

**INDICATOR MINERALS INC.**  
**(An Exploration Stage Company)**  
**INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED AUGUST 31, 2006**  
**In Canadian Funds**  
**Unaudited – Prepared by Management**

## **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, 2006 have not been reviewed by the company's auditors.

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**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Balance Sheets**

Statement 1

Unaudited – Prepared by Management  
Canadian Funds

<b>ASSETS</b>	<b>As at August 31, 2006 (Unaudited)</b>	<b>As at November 30, 2005 (Audited)</b>
<b>Current</b>		
Cash and cash equivalents (Note 5)	\$ 1,930,651	\$ 988,302
Cash calls receivables	1,002,284	101,743
Advance to related party	-	3,000
Marketable Securities (Note 11)	27,500	-
GST receivable	130,777	88,064
Prepaid expenses	6,740	1,740
	<b>3,097,952</b>	<b>1,182,849</b>
<b>Permits and Bond (Note 6)</b>	<b>480,451</b>	<b>560,695</b>
<b>Property and Equipment (Note 7)</b>	<b>98,697</b>	<b>45,196</b>
<b>Resource Property Costs (Note 8) – Schedule</b>	<b>6,291,822</b>	<b>4,801,385</b>
	<b>\$ 9,968,922</b>	<b>\$ 6,590,125</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
- Trade and accrued liabilities	\$ 309,603	\$ 446,360
- Due to related parties (Note 12)	240,682	1,337
	<b>550,285</b>	<b>447,697</b>
<b>Deferred rent inducement</b>	<b>2,220</b>	<b>3,088</b>
	<b>552,505</b>	<b>450,785</b>
<b>Continued Operations (Note 2)</b>		
<b>Future Income Taxes (Note 13)</b>		
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 9)</b>	<b>12,830,892</b>	<b>8,880,532</b>
<b>Contributed Surplus (Note 10)</b>	<b>2,265,373</b>	<b>1,580,364</b>
<b>Deficit - Statement 2</b>	<b>(5,679,848)</b>	<b>(4,321,556)</b>
	<b>9,416,417</b>	<b>6,139,340</b>
	<b>\$ 9,968,922</b>	<b>\$ 6,590,125</b>

ON BEHALF OF THE BOARD:

"Bruce Counts", President & CEO, Director

"Sean Mager", Director

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Statements of Loss and Deficit**  
**For the Nine Month Period Ended August 31**

Statement 2

*Unaudited – Prepared by Management*  
*Canadian Funds*

	For the Three Months Ended August 31, 2006	For the Three Months Ended August 31, 2005 (restated – note 16)	For the Nine Months Ended August 31, 2006	For the Nine Months Ended August 31, 2005 (restated – note 16)
<b>Expenses</b>				
Advertising and promotion	\$ 23,829	\$ 15,324	\$ 95,112	\$ 40,822
Amortization	7,483	3,720	17,291	9,228
Conference and meetings	30,452	8,432	124,758	72,086
Corporate listing and filing fees	3,051	300	9,696	12,479
Investor relations	10,975	14,126	37,138	77,009
Office and administration	34,865	10,692	58,385	27,429
Professional fees	16,128	13,159	67,768	63,075
Rent	7,628	8,335	25,311	13,645
Stock-based compensation	628,496	-	846,163	40,162
Transfer agent fees	5,607	4,426	8,798	9,554
Wages and consulting fees	63,413	29,521	167,118	101,768
<b>Loss before the undernoted</b>	<b>(831,927)</b>	<b>(108,035)</b>	<b>(1,457,538)</b>	<b>(467,257)</b>
<b>Other Income (Expenses)</b>				
Operator's fees	26,629	-	81,545	3,059
Interest	18,036	4,082	27,214	12,454
Recovery of bad debt	27,500	-	27,500	-
Write-off of leasehold improvements	-	-	(2,684)	-
Write-off of resource property costs	(216,997)	(1,420)	(425,174)	(6,350)
	<b>(144,832)</b>	<b>2,662</b>	<b>(291,599)</b>	<b>9,163</b>
<b>Loss before income taxes</b>	<b>(976,759)</b>	<b>(105,373)</b>	<b>(1,749,137)</b>	<b>(458,094)</b>
<b>Future income tax recovery</b>	<b>-</b>	<b>35,469</b>	<b>390,845</b>	<b>154,136</b>
<b>NET LOSS FOR THE PERIOD</b>	<b>(976,759)</b>	<b>(69,904)</b>	<b>(1,358,292)</b>	<b>(303,958)</b>
Deficit - Beginning of period	(4,703,089)	(2,054,838)	(4,321,556)	(1,820,784)
<b>Deficit - End of Period</b>	<b>\$ (5,679,848)</b>	<b>\$ (2,124,742)</b>	<b>\$ (5,679,848)</b>	<b>\$ (2,124,742)</b>
<b>Basic and Diluted Loss per Share</b>	<b>\$ (0.020)</b>	<b>\$ (0.003)</b>	<b>\$ (0.031)</b>	<b>\$ (0.013)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>48,302,476</b>	<b>28,019,744</b>	<b>43,296,427</b>	<b>25,698,549</b>

