

Form 51-102F1
Annual Management Discussion and Analysis
For
Indicator Minerals Inc. (“Indicator” or “IME” or “the Company”)

Containing information up to and including March 29, 2006

Note to Reader

The following information should be read in conjunction with the Company's audited financial statements for the year ended November 30, 2005 together with the notes thereto, prepared by management in accordance with Canadian generally accepted accounting principles and expressed in Canadian Dollars.

Forward-Looking Information

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

Overall Performance

Indicator is a diamond exploration (development stage) company involved in the acquisition and exploration of resource properties in Nunavut, Canada and western Botswana, Africa. The Company is exploring for diamonds on more than 6 million acres of ground in the Eastern Arctic of Canada and 750,000 prospective acres in western Botswana. The Company does not have any producing resource properties at this time. The Company is a reporting issuer in British Columbia and Alberta. The Company trades on the TSX Venture Exchange under the symbol IME. In May 2005, the Company continued as a British Columbia company and became a reporting issuer in BC upon the completion of its BC corporate continuance registration on June 13, 2005.

Highlights of the Company's activities during the year ended November 30, 2005:

- Together with Committee Bay Resources Ltd., agreement entered into with Trigon Explorations Canada Ltd., a third party to jointly explore for diamonds on two prospecting permits in Eastern Nunavut. Under the terms of an agreement between *Committee Bay* and *Trigon*, *Committee Bay* will retain 100% of the gold rights to the Properties, while diamond rights will be divided 51% Trigon and 49% Committee Bay. Diamond exploration will be conducted by *Trigon* and the costs shared proportionally between the two partners. *Committee Bay* will solely fund and operate gold exploration on the properties. The separate agreement existing between *Committee Bay* and *IME* dated April 22, has been modified to incorporate the partnership between *Committee Bay* and *Trigon*.
- Letter agreement entered into with Helio Resource Corp. to earn up to an 80% interest in the Lokgwabe project in Botswana.
- Signing of an exclusive consulting agreement with Mr. Grant Lockhart who will act as the Company's Senior Consultant and Technical Advisor to develop and implement the

Company's exploration programs as well as contribution to the continuous refinement of the Company's exploration strategy.

- Granting of 225,000 share purchase options to consultants and recorded stock-based compensation expense of \$40,162. Each option allows the holder to purchase one share at \$0.23 to April 25, 2010.
- Resignation of Dr. Larry Ott as Director of the Company effective February 3, 2005 to focus his efforts full time on another public company where he is CEO and Managing Director.
- Resignation of John Williamson as a Director of the Company, who will continue as member of the Company's new Advisory Board.
- Appointment of the Company's two technical experts, Mr. David Kelsch and Mr. Grant Lockhart to the Board of Directors.
- Exercising its right to an 80% interest in the diamond rights to approximately 4.0 Million acres of Prospecting Permits located throughout the Nunavut Territory acquired by the Hunter Exploration Group (Hunter) in 2005, which includes approximately 2.9 Million acres on Ellesmere Island.
- Option Agreement by Letter of Intent entered with Stornoway Diamond Corporation whereby Stornoway has an option to earn a 41% interest in the Baumann Project located on Ellesmere Island, Nunavut. The Baumann Project is comprised of 87 Prospecting Permits totalling more than 2.8 million acres. Under the terms of the option agreement, Stornoway can earn a 41% interest in the Baumann Project by spending \$1.0 million before 31st December, 2009 and incurring 100% of the cost of staking mineral claims. Upon exercise of the option the Bauman Project will be held 41% by Stornoway, 39% by Indicator, and 20% by Hunter Exploration Group, with Stornoway acting as operator. Stornoway has committed to collecting 100 heavy mineral samples from the project area in 2005 and results from this year's program will be used to determine a budget and work program for 2006.
- Extension of the terms of exercise of warrants issued pursuant to the private placement completed on April 16, 2004. The related warrants expiry dates have been extended to April 16, 2006.
- Agreement entered into with Hunter Exploration Group whereby Hunter posted a \$287,355 bond with the Nunavut Mining Recorder on behalf of *Indicator* in order to keep certain prospecting permits and mineral claims in Nunavut in good standing for one year. Under the terms of the agreement, *Indicator* has agreed to repay the bond on or before July 31, 2005, failing which, the diamond rights associated with the Property that were originally acquired from Hunter will be transferred to Hunter. As consideration for the bond, Indicator issued Hunter 359,193 common share purchase warrants, each warrant exercisable for one common share of Indicator until January 26, 2007 at an exercise price of \$0.45 per share. The warrants will expire at July 31, 2005 if the diamond rights are transferred to Hunter pursuant to default on repayment of the bond to Hunter. The bond was repaid on time.
- Change in auditors resulting from corporate move from Edmonton to Vancouver: resignation of Kingston Ross Pasnak LLP as the Company's auditor effective May 26, 2005 and the appointment of Staley Okada and Partners as auditor for the forthcoming year until the close of the Company's Annual General Meeting. There are no reservations in any auditor's report nor any reportable events in connection with the audits by Kingston

