

**INDICATOR MINERALS INC.**  
**INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED AUGUST 31, 2005**  
**Unaudited**

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

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The attached interim financial statements for the nine month period ended August 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>August 31, 2005</b>	<b>November 30, 2004</b>
<b>Current</b>		
Cash (Note 5)	\$ 848,540	\$ 1,162,383
Trade receivables	68,830	-
Subscription receivable	1,187,395	-
GST receivable	47,824	205,037
Prepaid expenses	3,596	-
	<u>2,156,185</u>	<u>1,367,420</u>
<b>Restricted Guaranteed Investment Certificate (Note 5)</b>	-	25,000
<b>Permits and Bond (Note 6)</b>	659,591	486,600
<b>Equipment and Leasehold Improvements (Note 3e)</b>	33,033	19,116
<b>Resource Property Costs (Note 7) – Schedule</b>	<u>6,034,577</u>	<u>4,520,416</u>
	<u>\$ 8,883,386</u>	<u>\$ 6,418,552</u>
 <b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
- Trade and accrued liabilities	\$ 189,477	\$ 562,203
- Due to related parties (Note 10)	26,672	50,764
Deferred rent inducement	3,377	-
	<u>219,526</u>	<u>612,967</u>
<b>Future Income Taxes (Note 11)</b>	<u>271,384</u>	<u>73,091</u>
	<u>490,910</u>	<u>686,058</u>
 <b>Continued Operations (Note 2)</b>		
 <b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 8)</b>	8,676,719	5,845,236
<b>Contributed Surplus (Note 9)</b>	1,283,196	1,189,155
<b>Deficit - Statement 2</b>	<u>(1,567,439)</u>	<u>(1,301,897)</u>
	<u>8,392,476</u>	<u>5,732,494</u>
	<u>\$ 8,883,386</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 August 31 2005	Three Months Ended August 31 2004	Nine months Ended August 31 2005	Nine months Ended August 31 2004
<b>Expenses</b>				
Advertising and promotion	\$ 15,324	\$ 3,052	\$ 40,822	\$ 7,573
Amortization	3,720	-	9,228	-
Conference and meetings	8,432	10,962	72,086	33,167
Corporate listing and filing fees	300	1,117	12,479	6,982
Investor relations	14,126	38,659	77,009	50,446
Office and administration	10,692	10,977	27,429	35,067
Professional fees	13,159	9,533	63,075	36,451
Rent	8,335	2,000	13,645	3,421
Stock-based compensation	-	-	40,162	757,250
Transfer agent fees	4,426	5,175	9,554	18,086
Wages and consulting fees	29,521	24,000	101,768	104,377
<b>Loss before the undernoted</b>	<b>(108,035)</b>	<b>(105,475)</b>	<b>(467,257)</b>	<b>(1,052,820)</b>
<b>Other Income (Expenses)</b>				
Operator's fees	-	-	3,059	-
Interest	4,082	-	12,454	819
Write-off of resource property costs	(1,420)	(3,672)	(6,350)	(285,648)
<b>Loss before income taxes</b>	<b>(105,373)</b>	<b>(109,147)</b>	<b>(458,094)</b>	<b>(1,337,649)</b>
<b>Future income tax recovery</b>	<b>119,461</b>	<b>-</b>	<b>192,552</b>	<b>-</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>14,088</b>	<b>(109,147)</b>	<b>(265,542)</b>	<b>(1,337,649)</b>
Deficit - Beginning of period	(1,581,527)	(1,375,815)	(1,301,897)	(147,313)
<b>Deficit - End of Period</b>	<b>\$ (1,567,439)</b>	<b>\$ (1,484,962)</b>	<b>\$ (1,567,439)</b>	<b>\$ (1,484,962)</b>
<b>Basic and Diluted Loss per Share</b>	<b>\$ 0.000</b>	<b>\$ (0.005)</b>	<b>\$ (0.010)</b>	<b>\$ (0.107)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>28,019,744</b>	<b>19,784,998</b>	<b>25,698,549</b>	<b>12,415,471</b>

