INDIGO EXPLORATION INC.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

September 30, 2009 and 2008

charlton

p | 604.683.3277
f | 604.684.8464

Charlton & Company
CHARTERED ACCOUNTANTS

SUITE 1735, TWO BENTALL CENTRE
555 BURRARD STREET
BOX 243
VANCOUVER, BC V7X 1M9

AUDITORS' REPORT

To: the Shareholders of
Indigo Exploration Inc.

We have audited the balance sheets of Indigo Exploration Inc. as at September 30, 2009 and 2008 and the statements of operations, comprehensive loss and deficit and cash flows for the year ended September 30, 2009 and from date of incorporation February 29, 2008 to September 30, 2008. These 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 financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008, and the results of its operations and cash flows for the year ended September 30, 2009 and from date of incorporation February 29, 2008 to September 30, 2008 in accordance with Canadian generally accepted accounting principles.

"Charlton & Company"

CHARTERED ACCOUNTANTS

Vancouver, Canada
December 21, 2009

INDIGO EXPLORATION INC.
(An Exploration Stage Company)
BALANCE SHEETS
September 30, 2009 and 2008

		2009		2008
ASSETS				
Current				
Cash	$	36,214	$	110,480
GST recoverable		3,164		13,224
		39,378		123,704
Deferred financing costs (Note 12)		71,268		-
Mineral property (Note 3 and Schedule 1)		260,959		252,747
Other assets (Note 4)		3,500		3,500
	$	375,105	$	379,951
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 7)	$	71,091	$	20,937
Future income tax liability (Notes 5 and 6)		52,000		-
		123,091		20,937
SHAREHOLDERS' EQUITY				
Share capital (Note 5)		327,602		417,091
Contributed surplus (Note 5)		99,307		-
Deficit		(174,895)		(58,077)
		252,014		359,014
	$	375,105	$	379,951

Organization, nature and continuance of operations (Note 1)

Commitments (Notes 3, 5 and 8)

Subsequent events (Note 12)

Approved by the Board of Directors

"R. Timothy Henneberry" Director   *"Paul S. Cowley"* Director

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

INDIGO EXPLORATION INC.

(An Exploration Stage Company)

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	Year ended September 30, 2009	Period from February 29, 2008 (Date of Incorporation) to September 30, 2008
General and Administrative Expenses		
Accounting and audit fees (Note 7)	$ 23,998	$ 19,040
Bank charges and interest	299	180
Consulting fees (Note 7)	4,425	1,700
Management fees (Note 7)	7,500	16,450
Office and miscellaneous (Note 7)	3,399	6,797
Legal fees	3,862	4,845
Rent	8,407	4,200
Stock-based compensation (Note 5)	61,818	-
Travel and accommodation fees	3,505	5,832
Loss before other item	(117,213)	(59,044)
Interest income	395	967
Net loss and comprehensive loss for the period	(116,818)	(58,077)
Deficit - Beginning of period	(58,077)	-
Deficit - End of period	$ (174,895)	$ (58,077)
Basic and diluted loss per share	$ (0.02)	$ (0.01)
Weighted average number of shares	6,361,092	4,660,006

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

INDIGO EXPLORATION INC.

(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

	Year ended September 30, 2009	Period from February 29, 2008 (Date of Incorporation) to September 30, 2008
Cash generated from (used in)		
Operating Activities		
Net loss for the period	$ (116,818)	$ (58,077)
Add item not involving cash:		
Stock-based compensation	61,818	-
	(55,000)	(58,077)
Changes in non-cash working capital items:		
GST recoverable	10,060	(13,224)
Accounts payable and accrued liabilities	50,154	20,937
	5,214	(50,364)
Investing Activities		
Deferred exploration expenditures	(8,212)	(222,747)
Other assets	-	(3,500)
	(8,212)	(226,247)
Financing Activities		
Deferred financing costs	(71,268)	-
Issuance of shares - net of costs	-	387,091
	(71,268)	387,091
(Decrease) increase in cash during the period	(74,266)	110,480
Cash - Beginning of the period	110,480	-
Cash - End of period	$ 36,214	$ 110,480
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Supplemental non-cash investing information		
Recording of a future income tax liability with respect to accounting for a flow-through share renunciation (Note 6)	$ 52,000	$ -
500,000 common shares issued by the Company (Note 3) pursuant to a mineral property option agreement at $0.06 per share	$ -	$ 30,000

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

1 ORGANIZATION, NATURE AND CONTINUANCE OF OPERATIONS

Indigo Exploration Inc. ("the Company") was incorporated on February 29, 2008 under the Business Corporations Act of British Columbia using the name 0818041 B.C. Ltd. On March 11, 2008, the Company changed its name to Indigo Exploration Inc. The Company's principal activities include the acquisition, exploration and development of mineral properties. The Company is currently conducting exploration and development activities in the Province of British Columbia, Canada.

