

**INDICATOR MINERALS INC.**

**INTERIM FINANCIAL STATEMENTS**

**SIX MONTHS ENDED MAY 31, 2005**

**Unaudited**

## **Notice of Non-review of Interim Financial Statements**

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The attached interim financial statements for the six month period ended May 31, 2005 have not been reviewed by the company's auditors.

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**Interim Balance Sheet**

Canadian Funds

Unaudited

<b>ASSETS</b>	<b>May 31, 2005</b>	<b>November 30, 2004</b>
<b>Current</b>		
Cash (Note 5)	\$ 231,607	\$ 1,162,383
Trade receivables	70,424	-
Permit costs refundable (Note 6)	157,483	-
GST receivable	83,923	205,037
	<u>543,437</u>	<u>1,367,420</u>
<b>Restricted Guaranteed Investment Certificate (Note 5)</b>	-	25,000
<b>Permits and Bond (Note 6)</b>	616,472	486,600
<b>Equipment and Leasehold Improvements</b>	24,058	19,116
<b>Resource Property Costs (Note 7) – Schedule</b>	<u>5,543,490</u>	<u>4,520,416</u>
	<u>\$ 6,727,457</u>	<u>\$ 6,418,552</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
- Trade and accrued liabilities	\$ 89,029	\$ 562,203
- Due to Hunter Exploration Group (Note 7b)	287,355	-
- Due to related parties (Note 10)	21,000	50,764
	<u>397,384</u>	<u>612,967</u>
<b>Future Income Taxes (Note 11)</b>	-	73,091
	<u>397,384</u>	<u>686,058</u>
<b>Continued Operations (Note 2)</b>		
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 8)</b>	6,628,403	5,845,236
<b>Contributed Surplus (Note 9)</b>	1,283,197	1,189,155
<b>Deficit - Statement 2</b>	<u>(1,581,527)</u>	<u>(1,301,897)</u>
	<u>6,333,573</u>	<u>5,732,494</u>
	<u>\$ 6,727,457</u>	<u>\$ 6,418,552</u>

ON BEHALF OF THE BOARD:

"Bruce Counts", President &amp; CEO \_\_\_\_\_, Director

"Sean Mager", CFO \_\_\_\_\_, Director

- See Accompanying Notes -

**Interim Statement of Loss and Deficit**

Canadian Funds

Unaudited

	Three Months Ended May 31, 2005	Three Months Ended May 31, 2004 (Restated – See Note 1 (g))	Six Months Ended May 31, 2005	Six Months Ended May 31, 2004 Restated – See Note 1 (g))
<b>Expenses</b>				
Advertising and promotion	\$ 13,130	\$ 2,603	\$ 25,498	\$ 4,521
Amortization	3,523	-	5,508	-
Conference and meetings	25,808	15,538	63,654	19,656
Corporate listing and filing fees	9,029	13,612	12,179	21,325
Investor relations	24,968	9,562	62,883	11,787
Office and administration	12,228	19,432	16,737	24,090
Professional fees	10,012	(5,354)	49,916	26,918
Rent	2,466	-	5,310	1,421
Stock-based compensation	40,162	757,250	40,162	757,250
Transfer agent fees	3,779	-	5,128	-
Wages and consulting fees	45,390	53,472	72,247	80,377
<b>Loss before the undernoted</b>	<b>(190,495)</b>	<b>(866,115)</b>	<b>(359,222)</b>	<b>(947,345)</b>
<b>Other Income (Expenses)</b>				
Operator's fees	3,059	-	3,059	-
Interest	4,978	-	8,372	819
Write-off of resource property costs	(4,930)	(281,976)	(4,930)	(281,976)
<b>Loss before income taxes</b>	<b>(187,388)</b>	<b>(1,148,091)</b>	<b>(352,721)</b>	<b>(1,228,502)</b>
<b>Future income tax recovery</b>	<b>73,091</b>	<b>-</b>	<b>73,091</b>	<b>-</b>
<b>NET LOSS FOR THE PERIOD</b>	<b>(114,297)</b>	<b>(1,148,091)</b>	<b>(279,630)</b>	<b>(1,228,502)</b>
Deficit - Beginning of period	(1,467,230)	(227,724)	(1,301,897)	(147,313)
<b>Deficit - End of Period</b>	<b>\$ (1,581,527)</b>	<b>\$ (1,375,815)</b>	<b>\$ (1,581,527)</b>	<b>\$ (1,375,815)</b>
<b>Basic and Diluted Loss per Share</b>	<b>\$ (0.004)</b>	<b>\$ (0.074)</b>	<b>\$ (0.011)</b>	<b>\$ (0.128)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>25,951,046</b>	<b>15,509,988</b>	<b>24,525,198</b>	<b>9,629,066</b>

- See Accompanying Notes -

**Interim Statement of Cash Flows**

Canadian Funds

Unaudited

	Three Months Ended May 31, 2005	Three Months Ended May 31, 2004 (Restated Note 1(g))	Six Months Ended May 31, 2005	Six Months Ended May 31, 2004 (Restated Note 1(g))
<b>Cash Flows from Operating Activities</b>				
Net loss for the period	\$ (114,297)	\$ (1,148,091)	\$ (279,630)	\$ (1,228,502)
Items not affected by cash:				
Future income tax recovery	(73,091)	-	(73,091)	-
Stock-based compensation	40,162	757,250	40,162	757,250
Amortization	3,523	-	5,508	-
Write-off of Resource Property costs	4,930	281,976	4,930	281,976
	<b>(138,773)</b>	<b>(108,865)</b>	<b>(302,121)</b>	<b>(189,276)</b>
Change in non-cash working capital:				
Trade receivable	(70,424)	(16,498)	(70,424)	(25,188)
GST receivable	157,198	-	121,114	-
Prepaid expenses	-	-	-	38,823
Accounts payable and accrued liabilities	(115,538)	(246,026)	(502,938)	(202,142)
	<b>(167,537)</b>	<b>(371,389)</b>	<b>(754,369)</b>	<b>(377,783)</b>
<b>Cash Flows from Investing Activities</b>				
Restricted Guaranteed investment certificate	25,000	-	25,000	-
Purchase of equipment and leasehold improvements	-	-	(10,451)	(625)
Permits	-	(243,820)	-	(243,820)
Resource property costs	(789,112)	(145,369)	(912,124)	(154,047)
	<b>(764,102)</b>	<b>(389,189)</b>	<b>(897,575)</b>	<b>(398,492)</b>
<b>Cash Flows from Financing Activities</b>				
Issuance of share capital, net	(13,436)	2,917,547	721,168	3,417,547
Repayment of (advances to) related party	-	86,496	-	3,096
Repayment of loan receivable	-	(466)	-	48,534
	<b>(13,436)</b>	<b>3,003,577</b>	<b>721,168</b>	<b>3,469,177</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(945,075)</b>	<b>2,242,999</b>	<b>(930,776)</b>	<b>2,692,902</b>
Cash - Beginning of period	1,176,682	551,359	1,162,383	101,456
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 231,607</b>	<b>\$ 2,794,358</b>	<b>\$ 231,607</b>	<b>\$ 2,794,358</b>
<b>Supplemental Schedule of Non-Cash Investing and Financial Activities</b>				
Issuance of shares for property	\$ 62,000	\$ 1,600,000	\$ 62,000	\$ 1,635,000
Stock-based compensation	\$ 40,162	\$ 757,250	\$ 40,162	\$ 757,250
Fair value of bonus warrants issued for property	-	-	53,879	-

