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INTRODUCTION

This Management Discussion and Analysis ("MD&A") provides a detailed analysis of the business of Indico Resources Ltd. ("Indico" or the "Company") and compares its financial results for the period ended August 31, 2010 to the same period of prior year. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements for the period ended August 31, 2010 and audited financial statements for the years ended May 31, 2010. 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 ("GAAP").

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.

Historical results of operations and trends that may be inferred from this MD&A 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".

All of the Company's public disclosure filings, including its most recent management information circular, 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.

DATE

This MD&A reflects information available as at October 25, 2010.

OVERVIEW

The principal business activity of Indico is the exploration for and development of natural resources. 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.

OVERALL PERFORMANCE

On September 14, 2010, the Company entered into an agreement wherein the Company has been granted the exclusive option to acquire a 100% interest in the Ocaña Copper Gold Porphyry Project in South-Central Peru, by way of an option to acquire 100% issued and outstanding shares of Inversiones Minerales S.A.C. ("Inversiones") which holds an indirect 100% interest in the Ocaña property, by making, at its option, payments of cash and shares over a five-year period ending April 20, 2015.

The Company also plans to complete a non-brokered private placement consisting of 10,000,000 units at a price of $0.40 per unit for gross proceeds of $4,000,000. Each unit will comprise of one common share and one-half of one share purchase warrant. Each full share purchase warrant will entitle the holder to purchase one additional common share at a price of $0.60 for a period of 12 months from closing of the private placement, subject to approval of regulatory authorities. The Company will pay finder's fees equal to 5% of subscription amounts received, payable in cash or units, plus issue finder's share purchase warrant. Each finder's fee warrant will entitle the holder to purchase one common share at a price of $0.65 for a period of 12 months from closing of the private placement.

The property acquisition is subject to completion of the above proposed financing, and both transactions are subject to regulatory approval.

EXPLORATION ACTIVITIES

No exploration or joint venture activities were carried out during the period ended August 31, 2010 or to the date hereof.

OUR BUSINESS

We have entered into an agreement with Manlio Bassino Pinasco and Percy Samaniego Pimentel of Lima Peru (the "Vendors") wherein the Company has been granted the exclusive option to acquire a 100% indirect interest in the Ocaña Copper Gold Porphyry Project, in South-Central Peru (the "Transaction"). The Ocaña property consists of 22 concessions (the "Mineral Claims"). As consideration for the Mineral Claims, we agreed to by way of an option to acquire 100% issued and outstanding shares of Inversiones which holds an indirect 100% interest in the Ocaña property, by making, at its option, payments of cash and shares over a five-year period ending April 20, 2015. The consideration due pursuant to the agreement is as follows:

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

   US $390,000 at the time of approval by TSX Venture Exchange;
   US $310,000 in Year 1;
   US $450,000 in Year 2;
   US $520,000 in Year 3;
   US $580,000 in Year 4; and
   US $15,500,000 in Year 5

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

   200,000 in Year 1;
   300,000 in Year 2;
   500,000 in Year 3;
   1,000,000 in Year 4; and
   6,500,000 in Year 5

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, a trend defined in party 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 model.

The Southern Peru Porphyry Copper Belt hosts the large porphyry copper deposits of Toquepala (770 million tonnes at 0.74% copper), Quellaveco (213 million tonnes @ 0.94% copper & 761 million tonnes @ 0.57% copper), Cuajone (61 million tonnes @ 0.56% copper & 1,212 million tonnes @ 0.64% copper), Cerro Verde (1,000 million tonnes @ 0.51% copper), and Cerro Negro (64 million tonnes @ 0.56% copper) as well as the newly discovered

Zafranal porphyry system. The technical information with respect to the above deposits was obtained through the respective company's public disclosure documents and on SEDAR.

The Ocaña Project is underlain by Precambrian basement rocks intruded by multi-phase plutonic complex of the Coast Batholith. These permissive intrusive rocks are not identified on existing published geologic maps and have been identified through field investigation. Alteration consists of widespread 'proximal' potassic (K-spar–magnetite) and silica alteration near the center of the system grading outward to sodic–calcic (chlorite–epidote–calcite) 'propylitic' alteration over a radial distance of 4 to 8 km. Gold-bearing quartz veins in the periphery of this new porphyry district are currently being mined by artisanal miners. The operating Arirahua Gold Mine is located 7 kilometres west of the project.

Planned Work Program

Indico intends to rapidly advance the property to the drill stage. The exploration program will include detailed geological, structural and alteration mapping in tandem with detailed geochemical sampling and trenching.

A ground magnetic survey is current being designed to target observed northwest-trending magnetite bearing veins and silicified zones. This will help identify structural fabric and map magnetic intrusions and/or magnetite alteration. An Induced Polarization (IP) survey is also planned to define zones of sulphide mineralization.

A budget of $3.7 million is proposed for Year 1, which will take the project from the surface exploration phase through to Phase I drilling.