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.

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, 2009, the Company had not yet achieved profitable operations, had an accumulated deficit of $174,895 (2008 - $58,077) 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, 2009, the Company closed its Initial Public Offering ("IPO") and issued 4,000,000 common shares at a price of $0.15 per share for gross proceeds of $600,000 (Note 12). The Company also completed a flow-through private placement of 580,000 units at a price of $0.25 per unit for gross proceeds of $145,000 (Note 12).

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:

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 mining claims and deferred exploration represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Mineral properties – (cont'd)

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.

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 year ended September 30, 2009 and the period from date of incorporation, February 29, 2008, to September 30, 2008 ("the period ended September 30, 2008"), potentially dilutive common shares (relating to stock options outstanding and to conditional share issuances pursuant to a mineral property option agreement) totalling 4,050,000 (2008 – 3,500,000) were not included in the computation of loss per share because their effect was anti-dilutive.

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Share issue costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

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 year ended September 30, 2009 or the period ended September 30, 2008, and neither opening nor closing balances for AOCI in any period.

Financial instruments recognition, measurement, disclosure and presentation

Under CICA Handbook Section 3855, 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 OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in net loss.

Upon adoption of these standards, the Company has designated its cash as held-for trading, which is measured at fair value. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost. At September 30, 2009 and 2008, the Company had no available-for-sale, loans and receivables or held-to-maturity financial instruments. However, net smelter royalties with property vendors are derivative instruments. The fair value of these derivative instruments is not reliably determinable until proven economically recoverable reserves have been identified and as such are not recorded.

CICA Handbook Section 3862 – "Financial Instruments – Disclosures", describes the requires disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863 – "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives. The Company has included disclosures recommended by these sections in Note 9 of these financial statements.

Capital disclosures

CICA Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by this section in Note 10 of these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Asset retirement obligations

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, 2009 and 2008, 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.

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.

Deferred financing costs

Deferred financing costs associated with the Company's planned IPO are deferred until the IPO is completed and shares are issued.

Adoption of new accounting policies

Goodwill and intangible assets

On October 1, 2008, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Adoption of this new accounting standard did not have a significant impact on the Company's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

Future accounting changes

i) Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", 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). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

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).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

ii) 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.

3 MINERAL PROPERTY (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 property and, to the best of its knowledge, title to its property is in good standing.

Fredy Creek

Pursuant to the terms of an option agreement dated May 1, 2008 and amended on April 23, 2009 and July 1, 2009, 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 the right to earn a 100% interest in the Fredy Creek Project by paying consideration as follows:

i) issuing an aggregate of 4,000,000 shares of the Company to the vendor as to:

A. 500,000 shares upon signing this agreement (issued at the fair value of $30,000);
B. an additional 750,000 shares on or before May 1, 2010;
C. an additional 1,000,000 shares on or before May 1, 2011; and
D. an additional 1,750,000 shares on or before May 1, 2012

ii) completing exploration expenditures on the Property in the amount of $2,000,000 as follows:

A. $200,000 on or before May 1, 2010 (incurred);
B. an additional $300,000 on or before May 1, 2011;
C. an additional $500,000 on or before May 1, 2012; and
D. an additional $1,000,000 on or before May 1, 2013

The vendor also retained a net smelter royalty of 2% on all mineral products extracted from the property. The Company has the right to repurchase 50% of the net smelter royalty (1%) for $1,000,000.

4 OTHER ASSETS

	2009	2008
Reclamation bond	$ 3,500	$ 3,500

The reclamation bond was posted with the Province of British Columbia with respect to the estimated cost to reclaim the Company's exploration sites located in British Columbia.