Ross Pasnak LLP of the Company's two most recently completed fiscal years or any subsequent period.

- Operating lease concerning office premises entered into, effective July 1, 2005, for a term of 3 years at a basic rent of \$1,784 per month, with two month rent-free period.
- Completion of two non-brokered private placements, one in March and the other in August 2005, generating total gross proceeds of approximately \$3.2 million. 4,582,000 flow-through shares at \$0.25 per share were issued in the August 2005 private placement.
- Granting of 1,200,000 share purchase options to consultants, directors and officers. Each option allows the holder to purchase one share at \$0.32 to October 23, 2010. 700,000 of these options are been granted to directors and officers of the Company with the remaining 500,000 to consultants.
- Completion of the 2005 Nunavut exploration program (see "Exploration Review" Section for summaries of the program).

Highlights of the Company's activities subsequent to the year ended November 30, 2005:

- Exercise of all of the 3,842,500 warrants expiring February 3, 2006 for total proceeds of \$576,375.
- Expiry of 342,500 Agents Warrants on February 18, 2006 without exercise.
- Grant of 150,000 stock options to consultants, exercisable at \$.28 per option, expiring December 19, 2010. The associated stock-based compensation for these options is \$32,572.
- Completion of airborne geophysical surveying on the Lokgwabe project in central Botswana and election of the Company to enter into Phase Three of the project, which will include drill testing. Per Lokgwabe agreement, the Company issued 100,000 upon electing to proceed to Phase Three.

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

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

The Company's net loss for the year ended November 30, 2005, totalled \$2,500,772 or \$0.09 per share. The net loss resulted from the application of \$876,884 of future income tax recovery for the year ended November 30, 2005 from the loss from operations of \$3,377,656 (2004 future income tax recovery - \$Nil; loss from operations - \$1,673,471). Assets increased from \$6,418,552 as at November 30, 2004 to \$6,590,125 as at November 30, 2005. Capitalized resource property costs increased from \$4,520,416 as at November 30, 2004 to \$4,801,385 as at November 30, 2005. The Company's cash and cash equivalents decreased from \$1,162,383 as at November 30, 2004 to \$988,302 as at November 30, 2005, due primarily to increased investment in resource property costs of \$2,855,552, net increase in permits and bonds of \$74,095 and purchases of capital assets of \$40,078, net of cash provided by financing activities of \$3,208,775 from issuance of share capital net of costs, and utilization of cash resources in operations of \$438,131 including changes in non-cash working capital.

The Company is a development stage company and engages principally in the acquisition, exploration and development of resource properties. The Company capitalizes all acquisition and exploration costs until the property to which those costs are related is placed into production, sold, or abandoned. The decision to abandon a property is largely determined from exploration results, and the amount and timing of the Company's write-offs of capitalized resource property costs will vary in a fiscal period from one year to the next and typically cannot be predicted in advance. During the year ended November 30, 2005, a total of \$2,740,486 of resource property costs were capitalized before netting \$2,459,517 of resource property costs on claims abandoned and outside property examinations which were written-off. Details of the cost break-down are contained in the Schedule of Resource Property Costs in the financial statements.

Results of Operations

Net loss for the year ended November 30, 2005 was \$2,500,772 after provision for future tax recovery of \$876,884 against loss from operations of \$3,377,656 (2004 Net Loss - \$1,673,471 or \$0.11 per share; future income tax recovery - \$Nil; loss from operations - \$1,673,471).

