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**INDIGO EXPLORATION INC.**

*(An Exploration Stage Company)*

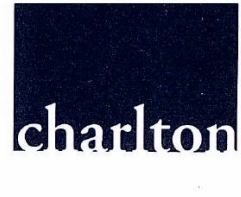
CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010 and 2009

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charlton & company  
CHARTERED ACCOUNTANTS

## AUDITORS' REPORT

To: the Shareholders of Indigo Exploration Inc.

We have audited the consolidated balance sheets of Indigo Exploration Inc. as at September 30, 2010 and 2009 and the statements of operations and comprehensive loss, cash flows and shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2010 and 2009, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*"Charlton & Company"*

**CHARTERED ACCOUNTANTS**

Vancouver, Canada  
January 26, 2011

**INDIGO EXPLORATION INC.**  
*(An Exploration Stage Company)*  
**CONSOLIDATED BALANCE SHEETS**  
**September 30, 2010 and 2009**

	2010	2009
<b><u>ASSETS</u></b>		
Current		
Cash and cash equivalents	\$ 796,173	\$ 36,214
HST/GST recoverable and other receivables	37,494	3,164
Prepaid expenses	4,799	-
	838,466	39,378
Deferred financing costs	-	71,268
Equipment, net of accumulated amortization of \$3,665; 2009 - \$nil	12,315	-
Mineral properties (Note 4 and Schedule 1)	739,060	260,959
Other assets	3,500	3,500
	\$ 1,593,341	\$ 375,105
<b><u>LIABILITIES</u></b>		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 48,203	\$ 71,091
Future income tax liability (Notes 3 and 6)	-	52,000
	48,203	123,091
<b><u>SHAREHOLDERS' EQUITY</u></b>		
Share capital (Note 5)	2,177,980	327,602
Contributed surplus (Note 5)	338,214	99,307
Deficit	(971,056)	(174,895)
	1,545,138	252,014
	\$ 1,593,341	\$ 375,105

Organization and nature of operations (Note 1)

Commitments (Notes 4 and 5)

Subsequent events (Notes 5 and 13)

**Approved by the Board of Directors**

\_\_\_\_\_ "R. Timothy Henneberry" Director

\_\_\_\_\_ "Paul S. Cowley" Director

The accompanying notes are an integral part of these consolidated financial statements.

**INDIGO EXPLORATION INC.**  
*(An Exploration Stage Company)*  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**For the years ended September 30, 2010 and 2009**

	2010	2009
General and Administrative Expenses		
Accounting and audit fees (Note 7)	\$ 77,532	\$ 23,998
Amortization	3,665	-
Bank charges and interest	1,141	299
Business investigation costs (Notes 3 and 7)	166,461	-
Consulting fees (Note 7)	57,650	4,425
Filing fees	27,073	-
Foreign exchange loss	3,873	-
Investor relations	25,435	-
Management and administration fees (Note 7)	11,200	7,500
Office and miscellaneous	24,777	11,806
Legal fees	48,922	3,862
Part XII.6 interest	725	-
Stock-based compensation (Note 5)	134,424	61,818
Travel and accommodation fees	3,476	3,505
Loss before other item	(586,354)	(117,213)
Interest income	2,305	395
Write-off of mineral property (Note 4)	(484,112)	-
Net loss for the year before income taxes	(1,068,161)	(116,818)
Future income tax recovery	272,000	-
Net loss and comprehensive loss for the year	\$ (796,161)	\$ (116,818)
Basic and diluted loss per share	\$ (0.07)	\$ (0.02)
Weighted average number of shares	11,456,446	6,361,092

The accompanying notes are an integral part of these consolidated financial statements.

**INDIGO EXPLORATION INC.**  
*(An Exploration Stage Company)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended September 30, 2010 and 2009**

	2010	2009
<b>Cash provided by (used in)</b>		
Operating Activities		
Net loss for the year	\$ (796,161)	\$ (116,818)
Add (deduct) items not involving cash:		
Amortization	3,665	-
Future income tax recovery	(272,000)	-
Stock-based compensation	134,424	61,818
Write-off of mineral property	484,112	-
	(445,960)	(55,000)
Changes in non-cash working capital items:		
HST/GST recoverable and other receivables	(33,196)	10,060
Prepaid expenses	(2,805)	-
Accounts payable and accrued liabilities	(44,105)	50,154
	(526,066)	5,214
Investing Activities		
Deferred exploration expenditures	(301,025)	(8,212)
Acquisition of Sanu Burkina Faso S.A.R.L., net of cash acquired (Note 3)	(44,079)	-
	(345,104)	(8,212)
Financing Activities		
Deferred financing costs	-	(71,268)
Issuance of shares - net of costs	1,631,129	-
	1,631,129	(71,268)
Increase (decrease) in cash during the year	759,959	(74,266)
Cash and cash equivalents - Beginning of the year	36,214	110,480
Cash and cash equivalents - End of the year	\$ 796,173	\$ 36,214
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Cash and cash equivalents are comprised of:		
Cash	\$ 46,173	\$ 36,214
Short-term investments	750,000	-
	\$ 796,173	\$ 36,214

Supplemental cash flow information (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

**INDIGO EXPLORATION INC.**  
*(An Exploration Stage Company)*  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the years ended September 30, 2010 and 2009**

	Issued Share Capital				Total Shareholders' Equity
	Number of Shares	Amount	Contributed Surplus	Deficit	
Balance – September 30, 2008	6,420,709	\$ 417,091	\$ -	\$ (58,077)	\$ 359,014
Shares repurchased for exchange (Note 5(b))	(800,000)	(45,489)	37,489	-	(8,000)
Shares issued for exchange (Note 5 (b))	159,997	8,000	-	-	8,000
Less: Future income tax on flow-through shares	-	(52,000)	-	-	(52,000)
Stock-based compensation	-	-	61,818	-	61,818
Net loss for the year	-	-	-	(116,818)	(116,818)
Balance – September 30, 2009	5,780,706	327,602	99,307	(174,895)	252,014
Issued:					
For cash:					
Pursuant to Initial Public Offering	4,000,000	600,000	-	-	600,000
Less issue costs – cash	-	(190,899)	-	-	(190,899)
– agent's warrants	-	(23,027)	23,027	-	-
Pursuant to private placements	6,265,000	1,307,000	-	-	1,307,000
Allocation to warrants	-	(65,768)	65,768	-	-
Less issue costs – cash	-	(163,058)	-	-	(163,058)
– agent's warrants	-	(18,305)	18,305	-	-
Pursuant to exercise of warrants	45,455	6,818	-	-	6,818
Transfer on exercise of warrants	-	2,617	(2,617)	-	-
Pursuant to acquisition of Sanu Burkina (Note 3)	3,000,000	450,000	-	-	450,000
Less: Future income tax on flow-through shares	-	(55,000)	-	-	(55,000)
Stock-based compensation	-	-	134,424	-	134,424
Net loss for the year	-	-	-	(796,161)	(796,161)
Balance – September 30, 2010	19,091,161	\$ 2,177,980	\$ 338,214	\$ (971,056)	\$ 1,545,138

The accompanying notes are an integral part of these consolidated financial statements.

# **INDIGO EXPLORATION INC.**

*(An Exploration Stage Company)*

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2010

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### **1 ORGANIZATION AND NATURE OF OPERATIONS**

Indigo Exploration Inc. (“the Company”) was incorporated on February 29, 2008 under the Business Corporations Act of British Columbia. The Company completed its Initial Public Offering on December 29, 2009. The Company commenced trading on the TSX Venture Exchange on December 31, 2009 and is currently listed under the symbol “IXI”.

The Company’s principal activities include the acquisition, exploration and development of mineral properties. The Company is currently conducting exploration and development activities in Burkina Faso, Africa. The recoverability of amounts shown as mineral properties is dependent upon the conversion of mineral resources to economically recoverable reserves, the Company’s ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties.

On June 30, 2010, the Company acquired all of the issued and outstanding common shares of Sanu Burkina Faso S.A.R.L., a private company located in Burkina Faso, Africa (Note 3). The consolidated financial statements for the year ended September 30, 2010 include the results of operations of Sanu Burkina Faso S.A.R.L. from June 30, 2010.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2010, the Company had not yet achieved profitable operations, had an accumulated deficit of \$971,056 since inception and expects to incur further losses in the development of its business. The Company’s ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, its ability to obtain the necessary financing to develop the properties and to meet its ongoing levels of corporate overhead and commitments, keep its property in good standing and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Subsequent to September 30, 2010, the Company closed a non-brokered private placement of 7,663,666 units at \$0.30 per unit for gross proceeds of \$2,299,100 (Note 13).

### **2 SIGNIFICANT ACCOUNTING POLICIES**

These financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results may vary from these estimates.

The financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

#### **Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Sanu Burkina Faso S.A.R.L. All significant intercompany transactions have been eliminated.