5 SHARE CAPITAL

Authorized:
Unlimited common shares without par value

a) Common shares issued and outstanding and contributed surplus:

	Number of Shares	Share Capital Amount	Contributed Surplus Amount
Issued:			
For cash			
On February 29, 2008 upon incorporation	1	$ 1	$ -
Pursuant to private placements	5,920,708	399,142	-
Less issue costs – cash	-	(12,052)	-
Pursuant to mineral property option agreement	500,000	30,000	-
Balance - September 30, 2008	6,420,709	417,091	-
Less: Future income tax on flow-through shares	-	(52,000)	-
Stock-based compensation	-	-	61,818
Shares repurchased for exchange (Note 5 (b))	(800,000)	(45,489)	37,489
Shares issued for exchange (Note 5 (b))	159,997	8,000	-
Balance – September 30, 2009	5,780,706	$ 327,602	$ 99,307

b) Financings:

During the year ended September 30, 2009, pursuant to a share exchange agreement with directors and officers of the Company and companies controlled by directors and officers of the Company, the Company agreed to exchange 800,000 common shares issued at $0.01 per share for 159,997 common shares at $0.05 per share. The Company acquired 800,000 of its own shares, cancelled and returned these shares 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.

During the period ended September 30, 2008, the Company completed various flow-through and non-flow-through financings as follows:

i) In April, 2008 the following private placements were completed:
- 1,666,666 common shares at $0.01 per share for gross proceeds of $16,666;
- 1,500,000 common shares at $0.05 per share for gross proceeds of $75,000;
- 1,285,709 common shares at $0.06 per share for gross proceeds of $77,143.

ii) In May, 2008 the following private placements were completed:
- 333,333 common shares at $0.01 per share for gross proceeds of $3,333;
- 480,000 common shares at $0.20 per share for gross proceeds of $96,000.

iii) In June, 2008, 455,000 common shares at $0.20 per share for gross proceeds of $91,000.
iv) In July, 2008, 190,000 common shares at $0.20 per share for gross proceeds of $38,000.
v) In August, 2008, 10,000 common shares at $0.20 per share for gross proceeds of $2,000.

Of the 1,135,000 common shares issued at $0.20 per share during the period ended September 30, 2008, 1,000,000 were flow-through shares.

5 SHARE CAPITAL – (cont'd)

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 TSX Venture Exchange ("TSXV")). 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 year ended September 30, 2009 and the period ended September 30, 2008 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life
Balance, February 29, 2008 (Date of Incorporation) and September 30, 2008	-	-	-
Granted	550,000	$0.15	
Balance, September 30, 2009	550,000	$0.15	4.95

At September 30, 2009, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number	Exercise Price	Expiry Date
550,000	$0.15	September 10, 2014

During the year ended September 30, 2009, 550,000 share purchase options were granted (2008 – nil) and the Company recorded a stock-based compensation expense of $61,818 (2008 – $nil). The weighted fair value of share purchase options granted during the year ended September 30, 2009 of $0.11 (2008 – $nil) per share purchase option was estimated using the Black-Scholes option pricing model with the following assumptions:

5 SHARE CAPITAL – (cont'd)

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

d) Flow-through shares

During the period ended September 30, 2008, the Company entered into flow-through subscription agreements to issue an aggregate of 1,000,000 flow-through shares at $0.20 per share for proceeds of $200,000. The Company incurred qualifying expenditures in this amount before September 30, 2008. During the year ended September 30, 2009, the Company renounced these expenditures to subscribers and therefore these expenditures will not be available to the Company for future deduction from taxable income.

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:

	2009	2008
Statutory tax rate	30.00%	31.91%
Loss for the period before income taxes	$ (116,818)	$ (58,077)
Expected income tax recovery	$ 35,000	$ 18,000
Share issue costs	-	1,000
Stock-based compensation	(19,000)	-
Other	-	(1,000)
Effect of change in tax rate	(2,000)	-
Change in valuation allowance	(14,000)	(18,000)
Future income tax recovery	$ -	$ -

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

	2009	2008
Future income tax assets		
Share issue costs	$ 2,000	$ 3,000
Non-capital losses carried forward	30,000	15,000
	32,000	18,000
Valuation allowance for future income tax assets	(32,000)	(18,000)
Future income tax assets	$ -	$ -
Future income tax liability		
Mineral properties and related deferred exploration	$ (52,000)	$ -

6 INCOME TAXES – (cont'd)

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
	$	117,000

In addition to the tax losses listed above, at September 30, 2009 there are resource related expenditures of approximately $61,000 (2008 - $253,000) which can be used to offset future Canadian income indefinitely.