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Statements of Cash Flows**  
**For the Nine Month Period Ended August 31**

Statement 3

Unaudited – Prepared by Management  
Canadian Funds

	For the Three Months Ended August 31, 2006	For the Three Months Ended August 31, 2005	For the Nine Months Ended August 31, 2006	For the Nine Months Ended August 31, 2005
<b>Cash Flows from Operating Activities</b>				
Net loss for the period	\$ (976,759)	\$ (69,904)	\$ (1,358,292)	\$ (303,958)
Items not affected by cash:				
Future income tax recovery	-	(35,469)	(390,845)	(154,136)
Stock-based compensation	628,496	-	846,163	40,162
Amortization	7,483	3,720	17,291	9,228
Recovery of bad debt	(27,500)	-	(27,500)	-
Write-off of leasehold improvements	-	-	2,684	-
Write-off of resource property costs	216,997	1,420	425,174	6,350
	(151,283)	(100,233)	(485,325)	(402,354)
Change in non-cash working capital:				
Trade receivable	(324)	1,594	(324)	(68,830)
Share subscriptions receivable	5,000	-	-	-
GST receivable	6,378	36,099	(42,713)	157,213
Prepaid expenses	992	(3,596)	(5,000)	(3,596)
Accounts payable and accrued liabilities	143,047	106,120	11,114	13,140
Deferred rent inducement	(289)	3,377	(868)	3,377
	3,521	43,361	(523,116)	(711,008)
<b>Cash Flows from Investing Activities</b>				
Restricted guaranteed investment certificate		-	-	25,000
Purchase of equipment and leasehold improvements, net	(13,148)	(12,695)	(73,476)	(23,146)
Permits	(145,858)	(172,991)	179,140	(172,991)
Resource property costs	(901,117)	(492,506)	(2,793,913)	(1,814,588)
Repayment of (advances to) related party	(114,413)	-	3,000	-
	(1,174,536)	(678,192)	(2,685,249)	(1,575,767)
<b>Cash Flows from Financing Activities</b>				
Issuance of share capital, net	240,664	2,439,159	4,152,051	3,160,327
Less: Increase in subscriptions receivable	-	(1,187,395)	-	(1,187,395)
Repayment of (advances to) related party	-	-	(1,337)	-
	240,664	1,251,764	4,150,714	1,972,932
<b>Net Increase (Decrease) in Cash</b>	<b>(930,351)</b>	<b>619,933</b>	<b>942,349</b>	<b>(313,843)</b>
Cash - Beginning of period	2,861,002	231,607	988,302	1,162,383
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 1,930,651</b>	<b>\$ 848,540</b>	<b>\$ 1,930,651</b>	<b>\$ 848,540</b>
<b>Supplemental Schedule of Non-Cash Investing and Financial Activities</b>				
Trade receivables, prepaid expenses, trade payables and amounts due to related parties included in resource property costs	\$ (177,942)	\$ (70,658)	\$ 807,406	\$ 409,958
Trade receivables included in permits	\$ -	\$ -	\$ 98,896	\$ -
Shares received on bad debt recovery	\$ 27,500	\$ -	\$ 27,500	\$ -
Stock based compensation relating to warrants issued for mineral property costs	\$ -	\$ -	\$ -	\$ 40,162
Stock based compensation relating to options exercised	\$ 161,154	\$ -	\$ 161,154	\$ -
Issuance of shares for property	\$ -	\$ -	\$ 28,000	\$ 62,000
Fair value of bonus warrants issued for property	\$ -	\$ -	\$ -	\$ 53,879

