INDIGO EXPLORATION INC.

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

The following information, prepared as of March 12, 2012 should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Indigo Exploration Inc. (the "Company" or "Indigo") for the three months ended December 31, 2011, together with the audited consolidated financial statements of the Company for the year ended September 30, 2011 and the accompanying Management's Discussion and Analysis (the "Annual MD&A") for that fiscal year. The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Figures from periods prior to and including September 30, 2010 are in accordance with Canadian generally accepted accounting principles ("CDN 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 March 12, 2012.

- 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. As a result, the Company has relied almost exclusively upon equity financing activities, which is not expected to significantly change in the immediate future.

The Company's focus is in gold exploration in the Republic of Burkina Faso, West Africa. In May 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 June 2010, the Company completed the acquisition of Sanu Resources Burkina Faso S.A.R.L. ("Sanu Burkina"), as a means of acquiring Sanu Burkina's four gold mineral exploration permits in Burkina Faso.

The Company reported on November 3, 2011 that it had granted a total of 1,205,000 stock options to directors, officers, and consultants of the Company. The options, which are subject to the terms and conditions of the Company's stock option plan, are exercisable prior to November 3, 2016, at an exercise price of $0.20 per share. Subsequently, 400,000 of these stock options were cancelled voluntarily and an additional 100,000 of these stock options were forfeited. Of the remaining stock options, 665,000 were re-priced to an exercise price of $0.30 per share.

In December 2011, the Company announced changes to the board and management. Keir Reynolds was appointed to the board of directors and Lorne Warner to the Advisory Board effective December 6, 2011. The Company also reported that Arden (Buck) Morrow had resigned from the board effective December 7, 2011. On December 14, 2011, the Company reported that R. Tim Henneberry had resigned as President, CEO, and Director of the board and Paul Cowley and Keir Reynolds were appointed as interim CEO and interim President, respectively. A search committee has been formed by the board to select and appoint a new president and CEO.

On January 30, 2012, the Company announced that it had received a renewed and revised Kodyel permit. This renewed permit excludes a 5 kilometre wide strip adjacent to the Niger border. The terms of the renewed permit provide the Company with a right of first refusal to add the excluded area to the area covered by the renewed permit, once the World Court has finalized the border location. A reverse circulation drill program, which commenced in December 2011 on the Lati permit, was completed in mid February with assays pending (see Mineral Properties).

MINERAL PROPERTIES

Paul Cowley, P.Geo, interim CEO and director 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 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 it 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 ($575) 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 December 31, 2011, the Company had not incurred sufficient expenditures on its Kodyel, Lati, Loto and Tordo permits to comply with the Mining Code of Burkina Faso. However, the Government of Burkina Faso has renewed the Kodyel and Loto permits and has not issued the Company any notice of non-compliance. The Company is in the process of renewing the Lati and Tordo permits. Sufficient expenditures have been incurred on the Moule permit. With the RC drill program conducted on Lati between early December 2011 and late February 2012, the Company will have completed sufficient expenditures on Lati. 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 and the second cash payment of US$60,000 on the first anniversary of the agreement.

The Moule Gold Permit covers 249 square kilometres of prospective Birimian greenstone geology. Exploration prior to acquisition by Indigo consisted of property wide mapping, soil geochemistry, quartz veining and quartz float sampling and ground geophysics. These surveys located a number of gold targets, including: Zelingpe 1, Zelingpe 2, Vein 2 and Vein 3.

The Company completed detailed soil geochemistry grids and grid quartz float sampling to firm up drill targets for its initial drill program. The Company completed initial RC drill programs on Zelingpe 1, Zelingpe 2 and Vein 3; and followed up with a diamond drill program at Vein 2 and Vein 3. These were the first drill programs ever completed at Moule.

The initial RC program met with good success on Vein 3 and Zelingpe 1.

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. A large 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 from 40 ppb to 1,865 ppb Au (1.865 gpt).

Three RC drill transects were completed at Zelingpe 1 spaced 200 metres apart. Each transect consisted of three holes. A new mineralized gold system was identified at Zelingpe 1, traceable for 500 metres and open in both directions. Drill intercept highlights include: 1.12 gpt Au over 28 metres; 0.47 gpt Au over 11 metres; 0.24 gpt Au over 30 metres; 0.24 gpt Au over 32 metres; 0.20 gpt Au over 35 metres and 4.53 gpt Au over 5 metres.

