Suite 2300 – 1177 West Hastings Street
Vancouver, British Columbia
CANADA V6E 2K3
Ph: 604-638-5938 / Fx: 604-408-7499

September 25, 2012

Introduction

This Management Discussion & Analysis ("MD&A") for Indico Resources Ltd. (the "Company" or "Indico" or "we" or "us") for the year ended May 31, 2012 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of September 25, 2012, and compares its financial results for the year ended May 31, 2012 to the same period of the prior year. This MD&A provides a detailed analysis of the business of Indico and should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the years ended May 31, 2012 and 2011. The Company's reporting currency is the Canadian dollar, and all monetary amounts in this MD&A are expressed in Canadian dollars unless otherwise stated. The Company is presently a "Venture Issuer" as defined in NI 51-102.

Caution Regarding Forward Looking Statements

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Information concerning mineral resource estimates also may be deemed to be forward-looking statements in that it reflects a prediction of the mineralization that would be encountered if a mineral deposit were developed and mined. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and in respect of its specific mineral properties or exploration and evaluation assets;
- the timing of decisions regarding the timing and costs of exploration programs with respect to, and the issuance of the necessary permits and authorizations required for, the Company's exploration programs;
- the Company's estimates of the quality and quantity of the resources at its mineral properties;
- the timing and cost of planned exploration programs of the Company and the timing of the receipt of results therefrom;
- the Company's future cash requirements;
- general business and economic conditions;
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations; and
- the Company's expectation that it will be able to add additional mineral projects of merit to its assets.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, 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, and other risks identified herein under “Risk Factors”.

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company’s planned exploration programs;
- conditions in the financial markets generally;
- the Company’s ability to secure the necessary consulting, drilling and related services and supplies on favourable terms;
- the Company’s ability to attract and retain key staff;
- the accuracy of the Company’s resource estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;
- the nature and location of the Company’s mineral exploration projects, and the timing of the ability to commence and complete the planned exploration programs;
- the anticipated terms of the consents, permits and authorizations necessary to carry out the planned exploration programs and the Company’s ability to comply with such terms on a cost-effective basis;
- the ongoing relations of the Company with its regulators; and
- that the metallurgy and recovery characteristics of samples from certain of the Company’s mineral properties are reflective of the deposit as a whole.

These forward looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company’s securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See “Risk Factors – Insufficient Financial Resources/Share Price Volatility”.

Cautionary Note to US Investors Concerning Reserve and Resource Estimates

National Instrument 43-101 Standards of Disclosure of Mineral Projects (“NI 43-101”) is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in or incorporated by reference in this MD&A have been prepared in accordance with NI 43-101 and the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) Standards on Mineral Resource and Mineral Reserves, adopted by the CIM Council on November 14, 2004 (the “CIM Standards”) as they may be amended from time to time by the CIM.

United States investors are cautioned that the requirements and terminology of NI 43-101 and the CIM Standards differ significantly from the requirements and terminology set forth in SEC Industry Guide 7. Accordingly, the Company's disclosures regarding mineralization may not be comparable to similar information disclosed by companies subject to SEC Industry Guide 7. Without limiting the foregoing, while the terms "mineral resources", "inferred mineral resources", "indicated mineral resources" and "measured mineral resources" are recognized and required by NI 43-101 and the CIM Standards, they are not recognized by the SEC and are not permitted to be used in documents filed with the SEC by companies subject to SEC Industry Guide 7. Mineral resources which are not mineral reserves do not have demonstrated economic viability, and US investors are cautioned not to assume that all or any part of a mineral resource will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher resource category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of a feasibility study or pre-feasibility study, except in rare cases. The SEC normally only permits issuers to report mineralization that does not constitute SEC Industry Guide 7 compliant "reserves" as in-place tonnage and grade without reference to unit amounts. The term "contained ounces" is not permitted under the rules of SEC Industry Guide 7. In addition, the NI 43-101 and CIM Standards definition of a "reserve" differs from the definition in SEC Industry Guide 7. In SEC Industry Guide 7, a mineral reserve is defined as a part of a mineral deposit which could be economically and legally extracted or produced at the time the mineral reserve determination is made, and a "final" or "bankable" feasibility study is required to report reserves, the three-year historical price is used in any reserve or cash flow analysis of designated reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

Accordingly, information contained in this MD&A contains descriptions of the Company's mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

All of the Company's public disclosure filings, including its most recent material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties or exploration and evaluation assets.

Current Business Activities

General

Indico Resources Ltd. is a resource exploration company focused in the discovery and exploration of porphyry copper-gold deposits in South America. The Ocaña Porphyry Project is the Company's primary exploration project and is currently the main focus of exploration activities. In addition, the Company has reviewed multiple additional porphyry exploration projects and is in negotiation to acquire interests in additional porphyry exploration projects.

Highlights of activities during the period and to the date of this MD&A include:

- Appointment of new Director. Effective May 2, 2012, Mr. Henk van Alphen replaced Mr. Michael Kinley on the Board of Directors.

- Appointment of Chief Operating Officer: Effective May 2, 2012, Mr. John Drobe assumed the role of the Company's new Chief Operating Officer.

- Appointment of new Chief Executive Officer, President and Director. Effective July 10, 2012, Mr. Robert Baxter assumed the role of the Company's new Chief Executive Officer and President replacing Mr. Gary Freeman. On August 15, 2012, Mr. Baxter was appointed as a Director of the Company replacing Mr. Carlos Ballon on the Board of Directors.