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Schedule of Resource Property Costs**

Schedule

Unaudited – Prepared by Management  
Canadian Funds

	For the Nine Months Ended August 31, 2006 (unaudited)			For the Year Ended November 30, 2005 (audited)		
	Acquisition Costs	Deferred Exploration	Total	Acquisition Costs	Deferred Exploration	Total
<b>Mineral Interests</b>						
<b>Hunter Property</b>						
Acquisition costs	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -	\$ -
Bonus warrants issued re bond	-	-	-	44,969	-	44,969
Claims and staking	26,901	-	26,901	71,056	-	71,056
Analytical and sampling	-	437,898	437,898	-	913,525	913,525
Airborne geophysics	-	(16,303)	(16,303)	-	676,834	676,834
Consulting	-	50,877	50,877	-	219,088	219,088
Fieldwork	-	528,503	528,503	-	124,452	124,452
	76,901	1,000,975	1,077,876	116,025	1,933,899	2,049,924
<b>Committee Bay Property</b>						
Acquisition costs	14,457	-	14,457	-	-	-
Claims and staking	12,713	-	12,713	1,474	-	1,474
Analytical and sampling	-	123,236	123,236	-	251,209	251,209
Consulting	-	16,568	16,568	-	45,914	45,914
Fieldwork	-	(244)	(244)	-	37,385	37,385
	27,170	139,560	166,730	1,474	334,508	335,982
<b>International Samuel JV Property</b>						
Claims and staking	20	-	20	161	-	161
Analytical and sampling	-	43,444	43,444	-	81,806	81,806
Consulting	-	4,492	4,492	-	21,678	21,678
Fieldwork	-	10	10	-	5,826	5,826
	20	47,946	47,966	161	109,310	109,471
<b>Lokgwabe Property</b>						
Acquisition costs	32,153	-	32,153	84,205	-	84,205
Airborne geophysics	-	139,098	139,098	-	82,595	82,595
Analytical and sampling	-	13,873	13,873	-	10,261	10,261
Consulting	-	41,685	41,685	-	-	-
Ground geophysics	-	41,644	41,644	-	-	-
Fieldwork	-	106,378	106,378	-	58,077	58,077
	32,153	342,678	374,831	84,205	150,933	253,138
<b>Indicator Property</b>						
Claims and staking	224	-	225	-	-	-
Analytical and sampling	-	15,791	15,791	-	-	-
Consulting	-	2,715	2,715	-	-	-
Fieldwork	-	670	670	-	-	-
	224	19,175	19,399	-	-	-
<b>Generative</b>						
Claims and staking	82,239	-	82,239	-	-	-
Analytical and sampling	-	85,183	85,183	-	-	-
Consulting	-	30,444	30,444	-	-	-
Fieldwork	-	30,943	30,943	-	9,971	9,971
	82,239	146,570	228,809	-	9,971	9,971
<b>Resource Costs for the Period</b>						
Costs, Beginning of the Period	218,707	1,696,904	1,915,611	201,865	2,538,621	2,740,486
Less: Write-off of Resource Property Costs on Properties Abandoned or Not Acquired	1,731,164	3,070,221	4,801,385	3,098,717	1,421,699	4,520,416
	(82,539)	(342,635)	(425,174)	(1,569,418)	(890,099)	(2,459,517)
<b>Balance, End of the Period</b>	<b>\$ 1,867,332</b>	<b>\$ 4,424,490</b>	<b>\$ 6,291,822</b>	<b>\$ 1,731,164</b>	<b>\$ 3,070,221</b>	<b>\$ 4,801,385</b>

