

## **INDIGO EXPLORATION INC.**

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

The following information, prepared as of May 27, 2011, should be read in conjunction with the unaudited interim consolidated financial statements of Indigo Exploration Inc. ("the Company" or "Indigo") for the six months ended March 31, 2011 and the audited financial statements and accompanying annual Management's Discussion and Analysis ("the Annual MD&A") of Indigo Exploration Inc. (the "Company") 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 May 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.

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.

On January 28, 2011, the Company reported results of a systematic surface grab sampling program and on March 8, 2011, the assay results from the first 27 holes of a 44 hole reverse circulation ("RC") drill program on the Moule permit. On March 14, 2011 the Company reported that it had completed airborne radiometric and magnetic surveys at its Kodyel, Loto, and Moule permits. On March 22, 2011 the Company reported that artisanal workings on its Lati gold permit have doubled in size. On March 29, 2011, the Company reported a further six holes from the RC drill program on the Moule permit. Subsequent to the six months ended March 31, 2011, the Company reported the assays from a further six holes on the Moule permit. Also subsequent to the period, the Company reported that a new artisanal site is rapidly developing on the Lati gold permit (See Mineral Properties).

On January 24, 2011, 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. Securities issued pursuant to the private placement are subject to a four month hold period until May 25, 2011. Proceeds of the private placement will be used to fund exploration on the Company's Burkina Faso properties and for general working capital.

Subsequent to the period ending March 31, 2011, the Company reported that it has listed its shares on the Frankfurt Exchange under the symbol "INE" and retained AXINO AG ("AXINO") to provide investor relations services in Germany and other European countries, subject to regulatory approval. AXINO will be paid 37,000 Euros for an initial term of 12 months, payable in quarterly instalments.

## **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 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 (\$567) 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 March 31, 2011, 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. The Government of Burkina Faso has temporarily suspended the Kodyel Gold Permit and its required exploration expenditures pending resolution of the dispute between Burkina Faso and Niger as to the exact location of the border between the two countries in the area proximate to the Kodyel property.

### **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. 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. Company management believes the Moule permit has the potential to host both a large near-surface, bulk tonnage gold deposit and a shear-hosted vein deposit. There are currently four target areas: Zelingpe 1, Zelingpe 2, Vein 2 and Vein 3. The first ever drill program was completed in February 2011, testing the Zelingpe 1, Zelingpe 2 and Vein 3 targets.

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.

Three 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 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. A 1.1 kilometre by 700 metre grid over the Zelingpe 2 target showed significant multiple anomalous gold trends that range from 25 metres to 150 metres wide. Sixty-eight grab samples within the trends returned values between 1 gram/tonne (g/t) gold and 38.6 g/t gold.

Six drill transects were completed at Zelingpe 2, spaced 100 to 150 metres apart. Transects consisted of 4 to 6 holes. Plus one gram intersections over at least one metre were reported in 15 of the 27 holes, with highlights including: 1.82 gpt Au over 5 metres; 4.60 gpt Au over 3 metres; 2.06 gpt Au over 3 metres and 3.57 gpt Au over 2 metres.

The Vein 3 target lies approximately 4.7 kilometres to the west of Zelingpe 1. It is a shear-hosted vein zone that has been traced in excess of 1500 metres by widely spaced soil geochemical lines. Five hundred artisanal miners are currently working a 400 metre long portion of this vein. Grab sampling from the tailings of the artisanal activity has returned a high of 16.5 gpt Au, with 21 of the 42 samples taking returning values in excess of 1 gpt Au.

Three 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 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.

Drill plans and sections for Zelingpe 1, Zelingpe 2 and Vein 3 can be found on the current exploration page on the Company's website at [www.indigoexploration.com](http://www.indigoexploration.com).

The Company completed an airborne radiometric and magnetic survey in mid-February. Results are pending. The Company completed a 2000 metre by 500 metre soil survey over Vein 3 and a 1000 metre by 460 metre soil survey over Vein 2. Results are pending. The Company completed a 300 metre trench to the west of the Zelingpe 1 target at the base of the laterite plateau testing soil geochemistry for parallel structures. Results are pending.

The Company plans to initiate a survey trenching program at Vein 3 to test the structure along strike. The Company plans to commence follow up drilling on Vein 3 and Zelingpe 1 and in initial drilling on Vein 2 in early June.

### **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 two active artisanal mining areas. 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 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.

The Lati permit is the site of rapidly expanding artisanal workings on the east side of the permit. The previously known site has recently expanded from 500 metres by 50 - 200 metres to 1200 metres by 50 - 500 metres. 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. 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. Artisanal miners are working over and extracting particulate gold from the top 1 to 3 metres of surface material over the majority of this area. Recent Indigo grab sampling within the expanding artisanal site returned values to 11 gpt Au.