- Closing of $938,250 Private Placement: The Company sold 3,753,000 common shares at a price of $0.25 for total proceeds of $938,250. Finder's fees of $40,560 and 162,240 broker’s warrants were paid. All securities issued in the Private Placement will have a hold period in Canada of four months from the closing of the Private Placement. The net proceeds from the Private Placement are intended to be used to further exploration of the Company’s Ocaña porphyry copper-gold project in Peru and for general working capital purposes.

- Closing of $3.3 million Private Placement. The Company sold 27,653,500 units (each a “Unit”) at a price of $0.12 per Unit for gross proceeds of up to $3,318,420. Each Unit will be comprised of one common share and one-half of one common share purchase warrant (each a “Warrant”). Each whole Warrant will entitle the holder to purchase one common share at an exercise price of $0.15 per share for a period of one year from the closing of the Private Placement. Total commissions of Cdn$91,274.41, 169,167 broker’s units and 912,286 broker’s warrants were paid by Indico to agents as consideration for arranging this portion of the private placement. Each broker’s unit consists of one common share and one-half of one non-transferable warrant (“agent unit warrant”), of which one whole agent unit warrant entitles the agent to purchase one common share of Indico at a price of $0.15 until September 13, 2014. Each broker’s warrant entitles the agent to purchase one common share of Indico at a price of $0.15 until September 13, 2014. Both of the agent unit warrants and the broker’s warrants are subject to the same acceleration terms as the Warrants. All securities issued in the Private Placement will have a hold period in Canada of four months from the closing of the Private Placement. The net proceeds from the Private Placement are intended to be used to further exploration of the Company’s Ocaña porphyry copper-gold project in Peru and for general working capital purposes.

New Officers and Directors

Henk van Alphen was appointed the Company’s new Director replacing Mr. Michael Kinley on the Board of Directors, effective May 2, 2012. Mr. van Alphen has had a successful career in the mining business for over 25 years. Since 1999, Mr. van Alphen has been a director of Cardero Resource Corp., a mineral exploration company listed on the Toronto Stock Exchange and the NYSE-Amex, and was instrumental in establishing the Cardero Group of Companies. He holds senior management and director positions with several resource exploration and development companies. Having raised over $200 million for mining exploration, his leadership, knowledge and access to capital will be an invaluable asset to the Company.

John Drobe was appointed the Company’s Chief Operating Officer, effective May 2, 2012. Mr. John Drobe is a geologist with 25 years of experience, specializing in porphyry copper-gold, epithermal and skarn deposits throughout Latin America. John is currently Vice-President Exploration for Dorato Resources Inc., a mineral exploration company listed on the TSX Venture Exchange. Prior to joining Dorato, John held the position of Chief Geologist for Corriente Resources Inc., a mineral exploration company previously listed on the TSX and AMEX. John was responsible for all aspects of exploration and resource definition at Corriente’s Mirador, Panantza, and San Carlos porphyry copper deposits.

Robert Baxter was appointed the Company’s President and Chief Executive Officer, effective July 10, 2012. He was subsequently appointed the Company’s new Director replacing Mr. Carlos Ballon on the Board of Directors, effective August 15, 2012. Mr. Baxter has over 25 years of experience in the mining industry, principally in Latin America. Mr. Baxter was the President, Chief Operating Officer and a director of Norsemont Mining Inc. until April 2011 following the completion of its sale to HudBay Minerals Inc for $520 million. Mr. Baxter has also formerly held positions as a director of Chariot Resources Ltd. and as a director of Petaquilla Minerals Ltd. He is currently a director of Pan Global Resources Inc., a mineral exploration and development company listed on the TSX Venture Exchange. He is also General Manager of Baxter Consultants Eng. S.A.C. Mr. Baxter has an Applied Bachelor of Science (Honours) degree from the University of New South Wales and is a Fellow of the Australian Institute of Mining and Metallurgy (FAusIMM).

Financing Closed

On April 24, 2012, the Company closed a non-brokered private placement that was announced on January 18, 2012 and increased on March 1, 2012. The Company sold 3,753,000 common shares at a price of $0.25/share for total proceeds of $938,250. Total commissions of $40,560 and 162,240 broker's warrants were paid by Indico to agents as consideration for arranging this portion of the private placement. Each broker's warrant entitles the holder to purchase one common share of Indico at a price of $02.5 until April 13, 2013. All securities issued pursuant to this private placement and any common shares to be issued upon the exercise of the broker's warrants, are subject to a hold period expiring August 14, 2012.

On September 21, 2012, the Company closed a non-brokered private placement that was announced on July 30, 2012 and increased on September 11, 2012. The Company sold 27,653,500 Units at a price of $0.12 per Unit for gross proceeds of up to $3,318,420. Each Unit will be comprised of one common share and one-half of one common Warrant. Each whole Warrant will entitle the holder to purchase one common share at an exercise price of $0.15 per share for a period of one year from the closing of the Private Placement. Total commissions of Cdn$91,274.41, 169,167 broker's units and 912,286 broker's warrants were paid by Indico to agents as consideration for arranging this portion of the private placement. Each broker's unit consists of one common share and one-half of one non-transferable warrant ("agent unit warrant"), of which one whole agent unit warrant entitles the agent to purchase one common share of Indico at a price of $0.15 until September 13, 2014. Each broker's warrant entitles the agent to purchase one common share of Indico at a price of $0.15 until September 13, 2014. Both of the agent unit warrants and the broker's warrants are subject to the same acceleration terms as the Warrants. All securities issued in the Private Placement will have a hold period in Canada of four months from the closing of the Private Placement. The net proceeds from the Private Placement are intended to be used to further exploration of the Company's Ocaña porphyry copper-gold project in Peru and for general working capital purposes.