- See Accompanying Notes -

**Interim Statement of Cash Flows**

Canadian Funds

Unaudited

	Three Months Ended August 31 2005	Three Months Ended August 31 2004	Nine months Ended August 31 2005	Nine months Ended August 31 2004
<b>Cash Flows from Operating Activities</b>				
Net income (loss) for the period	\$ 14,088	\$ (109,147)	\$ (265,542)	\$ (1,337,649)
Items not affected by cash:				
Future income tax recovery	(119,461)	-	(192,552)	-
Stock-based compensation	-	-	40,162	757,250
Amortization	3,720	-	9,228	-
Write-off of Resource Property costs	1,420	3,672	6,350	285,648
	<b>(100,233)</b>	<b>(105,475)</b>	<b>(402,354)</b>	<b>(294,751)</b>
Change in non-cash working capital:				
Trade receivable	1,594	(10,329)	(68,830)	(10,329)
GST receivable	36,099	(119,240)	157,213	(144,428)
Prepaid expenses	(3,596)	-	(3,596)	38,323
Accounts payable and accrued liabilities	106,120	(1,210,335)	(396,818)	616,689
Deferred rent inducement	3,377	-	3,377	-
	<b>43,361</b>	<b>(1,445,379)</b>	<b>(711,008)</b>	<b>205,504</b>
<b>Cash Flows from Investing Activities</b>				
Restricted Guaranteed investment certificate	-		25,000	
Purchase of equipment and leasehold improvements	(12,695)	(16,848)	(23,146)	(17,473)
Permits and Bond	(172,991)	(70)	(172,991)	(242,780)
Resource property costs	(492,506)	(585,614)	(1,404,630)	(2,699,438)
	<b>(678,192)</b>	<b>(602,532)</b>	<b>(1,575,767)</b>	<b>(2,959,691)</b>
<b>Cash Flows from Financing Activities</b>				
Issuance of share capital, net of issuance costs	2,439,159	1,209,082	3,160,328	4,556,630
Less: increase in subscription receivable	(1,187,395)	-	(1,187,395)	-
Repayment of (advances to) related party	-	-	-	3,096
Repayment of loan receivable	-	-	-	48,534
	<b>1,251,764</b>	<b>1,209,082</b>	<b>1,972,932</b>	<b>4,608,260</b>
<b>Net Increase (Decrease) in Cash</b>	<b>616,933</b>	<b>(838,829)</b>	<b>(313,843)</b>	<b>1,854,073</b>
Cash - Beginning of period	231,607	2,794,358	1,162,383	101,456
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 848,540</b>	<b>\$ 1,955,529</b>	<b>\$ 848,540</b>	<b>\$ 1,955,529</b>
<b>Supplemental Schedule of Non-Cash Investing and Financial Activities</b>				
Issuance of shares for property	\$ -	\$ -	\$ 62,000	\$ 1,635,000
Stock-based compensation	\$ -	\$ -	\$ 40,162	\$ 757,250
Fair value of bonus warrants issued for property	\$ -	\$ -	\$ 53,879	\$ -