Operating expenses for the year ended November 30, 2005 totalled \$934,717 (2004 - \$1,388,598). The overall increase in operating expenses, after excluding stock-based compensation expenses of \$346,240 (2004 - \$ 981,105) resulted from primarily from the move from Edmonton to Vancouver and the increased support activities for the resource property management during the current year. Significant operating expenditures are as follows:

- Wages and consulting fees of \$149,991 for the year ended 2005, comparable to 2004 of \$123,182. Consulting fees paid to companies controlled by directors and officers aggregated \$123,250 for the 2005 year (2004 - \$127,245) are included in the wages and consulting fees total.
- Investor relations expenses of \$95,452 (2004 - \$69,892). Included in this category were the costs of increased disseminations of press releases, maintenance and refinement of investor data base, and other investor-related activities.
- Conference and meetings expenses of \$106,776 (2004 - \$71,029). During 2005, attendance at several conference and trade shows increased, resulting in additional travel and accommodation costs included in this category. The change of corporate head office from Edmonton to Vancouver necessitated careful coordination and planning which also resulted in increased travel and accommodation expenses.

- Professional fees for legal and accounting of \$77,256 (2004 – \$60,714). The year-end audit fee and increased accounting fees for continuous disclosure (quarterly financial statements and management, discussion and analysis), together with increased legal fees for the various property agreements consummated and the continuation of the Company as a BC company during the current periods were included in this category (for the 2005: accounting: \$42,943 and legal - \$34,313; 2004 – accounting, \$32,070, legal - \$28,644)
- Advertising and promotions of \$51,476 (2004 - \$24,141). Included in this category were the costs for the refinement, design and development of the Company's website and its maintenance. The website did not commence until June 2004 (website maintenance and design expenses included in this category for the year 2005 - \$17,525).
- Office and administration of \$40,949 (2004 - \$16,040). Included in this category were the relocation costs, set-up of new telephone system, and increased office supplies required to support increased exploration activities.
- As a result of a new premise lease agreement and move to Vancouver, rent expenses were \$26,559 for 2005 (2004 - \$6,421).
- All other costs, excluding stock-based compensation and amortization during the year ended November 30, 2005, which were comparable to the 2004, totalled \$25,554 (2004 - \$29,546).

Selected Annual Financial Information

Selected audited financial data for annual operations of Indicator during the years ended November 30, 2005 and 2004 and of the former Capital Pool Corporation during the year ended November 30, 2003:

Year ended	Nov 2005	Nov 2004	Nov 2003
Current assets and GIC	1,182,849	1,392,420	191,409
Resource properties and deposit	5,362,080	5,007,016	0
Property and equipment	45,196	19,116	0
Current liabilities	447,697	612,967	9,508
Total revenue	0	0	0
Net loss	(2,500,772)	(1,673,471)	(32,038)
Basic loss per share	(0.09)	(0.11)	(0.0092)
Weighted Avg. shares	28,555,625	14,614,217	3,500,000

Note: The November 2004 Net loss has been restated to reflect the correct accounting for future income taxes (see Note 17 to the financial statements)

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Issuer for the quarter ended November 30, 2005, and the previous seven quarters.

	Nov. 30 05	Aug 31 05	May 31 05	Feb 28 05	Nov 30 04	Aug 31 04	May 31 04*	Feb 28 04
Current assets	1,182,849	2,156,185 ¹	543,437	1,417,803	1,367,420	2,110,286	2,819,546	646,545
Resource properties and permits and bond	5,362,080	6,694,168	6,159,962	5,782,373	5,007,016	4,326,569	3,744,558	78,926
Current liabilities	447,697	219,526	397,384	824,933	612,967	626,197	1,836,532	108,981
Loss from operations	(467,460)	(108,035)	(190,495)	(168,727)	(111,903)	(105,475)	(866,115)	(81,230)
Write-off of mineral interest	2,453,167	1,420	4,930	0	0	(3,672)	(281,976)	0
Net income (loss) – before error correction	(2,235,230)	14,088*	(114,297)	(165,333)	183,065	(109,147)	(1,148,091)	(80,411)
Basic income (loss) per share – before error correction	(0.079)	0.00	(0.004)	(0.007)	0.027	(0.005)	(0.0798)	(0.0222)
Revised Net income (loss)	(2,196,814)	(69,904)	(125,133)	(108,921)	(335,822)	(109,147)	(1,148,091)	(80,411)
Revised Basic income (loss) per share	(0.077)	(0.003)	(0.005)	(0.005)	(0.003)	(0.005)	(0.0798)	(0.0222)
Weighted Avg. Shares	28,555,625	28,019,744	25,951,046	23,067,664	23,047,942	19,784,998	15,509,988	3,617,582