7 RELATED PARTY TRANSACTIONS

During the periods ended September 30, 2009 and 2008, the Company incurred the following expenditures charged by directors and officers of the Company and companies controlled by directors and officers of the Company:

		2009		2008
Accounting fees	$	7,998	$	4,039
Consulting fees		4,425		1,700
Management fees		7,500		16,450
Office and miscellaneous		-		525
	$	19,923	$	22,714

During the year ended September 30, 2009, the Company sub-let a portion of its office space to a company with common directors and received rent income of $4,598 (2008: $nil) from the related party.

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

As at September 30, 2009, accounts payable and accrued liabilities includes an amount of $6,463 (2008 - $5,675) due to companies controlled by directors and officers of the Company.

8 COMMITMENTS

The Company has entered into an office lease agreement that expires on April 30, 2010. The commitment for the year ended September 30, 2010 is $7,350.

9 FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the immediate or short term maturity of these items.

Foreign Exchange Risk

As at September 30, 2009 and 2008, all of the Company's cash was held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its 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 Company's cash is held with a large Canadian bank.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss is limited because at present the Company holds all of its surplus cash in an interest bearing account and has no other interest bearing financial assets or liabilities.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current.

10 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.

11 SEGMENTED INFORMATION

The Company operates in one segment, being mineral exploration and development. As at September 30, 2009 and 2008 all assets and operations of the Company were in Canada.

12 SUBSEQUENT EVENTS

Initial Public Offering and Agency Agreement

Pursuant to an agency agreement with Union Securities Ltd. (the ”Agent”) the Company filed a prospectus in British Columbia, Alberta and Ontario with respect to its IPO for 4,000,000 common shares at a price of $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 $19,133. The Company also issued the Agent share purchase warrants to purchase up to 400,000 common shares, at $0.15 per share, exercisable up to December 29, 2010.

Flow-through Private Placement

In January 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 common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at $0.35 per share up to January 6, 2011.

In conjunction with the private placement, a finder’s fee of $6,500 was paid and 26,000 finder’s warrants were issued. Each finder’s warrant entitles the holder thereof to purchase an additional common share of the Company at $0.35 per share up to January 6, 2011.

Schedule 1

INDIGO EXPLORATION INC.
(An Exploration Stage Company)
SCHEDULE OF MINERAL PROPERTY
September 30, 2009 and 2008

	Fredy Creek Project, BC, Canada
Acquisition costs	
Cash	$ -
Shares	30,000
	30,000
Deferred exploration costs	
Consulting	189,088
Surveying	33,659
	222,747
Balance - September 30, 2008	252,747
Deferred exploration costs	
Consulting	2,726
Filing fees	5,486
	8,212
Balance - September 30, 2009	$ 260,959

INDIGO EXPLORATION INC.

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

The following information, prepared as of January 27, 2010, should be read in conjunction with the audited financial statements of Indigo Exploration Inc. (the "Company") for the year ended September 30, 2009, which have been prepared in accordance with Canadian generally accepted accounting principles. 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.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of January 27, 2010.

- 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.

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

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.

Fredy Creek Project

Indigo's primary asset is the 5868 hectare Fredy Creek Project located in North Central British Columbia approximately 360 miles northeast of Vancouver, British Columbia in the Cariboo Mining Division (“the Property”). The Company is exploring for a copper-molybdenum porphyry deposit on its Fredy Creek property. The Gibraltar copper-molybdenum mine lies 12.6 kilometres northwest of the Property.

Indigo has an option to earn a 100% interest in the Property 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 has the right, at any time, to purchase one-half (1%) of the NSR, for a one-time payment of $1,000,000.

Geology

With the exception of a single rock exposure in the northeast corner of the property there is no outcrop on the Fredy Creek property due to a thick mantle of glacial till. The property is suspected to be underlain by marine sediments and volcanics of the Permian to Triassic Cache Creek Group. Regional aeromagnetics indicate a subdued circular feature that corresponds approximately with the north-central portion of the Mobile Metal Ion (“MMI”) soil grid.