## **INDIGO EXPLORATION INC.**

*(An Exploration Stage Company)*

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2010

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## **2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)**

### **Deferred financing costs**

Deferred financing costs associated with private or public equity offerings are deferred until the private or public offering is completed.

### **Cash and cash equivalents**

Cash and cash equivalents include cash and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### **Equipment**

Equipment is carried at cost. Depreciation is computed over estimated useful life, calculated at the following annual rates: furniture – 20% declining balance and vehicles – 30%.

### **Broker warrants and warrants**

Warrants issued to agents or brokers in connection with a financing are recorded at fair value using the Black-Scholes option pricing model and charged to issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are recorded at the value ascribed to them in the offering documents. If no such value had been determined, these warrants are recorded at the residual value. The value determined for the warrants is recorded to contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed the shares issued in the units.

Proceeds of the exercise of these warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in contributed surplus.

### **Mineral properties**

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, considered impaired in value, sold, or abandoned. Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned. Under this method, the amounts shown as mineral properties (or "acquisition costs and deferred exploration") represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted using the unit of production basis. If the properties are impaired, sold or abandoned, the expenditures will be charged to operations in the related period.



## **INDIGO EXPLORATION INC.**

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2010

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## **2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)**

The Company reviews capitalized costs on its mineral properties and will recognize an impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value, which is determined using the discounted value of future cash flows.

Exploration costs that are not attributable to a specific property are charged to operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and regulatory requirements.

### **Income taxes**

The Company applies the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. A valuation allowance is applied to the extent that it is not more likely than not that the future income tax assets will be realized.

### **Earnings (loss) per share**

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti dilutive. Basic and diluted loss per share are the same for the years presented.

For the years ended September 30, 2010 and 2009, potentially dilutive common shares (relating to stock options outstanding, share purchase warrants outstanding and to conditional share issuances pursuant to a mineral property option agreement) totalling 8,195,345 (2009 – 4,050,000) were not included in the computation of loss per share because their effect was anti-dilutive.

### **Comprehensive income**

Comprehensive income includes both net loss and other comprehensive income ("OCI"). OCI is the change in shareholders' equity from non-owner sources which is not included in the calculation of net loss until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category of shareholders' equity on the balance sheet. The Company had no OCI transactions during the years ended September 30, 2010 or 2009, and neither opening nor closing balances for AOCI in either year.

## **INDIGO EXPLORATION INC.**

*(An Exploration Stage Company)*

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2010

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## **2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)**

### **Financial instruments recognition, measurement, disclosure and presentation**

All financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in other comprehensive income (“OCI”) until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost

### **Impairment of long-lived assets**

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized.

### **Asset retirement obligations (“ARO”)**

The Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations associated with the retirement and reclamation of tangible long-lived assets when the related assets are put into use, with a corresponding increase to the carrying amount of the related assets. This corresponding increase to capitalized costs is amortized to earnings on a basis consistent with depreciation, depletion, and amortization of the underlying assets. Subsequent changes in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the balance sheet at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included as an operating item in the statements of operations.

As at September 30, 2010 and 2009, the Company had no asset retirement obligations.

### **Flow-through shares**

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The tax effect related to renounced expenditures is recorded as a reduction of share capital and an increase in future income tax liabilities. If previously unrecorded future income tax assets exist to offset some or all of the future income tax liability, the future income tax liability is reduced by such amount which is credited to income tax expense.

## INDIGO EXPLORATION INC.

(An Exploration Stage Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010

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## 2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

### Adoption of new accounting policies

#### a) Recently adopted accounting policies

##### *Business combinations, consolidated financial statements and non-controlling interest*

Effective October 1, 2009, the Company elected to early adopt CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations” (January 2008).

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, “Consolidated and Separate Financial Statements” (January 2008).

To date there has been no impact on the Company’s financial statements as a result of the adoption of these sections.

#### b) Future Accounting Changes

##### *International Financial Reporting Standards (“IFRS”)*

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

## INDIGO EXPLORATION INC.

(An Exploration Stage Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010

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#### 3 ACQUISITION OF SANU BURKINA FASO S.A.R.L.

By an agreement dated May 27, 2010, effectively closed on June 30, 2010, the Company acquired (the "Acquisition") 100% of the issued and outstanding shares of Sanu Burkina Faso S.A.R.L. ("Sanu Burkina"), a company organized under the laws of Burkina Faso, Africa, in consideration for cash payments of \$65,000 and the issuance of 3,000,000 common shares of the Company valued at \$450,000.

The transaction has been accounted for using the purchase method of accounting as an acquisition of assets by the Company. The allocation of the purchase price is based on the assets acquired and liabilities assumed measured at the carrying values, which approximated their fair values, at the date of the Acquisition. The allocation of the purchase price to the assets and acquired and liabilities assumed is as follows:

Cash	\$	20,921
Other assets		3,128
Equipment		15,981
Mineral properties		661,188
Accounts payable and accrued liabilities		(21,218)
Future income tax liability		<u>(165,000)</u>
Fair value of assets acquired and liabilities assumed	\$	<u>515,000</u>
Consideration paid:		
Cash	\$	65,000
Value of shares issued		<u>450,000</u>
Total consideration paid	\$	<u>515,000</u>

Transactions undertaken by Sanu Burkina are included in the consolidated financial statements from June 30, 2010.

During the year ended September 30, 2010, the Company incurred \$166,461 (2009 - \$nil) of business investigation costs pursuant to the Acquisition. This amount has been charged to the statement of operations.

#### 4 MINERAL PROPERTIES (Schedule 1)

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title to its properties are in good standing.

Pursuant to the Mining Code of Burkina Faso, an exploration permit holder is required to incur 270,000 West African CFA Francs (\$576) of exploration expenditures per square kilometre per year in order to maintain its permits in good standing. If such expenditures are not incurred, the Government of Burkina Faso may, at its discretion, cancel the permits after giving the permit holder sixty days notice to remedy any deficiency. At September 30, 2010, the Company has not incurred sufficient exploration expenditures on its Burkina Faso permits to comply with the Mining Code of Burkina Faso. However, the Government of Burkina Faso has renewed the permits and has not issued the Company any notice of non-compliance. As such, the Company believes its Burkina Faso permits are in good standing.

## **INDIGO EXPLORATION INC.**

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2010

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#### **4 MINERAL PROPERTIES (Schedule 1) – (cont'd)**

##### *Kodyel Exploration Permit and Other Permits*

Pursuant to the Acquisition (Note 3), the Company acquired gold mineral properties located in Burkina Faso, Africa. The permits acquired were the Kodyel Exploration Permit, the Tordo Exploration Permit, the Lati Exploration Permit and the Loto Exploration Permit. The Company has no significant commitments with respect to these permits.

##### *Moule Gold Permit, Burkina Faso*

On May 5, 2010, the Company entered into an option agreement to acquire a 100% interest, subject to a 1.5% net smelter return (“NSR”) royalty, in the Moule Gold Permit, in western Burkina Faso, in consideration for cash payments totalling US\$410,000 over a three year period as follows:

- A. US\$50,000 on May 5, 2010 (paid);
- B. US\$60,000 on or before May 5, 2011;
- C. US\$100,000 on or before May 5, 2012;
- D. US\$200,000 on or before May 5, 2013.

The Company has the right to purchase the entire 1.5% NSR royalty for US\$1,800,000.

##### *Fredy Creek Project*

Pursuant to the terms of an option agreement dated May 1, 2008 and amended on April 23, 2009, July 1, 2009 and April 13, 2010, the Company acquired the right to earn a 100% interest in twelve (12) mineral claims (“the Fredy Creek Project”) located in the Cariboo Mining Division in the Province of British Columbia.

The Company has issued 500,000 shares at a fair value of \$30,000 pursuant to the option agreement.

During the year ended September 30, 2010, the Company determined not to proceed with the Fredy Creek Project and accordingly wrote-off \$484,112 of accumulated deferred acquisition and exploration costs.

#### **5 SHARE CAPITAL**

- a) Authorized:

Unlimited common shares without par value.

## INDIGO EXPLORATION INC.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010

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#### 5 SHARE CAPITAL – (cont'd)

b) Financings:

During the year ended September 30, 2010, the Company completed the following financings:

- (i) Pursuant to an agency agreement with Union Securities Ltd. (the “Agent”) the Company filed a prospectus with the securities commissions of British Columbia, Alberta and Ontario with respect to its Initial Public Offering (“IPO”) for 4,000,000 common shares at \$0.15 per share for gross proceeds of \$600,000. The IPO closed on December 29, 2009 and the Company began trading on the TSX Venture Exchange (“TSXV”) under the symbol “IXI” on December 31, 2009. In connection with the IPO, the Company paid the Agent a commission of \$60,000 and paid a corporate finance fee of \$16,000. The Agent was reimbursed for its legal fees and disbursements of \$17,962. The Company also issued the Agent share purchase warrants entitling the holder thereof to purchase up to 400,000 common shares of the Company at \$0.15 per share, exercisable up to December 31, 2010. A value of \$23,027 has been attributed to these agent’s warrants using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders’ equity.