Ocaña Copper Gold Porphyry Project

The Mineral Claims covers 110.24 km^2 and is located on the northwest extension of the Southern Peru Porphyry Copper Belt (Fig. 1 and Fig. 2), a trend defined in parts by the Toquepala, Quellaveco, Cuajone, and Cerro Verde Mines to the southeast. Recent exploration of the belt has resulted in discovery of the Zafranal copper porphyry deposit, located approximately 75km to the southeast of the Ocaña Project.

The Ocaña property targets an approximately 110 km^2 area with widespread color alteration anomalies typical of large porphyry copper-gold systems. Rock types, alteration and quartz veining on the property is consistent with the porphyry exploration model.

The Southern Peru Porphyry Copper Belt hosts the large porphyry copper deposits of Toquepala (3,734 million tonnes at 0.46% copper), Quellaveco (947 million tonnes @ 0.8% copper), Cuajone (2,765 million tonnes @ 0.47% copper), Cerro Verde (3,000 million tonnes @ 0.41% copper) as well as the newly discovered Zafranal porphyry system (300 million tonnes @ 0.45% copper). The technical information with respect to the above deposits was obtained through the respective company's public disclosure documents and on SEDAR.

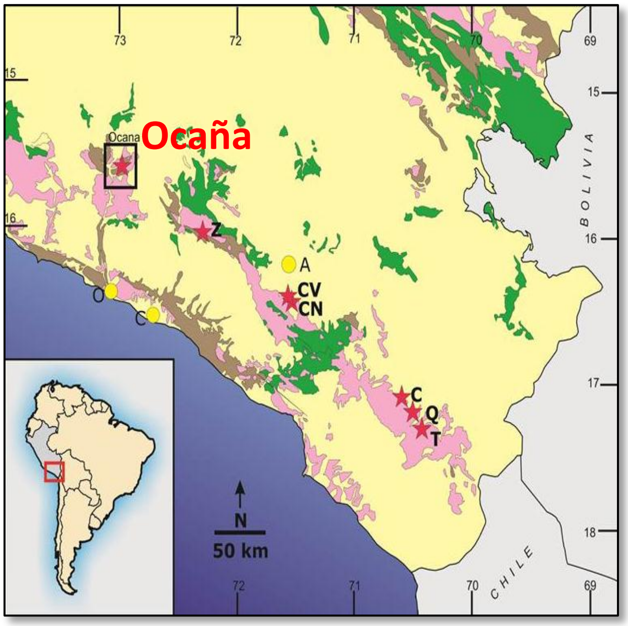

Figure 1: Ocaña location.

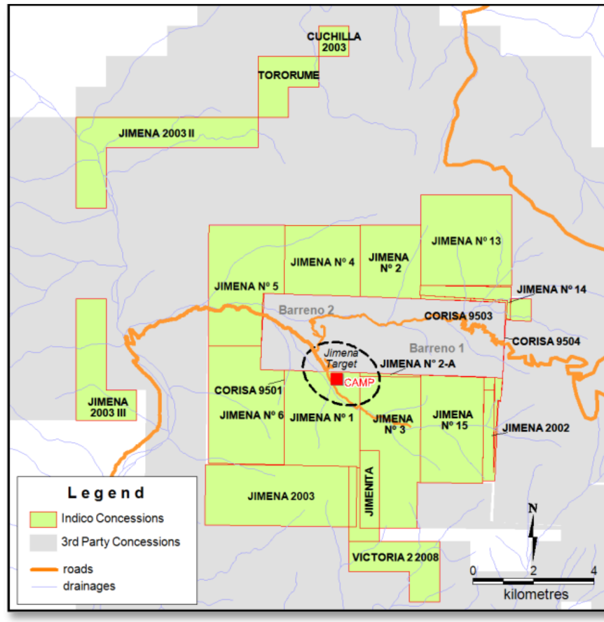

Figure 2: Indico concessions.

The Ocaña Project is underlain by Precambrian gneiss intruded by the multi-phase plutonic complex of the Coastal Batholith. Almost all the mineralization is hosted by stock of subvolcanic dacite porphyry, with minor but important mafic gneiss also present. Alteration consists of potassic and silica alteration overprinted with intense argillic near the center of the system, grading outward to propylitic alteration. Gold-bearing quartz veins in the periphery of the porphyry system, 4 kilometres to the east, are currently being mined by artisanal miners. The operating Arirahua Gold Mine is located 7 kilometres east of the project.

Exploration Activities

Field work in this quarter focused on drilling five (5) core holes totaling 2,195 metres on the Jimena target, completing Phase I (Figure 3). All drill holes intersected strong mineralization over significant thicknesses and significant intersections are shown in Table 1. A map of the drilling is shown in Figure 3.