Note:

*Net loss for quarter May 31, 2005 is after recovery of future income taxes of \$73,091. Net income for the quarter August 31, 2005 is after recovery of future income taxes of \$119,461. Net loss for the quarter November 30, 2005 is after recovery of future income taxes of \$684,332.

¹Current Assets as at August 31, 2005 include \$1,187,395 of subscription receivable.

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

The November 2004 quarter net loss has been restated to correct for the accounting for future income taxes.

Revised Net Income (loss) and Revised Loss Per Share – as a result of a prior period adjustment (disclosed in Note 17 to the financial statements) which related to the timing of the recording of future income taxes liability and recoveries, the quarterly figures for the quarters November 2004, February 2005, August 2005, and November 2005 have been restated to reflect the correct treatment.

Fourth Quarter

Included in the Company's results for the fourth quarter are write-downs or write-offs of the Company's capitalized resource property costs. Capitalized resource property costs are written-down or written-off when management has determined there to be an impairment of value, where exploration results indicate that no further work is warranted. Approximately \$2,453,167 was written off in the fourth quarter representing 99% of the total resource property costs written off in the year. The write-off in the fourth quarter was the decision of management in March 2006 to drop certain permits and claims. The costs relating to these permits and claims were written off effective November 30, 2005.

General and administrative expenses increased from the third quarter (approximately \$131,000) to the fourth quarter (approximately \$467,000). Options granted in the fourth quarter account for most of the increase as stock-based compensation expense of approximately \$306,000 was recorded in the fourth quarter.

Liquidity and Capital Resources

The Company is in the development stage and therefore has no regular cash flow. At November 30, 2005, the Company had working capital of \$735,152 (November 30, 2004 - \$754,453).

Cash and cash equivalents decreased by \$174,081 during the year ended November 30, 2005, from \$1,162,383 as at November 30, 2004 to \$988,302 as at November 30, 2005.

Cash utilized in operating activities during the year ended November 30, 2005 was \$557,435 (2004 – \$400,190) before any changes in non-cash working capital. After adjusting for cash flows applied to non-cash working capital, cash flows used in operating activities was \$438,131 for year ended November 30, 2005 (2004 - \$437,360).

Cash used for investing activities during the year ended November 30, 2005 was \$2,944,725 (2004 - \$3,185,859). The investing activities were as follows: acquisition and exploration of resource properties of \$2,855,552 (2004 - \$2,648,615), purchase of equipment of \$40,078 (2004 - \$25,644), net of proceeds from the expiry of a restricted guaranteed investment certificate of \$25,000 (2004 – purchase of the restricted guaranteed certificate - \$25,000). During 2005, the Company repaid Hunter for the property bond of \$287,355 and received refunds for the prospecting permits of \$213,260 (2004 – cash used to acquire prospecting permits, \$486,600); the net effect of these transaction is a net cash utilized for permits and bonds of \$74,095.

During the year ended November 30, 2005, the Company's cash flows from financing activities were \$3,208,775 (2004 – \$4,684,146). Net proceeds from share issuance was \$3,258,202 for the year ended November 30, 2005 (2004 - \$4,681,050). Two non-brokered private placements, one in March 2005 and the other in August 2005, generated \$3.2 million of gross proceeds before deduction of \$184,883 of share issuance costs; in addition, \$166,125 proceeds were generated from 1,1107,500 warrant exercises.

At November 30, 2004, the Company's investment in resource properties aggregated \$4,801,385 (2004 - \$4,520,416), prospecting permit deposits and bond totalled \$560,695 (2004 - \$486,600) and property and equipment, net of amortization, was \$45,196 (2004 - \$19,116).