## Interim Schedule of Resource Property Costs

Canadian Funds

Unaudited

	31 May 2005			31 May 2004
	Acquisition Costs	Deferred Exploration	Total	Total
<b>Mineral Interests</b>				
<b>Hunter Property</b>				
Acquisition costs	\$	\$	\$ -	\$ 2,256,678
Bonus warrants issued re bond	53,879		53,879	-
Claims and staking	3,417		3,417	-
Fieldwork		729,689	729,689	-
Consulting		62,745	62,745	-
	57,296	792,434	849,730	2,256,678
<b>Committee Bay Property</b>				
Acquisition costs				400,000
Claims and staking	901		901	-
Fieldwork		69,053	69,053	175,304
Consulting		17,199	17,199	1,046
	901	86,252	87,153	576,350
<b>International Samuel JV Property</b>				
Acquisition costs				425,000
Claims and staking	81		81	-
Fieldwork		26,691	26,691	-
Consulting		6,291	6,291	-
Recovery from International Samuel	(12)	(61,175)	(61,187)	-
	69	(28,193)	(28,124)	425,000
<b>Aylmer Lake Property</b>				
Acquisition costs				35,000
Fieldwork				243,926
	-	-	-	278,926
<b>Lokgwabe Property</b>				
Acquisition costs	84,205		84,205	-
Fieldwork		30,110	30,110	-
	84,205	30,110	114,315	-
<b>Generative</b>				
Fieldwork		4,930	4,930	-
		4,930	4,930	-
<b>Resource Costs for the Period</b>	142,471	885,533	1,028,004	3,536,954
Costs, Beginning of the Period	3,098,717	1,421,699	4,520,416	-
Less: Write-off of Resource Property Costs on Properties Abandoned or Not Acquired		(4,930)	(4,930)	(278,926)
<b>Balance, End of the Period</b>	\$ 3,241,188	\$ 2,302,302	\$ 5,543,490	\$ 3,258,028

- See Accompanying Notes -

**Indicator Minerals Inc.**

## **Notes to Interim Financial Statements**

**May 31, 2005**

*Canadian Funds*

*Unaudited - See Notice to Reader*

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### **1. Nature of Operations**

Indicator Minerals Inc. ("Indicator" or the "Company") is a development stage enterprise and is currently exploring its mineral interests in Nunavut, Canada in order to bring the properties to the extraction and processing stage.

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### **2. Continued Operations**

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's continued existence is dependent upon its ability to raise additional financing and to generate profitable operations in the future. The Company is in the process of filing the appropriate reports with the Territorial authorities, which reports may result in a refund of amounts paid by the Company. The proceeds will reduce the amount on the Company's books with any non-refunded amounts being transferred to resource property costs.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these consolidated financial statements.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

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### **3. Significant Accounting Policies**

#### **a) Cash and Cash Equivalents**

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with maturities at point of purchase of 90 days or less. The Company places its cash with institutes of high credit worthiness.

#### **b) Resource Property Costs**

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable.

Resource exploration and development costs are capitalized on an individual area of interest basis until such time as an economic diamond body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the reserves, while costs for the prospects abandoned are written off.

Indicator Minerals Inc.

## Notes to Interim Financial Statements

May 31, 2005

Canadian Funds

Unaudited - See Notice to Reader

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### 3. Significant Accounting Policies

#### b) Resource Property Costs – Continued:

The recoverability of the amount capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to resource 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 resource properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

#### c) Asset Retirement Obligations

The Company recognizes the fair value of legal obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost is recognized at fair value when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

#### d) Amortization

The Company provides for amortization on its property, plant and equipment using the declining balance method at rates designed to amortize the cost of the property, plant and equipment over the estimated useful lives. One-half of the rate is taken in the year of acquisition. The annual amortization rates are as follows:

Office equipment	20 %
Computer equipment	30 %
Computer software	100 %
Leasehold improvements	20 %

#### e) Income Taxes

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred or future income taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

Indicator Minerals Inc.

## Notes to Interim Financial Statements

May 31, 2005

Canadian Funds

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### 3. Significant Accounting Policies – Continued:

#### f) Share Capital

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

#### g) Stock-Based Compensation

The Company adopted the recommendations of CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments, effective to all awards granted. This established standards for the recognition, measurement and disclosure of stock-based compensation and other stock based payments made in exchange for goods and services.

The Company has enacted, prospectively, effective December 1, 2003 the new standard with respect to accounting for stock options granted to employees and directors. The new standard requires that all stock-based awards made to employees and non-employees be measured and recognized using a fair value based method. As a result of this change, the loss for the quarter ended May 31, 2004 as previously reported has been increased by \$757,250.

#### h) Loss per Share

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method. The treasury stock method assumes that the options and/or warrants are exercised at the beginning of the year (or issue date if later) and the proceeds are used to repurchase outstanding shares of common stock.

#### i) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. In particular, resource property costs may be affected. Actual results could differ from those estimates.

**Indicator Minerals Inc.**

## **Notes to Interim Financial Statements**

**May 31, 2005**

*Canadian Funds*

*Unaudited - See Notice to Reader*

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### **4. Fair Value of Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, GST receivable, accounts payable and accrued liabilities, and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

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### **5. Restricted Cash**

Included in cash is a separate deposit of \$25,000, which the Company has provided as security to the Company's bank for electronic funds transfer services and corporate MasterCard liabilities. This deposit bears interest at approximately 2% per annum. At November 30, 2004, this amount was held in a restricted Guaranteed Investment Certificate which came due on May 11, 2005.

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### **6. Permits and Bond**

Prospecting permit deposits paid in the amount of \$0.10 per acre are recoverable at the rate of \$0.10 per acre of exploration spending within the first year of permit ownership upon filing of requisite geological assessment reports. If the spending commitments are not met the deposits are forfeited. The permit deposits were as follows: Hunter Property - \$242,780; Committee Bay Property - \$243,820. Due to the delay in the 2004 exploration program concerning the Hunter Property, the requisite geological assessment reports had not been filed on time.

During the current period, Hunter Exploration Group ("Hunter") posted a \$287,355 bond with the Nunavut Mining Recorder on behalf of the Company to keep the prospecting permits, located near Kugaaruk and Taloyoak in Nunavut, in good standing for an additional one-year period (see Note 7(b)).

The Company is in the process of filing the appropriate reports with the Territorial authorities, which reports may result in a refund of amounts paid by the Company. Any such proceeds will be used to reduce the amount on the Company's books with any non-refunded amounts being transferred to resource property costs. At May 31, 2005, a total of \$157,483 of refunds has been processed (\$91,450 for the Hunter Property and \$66,033 for the Committee Bay Property). Additional refunds are expected once the appropriate reports are filed. This portion is shown as current assets.

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Indicator Minerals Inc.

## Notes to Interim Financial Statements

May 31, 2005

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### 7. Resource Property Costs:

a) Details are as follows:

	Acquisition Costs	Exploration Costs	Balance as at May 31, 2005	Balance as at May 31, 2004
Hunter Property, Nunavut Canada	\$ 2,321,664	\$ 1,752,369	\$ 4,074,033	\$ 2,256,678
Committee Bay Property, Nunavut, Canada	410,225	458,479	868,704	576,350
International Samuel JV Property, Nunavut, Canada	425,094	61,344	486,438	425,000
Lokgwabe Property, Botswana	84,205	30,110	114,315	-
	<u>\$ 3,241,188</u>	<u>\$ 2,302,302</u>	<u>\$ 5,543,490</u>	<u>\$ 3,258,028</u>

b) **Hunter Property**

#### General

On February 26, 2004, Indicator entered into a letter agreement to acquire an 80% interest in the diamond rights to several parcels of land that total 3,298,437 acres from Hunter Exploration Group ("Hunter"), an arms length party. Hunter retains a 20% carried interest in the properties until a feasibility study is completed. The properties consist of 54 prospecting permits and 24 mineral claims located near the communities of Kugaaruk and Taloyoak in Nunavut Territory. As consideration for the Properties, Indicator has issued 3,000,000 common shares at a deemed price of \$0.40 per share and must reimburse the vendor in the amount of \$1,056,678 (plus \$63,433 GST) for property acquisition costs and \$242,780 for work deposits on the permits. The outstanding conditions were cleared and the deal was closed effective July 19, 2004. In addition, the Company must fund two to three regional diamond exploration programs identified by Hunter at an estimated cost of between \$60,000 and \$75,000 and also must pay Hunter a consulting fee of \$75,000 during the term of the agreement which expires May 24, 2005. These requirements were satisfied during the year. The properties are subject to a gross overriding royalty of up to 2%.