The producing Gibraltar porphyry Cu-Mo Mine of Taseko Mines Limited lies 12.6 kilometres to the northwest of the Fredy Creek property. The northwest-southeast trending structural nature of mineralization at Gibraltar trends towards the Fredy Creek property.

Previous Exploration

The ground presently comprising the Fredy Creek property was initially explored in the early 1970's during the staking rush associated with the discovery of the Gibraltar porphyry copper – molybdenum deposits in the late 1960's.

Recent exploration has concentrated in the northwest corner of the present property, first with United Gunn Resources Ltd. in the early 1990's and later with Stikine Gold Corp. in 2006 and 2007. These programs concentrated largely on areas outside of the current Fredy Creek property boundary and consisted of geochemistry, geophysics and limited diamond drilling.

The property vendor completed an MMI soil survey in the southeastern part of the property in September 2007. These results are discussed below.

2007 Exploration

A 150 metre by 150 metre MMI soil survey was completed over the suspected "Gibraltar-like" northwest-southeast trend on the Fredy Creek property by the vendor in 2007. Two northwest-southeast copper anomaly trends were identified. These anomalies appear to exhibit a reticulate pattern with possible trends in an east-west and north-south direction as well as northwest-southeast direction. Molybdenum anomalies have a fairly well defined east-west and north-south reticulate pattern.

2008 Exploration

Indigo commissioned Quantec Geoscience Ltd. of Toronto, Ontario to conduct a 12 line kilometre Titan 24 DCIP and MT ground geophysical survey over the heart of the Fredy Creek MMI grid.. Four 3 kilometre long lines spaced approximately 500 metres apart were cut and subsequently geophysically surveyed. The intent of the survey was to provide resistivity and chargeability mapping, providing targets that may be related to conducive and/or polarisable horizons, pod-like bodies and massive to disseminated zones of potential metallic mineralization.

The ground IP survey suggests the Fredy Creek property is underlain by a thin (<100 metre) conductive layer that probably represents till and overburden underlain by northwest – southeast trending bedrock geology. Five distinct bedrock IP anomalies were identified.

Three of the IP anomalies are coincident with the MMI copper anomalies and represent high priority drill targets. Two of the three drill targets are areas of coincident chargeability and resistivity highs along the MMI copper trends. The third target is an area of coincident resistivity high with anomalous MMI Cu and Mo.

Indigo plans to complete the phase one exploration program as recommended in the National Instrument 43-101 Technical Report prepared by Stephen B. Butrenchuk, P.Geol, the Qualified Person, which is a minimum of 900 metres of diamond drilling to test the three high priority drill targets in the spring of 2010.

SELECTED ANNUAL INFORMATION

The Company's fiscal period ends on September 30 of each year. As the Company was incorporated on February 29, 2008, only two fiscal periods have occurred to date. The following is a summary of certain selected audited financial information for the last two completed fiscal periods:

	2009 ($)	2008 ($)
Total Revenues	-	-
Net Loss	(116,818)	(58,077)
Net loss Per Share (basic and diluted) (1)	(0.02)	(0.01)
Total Assets	375,105	379,951
Deferred Resource Property Expenditures – For The Year	8,212	252,747
Deferred Resource Property Expenditures – Cumulative	260,959	252,747
Long Term Debt	-	-
Dividends Declared	-	-

(1) 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 net loss for the year ended September 30, 2009 included a charge for stock-based compensation of $61,818. During the period ended September 30, 2008, there was no stock-based compensation expense.

RESULTS OF OPERATIONS

The Company recorded a net loss of $116,818 ($0.02 per share) for the year ended September 30, 2009 as compared to a net loss of $58,077 ($0.01 per share) for fiscal 2008. The increase to the net loss recorded in fiscal 2009 as compared to fiscal 2008 is the net result of a number of different increases and decreases to various expenses. Of note are the following items:

- the year ended September 30, 2009 was for a full twelve (12) month period as compared to a seven (7) month period for the period from February 29, 2008 (Date of Incorporation) to September 30, 2008;

- accounting and audit fees ($23,998 vs. $19,040) increased due to the increased accounting services provided in connection with the IPO;

  The Company incurred $71,268 of legal fees and agent's fees associated with the IPO during the year ended September 30, 2009. These costs have been deferred until completion of the IPO financing;

- management fees ($7,500 vs. $ 16,450) decreased as there was less management time required in fiscal 2009 and compared to fiscal 2008. During fiscal 2008, management was in the process of incorporating the Company and establishing the Fredy Creek Project;

During fiscal 2009, the Company incurred project expenditures of $8,212 (2008: $252,747). The costs for fiscal 2009 were mainly filing fees with the government of British Columbia. The costs for fiscal 2008 were to complete line cutting and a Quantec Titan 24 Deep IP Survey.