- See Accompanying Notes -

# **Indicator Minerals Inc.**

## **(An Exploration Stage Company)**

### **Notes to Interim Financial Statements**

**August 31, 2006**

*Unaudited – Prepared by Management  
Canadian Funds*

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

Indicator Minerals Inc. ("Indicator" or the "Company") is an exploration stage enterprise and is currently exploring its mineral interests in Nunavut, Canada and in Botswana, Africa in order to bring the properties to the extraction and processing stage. The Company is listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol IME.

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#### **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.

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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 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.**  
**(An Exploration Stage Company)**  
**Notes to Interim Financial Statements**

**August 31, 2006**

*Unaudited – Prepared by Management  
Canadian Funds*

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**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.

**e) Marketable Securities**

The Company accounts for marketable securities at the lower of cost or quoted market value.

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Notes to Interim Financial Statements**

**August 31, 2006**

*Unaudited – Prepared by Management  
Canadian Funds*

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

**f) 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:

Computer equipment	30 %
Computer software	100 %
Field Equipment	20 %
Office furniture and equipment	20 %

**g) 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.

**h) Share Capital**

- i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount of net cash received on the exercise of the option or warrant.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

**i) Stock-Based Compensation**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Notes to Interim Financial Statements**

**August 31, 2006**

*Unaudited – Prepared by Management*  
*Canadian Funds*

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

**j) 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, whenever 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.

**k) 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.

**l) 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.

**m) 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.

(An Exploration Stage Company)

## Notes to Interim Financial Statements

August 31, 2006

Unaudited – Prepared by Management  
Canadian Funds

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#### 4. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, cash calls receivable, advance to related party, marketable securities, 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.

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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.

Included in cash are proceeds from flow-through share issuance totalling \$914,613 which must be spent on eligible Canadian Exploration Expenditures.

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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.

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 - \$163,242, for the third year program to commence in 2006.

The balance consists of:

	August 31, 2006	November 30, 2005
Hunter Property permits	\$ -	\$ 29,520
Committee Bay permits	243,820	243,820
Hunter Property permits (extended)	236,631	287,355
	<u>\$ 480,451</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 \$513,567 of refunds were processed for the Hunter and Committee Bay permits.

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**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Notes to Interim Financial Statements**

**August 31, 2006**

*Unaudited – Prepared by Management  
Canadian Funds*

**7. Property and Equipment:**

Details are as follows:

	As at August 31, 2006			As at November 30, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 28,596	\$ (7,470)	\$ 21,126	\$ 14,718	\$ (3,352)	\$ 11,366
Computer software	22,698	(16,272)	6,426	13,183	(11,265)	1,918
Field equipment	36,198	(2,715)	33,483	-	-	-
Office furniture and equipment	47,977	(10,315)	37,662	34,092	(4,864)	29,228
Leasehold improvements	-	-	-	3,728	(1,044)	2,684
	<b>\$ 135,469</b>	<b>\$ (36,772)</b>	<b>\$ 98,697</b>	<b>\$ 65,721</b>	<b>\$ (20,525)</b>	<b>\$ 45,196</b>

**8. Resource Property Costs:**

a) Details are as follows:

	Acquisition Costs	Exploration Costs	Balance as at August 31, 2006	Balance as at November 30, 2005
Hunter Property, Nunavut Canada	\$ 1,599,760	\$ 3,633,175	\$ 5,232,935	\$ 4,251,437
Committee Bay Property, Nunavut, Canada	150,989	278,530	429,519	314,810
Lokgwabe Property, Botswana	116,358	493,611	609,969	235,138
Indicator Properties, Nunavut, Canada	225	19,174	19,399	-
	<b>\$ 1,867,332</b>	<b>\$ 4,424,490</b>	<b>\$ 6,291,822</b>	<b>\$ 4,801,385</b>

In February, 2006, the Company decided not to renew the permits on certain claims. Accordingly, the Company's resource property costs were written down effective November 30, 2005. To August 31, 2006, further write-offs on these claims were made. Details of the write-offs are as follows:

	Acquisition Costs	Exploration Costs	Total Written Down as at August 31, 2006
Hunter Property, Nunavut Canada	\$ 240	\$ 96,137	\$ 96,377
Committee Bay Property, Nunavut, Canada	40	51,982	52,022
International Samuel JV Property, Nunavut, Canada	20	47,946	47,966
General	82,239	146,570	228,809
	<b>\$ 82,539</b>	<b>\$ 342,635</b>	<b>\$ 425,174</b>

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**8. Resource Property Costs - Continued:**

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

	Acquisition Costs	Exploration Costs	Total Written Down as at November 30, 2005
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
	<u>\$ 1,569,418</u>	<u>\$ 890,099</u>	<u>\$ 2,459,517</u>

**b) Hunter Property**

**General**

On February 26, 2004, the Company 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 issued 3,000,000 common shares at a deemed price of \$0.40 per share and reimbursed Hunter \$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 funded two to three regional diamond exploration programs identified by Hunter at an estimated cost of between \$60,000 and \$75,000 and also paid 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 ended November 30, 2005. 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. To August 31, 2006 the Company had written off a total of \$1,119,167 capitalized resource property costs (November 30, 2005 - \$1,022,790) on these properties and chose not to renew prospecting claims covering over 800,000 acres.

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**8. Resource Property Costs - Continued:**

**Baumann**

On March 31, 2005, Indicator entered into a Letter of Intent with Stornoway Diamond Corporation (SWY: TSX) whereby Stornoway has an option to earn a 41% interest in the Baumann Project located on Ellesmere Island, Nunavut. The Baumann Project is comprised of 87 Prospecting Permits totalling more than 2.8 million acres. Under the terms of the option agreement, Stornoway can earn a 41% interest in the Baumann Project by spending \$1.0 million before December 31, 2009 and incurring 100% of the cost of staking mineral claims, which included the reimbursement of prospecting permit costs totalling \$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.

**Darby**

On June 2, 2006 the Company entered into an agreement with Teck Cominco Limited whereby Teck Cominco is required to spend \$14 Million over four years, including reimbursement of limited expenditures by the Company on the property prior to June 2, 2006, to earn a 51% interest in the diamond rights on the Company's 80% owned Darby Project which was part of the properties acquired from Hunter in February 2004. The Company will operate the exploration activities on the Darby properties for Teck Cominco under a service contract that is renewable annually and will incur the exploration expenditures and be reimbursed by Teck Cominco monthly. The Company will receive a 10% administrative fee on all disbursements in addition to payment for all overhead directly attributable to the project. These expenditures and fees are shown as part of trade receivables and total \$1,001,959 at August 31, 2006.

**c) Committee Bay Property**

On April 22, 2004, Indicator signed a letter of intent ("LOI") with Committee Bay Resources Ltd. (CBR:TSX-V) ("CBR"), a company with common directors and management, whereby Indicator can earn up to a 70% interest in 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%. To August 31, 2006 the Company had written off a total of \$854,745 in capitalized resource property costs (November 30, 2005 – \$802,723) and chose not to renew prospecting claims covering over 1.5 million acres.

