

## **INDIGO EXPLORATION INC.**

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

The following information, prepared as of May 25, 2010 should be read in conjunction with the unaudited financial statements of Indigo Exploration Inc. for the six months ended March 31, 2010 and the audited financial statements and accompanying annual MD&A 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.

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of May 25, 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 OVERVIEW**

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

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

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

On April 7, 2010, subsequent to the six months ended March 31, 2010, the Company announced that it had entered into a non-binding Letter of Intent (“LOI”) to acquire all of the issued and outstanding shares of Sanu Resources Burkina Faso SARL (“Sanu Burkina”), an indirectly owned subsidiary of NGEx Resources Inc. The primary assets of Sanu Burkina consist of four gold mineral exploration permits in the Republic of Burkina Faso, West Africa. The consideration for the acquisition is \$65,000 cash (of which \$30,000 was paid upon signing of the LOI) and 3,000,000 common shares, at a deemed price of \$0.15 per share upon execution of a definitive agreement, which will be subject to, among other things, Exchange acceptance.

In connection with the Sanu Burkina acquisition, the Company announced that it will conduct a private placement of up to 5,000,000 subscription receipts at \$0.20 per subscription receipt for gross proceeds of up to \$1,000,000. Each subscription receipt will entitle the holder to acquire one common share of Indigo and one warrant, with each warrant being exercisable for one additional common share at an exercise price of \$0.30 per share, for a period of one year. If during the exercise period of the warrants the closing price of the shares is \$0.45 per share or higher for 20 consecutive trading days, the Company may accelerate the expiry time of the warrants to 20 calendar days from the date that written notice of the same is provided to the warrant holders. The gross proceeds of the private placement will be held in Escrow with Computershare Trust Company of Canada until the Conversion Date, which is the date on which Indigo provides notice to Computershare that: (a) Indigo has entered into a definitive agreement that replaces the LOI; (b) the acquisition has been approved by the Exchange; and (c) the acquisition has closed. If the conversion has not occurred by May 31, 2010, all subscription receipts will be cancelled and the subscription proceeds held in Escrow will be returned to the purchasers.

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

On April 26, 2010, the Company closed a non-brokered flow-through private placement of 250,000 flow-through common shares, priced at \$0.30 per share, for total gross proceeds of \$75,000. Securities issued pursuant to the private placement are subject to a four month hold until August 27, 2010. Proceeds from the private placement will be used for qualifying exploration expenditures on the Fredy Creek project.

On May 12, 2010, the Company announced that it had 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 3 year period. The Company has the right to purchase the entire 1.5% NSR for US\$1,800,000.

## **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.

### **Fredy Creek Project**

Indigo's primary asset is the 5,868 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 2.5 kilometre by 2.5 kilometre MMI soil survey, with a sample density of 150 metre by 150 metre, 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 conductive 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.

### **2010 Exploration**

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

### **Burkina Faso Project**

On May 5, 2010, the Company entered 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 3 year period. The Company has the right to purchase the entire 1.5% NSR for US\$1,800,000. The Company has made the initial cash payment of US\$50,000 upon signing of the agreement.

The Moule Gold Permit covers 249 square kilometres of prospective Birimian greenstone geology. To date, previous explorers have conducted property wide mapping and sampling of quartz veining and quartz float and have subsequently focused their efforts on a 7 kilometre by 6 kilometre area with a geochemical soil grid, detailed mapping, and local IP survey. Rock sampling on this grid returned 46 of 480 grab samples with gold values ranging between 1 g/t Au and 16.5 g/t Au. Multiple long and wide linear targets are evident within the grid. One target is a 500 metre wide northwest trending corridor, traceable for at least 1.6 kilometres, where multiple shear zones and parallel multiple quartz trends have coincident chargeability, elevated gold soil anomalies and local artisanal workings. A second target is a 2.5 kilometre long linear gold soil anomaly with coincident quartz float, chargeability high and local artisanal workings. A third target is a 0.8 kilometre trend of quartz veining, which can swarm to at least 50 metres wide, where grab samples reached a high of 7 g/t Au. Other quartz trends on the property with elevated gold values in soils and rocks and local artisanal workings are worthy of future attention.