On March 9, 2005, the TSX Venture Exchange accepted for filing the proposal by the Company to issue 359,193 bonus warrants to Hunter Exploration Group ("Hunter") in consideration for the posting of a \$287,355 bond with the Nunavut Mining Recorder. The posting of the bond by Hunter on behalf of Indicator will keep the prospecting permits, located near Kugaaruk and Taloyoak in Nunavut, in good standing for an additional one-year period. Under the terms of a letter agreement dated January 26, 2005, the bonus warrants will be exercisable by Hunter at a price of \$0.45 per common share until January 26, 2007. The warrants will expire on July 31, 2005 if the diamond rights are transferred to Hunter pursuant to default on repayment of the Hunter bond.

Indicator Minerals Inc.

## Notes to Interim Financial Statements

May 31, 2005

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Unaudited - See Notice to Reader

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### 7. Resource Property Costs

b) **Hunter Property** – *Continued:*

**Baumann**

On March 31, 2005, Indicator entered into a Letter of Intent with Stornoway Diamond Corporation (SWY: TSX) whereby Stornoway has an option to earn a 41% interest in the Baumann Project located on Ellesmere Island, Nunavut. The Baumann Project is comprised of 87 Prospecting Permits totalling more than 2.8 million acres. Under the terms of the option agreement, Stornoway can earn a 41% interest in the Baumann Project by spending \$1.0 million before 31st December, 2009 and incurring 100% of the cost of staking mineral claims, including reimbursement of prospecting permit costs (which totalled \$275,962 for 2003 and 2004). Upon exercise of the option the Bauman Project will be held 41% by Stornoway, 39% by Indicator, and 20% by Hunter Exploration Group, with Stornoway acting as operator. Stornoway has committed to collecting 100 heavy mineral samples from the project area in 2005 and results from this year's program will be used to determine a budget and work program for 2006.

c) **Committee Bay Property**

On April 22, 2004, Indicator signed a letter of intent ("LOI") with Committee Bay Resources Ltd. (CBR:TSX-V) ("CBR"), a company with common directors and management, whereby Indicator can earn up to a 70% interest in only the diamond rights of CBR's areas of interest in Nunavut Territory, which total more than three million acres of land. The properties included in the LOI are located in the Kivilliq region of Nunavut and comprise more than 400,000 acres of mineral claims and 2.6 million acres of prospecting permits. Under the terms of the LOI, Indicator can earn a 50% interest by spending \$3,000,000 on exploration by December 31, 2006. An additional 20% interest can be earned by spending a further \$2,000,000 by December 31, 2007. Furthermore, Indicator issued 1,000,000 common shares to CBR which have been recorded at a deemed price of \$0.40 per share and reimbursed approximately \$243,820 in work deposits posted by CBR to acquire prospecting permits. The properties are subject to a gross overriding royalty of up to 2%.

d) **International Samuel JV Property**

On May 31, 2004, Indicator entered into a letter agreement with International Samuel Exploration Corp. ("Samuel") to jointly explore approximately 1.36 million acres of prospecting permits and mineral claims located southwest of Wager Bay, Nunavut Territory. The Naniruaq Project consists of 12 prospecting permits totaling 490,000 acres and is part of the land package that Indicator has acquired from Hunter (see Hunter Property above). Quilliq Project is composed of approximately 870,000 acres of mineral claims that were recently staked by Samuel (80%) and Hunter (20%) under a letter agreement dated May 4, 2004. This joint venture pools their respective interests on two adjoining projects.

Indicator Minerals Inc.

## Notes to Interim Financial Statements

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### 7. Resource Property Costs

d) **International Samuel JV Property – Continued:**

Under the terms of the agreement Hunter retains a 20% interest and a 2% gross overriding royalty in the projects and is carried equally by Indicator and Samuel to the conclusion of a positive feasibility study. Indicator and Samuel each have a 40% participating interest in the diamond rights to the combined properties and share the acquisition and exploration costs equally. Indicator and Samuel have each paid their \$425,000 share of the acquisition costs for the Quilliq claims and Indicator and Samuel will fund future exploration expenditures equally on the combined properties. Indicator is operator of the project, for which Indicator charges 5% of exploration costs as operator's fee.

e) **Lokgwabe Property**

On February 3, 2005, Indicator entered into a Letter Agreement with Helio Resource Corp. ("Helio" or Vendor), a third party, to earn up to an 80% interest in the Lokgwabe project in Botswana. The Lokgwabe project is comprised of approximately 750,000 acres of exploration permits in central Botswana.

Under the terms of the Letter Agreement, *Indicator* can earn up to an 80% interest in Lokgwabe in three stages. In the first stage, *Indicator* can earn a 51% interest in Lokgwabe by making a cash payment to the Vendor of \$20,000 (paid), incurring \$2,000,000 in exploration expenses and issuing 500,000 common shares to Helio over a 42 month period (100,000 issued). In the second stage, *Indicator* can increase its interest a further 9% (60% total) by making a cash payment to the Vendor of \$20,000, incurring an additional \$2,000,000 in exploration expenses over twelve months and issuing 250,000 shares to Helio. In the third stage, *Indicator* can increase its interest in Lokgwabe a further 20% (80% total) by carrying Helio to the conclusion of a bankable feasibility study and issuing a final 250,000 common shares to the Vendor. Upon the Company vesting an 80% interest, Helio will have the option to convert its interest into a 2% gross over-riding royalty interest. Finally, in addition to the consideration above, 100,000 common shares of Indicator were issued to Pacific International Securities Inc. of Vancouver, British Columbia as a finder's fee (the fair value of these shares, \$31,000, has been recorded as acquisition cost).

Indicator Minerals Inc.

Notes to Interim Financial Statements

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7. Resource Property Costs – Continued:

f) Nanuq North Property

On May 16, 2005, the Company entered into a Letter Agreement with Dunsmuir Ventures Ltd. (“Dunsmuir”) to jointly explore the Nanuq North Project located approximately 300 km Northeast of Baker Lake, Nunavut. The Nanuq North Property is comprised of more than 81,000 acres of mineral claims located adjacent to the northern boundary of the Nanuq Diamond Project held by Dunsmuir.

Under the terms of the Agreement the Nanuq North Property has been divided into two areas: the Core and Peripheral areas. The Core area includes approximately 34,000 acres of mineral claims staked by both Hunter and Dunsmuir. Interest in the Core area will be divided between Indicator (40%), Dunsmuir (40%) and Hunter Exploration (20%). The Peripheral area is adjacent to the Core and includes 47,500 acres of mineral claims staked by Dunsmuir. Interest in the Peripheral area is split equally between Indicator (50%) and Dunsmuir (50%). Exploration on both the Core and Peripheral areas will be funded by Indicator and Dunsmuir equally. Indicator will be operator on the project.

8. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		\$
Unlimited number of common voting shares without par value		
Unlimited number of preferred shares		
Issued:		
Balance - November 30, 2002 and 2003	3,500,000	329,214
Private placement - February 3, 2004	5,000,000	500,000
Private placement - April 16, 2004	6,145,720	3,176,360
Private placement - August 18, 2004	3,745,000	1,498,000
Acquisitions of resource properties	4,350,000	1,635,000
Exercise of share options	275,000	41,250
Exercise of share purchase warrants	50,000	7,500
Share issue costs	-	(750,110)
Future income taxes	-	(591,978)
Balance - November 30, 2004	23,065,720	5,845,236
Exercise of share purchase warrants	75,000	11,250
Private placement	2,650,000	795,000
Issuance for resource property	100,000	31,000
Finders fee for resource property	100,000	31,000
Share issue costs	-	(85,083)
Balance – May 31, 2005	25,990,720	\$ 6,628,403

Indicator Minerals Inc.

## Notes to Interim Financial Statements

May 31, 2005

Canadian Funds

Unaudited - See Notice to Reader

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### 8. Share Capital – Continued:

#### b) Private Placement – 2005

During the current period, the Company completed a non-brokered private placement of 2,650,000 units at a price of \$0.30 per unit for gross proceeds of up to \$795,000. Each unit was comprised of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable for one common share at a price of \$0.45 per share to March 15, 2007. Share subscriptions for this placements first closing of 2,500,000 units and proceeds of \$750,000 were received prior to February 28, 2005 and have therefore been presented as share capital at February 28, 2005. Subsequent to the Quarter, the Company received additional subscriptions for the additional 150,000 units and proceeds of \$50,000. Finders fees concerning the issuance of certain of the units were paid in cash of \$45,750 and 152,500 finders warrants, each warrant entitling the holder to purchase one common share at \$0.45 to March 15, 2007.

