

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

Containing information up to and including July 28, 2006

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, 2005 and the related Annual Management Discussion and Analysis (“Annual MD&A”) dated March 29, 2006. 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 six months ended May 31, 2006 together with the notes thereto. The interim financial statements for the six months ended May 31, 2006 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, 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 six months ended May 31, 2006:

- Completion of a private placement of a brokered and non-brokered private placement. The private placement consisted of 4,713,500 non-flow through units at a price of \$0.50 per unit and 2,105,636 flow-through common shares at a price of \$0.55 per flow-through common share, for total gross proceeds of \$3,514,850. Each non-flow through unit consists of one common share and one non-transferable share purchase warrant entitling the holder to purchase one common share at \$0.65 per share until February 15, 2007 and at \$0.75 from February 16, 2007 until November 15, 2007. Finders fees relating to the issuance of certain of the units were paid in cash totalling \$175,389 and 320,648 agents warrants were issued. The agents warrants entitle the holder to purchase one common share at \$0.70 to May 15, 2007.

- Exercise of all of the 3,842,500 warrants expiring February 3, 2006 for total proceeds of \$576,375.
- Expiry of 965,500 Agents Warrants without exercise (598,000 at \$0.65 per share and 367,500 at \$0.40 per share)
- Expiry of 3,107,860 additional warrants exercisable at \$0.75 per share without exercise.
- Grant of 550,000 stock options to consultants, 150,000 exercisable at \$0.28 per option, expiring December 19, 2010 and 400,000 exercisable at \$0.58 per option, expiring April 11, 2011. The associated stock-based compensation for these options totals \$217,666
- A drilling program at the Lokgwabe Project was initiated in March. Six magnetic anomalies were tested; however, no kimberlite was intersected. A technical review of the geochemical and geophysical data will be conducted in the fourth quarter of 2006 to determine if a second phase of drilling is warranted.
- Planning for the 2006 exploration season on the Barrow Project was completed during the last reporting period. Plans include the collection of ground geophysical data and prospecting as well as sampling for mobile metal ions and heavy minerals. The goal of this program is to identify additional high priority targets for drilling.
- The 2006 exploration program for Indicator Minerals' grass-roots projects was also developed during the last reporting period. These programs are geared toward bringing these projects to the drill ready stage as quickly as possible.

Highlights of the Company's activities subsequent to the six months ended May 31, 2006:

- On June 1, 2006 the Company granted 125,000 incentive stock options to a consultant of the company exercisable at \$0.50 per share to May 31, 2011. The associated stock-based compensation expense for these options is \$39,251.
- On July 5, 2006 the Company released results of its diamond drilling on the Darby property which confirmed the presence of kimberlite bodies. Drilling resulted in the discovery of five new kimberlites including the 11 hectare Iceberg kimberlite and the 3.5 hectare Inferno anomaly.
- On June 2, 2006 the Company completed a deal with Teck Cominco Limited whereby Teck Cominco is required to spend \$14 Million over four years to earn a 51% interest in the diamond rights on Indicator's 80% owned Darby Project in Nunavut Territory, as a result all mineral costs capitalized from December 1, 2005 to May 31, 2006 for the Darby Project have been reclassified as exploration costs recoverable as at May 31, 2006. The Company will receive a 10% administrative fee on all disbursements in addition to payment for all overhead directly attributable to the project.
- On July 11, 2006 the Company announced that Teck Cominco had increased their 2006 exploration budget from \$2.0 Million to \$3.0 Million to accommodate a supplementary drilling program which is intended to increase the understanding of size and shape of the Iceberg and Inferno kimberlite bodies as well as to acquire more material from each body for diamond analysis.
- To July 25, 2006 exercise of 180,000 warrants for total proceeds of \$41,000.
- To July 25, 2006 exercise of 200,000 stock options for total proceeds of \$67,500.

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.

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 November 30, 2004 net loss, shareholders' equity, and deficit had been restated to comply with the correct accounting treatment. See Note 17 to the unaudited financial statements for the six months ended May 31, 2006 for detail breakdown of these restatements.