The assumptions used in the option pricing model are as follows: risk-free interest rate – 0.28%; expected life – 1.0 years; expected volatility – 100%; and expected dividends – nil. The Company incurred other cash issue costs of \$96,937.

- (ii) On January 6, 2010, the Company closed a non-brokered flow-through private placement of 580,000 units at \$0.25 per unit for gross proceeds of \$145,000. Each unit is comprised of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional non-flow-through common share of the Company at \$0.35 per share, exercisable up to January 6, 2011. A value of \$8,918 has been attributed to the warrants. The Company incurred other cash issue costs of \$13,039. The Company also issued finders’ warrants entitling the holder thereof to purchase up to 26,000 common shares of the Company at \$0.35 per share, exercisable up to January 6, 2011. A value of \$926 has been attributed to these finders’ warrants using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders’ equity. The assumptions used in the option pricing model are as follows: risk-free interest rate – 0.28%; expected life – 1.0 years; expected volatility – 100%; and expected dividends – nil.
- (iii) On April 26, 2010, the Company closed a non-brokered flow-through private placement of 250,000 flow-through common shares at a price of \$0.30 per flow-through share for gross proceeds of \$75,000.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 5 SHARE CAPITAL – (cont'd)

- (iv) On June 25, 2010, the Company closed a brokered private placement of 5,185,000 units at \$0.20 per unit for gross proceeds of \$1,037,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common of the Company at \$0.30 per share, exercisable up to June 25, 2011. A value of \$51,850 has been attributed to the warrants. The Company incurred other cash issue costs of \$129,435. The Company also issued finders' warrants entitling the holder thereof to purchase up to 344,800 common shares of the Company at \$0.30 per share, exercisable up to June 25, 2011. A value of \$16,523 has been attributed to these finders' warrants using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders' equity. The assumptions used in the option pricing model are as follows: risk-free interest rate – 0.88%; expected life – 1.0 years; expected volatility – 100%; and expected dividends – nil.
- (v) On July 27, 2010, the Company closed a brokered private placement of 250,000 units at \$0.20 per unit for gross proceeds of \$50,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common of the Company at \$0.30 per share, exercisable up to July 27, 2011. A residual value of \$5,000 has been attributed to the warrants. The Company incurred other cash issue costs of \$9,200. The Company also issued finders' warrants entitling the holder thereof to purchase up to 20,000 common shares of the Company at \$0.30 per share, exercisable up to July 27, 2011. A value of \$856 has been attributed to these finders' warrants using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders' equity. The assumptions used in the option pricing model are as follows: risk-free interest rate – 0.88%; expected life – 1.0 years; expected volatility – 100%; and expected dividends – nil.

During the year ended September 30, 2009, pursuant to a share exchange agreement among the Company and certain directors and officers of the Company and companies controlled by directors and officers of the Company, 800,000 common shares previously issued by the Company at \$0.01 per share were exchanged for 159,997 common shares at \$0.05 per share. The 800,000 common shares the Company acquired were cancelled and returned to treasury. As the cost of the cancelled shares was less than the assigned value of the shares, an amount of \$37,489, calculated using the average per-share value of the same class of shares at the date of transaction, was allocated to contributed surplus.

#### c) Commitments:

##### **Stock option plan**

The Company has a stock option plan (the "Plan") whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the Plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV).

**INDIGO EXPLORATION INC.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2010

**5 SHARE CAPITAL – (cont'd)**

Options may be granted for a maximum term of ten (10) years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Changes in share purchase options during the years ended September 30, 2010 and 2009 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance outstanding, September 30, 2008	-	-	-
Granted	<u>550,000</u>	\$0.15	
Balance, September 30, 2009	550,000	\$0.15	4.95
Granted	<u>1,175,000</u>	\$0.20	
Balance outstanding, September 30, 2010	<u>1,725,000</u>	\$0.18	4.58
Exercisable, September 30, 2010	<u>1,625,000</u>	\$0.18	4.56

At September 30, 2010, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share of the Company for each option held:

Number	Exercise Price	Expiry Date
550,000	\$0.15	September 10, 2014
1,075,000	\$0.20	August 9, 2015
<u>100,000</u>	\$0.20	September 28, 2015
<u>1,725,000</u>		

During the year ended September 30, 2010, the Company recorded stock-based compensation expense of \$134,424 (2009 - \$61,818). The weighted fair value of share purchase options granted during the year ended September 30, 2010 of \$0.12 (2009 - \$0.11) per option was estimated using the Black-Scholes option pricing model with the following assumptions:

	2010	2009
a) risk-free interest rate	1.98%	1.98%
b) expected life	5 years	5 years
c) expected volatility	100%	100%
d) expected dividends	Nil	Nil



**INDIGO EXPLORATION INC.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2010

**5 SHARE CAPITAL – (cont'd)****Warrants**

Changes in share purchase warrants during the years ended September 30, 2010 and 2009 are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, September 30, 2009 and 2008	-	-	-
Issued	6,515,800	\$0.29	
Exercised	(45,455)	\$0.15	
Balance, September 30, 2010	<u>6,470,345</u>	\$0.29	0.69

At September 30, 2010, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share of the Company for each warrant held:

Number	Exercise Price	Expiry Date
(1) 354,545	\$0.15	December 31, 2010
(2) 316,000	\$0.35	January 6, 2011
(3) 5,529,800	\$0.30	June 25, 2011
(4) 270,000	\$0.30	July 28, 2011
<u>6,470,345</u>		

(1) Subsequent to September 30, 2010, 354,545 of these share purchase warrants were exercised for gross proceeds of \$53,182.

(2) Subsequent to September 30, 2010, 316,000 of these share purchase warrants were exercised for gross proceeds of \$110,600.

(3) Subsequent to September 30, 2010, 771,720 of these share purchase warrants were exercised for gross proceeds of \$153,960.

(4) Subsequent to September 30, 2010, 2,000 of these share purchase warrants were exercised for gross proceeds of \$600.

**d) Flow-through shares**

In January 2010, the Company completed a flow-through financing of 580,000 flow-through units at \$0.25 per unit for gross proceeds of \$145,000 with respect to flow-through subscription agreements entered into in December 2009. Effective December 31, 2009, the Company renounced these expenditures to subscribers and these expenditures will not be available to the Company for future deduction from taxable income.

**INDIGO EXPLORATION INC.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**September 30, 2010

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**5 SHARE CAPITAL – (cont'd)**

In April 2010, the Company entered into flow-through subscription agreements to issue an aggregate of 250,000 flow-through shares at \$0.30 per share for gross proceeds of \$75,000. Effective June 30, 2010, the Company renounced these expenditures to subscribers and these expenditures will not be available to the Company for future deduction from taxable income.

The Company had incurred qualifying expenditures in the aggregate amount of \$220,000 at June 30, 2010 and accordingly has no further flow-through obligations.

## e) Escrow shares

Pursuant to the IPO, on December 29, 2009, 2,259,043 common shares of the Company were placed into escrow. These escrow shares will be released as to ten percent (10%) on December 30, 2009 (released) and an additional fifteen percent (15%) at six month intervals thereafter over a 36 month period with the final tranche being released on December 30, 2012. As at September 30, 2010, 1,694,282 (2009 – nil) common shares remained in escrow.

**6 INCOME TAXES**

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2010	2009
Statutory tax rate	28.74%	30.00%
Loss for the year before income taxes	(1,068,161)	(116,818)
Expected income tax recovery	307,000	35,000
Share issue costs	21,000	-
Stock-based compensation	(39,000)	(19,000)
Mineral properties written-off	(139,000)	-
Other	(48,000)	-
Effect of change in tax rate	(28,000)	(2,000)
Change in valuation allowance	(346,000)	(14,000)
Future income tax recovery	272,000	-

**INDIGO EXPLORATION INC.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**September 30, 2010

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**6 INCOME TAXES – (cont'd)**

The significant components of the Company's net future income tax assets and liabilities are as follows:

	2010	2009
Future income tax assets		
Share issue costs	72,000	2,000
Non-capital losses carried forward	118,000	30,000
Mineral properties and related deferred exploration	157,000	-
Cumulative eligible capital	31,000	-
	378,000	32,000
Valuation allowance for future income tax assets	(378,000)	(32,000)
Future income tax assets	-	-
Future income tax liability		
Mineral properties and related deferred exploration	-	(52,000)

The Company recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets.

Losses that reduce future income for tax purposes expire as follows:

2028	60,000
2029	57,000
2030	339,000
	<u>456,000</u>

In addition to the tax losses listed above, at September 30, 2010 there are resource related expenditures of approximately \$336,000 (2009 - \$61,000) which can be used to offset future Canadian income indefinitely.