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**8. Resource Property Costs – Continued:**

**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 totalling 490,000 acres and is part of the land package that Indicator has acquired from Hunter (see Hunter Property above). The Quilliq Project is composed of approximately 870,000 acres of mineral claims that were 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 were to fund future exploration expenditures equally on the combined properties. Indicator was operator of the project, for which Indicator was able to charge 5% of exploration costs as operator's fee. No fees were received during the 2005 and 2006 years.

In February 2006, the Company has decided not to renew the permits on this property and accordingly, all associated, capitalized resource property costs were written off effective November 30, 2005. Further costs to August 31, 2006 were also written off in the current period.

**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% (to 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 overriding 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).

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**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	4,099,064		674,881
Issuance for resource property (note 8e)	100,000		28,000
Future income taxes on renouncement of flow-through shares issued (note 9f)	-		(390,845)
Private placement - May 2006	6,819,136		3,514,850
Share issuance costs	-		(195,055)
Exercise of stock options	465,000		157,375
Stock Based Compensation on exercise of stock options	-		161,154
Balance – August 31, 2006	<u>48,899,115</u>	\$	<u>12,830,892</u>

b) **Private Placements**

**2006**

*Private Placement May 2006*

During May 2006, the Company completed a brokered and non-brokered private placement. The private placement consisted of 4,713,500 non-flow through units at a price of \$0.50 per unit and 2,105,636 flow-through common shares at a price of \$0.55 per flow-through common share, for total gross proceeds of \$3,514,850. 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 \$0.65 per share until February 15, 2007 and at \$0.75 from February 16, 2007 until November 15, 2007. No value was allocated to warrants as their per unit proceeds were equivalent to the trading price at the date of the agreement. Finders fees relating to the issuance of certain of the units were paid in cash totalling \$175,389 and 320,648 agents warrants were issued. The agents warrants entitle the holder to purchase one common share at \$0.70 to May 15, 2007.

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**9. Share Capital - Continued**

**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 August 31, 2006, an aggregate of 525,000 (May 31, 2005 – 1,050,000) 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. The remaining 525,000 shares are to be released at 262,500 semi-annually on 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
Issued	5,034,148	\$0.65
Exercised	(4,099,064)	\$0.17
Expired without exercise	(4,073,360)	\$0.40
Outstanding warrants, August 31, 2006	<b>12,439,972</b>	<b>\$0.49</b>

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**9. Share Capital – Continued:**

At August 31, 2006, the following warrants were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
<b>Agents Warrants:</b>			
March 15, 2007	\$0.45	97,414	0.54
April 1, 2007	\$0.45	15,000	0.58
May 15, 2007	\$0.70	320,648	0.70
<b>Bonus Warrants</b>			
January 26, 2007	\$0.45	359,193	0.41
<b>Other Share Purchase warrants</b>			
March 15, 2007	\$0.45	1,218,000	0.54
April 1, 2007	\$0.45	75,000	0.58
August 12, 2007	\$0.35	1,839,000	0.95
August 25, 2007	\$0.35	3,802,217	0.98
November 15, 2007*	\$0.65/\$0.75	4,713,500	1.18
<b>Weighted average of exercise price</b>	<b>\$0.49</b>	<b>12,439,972</b>	<b>0.98</b>

\* These warrants are exercisable at \$0.65 per share to February 15, 2007

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 (5 year Government of Canada zero coupon bond)	2.81%
Expected volatility	96.0 %
Estimated annual dividend yield	0.0%
Expected life of warrants	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)	(190,000)	\$0.48
Granted	1,425,000	\$0.31
Outstanding November 30, 2005	3,494,500	\$0.41
Cancelled	20,000	\$0.36
Granted	1,512,500	\$0.64
Exercised	465,000	\$0.34
Outstanding August 31, 2006	<b>4,562,000</b>	<b>\$ 0.49</b>

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### 9. Share Capital – Continued:

#### e) Stock Options - Continued

On August 3, 2006 the Company granted 837,500 incentive stock options to employees and consultants exercisable at \$0.75 per share to August 2, 2011. The associated stock-based compensation expense for these options is \$589,245 calculated based on the following assumption:

Estimated risk-free rate (5 year Government of Canada zero coupon bond)	4.31%
Expected volatility	73.0%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

On June 1, 2006 the Company granted 125,000 incentive stock options to a consultant of the company (who was appointed CFO, on August 7, 2006) exercisable at \$0.50 per share to May 31, 2011. The associated stock-based compensation expense for these options is \$39,251 calculated based on the following assumption:

Estimated risk-free rate (5 year Government of Canada zero coupon bond)	4.31%
Expected volatility	73.0%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

On April 11, 2006 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 \$185,094 calculated based on the following assumption:

Estimated risk-free rate (5 year Government of Canada zero coupon bond)	4.27%
Expected volatility	108.48%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

On December 19, 2005, the Company granted 150,000 incentive stock options to consultants. These options are exercisable at \$0.28 per share until December 19, 2010. The associated stock-based compensation for these options is \$32,573, 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

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**9. Share Capital - Continued**

**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 August 31, 2006, the following options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining in Years
April 19, 2009	\$0.580	1,149,500	2.64
April 19, 2009	\$0.355	180,000	2.64
November 16, 2009	\$0.355	495,000	3.21
April 25, 2010	\$0.230	225,000	3.65
October 23, 2010	\$0.320	980,000	4.15
December 19, 2010	\$0.275	150,000	4.30
April 11, 2011	\$0.580	400,000	4.61
May 31, 2011	\$0.500	125,000	4.75
August 2, 2011	\$0.750	837,500	4.92
	<b>\$0.492</b>	<b>4,542,000</b>	<b>3.78</b>

**f) Flow Through Shares**

**2006**

During the period ended August 31, 2006, the Company issued 2,105,636 flow-through common shares for total proceeds of \$1,158,100 which must be used for qualifying exploration expenditures and to be renounced to the flow-through shareholders effective December 31, 2006. The future income tax liability estimated to be \$395,144 (by applying the tax statutory rate of 34.12% of \$1,158,100) resulting from the renunciation of these qualifying expenditures will be recorded when the renunciation tax forms are filed, in accordance with the pronouncement of the CICA Emerging Issue Committee. The unspent balance of this flow-through issuance at August 31 was \$711,271 and is included in the Company's cash and cash equivalents.

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**9. Share Capital - Continued**

**2005**

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.

**2004**

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.

**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 9e)		846,163
Stock based compensation recognized on option exercise (Note 9e)		(161,154)
<b>Balance – August 31, 2006</b>	<b>\$</b>	<b>2,265,373</b>

**11. Marketable Securities**

	August 31, 2006		November 30, 2005	
	Market Value	Cost	Market Value	Cost
Common shares in a public company received as property payments, representing less than 5% interest in the optionee companies	\$ 27,500	\$ 27,500	\$ -	\$ -

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**12. Related Party Transactions**

During the period ended August 31, 2006, the Company incurred capitalized mineral interest - geological consulting fees of \$311,104 (August 31, 2005 - \$86,773), mineral property costs recoverable of \$552,668 and consulting fees of \$144,809 (August 31, 2005 - \$78,750) for management services provided by companies controlled by directors and officers in common with the Company. Of this amount, \$240,682 (November 30, 2005 - \$1,337) was unpaid at August 31, 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.

300,000 of the shares issued on the exercise of options during the period were to directors of the Company.

350,000 units issued during the May 2006 private placement (Note 9(b)) were to related parties: 320,000 to the CEO/director, and 30,000 to other directors and officers of the Company.

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.

675,000 of the 837,000 options granted in August 2006, 125,000 of the options granted in June 2006 and 700,000 of the 1,200,000 options granted in October 2005 were to directors and officers of the Company.