As a result of this prior period adjustment, the statements of loss and deficit for the quarters within the fiscal year November 30, 2005 were restated to account for the adjustments for future income tax liability flowing from 2004. The operating results for the quarter ended May 31, 2005, used for comparison, were restated to reflect a provision for future income tax recovery. Whenever figures for May 31, 2005 are mentioned in this Management Discussion and Analysis, the restated figures are used, unless otherwise indicated.

The Company's net loss for the six months ended May 31, 2006, totalled \$381,533. The net loss is after provision for future income tax recovery of \$390,845 (2005 – loss \$234,054 after provision for future income tax recovery of \$118,667, or \$0.01 loss per share). The future income tax recovery of \$390,845 resulted from the utilization of the Company's future income tax assets to offset future tax liabilities (Note 12c to the financial statements contains the summary of these future income tax assets). Assets increased from \$6,590,125 as at November 30, 2005 to \$9,774,066 as at May 31, 2006. Capitalized resource property costs increased from \$4,801,385 as at November 30, 2005 to \$5,528,656 as at May 31, 2006. The Company's cash and cash equivalents increased from \$988,302 as at November 30, 2005 to \$2,861,002 as at May 31, 2006, due primarily to the closing of the May private placement from which the Company received net proceeds of \$3,319,795.

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 six months ended May 31, 2006, a total of \$935,448 of resource property costs were capitalized before netting \$208,177 of resource property costs on outside property examinations and abandoned properties 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

As Indicator is in the development phase and its current properties are in the early stages of exploration, none of the Company's current properties are in production. Therefore, mineral exploration expenditures are capitalized and losses are incurred as a result of administrative expenses relating to the operation of the Company's business. Consequently, the Company's net income is not a meaningful indicator of its performance or potential.

The key performance driver for the Company is the acquisition and development of prospective mineral properties. By acquiring and exploring projects of superior technical merit, the Company increases its chances of finding and developing an economic deposit.

At this time, the Company is not anticipating profit from operations. Until such time as the Company is able to realize profits from the production and marketing of commodities from its mineral interest, the Company will report an annual deficit and will rely on its ability to obtain equity/or debt financing for long-term growth.

Additional financing is required for new exploration and promotional initiatives. Due to the inherent nature of the junior mineral exploration industry, the Company will have a continuous need to secure additional fund through the issuance of equity or debt in order to support its corporate and exploration activities, as well as its share of obligations relating to mineral properties.

Six Months Ended May 31, 2006

Net loss for the six months ended May 31, 2006 was \$381,533 or \$0.009 per share, after provision for future tax recovery of \$390,845 against loss from operations of \$625,611; before operators fees of \$54,916, write-off of resource property costs of \$208,177, write-off of leasehold improvements of \$2,684 and interest income of \$9,178 (May 31, 2005, Net Loss - \$234,054 after future income tax recovery of \$118,667 or \$0.01 per share).

Operating expenses for the six months ended May 31, 2006 totalled \$625,611 (2005 - \$359,222). The increase in operating expenses, after excluding stock-based compensation expenses of \$217,667 (May 31, 2005: \$40,162) is 27% of the 2005 expenses, a reasonable over-all increase, resulting primarily from the increased support activities for the operations of the Company and its resource property management during the current period. Significant operating expenditures are as follows:

- Wages and consulting fees of \$103,705 for the six months end May 31, 2006 (May 31, 2005 - \$72,247). Consulting fees paid to companies controlled by directors and officers aggregated \$95,626 (2005 - \$26,406) for the 2006 period are included in the wages and consulting fees total. Included in the consulting fees paid to companies controlled by directors and officers

are fees paid to the general manager who was not engaged by the Company until May 2005; the costs for this consulting service amounted to \$44,500 to May 31, 2006 (2005 - \$7,000).

