

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

Containing information up to and including October 25, 2005

**Note to Reader**

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

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

**Forward-Looking Information**

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

**Overall Performance**

Indicator is a diamond exploration (development stage) company involved in the acquisition and exploration of resource properties in Nunavut, Canada and western Botswana. The Company is exploring for diamonds on more than 10 million acres of ground in the Eastern Arctic of Canada and 750,000 prospective acres in western Botswana. The Company does not have any producing resource properties at this time. The Company is a reporting issuer in British Columbia, Alberta and Ontario. The Company trades on the TSX Venture Exchange under the symbol IME. In May 2005, the Company continued as a British Columbia company and became a reporting issuer in BC upon the completion of its BC corporate continuance registration on June 13, 2005.

Highlights of the Company's activities during the nine months ended August 31, 2005:

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

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

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

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

- Letter agreement entered with Dunsmuir Ventures Ltd. To jointly explore the Nanuq North Project, Nunavut. Under the terms of the Agreement the Nanuq North Property has been divided into two areas: the Core and Peripheral areas. The Core area includes approximately 34,000 acres of mineral claims staked by both Hunter and Dunsmuir. Interest in the Core area will be divided between Indicator (40%), Dunsmuir (40%) and Hunter Exploration (20%). The Peripheral area is adjacent to the Core and includes 47,500 acres of mineral claims staked by Dunsmuir. Interest in the Peripheral area is split equally between Indicator (50%) and Dunsmuir (50%). Exploration on both the Core and Peripheral areas will be funded by Indicator and Dunsmuir equally. Indicator will be operator on the project.
- Initial geochemistry from 80% owned Darby Project received and the presence of diamond inclusion kimberlite minerals confirmed.
- Barrow Project, located approximately 15 km south of the community of Kugaaruk in the Nunavut Territory, advanced to the drill ready stage, after results from heavy mineral sampling conducted on the property in 2004 were been compiled with the preliminary results from the detailed airborne Mag/EM survey flown earlier this year and several targets have been identified for drill testing.
- Change in auditors resulting from corporate move from Edmonton to Vancouver: resignation of Kingston Ross Pasmak 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 Pasmak 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.
- Commencement of 2005 summer field program in Nunavut. This year's \$1.8 million program is focused on moving Indicator's key projects, Barrow and Darby (Hunter Exploration Group Property), including additional heavy mineral sampling and/or detailed airborne Mag/EM survey, to the point of discovery while continuing to evaluate grass roots properties it holds in Nunavut.

Highlights of the Company's activities subsequent to the nine months ended August 31, 2005:

- Subscription receivables of \$1,187,395 received.
- 582,500 warrants exercised for \$87,375 gross proceeds to October 25, 2005.
- Discovery of kimberlite float on Darby and Barrow. While prospecting in the vicinity of targets identified in the airborne geophysical data, a single occurrence of kimberlite float was discovered on the Barrow Project. Three distinct kimberlite float trains have been identified on the Darby Project in addition to the discovery made early this year. Shortly thereafter, the Barrow float was proven to be diamondiferous with the recovery of a macrodiamond. The diamond is described as being a clear, colourless octahedron with good clarity. It has a mass of 0.2 mg (0.001 carats) and measures 0.55mm x 0.425mm in its two longest dimensions.

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

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

The Company's net loss for the nine months ended August 31, 2005, totalled \$265,542 or \$0.01 per share. For the three months ended August 31, 2005, the Company had a net income of \$14,088, or \$0.00 per share, due to the provision for future income tax recovery (2004 – loss \$109,147, or \$0.005 loss per share). The net loss resulted from the application of \$192,552 of future income tax recovery for the nine months in 2005 from the loss from operations of \$458,094 (there were no income tax recoveries in the comparative 2004 periods; loss for the comparative 2004 three month and nine month periods - \$109,147; \$1,337,649). Assets increased from \$6,418,552 as at November 30, 2004 to \$8,883,386 as at August 31, 2005. Capitalized resource property costs increased from \$4,520,416 as at November 30, 2004 to \$6,034,577 as at August 31, 2005. The Company's cash and cash equivalents decreased from \$1,162,383 as at November 30, 2004 to \$848,540 as at August 31, 2005, due primarily to increased investment in resource property costs of \$1,404,630 and net increase in permits and bonds of \$172,991, net of cash provided by financing activities of \$1,972,932 from issuance of share capital net of costs and subscription receivable, and utilization of cash resources in operations of \$711,008 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 nine months ended August 31, 2005, a total of \$1,520,511 of resource property costs were capitalized before netting \$6,350 of resource property costs on outside property examinations which were written-off. Details of the cost break-down are contained in the Schedule of Resource Property Costs in the financial statements.

