

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

Containing information up to and including October 28, 2011.

**Note to Reader**

Readers of the following management discussion and analysis (“MD&A”) should refer to the Company’s audited consolidated financial statements for the years ended November 30, 2010 and 2009 and the related MD&A as filed with SEDAR, available at [www.sedar.com](http://www.sedar.com).

This interim MD&A is an update to the Annual MD&A and should be read in conjunction with the Company’s unaudited consolidated interim financial statements for the three and nine month periods ended August 31, 2011 and 2010 together with the notes thereto, prepared by management in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) and expressed in Canadian dollars.

**Forward Looking Statements**

This MD&A provides management’s analysis of Indicator’s historical financial and operating results and provides estimates of Indicator’s future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management’s assessments of the Company’s future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company’s control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of resource and reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, undue reliance should not be placed on forward-looking statements. Indicator’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do so, what benefits Indicator will derive therefrom. Indicator disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable law.

**Overview**

Indicator is a mineral exploration (exploration stage) company involved in the acquisition and exploration of resource properties mainly in North America. The Company is exploring for diamonds in the Eastern Arctic of Canada and for copper in north-western Arizona in the United States of America. 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.

## Highlights

### ***Exploration Update – Summary***

During the quarter ended August 31, 2011, the Company conducted exploration programs on several of its key projects.

The Phase 1 drilling program was completed on the Mohave property in northwest Arizona. A total of 3,500 meters of NQ core was drilled in 11 holes. Significant molybdenum, copper and silver mineralization was encountered in most holes up to depths of 380 meters, with some intervals approaching ore grade assays. Ground magnetic and Induced Polarization (“IP”) geophysical surveys were commenced prior to and completed concurrently with the start of the drill campaign. These surveys complimented previously collected data and assisted in further defining an 1800 acre mineralized geophysical signature at Mohave. The 11 hole drill program targeted zones within the geophysical anomaly that were coincident with mapped structure and surface geochemistry.

A single geophysical anomaly was drilled on the diamond exploration project Nanuq North located in Nunavut. No kimberlite was intersected.

The Grail diamond exploration project in Nunavut was further advanced by the completion of a helicopter borne geophysical survey. A total of 1,653.9 line kilometers of magnetic data was collected in the up-ice direction of previously recovered high interest indicator minerals suggestive of being sourced from proximal diamondiferous kimberlite. Several high priority anomalies warranting follow up were identified in the survey.

### ***Private Placement February 2011***

On February 24, 2011 the Company issued 11,005,055 units (the “Units”) at a price of \$0.18 per Unit for gross proceeds of \$1,980,910 (the “Private Placement”). Each Unit is comprised of one common share and one transferable share purchase warrant of the Company (the “Warrants”). Each Warrant is exercisable to purchase one common share of the Company at a price of \$0.27 per share until February 23, 2013. An amount of \$624,290 was allocated to the fair market value of the warrants on a relative fair value basis.

Finder’s fees consisting of \$70,529 in cash and 391,828 non-transferable finder warrants, representing 5% of the proceeds raised and 5% of the number of Units issued, respectively, was paid in aggregate to six finders in respect of certain subscriptions under the Private Placement. Each finder warrant is exercisable to purchase one common share of the Company at a price of \$0.27 per share until February 23, 2013.

The fair value of finder’s fees and expenses related to the private placement totalled \$102,985, of which \$70,529 was allocated to the cost of the share issuance and the remaining \$32,456 was allocated to contributed surplus as a cost of the warrants issued.

All securities issued or issuable under the Private Placement were subject to a hold period and could not be traded until June 24, 2011 except as permitted by Canadian securities legislation and the TSX Venture Exchange.

### ***Stock Options***

During the three month period ended August 31, 2011 no options were granted by the company.

During the three month period ended May 31, 2011 the Company granted 575,000 options to employees and consultants that vested immediately.