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, 2009. As the Company was incorporated on February 29, 2008, no information is reported for December 31, 2008.

	Three Months Ended ($)				Three Months Ended ($)			
	Sep. 30, 2009	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008	Sep. 30, 2008	June 30, 2008	Mar, 31, 2008	N/A
Total Revenues	-	-	-	-	-	-	-	N/A
Net Income (Loss)	(80,853)	(21,666)	(5,608)	(8,691)	(31,032)	(26,555)	(489)	N/A
Net Loss Per Share (basic and diluted)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	N/A
Total Assets	375,105	353,113	359,883	370,287	379,951	354,485	20,812	N/A

During the quarter ended September 30, 2009, the Company recorded stock-based compensation of $61,818 that was not recorded in any other quarter.

FOURTH QUARTER

As recorded, the fourth quarter loss for fiscal 2009 was greater than the loss recorded for the fourth quarter of 2008 ($80,853 vs. $31,032). The most significant cause of this increase was the stock-based compensation recorded ($61,818 vs. $nil). After adjusting for this item, the fourth quarter loss for fiscal 2009 has decreased as compared to the fourth quarter of 2008 ($19,035 vs. $31,032). The decrease was due to management fees of $7,000 being incurred in the 2008 period compared with $nil incurred during the 2009 period.

FINANCING ACTIVITIES AND CAPITAL EXPENDITURES

Pursuant to an agency agreement with Union Securities Ltd. (the "Agent") the Company filed a prospectus in British Columbia, Alberta and Ontario with respect to its IPO for 4,000,000 common shares at a price of $0.15 per share for gross proceeds of $600,000. The IPO closed on December 29, 2009 and the Company began 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 $19,133. The Company has also issued the Agent share purchase warrants to purchase up to 400,000 common shares, at $0.15 per share, exercisable up to December 29, 2010.

In January 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 common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of the Company at $0.35 per share up to January 6, 2011.

In conjunction with the private placement, a finder's fee of $6,500 was paid and 26,000 finder's warrants were issued. Each finder's warrant entitles the holder thereof to purchase an additional common share of the Company at $0.35 per share up to January 6, 2011.

During the year ended September 30, 2009, pursuant to a share exchange agreement with directors and officers of the Company and companies controlled by directors and officers of the Company, the Company agreed to exchange 800,000 common shares issued at $0.01 per share for 159,997 common shares at $0.05 per share.

The capital expenditures of the Company during fiscal 2009 included mineral property expenditures of $8,212 incurred on the Fredy Creek Project.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed approximately $55,000 of cash (before working capital items) for the year ended September 30, 2009 (2008 - $58,000) with an additional approximate $8,000 (2008 - $226,000) utilized on capital expenditures including mineral property deferred exploration expenditures and a reclamation bond. The cash requirement was fulfilled in fiscal 2009 primarily from cash on hand at the beginning of the year as well as from trade creditor indebtedness.

The Company's aggregate operating, investing and financing activities during fiscal 2009 resulted in a net decrease in its cash balance from $110,480 at September 30, 2008 to $36,214 at September 30, 2009. The Company's working capital decreased by $134,480 correspondingly during the same period, and stood at negative $31,713 at September 30, 2009. In addition, the Company has accumulated losses since inception of $174,895. As noted earlier, the working capital deficiency was remedied subsequent to September 30, 2009 by virtue of the Company closing its IPO for gross proceeds of $600,000 and closing a flow-through financing for gross proceeds of $145,000.

Aside from property acquisition payments and exploration commitments described under the Mineral Properties note to the financial statements, 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 its mineral property 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 project 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 periods ended September 30, 2009 and 2008, the Company incurred the following expenditures charged by directors and officers of the Company and companies controlled by directors and officers of the Company:

	2009	2008
Accounting fees	$ 7,998	$ 4,039
Consulting fees	4,425	1,700
Management fees	7,500	16,450
Office and miscellaneous	-	525
	$ 19,923	$ 22,714

During the year ended September 30, 2009, the Company sub-let a portion of its office space to a company with common directors and received rent income of $4,598 (2008: $nil) from the related party.