#### Private Placements – 2004

##### *Private Placement - February 3, 2004*

Concurrent with the completion of its Qualifying Transaction, the Company completed an equity private placement financing of 5,000,000 units at \$0.10 per unit for gross proceeds of \$500,000. Each unit consists of one common share and one warrant to acquire one common share at a price of \$0.15 expiring February 3, 2006.

##### *Brokered Placement - April 16, 2004*

On April 16, 2004, Indicator completed a private placement of \$3,090,000 (the "Offering"), including an over-allotment issue of \$490,000, through Canaccord Capital Corporation (the "Agent"). Pursuant to the Offering, the Corporation issued 2,000,000 flow-through units ("FT Units") at a price of \$0.55 per FT Unit and 3,980,000 non-flow-through units (the "NFT Units") at a price of \$0.50 per NFT Unit. Each FT Unit consisted of one flow-through common share and one-half of one purchase warrant (the "FT Warrant"), while each NFT Unit consisted of one non-flow-through common share and one-half of one purchase warrant (the "NFT Warrant"). Each whole FT Warrant will entitle the holder to acquire a non-flow-through common share at an exercise price of \$0.75 for a period of one year from issuance. Each whole NFT Warrant will have the same terms, except they will expire 18 months from issuance.

Pursuant to the Offering, the Agent received a cash commission of 8% of the gross proceeds and elected to receive 95,720 NFT Units in lieu of a portion of its cash commission. In addition, the Agent received 598,000 warrants (the "Agent's Warrants"). Each Agent's Warrant entitles the holder to acquire one common share of the Corporation at an exercise price of \$0.65 for a period of 12 months from closing. Furthermore, the Agent was paid an administration fee of \$5,000 and a corporate finance fee of 70,000 units (the "CF Units") at a deemed price of \$0.55 per unit which was recorded as a share issue cost. Each CF Unit consisted of one common share and one whole common share purchase warrant exercisable for a period of 12 months at a price of \$0.75.

## Notes to Interim Financial Statements

May 31, 2005

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### 8. Share Capital:

#### Private Placements – 2004 - Continued

##### *Brokered Placement - August 18, 2004*

On August 18, 2004, the Company completed a brokered private placement, in two separate closings, of 3,675,000 flow through common shares for proceeds of \$1,470,000 through Canaccord Capital Corporation (the "Agent").

The Agent received a cash commission of 8% of the gross proceeds raised in the offering, 70,000 shares as a corporate finance fee and warrants entitling them to purchase 367,500 common shares at \$0.40 per share. 342,500 warrants expire February 18, 2006 and 25,000 expire March 3, 2006.

#### c) Escrow Restrictions

An aggregate of 1,050,000 (2004 – 1,575,000) common shares are subject to escrow restrictions and held on deposit with Olympia Trust Company, pursuant to an escrow agreement. These shares are to be released in semi-annual installments over the course of a 36 month period beginning March 1, 2004.

#### d) Share Purchase and Agents Warrants:

At May 31, 2005, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
Agents Warrants:		
February 18, 2006	\$0.40	342,500
March 3, 2006	\$0.40	25,000
April 16, 2006*	\$0.65	598,000
March 15, 2007	\$0.45	152,500
April 1, 2007	\$0.45	15,000
Bonus Warrants		
January 26, 2007	\$0.45	359,193
Other Share Purchase warrants		
February 3, 2006	\$0.15	4,875,000
April 16, 2006*	\$0.75	3,107,860
March 15, 2007	\$0.45	1,250,000
April 1, 2007	\$0.45	75,000
<b>Weighted average of exercise price</b>	<b>\$0.41</b>	<b>10,800,053</b>

\* On January 21, 2005 the Company applied to the TSX Venture Exchange to extend the expiry dates of 3,107,860 warrants and 598,000 agents warrants to April 16, 2005. Consent was received on March 2, 2005.

Indicator Minerals Inc.

Notes to Interim Financial Statements

May 31, 2005

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8. Share Capital - Continued

The Company has recorded \$53,879 as resource property costs, related to the estimated fair value of warrants granted to Hunter Exploration Group. The weighted average grant date fair value of \$0.15 per warrant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions; estimated risk-free rate of 2.81%, expected volatility of 110%, expected annual dividend yield of 0.0% and expected life of 2 years.

e) Stock Options

The Company has established a stock option plan (the "Plan") for directors, employees, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Plan, provided that at the time of the grant, the total number of shares so reserved for issuance by the Board shall not exceed the greater of 10% of the issued and outstanding listed shares (on a non-diluted basis) as at the date of grant. No options shall be granted, without regulatory approval, entitling any single individual to purchase in excess of 5% of the then outstanding shares in the Company in any 12 month period and no more than 2% of the optioned shares may be issued to any one consultant in any 12 month period. If the option rights granted under the plan shall expire or terminate for any reason without having been exercised such optioned shares may be made available for other options to be granted under the plan. The shares so reserved by the Board under the Plan shall be authorized but unissued shares.

The options are non-transferable and will expire, if not exercised, immediately upon dismissal by the Company with cause or 90 days following the date the optionee otherwise ceases to be a director, officer, manager, consultant or employee of the corporation for reasons other than death, one year after the death of an optionee and on the fifth anniversary of the date the option was granted. Pursuant to the policies of the TSX Venture Exchange ("TSXV"), options granted pursuant to the Plan in excess of 10% of the issued and outstanding Common Shares at the time of the grant must be subject to vesting.

	Number	Weighted Average Exercise Price
Outstanding November 30, 2002	350,000	\$ 0.15
Expired	(75,000)	0.15
Outstanding November 30, 2003	275,000	0.15
Exercised	(275,000)	0.15
Granted	2,279,500	0.48
Outstanding November 30, 2004	2,279,500	0.43
Granted	225,000	0.23
Forfeiture from resignation (director)	(170,000)	0.48
Outstanding May 31, 2005	<b>2,334,500</b>	<b>\$ 0.45</b>

Indicator Minerals Inc.

## Notes to Interim Financial Statements

May 31, 2005

Canadian Funds

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### 8. Share Capital

#### e) Stock Options - Continued

The Company recorded stock based compensation in the amount of \$981,105 as an expense in the year-end November 30, 2004 statement of loss and an increase to share capital. The compensation expense has been determined based on the fair value of the options at the grant date and does not include any options issued prior to December 1, 2003. The weighted average grant date fair value of \$0.43 per stock option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Estimated risk-free rate	3.99%
Expected volatility	110%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

On April 25, 2005, the Company granted 225,000 incentive stock options to its employees. These options are exercisable at \$0.23 to April 25, 2010. \$40,162 of stock based compensation is recorded as expense and as an increase to share capital based on the following assumption:

Estimated risk-free rate	3.56%
Expected volatility	87.64%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

At May 31, 2005, the following options were outstanding:

Expiry Date	Exercise Price	Number of Options
April 19, 2009	\$0.58	1,149,500
April 19, 2009	\$0.355	265,000
November 16, 2009	\$0.355	695,000
April 25, 2010	\$0.23	225,000
<b>Weighted average – exercise price</b>	<b>\$0.45</b>	<b>2,334,500</b>

#### f) Flow Through Shares

During the fiscal year ended November 30, 2004, the Company issued flow-through shares for total proceeds of \$2,570,000, which must be used for qualifying exploration expenditures (as defined under the Income Tax Act) and renounced to the flow-through shareholders effective December 31, 2004 (unspent balance at November 30, 2004 - \$1,734,987). As at May 31, 2005, the Company incurred the balance of \$835,013 of these flow-through spending obligations.

Indicator Minerals Inc.

