

## INDIGO EXPLORATION INC.

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

The following information, prepared as of January 28, 2019, should be read in conjunction with the consolidated financial statements of Indigo Exploration Inc. (the "Company" or "Indigo") for the year ended September 30, 2018. The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

#### 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 on December 29, 2009 and commenced trading on the TSX Venture Exchange ("TSXV") on December 31, 2009, under the trading symbol "IXI."

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

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

#### MINERAL PROPERTIES

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

The Company currently holds the Hantoukoura permit located in the Republic of Burkina Faso, West Africa. West Africa is underlain by the Birimian Greenstone Belt, one of the most prolific gold producing areas in the world. Several major gold companies are active in Burkina Faso, including IAMGOLD Corporation and Newmont Mining Corporation. Burkina Faso has nine producing mines and a number of projects in the advance and development stages. Burkina Faso is considered to be relatively stable, both politically and economically, and relies primarily on farming and mining as its main sources of revenue.

#### *Hantoukoura (previously Kodyel) Exploration Permit*

During the year ended September 30, 2017 the Company secured the permit to the previously named Kodyel permit when the area was re-permitted as the Hantoukoura permit. The Hantoukoura permit is of equal size and position as the original Kodyel permit. The Hantoukoura permit is valid for three years and renewable for up to six additional years.

The 191 square kilometres Hantoukoura permit lies close to the Niger border approximately 300km east of Ouagadougou. Access is by paved road as far as Fada N’gourma about 200 km east of Ouagadougou and thence by laterite roads. The Hantoukoura permit covers an extension of the Fada N’Gourma greenstone belt that extends into Niger. The Hantoukoura permit is traversed by a regional northeast-trending fault that stretches from Ghana to Niger and separates the mafic and felsic volcanics and metasedimentary rocks of the Fada belt from the migmatites and granites to the northwest. There are several active artisanal workings within the permit, including: the extensive Tangounga, Hantekoura (CFA) and Kodyel 1 artisanal workings. The Songonduari artisanal workings lie off the permit but lies in the same structure, continuing towards and into Niger.

During the year ended September 30, 2018, the Company received notice from the Ministry of Mines of Burkina Faso that it had temporarily suspended access, including performing exploration activities on the Hantoukoura permit until the border with Niger is physically demarcated. The Minister has agreed the permit will remain in good standing through the suspension period and that the length of the suspension period will be added back onto the length of the permit. The Company intends to complete a sizable work program, once access is re-instated and is monitoring the progress of the demarcation of the border. To date, the Company has not received an update and the suspension is still in effect.

#### ***Lati Exploration Permit***

The 184 square kilometre Lati Permit covers a major north-south shear zone in the Boromo greenstone belt. Lati is the site of expanding artisanal activity with at least three known active artisanal mining areas over the 8 kilometre long Prospect 1. The Lati permit is about 150 km by road west of Ouagadougou. Lati was previously explored by the United Nations Development Program and the Burkina Faso Office of Mines and Geology for volcanic-hosted massive sulfides similar to the Perkoa zinc deposit, as well as by Carlin Resources and Incanore Resources for gold.

There continues to be no correspondence with the Ministry with regard to the Lati permits.

#### **SELECTED ANNUAL INFORMATION**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	(\$)	(\$)	(\$)
Total revenues	-	-	-
Loss	(118,408)	(664,423)	(331,118)
Loss per share (basic and diluted) <sup>(1)</sup>	(0.00)	(0.01)	(0.00)
Total assets	438,594	323,151	907,093
Mineral property expenditures – for the year	75,263	71,465	60,427
Long term debt	-	-	-
Dividends declared	-	-	-

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

The loss in years ended September 30, 2017 and 2016 increased due to write-down impairment of mineral properties of \$496,106 and \$213,766 respectively.