- Conference and meetings expenses of \$94,306 (May 31, 2005 - \$63,654). The current period included travel and other costs for technical conferences held in South Africa, Toronto, New York and San Francisco for several geological and investment relations consultants.
- Advertising and promotions of \$71,283 an increase of 179% over the expenses incurred in 2005 of \$25,498. Aside from the costs for the maintenance of the Company's website of \$5,710 (2005 - \$60), advertising (placement of company information) in periodicals, including design and artwork, totalled \$54,317 for 2006 (2005 - \$5,224).
- Office and administration of \$23,520 (May 31, 2005 - \$16,737) includes telephone expenses of \$8,714 (2005 - \$3,768), and insurance of \$3,381 (in 2005 - \$3,281). Aside from normal office supplies, courier, bank charges and postage expenses.
- Investor relations expenses of \$26,163 (May 31, 2005 - \$62,883). In the comparative 2005 period, this category of expenses included the costs of disseminating press releases, maintenance and refinement of investor data base, and other investor-related activities, totalling \$37,642 and IR consulting fees of \$25,241. In 2006, the cost of disseminations, investor data base and other investor-related activities amounted to \$24,596 while IR consulting fees were minimal, \$1,567 (the consultant left the Company).

All other operating costs, excluding stock-based compensation and amortization during the six months ended May 31, 2006, were comparable to the 2005 period, totalled \$79,161 (2005 - \$72,533) representing 13% of total operating expenses including corporate listing and filing fees, professional fees, transfer agent fees and rent.

Three Months Ended May 31, 2006

The Company's net loss for the three month period ended May 31, 2006 was largely influenced by stock based compensation and general and administrative expenses. Net loss for the three months ended March 31, 2006 totalled \$379,996 or \$0.009 per share (2005 - \$125,133 and \$0.005 per share)

Operating expenses for the three months ended May 31, 2006 totalled \$419,175 (2005 - \$190,495) including stock based compensation totalling \$185,094 or 44% (2005 - \$40,162 or 21%) of the operating expenses.

- Wages and consulting fees of \$55,569 (2005 - \$45,390). Consulting fees paid to companies controlled by directors and officers aggregated \$48,126 (2005 - \$26,406) for the three months ended March 31, 2006 are included in the wages and consulting fees total. Included in the consulting fees paid to companies controlled by directors and officers are the fees paid to the general manager and corporate secretary who was not engaged by the Company until May 2005; the costs for this consulting service amounted to \$22,626 (2005 - \$7,000).
- Conference and meetings expenses of \$49,309 (2005 - \$25,808). The current period included travel and other costs for technical conferences held in South Africa, Toronto, New York and San Francisco for several geological and investment relations consultants.
- Advertising and promotions of \$45,402 an increase of more than 246% over the \$13,130 incurred in the three months ended May 31, 2005. Aside from the costs for the maintenance of the Company's website, 2006's advertising (placement of company information) in periodicals, including its design and artwork, totalled \$38,470 (2005 - nil).

- Professional fees of \$38,517 (2005 – \$10,012). During the period the Company paid its audit fees which were higher than initially accrued at year end due to complications with the previous year’s audit which resulted in the restatement of the results for the 2004 year end. In addition to the audit fees are fees for the company’s accounting consultant for the ongoing financial management of the company.
- Investor relations expenses of \$16,256 (May 31, 2005 - \$24,968). In the comparative 2005 period, this category of expenses included the costs of disseminations of press releases, maintenance and refinement of investor data base, other investor-related activities, totalling \$26,335 and IR consulting fees of \$11,580. In 2006, the costs of disseminations, investor data base and other investor-related activities only amounted to \$9,157, while the IR consulting fees were minimal, \$720 (the consultant left the Company);

All other operating costs, excluding stock-based compensation and amortization during the three months ended May 31, 2006, which were comparable to the 2005 period, totalled \$22,529 (2005 - \$27,502) representing 5.4% of total operating expenses which includes corporate listing and filing fees, office and administration, transfer agent fees and rent.

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 annual audited financial statements)

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Issuer for the quarter ended May 31, 2006 and the previous seven quarters.