## Notes to Interim Financial Statements

May 31, 2005

Canadian Funds

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### 9. Contributed Surplus

Contributed surplus arises from the recognition of the estimated fair value of stock options and agents warrants as follows:

Balance, November 30, 2003	\$	Nil
Fair value of stock-based compensation		981,105
Fair value of agents warrants		208,050
Balance, November 30, 2004		<u>1,189,155</u>
Fair value of stock-based compensation (Note 8 e)		40,162
Fair value of bonus warrants issued to Hunter		<u>53,879</u>
Balance – May 31, 2005	\$	1,283,197

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### 10. Related Party Transactions

During the current 2005 period, the Company incurred capitalized mineral interest - geological consulting fees of \$26,094 (2004 - nil) and consulting fees of \$57,738 (2004 - \$44,445) for management services provided by companies controlled by directors and officers. Of this amount, \$21,000 (May 31, 2004 - \$34,500) was unpaid at May 31, 2005 and included in accounts payable and accrued liabilities. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

110,000 shares issued during the 2005 private placement (Note 8(b)) were to related parties: 80,000 to the CEO/director, and 30,000 to a company controlled by a director.

During 2004, the Company acquired interests in certain mineral properties from Committee Bay Resources Ltd. (a company with common directors and management) as explained in Note 5 Mineral Properties - Committee Bay Property. This transaction was recorded at the estimated fair value of the cash and share consideration given up by the Company.

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### 11. Income Taxes

a) The components of future income tax asset (liability) balances are as follows:

	November 30, 2004	November 30, 2003
Future income tax asset		
Non-capital loss carry-forwards	\$ 250,238	\$ 71,384
Share issue costs	153,562	12,193
Other	516	594
Future income tax liability		
Mineral interests in excess of tax basis	<u>(477,407)</u>	-
	(73,091)	84,171
Valuation allowance	-	<u>(84,171)</u>
	<u>\$ (73,091)</u>	\$ -

Indicator Minerals Inc.

## Notes to Interim Financial Statements

May 31, 2005

Canadian Funds

Unaudited - See Notice to Reader

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### 11. Income Taxes – Continued:

As at May 31, 2005, the balance of the future income tax liability is adjusted to nil since adequate non-capital loss during the current period occurred to offset these future taxes.

For income tax purposes, the Company has losses carried forward from prior years which can be applied to reduce future years' taxable income. As at its year-end, November 30, 2004, these losses expire as follows:

2008		\$	25,000
2009			121,000
2010			49,000
2011			538,000
			<hr/>
		\$	733,000

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### 12. SEGMENTED INFORMATION:

The Company's business consists of mineral exploration and development. For the period ended May 31, 2005, details on geographic segments are as follows:

	Loss	Identifiable Assets	Resource Cost Expenditures
Canada	\$ 276,130	\$ 6,613,142	\$ 913,689
Botswana	-	114,315	114,315
Total	<hr/>	<hr/>	<hr/>
	\$ 276,130	\$ 6,727,457	\$ 1,028,004

During the period ended May 31, 2004, the Company only operated in one geographic segment: Canada.

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Indicator Minerals Inc.

## Notes to Interim Financial Statements

May 31, 2005

Canadian Funds

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### 13. Commitment:

On May 25, 2005, the Company entered into an operating lease for office premises to be effective July 1, 2005. As inducement for entering into the lease, the Company is given a two month rent-free period (July 1 to August 31, 2005) and contribution (maximum \$7,435) towards leasehold improvements. Minimum lease payments are as follows:

2005	\$	6,939
2006		20,818
2007		20,818
2008		10,360
	\$	<u>58,985</u>

In addition to the basic rent, the Company is responsible for its proportionate share of property taxes and operating costs for the office premises. The two month rent free period is recorded as a deferred liability to be amortized on a straight-line basis over the term of the lease.

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### 14. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

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### 15. Subsequent Events:

#### Private Placement

The Company is seeking regulatory approval to complete a non-brokered private placement comprising of up to \$2.0 million, comprised of a combination of flow-through common shares at a price of \$0.25 per share and non-flow through units at a price of \$0.23 per unit. Each non-flow through unit will be comprised of one non-flow through common share and one non-flow through common share purchase warrant, with each warrant exercisable for one non-flow through common shares at a price of \$0.35 per share for a period of two years from date of closing. Finders fees in cash equal to 6% of the gross proceeds placed may be payable for certain placees at the option of the Company. The proceeds of the private placement will be used to conduct exploration on the Company's properties and for general working capital. To July 26, 2005, the Company has received \$302,000 of gross proceeds relating to this placement, of which \$297,500 (1,190,000 shares) relate to flow-through shares.

**Interim Management Discussion and Analysis  
For  
Indicator Minerals Inc. (“Indicator” or “IME” or “the Company”)**

Containing information up to and including July 26, 2005

**Note to Reader**

Readers of the following management discussion and analysis should refer to the Company's audited financial statements for the year ended November 30, 2004 and the related Annual Management Discussion and Analysis (“Annual MD&A”) dated March 11, 2005. The following discussion (the “Interim MD&A”) is an update to the Company's Annual MD&A.

This interim MD&A should be read in conjunction with the Company's unaudited financial statements for the six months ended May 31, 2005 together with the notes thereto. The interim financial statements for the six months ended May 31, 2005 have been prepared by management in accordance with Canadian generally accepted accounting principles. The management, discussion and analysis have not been reviewed by the Company's auditors.

**Forward-Looking Information**

When used in this document, words like “anticipate”, “believe”, “estimate” and “expect” and similar expressions are intended to identify forward-looking statements. Such statements are used to describe management's future plans, objects and goals for the Company and therefore, involve inherent risks and uncertainties. The reader is cautioned that actual results, performance, or achievements may be materially different from those implied or expressed in such statements.

**Overall Performance**

Indicator is a diamond exploration (development stage) company involved in the acquisition and exploration of resource properties in Nunavut, Canada and western Botswana. The Company is exploring for diamonds on more than 10.5 million acres of ground in the Eastern Arctic of Canada and 750,000 prospective acres in western Botswana. The Company does not have any producing resource properties at this time. The Company is a reporting issuer in British Columbia, Alberta and Ontario. The Company trades on the TSX Venture Exchange under the symbol IME. In May 2005, the Company continued as a British Columbia company and became a reporting issuer in BC upon the completion of its BC corporate continuance registration on June 13, 2005.

Highlights of the Company's activities during the six months ended May 31, 2005:

- Collection of approximately 1,200 heavy mineral samples on its projects in eastern Nunavut concentrated on four key projects (Barrow Lake, Darby, Frost and Sanagaak). On the Barrow Lake Project, preliminary indications from the 2004 sampling, together with the discovery of diamond bearing kimberlites on neighbouring claims have prompted the Company to contract Fugro Airborne Surveys to fly a helicopter electromagnetic survey over the property in late March. Results from this airborne geophysical survey will help to focus Barrow Lake exploration this summer.
- Together with Committee Bay Resources Ltd., Partnership agreement entered into with Trigon Explorations Canada Ltd., a third party to jointly explore for diamonds on two prospecting permits in Eastern Nunavut. Under the terms of an agreement between

*Committee Bay* and *Trigon*, *Committee Bay* will retain 100% of the gold rights to the Properties, while diamond rights will be divided 51% *Trigon* and 49% *Committee Bay*. Diamond exploration will be conducted by *Trigon* and the costs shared proportionally between the two partners. *Committee Bay* will solely fund and operate gold exploration on the properties. The separate agreement existing between *Committee Bay* and *IME* dated April 22, has been modified to incorporate the partnership between *Committee Bay* and *Trigon*.