**INDIGO EXPLORATION INC.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**September 30, 2010

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**7 RELATED PARTY TRANSACTIONS**

During the years ended September 30, 2010 and 2009, the Company incurred the following expenditures charged by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	2010	2009
Accounting fees	\$ 31,790	\$ 7,998
Business investigation costs	32,160	-
Consulting fees	33,550	4,425
Management and administration fees	5,250	7,500
Mineral property expenditures - consulting	15,390	-
	<u>\$ 118,140</u>	<u>\$ 19,923</u>

These expenditures were measured at the exchange amount which is the amount agreed upon by the transacting parties.

As at September 30, 2010, accounts payable and accrued liabilities includes an amount of \$8,569 (2009 - \$6,463) due companies controlled by directors and officers of the Company.

**8 MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the TSXV.

# INDIGO EXPLORATION INC.

(An Exploration Stage Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010

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### 9 FINANCIAL INSTRUMENTS

#### Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities. The Company designated its cash and cash equivalents as held-for-trading which are measured at fair value. Other receivables are designated as other financial assets, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

The Company classifies the fair value of these transactions according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Level 2 valuation is based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The value of cash and cash equivalents has been assessed based on the fair value hierarchy described above and are classified as Level 1. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Discussions of risks associated with financial assets and liabilities are detailed below:

#### Foreign Exchange Risk

A portion of the Company's financial assets and liabilities is denominated in West African CFA francs ("CFA") giving rise to risks from changes in the foreign exchange rate. The Company is exposed to currency exchange rate risk to the extent of its activities in the Burkina Faso. The Company's currency risk is presently limited to approximately \$(12,272) of net balance sheet exposure denominated in CFAs. Based on this exposure as at September 30, 2010, a 5% change in the exchange rate would give rise to a change in net loss and comprehensive loss of approximately \$600. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

The currencies of the Company's financial instruments were as follows:

	September 30, 2010	
	Canadian dollar	CFA
Cash and cash equivalents	\$ 779,609	\$ 16,564
Accounts payable and accrued liabilities	(55,895)	(1,808)
Net balance sheet exposure	\$ 723,714	\$ 14,756

## **INDIGO EXPLORATION INC.**

*(An Exploration Stage Company)*

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2010

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#### **9 FINANCIAL INSTRUMENTS – (cont'd)**

Future changes in exchange rates could have a material effect on the Company's business, financial condition and results of operations.

##### Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The majority of the Company's cash is held through a major Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered to be limited.

##### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Although interest income on the Company's cash and cash equivalents is subject to a variable interest rate, the risk exposure is not significant due to the small amount of interest income these balances.

##### Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained. Accounts payable and accrued liabilities are all current.

#### **10 SUPPLEMENTAL CASH FLOW INFORMATION**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the cash flow statements. The following transactions were excluded from the statements of cash flows:

During the year ended September 30, 2010:

- a) the Company acquired all of the issued and outstanding common shares of Sanu Burkina in part through the issuance of 3,000,000 common shares of the Company (ascribed value of \$450,000) (Note 3).
- b) 400,000 agents' warrants issued by the Company (ascribed value of \$23,027) pursuant to the Initial Public Offering.
- c) Aggregate of 390,800 finders' warrants issued by the Company (aggregate ascribed value of \$18,305) pursuant to private placements.

During the year ended September 30, 2009:

- a) the Company recorded a future income tax liability of \$52,000 with respect to accounting for a flow-through share renunciation (Note 5).

**INDIGO EXPLORATION INC.***(An Exploration Stage Company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**September 30, 2010

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**11 SEGMENTED INFORMATION**

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets is as follows:

	September 30, 2010	September 30, 2009
Canada	\$ 874,028	\$ 375,105
Burkina Faso	719,313	-
Total assets	<u>\$ 1,593,341</u>	<u>\$ 375,105</u>

Geographic segmentation of the Company's net loss is as follows:

	For the years ended September 30,	
	2010	2009
Canada	\$ 939,161	\$ 116,818
Burkina Faso	22,000	-
Net loss	<u>\$ 961,161</u>	<u>\$ 116,818</u>

**12 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**13 SUBSEQUENT EVENTS***Private Placement of Units*

On January 24, 2011, the Company closed a non-brokered private placement of 7,663,666 units ("Unit") at \$0.30 per Unit for gross proceeds of \$2,299,100. Each Unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof the right to purchase an additional common share of the Company at \$0.50 per share up to July 24, 2012.

The Company paid finders' fees in connection with the private placement. Finders' fees included \$42,888 of cash, 232,057 Units with the same terms as the private placement Units and 375,015 finders' warrants. Each finder's warrant entitles the holder thereof the right to purchase an additional common share of the Company at \$0.35 per share up to July 24, 2012.

*Exercise of Share Purchase Warrants*

Subsequent to September 30, 2010, certain share purchase warrants were exercised as described in Note 5.

**INDIGO EXPLORATION INC.**  
*(An Exploration Stage Company)*  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES**  
September 30, 2010

	BC, Canada	Burkina Faso, Africa			Total
	Fredy Creek Project	Moule Project	Kodyel Project	Other Projects	
Balance, September 30, 2008	\$ 252,747	\$ -	\$ -	\$ -	\$ 252,747
Deferred exploration costs					
Consulting	2,726	-	-	-	2,726
Filing fees	5,486	-	-	-	5,486
	8,212	-	-	-	8,212
Balance, September 30, 2009	260,959	-	-	-	260,959
Acquisition costs					
Cash	-	51,845	-	-	51,845
Pursuant to the acquisition of Sanu Burkina (Note 3)	-	-	363,653	297,535	661,188
	-	51,845	363,653	297,535	713,033
Deferred exploration costs					
Assaying	2,266	-	140	421	2,827
Camp	197	-	1,680	22	1,899
Consulting (Note 7)	45,572	-	3,795	-	49,367
Drilling	160,489	-	-	-	160,489
Equipment rental	3,735	-	902	17	4,654
Travel and accommodation	10,894	-	202	-	11,096
Wages	-	-	6,136	12,712	18,848
	223,153	-	12,855	13,172	249,180
Write-off	(484,112)	-	-	-	(484,112)
Balance, September 30, 2010	\$ -	\$ 51,845	\$ 376,508	\$ 310,707	\$ 739,060



## **INDIGO EXPLORATION INC.**

### **Management's Discussion and Analysis of Financial Position and Results of Operations**

The following information, prepared as of January 27, 2011 should be read in conjunction with the audited consolidated financial statements and the related notes thereto of Indigo Exploration Inc. ("the Company" or "Indigo") for the year ended September 30, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are expressed in Canadian dollars unless otherwise indicated.

### **FORWARD-LOOKING STATEMENTS**

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements, including, without limitation, statements about the mineral properties and financing activities. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning the interpretation of property exploration results may also be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of January 27, 2011.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to integration of acquisitions; risks related to operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risks and Uncertainties" Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason, except as required by law.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

## **GENERAL OVERVIEW**

The Company was incorporated on February 29, 2008 under the Business Corporations Act of British Columbia. The Company became a reporting issuer on November 20, 2009, closed its Initial Public Offering ("IPO") on December 29, 2009 and commenced trading on the TSX Venture Exchange ("TSXV") on December 31, 2009, under the trading symbol "IXI."

The Company is a junior natural resource company engaged in the acquisition, exploration and development of natural resource properties. The Company is yet to receive any revenue from its mineral exploration operations. Accordingly the Company has no operating income or cash flows. Its continued existence has relied almost exclusively upon equity financing activities, which is not expected to significantly change in the immediate future.

In January 2010, the Company closed a non-brokered flow-through private placement, previously announced on December 30, 2009, of 580,000 units at a price of \$0.25 per unit for gross proceeds of \$145,000.

On April 7, 2010, the Company announced that it had entered into a non-binding Letter of Intent ("LOI") to acquire all of the issued and outstanding shares of Sanu Resources Burkina Faso S.A.R.L. ("Sanu Burkina"), an indirectly owned subsidiary of NGEx Resources Inc. ("NGEx"), as a means of acquiring Sanu Burkina's four gold mineral exploration permits in the Republic of Burkina Faso, West Africa. On June 3, 2010, the definitive share purchase agreement was signed to acquire Sanu Burkina. On June 30, 2010 the Company reported that it had closed the share purchase agreement and had acquired all of the issued and outstanding shares of Sanu Burkina from NGEx. The total cash payment of \$65,000 has been paid and the Company has issued 3,000,000 common shares to NGEx, subject to a four month hold until October 31, 2010.

In connection with the Sanu Burkina acquisition, the Company closed a brokered private placement of 5,185,000 units at \$0.20 per unit for gross proceeds of \$1,037,000.

On April 12, 2010, the Company commenced a 900 metre drill program to test coincident copper soil (MMI) and geophysical induced polarization anomalies on its Fredy Creek project, located 54 kilometres north of Williams Lake, BC.

On April 26, 2010, the Company closed a non-brokered flow-through private placement of 250,000 flow-through common shares at \$0.30 per flow-through common share for gross proceeds of \$75,000. Proceeds from the private placement were used for qualifying exploration expenditures on the Fredy Creek project.