## Interim Schedule of Resource Property Costs

Canadian Funds

Unaudited

	August 31, 2005			August 31, 2004
	Acquisition Costs	Deferred Exploration	Total	Total
<b>Mineral Interests</b>				
<b>Hunter Property</b>				
Acquisition costs	\$ -	\$ -	\$ -	\$ 2,256,607
Bonus warrants issued re bond	53,879		53,879	-
Claims and staking	5,002		5,002	150
Fieldwork		804,361	804,361	416,849
Airborne geophysics		152,257	152,257	-
Consulting		103,701	103,701	11,584
Analytical		69,722	69,722	-
Sampling		52,500	52,500	-
	58,881	1,182,541	1,241,422	2,685,190
<b>Committee Bay Property</b>				
Acquisition costs				401,588
Claims and staking	1,221		1,221	125
Fieldwork		89,240	89,240	293,617
Analytical and sampling		37,680	37,680	-
Consulting		20,227	20,227	13,223
	1,221	147,147	148,368	708,553
<b>International Samuel JV Property</b>				
Acquisition costs				425,000
Claims and staking	81		81	25
Fieldwork		41,658	41,658	19,021
Consulting		7,950	7,950	2,180
Analytical		3,317	3,317	-
Recovery from International Samuel	(12)	(61,175)	(61,187)	-
	69	(8,250)	(8,181)	446,226
<b>Aylmer Lake Property</b>				
Acquisition costs			-	35,000
Fieldwork			-	250,648
	-	-	-	285,648
<b>Lokgwabe Property</b>				
Acquisition costs	84,205		84,205	-
Fieldwork		34,366	34,366	-
Analytical		13,981	13,981	-
	84,205	48,347	132,552	-
<b>Generative</b>				
Fieldwork		6,350	6,350	-
		6,350	6,350	-
<b>Resource Costs for the Period</b>				
Costs, Beginning of the Period	144,376	1,376,135	1,520,511	4,125,617
Less: Write-off of Resource Property Costs on Properties Abandoned or Not Acquired	3,098,717	1,421,699	4,520,416	-
		(6,350)	(6,350)	(285,648)
<b>Balance, End of the Period</b>	<b>\$ 3,243,093</b>	<b>\$ 2,791,484</b>	<b>\$ 6,034,577</b>	<b>\$ 3,839,969</b>

- See Accompanying Notes -

**Indicator Minerals Inc.**

## **Notes to Interim Financial Statements**

**August 31, 2005**

*Canadian Funds*

*Unaudited*

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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.

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 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

August 31, 2005

Canadian Funds

Unaudited

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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) Variable Interest Entities

Accounting Guideline 15 defines Variable Interest Entities ("VIE") as entities that have insufficient equity to fund their activities without additional financing or where their investors lack one or more specified essential characteristics of a controlling financial interest. The standard provides guidance for determining when an entity is a VIE and who, if anyone, should consolidate the VIE. The Guideline applies to all annual and interim periods beginning on or after November 1, 2004. During the current period, the Company completed its evaluation and concluded that it has no Variable Interest Entities.

#### e) Amortization

The Company provides for amortization on its equipment and leasehold improvements 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 %

Indicator Minerals Inc.

## Notes to Interim Financial Statements

August 31, 2005

Canadian Funds

Unaudited

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### 3. Significant Accounting Policies – Continued:

#### f) 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.

#### g) 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.

#### h) 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.

#### i) 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.

Indicator Minerals Inc.

## Notes to Interim Financial Statements

August 31, 2005

Canadian Funds

Unaudited

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### 3. Significant Accounting Policies – *Continued*:

#### j) 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.

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### 4. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivable, subscription receivable, GST receivable, accounts payable and accrued liabilities, due to related parties and deferred rent inducement. 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. This deposit is in an interest-bearing current savings account.

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Indicator Minerals Inc.

## Notes to Interim Financial Statements

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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. As at August 31, 2005, the permit deposits were as follows: Hunter Property - \$128,416 (original deposit - \$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 repaid Hunter for this bond in August 2005.

As at August 31, 2005, the balance consists of:

Hunter Property permits	\$	128,416
Committee Bay permits		243,820
Bond		287,355
	\$	<u>659,591</u>

The Company will be filing additional 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 August 31, 2005, a total of \$114,364 of refunds was processed and received for the Hunter Property.

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### 7. Resource Property Costs:

a) Details are as follows:

	Acquisition Costs	Exploration Costs	Balance as at August 31, 2005	Balance as at August 31, 2004
Hunter Property, Nunavut Canada	\$ 2,323,249	\$ 2,142,475	\$ 4,465,724	\$ 2,685,190
Committee Bay Property, Nunavut, Canada	410,545	519,374	929,919	708,553
International Samuel JV Property, Nunavut, Canada	425,094	81,288	506,382	446,226
Lokgwabe Property, Botswana	84,205	48,347	132,552	-
	<u>\$ 3,243,093</u>	<u>\$ 2,791,484</u>	<u>\$ 6,034,577</u>	<u>\$ 3,839,969</u>

Indicator Minerals Inc.

## Notes to Interim Financial Statements

August 31, 2005

Canadian Funds

Unaudited

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### 7. Resource Property Costs - *Continued*:

#### 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 expired 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. Hunter was reimbursed for the bond in August 2005.

##### 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 Baumann 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.