	May 31 06	Feb 28 06	Nov 30 05	Aug 31 05	May 31 05	Feb 28 05	Nov 30 04	Aug 31 04
Current assets	3,861,766	598,344	1,182,849	2,156,185 ¹	543,437	1,417,803	1,367,420	2,110,286
Resource properties and permits and bond	5,744,993	5,742,699	5,362,080	6,694,168	6,159,962	5,782,373	5,007,016	4,326,569
Current liabilities	247,541	108,543	447,697	219,526	397,384	824,933	612,967	626,197
Loss from operations	(419,175)	(206,436)	(467,460)	(108,035)	(190,495)	(168,727)	(111,903)	(105,475)
Write-off of mineral interest	21,183	186,994	2,453,167	1,420	4,930	0	0	(3,672)
Net income (loss) – before error correction	(379,996)	(1,537)	(2,235,230)	14,088*	(114,297)	(165,333)	183,065	(109,147)
Basic income (loss) per share – before error correction	(0.009)	(0.000)	(0.079)	0.001	(0.004)	(0.007)	0.027	(0.005)
Revised Net income (loss)	(379,996)	(1,537)	(2,196,814)	(69,904)	(125,133)	(108,921)	(335,822)	(109,147)
Revised Basic income (loss) per share	(0.009)	(0.000)	(0.077)	(0.003)	(0.005)	(0.005)	(0.003)	(0.005)
Weighted Avg. Shares	41,972,472	38,751,526	28,555,625	28,019,744	25,951,046	23,067,664	23,047,942	19,784,998

Note:

*Net loss (before error correction) for quarter May 31, 2005 is after recovery of future income taxes of \$73,091. Net income (before error correction) 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 annual 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, May 2005, August 2005, and November 2005 have been restated to reflect the correct treatment.

Liquidity and Capital Resources

The Company is in the development stage and therefore has no regular cash flow. At May 31, 2006, the Company had working capital of \$3,669,140 (November 30, 2005- \$735,152).

Cash and cash equivalents totalled \$2,861,002 as at May 31, 2006 (November 31, 2005 – \$988,302)

Six months ended May 31, 2006

Cash and cash equivalents increased by \$1,872,700 during the six months ended May 31, 2006 from \$988,302 as at November 30, 2005 to \$2,861,002 as at May 31, 2006.

Cash utilized in operating activities during the six months ended May 31, 2006 was \$334,042 (2005 – \$302,121) before any changes in non-cash working capital. After adjusting for cash flows applied to non-cash working capital, cash used in operating activities was \$526,637 for 2006 which is primarily due to the decrease in accounts payable and accrued liabilities of \$131,933 (2005 - \$273,753).

Cash used for investing activities during the six months ended May 31, 2006 was \$1,510,713 (2005 - \$1,378,191). The investing activities were as follows: acquisition and exploration of resource properties of \$1,892,796 (2005 - \$1,392,740), \$60,328 for the purchase of equipment (2005 - \$10,451), net of decrease (refunds in excess of expenditure) from prospecting permits and bonds of \$324,998 (2005 – nil), and the increase in related party debt resulting from the Company's mineral property exploration of \$117,413 (2005 – nil).

During the six months ended May 31, 2006, the Company's cash flows from financing activities, being proceeds from share issuance and related party repayments and advances totalled \$3,910,050 (2005 – \$721,168).

At May 31, 2006, the Company's investment in resource properties aggregated \$5,528,656 (November 30, 2005 - \$4,801,385), prospecting permit deposits and bond totalled \$235,697 (November 30, 2005 - \$560,695) and property plant and equipment, net of amortization, was \$93,032 (November 30, 2005 - \$45,196). The Company continues to file 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 May 31, 2006, a total of \$513,567 of refunds had been received since November 30, 2005.

At May 31, 2006, share capital of \$12,429,074 comprised of 48,221,029 issued and outstanding common shares (November 30, 2005 - \$8,880,532, comprising of 37,415,915 outstanding). Contributed Surplus which arises from the recognition of the estimated fair value of stock options and agents warrants was \$1,798,031 (November 30, 2005 - \$1,580,364).

As a result of the net loss for the six month period of \$381,533, deficit at May 31, 2006 increased to \$4,703,089 from \$4,321,556 at November 30, 2005. Accordingly, shareholders equity was \$9,524,016 as compared to \$6,139,340 at the year end November 30, 2005.

Three months ended May 31, 2006

Cash and cash equivalents increased by \$2,232,417 during the three months ended May 31, 2006 from \$628,585 as at February 28, 2006 to \$2,861,002 as at May 31, 2006.

Cash utilized in operating activities during the three months ended May 31, 2006 was \$167,220 (2005 – \$138,773) before any changes in non-cash working capital. After adjusting for cash flows applied to non-cash working capital, cash used in operating activities was \$384,199 for 2006 with the majority of this cash being utilized to repay the accounts payable and accrued liabilities of the Company.