The Company is completing a detailed sampling grid for soil and quartz float over a 5,000 metre long by 1,500 metre wide area over the prospective contact in advance of follow up trenching and reverse circulation drilling.

### **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 200 km 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 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 kaolinized 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 strikelength. 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.

The Company conducted an airborne magnetic and radiometric survey in February and a limited sampling program in March. Results are pending. The Kodyel permit is now on a temporary suspension from the Burkina Faso Ministry of Mines in connection with the dispute between Burkina Faso and Niger as to the exact location of the border between the two countries in the area proximate to the Kodyel property.

### **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.

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

### **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 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 Company flew an airborne radiometric and magnetic survey over the Loto permit in mid-February 2011. Results are pending.

## **RESULTS OF OPERATIONS**

### **Six Months Ended March 31, 2011**

The Company recorded a net loss of \$469,306 (\$0.02 per share) for the six months ended March 31, 2011 as compared to a net loss of \$103,948 (\$0.01 per share) for the six months ended March 31, 2010. The increase in the net loss recorded during the six months ended March 31, 2011 is the net result of increases to various expenses, including substantial increases to general and administrative expenses associated with increased business activity, including the acquisition of properties in Burkina Faso and private placement financings, which have occurred subsequent to the completion of the Company's IPO on December 31, 2009.

Increases in certain general and administration expenses including: accounting and audit fees of \$33,596 (2010 - \$19,308); consulting fees of \$72,998 (2010 - \$7,500); legal fees of \$23,246 (2010 - \$9,491); management and administration fees of \$68,940 (2010 - \$22,600) are due to the increased business activity of the Company subsequent to completion of the IPO on December 31, 2009.

Other variances of note in general and administrative expenses include:

- amortization (\$11,640 vs. \$nil). Amortization expense is related to equipment and vehicles in Burkina Faso and to computer software;

- foreign exchange ((\$36,680) vs. \$nil). The foreign exchange gain recorded for the period is due to fluctuations in the exchange rate between Canadian dollars and West African CFA Francs;
- investor relations (\$134,216 vs. \$nil). Subsequent to completing the IPO on December 29, 2009, investor relations programs were initiated. Commencing in August 2010, the Company engaged the services of Contact Financial Corp. to develop a comprehensive marketing and investor communications program at a fee of \$8,000 per month. The Company has also incurred additional promotional expenses of \$70,008 for conferences and advertising;
- office and miscellaneous (\$63,093 vs. \$4,211). Office expenses include rent, meals and entertainment, insurance, Part XII.6 tax, and office supplies. Of this office expense, \$29,765 is attributable to Sanu Burkina;
- stock-based compensation expense (\$16,613 vs. \$nil); and
- travel and accommodation (\$64,334 vs. \$nil). Travel and accommodation expenses are related primarily to travel to Burkina Faso and also for promotion and business development.

### Three Months Ended March 31, 2011

The Company recorded a net loss of \$292,172 (\$0.01 per share) for the three months ended March 31, 2011 as compared to a net loss of \$80,519 (\$0.01 per share) for the three months ended March 31, 2010.

As indicated above, the increase in the certain general and administration expenses, including: accounting and audit fees of \$20,620 (2010 - \$6,739); consulting fees of \$54,347 (2010 - \$7,500); and management and administration fees of \$44,940 (2010 - \$12,250) is the result of expenses associated with increased business activity compared to the prior year when the Company had just completed its IPO.

Other variances of note in general and administration expenses for the three months ended March 31, 2011 as compared to the three months ended March 31, 2010 include:

- investor relations expenses of \$82,473 (2010 - \$nil). In the comparative period the Company had not yet initiated any investor relations activities.
- office expenses of \$41,128 (2010 - \$4,076). Office expenses include rent, meals and entertainment, insurance, and office supplies. In the comparative period, the Company had no office in Burkina Faso.

### **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 March 31, 2011.



	<b>Three Months Ended (\$)</b>			
	<b>Mar. 31, 2011</b>	<b>Dec. 31, 2010</b>	<b>Sep. 30, 2010</b>	<b>Jun. 30, 2010</b>
Total Revenues	-	-	-	-
Net Income (Loss)	(292,172)	(177,134)	11,144	(703,357)
Net Income (Loss) Per Share (basic and diluted)	(0.01)	(0.01)	0.00	(0.07)
Total Assets	3,814,621	1,655,762	1,593,341	1,704,710

	<b>Three Months Ended (\$)</b>			
	<b>Mar. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Sep. 30, 2009</b>	<b>Jun. 30, 2009</b>
Total Revenues	-	-	-	-
Net Income (Loss)	(80,519)	(23,429)	(80,853)	(21,666)
Net Income (Loss) Per Share (basic and diluted)	(0.01)	(0.00)	(0.01)	(0.00)
Total Assets	762,269	731,716	375,105	353,113

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

During the quarters ended March 31, 2011, December 31, 2010, September 30, 2010 and September 30, 2009, the Company recorded stock-based compensation of \$10,641, \$5,972, \$134,424 and \$61,818, respectively.