During the three month period ended February 28, 2011 the Company granted 1,750,000 options to employees, directors and consultants that vested immediately. A further 350,000 options were granted that vest over 12 months.

## **Results of Operations**

As Indicator is in the exploration 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 considered 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 in the near future as the Company is still in the process of determining whether its properties contain economically recoverable reserves. 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 to fund on-going operations.

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 funds 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.

## **Financial Summary for the Nine Month Period Ended August 31, 2011**

The Company is an exploration 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 month period ended August 31, 2011, a total of \$2,364,809 (2010 - \$1,329,358) of resource property costs were capitalized. Capitalized resource property costs increased from \$11,369,306 at November 30, 2010 to \$13,734,115 at August 31, 2011. Details of the cost break-down are contained in note 9 to the financial statements.

The Company's net loss for the nine months ended August 31, 2011 totalled \$753,944 or \$0.01 per share as compared to a net loss of \$1,081,645 or \$0.01 per share in 2010. The net loss is after a future income tax recovery of \$543,400 (2010 - \$24,100), resulting from the utilization of the Company's future income tax assets to offset future tax liabilities arising as a result of the renunciation of flow-through exploration expenditures. Total assets increased from \$13,280,471 as at November 30, 2010 to \$14,805,103 as at August 31, 2011. The Company's cash and cash equivalents decreased from \$1,631,413 at November 30, 2010 to \$737,132 at August 31, 2011, as a result of continued exploration and administrative expenditures, partially offset by the Company's financings during the period.

### Nine Months Ended August 31, 2011

The net loss before income taxes from the nine months ended August 31, 2011 was \$1,297,344, an increase of 17% from \$1,105,745 in the previous year.

Operating expenses for the nine months ended August 31, 2011 totalled \$1,315,411 (2010 - \$1,110,196). The increase in operating expenses was 18% as compared to 2010 expenses. Significant operating expenses and variances are as follows:

	Note	Nine Months Ended August 31		Increase (Decrease)	
		2011	2010	\$	%
Advertising and promotion	1	\$ 129,702	\$ 35,272	\$ 94,430	268%
Amortization		30,293	22,551	7,742	34%
Conference and meetings	2	19,293	50,321	(31,028)	(62%)
Corporate listing and filing fees	3	23,611	35,179	(11,568)	(33%)
Investor relations	4	44,395	109,895	(65,500)	(60%)
Office and administration	5	101,261	100,317	944	1%
Professional fees	6	177,555	358,836	(181,281)	(51%)
Rent		63,233	55,585	7,648	14%
Stock based compensation		383,612	127,828	255,784	100%
Transfer agent fees		10,322	7,615	2,707	36%
Wages and consulting fees	7	332,134	206,797	125,337	61%
		<b>1,315,411</b>	1,110,196	205,215	18%
Equipment rental		-	3,634	(3,634)	(100%)
Interest		18,067	817	17,250	2111%
		<b>18,067</b>	4,451	13,616	306%
Loss before income taxes		<b>\$ 1,297,344</b>	\$1,105,745	\$ 191,599	17%

Notes:

- Advertising and promotion has increased from \$35,272 to \$129,702 as a consequence of increased overall marketing relating to the Mohave project plus the addition of a business development professional.
- Conference and meetings expense has decreased from \$50,321 to \$19,293 as attendance at conferences was curtailed as management concentrated on the Mohave project.
- Corporate listing and filing fees have decreased from \$35,179 to \$23,611 due to less private placement activity in the current year as compared to the prior year.
- Investor relations expense has decreased from \$109,895 to \$44,395 as more emphasis has been placed on in-house relationship building as opposed to the engagement of consultants, in addition to work provided by the new business development professional.
- Professional fees have decreased from \$358,836 to \$177,555 as a consequence of last year's high expenditure relating to the joint venture dispute with Peregrine Diamonds.
- Stock based compensation has increased from \$127,828 to \$383,612 as the fair value of the stock options issued in the current year is greater than the fair value of options issued in the prior year.
- Wages and consulting fees have increased from \$206,797 to \$332,134 as a result of hiring a business development professional full-time together with various consultants.