Cash used for investing activities during the three months ended May 31, 2006 was \$717,059 (2005 - \$1,111,097). The investing activities were as follows: acquisition and exploration of resource properties of \$1,049,277 (2005 - \$1,135,097), \$53,869 for the purchase of equipment (2005 - \$Nil), net of decrease (refunds in excess of expenditure) from prospecting permits and

bonds of \$268,674 (2005 – nil) and the increase in related party debt resulting from the Company's mineral property exploration of \$117,413 (2005 – nil).

During the three months ended May 31, 2006, the Company's cash flows from financing activities, being proceeds from share issuance and related party repayments and advances totalled \$3,333,675 [2005 – \$(13,436)].

At present, the Company's operations do not generate cash flow and its financial success is dependant on management's ability to discover economically viable diamond deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. See "Risks and Uncertainties".

The Company currently has sufficient financial resources to meet its administrative overhead expenses and exploration expenditures for at least the next twelve months and is confident that it can raise additional funds to undertake all of its planned exploration activities.

In order to finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, from the exercise of convertible securities and from optioning its resource properties. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

Exploration Update

The 2006 exploration season got underway in March with programs that are designed to build on the results obtained from last year's work. To date, drilling has been conducted on two projects and field activities are underway on several more.

Darby Project, Hunter Properties

The Darby Project is comprised of approximately 400,000 acres of mineral claims and prospecting permits. The property is located approximately 200 kilometres south of the hamlet of Taloyoak and 120 kilometres southwest of the hamlet of Kugaaruk, both in the Nunavut Territory.

Over the course of the last two years, Indicator has identified kimberlite indicator minerals with diamond inclusion (DI) chemistry in heavy mineral samples collected on the property. This prompted the Company to conduct a high resolution airborne geophysical survey over approximately 10% of the project, in an area where the highest concentration of kimberlite indicator minerals had been recovered. Interpretation of the airborne data resulted in the identification of more than 30 targets, several of which were considered high priority. This included the Iceberg anomaly which was interpreted as having an 11 hectare surface area and where kimberlite indicator minerals with DI chemistry have been collected down-ice.

In early June, Indicator entered an agreement with Teck Cominco Limited giving it the option to earn an interest in the project. The agreement allows Teck Cominco the option to earn a 51% interest in the project by spending \$14 million over a four year period. Once Teck Cominco has earned its interest a joint venture will be formed and the following terms will apply:

- While Teck Cominco owns at least a 51% interest in the Darby Project, it will be obliged to carry Indicator's remaining 29% share of exploration expenses through to mine production on a project loan basis. Indicator will be required to repay the loan only in the event of cash flow from the Project.

- Teck Cominco will propose a minimum program of \$2.5 million per year to advance the Project.
- Indicator will have the right to purchase Teck Cominco's interest, under certain circumstances, if Teck Cominco elects not to develop a mine.

At the request of Teck Cominco, Indicator operates the project under a Management Services Agreement that is renewable annually.

The signing of the option agreement with Teck Cominco was quickly followed with the beginning of the exploration program at Darby. Over the course of the first three weeks, five geophysical anomalies were drill tested and five kimberlites were intersected. This included two holes into the Iceberg kimberlite each intersecting approximately 200m of continuous kimberlite and one hole into the Inferno anomaly which terminated in kimberlite after drilling 167 metres of continuous kimberlite. Representative samples from all of the kimberlites drilled have been sent to an independent laboratory for diamond analysis; results are expected in early October 2006.

The success of the drilling program has prompted Teck Cominco to increase the 2006 exploration budget from \$2.0 million to \$3.0 million. The supplemental budget will allow for the drilling of additional holes into the two largest kimberlites: Iceberg and Inferno. The additional drilling is intended to increase the understanding of size and shape of the two kimberlite bodies as well as acquire more material from each body for diamond analyses.

These drill results represent the beginning of the discovery process in the newly established Franklin Diamond District. Kimberlites occur in clusters or fields and the anomalies tested to date represent a fraction of the targets identified by the existing airborne geophysical survey which covers only 10% of the property. In addition, the drill intercepts at Iceberg and Inferno are suggestive of the region's potential for kimberlite bodies with large surface areas and substantial tonnage.