On June 30, 2010, the Company reported results of the Fredy Creek drill program. No significant copper mineralization was located. The Company terminated its option on the Fredy Creek porphyry property to allow the Company to concentrate exclusively on its gold projects in Burkina Faso, West Africa.

On May 12, 2010, the Company entered into an option agreement to acquire a 100% interest, subject to a 1.5% net smelter return ("NSR") royalty, in the Moule Gold Permit, in western Burkina Faso, in consideration for cash payments totalling US\$410,000 over a three year period. The Company has the right to purchase the entire 1.5% NSR royalty for US\$1,800,000.

On July 27, 2010, the Company reported that it had closed a private placement of 250,000 units at \$0.20 per unit for gross proceeds of \$50,000.

On August 9, 2010, the Company announced that it had engaged Contact Financial Corp. to develop and execute a comprehensive marketing and investor communications program over a three month renewable term, at a fee for services of \$8,000 per month.

On August 9, 2010, the Company granted a total of 1,075,000 stock options to directors, officers, and consultants subject to the terms and conditions of the Company's stock option plan. The options are exercisable at \$0.20 per share, exercisable up to August 9, 2015.

In September 2010, the Company added Arden "Buck" Morrow to the board of directors and granted a total of 100,000 stock options subject to the terms and conditions of the Company's stock option plan, with the options being exercisable at \$0.20 per share, expiring on September 28, 2015.

Subsequent to the year ending September 30, 2010, Simon Tam stepped down as a director of the Company in October.

Also in October, the Company announced that it had commenced a comprehensive sampling program on the Moule permit in Burkina Faso, in preparation for a planned drill program.

On January 24, 2011 the Company closed a non-brokered private placement of 7,663,666 units, priced at \$0.30 per unit for gross proceeds of \$2,299,100. Each Unit consists of one common share and one-half of one common share purchase warrant (each whole such warrant a "Warrant"). Each Warrant will entitle the holder to purchase one common share of the Company until July 24, 2012, at an exercise price of \$0.50 per common share. If during the exercise period of the Warrants, subsequent to the regulatory hold period, the closing price of Indigo's common shares on the TSX Venture Exchange is \$0.75 or higher for 20 consecutive trading days, the Company may accelerate the expiry time of the Warrants to 20 calendar days from the date written notice is provided to the Warrant holders. In connection with the private placement, the Company has paid finders' fees totalling \$42,888 in cash; 232,057 Units, and 375,015 finders' warrants. Each finders' warrant is exercisable into one common share of the Company at a price of \$0.35 per share until July 24, 2012.

Securities issued under the Offering will be subject to a four month hold period, which will expire May 25, 2011.

## ACQUISITION OF SANU BURKINA

In order to acquire Sanu Burkina's four gold mineral exploration permits, the Company agreed to purchase all of the issued and outstanding shares of Sanu Burkina from NGEx. The transaction closed effective June 30, 2010. Indigo paid \$65,000 and issued 3,000,000 of its common shares to complete the purchase. The four mineral exploration permits, being Kodyel, Tordo, Lati and Loto, are underlain by the Birimian Greenstone Belt. All four mineral exploration permits held by Sanu Burkina are government granted licenses. Technical reports on each of the four permits can be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The transaction has been accounted for using the purchase method of accounting as an acquisition of assets by the Company. The allocation of the purchase price is based on the assets acquired and liabilities assumed measured at the carrying values, which approximated their fair values, at the date of the Acquisition. The allocation of the purchase price to the assets acquired and liabilities assumed is as follows:

Cash	\$	20,921
Other assets		3,128
Equipment		15,981
Mineral properties		661,188
Accounts payable and accrued liabilities		(21,218)
Future income tax liability		<u>(165,000)</u>
Fair value of assets acquired and liabilities assumed	\$	<u>515,000</u>
Consideration paid:		
Cash	\$	65,000
Value of shares issued		<u>450,000</u>
Total consideration paid	\$	<u>515,000</u>

Transactions undertaken by Sanu Burkina are included in the consolidated financial statements from June 30, 2010.

## **MINERAL PROPERTIES**

R. Timothy Henneberry, P.Geo, President & CEO of Indigo, is the Qualified Person as defined in National Instrument 43-101 responsible for the review of technical information disseminated to the public by the Company, including any technical information in this MD&A.

### **Burkina Faso**

During the year ended September 30, 2010, the Company completed two transactions with respect to mineral prospects located in the Republic of Burkina Faso, West Africa. These transactions have resulted in the Company's acquisition of a package of five gold properties comprising four gold projects. West Africa is underlain by the Birimian Greenstone Belt, one of the most prolific gold producing areas in the world. A number of the world's major gold companies are active in West Africa, several with producing mines, including: IAMGOLD Corporation, AngloGold Ashanti Limited, Randgold Resources Limited, Gold Fields Limited and Newmont Mining Corporation. Burkina Faso is considered to be relatively stable, both politically and economically, and relies primarily on farming and mining as its main sources of revenue.

Pursuant to the Mining Code of Burkina Faso, an exploration permit holder is required to incur 270,000 West African CFA Francs (\$576) of exploration expenditures per square kilometre per year in order to maintain its permits in good standing. If such expenditures are not incurred, the Government of Burkina Faso may, at its discretion, cancel the permits after giving the permit holder sixty days notice to remedy any deficiency. At September 30, 2010, the Company had not incurred sufficient exploration expenditures on its Burkina Faso permits to comply with the Mining Code of Burkina Faso. However, the Government of Burkina Faso has renewed the permits and has not issued the Company any notice of non-compliance. As such, the Company believes its Burkina Faso permits are in good standing.

### **Moule Option**

On May 5, 2010, the Company entered into an option agreement to acquire a 100% interest, subject to a 1.5% net smelter return ("NSR") royalty, in the Moule Gold Permit, in western Burkina Faso, in consideration for cash payments totalling US\$410,000 over a three year period. The Company has the right to purchase the entire 1.5% NSR royalty for US\$1,800,000. The Company made the initial cash payment of US\$50,000 upon signing of the agreement.

The Moule Gold Permit covers 249 square kilometres of prospective Birimian greenstone geology. Previous explorers conducted property wide mapping and sampling of quartz veining and quartz float and subsequently focused their efforts on a 7 kilometre by 6 kilometre area with a geochemical soil grid, detailed mapping, and local IP survey resulting in the identification of multiple gold anomalies. Sampling on the permit has encountered mineralization as high as 16.5 g/t Au to date. Company management believes the Moule permit has the potential to host a large near-surface, bulk tonnage gold deposit. A thorough review of the data by the Indigo technical team has zeroed in on two high priority anomalies: Zelingpe 1 and Zelingpe 2, within the large 5

kilometre by 2.5 kilometre Zelingpe grid.

The 1.0 kilometre long by 120 metre wide Zelingpe 1 anomaly is covered by a resistant laterite plateau. The IP Survey penetrated the hardcap plateau and identified a strong coincident IP chargeability high and resistivity low, a geophysical signature suggestive of disseminated sulfide and quartz veins. The edges of the laterite plateau have eroded near the fringes of the anomaly, casting anomalous gold values into soils to the east, west and south. An area of eluvial workings and artisanal pits is located immediately west and on the southwest fringe of the Zelingpe 1 anomaly. There are also soil values to the east and south of the plateau edge with anomalous values to 1,865 ppb Au.

The Zelingpe 2 anomaly lies approximately 500 metres southeast of the Zelingpe 1 anomaly and consists of two parallel northeast-trending quartz vein swarms 500 metres apart, both with associated strong coincident IP chargeability high and resistivity low geophysical signatures. Each trend is traceable for 1.4 kilometres by elevated gold values in soils, rock sampling and geophysical anomalies. Recent artisanal workings have appeared on one trend. Indigo crews have completed a surface sampling program on the artisanal workings and quartz float along the strike length of the trends. Results are pending.

The first pass drilling of up to 5,000 metres has almost been completed on Zelingpe 1 and 2 anomalies. Results are pending. Field crews will commence a soil grid over additional quartz trends in early 2011. The soil grid sampling is planned to generate additional drill targets for continuation of drilling on the Moule permit in 2011.

The Company plans to fly an airborne radiometric and magnetic survey over the prospective eastern half of the Moule permit in early 2011.

### **Kodyel Exploration Permit**

The 100% owned Kodyel permit covers 238 square kilometres and lies close to the Niger border approximately 300km east of Ouagadougou. Access is by paved road as far as Fada N'gourma about 200km east of Ouagadougou and thence by laterite roads. The Kodyel permit covers an extension of the Sirba greenstone belt that hosts the Samira Hill gold mine just across the border in Niger. The Kodyel permit is traversed by a regional northeast-trending fault that stretches from Ghana to Niger and separates the mafic and felsic volcanics and metasedimentary rocks of the Fada belt from the migmatites and granites to the northwest. There are several active artisanal workings within the permit, including: Hantekoura (CFA), Kodyel 1, Tangounga and Songonduari.