Three Months Ended August 31, 2011

The net loss before income taxes for the quarter ended August 31, 2011 was \$188,468, a decrease of 17% from \$228,099 in the same period in the previous year.

Operating expenses for the three months ended August 31, 2011 totalled \$192,956 (2010 - \$229,800). The decrease in operating expenses was 16% as compared to 2010 expenses. Significant operating expenditures and variances are as follows:

	Note	Three Months Ended August 31		Increase (Decrease)	
		2011	2010	\$	%
Advertising and promotion	1	\$ 71,611	\$ 15,718	\$ 55,893	356%
Amortization		13,287	7,517	5,770	77%
Conference and meetings	2	3,412	12,861	(9,449)	(73%)
Corporate listing and filing fees	3	(252)	16,343	(16,595)	(102%)
Investor relations	4	7,798	28,061	(20,263)	(72%)
Office and administration	5	22,332	23,021	(689)	(3%)
Professional fees	6	23,004	91,342	(68,338)	(75%)
Rent		26,150	18,331	7,819	43%
Stock based compensation		18,445	-	18,445	100%
Transfer agent fees		2,387	1,469	918	62%
Wages and consulting fees	7	4,782	15,137	(10,355)	(68%)
		<b>192,956</b>	<b>229,800</b>	<b>(36,844)</b>	<b>(16%)</b>
Equipment rental		-	884	(884)	(100%)
Interest		4,488	817	3,671	449%
		<b>4,488</b>	<b>1,701</b>	<b>2,787</b>	<b>164%</b>
Loss before income taxes		<b>\$ 188,468</b>	<b>\$ 228,099</b>	<b>\$ (39,631)</b>	<b>(17%)</b>

Notes:

- Advertising and promotion has increased from \$15,718 to \$71,611 as a consequence of increased overall marketing relating to the Mohave project plus the addition of a business development professional.
- Conference and meetings expense has decreased from \$12,861 to \$3,412 as attendance at conferences was curtailed as management concentrated on the Mohave project.
- Corporate listing and filing fees have decreased from \$16,343 to (\$252) due to a reversal of an over-accrual of fees in the prior quarter.
- Investor relations expense has decreased from \$28,061 to \$7,798 as more emphasis has been placed on in-house relationship building as opposed to the engagement of consultants, in addition to work provided by the new business development professional.
- Professional fees have decreased from \$91,342 to \$23,004 as a consequence of last year's high expenditure relating to the joint venture dispute with Peregrine Diamonds.
- Stock based compensation has increased from \$nil to \$18,445 as there were no stock options vesting during the third quarter of the prior year.
- Wages and consulting fees have decreased from \$15,137 to \$4,782 due to a reallocation of costs to a project.

### Summary of Quarterly Results

Quarterly results fluctuate depending on the timing of the granting and vesting of stock options, the write-off of resources property costs, and future income tax recoveries resulting from the renunciation of flow through exploration expenditures.

The following table summarizes selected financial data reported by the Company for the quarter ended August 31, 2011 and the previous seven quarters:

	<b>Aug 31 11</b>	<b>May 31 11</b>	<b>Feb 28 11</b>	<b>Nov 30 10</b>	<b>Aug 31 10</b>	<b>May 31 10</b>	<b>Feb 28 10</b>	<b>Nov 30 09</b>
Current assets	\$ 920,552	\$ 2,241,456	\$ 3,450,812	\$ 1,803,413	\$ 2,074,536	\$1,210,610	\$ 292,221	\$ 683,342
Resource properties & permits	13,745,886	12,790,298	11,515,273	11,381,077	10,683,345	9,736,485	9,391,833	9,342,216
Option Agreement	-	-	-	-	178,745	147,800	107,609	5,743
Current liabilities	335,018	522,792	552,980	547,678	1,133,331	558,326	165,148	115,905
Loss from operations	(192,956)	(532,593)	(589,862)	(560,938)	(229,800)	(584,178)	(296,218)	(275,394)
Write off of mineral interest	-	-	-	(388,572)	-	-	-	(519,503)
Write off of option agreement	-	-	-	(189,249)	-	-	-	-
Future income tax recovery (expense)	-	-	543,400	-	-	-	24,100	(3,050)
Net loss	(188,468)	(524,155)	(41,321)	(1,132,754)	(228,099)	(581,428)	(296,218)	(797,744)
Basic loss per share	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)
Weighted Avg. Shares	132,582,223	130,303,669	116,926,398	106,144,325	98,728,791	78,892,058	73,009,702	73,009,702