Indicator Minerals Inc.

## Notes to Interim Financial Statements

August 31, 2005

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### 7. Resource Property Costs - Continued:

#### 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.

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.

Samuel has been unable to reimburse Indicator for its share of the costs. The amount of \$68,744 including GST remains outstanding as at August 31, 2005. Indicator is seeking ways to settle this account with Samuel, including the possibility of settlement by receipt of Samuel shares.

Indicator Minerals Inc.

## Notes to Interim Financial Statements

August 31, 2005

Canadian Funds

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### 7. Resource Property Costs – *Continued*:

#### 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).

#### 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.

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Indicator Minerals Inc.

Notes to Interim Financial Statements

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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 re: flow-through shares issued	-	(591,978)
Balance - November 30, 2004	23,065,720	5,845,236
Exercise of share purchase warrants	455,000	68,250
Private placement - March 2005	2,650,000	795,000
Private placement - August 2005	10,392,695	2,481,960
Issuance for resource property	100,000	31,000
Finders fee for resource property	100,000	31,000
Share issue costs	-	(184,882)
Future income taxes re flow-through shares issued	-	((390,845)
Balance - August 31, 2005	<b>36,763,415</b>	<b>\$ 8,676,719</b>

b) Private Placements

2005:

Private Placement March 2005

During March 2005, 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. 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.

Indicator Minerals Inc.

## Notes to Interim Financial Statements

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### 8. Share Capital

#### b) Private Placements – *Continued*

##### *Private Placement August 2005*

During August 2005, the Company completed a non-brokered private placement in two tranches. The first tranche consisted of 2,008,478 non-flow through units at a price of \$0.23 per unit and 2,062,000 flow through common shares at a price of \$0.25 per flow-through common share, for total gross proceeds of \$977,450. The second tranche consisted of 3,802,217 non-flow through units at a price of \$0.23 per unit and 2,520,000 flow through common shares at a price of \$0.25 per flow-through common shares, for total gross proceeds of \$1,504,510 (Documentation for the second tranche was completed on August 25, 2005. As at August 31, 2005, \$1,187,395 of share subscription receivable remained outstanding. The balance was collected by September 15, 2005). Each non-flow-through unit consists of one common share and one non-transferable share purchase warrant entitling the holder to purchase one common share at \$0.35 per share until August 12, 2007 for 2,008,478 warrants and until August 25, 2007 for 3,802,217 warrants. Finders fees totaling \$81,679 cash were paid on certain of the places.

### 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.

Indicator Minerals Inc.

## Notes to Interim Financial Statements

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### 8. Share Capital:

#### b) Private Placements - Continued

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.

#### 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

As at August 31, 2005, 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. These shares are to be released in semi-annual installments over the course of a 36 month period beginning March 1, 2004. On September 1, 2005, 262,500 common shares were released from escrow (balance of common shares in escrow at September 1, 2005 – 787,500).

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, November 30, 2004	9,022,860	\$ 0.40
Issued	7,303,695	0.37
Issued as bonus warrant	359,193	0.45
Exercised	(455,000)	0.15
	<b>16,230,748</b>	<b>\$ 0.39</b>

Indicator Minerals Inc.

## Notes to Interim Financial Statements

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### 8. Share Capital:

#### d) Share Purchase and Agents Warrants - Continued

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

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
Agents Warrants:			
February 18, 2006	\$0.40	342,500	0.47
March 3, 2006	\$0.40	25,000	0.51
April 16, 2006*	\$0.65	598,000	0.63
March 15, 2007	\$0.45	152,500	1.54
April 1, 2007	\$0.45	15,000	1.58
Bonus Warrants			
January 26, 2007	\$0.45	359,193	1.40
Other Share Purchase warrants			
February 3, 2006	\$0.15	4,495,000	0.43
April 16, 2006*	\$0.75	3,107,860	0.63
March 15, 2007	\$0.45	1,250,000	1.54
April 1, 2007	\$0.45	75,000	1.58
August 12, 2007	\$0.35	2,008,478	1.95
August 25, 2007	\$0.35	3,802,217	1.96
<b>Weighted average of exercise price</b>	<b>\$0.39</b>	<b>16,230,748</b>	<b>1.18</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, 2006. Consent was received on March 2, 2005.