Table 1: Detailed Significant Drill Results

Drill Hole	From (m)	To (m)	Interval	CuEq (%)*	Cu (%)	Mo (ppm)	Au (g/t)	Ag (g/t)	Mineral Zone
OKA-001 130°/-70°	2	46	**44**	**0.824**	**0.734**	**105**	0.032	1.3	oxide supergene
	46	192	146	0.308	0.232	97	0.022	1.1	hypogene
	192	447	255	0.217	0.153	98	0.014	0.6	hypogene
	447	697.8	250.8	0.126	0.094	44	0.009	0.4	hypogene
OKA-002 120°/-70°	4	24	**20**	**0.776**	0.183	**742**	**0.254**	3.6	oxide
	24	38	**14**	**1.607**	**1.290**	**511**	0.057	1.9	supergene
	38	150	112	**0.334**	0.209	136	0.057	1.5	hypogene
	150	406.3	256.3	**0.211**	0.154	71	0.015	0.9	hypogene
OKA-003 120°/-70°	2	150	148	**0.285**	0.134	98	0.132	0.6	hypogene
	150	321	**171**	**0.536**	**0.322**	**111**	**0.187**	2.2	hypogene
including	*219*	*270*	***51***	***0.706***	***0.424***	***187***	***0.206***	*3.8*	*hypogene*
	321	403.3	82.3	0.219	0.125	145	0.020	0.7	hypogene
OKA-004 310°/-80°	57	356.7	**299.7**	***0.318***	**0.253**	70	0.027	1.1	hypogene
including	*300*	*356.7*	*56.7*	*0.449*	*0.368*	*89*	*0.030*	*1.5*	*hypogene*
OKA-005 235°/-70°	63	84	**21**	***0.669***	**0.605**	73	0.018	1.4	mixed supergene
	84	216	**132**	***0.340***	**0.270**	72	0.023	1.7	hypogene
	216	276	60	*0.210*	0.164	42	0.020	1.0	hypogene

*Copper equivalent calculations represent the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. These results are exploration results only and no allowance is made from recovery losses that may occur should mining eventually result. These equivalent grades should not be interpreted as actual grades since the conversion rations vary with the volatile prices of Cu and Mo and the economic recoveries of Cu and Mo can vary significantly in actual extraction and processing. However, it is the company's opinion that elements considered here have a reasonable potential to be recovered. The three-year, moving-average metal prices used for the purposes of the equivalency calculations are copper $US3/pound, gold $US1200/ounce, molybdenum $US15/pound and silver $US21/ounce.

Porphyry copper-gold-molybdenum mineralization was intersected at surface and continues to depths of 400 metres or greater from surface. In addition to significant hypogene grades, there is also a shallow supergene zone with high copper grades. The upper portion of Hole OKA-001 grades 0.734% copper from 2 metres to 46 metres, hosted within an upper weathered zone, where mineralization mostly occurs as copper oxides. Similarly, hole OKA-002 intersected 14 metres of 1.29% copper as mostly chalcocite. Below the weathered (leached) and supergene zones, hypogene copper mineralization occurs as disseminated and blebby, matrix-filling chalcopyrite within potassic-altered, hydrothermal and minor phreatic breccias and adjacent dacite porphyry. Mineralization is less intense within phyllic-altered zones.

Hole OKA-003 intersected hydrothermal breccia with strong potassic (biotite-magnetite) alteration. The best intercepts are 0.42% copper, 0.21g/t gold and 0.02% molybdenum over 51m. Occasionally high-grade (chalcopyrite) potassic altered porphyry clasts were observed. Veins and patches of late stage epithermal tourmaline were observed.

Hole OKA-004 ended in increasing copper grades, with the last 15 metres averaging 0.42% copper. This hole collared in 51 metres of overburden, then intersected a thin (<3 metre) leached zone before entering consistent primary mineralization to the end of the hole. Hole OKA-005, drilled to the southwest from the farthest west platform, intersected 36 metres of overburden overlying 15 metres of leached rock, and 21 metres of mixed supergene mineralization with 0.67% CuEq. Below and to the southwest of this was 132 metres of primary running

0.34% CuEq. Below 276 metres the hole appears to have drilled out the southwest edge of the system after crossing fault gouge, probably within a fault running northwest under the valley.

Phase 1 drilling indicates the mineralized system has dimensions 840 metres east-west and 250 metres north-south. Phreatic breccia underlies most of this area and trends west-northwest and is continuous for more than 1 kilometre, over a width of at least 200 metres within the concession, and extending for about another 200 metres off the property to the north.