The Hantekoura orpaillage consists of a series of pits and cuts oriented at 060° over 550 metres strikelength. Mineralization consists of quartz veins, 5 – 25 centimetres thick, hosted in intermediate tuffs near the granite contact. The Kodyel 1 site consists of a large cut 70 metres long and up to 40 metres wide, exploiting strongly kaolinitized and sheared rocks hosting white and rose quartz veins in a zone striking to the northeast and dipping to the northwest and

southeast. Tangounga hosts multiple massive quartz veins each 1-5 metres wide outcropping over more than 400 metres strike length. Local miners have been working to a depth of over 25 metres. Songonduari is located near the Niger border and was the site of a recent gold rush involving up to 10,000 artisanal miners. Highlights of grab samples of quartz from artisanal gold mining sites on veining, and alteration, within intermediate tuffs and highly altered, sheared and kaolinized felsic volcanics include 7 gpt Au and 9 gpt Au. A large part of the permit including the major Tangounga artisanal mining site remains unexplored.

The permit was held from 1995-1997 by SEMAFO, who drilled over 493 RAB, 26 RC and 12 DD holes into the CFA prospect and outlined a small resource. The best intersection was Hole 196 with 43m of 4.3 gpt Au.

To date, surface exploration programs on the Kodyel permit have been limited at the request of the local authorities and the Ministry of Mines in Burkina Faso, pending a ruling by international authorities as to the demarking of the Niger-Burkina Faso border proximate to the Kodyel permit.

Indigo plans to fly an airborne radiometric and magnetic survey over the Kodyel permit early in 2011 in preparation for ground surveys and drilling later in the year.

#### **Tordo Exploration Permit**

The 143 square kilometre Tordo permit lies about 150km east of Ouagadougou and is 100% owned by Sanu Burkina. The permit covers a portion of the Fada N'gourma greenstone belt which consists of meta-tuff, meta-sediment and mafic metavolcanic rocks and has never been previously explored until recently by Sanu Burkina. A dilational fault splay is focused near the contact of the greenstone belt and enclosing granites. Quartz float debris fields and a number of artisanal workings are associated with these structures. Quartz veins are most numerous in the central part of the mapped area displaying variable orientations including 070°, 110°, and 130° as exposed by trenching. In the metasedimentary rocks in the centre of the permit, mineralization consists of relatively narrow quartz veining and associated silicification. A regional and locally detailed soil geochemistry program has defined a 1300x 300m soil gold anomaly in saprolite with peak values to 3000 ppb gold (Au). Trenching of the anomaly by Sanu Burkina suggests these stockworks may host significant gold mineralization but more work is required to determine controls and extent. The trenching returned 8 metres of 1.17 gpt Au within a larger section of 101 metres of 0.41 gpt Au; 70 metres of 0.51 gpt Au; 27 metres of 0.32 gpt Au; and 38 metres of 0.24 gpt Au.

Indigo plans further trenching at Tordo in advance of a preliminary drilling program.

#### **Lati Exploration Permit**

The 100% owned, 246 square kilometre Lati Permit, located in the Boromo greenstone belt, covers a major north-south shear zone and a number of known but under-explored prospects as well as an active artisanal mining area. The Lati permit is about 150 km by road, of which about

100 km is paved, west of Ouagadougou. Lati was previously explored by the United Nations Development Program (“UNDP”) and the Burkina Faso Office of Mines and Geology (“BUMIGEB”) for volcanic-hosted massive sulfides (“VHMS”) similar to the Perkoa zinc deposit, as well as by Carlin Resources and Incanore Resources for gold.

Prior exploration included airborne geophysics, soil geochemistry, trenching, and drilling. Several anomalous areas that were not followed up include a gold-in-soil anomaly (1000m by 200m) in the northern part of the permit in which three samples yielded over 1 gpt Au with a peak value of 6.5 gpt Au; a UNDP prospect that reported 12m of 2.45 gpt Au in a diamond drill hole; and the Kwademen artisanal mining area where reported gold mineralization over an area of 1250m x 250m with isolated values up to 65 gpt Au occurs in quartz veins and veinlets in a sheared granites and felsic volcanics.

Sanu Burkina completed a detailed mapping and soil and trench sampling program at Kwademen to verify and better understand the extent of the reported gold. The preliminary results show a significant gold and base metal anomaly approximately 1.5km x 300m near a sediment volcanic contact in the Kwademen prospect.

Sanu Burkina has also concentrated on relocating previously discovered anomalies in the northern part of the permit since there appeared to be significant positional errors in the earlier work. Grab sampling of quartz lag and veining within the basalt rocks in this area has identified a series of plus one gram per tonne values to a maximum of 11 gpt Au.

Indigo plans a soil sampling, lag quartz sampling program over the northern portion of the Lati permit to confirm the historic sampling results. The northern portion of the permit includes a 500 metre by 200 metre area of expanding artisanal workings.

### **Loto Exploration Permit**

The 93 square kilometre Loto exploration permit is 100% owned and is located in the Boromo greenstone belt, contiguous to the Moule Exploration Permit, and forms part of the Moule project. The Loto permit lies near the town of Diebougou, approximately 270 km by road from Ouagadougou of which 250km is paved. The area is intensely farmed and it has taken time to establish a working relationship with the local community.

Attention was first drawn to this area by outcrops of strongly anomalous (1-2 gpt Au) quartz vein swarms in intermediate to mafic volcanics. Sanu Burkina has covered the areas of quartz veining by a 200 x 100m soil geochemistry, rock chip and lag sampling and geological mapping. Eight of the ninety soil samples analyzed returned values greater than 50 ppb Au with a high value of 226 ppb Au. Five of the 167 grab rock chip and lag quartz samples collected assayed greater than 1 gpt Au, including values of 22.15 gpt Au, 4.49 gpt Au, 8.08 gpt Au, 11.15 gpt Au and 14.55 gpt Au.



Indigo plans to fly an airborne radiometrics, and magnetic survey over the Loto permit early in 2011.

**Fredy Creek Project, B.C.**

The 5,868 hectare Fredy Creek Project is located in North Central British Columbia approximately 360 miles northeast of Vancouver, British Columbia in the Cariboo Mining Division. The Company was exploring for a copper-molybdenum porphyry deposit on its Fredy Creek property.

The Company had an option to earn a 100% interest in the Fredy Creek Project, subject to a 2% net smelter royalty (“NSR”), by issuing 4,000,000 shares to the Beneficial Owners and by incurring an aggregate of \$2,000,000 in exploration expenditures over a period of five years from the date of the Option Agreement. Indigo also had the right, at any time, to purchase one-half (1%) of the NSR, for a one-time payment of \$1,000,000.

Indigo completed a five hole, 1159.3 metre NQ diamond drilling program on the Fredy Creek Project in May 2010, at a cost of approximately \$225,000. No significant copper/molybdenum mineralization was encountered and the Company terminated its option and returned the property to the vendor on June 30, 2010. The Company wrote-off \$484,112 of accumulated deferred acquisition and exploration costs related to the Fredy Creek Project.

**SELECTED ANNUAL INFORMATION**

The Company’s fiscal period ends on September 30<sup>th</sup> of each year. The Company was incorporated on February 29, 2008. The following is a summary of certain selected audited financial information for the last three completed fiscal periods:

	<b>2010 (\$)</b>	<b>2009 (\$)</b>	<b>2008 (\$)</b>
Total Revenues	-	-	-
Net Loss	(796,161)	(116,818)	(58,077)
Net loss Per Share (basic and diluted) <sup>(1)</sup>	(0.07)	(0.02)	(0.01)
Total Assets	1,593,341	375,105	379,951
Deferred Resource Property Expenditures – For The Year	962,213	8,212	252,747
Deferred Resource Property Expenditures, net of write-offs – Cumulative	739,060	260,959	252,747
Long Term Debt	-	-	-
Dividends Declared	-	-	-

<sup>(1)</sup> The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants, if any.

The significant increase in net loss in fiscal 2010 is due to the increased business activity subsequent to the completion of the Company's IPO in December 2009. The significant increase in total assets in fiscal 2010 is due to the acquisition of Sanu Burkina, which was partly offset by a write-off of accumulated deferred acquisition and exploration costs for the Fredy Creek mineral property.

## **RESULTS OF OPERATIONS**

The Company recorded a net loss of \$796,161 (\$0.07 per share) for the year ended September 30, 2010 as compared to a net loss of \$161,818 (\$0.02 per share) for the year ended September 30, 2009. The increase in net loss recorded during the year ended September 30, 2010 is the net result of increases to various expenses, including substantial increases to general and administrative expenses associated with increased business activity subsequent to the completion of the Company's IPO on December 31, 2009, business investigation costs associated with the acquisition of Sanu Burkina in the amount of \$166,461, and also due to a write-off of mineral properties totaling \$484,112 during the year ended September 30, 2010 (2009 - \$Nil). During the year ended September 30, 2010, the Company recorded net income due to the future income tax recovery of \$272,000 recorded as a result of the renunciation of certain flow-through share expenditures (\$107,00) and the remainder relating to Sanu Burkina. The Company also recorded stock-based compensation expense of \$134,424 during the year ended September 30, 2010 (2009 - \$61,818).