## **RESULTS OF OPERATIONS**

The Company recorded a net loss of \$103,948 (\$0.01 per share) for the six months ended March 31, 2010 as compared to a net loss of \$14,300 (\$0.00 per share) for the six months ended March 31, 2009. The increase to the net loss recorded during the six months ended March 31, 2010 is the net result of different increases and decreases to various expenses. The level of business activity has increased subsequent to the completion of the Company’s IPO on December 31, 2009. Of note are the following items:

- accounting and audit fees (\$19,308 vs. \$1,003). Increased audit and accounting fees are attributable the increased level of business transactions;
- business investigation costs (\$23,623 vs. \$Nil). Business investigation costs in the period were incurred for site visits and due diligence expenses related to the potential acquisition of Sanu Burkina (see General Overview);
- consulting fees (\$26,250 vs. \$1,050). Consulting fees for management consulting both prior to and after the IPO, as well as financial consulting fees ;
- management and administration fees (\$3,850 vs. \$2,000); and
- legal fees (\$9,491 vs. \$2,329). Increased legal fees are in conjunction with business activities including a flow-through private placement transaction and AGM.

## **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, 2010.

	Three Months Ended (\$)			
	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009
Total Revenues	-	-	-	-
Net Loss	(80,519)	(23,429)	(80,852)	(21,666)
Net Loss Per Share (basic and diluted)	(0.01)	(0.00)	(0.01)	(0.00)
Total Assets	762,269	731,716	375,105	353,113

	Three Months Ended (\$)			
	Mar. 31, 2009	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008
Total Revenues	-	-	-	-
Net Loss	(5,609)	(8,691)	(31,032)	(26,555)
Net Loss Per Share (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.01)
Total Assets	359,883	370,287	379,951	354,485

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

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

## **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 commenced trading on the TSXV on December 31, 2009. In connection with the IPO, the Company paid the Agent a commission of \$60,000 and paid a corporate finance fee of \$16,000. The Agent was reimbursed for its legal fees and disbursements of \$17,962. The Company has also issued the Agent share purchase warrants 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 private placement of 580,000 flow-through units at \$0.25 per unit for gross proceeds of \$145,000, previously announced on December 30, 2009. Each unit is comprised of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional non-flow-through common share of the Company at \$0.35 per share up to January 6, 2011. In conjunction with the flow-through private placement, the Company incurred other cash issue costs of \$13,039. The Company also issued finders warrants to purchase up to 26,000 common shares, at \$0.35 per share, exercisable up to January 6, 2011.

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

There were no financing activities in the comparative period for 2009.

The capital expenditures of the Company during the six months ended March 31, 2010 included mineral property expenditures of \$1,583 incurred on the Fredy Creek Project.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's operations consumed approximately \$104,000 of cash (before working capital items) for the six months ended March 31, 2010 (2009 - \$14,000) with an additional \$1,583 (2009 - \$Nil) used on mineral property deferred exploration expenditures. The cash requirement was fulfilled in the current period primarily from cash on hand at the beginning of the period and from the proceeds of the Company's IPO, which was completed in December 2009, and a flow-through private placement completed in January 2010.

The Company's aggregate operating, investing and financing activities during the six months ended March 31, 2010 resulted in a net increase in its cash balance from \$36,214 at October 1, 2010 to \$479,121 at March 31, 2010. The Company's working capital increased to \$475,086 at March 31, 2010, due to the closing of a flow-through private placement of \$145,000 in January 2010 and the completion of the IPO in December 2009 (see Financing Activities and Capital Expenditures).