## Results of Operations

Net loss for the nine months ended August 31, 2005 was \$265,542 after provision for future tax recovery of \$192,552 against loss from operations of \$458,094 (August 31, 2004 Net Loss - \$1,337,649 or \$0.107 per share; there was no future income tax recovery in 2004). For the three months ended August 31, 2005, the Company had a net income of \$14,088, or \$0.00 per share, due to the provision for future income tax recovery in excess of loss from operations (2004 - loss \$109,147, or \$0.005 loss per share).

Operating expenses for the three months and the nine months ended August 31, 2005 totalled \$108,035 and \$467,257 (2004 - \$105,475 and \$1,052,820). The overall increase in operating expenses, after excluding stock-based compensation expenses (August 31, 2005: \$nil for the three months ended and \$40,162 for the nine months ended; August 31, 2004 - \$ 757,250 for the nine months ended and \$nil for the three months ended) resulted from primarily from the move from Edmonton to Vancouver and the increased support activities for the resource property management during the current periods. However, the three months results for 2005 compared well with 2004 (2005 - \$108,035; 2004 - \$105,475) which may indicate that the Company's operating activities have come to a stable state. Significant operating expenditures are as follows:

- Wages and consulting fees of \$29,521 for the three months and \$101,768 for the nine months, comparable to 2004 (August 31, 2004 - \$24,000 and \$104,377). Consulting fees paid to companies controlled by directors and officers aggregated \$78,750 for the 2005 nine months are included in the wages and consulting fees total.
- Investor relations expenses of \$14,126 and \$77,009 (August 31, 2004 - \$38,659; \$50,446). Included in this category were the costs of increased disseminations of press releases, maintenance and refinement of investor data base, and other investor-related activities. The IR consultants were not engaged until June 2004 (August 31, 2005 IR consulting fees included in this category - \$31,241 for the nine months).
- Conference and meetings expenses of \$8,432 and \$72,086 (August 31, 2004 - \$10,962 and \$33,167). 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 \$13,159 and \$63,075 (August 31, 2004 - 9,533 and \$36,451). 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 nine months: accounting: \$32,668 and legal - \$30,407; nine months August 31, 2004 - accounting, \$17,070, legal - \$19,381)

- Advertising and promotions of \$15,324 and \$40,822 (August 31, 2004 - \$3,052 and \$7,573). 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 nine months August 31, 2005 - \$13,818).
  
- All other costs, excluding stock-based compensation and amortization (2004 – nil amortization because there were no depreciable assets at that time) during the three months and nine months ended August 31, 2005, which were comparable to the 2004 periods, totalled \$23,753 and \$63,107 (2004 - \$19,269 and \$63,556) representing 22% and 13.5% of total operating expenses which includes office and administration, corporate listing and filing fees, transfer agent fees and rent.

## Selected Annual Financial Information

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

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

## Summary of Quarterly Results

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

	Aug 31 05	May 31 05	Feb 28 05	Nov 30 04	Aug 31 04	May 31 04*	Feb 28 04
Current assets	2,156,185 <sup>1</sup>	543,437	1,417,803	1,367,420	2,596,886	3,306,076	646,545
Resource properties and permits and bond	6,694,168	6,159,962	5,782,373	5,007,016	3,839,969	3,258,028	78,926
Current liabilities	219,526	397,384	824,933	612,967	626,197	1,836,532	108,981
Loss from operations	(105,373)	(190,495)	(168,727)	(111,903)	(105,475)	(866,115)	(81,230)
Write-off of mineral interest	1,420	4,930	0	0	(3,672)	(281,976)	0
Net income (loss)	14,088*	(114,297)	(165,333)	183,065	(109,147)	(1,148,091)	(80,411)
Basic income (loss) per share	0.00	(0.004)	(0.007)	0.008	(0.005)	(0.025)	(0.0222)
Weighted Avg. Shares	28,019,744	25,951,046	23,067,664	23,047,942	19,784,998	15,509,988	3,617,582

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

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

<sup>1</sup>Current 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.

## Liquidity and Capital Resources

The Company is in the development stage and therefore has no regular cash flow. At August 31, 2005, the Company had working capital of \$1,936,659 (November 30, 2004 - \$754,453).

