

INDICATOR MINERALS INC.
(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED FEBRUARY 28, 2006

In Canadian Funds

Unaudited

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the three month period ended February 28, 2006 have not been reviewed by the company's auditors.

Indicator Minerals Inc.
(A Development Stage Company)

Statement 1

Balance Sheets

Canadian Funds

ASSETS	As at February 28, 2006 (Unaudited)	As at November 30, 2005 (Audited)
Current		
Cash and cash equivalents (Note 5)	\$ 628,585	\$ 988,302
Trade receivables	5,000	101,743
Advance to related party	-	3,000
GST receivable	71,562	88,064
Prepaid expenses	1,740	1,740
	<u>706,887</u>	1,182,849
Permits and Bond (Note 6)	504,371	560,695
Property and Equipment (Note 7)	45,662	45,196
Resource Property Costs (Note 8) – Schedule	5,238,328	4,801,385
	<u>\$ 6,495,248</u>	<u>\$ 6,590,125</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
- Trade and accrued liabilities	\$ 77,059	\$ 446,360
- Due to related parties (Note 11)	31,484	1,337
	<u>108,543</u>	447,697
Deferred rent inducement	2,799	3,088
	<u>111,342</u>	450,785
Continued Operations (Note 2)		
Future Income Taxes (Note 12)		
SHAREHOLDERS' EQUITY		
Share Capital (Note 9)	9,094,062	8,880,532
Contributed Surplus (Note 10)	1,612,937	1,580,364
Deficit - Statement 2	(4,323,093)	(4,321,556)
	<u>6,383,906</u>	6,139,340
	<u>\$ 6,495,248</u>	<u>\$ 6,590,125</u>

ON BEHALF OF THE BOARD:

"Bruce Counts", President & CEO, Director

"Sean Mager", CFO, Director

- See Accompanying Notes -

**Statements of Loss and Deficit
For the Three Month Ended February 28**

(Unaudited)
Canadian Funds

	2006	2005 Restated (Note 17)
Expenses		
Advertising and promotion	\$ 25,881	\$ 12,368
Amortization	3,309	1,985
Conference and meetings	44,997	37,846
Corporate listing and filing fees	4,200	4,499
Investor relations	9,907	37,915
Office and administration	14,572	4,509
Professional fees	13,123	39,904
Rent	8,818	2,844
Stock-based compensation	32,573	-
Transfer agent fees	920	-
Wages and consulting fees	48,136	26,857
Loss before the undernoted	(206,436)	(168,727)
Other Income (Expenses)		
Interest	3,732	3,394
Write-off of leasehold improvements	(2,684)	-
Write-off of resource property costs	(186,994)	-
	(185,946)	3,394
Loss before income taxes	(392,382)	(165,333)
Future income tax recovery (Note 12a)	390,845	56,412
Net income (loss) for the period	(1,537)	(108,921)
Deficit - Beginning of period (Note 17)	(4,321,556)	(1,301,897)
Deficit - End of Period (Note 17)	\$ (4,323,093)	\$ (1,410,818)
Basic and Diluted Loss per Share	\$ (0.00)	\$ (0.005)
Weighted Average Number of Shares Outstanding	38,751,526	23,067,664

Statements of Cash Flows
For the Three Months Ended February 28

(Unaudited)
Canadian Funds

	2006	2005 Restated (Note 17)
Cash Flows from Operating Activities		
Net income (loss) for the period	\$ (1,537)	\$ (108,921)
Items not affected by cash:		
Future income tax (recovery)	(390,845)	(56,412)
Stock-based compensation	32,573	-
Amortization	3,309	1,985
Write-off of leasehold improvements	2,684	-
Write-off of resource property costs	186,994	-
	<u>(166,822)</u>	<u>(163,348)</u>
Change in non-cash working capital:		
GST receivable	16,502	(36,084)
Accounts payable and accrued liabilities	8,171	(387,400)
Deferred rent inducement	(289)	-
	<u>(142,438)</u>	<u>(586,832)</u>
Cash Flows from Investing Activities		
Purchase of equipment and leasehold improvements	(6,459)	(11,361)
Permits and bond	56,324	-
Resource property costs	(843,519)	(122,122)
	<u>(793,654)</u>	<u>(133,473)</u>
Cash Flows from Financing Activities		
Issuance of share capital, net of issuance costs	576,375	734,604
Net Increase (Decrease) in Cash		
	(359,717)	14,299
Cash - Beginning of period	988,302	1,162,383
Cash and Cash Equivalents - End of Period	<u>\$ 628,585</u>	<u>\$ 1,176,682</u>
Supplemental Schedule of Non-Cash Investing and Financial Activities		
Issuance of shares for resource properties	\$ 28,000	\$ -
Accounts payable (paid) included in resource property costs	\$ (377,472)	\$ 312,011
Fair value of bonus warrants issued for property	\$ -	\$ 44,969