The Vein 3 target lies approximately 4.7 kilometres to the west of Zelingpe 1. It is a shear-hosted quartz vein zone that has been traced in excess of 2000 metres by detailed soil geochemistry grid and ground IP. At that time, five hundred artisanal miners were working a 400 metre long portion of this vein. Grab sampling from the piles of the artisanal activity returned a high of 16.5 gpt Au, with 21 of the 42 samples taken returning values in excess of 1 gpt Au.

Three RC drill transects were completed at Vein 3, spaced 120 metres apart. Transects consisted of 2 holes scissoring the vein. Gold mineralization was intersected in four of the 6 holes, including both holes on section 10 and on section 11. Vein 3 is traceable by this drilling for over 200 metres along strike and is open in both directions. The drill sections and plan suggest the two holes on section 12 were collared too far east, missing the target. Highlights from Vein 3 drilling include: 29.67 gpt Au over 7 metres and 10.86 gpt Au over 3 metres. The widths and grades reported are drill intercept widths and may not represent the true width of mineralization.

Eleven diamond drill holes totaling 1,641 metres followed up on the initial RC holes at Vein 3, testing the zone along strike and to a depth of 200 metres. A few of the holes also tested IP and soil geochemistry anomalies. The drilling found that Vein 3 shows lateral continuity for 350 metres and is open northward. Drilling intersected 11.02 gpt Au across 1.77 metres, approximately 40 metres below the previously reported drill intersection of 29.67 gpt Au across 7 metres, confirming continuity to depth. Drilling intersected 6.16 gpt Au across 3.10 metres at the southern end of Vein 3, approximately 1,400 metres south of the 1.77 metre intercept of 11.02 gpt Au.

Three diamond drill holes totaling 432.7 metres tested Vein 2 soil geochemistry and IP anomalies over an initial 200 metre strike length. Drilling intersected 0.47 gpt Au across 13.07 metres, including 1.12 gpt Au across 3.25 metres in one of the three holes completed on Vein 2.

Table 1. Moule July 2011 Diamond Drilling Highlights

Target	Hole No.	From (m)	To (m)	Length (m)	gpt Au
Vein 3	**MODD-01**	59.74	62.58	2.84	1.78
	and	83.30	87.56	4.26	0.65
Vein 3	**MODD-02**	129.64	131.41	1.77	11.02
	and	142.46	145.47	3.01	1.25
Vein 3	**MODD-03**	151.37	151.84	0.47	1.08
Vein 3	**MODD-04**	119.65	121.27	1.62	1.34
Vein 3	**MODD-07**	102.81	104.20	1.39	0.54
Vein 3	**MODD-08A**	43.02	44.20	1.18	0.27
Vein 3	**MODD-09**	88.84	89.88	1.04	2.26
Vein 2	**MODD-10**	75.50	78.60	3.10	6.16
Vein 2	**MODD-11**	74.25	75.20	0.95	1.43
	and	87.35	94.20	7.85	0.27
Vein 2	**MODD-12**	90.33	93.55	3.22	1.35
	and	108.84	110.54	1.70	0.73
Vein 2	**MODD-13**	14.50	27.57	13.07	0.47
	including	21.60	24.85	3.25	1.12
	and	36.15	37.77	1.62	0.80
	and	96.50	98.08	1.58	0.53
	and	146.00	148.00	2.00	0.44

Drill plans and selected sections from the Moule diamond drill program can be found on the current exploration page on the Company's website at www.indigoexploration.com.

The Company has received the reinterpreted airborne geophysics from Moule. The radiometric airborne survey completed over the Moule/Loto project has identified a major new anomaly that is 9 kilometres long by 500 to 1500 metres wide and is suggestive of strong hydrothermal alteration. Indigo crews have completed a grid soil sampling survey over the full length of the radiometric anomaly to prepare this trend for future drilling. Assays are pending.

Lati Exploration Permit

The 100% owned, 246 square kilometre Lati Permit covers a major north-south shear zone in the Boromo greenstone belt. Lati is the site of expanding artisanal activity with at least three known active artisanal mining areas over the 8 kilometre long Prospect 1. The Lati permit is about 150 km by road 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 previously 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.