At November 30, 2005, share capital of \$8,880,532 comprised of 37,415,915 issued and outstanding common shares (2004 - \$6,437,214, comprising of 23,065,720 shares outstanding. The amount for Share Capital for 2004 has been restated to adjust for future income taxes on renouncement of flow-through shares issued). During 2005, \$876,884 has been recorded as future income taxes on renouncement of flow-through shares issued and shown as reduction of share capital. Contributed Surplus which arises from the recognition of the estimated fair value of stock options and agents warrants was \$1,580,364 (2004 - \$1,189,155). \$1,145,500 (or 4,582,000 shares) of the August non-brokered private placements were for flow-through shares; these proceeds must be used for qualifying exploration expenditures and to be renounced to the flow-through shareholders effective December 31, 2005. The future income taxes relating to these flow-through shares, calculated at \$390,845 using the current tax rate, will be shown as a reduction of share capital in the month when the renunciation tax forms are filed (February 2006).

As a result of the net loss for the year ended 2005 of \$2,500,772 after future income tax recovery of \$876,884, deficit at November 30, 2005 increased to \$4,321,556 from \$1,820,784 at November 30, 2004. Shareholders equity was \$6,139,340 as compared to \$5,805,585 at the year end November 30, 2004.

Exploration

Overall Performance

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

- Exploration on the Darby Project was successful in bring the project to the drill-ready stage. Results from the 2005 efforts include the identification of three distinct kimberlite float trains, kimberlite indicator minerals with diamond inclusion chemistry and large high confidence airborne geophysical targets.
- The Lokgwabe Project was brought to the drill-ready stage over the course of 2005. Heavy minerals samples collected early in the year confirmed the presence of high interest kimberlite indicator mineral chemistry on the project. In late 2005 an airborne magnetic survey was conducted over the property and 22 targets were identified in the data.
- Results from exploration conducted on the Barrow Project indicate that there is a high potential for diamond bearing kimberlite to be located on the property. Evidence includes, kimberlite indicator minerals with diamond inclusion chemistry, high confidence airborne geophysical anomalies and diamond bearing kimberlite float.

- Kimberlite indicator minerals with diamond inclusion chemistry were confirmed present on open ground to the east of the Sanagak Project. More than 100,000 acres of mineral claims were staked to capture the source(s) of these indicator minerals.
- Indicator Minerals Inc. and Stornoway Diamond Corporation entered into an option agreement whereby Stornoway can earn a 41% interest in the 3 million acre Baumann Project on Ellesmere Island.

Exploration Update

Exploration in 2005 built on the strategy implemented the previous year. The majority of the exploration effort and dollars were aimed advancing the most prospective projects, Darby, Barrow and Lokgwabe. The remaining effort continued the evaluation of grass-roots projects in Indicator's portfolio. Over the course of the year, Darby and Lokgwabe were brought to the drill-ready stage, while several other projects returned results that warrant further exploration.

Darby Project

The Darby Project is comprised of approximately 200,000 acres of mineral claims and is located approximately 200 kilometres south of the hamlet of Taloyoak in the Nunavut Territory. Micro-probe analysis performed thus far on kimberlite indicator minerals recovered from samples collected in 2004 and 2005 has confirmed the presence of diamond inclusion (DI) chemistry.

The 2005 field program was designed to develop distinct kimberlite indicator mineral trains by increasing the density of heavy mineral samples where favourable mineral chemistry had been recovered. In addition, the program was aimed at identifying possible kimberlite targets for drilling by flying a portion of the property with a detailed airborne geophysical survey.

Over the course of the field program, 211 heavy mineral samples were collected and 2,400 line-km of airborne geophysical data were acquired. Several high-priority geophysical anomalies were identified in the preliminary data and during the follow-up investigation of these targets a kimberlite float train was discovered that included a 3kg peridotitic mantle nodule. Two other distinct trains of kimberlite float were discovered elsewhere on the property while prospecting.

An aggressive follow-up program is planned for 2006. Additional airborne geophysical surveys, heavy mineral sampling, prospecting and drilling are scheduled for the second quarter of 2006.

Lokgwabe Project

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

Over the course of 2005, Indicator collected repeat heavy mineral samples on the Lokgwabe project in order to confirm the mineral chemistry, species and abundances identified in the original exploration campaign. The sample results were successfully repeated and the decision was made to proceed to the collection of detailed aeromagnetic data over the entire property. Interpretation of the geophysical data yielded 22 kimberlite targets. Ground geophysics conducted on 15 of these targets identified 7 that warrant drilling.