General and administrative expenses of note are:

- accounting and audit fees of \$77,532 (2009 - \$23,998). Increased audit and accounting fees were attributable the increased level of business transactions including the audit and accounting fees associated with the acquisition of Sanu Burkina;
- business investigation costs of \$166,461 (2009 - \$Nil). Business investigation costs in the period were incurred for site visits, due diligence expenses, legal fees and other transaction costs related to the acquisition of Sanu Burkina (see General Overview);
- consulting fees of \$57,650 (2009 - \$4,425). Consulting fees for management consulting both prior to and after the IPO, as well as financial consulting fees, have contributed to the increase in consulting fees;
- investor relations expenses of \$25,435 (2009 - \$Nil). Subsequent to completing the IPO on December 29, 2009, investor relations programs were initiated, including the engagement of an investor relations firm in August 2010;
- legal fees of \$48,922 (2009 - \$3,862). Increased legal fees were due to a general increase in business activities.

## QUARTERLY INFORMATION

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended September 30, 2010.

	Three Months Ended (\$)			
	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009
Total Revenues	-	-	-	-
Net Income (Loss)	11,144	(703,357)	(80,519)	(23,429)
Net Income (Loss) Per Share (basic and diluted)	0.00	(0.07)	(0.01)	(0.00)
Total Assets	1,593,341	1,704,710	762,269	731,716

	Three Months Ended (\$)			
	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008
Total Revenues	-	-	-	-
Net Income (Loss)	(80,853)	(21,666)	(5,608)	(8,691)
Net Income (Loss) Per Share (basic and diluted)	(0.01)	0.00	(0.00)	(0.00)
Total Assets	375,105	353,113	359,883	370,287

The significant increase in total assets during the quarter ended June 30, 2010 was due to the acquisition of Sanu Burkina and private placements completed during the quarter, offset by the write-off of \$484,112 of accumulated deferred acquisition and exploration costs from the Fredy Creek Project.

Also during the quarter ended June 30, 2010, general and administrative expenses increased significantly due to business investigation costs of \$133,800 associated with the acquisition of Sanu Burkina and also due to increased legal, accounting, and audit costs associated with the acquisition.

During the quarter ended December 31, 2009, the Company closed an Initial Public Offering for net proceeds of \$409,101.

During the quarters ended September 30, 2010 and September 30, 2009, the Company recorded stock-based compensation of \$134,424 and \$61,818, respectively, which were not recorded in any other quarters.

During the quarters ended September 30, 2010 and June 30, 2010, the Company recorded future income tax recovery of \$165,000 and \$107,000 based on either the renunciation of flow-through share expenditures or the effect of the acquisition of Sanu Burkina. The future income tax

recovery was the reason for the net income recognized during the quarter ended September 30, 2010.

## FOURTH QUARTER

The Company recorded net income of \$11,144 (\$0.00 per share) for the quarter ended September 30, 2010 as compared to a net loss of \$80,853 (\$0.01 per share) for the quarter ended September 30, 2009. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported net income (loss) to produce an adjusted net loss that forms a better basis for comparing the period-over-period operating results of the Company.

	Three Months Ended September 30,	
	2010 (\$)	2009 (\$)
Net income (loss) for the period as reported	11,144	(80,853)
Stock-based compensation	134,424	61,818
Write-down or write-off of mineral property	-	-
Future income tax recovery	(165,000)	-
Adjusted net loss for the period <sup>(1)</sup>	(19,432)	(19,035)

<sup>(1)</sup> Adjusted net loss for the period is not a term recognized under GAAP.

The adjusted net loss for the quarters ended September 30, 2010 and 2009 are comparable.

## FINANCING ACTIVITIES AND CAPITAL EXPENDITURES

### *Financing Activities*

Pursuant to an agency agreement with Union Securities Ltd. (the “Agent”) the Company filed a prospectus with the securities commissions of British Columbia, Alberta and Ontario with respect to its IPO for 4,000,000 common shares at \$0.15 per share for gross proceeds of \$600,000. The IPO closed on December 29, 2009 and the Company commenced trading on the TSXV on December 31, 2009. In connection with the IPO, the Company paid the Agent a commission of \$60,000 and paid a corporate finance fee of \$16,000. The Agent was reimbursed for its legal fees and disbursements of \$17,962. The Company has also issued the Agent share purchase warrants entitling the holder thereof to 400,000 common shares of the Company at \$0.15 per share, exercisable up to December 29, 2010. The Company incurred other cash issue costs of \$96,937.

On January 6, 2010, the Company closed a non-brokered private placement of 580,000 units at \$0.25 per unit for gross proceeds of \$145,000. Each unit is comprised of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each

whole warrant entitles the holder thereof to purchase an additional non-flow-through common share of the Company at \$0.35 per share, exercisable up to January 6, 2011. In conjunction with the flow-through private placement, the Company incurred other cash issue costs of \$13,039. The Company also issued finders warrants to purchase up to 26,000 common shares at \$0.35 per share, exercisable up to January 6, 2011.

On April 26, 2010, the Company closed a non-brokered flow-through private placement of 250,000 flow-through shares at \$0.30 per flow-through share for gross proceeds of \$75,000.

On June 25, 2010, the Company closed a brokered private placement of 5,185,000 units at \$0.20 per unit for gross proceeds of \$1,037,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share of the Company at \$0.30 per share, exercisable up to June 25, 2011. A residual value of \$51,850 has been attributed to the warrants. The Company incurred other cash issue costs of \$129,435. The Company also issued finders' warrants to purchase up to 344,800 common shares at \$0.30 per share, exercisable up to June 25, 2011. If during the exercise period of the warrants the closing price of the shares is \$0.45 per share or higher for 20 consecutive trading days, the Company may accelerate the expiry time of the warrants to 20 calendar days from the date that written notice of the same is provided to the warrant holders. The securities issued pursuant to the private placement were subject to resale restrictions until October 26, 2010.

On July 27, 2010, the Company closed a private placement of 250,000 units at \$0.20 per unit for gross proceeds of \$50,000. Each unit is comprised of one common share and one share purchase warrant, with each warrant entitling the holder thereof to purchase an additional common share of the Company at \$0.30 per share, exercisable up to July 27, 2011. If during the exercise period of the warrants the closing price of the shares is \$0.45 per share or higher for 20 consecutive trading days, the Company may accelerate the expiry time of the warrants to 20 calendar days from the date that written notice of the same is provided to the warrant holders. Securities issued pursuant to the private placement were subject to resale restrictions until November 28, 2010. The Company issued finders' warrants to purchase up to 20,000 common shares at \$0.30 per share, exercisable up to July 27, 2011. Proceeds of the private placement will be used for exploration expenditures on the Company's Burkina Faso properties and for working capital.

Subsequent to the year ended September 30, 2010, on January 24, 2011, the Company closed a private placement of 7,663,666 units at \$0.30 per unit for gross proceeds of \$2,299,100. Each unit is comprised of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder thereof to purchase an additional common share of the Company at \$0.50 per share, exercisable up to July 24, 2012. If during the exercise period of the warrants, subsequent to the regulatory hold period, the closing price of Indigo's common shares is \$0.75 per share for 20 consecutive trading days, the Company may accelerate the expiry time of the warrants to 20 calendar days from the date written notice is provided to the warrant holders. In connection with the private placement, the Company paid cash finders' fees totalling \$42,888, issued 232,057 finders' units, and issued 375,015 finders' warrants. Each finders'

warrant is exercisable into one common share of the Company at a price of \$0.35 per share up to July 24, 2012. The proceeds from the private placement will be used to accelerate and increase the scope and size of exploration activities on Indigo's gold exploration properties in Burkina Faso, primarily on the Moule, Lati and Kodyel permits, and for general working capital purposes.

There were no financing activities during the year ended September 30, 2009.

### *Capital Expenditures*

The capital expenditures of the Company during the year ended September 30, 2010 included deferred mineral property expenditures of \$301,025 incurred primarily on the Fredy Creek Project. The Company also incurred \$44,079 of expenditures in connection with the acquisition of Sanu Burkina, net of cash acquired.

The capital expenditures of the Company during the year ended September 30, 2009 included mineral property expenditures of \$8,212 incurred on the Fredy Creek Project.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's operations consumed approximately \$446,000 of cash (before working capital items) for the year ended September 30, 2010 (2009 - \$55,000) with an additional \$301,000 (2009 - \$8,000) used on mineral property deferred exploration expenditures and \$44,000 (2009 - \$Nil) used for the acquisition of Sanu Burkina, net of cash acquired. The cash requirement was fulfilled in the current period from cash on hand at the beginning of the period, from the proceeds of the Company's IPO completed in December 2009, the proceeds of flow-through private placements completed in January and April 2010, and a private placement completed in June 2010.