Barrow Project, Hunter Properties

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 prospecting as well as target specific heavy mineral and mobile metal ion samples. During the course of investigating one geophysical anomaly, a single occurrence of kimberlite float was discovered.

A 6.8kg sample of the kimberlite float 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.

Subsequently, a 25.5kg sample of kimberlite float from the same occurrence was submitted for micro diamond analysis using caustic fusion. A total of 171 micro diamonds and five macro diamonds were recovered. Indicator 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 and is expected to get underway in August. Additional heavy mineral sampling, prospecting and possible drilling are scheduled for the three week work program.

Sanagak Project, Hunter Properties

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.

Nunavut 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 Sanagak Project, located on the Boothia Peninsula and the Borden Project, located on Baffin Island as well as the Kellett and TIM properties warrant further investigation. Plans for 2006 include the collection of heavy mineral samples and prospecting.

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.

In March 2006, six magnetic targets were tested using down-hole hammer drilling over the course of a two week period. All of the geophysical anomalies tested were satisfactorily explained by the rocks encountered and no additional work is planned on these targets. No kimberlite was intersected in any of the drill holes. A second phase of drilling to test the remaining targets has been budgeted and the decision to proceed will be based on the results of a review of existing data by technical staff to be conducted in the fourth quarter of 2006.

Risks and Uncertainties

The Company is in the business of acquiring, exploring and developing diamond properties, and is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subjected to variations in commodity prices, market sentiment, exchange rates for currency, inflations and other risks. The Company currently has no other source of revenue other than interest on cash

balances. The Company will rely mainly on equity financing to fund exploration activities on its resource properties.

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 Interim Statement of Loss and Deficit and Schedule of Resource Property Costs contained in its unaudited Financial Statements for May 31, 2006 that is available on Indicator's website at www.indicatorminerals.com or on its SEDAR Page Site accessed through www.sedar.com.

Outstanding Share Data

Indicator's authorized capital is unlimited common shares without par value. As at July 25, 2006, the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares at July 25, 2006	48,529,029		
Warrants			
Share purchase warrants	359,193	\$0.45	Jan. 26, 2007
	1,218,000	\$0.45	Mar. 15, 2007
	75,000	\$0.45	April 1, 2007
	1,965,000	\$0.35	August 12, 2007
	3,726,217	\$0.35	August 22, 2007
	4,713,500	\$0.65/\$0.75	November 17, 2007
Agents Warrants	152,500	\$0.40	Mar. 3, 2006
	15,000	\$0.45	April 1, 2007
	320,648	\$0.70	May 15, 2007
Employee Stock Options			
	1,149,500	\$0.58	April 19, 2009
	265,000	\$0.355	April 19, 2009
	595,000	\$0.355	Nov. 16, 2009
	225,000	\$0.23	April 25, 2010
	1,100,000	\$0.32	October 23, 2010
	150,000	\$0.275	December 19, 2010
	400,000	\$0.58	April 11, 2011
	125,000	\$0.50	May 31, 2011
Fully Diluted at July 25, 2006	65,083,587		

Transactions with Related Parties

During the period ended May 31, 2006, the Company incurred capitalized mineral interest - geological consulting fees of \$36,384 (May 31, 2005 - \$26,094), mineral property costs recoverable of \$300,506 and consulting fees of \$95,626 (May 31, 2005 - \$57,738) for management services provided by companies controlled by directors and officers in common with the Company. Of this amount, \$114,413 (November 30, 2005 - \$1,337) was unpaid at May 31, 2006. These transactions are in the normal course of operations and are measured

at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

110,000 shares issued during the March 2005 private placement (Note 9(b)) were to related parties: 80,000 to the CEO/director, and 30,000 to a company controlled by a director. 118,500 non-flow-through shares issued during the August 2005 private placement (Note 9(b)) were to directors and officers.

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

Commitments:

a) Lease Commitment:

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

2006	\$ 23,734
2007	40,687
2008	20,294
Totals	\$ 84,715

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	\$ 194,650
2007	32,850
Totals	\$ 227,500

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

Accounting Policies:

No new significant accounting policies were adopted in the six months ended May 31, 2006.

Recent Developments and Outlook

The Company expects to obtain financing in the future primarily through further equity 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.