- Letter agreement entered into with Helio Resource Corp. to earn up to an 80% interest in the Lokgwabe project in Botswana.
- Signing of an exclusive consulting agreement with Mr. Grant Lockhart who will act as the Company's Senior Consultant and Technical Advisor to develop and implement the Company's exploration programs as well as contribution to the continuous refinement of the Company's exploration strategy.
- Granting of 225,000 share purchase options to consultants. Each option allows the holder to purchase one share at \$0.23 to April 25, 2010.
- Resignation of Dr. Larry Ott as Director of the Company effective February 3, 2005 to focus his efforts full time on another public company where he is CEO and Managing Director.
- Resignation of John Williamson as a Director of the Company, who will continue as member of the Company's new Advisory Board.
- Appointment of the Company's two technical experts, Mr. David Kelsch and Mr. Grant Lockhart to the Board of Directors.
- Exercising its right to an 80% interest in the diamond rights to approximately 4.0 Million acres of Prospecting Permits located throughout the Nunavut Territory acquired by the Hunter Exploration Group (Hunter) in 2005, which includes approximately 2.9 Million acres on Ellesmere Island.
- Option Agreement by Letter of Intent entered with Stornoway Diamond Corporation whereby Stornoway has an option to earn a 41% interest in the Baumann Project located on Ellesmere Island, Nunavut. The Baumann Project is comprised of 87 Prospecting Permits totalling more than 2.8 million acres. Under the terms of the option agreement, Stornoway can earn a 41% interest in the Baumann Project by spending \$1.0 million before 31st December, 2009 and incurring 100% of the cost of staking mineral claims. Upon exercise of the option the Bauman Project will be held 41% by Stornoway, 39% by Indicator, and 20% by Hunter Exploration Group, with Stornoway acting as operator. Stornoway has committed to collecting 100 heavy mineral samples from the project area in 2005 and results from this year's program will be used to determine a budget and work program for 2006.
- Extension of the terms of exercise of warrants issued pursuant to the private placement completed on April 16, 2004. The related warrants expiry dates have been extended to April 16, 2006.
- Agreement entered into with Hunter Exploration Group whereby Hunter posted a \$287,355 bond with the Nunavut Mining Recorder on behalf of *Indicator* in order to keep certain prospecting permits and mineral claims in Nunavut in good standing for one year. Under the terms of the agreement, *Indicator* has agreed to repay the bond on or before July 31, 2005, failing which, the diamond rights associated with the Property that were

originally acquired from Hunter will be transferred to Hunter. As consideration for the bond, Indicator issued Hunter 359,193 common share purchase warrants, each warrant exercisable for one common share of Indicator until January 26, 2007 at an exercise price of \$0.45 per share. The warrants will expire at July 31, 2005 if the diamond rights are transferred to Hunter pursuant to default on repayment of the bond to Hunter.

- Letter agreement entered with Dunsmuir Ventures Ltd. To jointly explore the Nanuq North Project, Nunavut. Under the terms of the Agreement the Nanuq North Property has been divided into two areas: the Core and Peripheral areas. The Core area includes approximately 34,000 acres of mineral claims staked by both Hunter and Dunsmuir. Interest in the Core area will be divided between Indicator (40%), Dunsmuir (40%) and Hunter Exploration (20%). The Peripheral area is adjacent to the Core and includes 47,500 acres of mineral claims staked by Dunsmuir. Interest in the Peripheral area is split equally between Indicator (50%) and Dunsmuir (50%). Exploration on both the Core and Peripheral areas will be funded by Indicator and Dunsmuir equally. Indicator will be operator on the project.
- Initial geochemistry from 80% owned Darby Project received and the presence of diamond inclusion kimberlite minerals confirmed.
- Barrow Project, located approximately 15 km south of the community of Kugaaruk in the Nunavut Territory, has been advanced to the drill ready stage, after results from heavy mineral sampling conducted on the property in 2004 were been compiled with the preliminary results from the detailed airborne Mag/EM survey flown earlier this year and several targets have been identified for drill testing.
- Change in auditors resulting from corporate move from Edmonton to Vancouver: resignation of Kingston Ross Pasnak LLP as the Company's auditor effective May 26, 2005 and the appointment of Staley Okada and Partners as auditor for the forthcoming year until the close of the Company's Annual General Meeting. There are no reservations in any auditor's report nor any reportable events in connection with the audits by Kingston Ross Pasnak LLP of the Company's two most recently completed fiscal years or any subsequent period.

Highlights of the Company's activities subsequent to the six months ended May 31, 2005:

- Operating lease concerning office premises entered into, to be effective July 1, 2005, for a term of 3 years at a basic rent of \$1,784 per month, with two month rent-free period.
- Seeking regulatory approval to complete a non-brokered private placement of up to \$2.0 million, comprising of a combination of flow-through common shares at a price of \$0.25 per share and non-flow through units at a price of \$0.23 per unit. Each non-flow-through unit is comprised of one non-flow-through common share and one non-flow-through share purchase warrant, with each warrant exercisable for one non-flow-through common share at \$0.35 per share for a period of two years from date of closing. Finders fees in cash equal to 6% of the gross proceeds placed may be payable for certain placees at the option of the Company. The proceeds of the private placement will be used to conduct exploration on the Company's properties and for general working capital. To July 26, 2005, the Company has received \$302,100 of proceeds from this private placement, of which \$297,500 (1,190,000 shares) relate to flow-through shares. It is anticipated that by closing, the Company would have received a total of \$474,500 (1,898,000 shares) for flow-through shares and \$440,100 for non flow-through units – a further \$612,500.

- Commencement of 2005 summer field program in Nunavut. This year's \$1.8 million program is focused on moving Indicator's key projects, Barrow and Darby (Hunter Exploration Group Property), including additional heavy mineral sampling and/or detailed airborne Mag/EM survey, to the point of discovery while continuing to evaluate grass roots properties it holds in Nunavut.

The Company will continue to carry out exploration of its resource properties, and to evaluate new prospects and opportunities. The Company expects to obtain financing in the future primarily through further equity and/or debt financing, as well as through joint venturing of the Company's properties to qualified mineral exploration companies.

The financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's continued existence is dependent upon its ability to raise additional financing and to generate profitable operations in the future. The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these consolidated financial statements. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

The Company's net loss for the three months and six months ended May 31, 2005, totalled \$114,297 and \$279,630, a loss of \$0.004 and \$0.011 per share. These net losses resulted from the application of \$73,091 of future income tax recovery for both the three months and six months in 2005 from the loss from operations of \$187,388 and \$352,721 respectively for 2005 (there were no income tax recoveries in the comparative 2004 periods; loss for the comparative 2004 three month and six month periods - \$1,148,091; \$1,228,502). Assets increased from \$6,418,552 as at November 30, 2004 to \$6,727,457 as at May 31, 2005. Capitalized resource property costs increased from \$4,520,416 as at November 30, 2004 to \$5,543,490 as at May 31, 2005. The Company's cash and cash equivalents decreased from \$1,162,383 as at November 30, 2004 to \$231,607 as at May 31, 2005, due primarily to increased investment in resource property costs of \$912,124, net of cash provided by financing activities of \$721,168 from issuance of share capital, net of costs, and utilization of cash resources in operations of \$754,369 including changes in non-cash working capital.

The Company is a development stage company and engages principally in the acquisition, exploration and development of resource properties. The Company capitalizes all acquisition and exploration costs until the property to which those costs are related is placed into production, sold, or abandoned. The decision to abandon a property is largely determined from exploration results, and the amount and timing of the Company's write-offs of capitalized resource property costs will vary in a fiscal period from one year to the next and typically cannot be predicted in advance. During the six months ended May 31, 2005, a total of \$1,023,074 of resource property costs were capitalized, net of \$4,930 of resource property costs on outside property examinations which were written-off. Details of the cost break-down are contained in the Schedule of Resource Property Costs in the financial statements.

## Results of Operations

Net loss for the three months and the six months ended May 31 2005 was \$114,297 and \$279,630 (May 31, 2004 - \$1,148,091 and \$1,228,502) or \$0.004 and \$0.011 per share (May 31, 2004 - \$0.074 and \$0.128). These results include a write-off of resource property costs of \$4,930 (2004 - \$281,976) and a recovery of future income taxes of \$73,091.