Ground geophysical surveys over the remaining 7 airborne targets are planned for early April, 2006 and will immediately be followed by a reverse circulation drilling program.

Barrow Project

The Barrow Project is a 100,000 acre drill-ready project located approximately 15km south of the hamlet of Kugaaruk. Results from heavy mineral sampling in 2004 have confirmed the presence of kimberlite indicator minerals with diamond inclusion chemistry on the property. In March 2005,

the company completed a detailed airborne geophysical survey over the property. Several high priority targets located up-ice from the kimberlite indicator minerals were identified in a review of the airborne data.

The 2005 field program on the Barrow Project was designed to increase the level of confidence in the geophysical anomalies with target specific heavy mineral samples. Results from the samples will also be used to create an order of priority for the drilling of targets. In the course of investigating a geophysical anomaly, an occurrence of kimberlite float was discovered.

A 6.8kg sample was submitted to an independent laboratory for rock type classification and indicator mineral analysis. During the extraction of the indicator minerals a macro diamond was recovered. This is considered important since the extraction process is not designed specifically for the recovery of mineral grains less than 0.33mm or more significantly the detection of diamonds.

In March 2006, a 25.5 kimberlite float was discovered on the Barrow Project. The 25.5kg sample was submitted to SRC Geoscientific Laboratories (“**SRC**”) for micro diamond analysis using caustic fusion. A total of 171 micro diamonds and five macro diamonds (defined as ≥ 0.50 mm in 2 dimensions) were recovered (see table below). SRC provided descriptions for diamonds down to 0.3mm. The majority were described as clear and colourless and were dominated by octahedral crystal form (see attached photograph or visit our website at www.indicatorminerals.com). The three largest diamonds measure as follows: 1.00mm x 0.50mm x 0.40mm, 0.84mm x 0.70mm x 0.38mm and 0.78mm x 0.58mm x 0.50 mm.

Sample UPR6401DK 25.5kg	0.075mm	0.106mm	0.150mm	0.212mm	0.300mm	0.425mm	0.600mm	Total
Diamonds*	71	45	19	16	18	6	1	176

* As reported by Saskatchewan Research Council

The kimberlite float was discovered on the Barrow Project during the 2005 field season while following up high priority airborne geophysical targets and is part of the same occurrence from which a macro-diamond was recovered during the extraction of indicator minerals (see IME news release dated 27 September, 2005). IME is confident that the kimberlite float originated on its property; however, this cannot be definitively established without drilling.

An aggressive follow-up program is planned for 2006. Additional heavy mineral sampling, prospecting and possible drilling are scheduled for 2006.

Sanagak Project

The Sanagak Project is located on the Boothia Peninsula and includes approximately 1.1 million acres of Prospecting Permits. In 2004, heavy mineral samples were collected on the project on a 3km by 3 km grid. Kimberlite indicator minerals have been recovered in five spatially separate locations.

One of the five areas, where high chrome, low calcium G10 pyrope garnet was recovered, was adjacent to the eastern boundary of the Prospecting Permits. Heavy mineral samples were collected on the open ground to the east of the project early in the 2005 exploration season. These samples were expedited to laboratory where processing began immediately. Results were received in time to initiate a staking campaign that captured over 100,000 acres where indicator minerals with diamond inclusion chemistry were recovered.

Regional Projects

Regional heavy mineral sampling continued on grassroots projects located throughout the Nunavut Territory. A total of 827 heavy mineral samples were collected during the 2005 field program. Results from these samples indicate that the Borden Project, located on Baffin Island as well as the Kellett and TIM properties warrant further investigation.

Risks and Uncertainties

Early Stage - Need For Additional Funds

Indicator has no history of profitable operations and its present business is at an early stage. As such, Indicator is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues.

There is no assurance that Indicator will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

Indicator has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although Indicator has been successful in the past in obtaining financing through the sale of equity securities or joint ventures, there can be no assurance that Indicator will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

Diamond Exploration and Development

Diamond exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover diamond deposits but also from finding diamond deposits that, though present, are insufficient in quantity and quality to return a profit from production.