**13. Income Taxes**

a) Reconciliation of accounting and taxable income (rounded to the nearest ,000)

	<b>For the Nine Months Ended August 31, 2006</b>	For the Year Ended November 30, 2005
Net Income (Loss) for the period	<b>\$ (1,386,000)</b>	\$ (2,501,000)
Add:		
Amortization	<b>17,000</b>	14,000
Stock-based compensation	<b>846,000</b>	346,000
Write-off of resource property costs	<b>425,000</b>	2,460,000
Future income tax expense (recovery) <i>(Note 9 f)</i>	<b>(391,000)</b>	(877,000)
Deduct:		
Capital Cost Allowance	-	(16,000)
Share issuance costs	-	(162,000)
Non-capital loss for tax purposes	<b>\$ (489,000)</b>	\$ (736,000)

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**13. Income Taxes - Continued**

b) The Company has non-capital losses which may be applied to reduce future years' taxable income. At August 31, 2006, these losses expire as follows:

2008	\$	25,000
2009		121,000
2010		49,000
2014		538,000
2015		736,000
2016		489,000
	<u>\$</u>	<u>1,958,000</u>

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

	<b>August 31, 2006</b>	November 30, 2005
Future income tax asset		
Non-capital loss carry-forwards	<b>\$ 1,958,000</b>	\$ 1,469,000
Share issue costs	<b>576,000</b>	473,000
Other	<b>1,000</b>	(1,000)
Resource property costs tax basis in excess of book value (Book Value in excess of tax costs)	<b>(783,000)</b>	175,000
	<u><b>1,752,000</b></u>	<u>2,116,000</u>
Effective income tax rate	<b>34.12%</b>	34.12%
Future income tax asset (liability)	<b>598,000</b>	722,000
Allowance for future income tax	<b>(598,000)</b>	(722,000)
Future income tax liability	<u><b>\$ -</b></u>	<u>\$ -</u>

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

**14. Segmented Information**

The Company's business consists of mineral exploration and development. For the period ended August 31, 2006, details on geographic segments are as follows:

	Net Loss	Identifiable Assets	Resource Property Costs
Canada	\$ 1,341,969	\$ 9,331,453	\$ 5,681,853
United States	37,962	-	-
Botswana, Africa	5,706	609,969	609,969
Total	<u>\$ 1,385,637</u>	<u>\$ 9,941,422</u>	<u>\$ 6,291,822</u>

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**14. Segmented Information - Continued**

For the period ended August 31, 2005, details on geographic segments are as follows:

	Net Loss	Identifiable Assets	Resource Property Costs
Canada	\$ 303,958	\$ 8,750,834	\$ 5,902,025
Botswana, Africa	-	132,552	132,552
Total	\$ 303,958	\$ 8,883,386	\$ 6,034,577

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**15. Commitments:**

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	13,569
2007	40,687
2008	20,294
	<u>\$ 74,550</u>

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	\$ 135,150
2007	23,850
Totals	<u>\$ 159,000</u>

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

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**16. Comparative Figures**

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

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**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 figures at November 30, 2004 is as follows:

	Previously Reported	Adjustment	Restated
<b>Balance Sheet</b>			
Future income taxes liability	\$ 73,091	\$ (73,091)	\$ -
<b>Income Statement</b>			
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)
<b>Shareholders' Equity</b>			
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 August 31, 2005, used for comparison, are restated to reflect a provision for future income tax recovery.

**18. Subsequent Events**

Subsequent to August 31, 2006, 80,000 share purchase warrants were exercised for total proceeds of \$37,000.

Grant of 25,000 stock options to an employee exercisable at \$0.79 per option, expiring October 1, 2011.

On October 2, 2006, Ascenta Capital Partners Inc. was retained to provide investor relations and financial communications services for a period of one year with a monthly fee of \$5,500. In addition Ascenta was granted 200,000 share purchase options with exercise price of \$0.79 which vest in accordance with TSX Venture Exchange guidelines for investor relations services.