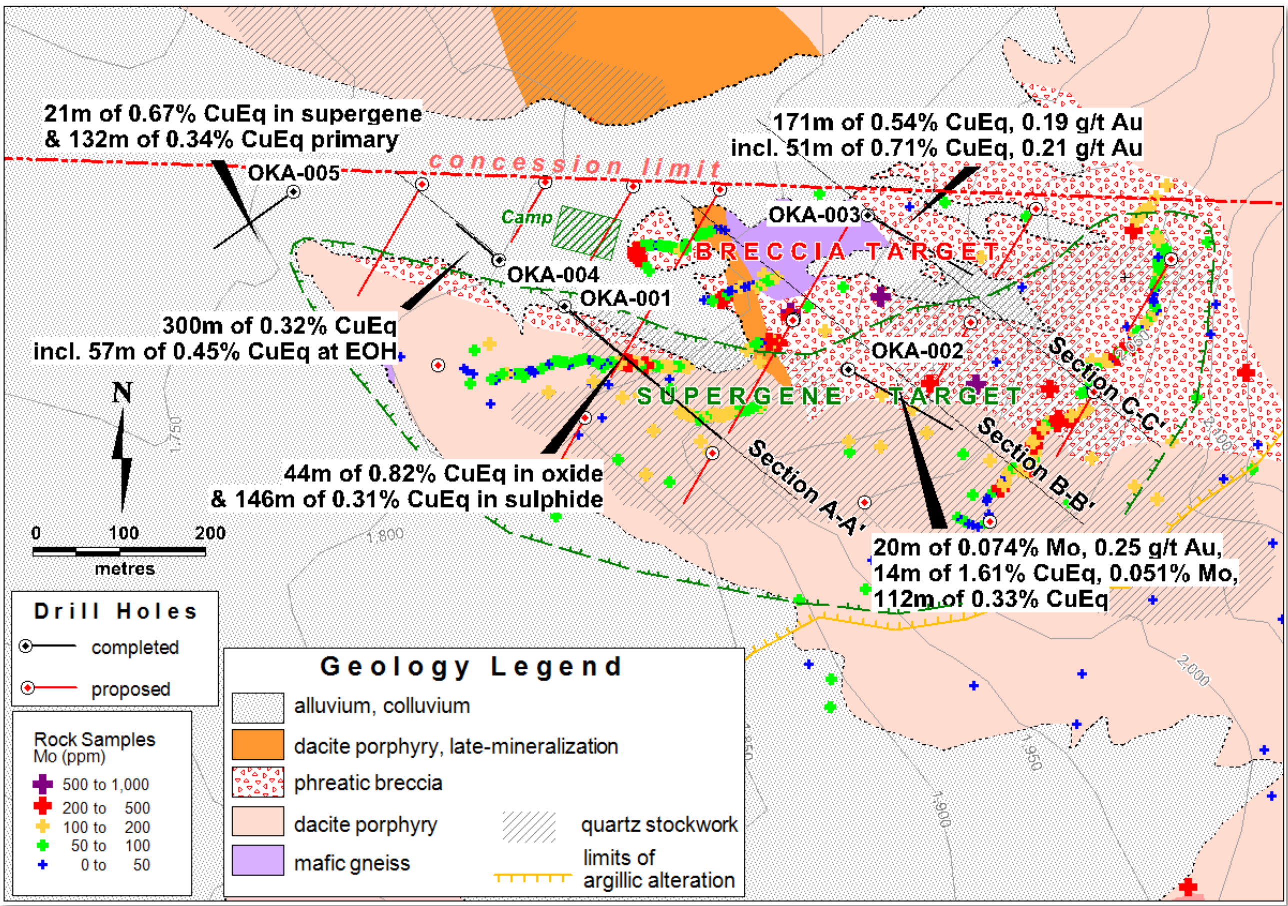

Figure 3: Map of Phase 1 drill holes and local geology, Jimena target.

Planned Work Program

Indico's planned Phase 2 drilling program totals 4400m (see Figure 3). The first 1000 metres will consist of shallow holes (200m or less) along the southern ridge to test primarily for supergene sulphide and oxide mineralization. The holes will be drilled a short way into the hypogene zone to test the southern extents, and some may be extended. The remainder of the holes are infill drilling to test the upper higher-grade zones within this primary breccia target, as well as further delimit the southern and eastern edges of both primary and supergene mineralization. The drill hole spacing will be roughly 200 metres. With Phase 2 completed, Indico should have sufficient data to estimate Inferred resources at Ocaña.

QUALIFIED PERSON AND QUALITY CONTROL/QUALITY ASSURANCE

John Drobe, P.Geo., Indico's Chief Operating Officer, a qualified person as defined by National Instrument 43-101, has reviewed the scientific and technical information that forms the basis for all public disclosures. Mr. Drobe is not independent of the Company as he is a shareholder.

Diamond Drilling and Sampling Procedures

The diamond drilling was completed using an HQ and NQ core size. Core recovery was estimated to be greater than 95%. After cutting with a diamond saw, one half of the core was collected for sample preparation and analysis and the other half is retained for future reference. Samples were collected on a 2.0m and 3.0m sample interval. Sample preparation and analyses was completed by ALS-Chemex ("ALS") Lima, Peru.

The geochemical results were reviewed by Tansy O'Connor-Parsons, Senior Geochemist (now with ioGlobal-Vancouver). Indico on-site personnel rigorously collect and track samples which are then security sealed and shipped to ALS, Lima, Peru for assay. Analytical accuracy and precision are monitored by the analysis of reagent blanks, reference material and replicate samples. Quality control is further assured by the use of international and in-house standards. Blind certified reference material is inserted at regular intervals into the sample sequence by field personnel in order to independently assess analytical accuracy. In addition, representative blind duplicate samples are routinely forwarded to ALS and an ISO-compliant third party laboratory for additional quality control. Multi-elements were assayed using the ALS's ME-ICP61 package which includes 4-acid digestion and ICP-ES finish. Lower detection limits are as follows: Cu >0.001%, Mo >0.001%, Ag >0.5g/t. Gold is assayed by the Au-AA23 fire assay package - fusion of a 30-gram followed by AA finish; with a lower detection limit of 0.005 g/t. ALS has an 9001:2008 and 17025 International Standard Organization rating.

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:

Resource Industry is Intensely Competitive: The Company's business is the acquisition, exploration and development of resource properties. The resource 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.