All of the claims and permits to which Indicator has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. The business of diamond exploration in northern Canada and in Botswana can be a time consuming, expensive process and involves a high degree of risk. Upon discovery of a diamond bearing kimberlite, the primary host-rock for diamonds, several stages of assessment are required before its economic viability can be determined. Assessment includes a determination of deposit size (tonnage), grade (carats/stone), diamond value (US\$/carat) and the associated costs of extracting and selling the diamonds.

Development of the subject diamond properties would follow only if favourable results are obtained at each stage of assessment. The development of a diamond mine in northern Canada has typically taken between seven and ten years from its initial discovery. Few diamond deposits discovered are ultimately developed into producing mines.

There is no assurance that Indicator's diamond exploration activities will result in any discoveries of commercial bodies of ore. The long-term profitability of Indicator's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major diamond deposit, no assurance can be given that diamonds will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

The marketability of diamonds acquired or discovered by Indicator may be affected by numerous factors which are beyond the control of Indicator and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of processing facilities, processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, requirements for "value added" processing of rough diamonds in northern Canada and environmental protection, the combination of which factors may result in Indicator not receiving an adequate return of investment capital.

Operating Hazards and Risks

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. Operations in which Indicator has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of diamonds and other metals, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. Although Indicator maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event Indicator could incur significant costs that could have a materially adverse effect upon its financial condition.

Foreign Countries and Regulatory Requirements

Mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry and foreign investors therein. There is no assurance that the political and investment climate of foreign countries such as Botswana will be favourable. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. The developing country status of Botswana or political climate of other neighbouring countries may make it more difficult for the Company to obtain further financing for exploration and any required project financing from senior lending institutions because such lending institutions may not be willing to finance projects in these countries due to the possible investment risk.

Supplies, Infrastructure, Weather and Inflation

Indicator's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

Due to the remoteness of its exploration projects, the Company is forced to rely heavily on air transport for the supply of goods and services. Air transport in northern Canada is very susceptible to disruptions due to adverse weather conditions, resulting in unavoidable delays in planned programs and/or cost overruns.

Recent, improved market conditions for resource commodities after several years of record low prices has resulted in a dramatic increase in mineral exploration investment and activity in Canada. While inflation has not been a significant factor affecting the cost of goods and services in Canada in recent years, this renewed exploration activity has resulted in a shortage of experienced technical staff, and heavy demand for drillers, geophysical surveying crews and other goods and services needed by the exploration community.

It is difficult at this stage to quantify the effect of increased demand for these goods and services used in Indicator's exploration programs, but there is anecdotal evidence that cost increases during the upcoming field season will be considerably higher than the rate of inflation prevailing in other sectors of the economy. Exploration companies can also expect to experience difficulty in scheduling drilling contracts, airborne geophysical surveys and other services that are key components of early stage exploration programs.

Price of Diamonds

The mining industry, in general, is intensely competitive and there is no assurance that, even if commercial quantities of diamonds are discovered, a profitable market will exist for the sale of the diamonds produced. Factors beyond the control of Indicator may affect the marketability of any diamonds or other minerals discovered. Pricing is affected by numerous factors beyond Indicator's control such as international economic and political trends, global or regional consumption and demand patterns, increased production and the influence of the world's largest diamond producer, De Beers Consolidated Mines Ltd. There is no assurance that the price of diamonds recovered from any diamond deposit will be such that they can be mined at a profit.

Title Risks

Although Indicator has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Indicator's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Surveys have not been carried out on the majority of Indicator's mineral properties, therefore in accordance with the laws of the jurisdiction in which such properties are situated, their existence and area could be in doubt.

Environmental Regulations, Permits and Licenses

Indicator's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution.

A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental legislation is evolving in a direction of stricter standards, and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Indicator intends to fully comply with all environmental regulations. The current operations of Indicator require permits from various domestic authorities and such operations are governed by laws and regulations governing prospecting, development, mining,

production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Indicator believes it is in substantial compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which Indicator may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which Indicator might undertake. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Indicator and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Competition and Agreements with Other Parties

The mining industry is intensely competitive in all its phases, and Indicator competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect Indicator's ability to acquire suitable properties or prospects in the future.

Indicator may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, Indicator may not be able to finance the expenditures required to complete recommended programs.