Prospect 1 of the Lati permit is the site of rapidly expanding artisanal workings on the northern part of the permit. The previously known site has recently expanded from 500 metres by 50 - 200 metres to 1200 metres by 50 - 500 metres by May 2011. A second new active artisanal site spans an area 500 metres long by 100 to 200 metres wide and lies 2.5 kilometres to the northwest of the previously known artisanal site. A third site, lying between the two known sites, was discovered during the soil sampling program. It has yet to be examined in detail. Artisanal miners are working over and extracting particulate gold from the top one to three metres of surface material over the majority of these sites. These sites lie along the sheared contacts of a north-northeast trending 1500 metre wide band of bimodal volcanics surrounded by felsic intrusives. Mineralized quartz veins are common through this area, ranging from thin stockworks to metre-scale structures associated with regional scale shearing and fracturing mainly in mafic volcanic rocks. Indigo grab sampling within the expanding artisanal site has returned values up to 11 gpt Au.

The 2011 soil survey was successful in identifying two substantial gold-in-soil anomalies – one 4.75km long by 100-750 metres wide and the second 1.5km long by 250-350 metres wide. These anomalies coincide with portions of the two previously reported artisanal sites. Rock quartz float sampling, also within the grid, returned values ranging from background to 12.65 ppm Au (12.65 gpt). The Company commenced a 5,000 metre reverse circulation drill program in December 2011 to test the soil anomalies and artisanal sites. The drilling was completed in mid February 2012. Assay results are pending.

Kodyel Exploration Permit

The 100% owned, 238 square kilometres Kodyel permit lies close to the Niger border approximately 300km east of Ouagadougou. Access is by paved road as far as Fada N'gourma about 200 km east of Ouagadougou and thence by laterite roads. The Kodyel permit covers an extension of the Fada N'Gourma greenstone belt that extends into 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. There are extensive artisanal workings on trend on the Niger side.

The Hantekoura orpaillage consists of a series of pits and cuts oriented at 060^{o} over 550 metres strike length. 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 1-10 metres wide outcropping over more than 400 metres strikelength. Local miners have been working to a depth of over 35 metres. Songonduari is located just inside 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 Kodyel 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.

The reinterpretation of the Kodyel airborne geophysical survey shows the greenstone belt on the Kodyel permit is structurally deformed and complex over its entire 15 km length. Most importantly, the radiometrics suggests strong hydrothermal alteration through the centre of the permit, coincident with a large area of anomalous gold in stream sediments. The radiometrics survey re-confirms the area as a very high priority target.

Until recently, the Company had been unable to access the Kodyel permit due to a border dispute between Burkina Faso and Niger. The temporary suspension on the Kodyel permit has been lifted and the Company plans to immediately commence exploration on the renewed Kodyel permit. The renewed permit has been reduced to exclude a 5 kilometre area adjacent to the Niger border. The permit retains a right of first refusal to include this excluded area once the World Court has finalized the border location.

Tordo Exploration Permit

The 100% owned, 143 square kilometre Tordo permit lies about 150km east of Ouagadougou. 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^{o}, 110^{o}, and 130^{o} 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.

The Company has commenced trenching at Tordo in advance of a preliminary drilling program.

Loto Exploration Permit

The 100% owned, 93 square kilometre Loto exploration permit 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 250 km 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.

The reinterpreted airborne geophysics from the radiometric airborne survey completed over the Moule/Loto project has identified a major new radiometric anomaly that is 9 kilometres long by 500 to 1500 metre wide and is suggestive of strong hydrothermal alteration. The southern part of this anomaly lies on the Loto permit. Indigo crews have completed grid soil sampling over the full length of the radiometric anomaly to prepare this trend for future drilling. Assays are pending.

RESULTS OF OPERATIONS

The Company recorded a net loss of $395,156 ($0.01 per share) for the three months ended December 31, 2011 as compared to a net loss of $177,134 ($0.01 per share) for the three months ended December 31, 2010.

Changes in general and administrative expenses of note include:

- consulting fees of $10,054 (2010 - $18,651). Consulting fees, primarily for financial/business development services, were reduced in the period;

- investor relations expenses of $79,359 (2010 - $51,743). During fiscal 2011, the Company engaged the services of a German IR firm;

- management and administration fees of $34,667 (2010 - $24,000). Management and administration fees increased due in part to additional management staff and in part due to increased time incurred by the former CEO;

- office and miscellaneous expenses of $56,860 (2010 - $22,652). Office expenses have increased primarily due to office expenses related to Sanu Burkina, including wages, rent, courier and postage, insurance, licenses, meals & entertainment, and office supplies;

- share-based payments of $171,961 (2010 - $5,972). Share-based payments are related to stock options granted during the period and the vesting of previously granted options. No stock options were granted during the corresponding period in 2010;

- travel and accommodation expenses of $12,240 (2010 – $22,196). Travel to Burkina Faso was reduced during the period.

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 December 31, 2011.