## 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, 2018

<b>For the quarter ended (\$)</b>	<b>Sept. 30, 2018</b>	<b>Jun. 30, 2018</b>	<b>Mar. 31, 2018</b>	<b>Dec. 31, 2017</b>
Total revenues	-	-	-	-
Loss	(37,672)	(19,300)	(30,421)	(31,015)
Loss per share (basic and diluted) <sup>(1)</sup>	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	438,594	452,356	471,278	297,503

<b>For the quarter ended (\$)</b>	<b>Sept. 30, 2017</b>	<b>Jun. 30, 2017</b>	<b>Mar. 31, 2017</b>	<b>Dec. 31, 2016</b>
Total revenues	-	-	-	-
Loss	(123,806)	(433,401)	(34,606)	(72,610)
Loss per share (basic and diluted) <sup>(1)</sup>	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	323,151	413,660	840,450	886,790

<sup>(1)</sup> The basic and diluted calculations result in the same values.

The increase in loss reported during the quarters ended September 30, 2017 and June 30, 2017 are due to a write-down / impairment recorded of mineral properties of \$83,495 and \$412,611 respectively.

## RESULTS OF OPERATIONS

### *Year ended September 30, 2018*

The Company recorded a loss of \$118,408 (\$0.00 per share) for the year ended September 30, 2018 as compared to a loss of \$664,423 (\$0.01 per share) for the year ended September 30, 2017. The decrease in the loss is as a result of the Company recording a write-down of mineral properties of \$496,106 on the Moule and Loto permits in the prior year. Differences in other expenses of note include:

Share-based compensation of \$nil (2017 - \$53,596). Share-based compensation includes the grant of 2,600,000 stock options during the year ended September 30, 2017. There was no stock options granted during the year ended September 30, 2018.

## FOURTH QUARTER

The Company recorded a loss of \$37,672 (\$0.00 per share) for the three months ended September 30, 2018 as compared to a loss of \$123,806 (\$0.00 per share) for the three months ended September 30, 2017. The difference is primarily due to the write down of \$83,495 recorded on the Loto permits during the three months ended September 30, 2017.

## FINANCING ACTIVITIES AND CAPITAL EXPENDITURES

### *Financing Activities*

On March 6, 2018 the Company closed a non-brokered private placement of 7,683,333 units for gross proceeds of \$230,500. Each unit is comprised of one common share and one share purchase warrant, each warrant entitling the holder to purchase one additional common share at a price of \$0.05 per share for a period of three years from the date of issuance.

During the year ended September 30, 2017 the Company did not complete any financing activities.

### ***Capital Expenditures***

The capital expenditures of the Company during the year ended September 30, 2018 included deferred mineral property expenditures of \$75,263 (2017 - \$71,465) on the Company's Burkina Faso projects. Refer to schedule I in the consolidated financial statements for the year ended September 30, 2018.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's operations consumed \$118,408 of cash (before working capital items) for the year ended September 30, 2018 (2017 - \$114,721) with an additional cash of \$76,882 (2017 - \$69,135) used on mineral property deferred exploration expenditures. The cash requirement for the year ended September 30, 2018 was funded from the private placement completed during March 2018.

The Company's aggregate operating, investing and financing activities during the year ended September 30, 2018 resulted in a net increase in its cash balance from \$64,848 at September 30, 2017 to \$109,757 at September 30, 2018. The Company has a working capital deficiency of \$57,612 at September 30, 2018 compared to a working capital deficiency of \$75,533 at September 30, 2017. The Company has no long term debt.

The Company has no further payments to make to acquire any of its mineral properties and has minimum exploration commitments in Burkina Faso in order to keep its properties in good standing. The Company does not have any commitment for material capital expenditures over the near term or long term and none are presently contemplated in excess of normal operating requirements.

The Company has not as yet put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

### **TRANSACTIONS WITH RELATED PARTIES**

Compensation paid or payable to the directors, the Chief Executive Officer and the Chief Financial Officer for services provided during the years ended September 30, 2018 and 2017 was as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Accounting fees	7,590	8,360
Management and administration fees <sup>(1)</sup>	27,300	24,050
Share-based payments	-	40,712
	<b>34,890</b>	<b>73,122</b>

<sup>(1)</sup> Includes fees billed by a company owned by the Chief Executive Officer, Paul Cowley.