Cash and cash equivalents increased by \$616,933 during the three months ended August 31, 2005 and decreased by \$313,843 during the nine months ended August 31, 2005, from \$1,162,383 as at November 30, 2004 to \$848,540 as at August 31, 2005.

Cash utilized in operating activities during the three months ended August 31, 2005 was \$100,233 (2004 - \$105,475) before any changes in non-cash working capital (nine months ended August 31, 2005 - \$402,354; 2004 - \$294,751). After adjusting for cash flows applied to non-cash working capital, cash flows from operating activities was \$43,361 for the three months (2004 cash utilization - \$1,445,379) and cash used in operating activities was \$711,088 for the nine months ended August 31, 2005 (2004 - cash flow from operating activities - \$205,504).

Cash used for investing activities during the three months ended August 31, 2005 was \$678,192 (2004 - \$602,532) and \$1,575,767 during the nine months ended August 31, 2005 (2004 - \$2,959,691). The investing activities were as follows: acquisition and exploration of resource properties of \$492,506 and \$1,404,630 for the three months and nine months in 2005 (2004 - \$585,614; \$2,699,438) and \$12,695 and \$23,146 for the three months and nine months in 2005 for the purchase of equipment (2004 - \$16,848; \$17,473), net of proceeds from the expiry of a restricted guaranteed investment certificate of \$25,000 (2004 - nil). During the current quarter, the Company repaid Hunter for the property bond of \$287,355 and received refunds for the prospecting permits of \$114,364 (2004 - cash used to acquire prospecting permits, \$242,780 for the nine months ended); the net effect of these transaction is a net cash utilized for permits and bonds of \$172,991.

During the three months ended August 31, 2005, the Company's cash flows from financing activities were \$1,251,764 (2004 - 1,209,082) and \$1,972,932 for the three months and nine months ended August 31, 2005 (2004 - \$1,209,082; \$4,608,260). Net proceeds from share issuance including subscription receivable of \$1,187,395 was \$2,439,159 for the three months ended August 31, 2005 and \$3,160,328 for the nine months ended August 31, 2005. 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, \$68,250 proceeds were generated from 455,000 warrant exercises.

At August 31, 2005, the Company's investment in resource properties aggregated \$6,034,577 (November 30, 2004 - \$4,520,416), prospecting permit deposits and bond totalled \$659,591 (November 30, 2004 - \$486,600) and property plant and equipment, net of amortization, was \$33,033 (November 30, 2004 - \$19,116). The Company is in the process of filing the appropriate reports with the Territorial authorities, which reports may result in a refund of amounts paid by the Company for prospecting permits. Any such proceeds will be used to reduce the amount on the Company's books with any non-refunded amounts being transferred to resource property costs. At August 31, 2005, a total of \$114,364 of refunds was received for the Hunter Property. In addition, the Company paid Hunter \$287,355 for the bond which Hunter posted for the Company.

At August 31, 2005, share capital of \$8,676,719 comprised of 36,763,415 issued and outstanding common shares (November 30, 2004 - \$5,845,236, comprising of 23,065,720 shares outstanding). Contributed Surplus which arises from the recognition of the estimated fair value of stock options and agents warrants was \$1,283,196 (November 30, 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,

have been shown as a reduction of share capital. After providing for future income tax recovery resulting from the application of non-capital losses and allowable financing deductions for tax purposes, the future income tax liability of the Company as at August 31, 2005 was \$271,384 (November 30, 2004 - \$73,091).

As a result of the net loss for the six month period of \$265,542, deficit at August 31, 2005 increased to \$1,567,439 from \$1,301,897 at November 30, 2004. Shareholders equity was \$8,392,476 as compared to \$5,732,494 at the year end November 30, 2004.

## **Exploration**

### **Overall Performance**

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

- The last of the results from the analysis of heavy mineral samples collected on Indicator's Nunavut projects in 2004 have been received. To date, kimberlite indicator minerals with diamond inclusion chemistry have been recovered on five Nunavut projects: Barrow, Darby, Sanagaak, Borden and Baumann
- The 2005 field program on Indicator's projects in Nunavut was completed with a total of 1271 heavy mineral samples collected over the course of the summer, including approximately 827 regional samples
- Kimberlite float was recovered on the Barrow Project while investigating geophysical targets identified in data collected earlier this year. A macrodiamond was recovered when a 6.8kg sample of the material was submitted for indicator mineral analysis
- Approximately 2,400 line-km of airborne geophysical surveys were conducted over the Darby Project and several high priority targets were identified in the preliminary data
- Three distinct kimberlite float trains were also discovered on the Darby project, one of which is associated with a large, high confidence geophysical anomaly
- Results from the due diligence heavy mineral sampling program on the Lokgwabe Project in Botswana were received. Kimberlite indicator mineral abundances and chemistry were repeated satisfactorily and an airborne magnetic survey scheduled for the fourth quarter of 2005