Fluctuation of 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 product produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. Commodity prices 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 exploration and production methods. The supply of commodities is 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 production 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 commercial 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 production operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, resource taxes and labour standards. In addition, the profitability of any commodity is affected by the market for those commodities which is influenced by many factors including changing production costs, the supply and demand, and the rate of inflation, the inventory of commodity 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 resource property 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 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 laws usually provide for rights of access to the surface for the purpose of carrying on exploration 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 exploration 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 exploration 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 ANNUAL INFORMATION

The Company's consolidated financial statements for the years ended May 31, 2012 and 2011 (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The following selected financial information for the years ended May 31, 2012 and May 31, 2011 is taken from the Company's audited consolidated financial statements for the year ended May 31, 2012. The information for the years ended May 31, 2010 is taken from the audited consolidated financial statements for the year ended May 31, 2010. This information should be read in conjunction with those statements. Readers of the MD&A should refer to "Change in Accounting Policies including Initial Adoption" and "International Financial Reporting Standards" included in this MD&A for a discussion of IFRS and its effect on the Company's financial presentation. Selected annual financial information appears below.

	Years Ended May 31		
	2012 (IFRS)	**2011 (IFRS)**	**2010 (Canadian GAAP)**
Total revenues (interest)	$ 937	$ -	$ -
Loss before other items	$ (2,223,854)	$ (2,992,988)	$ (689,811)
Net loss for the year	$ (2,242,203)	$ (3,057,972)	$ (690,146)
Basic and diluted loss per common share	$ (0.09)	$ (0.17)	$ (0.06)
Total assets	$ 1,699,496	$ 2,251,930	$ 575,715
Long term liabilities	$ -	$ -	$ -
Weighted average common shares outstanding	23,923,174	18,239,499	11,400,807
Working capital (deficit)	$ (194,116)	$ 1,396,456	$ 494,240

QUARTERLY FINANCIAL INFORMATION

	Three Months Ended			
	May 31, 2012 (IFRS)	**February 29, 2012 (IFRS)**	**November 30, 2011 (IFRS)**	**August 31, 2011 (IFRS)**
Total revenues (interest)	$ -	$ 937	$ -	$ -
Loss before other items	$ (352,520)	$ (243,172)	$ (545,848)	$ (1,082,314)
Write-off of exploration and evaluation assets	$ -	$ -	$ -	$ -
Net loss for the period	$ (335,774)	$ (282,802)	$ (489,755)	$ (1,133,872)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.05)
Total assets	$ 1,699,496	$ 962,281	$ 998,918	$ 1,244,249
Working capital(deficit)	$ (194,116)	$ (329,552)	$ (140,800)	$ 294,247

	Three Months Ended			
	May 31, 2011 (IFRS)	**February 28, 2011 (IFRS)**	**November 30, 2010 (IFRS)**	**August 31, 2010 (IFRS)**
Total revenues (interest)	$ -	$ -	$ -	$ -
Loss before other items	$ (1,460,507)	$ (524,841)	$ (870,538)	$ (137,102)
Write-off of exploration and evaluation assets	$ -	$ -	$ -	$ -
Net loss for the period	$ (1,492,295)	$ (574,414)	$ (854,093)	$ (137,170)
Basic and diluted loss per common share	$ (0.07)	$ (0.02)	$ (0.06)	$ (0.01)
Total assets	$ 2,251,930	$ 3,081,011	$ 4,668,910	$ 458,209
Working capital	$ 1,396,456	$ 2,604,513	$ 3,101,820	$ 358,167

RESULTS OF OPERATIONS

Year ended May 31, 2012 Compared to Year ended May 31, 2011

For the year ended May 31, 2012, the Company had a net loss of $2,242,203 as compared to a net loss of $3,057,972 in the comparative period of the prior year. The decrease in net loss of $815,769 in the current year was due to a combination of factors discussed below.

Consulting fees of $659,725 (2011 - $976,743) increased mainly due to consulting fees incurred by the newly incorporated Peruvian subsidiary, as well as an increased number of consultants and directors from the prior period. There was a decrease in share-based payments for the period to $140,596 (2011 - $643,737).

Exploration and evaluation expenditures of $1,099,716 were incurred in the current year compared to $1,633,180 in the prior year. Included in the expenditures are share-based payments of $nil (2011 - $22,868). The remaining increase is due to drilling activities in the first few months of the current year at the Ocaña Copper Gold Porphyry Project in South-Central Peru, as the option agreement was executed on September 14, 2010.

Investor relations expenses of $102,632 (2011 - $26,311) increased due to a new agreement entered into in April 2011 with a consultant to perform corporate communications.

Listing and Filing fees of $28,467 (2011 - $49,461) decreased due to filing fees incurred in prior year related to the acquisition of the Ocaña Copper Gold Porphyry Project.

Office expenses of $133,373 (2011 - $115,990) increased due to expenses incurred by the newly-incorporated Peruvian subsidiary combined with an increase in rent costs resulting from a change in head office location.

Professional fees of $139,833(2011 - $91,037) increased due an increase in legal, accounting and auditing expenses due to the incorporation of the Peruvian subsidiary along with share-based payments of $7,865 (2011 - $11,434).

Property investigations of $7,813 (2011 - $36,823) decreased due to the Company undertaking early stage reconnaissance field work to further investigate potential resource property acquisitions in Northern and South-Central Peru in the prior year, and minimal activities during the current period as the Company was focused on the exploration and evaluation of the Ocaña project.

Due to changes in the value of the Canadian dollar relative to the United States and Peruvian currencies, the Company recorded an exchange loss of $34,903 compared to a loss of $65,650 in the prior year.