QUALIFIED PERSON

EurGeol Keith J. Henderson, P.Geo., Indico's Chief Scientific Officer, a Director, and 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. Henderson is not independent of the Company as he is a director and a shareholder.

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, 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 FINANCIAL INFORMATION

Selected Annual Information

Years ended May 31, 2010 and 2009

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

The following table provides a brief summary of the Company's financial operations for the years ended May 31, 2010, 2009 and 2008. For more detailed information, refer to the accompanying Financial Statements.

	Years Ended May 31		
	2010	**2009**	**2008**
Total revenues (interest)	$ -	$ 4,807	$ 10,642
Loss before other items	(689,811)	(706,851)	(566,499)
Net loss	(690,146)	(1,351,474)	(870,140)
Basic and diluted loss per share	(0.06)	(0.14)	(0.11)
Total assets	575,715	504,541	630,657
Weighted average common shares outstanding	11,400,807	9,572,259	7,059,069
Cash dividends	-	-	-

QUARTERLY FINANCIAL INFORMATION

	August 31, 2010	May 31, 2010	February 28, 2010	November 30, 2009
Revenue	$ -	$ -	$ -	$ -
Operating expenses	137,102	73,846	333,752	139,597
Property write-off	-	-	-	-
Loss for the period	137,170	72,823	334,654	138,914
Loss per common share	$ 0.01	$ 0.01	$ 0.02	$ 0.01

	August 31, 2009	May 31, 2009	February 28, 2009	November 30, 2008
Revenue	$ -	$ -	$ 100	$ 1,937
Operating expenses	142,616	189,943	186,173	152,990
Property write-off	-	660,000	-	-
Loss for the period	143,755	854,313	187,447	142,673
Loss per common share	$ 0.02	$ 0.09	$ 0.02	$ 0.01

Three months ended August 31, 2010 compared to three months ended August 31, 2009

During the three months ended August 31, 2010, the Company had a net loss of $137,170 as compared to a net loss of $143,755 for the same period in 2009. The slight decrease in net loss was mainly due to an increase in property investigations of $61,277 (2009 - $nil) offset by a decrees in consulting fees of $35,905 (2009 - $90,527).

Property investigations of $61,277 was incurred in the current period compared to $nil in the same period of prior year. The increase was due to the Company undertaking early stage reconnaissance field work to further investigate potential resource property acquisitions and due diligence fees for the potential resource property acquisition (news release on September 14, 2010).

Consulting fees of $35,905 (2009 - $90,527) decreased mainly due to a consulting fee of $40,786 paid to a consultant to improve relations with our former joint venture oil and gas partners in Argentina and conduct due diligence procedures in the same period of the prior year when compared to $Nil in the current period. As well, there was a general decrease in fees charged by consultants as a result of cost containment policies implemented by the Company during the 2010 fiscal year.

Investor relations expenses of $nil (2009 - $13,763) decreased due to the termination of an existing contractual arrangement.

Legal expenses of $1,187 (2009 – $9,241) decreased because of the legal costs associated with the change of domicile from Bermuda to British Columbia.

Office expenses of $9,611 (2009 - $2,606) increased due to increase expenses in computer software upgrade of $7,218 (2009 - $nil).

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 does not contemplate that it will be necessary to institute any additional cost saving measures or reductions in staff or consultants in response to current conditions in the equity or credit markets. The Company is however reducing costs for other business reasons. 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 the first quarter of 2011. Additional financing will be required for the Company to maintain its existing level of operations and / or acquire, explore or develop any resource property interests (see Subsequent Events in the notes to the interim consolidated financial statements for the three months ended August 31, 2010, or a description of a planned financing discussed in "Overall Performance").

As at August 31, 2010, the Company reported cash of $440,153 compared to $561,811 as at May 31, 2010. The change in cash of $121,658 reflects cash used in the operations during the period. As at August 31, 2010, the Company had working capital of $358,167, compared to working capital of $494,240 at May 31, 2010.

The Company has no exposure to any asset-backed commercial paper. All 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 August 31, 2010, the Company incurred the following related party expenditures. These figures do not include stock-based compensation.

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
GF Consulting Corp.	Company controlled by the President and CEO of the Company	Consulting	$ 15,000
Winslow Associates Inc.	Company controlled by a Director of the Company	Consulting	$ 4,500
Acuitas Consulting Ltd.	Company controlled by a Director of the Company	Consulting	$ 2,905
Marla Ritchie	Corporate Secretary of the Company	Consulting	$ 6,000
Cardero Resource Corp.	Company with common officers and directors	Rent	$ 3,674
Cardero Resource Corp.	Company with common officers and directors	Office	$ 912
Cardero Resource Corp.	Company with common officers and directors	Administration	$ 2,223

These transactions with related parties have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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 financial statements in conformity with Canadian GAAP 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for interim and annual financial statements relating to fiscal years beginning on or after June 1, 2011. Companies will be required to provide IFRS comparative information for the previous year, starting in the first quarter of 2011. The Company commenced its IFRS conversion project in 2009, and expects to be completed prior to June 2011.