Operating expenses for the three months and the six months ended May 31, 2005 totalled \$190,495 and \$359,222 (2004 - \$866,115 and \$947,345). The overall increase in operating expenses, after excluding stock-based compensation expenses (May 31, 2005: \$40,162 for the three months ended and the six months ended; May 31, 2004 - \$ 757,250 for the three months and six months ended) resulted from primarily from the move from Edmonton to Vancouver and the increased support activities for the resource property management during the current periods. Significant operating expenditures are as follows:

- Wages and consulting fees of \$45,390 for the three months and \$72,247 for the six months, a reduction from 2004 (May 31, 2004 - \$53,472 and \$80,377). Consulting fees paid to companies controlled by directors and officers aggregated \$57,738 for the 2005 six months are included in the wages and consulting fees total.
- Conference and meetings expenses of \$25,808 and \$63,654 (May 31, 2004 - \$15,538 and \$19,656). During 2005, attendance at several conference and trade shows increased, resulting in additional travel and accommodation costs included in this category. The change of corporate head office from Edmonton to Vancouver necessitated careful coordination and planning which also resulted in increased travel and accommodation expenses.
- Investor relations expenses of \$24,968 and \$62,883 (May 31, 2004 - \$9,562; \$11,787). Included in this category were the costs of increased disseminations of press releases, maintenance and refinement of investor data base, and other investor-related activities. The IR consultants were not engaged until June 2004 (May 31, 2005 IR consulting fees included in this category - \$25,241 for the six months).
- Professional fees for legal and accounting of \$10,012 and \$49,916 (May 31, 2004 - (\$5,354) and \$26,918). The year-end audit fee and increased accounting fees for continuous disclosure (quarterly financial statements and management, discussion and analysis), together with increased legal fees for the various property agreements consummated and the continuation of the Company as a BC company during the current periods were included in this category (for the 2005 six months: accounting: \$25,097 and legal - \$24,819; six months May 31, 2004 - accounting, \$11,074, legal - \$15,844)
- Advertising and promotions of \$13,130 and \$25,498 (May 31, 2004 - \$2,603 and \$4,521). Included in this category were the costs for the refinement, design and development of the Company's website and its maintenance. The website did not commence until June 2004 (website maintenance and design expenses included in this category for the six months May 31, 2005 - \$11,367).
- All other costs during the three months and six months ended May 31, 2005, which were comparable to the 2004 periods, totalled \$31,025 and \$44,862 (2004 - \$33,044 and \$46,836), representing 16% and 12.5% of total operating expenses which includes office and administration, corporate listing and filing fees, transfer agent fees and rent.

## Selected Annual Financial Information

Selected audited financial data for annual operations of Indicator during the year ended November 30, 2004 and of the former Capital Pool Corporation during the years ended November 30, 2003 and 2002 are as follows:

Year ended	Nov 2004	Nov 2003	Nov 2002
Current assets and GIC	1,392,420	191,409	218,111
Resource properties and deposit	5,007,016	0	0
Property, plant and equipment	19,116	0	0
Current liabilities	612,967	9,508	4,172
Total revenue	0	0	0
Net loss	(1,154,584)	(32,038)	(104,814)
Basic loss per share	(0.08)	(0.0092)	(0.0299)
Weighted Avg. shares	14,614,217	3,500,000	3,500,000

## Summary of Quarterly Results

The following table summarizes selected financial data reported by the Issuer for the quarters ended May 31, 2005, and the previous five quarters (the February 28, 2004 was the last quarter of operations as a Capital Pool Corporation).

	May 31 05	Feb 28 05	Nov 30 04	Aug 31 04	May 31 04*	Feb 28 04
Current assets	543,437	1,417,803	1,367,420	2,596,886	3,306,076	646,545
Resource properties and deposits	6,159,962	5,782,373	5,007,016	3,839,969	3,258,028	78,926
Current liabilities	397,384	824,933	612,967	626,197	1,836,532	108,981
Loss from operations	(190,495)	(168,727)	(111,903)	(105,475)	(866,115)	(81,230)
Write-off of mineral interest	4,930	0	0	(3,672)	(281,976)	0
Net income (loss)	(114,297)	(165,333)	183,065	(109,147)	(1,148,091)	(80,411)
Basic income (loss) per share	(0.004)	(0.007)	0.008	(0.005)	(0.025)	(0.0222)
Weighted Avg. Shares	25,951,046	23,067,664	23,047,942	19,784,998	15,509,988	3,617,582

Note: The Company did not commence operations as a junior resource exploration company until completing its Qualifying Transaction at the end of the first quarter of 2004. Therefore, the comparison of 2005 first quarter financial results to operations of the former Capital Pool Corporation in prior periods is not a meaningful exercise.

Net loss for quarter May 31, 2005 is after recovery of future income taxes of \$73,091.

\*May 31, 2004 – quarterly results were restated to reflect the retroactive application of stock-based compensation calculation.

## Liquidity and Capital Resources

The Company is in the development stage and therefore has no regular cash flow. At May 31, 2005, the Company had working capital of \$146,053 (November 30, 2004 - \$681,362).

Cash and cash equivalents decreased by \$945,075 during the three months ended May 31, 2005 and \$930,776 during the six months ended May 31, 2005, from \$1,162,383 as at November 30,

2004 to \$231,607 as at May 31, 2005. Cash used in operating activities during the three months ended May 31, 2005 was \$167,537 (six months ended May 31, 2005 - \$754,369, which included a reduction of accounts payable and accrued liabilities of \$502,938), as compared to cash used in operations of \$371,389 for the three months ended May 31, 2004 and \$377,783 for the six months ended May 31, 2004.

Cash used for investing activities during the three months ended May 31, 2005 was \$764,102 (2004 - \$303,159) and \$897,575 during the six months ended May 31, 2005, being the acquisition and exploration of resource properties of \$789,112 and \$912,124 for the three months and six months in 2005 and \$10,451 for the purchase of equipment, net of proceeds from the expiry of a restricted guaranteed investment certificate of \$25,000. During the comparative six month period in 2004, the company used a total of \$398,492 in cash resources, comprising of \$154,047 in the acquisition and exploration of resources properties, \$243,820 in prospecting permit deposits and \$625 in investment in property, plant and equipment.

During the three months ended May 31, 2005, the Company paid some additional share issuance costs of \$13,436 (2004 - \$2,917,547 net proceeds from share issuance) for its financing activities (six months ended May 31, 2005 - \$721,168 net proceeds from share issuance; 2004 proceeds from share issuance - \$3,417,547). During the comparative six month period in 2004, cash flows from financing activities of \$3,469,177 included repayment of loan receivable Of \$48,534 and amounts from related parties of \$3,096.

At May 31, 2005, the Company's investment in resource properties aggregated \$5,543,490 (November 30, 2004 - \$4,520,416), prospecting permit deposits and bond totalled \$616,472 (November 30, 2004 - \$486,600) and property plant and equipment, net of amortization, was \$24,058 (November 30, 2004 - \$19,116). The Company is in the process of filing the appropriate reports with the Territorial authorities, which reports may result in a refund of amounts paid by the Company for prospecting permits. Any such proceeds will be used to reduce the amount on the Company's books with any non-refunded amounts being transferred to resource property costs. At May 31, 2005, a total of \$157,483 of refunds has been processed (\$91,450 for the Hunter Property and \$66,033 for the Committee Bay Property). These amounts have been shown as current assets. Additional refunds are expected once the appropriate reports are filed.

At May 31, 2005, share capital of \$6,628,403 comprised of 25,990,720 issued and outstanding common shares (November 30, 2004 - \$7,034,391, comprising of 23,065,720 shares outstanding). Contributed Surplus which arises from the recognition of the estimated fair value of stock options and agents warrants was \$1,283,197 (November 30, 2004 - \$1,189,155). As a result of the net loss for the six month period of \$279,630, deficit at May 31, 2005 increased to \$1,581,527 from \$1,301,897 at November 30, 2004. Shareholders equity was \$6,333,573 as compared to \$5,732,494 at the year end November 30, 2004.

## **EXPLORATION OVERVIEW**

The highlights of Indicator's diamond exploration activities for the first half of fiscal 2005 are as follows:

- The majority of results from the analysis of heavy minerals samples collected in 2004 were received. To date, kimberlite indicator minerals with diamond inclusion chemistry were recovered from four projects: Barrow, Darby, Sanagaak and Baumann.
- Approximately 5,000 line-km of airborne geophysical surveys were conducted over the Barrow Project and several kimberlite targets were identified up-ice from the diamond inclusion chemistry recovered on the project
- Indicator entered into an option agreement with Helio Resource Corp. where it can earn up to an 80% interest in the 750,000 acre Lokgwabe Project in western Botswana.