The Company's aggregate operating, investing and financing activities during the year ended September 30, 2010 resulted in a net increase in its cash balance from \$36,214 at September 30, 2009 to \$796,173 at September 30, 2010. The Company's working capital increased to \$790,263 at September 30, 2010 (see Financing Activities and Capital Expenditures).

The Company has an option agreement to acquire a 100% interest in the Moule Gold Permit, Burkina Faso whereby the Company may, at its discretion, pay an aggregate of US\$360,000 over a three year period ending May 12, 2013. Aside from this option agreement, the Company does not have any commitment for material capital expenditures over the near term or long term and none are presently contemplated in excess of normal operating requirements.

The Company has not as yet put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital markets and by the

status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

Subsequent to September 30, 2010, an aggregate of 1,444,265 warrants have been exercised for gross proceeds of \$395,898.

## TRANSACTIONS WITH RELATED PARTIES

During the years ended September 30, 2010 and 2009, the Company incurred the following expenditures charged by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	2010	2009
Accounting fees	\$ 31,790	\$ 7,998
Business investigation costs	32,160	-
Consulting fees	33,550	4,425
Management and administration fees	5,250	7,500
Mineral property expenditures - consulting	15,390	-
	<u>\$ 118,140</u>	<u>\$ 19,923</u>

These expenditures were measured at the exchange amount which is the amount agreed upon by the transacting parties.

As at September 30, 2010, accounts payable and accrued liabilities includes an amount of \$8,569 (2009 - \$6,463) due companies controlled by directors and officers of the Company.

## RECENTLY ADOPTED ACCOUNTING POLICIES

### *Business combinations, consolidated financial statements and non-controlling interest*

Effective October 1, 2009, the Company elected to early adopt CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be

expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations” (January 2008).

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, “Consolidated and Separate Financial Statements” (January 2008).

To date there has been no impact on the Company’s financial statements as a result of the adoption of these sections.

## **FUTURE ACCOUNTING CHANGES**

### *International Financial Reporting Standards (“IFRS”)*

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators. The Company expects its first consolidated financial statements presented in accordance with IFRS to be for the three-month period ended December 31, 2011, which includes presentation of its comparative results for fiscal 2010 under IFRS. In order to prepare for the changeover to IFRS, the Company will develop an IFRS conversion plan comprised of three phases:



<b>PHASE</b>	<b>DESCRIPTION AND STATUS</b>
<i>PRELIMINARY PLANNING AND SCOPING</i>	<p>This phase involved development of the IFRS conversion plan and has been completed. The IFRS conversion plan includes consideration of the impacts of IFRS on the Company's consolidated financial statements, internal control over financial reporting, information systems and business activities such as foreign operations, if any, compensation metrics, and personnel and training requirements.</p> <p>Based on Management's preliminary review of IFRS and current Company processes, minimal impact is expected on information systems and compensation metrics.</p> <p>The IFRS conversion plan included a high level impact assessment of IFRS, as relevant to the Company. This initial assessment identified three standards of high or medium priority to the Company, based on a number of factors. The International Accounting Standards Board has activities currently underway which may, or will, change the standards effective upon the Company's adoption of IFRS, and therefore may impact this initial high level assessment. The Company will assess any such change as a component of its Detailed Impact Assessment phase and update its IFRS conversion plan as appropriate. The Company completed this phase of the IFRS conversion plan during the third quarter of fiscal 2010.</p>
<i>DETAILED IMPACT ASSESSMENT</i>	<p>This phase involves detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that may or will result in accounting and/or disclosure differences in the Company's financial statements, along with quantification of impact on key line items and disclosures. The phase includes identification, evaluation and selection of accounting policies necessary for the Company's conversion to IFRS and evaluation of the impact on outstanding operational elements such as debt covenants and budgeting. The Company expects to complete this phase by the end of the first quarter of fiscal 2011. The Company has additional time relative to other TSXV issuers due to the year-end being September 30<sup>th</sup>.</p>
<i>IMPLEMENTATION</i>	<p>This phase will embed the required changes for conversion to IFRS into the underlying financial close and reporting process and business processes. This will include finalization and approval of accounting policy changes, collection of financial information necessary to prepare IFRS compliant financial statements, implementation of additional internal controls, and preparation and approval of completed IFRS financial statements. The IFRS changeover is expected to impact the presentation and/or valuations of balances and transactions in the Company's quarterly and annual consolidated financial statements and related notes effective October 1, 2011, however continued progress on the IFRS conversion plan is necessary before the Company is able to describe or quantify those effects.</p>

## **FINANCIAL INSTRUMENTS**

### Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities. The Company designated its cash and cash equivalents as held-for-trading which are measured at fair value. Other receivables are designated as other financial assets, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

The Company classifies the fair value of these transactions according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Level 2 valuation is based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The value of cash and cash equivalents has been assessed based on the fair value hierarchy described above and are classified as Level 1. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Discussions of risks associated with financial assets and liabilities are detailed below:

### Foreign Exchange Risk

A portion of the Company's financial assets and liabilities is denominated in West African CFA francs ("CFA") giving rise to risks from changes in the foreign exchange rate. The Company is exposed to currency exchange rate risk to the extent of its activities in the Burkina Faso. The Company's currency risk is presently limited to approximately \$(12,272) of net balance sheet exposure denominated in CFAs. Based on this exposure as at September 30, 2010, a 5% change in the exchange rate would give rise to a change in net loss and comprehensive loss of approximately \$600. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

The currencies of the Company's financial instruments were as follows:

	September 30, 2010	
	Canadian dollar	CFA
Cash and cash equivalents	\$ 779,609	\$ 16,564
Accounts payable and accrued liabilities	(55,895)	(1,808)
Net balance sheet exposure	<u>\$ 723,714</u>	<u>\$ 14,756</u>

Future changes in exchange rates could have a material effect on the Company's business, financial condition and results of operations.

### Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The majority of the Company's cash is held through a major Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered to be limited.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Although interest income on the Company's cash and cash equivalents is subject to a variable interest rate, the risk exposure is not significant due to the small amount of interest income these balances.

### Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained. Accounts payable and accrued liabilities are all current.

## **OUTSTANDING SHARE DATA**

- a) Authorized:  
Unlimited common shares without par value.
  
- b) Issued and outstanding:  
28,431,149 common shares as at January 27, 2011

c) Outstanding warrants and options as at January 27, 2011:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	4,435,000	\$0.30	June 25, 2011
Share purchase warrants	323,080	\$0.30	June 30, 2011
Share purchase warrants	250,000	\$0.30	July 28, 2011
Share purchase warrants	18,000	\$0.30	July 28, 2011
Share purchase warrants	3,947,858	\$0.50	July 24, 2012
Share purchase warrants	375,015	\$0.35	July 24, 2012
Stock options	550,000	\$0.15	September 10, 2014
Stock options	1,075,000	\$0.20	August 9, 2015
Stock options	100,000	\$0.20	September 28, 2015

## DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer’s Annual and Interim Filings) (“NI 52-109”), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the audited consolidated financial statements for the year ended September 30, 2010 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR at [www.sedar.com](http://www.sedar.com).

## RISKS AND UNCERTAINTIES

Certain risks are faced by the Company, which could affect its financial position. In general they relate to the availability of equity capital to finance the acquisition, exploration and development of existing and future exploration and development projects. The availability of equity capital to junior resource companies is affected by commodity prices, global economic conditions and economic conditions and government policies in the countries of operation, among other things.

These conditions are beyond the control of the management of the Company and have a direct effect on the Company's ability to raise capital.

The Company's working capital and liquidity fluctuate in proportion to its ongoing equity financing activities. The Company requires a certain amount of liquid capital in order to sustain its operations and in order to meet various obligations as specified under the its mineral property option agreement. Should the Company fail to obtain future equity financing due to reasons as described above, it will not be able to meet these obligations and may lose its interest in the property covered by the agreement. Further, should the Company be unable to obtain sufficient equity financing for working capital, it may be unable to meet its ongoing operational commitments.

The Company's properties are in the exploration stage and without known reserves. Exploration and development of natural resources involves substantial expenditures and a high degree of risk. Few exploration properties are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes-off its mineral properties from time to time and operates at a loss. Continued operations are dependent upon ongoing equity financing activities.

## **OUTLOOK**

With the acquisition of five mineral properties in Burkina Faso, West Africa in mid 2010, the Company is focusing its exploration activities on gold exploration in Burkina Faso. Exploration programs, including surface sampling and reverse circulation drilling, have been underway on the Moule project since mid-November 2010. These current exploration programs will continue through early 2011. Pending results of these programs, follow-up exploration programs will be conducted in 2011.

The Company currently has sufficient working capital and funding for the currently planned programs in Burkina Faso and will seek additional equity financing as required for further exploration programs.

## **OTHER INFORMATION**

Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).