreciation	-	4,519
Personnel	-	12,270
Peruvian value added tax	1,107	19,293
	$ 1,107	$ 66,850

8. SEGMENTED INFORMATION

The business of the Company is the acquisition, exploration and development of mineral properties, which is considered one business segment.

Geographic information is as follows:

	August 31, 2017			May 31, 2017		
	Canada	Peru	Total	Canada	Peru	Total
Cash	$ 5,220	$ 314	$ 5,534	$ 15,822	$ 438	$ 16,260
Exploration and evaluation assets	-	1	1	-	1	1
Other assets	13,007	-	13,007	14,492	-	14,492
	$ 18,227	$ 315	$ 18,542	$ 30,314	$ 439	$ 30,753

(Expressed in Canadian Dollars)

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has no source of revenues, and accordingly, is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing capital deficiency and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable

There were no changes in the Company's approach to capital management during the period ended August 31, 2017. The Company is not subject to externally imposed capital requirements.

10. LOSS PER SHARE

Basic and diluted loss per share

For the three months ended August 31,		**2017**		**2016**
Net loss	$	(17,426)	$	(432,126)
Weighted average number of common – basic and diluted		147,003,489		147,003,489
Basic and diluted loss per share	$	(0.00)	$	(0.00)

11. SUPPLEMENTAL CASH FLOW INFORMATION

For the three months ended August 31,		**2017**		**2016**
Supplemental cash flow information				
Interest paid	$	-	$	-
Income taxes paid	$	-	$	-