Share-based Payment Charges

Share-based payment charges for the year ended May 31, 2012 was $148,461 and May 31, 2011 was $678,039. They were allocated as follows:

For the year ended	May 31, 2012	May 31, 2011
Consulting fees	$ 140,596	$ 643,737
Exploration and evaluation expenditures	-	22,868
Professional fees	7,865	11,434
	$ 148,461	$ 678,039

Three months ended May 31, 2012 Compared to Three months ended May 31, 2011

For the three months ended May 31, 2012, the Company had a net loss of $335,774 as compared to a net loss of $1,492,295 in the comparative period of the prior year. The decrease in net loss of $1,156,5212 in the three month period of the current year was due to a combination of factors discussed below.

The primary factor for the decrease in the net loss was the exploration and evaluation expenditures of $75,866 incurred in the current period compared to $610,258 in the comparative period of the prior year. There was a decrease in share-based payments for the period of $nil (2011 - $22,868).

Consulting fees of $205,413 (2011 - $715,513) decreased mainly due to decreased number of consultants and from the prior period as the Company decreased its activities in the current period. There was a decrease in share-based payments for the period of $123,526 (2011 - $548,842).

Listing and filing fees of $6,892 (2011 - $22,788) decreased due to OTCQX application fee in the comparative period of the prior year.

Office expenses of $19,586 (2011 - $48,581), professional fees of $22,289 (2011 - $35,831) and travel expenses of $1,635 (2011 - $20,806) decreased due to less activities in the Company during the current period compared to the comparative period in the prior year.

Due to changes in the value of the Canadian dollar relative to the United States and Peruvian currencies, the Company also recorded an exchange gain of $16,746 compared to a loss of $31,611 in the comparative period of the prior year.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been predominantly financed by the sale of its equity securities by way of private placements and the subsequent exercise of share purchase warrants issued in connection with such private placements. However, the exercise of warrants/options is dependent primarily on the market price and overall market liquidity of the Company's securities at or near the expiry date of such warrants/options (over which the Company has no control) and therefore there can be no guarantee that any existing warrants/options will be exercised. When acquiring an interest in mineral properties through purchase or option the Company will sometimes issue common shares to the vendor or optionee of the property as partial or full consideration for the property interest in order to conserve its cash.

At the present time the Company is instituting additional cost saving measures and reductions in staff or consultants in response to current conditions in the equity or credit markets. The Company also anticipates that the current slow-down in the junior resource exploration sector may also serve to reduce the cost of external services such as drilling, helicopter support and expediting, as the Company looks forward to acquiring additional resource interests.

The Company expects that it will operate at a loss for the foreseeable future, and that it will require additional financing to fund to the acquisition of a resource property and to continue its operations (including general and administrative expenses) beyond 2012. Additional financing will be required for the Company to maintain its existing level of operations and / or acquire, explore or develop any resource property.

As at May 31, 2012, the Company reported cash of $308,256 compared to $1,373,747 as at May 31, 2011. The Company had a working capital deficit of $194,116 as at May 31, 2012 compared to working capital $1,396,456 as at May 31, 2011. The decrease in cash on hand and working capital was the result of cash used in operating activities of $1,576,814 and cash used for mineral property acquisitions offset by cash received from financing activities of $953,611. The Company has not entered into any long-term lease commitments nor is the Company subject to any mineral property commitments other than those outlined under note 6 in the Company's consolidated financial statements for the year ended May 31, 2012.

The Company currently has no further funding commitments or arrangements for additional financing at this time (other than the potential exercise of options and warrants) and there is no assurance that the Company will be able to obtain additional financing on acceptable terms, if at all. There is significant uncertainty that the Company will be able to secure any additional financing in the current equity markets - see "Risk Factors - Insufficient Financial Resources/Share Price Volatility". The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes.

The Company has no exposure to any asset-backed commercial paper. Other than cash held by its subsidiary for their immediate operating needs in Peru, the majority of the Company's cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions. However, in order to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income.

OFF–BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

During the three months ended May 31, 2012, the Company entered into the following transactions with related parties and paid or accrued the following amounts, excluding share-based payment charges in connection therewith:

Name	Relationship	Purpose of transaction	Amount
Leonard Harris	Director of the Company	Director's fees	$ 2,500
Keith Henderson	Director of the Company	Director's fees	$ 2,500
Michael Kinley	Director of the Company	Director's fees	$ 2,500
Coille Van Alphen	Director of the Company	Director's fees	$ 2,500
GF Consulting Corp.	Company controlled by the President and CEO of the Company	Consulting	$ 30,000
Blue Pegasus Consulting Inc.	Company controlled by the CFO of the Company	Consulting	$ 9,000
Bayswater Consulting Ltd.	Company controlled by the Corporate Secretary of the Company	Consulting	$ 3,000
Cardero Resource Corp.	Company with common officers and directors	Office	$ 12,145

PROPOSED TRANSACTIONS

As at the date of this MD&A there are no proposed transactions where the Board of Directors or senior management believes that confirmation of the decision by the Board is probable or with which the Board and senior management have decided to proceed.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates in the preparation of the Company's consolidated financial statements the carrying value and the recoverability of the exploration ad evaluation assets included in the Consolidated Statement of Financial Position, the assumptions used to determine the fair value of share-based payments in the Consolidated Statement of Comprehensive Loss, and the estimated amounts of reclamation and environmental obligations. Management believes the estimates used are reasonable; however, actual results could differ materially from those estimates and, if so, would impact future results of operations and cash flows.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Please refer to note 14 of the May 31, 2012 audited consolidated financial statements for a comprehensive list of the accounting policies adopted upon transition to IFRS.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Investment held-for-trading is carried at fair value. The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The fair values of amounts due to related parties have not been disclosed as their fair values cannot be reliably measured since the parties are not at arm's length.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a major Canadian financial institution, a major Peruvian financial institution, and a major Bermudian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

Cash	**May 31, 2012**	**May 31, 2011**
Canadian financial institution	$ 306,016	$ 1,240,665
Peruvian financial institution	2,240	132,647
Bermudian financial institution	-	435
	$ 308,256	$ 1,373,747

The credit risk associated with cash is minimized by ensuring that substantially all Canadian and US dollar amounts are held with a major Canadian financial institution with strong investment-grade ratings by a primary ratings agency.