	For the quarter ended			
	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011
Total Revenues	-	-	-	-
Net Loss	(395,156)	(292,424)	(177,018)	(292,172)
Net Loss Per Share (basic and diluted) (1)	(0.01)	(0.01)	(0.01)	(0.01)
Total Assets	4,169,231	4,350,843	3,721,103	3,649,621

	For the quarter ended			
	Dec. 31, 2010	Sep. 30, 2010 (2)	Jun. 30, 2010 (2)	Mar. 31, 2010 (2)
Total Revenues	-	-	-	-
Net Income (Loss)	(177,134)	11,144	(703,357)	(80,519)
Net Income (Loss) Per Share (basic and diluted)(1)	(0.01)	0.00	(0.07)	(0.01)
Total Assets	1,490,762	1,428,341	1,704,710	762,269

(1) The basic and diluted calculations result in the same values.
(2) Information for September 30, 2010, June 30, 2010 and March 31, 2010 are presented in accordance with CDN GAAP. All other quarters are presented in IFRS. Total assets for the quarter ended September 30, 2010 is in accordance with IFRS.

During the quarter ended September 2011, total assets increased due to the completion of a private placement financing, partially offset by a write-off of mineral properties related to a reduction in the area of the Kodyel permit in Burkina Faso of $54,000. During the quarter ended March 31, 2011, total assets increased due to the completion of a private placement financing, which was partially offset by increased general and administrations costs. The 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 quarters ended December 31, 2011, September 30, 2011, March 31, 2011, December 31, 2010, and September 30, 2010 the Company recorded share-based payments of $171,961, ($744), $10,641, $5,972, and $134,424, respectively.

FINANCING ACTIVITIES AND CAPITAL EXPENDITURES

Financing Activities

There were no financing activities in the three months ended December 31, 2011 nor in the corresponding period in 2010.

Capital Expenditures

The capital expenditures of the Company during the three months ended December 31, 2011 included deferred mineral property expenditures of $204,388 (2010 - $78,149) and $42,591 (2010 - $21,069) on equipment on the Company's Burkina Faso projects.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed approximately $219,000 of cash (before working capital items) for the three months ended December 31, 2011 (2010 - $165,000) with an additional $204,000 (2010 - $78,000) used on mineral property deferred exploration expenditures and $43,000 (2010 - $21,000) used for the purchase of equipment. The cash requirement was fulfilled from cash on hand at the beginning of the period.

The Company's aggregate operating, investing and financing activities during the period ended December 31, 2011 resulted in a net decrease in its cash balance from $2,190,639 at September 30, 2011 to $1,783,513 at December 31, 2011. The Company's working capital decreased to $1,686,581 at December 31, 2011.

The Company has an option agreement to acquire a 100% interest in the Moule Gold Permit, Burkina Faso, by making cash payments of US$100,000 on or before May 5, 2012 and US$200,000 on or before May 5, 2013. The Company has minimum exploration commitments in Burkina Faso in order to keep its properties in good standing. Aside from the Moule option agreement and the minimum exploration commitments in Burkina Faso, 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.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended December 31, 2011 and 2010, 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:

	2011 **$**	**2010** **$**
Accounting fees	7,958	7,979
Management and administration fees	33,542	22,600
Mineral property expenditures - consulting	2,850	-
	44,350	30,579

As at December 31, 2011, accounts payable and accrued liabilities includes an amount of $10,568 (September 30, 2011 - $16,612; October 1, 2010 - $8,569) due to companies controlled by directors and officers of the Company.

Key management includes the Chief Executive Officer and a Director. The compensation paid or payable to key management for services during the three months ended December 31, 2011 and 2010 is as follows:

	2011 **$**	**2010** **$**
Management and administration fees	33,542	22,600
Mineral property expenditures - consulting	2,850	-
Share-based payments	46,380	-
	82,772	22,600

International Financial Reporting Standards ("IFRS")

For years beginning after January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date for the Company is October 1, 2010. The three months ended December 31, 2011 is the Company's first reporting period under IFRS.

The Company's IFRS conversion team identified four phases to the Company's conversion: scoping and planning, detailed assessment, implementation and post-implementation. The Company has now completed its IFRS conversion project through the implementation phase. The post-implementation phase will continue in future periods, as outlined below.

Notes 2, 3 and 13 of the accompanying condensed interim consolidated financial statements provide details of the Company's key CDN GAAP to IFRS differences, accounting policy decisions and IFRS 1, First-Time Adoption of IFRS, exemptions for significant or potentially significant areas that have had an impact on the Company's financial statements on transition to IFRS or may have an impact in future periods.