- See Accompanying Notes -

Indicator Minerals Inc.
(A Development Stage Company)
Schedule of Resource Property Costs

Schedule

(Unaudited)
Canadian Funds

	For the Three Months Ended February 28, 2006 (unaudited)			For the Year Ended November 30, 2005 (audited)		
	Acquisition Costs	Deferred Exploration	Total	Acquisition Costs	Deferred Exploration	Total
Mineral Interests						
Hunter Property						
Acquisition costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonus warrants issued re bond			-	44,969		44,969
Claims and staking	80		80	71,056		71,056
Analytical and sampling		205,977	205,977		913,525	913,525
Airborne geophysics		500	500		676,834	676,834
Consulting		19,196	19,196		219,088	219,088
Fieldwork		4,294	4,294		124,452	124,452
	80	229,967	230,047	116,025	1,933,899	2,049,924
Committee Bay Property						
Claims and staking	11,724		11,724	1,474		1,474
Analytical and sampling		117,360	117,360		251,209	251,209
Consulting		8,906	8,906		45,914	45,914
Fieldwork		1,401	1,401		37,385	37,385
	11,724	127,667	139,391	1,474	334,508	335,982
International Samuel JV Property						
Claims and staking	20		20	161	-	161
Analytical and sampling		43,444	43,444		81,806	81,806
Consulting		1,656	1,656		21,678	21,678
Fieldwork		10	10		5,826	5,826
	20	45,110	45,130	161	109,310	109,471
Lokgwabe Property						
Acquisition costs	28,000		28,000	84,205		84,205
Airborne geophysics		139,098	139,098		82,595	82,595
Ground geophysics		16,200	16,200			-
Fieldwork		17,816	17,816		58,077	58,077
Analytical		1,982	1,982		10,261	10,261
	28,000	175,096	203,096	84,205	150,933	235,138
Generative						
Fieldwork		6,273	6,273		9,971	9,971
Resource Costs for the Period	39,824	584,113	623,937	201,865	2,538,621	2,740,486
Costs, Beginning of the Period	1,731,164	3,070,221	4,801,385	3,098,717	1,421,699	4,520,416
Less: Write-off of Resource Property Costs on Properties Abandoned or Not Acquired	(80)	(186,914)	(186,994)	(1,569,418)	(890,099)	(2,459,517)
Balance, End of the Period	\$ 1,770,908	\$ 3,467,420	\$ 5,238,328	\$ 1,731,164	\$ 3,070,221	\$ 4,801,385

- See Accompanying Notes -

Indicator Minerals Inc.
(A Development Stage Company)
Notes to Financial Statements

February 28, 2006
(Unaudited)
Canadian Funds

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 and in Africa in order to bring the properties to the extraction and processing stage.

2. Continued Operations

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and 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, such as future equity financings, search for optionees on resource properties, 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.

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 economically feasible diamond ore 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.
(A Development Stage Company)
Notes to Financial Statements
February 28, 2006
(Unaudited)
Canadian Funds

3. Significant Accounting Policies – Continued:

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. In addition, the resource property costs are evaluated on an annual basis for impairment and where impairment occurs, related resource costs are written off.

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

Effective December 1, 2005, the Company adopted the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. This new section requires recognition of a legal liability for 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 costs must be 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.

There is no material impact on the consolidated financial statements resulting from the adoption of Section 3110 either in the current or prior periods presented.

d) Variable Interest Entities

The Accounting Standards Board (AcSB) issued Accounting Guideline AcG 15 "Consolidation of Variable Interest Entities", to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities." The Guideline provides criteria for identifying VIEs and further criteria for determining what entity, if any, should consolidate them. The Guideline is effective for annual and interim periods beginning on or after November 1, 2004, and upon adoption, will not materially impact the Company's results of operations and financial position. The Guideline is effective November 30, 2004 for the Company. 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. During the current period, the Company completed its evaluation and concluded that it has no Variable Interest Entities.