Repatriation of Earnings

There is no assurance that any countries other than Canada in which the Company operates or may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

Currency Fluctuations

The operations of the Company in countries other than Canada are subject to currency fluctuations and such fluctuations may materially affect the financial position and results of the Company. The Company is subject to the risks associated with the fluctuation of the rate of exchange of the Canadian dollar and foreign currencies, including the Botswana Pula. The Company does not currently take any steps to hedge against currency fluctuations although it may elect to hedge against the risk of currency fluctuations in the future. There can be no assurance that steps taken by the Company to address foreign currency fluctuations will eliminate all adverse effects and, accordingly, the Company may suffer losses due to adverse foreign currency fluctuations.

Foreign Exchange

The Company may be subject from time to time to foreign exchange controls in countries outside of Canada although no such claims are currently known to the Company.

Nature of the Securities

The purchase of Indicator securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. Indicator's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in Indicator securities should not constitute a major portion of an investor's portfolio.

Price Volatility of Public Stock

In recent years securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for Indicator's shares will be subject to market trends generally and the value of Indicator's shares on the TSX Venture Exchange may be affected by such volatility.

Economic Conditions

Unfavourable economic conditions may negatively impact Indicator's financial viability. Unfavourable economic conditions could also increase Indicator's financing costs, decrease net income, limit access to capital markets and negatively impact any of the availability of credit facilities to Indicator.

Dependence on Management

Indicator is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Indicator could result, and other persons would be required to manage and operate Indicator.

Conflicts of Interest

Indicator's directors and officers may serve as directors or officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which Indicator may participate, the directors and officers of Indicator may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, Indicator will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflicts of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of Indicator's directors, disclose his interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of Indicator are required to act honestly, in good faith and in the best interests of Indicator.

Proposed Transactions

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

Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning Indicator's general and administrative expenses and resource property costs is provided in the Company's Statement of Loss and Deficit and Schedule of Resource Property Costs contained in its Financial Statements for November 30, 2005 that is

available on Indicator's website at www.indicatorminerals.com or on its SEDAR Page Site accessed through www.sedar.com.

Disclosure concerning transactions with related parties is included in a separate section.

Outstanding Share Data

Indicator's authorized capital is unlimited common shares without par value. As at March 29, 2006, the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares at March 29, 2006	41,358,415		
Warrants			
Share purchase warrants	3,107,860	\$0.75	April 16, 2006
	359,193	\$0.45	January 26, 2007
	1,250,000	\$0.45	March 15, 2007
	75,000	\$0.45	April 1, 2007
Agents Warrants	2,008,478	\$0.35	August 12, 2007
	3,802,217	\$0.35	August 25, 2007
	598,000	\$0.65	April 16, 2006
	25,000	\$0.40	March 3, 2006
	152,500	\$0.45	March 15, 2007
	15,000	\$0.45	April 1, 2007
Employee Stock Options	1,149,500	\$0.58	April 19, 2009
	265,000	\$0.355	April 19, 2009
	695,000	\$0.355	November 16, 2009
	225,000	\$0.23	April 25, 2010
	1,200,000	\$0.32	October 23, 2010
	150,000	\$0.28	December 19, 2010
Fully Diluted at March 29, 2006	56,436,163		

Transactions with Related Parties

Related party transactions are as follows:

During the year ended November 30, 2005, the Company incurred capitalized mineral interest - geological consulting fees of \$184,035 (2004 - \$55,963) and consulting fees of \$123,250 (2004 - \$127,245) for management services provided by companies controlled by directors and officers in common with the Company. Of this amount, \$1,337 (November 30, 2004 - \$50,564) was unpaid at November 30, 2005. In addition, the Company paid legal fees of \$15,000 (2004 - nil) to a director of the Company. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

110,000 shares issued during the March 2005 private placement (Note 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

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

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:

2005		\$	3,390
2006			40,687
2007			40,687
2008			20,294
		\$	105,058

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	\$ 264,750
2007	122,250
2008	8,500
Totals	\$ 395,500

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

Critical Accounting Policies and Prior Period Adjustment:

During the year ended November 30, 2005, the Company adopted the following significant accounting policies:

Asset Retirement Obligations

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 cost 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 financial statements resulting from the adoption of Section 3110 in the current period presented.

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 are 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)

Recent Developments and Outlook

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

Financial Instruments and Other Instruments

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

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

Approval

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

Additional Information

Additional Information relating to Indicator is on SEDAR at www.sedar.com.