The Company's IFRS conversion project will be governed by members of the audit committee and the Board of Directors to monitor the progress and make critical decisions in the transition to IFRS, and to approve all transition policies. This project will consist of three main phases:

> <u>Preliminary planning and scoping</u>: This phase includes the development of a work plan and a review of the major differences between Canadian GAAP, IFRS, and the IFRS requirements based on their financial reporting impact, business impact and complexity.
>
> <u>Assessment and design</u>: This phase will involve determining the specific impacts to the Company based on the application the IFRS requirements. This will include the design and development of detailed solutions and work plans by each key area to address implementation requirements. In addition, impact analysis will be performed on all areas of business, including tax. Accounting policies will be finalized, first –time adoption exemptions will be considered, and a detailed implementation plan will be developed.
>
> <u>Implementation</u>: This phase will include implementing the required changes for IFRS compliance. All IFRS conversion impacts will be approved and finalized to allow for the conversion of tax policies and the preparation of opening IFRS balances.

Currently, the Company has completed the preliminary planning stage. During this phase of the conversion project it was determined that due to the Corporations nature of business at this time, no differences between new IFRS requirements and the current application of Canadian GAAP were identified. However, due to the uncertainty surrounding what IFRS will exist at the changeover date, management cannot reasonably assess the financial impact that IFRS will have on our financial statements at this time and it may not be able to do so with any certainty at any time prior to conversion.

CHANGES IN ACCOUNTING POLICIES, INCLUDING INITIAL ADOPTION

There have been no changes in accounting policies since June 1, 2010, being the start of the Company's most recently completed fiscal year.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company classifies its cash and investment held-for-trading as held-for-trading; and accounts payable and accrued liabilities as other financial liabilities.

Investment held-for-trading is carried at fair value. The carrying values of cash, and accounts payable and accrued liabilities approximate their fair values due to the expected short-term maturity of these financial instruments. Included in accounts payable and accrued liabilities are amounts due to related parties. 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.

(a) Credit risk

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

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

Cash	**August 31, 2010**	**May 31, 2010**
Canadian financial institution	$ 439,578	$ 561,217
Bermudian financial institution	575	594
	$ 440,153	$ 561,811

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 rating by a primary ratings agency.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying 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 required by operations and anticipated investing and financing activities. At August 31, 2010, the Company had cash of $440,153, which will be sufficient to meet its obligations related to its accounts payable and accrued liabilities of $90,537.

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

	0 to 3 months	**3 to 6 months**	**6 to 12 months**	**Total**
Accounts payable and accrued liabilities	$ 90,537	$ -	$ -	$ 90,537

(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's cash consists of cash held in bank accounts that earn interest at variable rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The interest income earned on cash is minimal; therefore, the Company is not subject to 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 currency. At August 31, 2010, total assets and liabilities include cash of US$15,922 (May 31, 2010 - US$77,518). 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 11% would increase or decrease foreign exchange expense by $1,800 in these financial statements.

iii. Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to any other price 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 August 31, 2010 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of August 31, 2010, 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 August 31, 2010, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

DISCLOSURE OF OUTSTANDING SHARE DATA (As at October 25, 2010)

Authorized

Unlimited number of voting common shares without par value (2009 - 100,000,000 voting common shares with a par value of $0.01 per shares)

100,000,000 preferred shares, issuable in series, with a par value of $0.001 per share, none of which were issued and were eliminated effective October 15, 2009 (see below). The Directors of the Company are authorized to determine the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares.

Shareholders have approved an increase and change to the Company's authorized capital to an unlimited number of common shares without par value and 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. Accordingly, the Company re-allocated $14,269,781 from contributed surplus to share capital as of that date to reflect the change to its authorized capital.

Issued

There were 12,771,252 shares issued and outstanding.

1. Share Purchase Warrants Outstanding:

	Number	Exercise Price	Expiry Date
	1,500,000	$ 0.25	November 12, 2011

2. Incentive Stock Options Outstanding:

	Number	Exercise Price	Expiry Date
	625,000	$ 0.55	January 8, 2012

DISCLOSURE OF MANAGEMENT COMPENSATION

In accordance with the requirements of Section 19.5 of TSXV Policy 3.1, the Company provides the following disclosure with respect to the compensation of its directors and officers during the period ended August 31, 2010:

Name of Director/Officer	Position	Category	Amount Paid/ Accrued
Leonard Harris	Director	Consulting Fees	$2,500
Keith Henderson	Director	Consulting Fees	$5,405
Michael Kinley	Director & former Chief Financial Officer	Consulting Fees	$7,000
Gary Freeman	President & Chief Executive Officer	Consulting Fees	$15,000
Marla Ritchie	Corporate Secretary	Consulting Fees	$6,000

ADDITIONAL INFORMATION

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