- In February 2005, Indicator acquired an 80% interest in approximately four million acres of Prospect Permits located in the Nunavut Territory.
- Indicator Minerals Inc. and Stornoway Diamond Corporation entered into an option agreement whereby Stornoway can earn a 41% interest in three million acres of the newly acquired Prospecting Permits in Nunavut Territory

Indicator's exploration efforts during the first half of fiscal 2005 were primarily related to the processing and analysis of heavy mineral samples collected on its land holdings in 2004 as well as the collection and interpretation of airborne geophysical data over its Barrow Project.

Indicator is exploring over 10 million acres of land in eastern Nunavut and approximately 750,000 acres in western Botswana. Currently, Indicator has five projects where kimberlite indicator minerals with diamond inclusion chemistry have been recovered.

Indicator's Canadian projects are located in eastern Nunavut, from Chesterfield Inlet in the south to Ellesmere Island in the north. All of the Canadian projects in the portfolio are at pre-discovery stage, with the majority still undergoing regional evaluation.

During the 2004 field season, the Company collected approximately 1200 heavy mineral samples on its projects in eastern Nunavut. Sample collection was concentrated on four key projects (Barrow, Darby, Frost and Sanagaak) where regional sampling in 2003 suggested the greatest probability of discovery. Samples were collected on the rest of Indicator's projects to assess their diamond potential.

### **Barrow Project**

The Barrow Project is a drill-ready project located approximately 15km south of the hamlet of Kugaaruk in the immediate vicinity of the diamond-bearing kimberlite float discovered by BHP Billiton and Diamonds North in 2004.

Results from heavy mineral sampling in 2004 have confirmed the presence of kimberlite indicator minerals with diamond inclusion chemistry on the property. In March 2005, the company completed a detailed airborne geophysical survey. Several priority targets located up-ice from the kimberlite indicator minerals were identified in a review of the preliminary airborne data. Applications for drilling permits have been made to the appropriate regulatory bodies in anticipation of a drill program in late 2005 or early 2006.

### **Darby Project**

The Darby Project is comprised of approximately 200,000 acres of mineral claims and is located approximately 120km southwest of the hamlet of Kugaaruk and diamond-bearing kimberlite float discovered by BHP Billiton and Diamonds North in 2004.

Micro-probe analysis performed thus far on kimberlite indicator minerals recovered from samples collected in 2004 has confirmed the presence of diamond inclusion (DI) chemistry with the identification of high chrome G10 pyrope garnets. The DI minerals are isolated to an area of the project where there is apparent up-ice closure and it is believed that the source(s) of these minerals lies well within the project boundary. An aggressive follow-up program including detailed heavy mineral sampling, airborne geophysics and prospecting is planned for 2005 with the goal of bringing the project to the drill ready stage as early as possible.

### **Sanagaak Project**

The Sanagaak Project is located on the Boothia Peninsula and includes approximately 1.1 million acres of Prospecting Permits. In 2004, heavy mineral samples were collected on the project on a 3km by 3 km grid. Kimberlite indicator minerals have been recovered in five spatially separate locations. In one of those locations the indicator minerals recovered included a high chrome, low calcium G10 Pyrope garnet that plots well within the diamond stability field. Plans for 2005 include follow-up heavy mineral sampling in an effort to define discrete kimberlite indicator mineral trains and focus airborne geophysical surveys.

### **Lokgwabe Project**

In January 2005, Indicator entered into an option agreement with Helio Resources in which it can earn an 80% interest in the 750,000 acre Lokgwabe Project in western Botswana. Previous sampling campaigns have identified five areas with anomalous concentrations of indicator minerals that include G10 pyrope garnets.

Indicator intends to conduct an airborne geophysical survey over the project in mid 2005 in an effort to identify kimberlite targets that can be correlated to the indicator mineral anomalies observed in the previous sample results. A decision to proceed to the drilling stage will be based on the results of that survey with drilling likely to commence in the later part of the fourth quarter of 2005 / early 2006.

### **Regional Projects**

Regional heavy mineral sampling will continue on the grassroots projects obtained in 2004 and will commence on the new eastern arctic projects acquired from the Hunter Exploration Group's successful 2005 sampling program. Results from these programs will focus exploration efforts on these projects in 2006.

### **Hunter Agreement**

In April 2004, Indicator signed an agreement with the Hunter Exploration Group giving Indicator a right to 80% of any new diamond projects they generate. In exchange, Indicator pays for a portion of Hunter's overhead costs and covers the cost of the generative field work. Hunter has a long track record of successful project generation including the acquisition of and subsequent discoveries on the Churchill Project and the Aviat Project.

This agreement gives Indicator on-going access to high quality grass-roots projects for a relatively low cost. An example of the benefit of this agreement is the Baumann project which was identified by Hunter and acquired in February 2005. Kimberlite indicator minerals with diamond inclusion chemistry were recovered from regional heavy mineral samples collected on the Project by Hunter. The quality of the results enabled Indicator to immediately option the project to Stornoway Diamond Corporation who is funding exploration to earn their interest in the project.

### **Risks and Uncertainties**

The risks and uncertainties affecting the Company remain unchanged from those disclosed in its Annual MD&A.

### **Proposed Transactions**

At the present time, there are no proposed transactions that should be disclosed.

## Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning Indicator's general and administrative expenses and resource property costs is provided in the Company's Statement of Loss and Deficit and Schedule of Resource Property Costs contained in its Financial Statements for May 31, 2005 that is available on Indicator's website at [www.indicatorminerals.com](http://www.indicatorminerals.com) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com).

## Outstanding Share Data

Indicator's authorized capital is unlimited common shares without par value. As at July 26, 2005, the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares at July 26, 2005	26,340,720		
Allotted but not issued Common Shares regarding pending private placement	1,210,000		
Warrants			
Share purchase warrants	4,525,000	\$0.15	Feb. 3, 2006
	3,107,860	\$0.75	April 16, 2006
	359,193	\$0.45	Jan. 26, 2007
	1,250,000	\$0.45	Mar. 15, 2007
	75,000	\$0.45	April 1, 2007
Agents Warrants			
	598,000	\$0.65	April 16, 2006
	342,500	\$0.40	Feb. 18, 2006
	25,000	\$0.40	Mar. 3, 2006
	152,500	\$0.45	Mar. 15, 2007
	15,000	\$0.45	April 1, 2007
Employee Stock Options			
	1,149,500	\$0.58	April 19, 2009
	265,000	\$0.355	April 19, 2009
	695,000	\$0.355	Nov. 16, 2009
	225,000	\$0.23	April 25, 2010
Fully Diluted at July 26, 2005	<b>40,335,273</b>		

## Transactions with Related Parties

Related party transactions are as follows:

During the current 2005 period, the Company incurred capitalized mineral interest - geological consulting fees of \$26,094 (2004 - nil) and consulting fees of \$57,738 (2004 - \$44,445) for management services provided by companies controlled by directors and officers. Of this amount, \$21,000 (May 31, 2004 - \$34,500) was unpaid at May 31, 2005 and included in accounts payable and accrued liabilities. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

110,000 shares issued during the 2005 private placement (Note 8(b)) were to related parties: 80,000 to the CEO/director, and 30,000 to a company controlled by a director.

During 2004, the Company acquired interests in certain resource properties from Committee Bay Resources Ltd. (a company with common directors and management) as explained in Note 5 under Committee Bay Property. This transaction was recorded at the estimated fair value of the cash and share consideration given up by the Company.

## **Recent Developments and Outlook**

The Company expects to obtain financing in the future primarily through further equity and/or debt financing, as well as through joint venturing and/or optioning out the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its resource properties.

## **Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash and cash equivalents, advance receivable, GST receivable, accounts payable and accrued liabilities, and amounts due to related parties. Unless otherwise noted, it is management's opinion that Indicator is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity for prompt liquidation.

Foreign exchange risk is the risk arising from changes in foreign currency fluctuations. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency rates. It is the opinion of management, however, that the foreign exchange risk to which the Company is exposed is minimal.

## **Approval**

The Board of Directors of Indicator has approved the disclosure contained in this interim MD&A. A copy of this interim MD&A will be provided to anyone who requests it.

## **Additional Information**

Additional Information relating to Indicator is on SEDAR at [www.sedar.com](http://www.sedar.com).