### **Exploration Update**

During the third quarter of fiscal 2005, exploration efforts were focused on the successful completion of field work on Indicator's projects in the Nunavut Territory. The field programs were conducted under the direction of David Kelsch, VP Exploration, and included: prospecting and heavy mineral sampling as well as airborne and ground geophysics.

Indicator is exploring over 10 million acres of land in eastern Nunavut. Currently, there are five projects in Nunavut where kimberlite indicator minerals with diamond inclusion chemistry have been recovered. The projects are located between Chesterfield Inlet in the south and Ellesmere Island in the north. All of the projects located in Nunavut are at pre-discovery stage, with the majority still undergoing regional evaluation.

### **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 macrodiamond 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.

Applications for drilling permits have been made to the appropriate regulatory bodies in anticipation of a drill program in the second quarter of 2006.

### **Darby Project**

The Darby Project is comprised of 200,000 acres of mineral claims and is located approximately 120km southwest of the hamlet of Kugaaruk. Micro-probe analysis performed thus far on kimberlite indicator minerals recovered from samples collected in 2004 has confirmed the presence of diamond inclusion (DI) chemistry.

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, more than 200 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 that included a 5kg peridotitic mantle nodule was discovered. Two other distinct trains of kimberlite float were discovered elsewhere on the property while prospecting.

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

### **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 will focus exploration efforts on these projects in 2006.

### **Risks and Uncertainties**

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

## Proposed Transactions

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

## Additional Disclosure for Venture Issuers Without Significant Revenue

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

## Outstanding Share Data

Indicator's authorized capital is unlimited common shares without par value. As at October 25, 2005, the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares at October 25, 2005	37,345,915		
Warrants			
Share purchase warrants	3,912,500	\$0.15	Feb. 3, 2006
	3,107,860	\$0.75	April 16, 2006
	359,193	\$0.45	Jan. 26, 2007
	1,250,000	\$0.45	Mar. 15, 2007
	75,000	\$0.45	April 1, 2007
Agents Warrants	2,008,478	\$0.35	August 12, 2007
	3,802,217	\$0.35	August 22, 2007
	598,000	\$0.65	April 16, 2006
	342,500	\$0.40	Feb. 18, 2006
	25,000	\$0.40	Mar. 3, 2006
	152,500	\$0.45	Mar. 15, 2007
	15,000	\$0.45	April 1, 2007
Employee Stock Options	1,149,500	\$0.58	April 19, 2009
	265,000	\$0.355	April 19, 2009
	695,000	\$0.355	Nov. 16, 2009
	225,000	\$0.23	April 25, 2010
Fully Diluted at October 25, 2005	<b>55,328,663</b>		

## Transactions with Related Parties

Related party transactions are as follows:

During the current period, the Company incurred capitalized mineral interest - geological consulting fees of \$86,773 (2004 - \$nil) and consulting fees of \$78,750 (2004 - \$44,445) for management services provided by companies controlled by directors and officers. Of this amount, \$26,672 (May 31, 2004 - \$34,500) was unpaid at August 31, 2005 and included in

accounts payable and accrued liabilities. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

110,000 shares issued during the March 2005 private placement (Note 8(b)) were to related parties: 80,000 to the CEO/director, and 30,000 to a company controlled by a director. 118,500 non-flow-through shares issued during the August 2005 private placement (Note 8(b)) were to directors and officers.

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

### **Commitment:**

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

2005	\$	6,939
2006		20,818
2007		20,818
2008		10,360
	<u>\$</u>	<u>58,935</u>

In addition to the basic rent, the Company is responsible for its proportionate share of property taxes and operating costs for the office premises.

### **Accounting Policies:**

During the nine months ended 31 August 2005, the Company adopted the following significant accounting policies:

#### **Asset Retirement Obligations**

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

#### **Variable Interest Entities**

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

## **Recent Developments and Outlook**

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

## **Financial Instruments and Other Instruments**

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

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

## **Approval**

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

## **Additional Information**

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