In respect to accounts receivable, the Company is not exposed to significant credit risk as the majority are due from governmental agencies.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company normally maintains sufficient cash to meet the Company's business requirements and at May 31, 2012, the cash balance of $308,256, will not be sufficient to meet its obligations related to its accounts payable and accrued liabilities of $217,017 and due to related parties of $367,762, and required administrative and property expenditures over the next twelve months.

All its non-derivative financial liabilities are made up of accounts payable and accrued liabilities and amounts due to related parties and are due within three months of the period-end as shown below. The Company does not have any derivative financial liabilities.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

(i) Interest rate risk

The Company is not subject to material interest rate risk.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk as certain monetary financial instruments are denominated in United States and Peruvian currencies. At May 31, 2012, total assets and liabilities include cash of US $34,512 (May 31, 2011 – US $244,982) and Peruvian soles 1,569 (May 31, 2011 - Peruvian soles 13,640). The Company has not entered into any foreign currency contracts to mitigate this risk. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the US dollar by 7% (May 31, 2011 - 8%) and Peruvian soles by 3% (May 31, 2011 – 3%) would increase or decrease net loss by $11,495 (May 31, 2011 - $19,600) in these consolidated financial statements.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to such risk.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

Disclosure controls and procedures are controls and other procedures that are designed to provide reasonable assurance that all relevant information required to be disclosed in the Company's reports filed or submitted as part of the Company's continuous disclosure requirements is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure and such information can be recorded, processed, summarized and reported within the time periods specified by applicable regulatory authorities.

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at May 31, 2012 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of May 31, 2012, the disclosure controls and procedures were effective. However, Management and the Board recognize that no matter how well designed the Company's control systems are, such controls can only provide reasonable assurance, not absolute assurance, of detecting, preventing and deterring errors.

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 May 31, 2012, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

DISCLOSURE OF OUTSTANDING SHARE DATA (As at September 25, 2012)

Authorized

Unlimited number of voting common shares without par value.

Issued

Issued Common Shares	Value
55,379,419	$ 23,171,423

Incentive Stock Options Outstanding:

Number	Exercise Price	Expiry Date
1,150,000	$ 0.53	March 7, 2013
60,000	$ 0.55	August 3, 2013
1,200,000	$ 0.21	May 2, 2014
345,000	$ 0.15	July 10, 2014
2,755,000		

Share Purchase Warrants Outstanding:

Number	Exercise Price	Expiry Date
162,240*	$ 0.25	April 13, 2013
13,826,750	$ 0.15	September 13, 2012
996,869*	$ 0.15	September 13, 2012
14,985,859		

*Agent's warrants

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's consolidated financial statements for the year ending May 31, 2012 are the first annual consolidated financial statements that will be prepared in accordance with IFRS. The Company adopted IFRS on June 1, 2011 with a transition date of June 1, 2010. Under IFRS 1, "First time adoption of International Financial Reporting Standards" ("IFRS 1"), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit, and IFRS 1 providing for certain optional and mandatory exemptions to this principle.

As a result of the policy choices selected, and the changes which were required under IFRS, no change in the Company's equity as at June 1, 2010 has been recorded. Please refer to note 14 of the consolidated financial statements for the reconciliations between IFRS and Canadian GAAP for the Statement of Financial Position as at May 31, 2011 and for the Statement of Comprehensive Loss for the three and year ended May 31, 2011.

Below are the impacts on Consolidated Financial Statements due to the adjustments necessary for the IFRS transition:

	May 31, 2011	June 1, 2010
Exploration and evaluation assets	$ (1,633,180)	$ -
Adjustment to deficit	$ (1,633,180)	$ -

Reconciliation between IFRS and Canadian GAAP

Please refer to note 14 of the Interim Financial Statements.

DISCLOSURE OF MANAGEMENT COMPENSATION

In accordance with the requirements of Section 19.5 of TSX-V Policy 3.1, the Company provides the following disclosure with respect to the compensation of its directors and officers during the three month period ended May 31, 2012:

Name of Director/Officer	Position	Category	Amount Paid/ Accrued
Leonard Harris	Director	Director Fees	$ 2,500
Keith Henderson	Director	Director Fees	$ 2,500
Michael Kinley	Director	Director Fees	$ 2,500
Coille Van Alphen	Director	Director Fees	$ 2,500
Gary Freeman	President & Chief Executive Officer	Consulting Fees	$ 30,000
Peggy Wu	Chief Financial Officer	Consulting Fees	$ 9,000
Erin Walmesley	Corporate Secretary	Consulting Fees	$ 3,000

ADDITIONAL INFORMATION

Additional information relating to our Company is available on SEDAR at www.sedar.com