As at September 30, 2017, accounts payable and accrued liabilities includes an amount of \$147,290 (September 30, 2017 - \$118,625) due to directors and officers of the Company and/or companies they control or of which they were significant shareholders. These amounts are unsecured, non-interest bearing and due on demand.

## FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are described below.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Fair value of financial instruments

The Company's financial instruments consist of cash, other receivables, and accounts payable and accrued liabilities. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

As at September 30, 2018, the Company believes that the carrying values of cash, other receivables, and accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

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

### Foreign Exchange Risk

A portion of the Company's financial assets and liabilities is denominated in West African CFA francs ("CFA") giving rise to risks from changes in the foreign exchange rate. The Company is exposed to currency exchange rate risk to the extent of its activities in the Burkina Faso. The Company's currency risk is limited to its exposure denominated in CFAs. Based on this exposure as at September 30, 2018, a 5% change in the exchange rate would not rise to a material change in net loss. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

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

	<b>September 30, 2018</b>	
	Canadian dollar	CFA
Cash and cash equivalents	107,413	2,344
Other receivables and prepaid expenses	700	2,783
Accounts payable and accrued liabilities	(165,208)	(5,644)
Net exposure	(57,095)	(517)

  

	<b>September 30, 2017</b>	
	Canadian dollar	CFA
Cash and cash equivalents	62,384	2,464
Other receivables	3,829	4,383
Accounts payable and accrued liabilities	(143,717)	(4,876)
Net exposure	(77,504)	1,971

Future changes in exchange rates would not have a material effect on the Company's business, financial condition and results of operations.

### Credit Risk

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

### Interest Rate Risk

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

### Liquidity Risk

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

## **NEW ACCOUNTING STANDARDS EFFECTIVE FOR THE FIRST TIME**

IAS 7 - Statement of Cash Flows. In January 2016, IASB amended IAS 7, "Statement of Cash Flows", The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. The adoption of the amendment did not have a material impact on the Company's reporting.

## **ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

IFRS 9 - Financial Instruments. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 for the Company would be the annual period beginning on October 1, 2018 and it is not expected to have a material impact on the Company's reporting.

IFRS 16 - Leases. On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The mandatory effective date of IFRS 16 for the Company would be the annual period beginning on October 1, 2020.

## OUTSTANDING SHARE DATA

The following table discloses the Company's share capital structure as at the date of this MD&A.

- a) Authorized: Unlimited common shares without par value.
- b) Issued and outstanding: 92,019,316 common shares
- c) Outstanding warrants and options

Type of Security	Number	Exercise Price	Expiry Date
Stock options	2,350,000	\$0.05	October 28, 2021
Share purchase warrants	13,750,000	\$0.05	May 20, 2019
Share purchase warrants	7,683,334	\$0.05	March 6, 2021

## DISCLOSURE CONTROLS AND PROCEDURES

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

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 condensed interim consolidated financial statements for the year ended September 30, 2018 and this accompanying MD&A (together, the "Interim Filings").

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 Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

## RISKS AND UNCERTAINTIES

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

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

The Company's properties are in the exploration stage and without known reserves. Exploration and development of natural resources involves substantial expenditures and a high degree of risk. Few

exploration properties are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes-off its mineral properties from time to time and operates at a loss. Continued operations are dependent upon ongoing equity financing activities.

Pursuant to the Mining Code of Burkina Faso, an exploration permit holder is required to incur 270,000 West African CFA Francs (\$583) of exploration expenditures per square kilometre per year in order to maintain its permits in good standing. If such expenditures are not incurred, the Government of Burkina Faso may, at its discretion, cancel the permits after giving the permit holder sixty days' notice to remedy any deficiency.

## **OUTLOOK**

The Company's focus is on the exploration and advancement of its mineral properties in Burkina Faso. A sampling program completed during 2012 on the Hantoukoura (formerly named Kodyel) permit generated new and sizeable drill targets. The Company is planning a surface sampling program when the Ministry of Mines reverses the temporarily suspended access to the permit.

## **OTHER INFORMATION**

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

## **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 Management's Discussion and Analysis ("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 the date of this MD&A.

Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to integration of acquisitions; risks related to operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risks and Uncertainties" Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason, except as required by law.

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