Indicator Minerals Inc.
(A Development Stage Company)
Notes to Financial Statements
February 28, 2006
(Unaudited)
Canadian Funds

3. Significant Accounting Policies – Continued:

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 furniture and equipment	20 %
Computer equipment	30 %
Computer software	100 %
Leasehold improvements	20 %

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 of net cash received on the exercise of the option, warrant or the purchase of escrow share.
- 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.

Indicator Minerals Inc.
(A Development Stage Company)
Notes to Financial Statements

February 28, 2006

(Unaudited)

Canadian Funds

3. Significant Accounting Policies – Continued:

i) Impairment of Long-Lived Assets

The Company follows the CICA Handbook Section 3063, "Impairment of Long-Lived Assets" ("HB 3063"). HB 3063 requires the Company to assess the impairment of long-lived assets, which consist primarily of property and equipment, when ever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the asset to its fair value. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value. The amount of the impairment is charged to income in the period when the impairment is determined.

j) 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.

k) 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.

l) Flow-Through Shares

The Company follows the recommendations of the Emerging Issues Committee, relating to flow-through shares, effective for all flow-through share agreements dated after March 19, 2004. Under the terms of Canadian flow-through share legislation, the tax attributes of qualifying expenditures are renounced to subscribers. To recognize the foregone tax benefits, share capital is reduced and a future income tax liability is recognized as the related expenditures are renounced. This future income tax liability is then reduced by the recognition of previously unrecorded future income tax assets on unused tax losses and deductions.

Although flow-through shares were issued during the fiscal year ended 2005, there has been no recognition of the forgone tax benefits on the expenditures as they were not renounced in the 2005 fiscal year. Such expenses were renounced in the current period and thus recognized in the current period.

Indicator Minerals Inc.
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Notes to Financial Statements
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(Unaudited)
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4. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivable, advance to related party, GST receivable, permits and bonds, 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.

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.

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. Due to the delay in the 2004 exploration program concerning the Hunter Property and the Committee Bay Property, the requisite geological assessment reports had not been filed on time. However, these reports can still be filed and refunds obtained.

During the year ended November 30, 2005, 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.

During the current period, additional permits were obtained: Committee Bay - \$135,260 and Hunter Property - \$53,308, for the third year program to commence in 2006.

The balance consists of:

	February 28, 2006	November 30, 2005
Hunter Property permits	\$ -	\$ 29,520
Committee Bay permits	379,080	243,820
Hunter Property permits (extended)	125,291	287,355
	<u>\$ 504,371</u>	<u>\$ 560,695</u>

The Company has been filing additional reports with the Territorial authorities. These reports may result in a refund of amounts paid by the Company. Any such proceeds will be used to reduce the amount of permits on the Company's books with any non-refunded amounts being transferred to resource property costs. Since November 30, 2005, a total of \$244,892 of refunds was processed for the Hunter permits.

Indicator Minerals Inc.
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Notes to Financial Statements

February 28, 2006

(Unaudited)

Canadian Funds

7. Property and Equipment:

Details are as follows:

	As at February 28, 2006			As at November 30, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 14,718	\$ (4,204)	\$ 10,514	\$ 14,718	\$ (3,352)	\$ 11,366
Computer software	16,724	(12,188)	4,536	13,183	(11,265)	1,918
Office furniture and equipment	37,010	(6,398)	30,612	34,092	(4,864)	29,228
Leasehold improvements	-	-	-	3,728	(1,044)	2,684
	\$ 68,452	\$ (22,790)	\$ 45,662	\$ 65,721	\$ (20,525)	\$ 45,196

8. Resource Property Costs:

a) Details are as follows:

	Acquisition Costs	Exploration Costs	Balance as at February 28, 2006	Balance as at November 30, 2005
Hunter Property, Nunavut Canada	\$ 1,523,160	2,869,081	\$ 4,392,241	\$ 4,251,437
Committee Bay Property, Nunavut, Canada	135,543	272,310	407,853	314,810
Lokgwabe Property, Botswana	112,205	326,029	438,234	235,138
	\$ 1,770,908	3,467,420	\$ 5,238,328	\$ 4,801,385

In February, 2006, the Company decided not to renew the permits on certain claims. Accordingly, the Company's resource property costs are written down effective November 30, 2005. To February 28, 2006, further write-off on these claims were made. Details of the write-offs are as follows:

	Acquisition Costs	Exploration Costs	Total Written Down as at February 28, 2006
Hunter Property, Nunavut Canada	\$ 20	89,223	\$ 89,243
Committee Bay Property, Nunavut, Canada	40	46,308	46,348
International Samuel JV Property, Nunavut, Canada	20	45,110	45,130
General	-	6,273	6,273
	\$ 80	186,914	\$ 186,994

The write off in the fiscal year ended November 30, 2005 consisted of:

	Acquisition Costs	Exploration Costs	Total Written Down as at February 28, 2006
Hunter Property, Nunavut Canada	\$ 857,293	165,497	\$ 1,022,790
Committee Bay Property, Nunavut, Canada	286,939	515,784	802,723
International Samuel JV Property, Nunavut, Canada	425,186	198,847	624,033
General	-	9,971	9,971
	\$ 1,569,418	890,099	\$ 2,459,517

Indicator Minerals Inc.
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Notes to Financial Statements

February 28, 2006

(Unaudited)

Canadian Funds

8. 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.
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8. 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 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 on May 31, 2004 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 exploration agreement 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 may charge 5% of exploration costs as operator's fee. No fees were received during the 2005 year.

In February 2006, the Company has decided not to renew the permits on this property and accordingly, all costs are written off effective November 30, 2005. Further costs to February 28, 2006 were also written off in the current period.

Indicator Minerals Inc.
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February 28, 2006

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8. 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, Africa. 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 (200,000 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).

9. 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, 2004	23,065,720	\$	6,437,214
Exercise of share purchase warrants	1,107,500		166,125
Private placement – March 2005	2,650,000		795,000
Private placement – August 2005	10,392,695		2,481,960
Issuance for acquisition of resource property (note 8e)	100,000		31,000
Finders fee for resource property	100,000		31,000
Share issuance costs	-		(184,883)
Future income taxes on renouncement of flow-through shares issued (note 9f)	-		(876,884)
Balance - November 30, 2005	<u>37,415,915</u>		<u>8,880,532</u>
Exercise of share purchase warrants	3,842,500		576,375
Issuance for resource property (note 8e)	100,000		28,000
Future income taxes on renouncement of flow-through shares issued (note 9f)	-		(390,845)
Balance – February 28, 2006	<u>41,358,415</u>	\$	<u>9,094,062</u>

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9. Share Capital - Continued

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 \$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.

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. 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.

c) **Escrow Restrictions**

As at February 28, 2006, an aggregate of 787,500 (2004 – 1,312,500) 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. The remaining 787,500 shares are to be released at 262,500 semi-annually on March 1, 2006, September 1, 2006, and March 1, 2007.

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, November 30, 2004	9,023,360	\$ 0.40
Issued	7,303,195	0.37
Issued as bonus warrant	359,193	0.45
Exercised	(1,107,500)	0.15
Outstanding warrants, November 30, 2005	15,578,248	0.39
Exercised	(3,842,500)	0.15
Expired without exercise	(342,500)	\$0.40
	11,393,248	\$0.49

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9. Share Capital – Continued:

d) **Share Purchase and Agents Warrants – Continued:**

At February 28, 2006, the following warrants were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
Agents Warrants:			
March 3, 2006	\$0.40	25,000**	0.01
April 16, 2006*	\$0.65	598,000*	0.13
March 15, 2007	\$0.45	152,500	1.07
April 1, 2007	\$0.45	15,000	1.13
Bonus Warrants			
January 26, 2007	\$0.45	359,193	0.90
Other Share Purchase warrants			
April 16, 2006*	\$0.75	3,107,860*	0.13
March 15, 2007	\$0.45	1,250,000	1.07
April 1, 2007	\$0.45	75,000	1.13
August 12, 2007	\$0.35	2,008,478	1.45
August 25, 2007	\$0.35	3,802,217	1.49
Weighted average of exercise price	\$0.49	11,393,248	0.96

* 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. These warrants expired without exercise on April 16, 2006.

** Expired on March 3, 2006 without exercise.

The Company recorded \$44,969 as resource property costs in the fiscal year ended November 30, 2005, 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 96%, expected annual dividend yield of 0.0% and expected life of 2 years.

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9. 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, or one year after the death of an optionee. 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, 2004	2,279,500	0.48
Forfeiture on resignation (director)	(170,000)	0.48
Granted	1,425,000	0.31
Outstanding November 30, 2005	3,534,500	0.41
Granted	150,000	0.28
Outstanding February 28, 2006	3,684,500	\$ 0.40

Subsequent to period-end, the Company granted 400,000 stock options to consultants exercisable at \$0.58 per share to April 11, 2011. The associated stock-based compensation expense for these options is \$180,094.