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**

The Company incurred the following expenditures charged by directors and officers of the Company and companies controlled by directors and officers of the Company:

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Three months ended March 31,      Six months ended March 31,

	2010	2009	2010	2009
Accounting fees	\$ 8,388	\$ 262	\$ 15,458	\$ 1,003
Business investigation costs	9,600	-	9,600	-
Consulting fees	9,800	-	18,750	1,050
Management and administration fees	-	-	-	2,000
	<u>\$ 27,788</u>	<u>\$ 262</u>	<u>\$ 43,808</u>	<u>\$ 4,053</u>

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

As at March 31, 2010, accounts payable and accrued liabilities includes an amount of \$578 (September 30, 2009 - \$6,463) due to companies controlled by directors and officers of the Company.

### **RECENTLY ADOPTED ACCOUNTING POLICIES**

#### *Cash and cash equivalents*

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

#### *Broker warrants and warrants*

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

Warrants included in units offered to subscribers in connection with financings are recorded at the residual value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed the shares issued in the units.

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

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

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

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



fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations” (January 2008).

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

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

### **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>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.</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>
<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</p>

	budgeting. The Company expects to complete this phase by the end of fiscal 2010.
<i>IMPLEMENTATION</i>	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.

### **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.

The Company classifies fair values of financial instruments within a three-level hierarchy that prioritizes the inputs to fair value measurement and reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. As at March 31, 2010, the Company had no financial instruments which are measured at fair value

on a recurring bases as the fair value of financial instruments approximates their carrying value due to the immediate or short term maturity of these items.

### **Foreign Exchange Risk**

As at March 31, 2010 and September 30, 2009, 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. In conjunction with the acquisition of mineral property assets in Burkina Faso and the potential acquisition of Sanu Burkina, the Company may incur operational costs in either United States dollars or Euros in the future.

### **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.

### **OUTSTANDING SHARE DATA**

- a) Authorized:  
Unlimited common shares without par value.
- b) Issued and outstanding:  
10,610,706 common shares as at May 25, 2010.
- c) Outstanding warrants and options as at May 25, 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 unaudited financial statements for the six months ended March 31, 2010 and this accompanying MD&A.

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

## **RISKS AND UNCERTAINTIES**

Certain risks are faced by the Company which could affect its financial position. In general they relate to the availability of equity capital to finance the acquisition, exploration and development of existing and future exploration and development projects. The availability of equity capital to junior resource companies is affected by commodity prices, global economic conditions and economic conditions and government policies in the countries of operation, among other things. These conditions are beyond the control of the management of the Company and have a direct effect on the Company's ability to raise capital.

The Company's working capital and liquidity fluctuate in proportion to its ongoing equity financing activities. The Company requires a certain amount of liquid capital in order to sustain its operations and in order to meet various obligations as specified under the its 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**

To date the Company's primary focus has been on exploring and advancing the Fredy Creek property located, 54 kilometres north of Williams Lake, British Columbia. A 900 metre

diamond drill program was completed in April 2010, with assays currently pending. The Company raised an additional \$75,000 via a flow-through private placement in April 2010 to supplement the \$145,000 in flow through funds raised in December 2009, to cover the costs of the Fredy Creek drill program.

On April 7, 2010 the Company announced that it had entered into a non-binding, Letter of Intent, to acquire Sanu Burkina (see General Overview), subject, amongst other things, to the parties entering into a definitive agreement and to Exchange acceptance. The assets of Sanu Burkina include four exploration permits in greenstone belts in Burkina Faso.

Concurrently, the Company announced that it would raise up to \$1,000,000 in a private placement financing, with the proceeds to be used to conduct exploration activities on the Burkina Faso properties and for working capital. The financing will be contingent on closing of the Sanu Burkina transaction and Exchange acceptance.

Due diligence is proceeding and the parties are working on the definitive agreement for the Sanu Burkina acquisition.

On May 5, 2010 the Company entered into an option agreement to acquire a 100% interest, subject to a 1.5% NSR, in the Moule gold permit, also located in Burkina Faso.

Subject to completion of the Sanu Burkina transaction and concurrent private placement financing, the Company will shift its exploration focus to drill ready gold targets on the Burkina Faso permits.

## **OTHER INFORMATION**

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