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.

Indicator Minerals Inc.

Notes to Interim Financial Statements

August 31, 2005

Canadian Funds

Unaudited

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8. Share Capital:- Continued:

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		0.48
Granted	225,000		0.23
Forfeiture from resignation (director)	(170,000)		0.48
Outstanding August 31, 2005	<b>2,334,500</b>	<b>\$</b>	<b>0.46</b>

Indicator Minerals Inc.

## Notes to Interim Financial Statements

August 31, 2005

Canadian Funds

Unaudited

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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 and an increase to contributed surplus. 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 contributed surplus 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 August 31, 2005, the following options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining in Years
April 19, 2009	\$0.58	1,149,500	3.64
April 19, 2009	\$0.355	265,000	3.64
November 16, 2009	\$0.355	695,000	4.21
April 25, 2010	\$0.23	225,000	4.65
	<b>\$0.46</b>	<b>2,334,500</b>	<b>3.91</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 August 31, 2005, the Company incurred the balance of \$835,013 of these flow-through spending obligations.

During the current period, the Company issued 4,582,000 flow through shares for total proceeds of \$1,145,500 which must be used for qualifying exploration expenditures and to be renounced to the flow-through shareholders effective December 31, 2005 (unspent balance at August 31, 2005 - \$906,359).

Indicator Minerals Inc.

## Notes to Interim Financial Statements

August 31, 2005

Canadian Funds

Unaudited

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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		53,879
<b>Balance – August 31, 2005</b>	<b>\$</b>	<b><u>1,283,196</u></b>

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### 10. Related Party Transactions

During the current period, the Company incurred capitalized mineral interest - geological consulting fees of \$86,773 (2004 - \$nil) and consulting fees of \$78,750 (2004 - \$44,445) for management services provided by companies controlled by directors and officers. Of this amount, \$26,672 (May 31, 2004 - \$34,500) was unpaid at August 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 March 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. 118,500 non-flow-through shares issued during the August 2005 private placement (Note 8(b)) were to directors and officers.

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:

	<b>August 31, 2005</b>	November 30, 2004
Future income tax asset		
Non-capital loss carry-forwards	\$ 434,976	\$ 250,238
Share issue costs	161,375	153,562
Other	516	516
Future income tax liability		
Mineral interests in excess of tax basis	<u>(868,251)</u>	<u>(477,407)</u>
	<b>(271,384)</b>	<b>(73,091)</b>
Valuation allowance	-	-
	<b>\$ (271,384)</b>	<b>\$ (73,091)</b>

Indicator Minerals Inc.

Notes to Interim Financial Statements

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11. Income Taxes – Continued:

- c) The recovery for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 34.12% to the loss for the periods as follows:

	For the Period Ended August 31, 2005	For the Year Ended November 30, 2004
Loss for the period before income taxes	\$ (458,094)	\$ (1,673,471)
Anticipated income tax recovery	(156,302)	(570,988)
Stock based compensation	13,703	334,753
Deductible share issue costs	(49,953)	(42,653)
Recognition of previously unrecorded future income tax assets caused by renunciation of expenditures relating to flow-through shares	-	(161,531)
Change in tax rate	-	5,703
Change in valuation allowance	-	(84,171)
Future income tax recovery	\$ (192,552)	\$ (518,887)

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
2014	538,000
	<u>\$ 733,000</u>

12. SEGMENTED INFORMATION:

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

	Net Loss	Identifiable Assets	Resource Cost Expenditures
Canada	\$ 265,542	\$ 8,750,834	\$ 1,387,959
Botswana	-	132,552	132,552
Total	<u>\$ 265,542</u>	<u>\$ 8,883,386</u>	<u>\$ 1,520,511</u>

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

Indicator Minerals Inc.

## Notes to Interim Financial Statements

August 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>58,935</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 deferred rent inducement, (a 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 period's presentation.

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### 15. Subsequent Events:

- a) All of the subscription receivables were received as at September 30, 2005.
- b) 582,500 warrants were exercised for total proceeds of \$87,375 to October 19, 2005