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9. Share Capital – Continued:

e) **Stock Options - Continued**

On December 19, 2005, the Company granted 150,000 incentive stock options to a consultant and director (options granted to a director - \$50,000). These options are exercisable at \$0.28 per share until December 19, 2010. The associated stock-based compensation for these options is \$32,572, calculated based on the following assumption:

Estimated risk-free rate (5 year Government of Canada zero coupon bond)	3.82%
Expected volatility	106.99%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

Fiscal Year Ended November 30, 2005

On April 25, 2005, the Company granted 225,000 incentive stock options to its employees. These options are exercisable at \$0.23 until April 25, 2010. \$42,400 of stock-based compensation is recorded as expense and as an increase to contributed surplus based on the following assumption:

Estimated risk-free rate (5 year Government of Canada zero coupon bond)	3.56%
Expected volatility	96.33%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

On October 24, 2005, the Company granted 1,200,000 incentive stock options to its employees. These options are exercisable at \$0.32 until October 23, 2010. \$303,839 of stock based compensation is recorded as expense and as an increase to contributed surplus based on the following assumption:

Estimated risk-free rate (5 year Government of Canada zero coupon bond)	3.82%
Expected volatility	107.39%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

At February 28, 2006, 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	3.14
April 19, 2009	\$0.36	265,000	3.14
November 16, 2009	\$0.36	695,000	3.71
April 25, 2010	\$0.23	225,000	4.15
October 23, 2010	\$0.32	1,200,000	4.65
December 19, 2010	\$0.28	150,000	4.78
	\$0.40	3,684,500	3.87

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9. Share Capital - Continued

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 November 30, 2005, the Company had incurred the balance of these flow-through spending obligations. The future income tax liability of \$876,884 (Note 12(a)) (by applying the statutory rate of 34.12% to \$2,570,000) resulting from the renunciation of these qualifying expenditures was recorded in the November 30, 2005 year.

During the fiscal year ended November 30, 2005, 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. The Company had incurred all flow-through spending obligations and the unspent balance of this flow-through issuance at November 30, 2005 is \$nil. The future income tax liability, estimated to be \$390,845 (by applying the tax statutory rate of 34.12% of \$1,145,500) resulting from the renunciation of these qualifying expenditures was recorded in February 2006 when the renunciation tax forms were filed, in accordance with the pronouncement of the CICA Emerging Issue Committee.

10. Contributed Surplus

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

Balance, November 30, 2004	\$	1,189,155
Fair value of stock-based compensation		346,240
Fair value of bonus warrants issued to Hunter		44,969
Balance, November 30, 2005		1,580,364
Fair value of stock-based compensation (Note 8 e)		32,573
Balance – February 28, 2006	\$	1,612,937

11. Related Party Transactions

During the period ended February 28, 2006, the Company incurred capitalized mineral interest - geological consulting fees of \$48,020 (2005 - \$48,594) and consulting fees of \$37,605 (2005 - \$26,406) for management services provided by companies controlled by directors and officers in common with the Company. Of this amount, \$31,484 (November 30, 2005 - \$1,337) was unpaid at February 28, 2006. 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.

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11. Related Party Transactions – Continued:

110,000 shares issued during the March 2005 private placement (Note 9(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 9(b)) were to directors and officers.

700,000 of the 1,200,000 options granted in October 2005 were to directors and officers of the Company.

12. Income Taxes

a) Reconciliation of accounting and taxable income

	For the Three Months Ended February 28, 2006	For the Year Ended November 30, 2005
Net Income (Loss) for the year	\$ (1,537)	\$ (2,500,772)
Add:		
Amortization	3,309	14,464
Stock-based compensation	32,573	346,240
Write-off of resource property costs	186,994	2,459,517
Future income tax expense (recovery) (Note 9 f)	(390,845)	(876,884)
Deduct:		
Capital Cost Allowance	(3,430)	(16,579)
Share issuance costs	(36,332)	(161,986)
Other - rounding	268	-
Non-capital loss for tax purposes	\$ (209,000)	\$ (736,000)

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12. Income Taxes – Continued:

b) The Company has non-capital losses which may be applied to reduce future years' taxable income. At February 28, 2006, these losses expire as follows:

2008	\$	25,000
2009		121,000
2010		49,000
2014		538,000
2015		736,000
2016		209,000
		<u>1,678,000</u>

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

	February 28, 2006	November 30, 2005
Future income tax asset		
Non-capital loss carry-forwards	\$ 1,678,000	\$ 1,469,000
Share issue costs	436,520	472,852
Other	1,243	(878)
Resource property costs tax basis in excess of book value (Book Value in excess of tax costs)	<u>(783,341)</u>	<u>175,165</u>
	<u>1,332,422</u>	<u>2,116,139</u>
Effective income tax rate	34.12%	34.12%
Future income tax asset (liability)	454,622	722,026
Allowance for future income tax	<u>(454,622)</u>	<u>(722,026)</u>
Future income tax liability	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse.

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13. Segmented Information:

The Company's business consists of mineral exploration and development. For the period ended February 28, 2006, details on geographic segments are as follows:

	Net Loss	Identifiable Assets	Resource Property Costs
Canada	\$ (1,537)	\$ 6,057,014	\$ 4,800,094
Botswana, Africa	\$ -	\$ 438,234	\$ 438,234
Total	\$ (1,537)	\$ 6,495,248	\$ 5,238,328

For the period ended February 28, 2005, details on geographic segments are as follows:

	Net Loss	Identifiable Assets	Resource Property Costs
Canada	\$ (108,921)	\$ 7,226,007	\$ 4,970,757
Botswana, Africa	\$ -	\$ 37,661	\$ 37,661
Total	\$ (108,921)	\$ 7,253,668	\$ 5,008,418

14. Commitment:

a) Lease Commitment:

On May 25, 2005, the Company entered into an operating lease for office premises to be effective July 1, 2005, for 36 months. As inducement for entering into the lease, the Company was given a two month rent-free period (July 1 to August 31, 2005) and contribution (maximum \$7,435) towards leasehold improvements. The monthly lease payments include rent, operating costs and property taxes. Minimum payments are as follows:

2006	33,906
2007	40,687
2008	20,294
	\$ 94,887

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.

b) Service Contracts:

The Company has the following consulting and management service contract commitments:

2006	\$ 220,625
2007	122,250
2008	8,500
Totals	\$ 351,375

**One of the consulting contracts also contain a potential payment of up to \$51,000 for termination.

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15. Comparative Figures

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

16. Subsequent Events:

- a) To April 21, 2006, the Company received \$15,217 proceeds from exercise of 43,478 warrants.

17. Prior Period Adjustment

During the audit of the November 30, 2005 fiscal year, it was determined that an error had been made in the recording of the renunciation of flow-through expenditures. In fiscal 2004, the Company recognized the renunciation of \$1,757,487 Qualifying Canadian Exploration Expenditures, which had been incurred by November 30, 2004 and a corresponding \$591,978 was recognized as a recovery of future income taxes. The flow-through issuances had been completed on April 16, 2004 for \$1,100,000 and on August 18, 2004 for \$1,470,000.

Emerging Issues Committee abstract for discussion 146 ("EIC-146") had an effective date of March 19, 2004. EIC-146 requires the recognition of the renouncement of Qualifying Canadian Exploration Expenditures from the proceeds of flow-through shares on the date of filing of the renouncement documents with the tax authorities. The renouncement documents were filed with the tax authorities for the 2004 fiscal flow-through issuances in February 2005, hence the recognition of the renouncement should have been recognized in fiscal 2005.

The net effects on the comparative figures at November 30, 2004 is as follows:

	Previously Reported	Adjustment	Restated
Balance Sheet			
Future income taxes liability	\$ 73,091	\$ (73,091)	\$ -
Income Statement			
Future income tax expense (recovery)	\$ (518,887)	\$ 518,887	\$ -
Net loss	(1,154,584)	(518,887)	(1,673,471)
Basic and diluted loss per share	\$ (0.08)	\$ (0.03)	\$ (0.11)
Shareholders' Equity			
Share Capital	\$ 5,845,236	\$ 591,978	\$ 6,437,214
Deficit	\$ (1,301,897)	\$ (518,887)	\$ (1,820,784)

As a result of this prior period adjustment, the future income tax calculation in the statements of loss and deficit for the quarters within the fiscal year November 30, 2005 was restated to account for the adjustments for future income tax liability flowing from 2004. The operating results for the quarter ended February 28, 2005, used for comparison, are restated to reflect a provision for future income tax recovery.