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.

## **FINANCING ACTIVITIES AND CAPITAL EXPENDITURES**

Subsequent to March 31, 2011, 802,500 share purchase warrants were exercised for gross proceeds of \$240,750.

During the six months ended March 31, 2011, the Company completed the following financing activities:

- (i) On January 24, 2011, 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. Each unit is comprised of one common share and one-half of one common share purchase warrant (each whole such warrant a "Warrant"). Each Warrant entitles the holder thereof the right to purchase one 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 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 incurred cash issue costs of \$79,096, issued 232,057 finders' units at the fair value of \$69,617, and issued finders' warrants entitling the holder thereof the right to purchase up to 375,015 common shares of the Company at \$0.35 per share, exercisable up to July 24, 2012. Securities issued pursuant to the private placement are subject to a four month hold period until May 25, 2011. Proceeds of the private placement will be used to fund exploration on the Company's Burkina Faso properties and for general working capital.
- ii) 175,000 share purchase options were exercised for gross proceeds of \$31,250 and 1,507,598 share purchase warrants were exercised for gross proceeds of \$415,314.

The capital expenditures of the Company during the six months ended March 31, 2011 included mineral property expenditures of \$692,562 incurred on the Burkina Faso Project.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's operations consumed approximately \$441,053 of cash (before working capital items) for the six months ended March 31, 2011 (2010 - \$103,948) with an additional \$692,562 (2010 - \$1,583) used on mineral property deferred exploration expenditures and \$21,967 (2010 - \$nil) used for the purchase of equipment. The cash requirement was fulfilled in the current period from cash on hand at the beginning of the period, the proceeds of a private placement financing, which closed on January 24, 2011, the exercise of stock options (\$31,250), and the exercise of share purchase warrants (\$415,314).

The Company's aggregate operating, investing and financing activities during the six months ended March 31, 2011 resulted in a net increase in its cash balance from \$796,173 at September 30, 2010 to \$2,241,914 at March 31, 2011. The Company's working capital at March 31, 2011 was \$2,286,410 (September 30, 2010 - \$790,263).

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 must also comply with the Mining Code of Burkina Faso, which sets out minimum annual exploration expenditures.

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 and six months ended March 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:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Accounting fees	\$ 10,910	\$ 8,388	\$ 18,889	\$ 15,458
Business investigation costs	-	9,600	-	9,600
Management and administration fees	39,690	9,800	62,290	18,750
	<u>\$ 50,600</u>	<u>\$ 27,788</u>	<u>\$ 81,179</u>	<u>\$ 43,808</u>

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

As at March 31, 2011, accounts payable and accrued liabilities includes an amount of \$26,344 (September 30, 2010 - \$8,569) due companies controlled by directors and officers of the Company.

## **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 third 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 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 \$131 of net balance sheet exposure denominated in CFAs. Based on this exposure as at March 31, 2011, a 5% change in the exchange rate would give rise to a nominal change in net loss and comprehensive loss. 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:

	March 31, 2011	
	Canadian dollar	CFA
Cash and cash equivalents	\$ 2,236,189	\$ 5,725
Accounts payable and accrued liabilities	(50,014)	(5,594)
Net balance sheet exposure	<u>\$ 2,186,175</u>	<u>\$ 131</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:  
29,471,982 common shares as at May 27, 2011.

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

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	3,577,500	\$0.30	June 25, 2011
Share purchase warrants	323,080	\$0.30	June 30, 2011
Share purchase warrants	268,000	\$0.30	July 28, 2011
Share purchase warrants	3,947,858	\$0.50	July 24, 2012
Share purchase warrants	366,682	\$0.35	July 24, 2012
Stock options	475,000	\$0.15	September 10, 2014
Stock options	975,000	\$0.20	August 9, 2015
Stock options	100,000	\$0.20	September 28, 2015

## DISCLOSURE CONTROLS AND PROCEDURES

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 consolidated financial statements for the six months ended March 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](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. The Company is currently completing detailed sampling for soil and quartz float over a 5,000 metre long by 1,500 metre wide area over the prospective contact on the Lati permit, in advance of follow up trenching and reverse circulation drilling. On the Moule permit, a survey trenching program at Vein 3 is planned to test the structure along strike. Follow up drilling on Vein 3 and Zelingpe 1 and initial drilling on Vein 2 are planned for June. At the Tordo permit, further trenching is planned in advance of a preliminary drill program.

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).