The conversion to IFRS has had a low impact on the financial record keeping and financial disclosures of the Company due to limited adjustments required. Internal controls were unaffected by the IFRS conversion. Accounting systems have been assessed and re-configured to ensure accurate reporting under IFRS, both internally and externally.

Transitional Financial Impact

The table below outlines adjustments to the Company's assets, liabilities and equity on adoption of IFRS on October 1, 2010, December 31, 2010 and September 30, 2011 for comparative purposes:

	September 30, 2011 ($)	December 31, 2010 ($)	October 1, 2010 ($)
Total assets under CDN GAAP and IFRS	4,497,843	1,655,762	1,593,341
Adjustments			
Decrease in mineral properties as a result of eliminating the deferred tax liability on acquisition of Sanu Burkina Faso S.A.R.L.	(165,000)	(165,000)	(165,000)
Increase in mineral properties as a result of reducing the write-down as a result of the adjustment above	18,000	-	-
Total assets under IFRS	4,350,843	1,490,762	1,428,341

Total liabilities under CDN GAAP and IFRS	100,691	81,044	48,203
Total equity under Canadian GAAP	4,397,152	1,574,718	1,545,138
Adjustments:			
Increase in deficit due to decrease in recovery of deferred tax liability	(165,000)	(165,000)	(165,000)
Decrease in deficit due to decrease in write-down of mineral properties	18,000	-	-
Total equity under IFRS	4,250,152	1,409,718	1,380,138

The following is a summary of the adjustments to comprehensive (loss) income for the year ended September 30, 2011 and the three months ended December 31, 2010 under IFRS (all of which are outlined in the notes to the accompanying interim consolidated financial statements):

	September 30, 2011 ($)	December 31, 2010 ($)
Total comprehensive loss under CDN GAAP	(956,748)	(177,134)
Adjustments:		
Decrease in write-down of mineral properties	18,000	-
Total net comprehensive income under IFRS	(938,748)	(177,134)

All of the above adjustments are non-cash accounting adjustments.

Post-implementation

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. We note that the standard setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that the Company has selected. In particular, there may be additional new or revised IFRSs or International Financial Reporting Issues Committee ("IFRIC"s) in relation to consolidation, financial instruments, and leases. We also note that the International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact the Company's financial statements primarily in the areas of capitalization of exploration costs and disclosures. The Company has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC interpretations will be evaluated as they are drafted and published.

FINANCIAL INSTRUMENTS

Fair Value and Classification 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 loans and receivables, which are measured at fair value. 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 and other receivables have 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 $68,268 of net exposure denominated in CFAs. Based on this exposure as at December 31, 2011, a 5% change in the exchange rate would give rise to a change in net loss of $3,413. 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:

	December 31, 2011	
	Canadian dollar	CFA
Cash and cash equivalents	1,772,562	10,951
Other receivables	13,200	1,148
Accounts payable and accrued liabilities	(61,907)	(80,367)
Net exposure	1,723,855	(68,268)

	September 30, 2011	
	Canadian dollar	CFA
Cash and cash equivalents	2,070,523	120,116
Other receivables	9,300	1,216
Accounts payable and accrued liabilities	(81,500)	(19,191)
Net exposure	1,998,323	102,141

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 charted 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:
32,760,982 common shares as at March 12, 2012

c) Outstanding warrants and options as at March 12, 2012:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	3,947,858	$0.50	July 24, 2012
Share purchase warrants	366,682	$0.35	July 24, 2012
Share purchase warrants	1,637,500	$0.50	March 3, 2013
Share purchase warrants	229,250	$0.30	March 3, 2013
Stock options	475,000	$0.15	September 10, 2014
Stock options	875,000	$0.20	August 9, 2015
Stock options	40,000	$0.20	November 3, 2016
Stock options	665,000	$0.30	November 3, 2016

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 unaudited interim condensed consolidated financial statements for the three months ended December 31, 2011 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.

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.

Pursuant to the Mining Code of Burkina Faso, an exploration permit holder is required to incur 270,000 West African CFA Francs ($575) 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.

OUTLOOK

The Company is continuing to focus on the exploration and advancement of its five mineral properties in Burkina Faso. A drill campaign, which commenced in December 2011, at the Lati gold permit, was completed in mid February 2012.

Restructuring of the board and management commenced in December 2011, with the Company continuing to actively seek a new President and Chief Executive Officer as of the date of this report.

The Company 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.