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

As at September 30, 2009, accounts payable and accrued liabilities includes an amount of $6,463 (2008 - $5,675) due to companies controlled by directors and officers of the Company.

CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described in Note 2 to the audited financial statements. The accounting estimates considered to be significant to the Company include the carrying values of mineral properties and deferred exploration; the computation of stock-based compensation expense; the computation of the value of agent's warrants, and the computation of future income tax assets and liabilities.
Management reviews the carrying values of its mineral property and deferred exploration on at least an annual basis to determine whether an impairment of carrying value should be recognized. In addition, capitalized costs related to abandoned properties are written-off in the period of abandonment. During fiscal 2009 and 2008 the Company determined that no impairment was required on the mineral property and deferred exploration expenditures.

The Company uses the fair-value method of accounting for stock-based compensation related to incentive stock options granted, modified or settled. Under this method, compensation cost attributable to all incentive stock options granted to employees is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. With respect to stock options granted to consultants and other non-employees that have vesting terms, the compensation cost is revalued at each respective vesting date or period end, as the case may be. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the stock-based compensation being less than or greater than the amount recorded. During fiscal 2009 the Company recorded a stock-based compensation expense of $61,818 (2008 - $Nil).

Management computes the future income tax asset liability based on the amount of qualifying flow-through expenditures that have been renounced to investors during the fiscal year and after taking into account the estimated corporate income tax rate during such fiscal period and the availability of unrecorded income tax assets. During fiscal 2009 an amount of $52,000 was recorded as a future income tax liability to the Company's accounts (2008 - $nil)

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Goodwill

The CICA issued new Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The Company adopted the new standard effective October 1, 2008. There has been no impact on the Company's financial statements as a result of applying this new standard.

Future accounting changes

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", 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). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

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).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

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:

PHASE	DESCRIPTION AND STATUS
PRELIMINARY PLANNING AND SCOPING	The IFRS conversion plan will include consideration of the impacts of IFRS on the Company's 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. Based on Management's preliminary review of IFRS and current Company processes, minimal impact is expected on information systems and compensation metrics.
DETAILED IMPACT ASSESSMENT	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 fiscal 2010.
IMPLEMENTATION	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.

FINANCIAL INSTRUMENTS

Under CICA Handbook Section 3855, 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 OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in net loss.

Upon adoption of these standards, the Company has designated its cash as held-for trading, which is measured at fair value. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost. At September 30, 2009 and 2008, the Company had no available-for-sale, loans and receivables or held-to-maturity financial instruments. However, net smelter royalties with property vendors are derivative instruments. The fair value of these derivative instruments is not reliably determinable until proven economically recoverable reserves have been identified and as such are not recorded.

Foreign Exchange Risk

As at September 30, 2009 and 2008, all of the Company's cash was held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its 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 Company's cash is held with a large Canadian bank.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss is limited because at present the Company holds all of its surplus cash in an interest bearing account and has no other interest bearing financial assets or liabilities.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. As at January 27, 2010, accounts payable and accrued liabilities are current.

OUTSTANDING SHARE DATA

a) Authorized:
Unlimited common shares without par value.

b) Issued and outstanding:
10,360,706 common shares as at January 27, 2010.

c) Outstanding warrants and options as at January 27, 2010:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	400,000	$0.15	December 31, 2010
Share purchase warrants	316,000	$0.35	January 6, 2011
Stock options	550,000	$0.15	September 10, 2014

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 audited financial statements for the year ended September 30, 2009 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 with the Annual Filings 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 resource 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 interests 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 Property is in the exploration stage and without known reserves. Exploration and development of natural resources involve substantial expenditures and a high degree of risk. Few properties which are explored 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

The Company's primary focus for the foreseeable future will be on assessing the exploration and development of the Fredy Creek Project and acquiring other mineral properties. The ability of the Company to advance the project is contingent upon its ongoing ability to raise the risk capital necessary. Subsequent to the year ended September 30, 2009, the Company raised equity financing to continue exploration and development of the Fredy Creek Project and for general working capital. The Company closed its IPO for gross proceeds of $600,000 and closed a flow-through financing for gross proceeds of $145,000.

OTHER INFORMATION

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.