## Liquidity and Capital Resources

### Nine Months Ended August 31, 2011

Cash and cash equivalents decreased by \$894,281 during the nine months ended August 31, 2011 from \$1,631,413 as at November 30, 2010 to \$737,132.

Cash utilized in operating activities during the nine months ended August 31, 2011 was \$883,439 (2010 - \$955,366), before changes in non-cash working capital.

Cash flows used in investing activities during the nine months ended August 31, 2011 totalled \$2,437,786 (2010 - \$1,643,280). The investing activities were as follows: utilization of \$2,364,809 for resource property exploration (2010 - \$1,329,358); \$72,977 utilized for the purchase of equipment (2010 - \$4,149). In the nine months ended August 31, 2011 the Company invested \$nil in the option agreement (2010 - \$123,002), in permit deposits (2010 - \$11,771) and the loan to Bluestone (2010 - \$175,000).

At August 31, 2011, the Company's investment in resource properties aggregated \$13,734,115 (November 30, 2010 - \$11,369,306), prospecting permits totalled \$11,771 (November 30, 2010 - \$11,771) and equipment, net of amortization, was \$138,665 (November 30, 2010 - \$95,981). The Company continues to file the appropriate reports with the Territorial authorities, and such reports may result in a refund of amounts paid by the Company for prospecting permits. Any such proceeds will be used to reduce the permit deposit amount on the Company's books with any non-refunded amounts being transferred to resource property costs.

During the nine month period ended August 31, 2011, the Company raised cash proceeds of \$2,652,524 through a private placement financing and the exercise of options and warrants. At August 31, 2011, share capital of \$21,707,868 comprised 132,606,680 issued and outstanding common shares (November 30, 2010 - \$20,009,290 comprising 115,528,967 shares outstanding). Contributed Surplus which arises from the recognition of the estimated fair value of stock options and warrants was \$7,055,729 (November 30, 2010 – \$6,261,571). As a result of the net loss for the nine month period ended August 31, 2011 of \$753,944, the deficit at August 31, 2011 increased to \$14,707,712 from \$13,953,768 at November 30, 2010. Accordingly, shareholders equity was \$14,030,885 as compared to \$12,293,593 at November 30, 2010.

At present, the Company's operations do not generate cash inflows and its financial success is dependent on management's ability to discover economically viable diamond and mineral 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".

In order to finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company may raise money through the sale of equity instruments, 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.

#### Three Months Ended August 31, 2011

Cash and cash equivalents decreased by \$1,297,379 during the three months ended August 31, 2011 from \$2,034,511 as at May 31, 2011 to \$737,132.

Cash utilized in operating activities during the three months ended August 31, 2011 was \$156,736 (2010 - \$220,582), before changes in non-cash working capital.

Cash flows used in investing activities during the three months ended August 31, 2011 totalled \$1,005,394 (2010 - \$1,141,034). The investing activities were as follows: utilization of \$955,588 for resource property exploration (2010 - \$935,089); \$49,806 utilized for the purchase of equipment (2010 - \$nil). In the three months ended August 31, 2011 the Company invested \$nil in the option agreement (2010 - \$30,945) and the loan to Bluestone (2010 - \$175,000).

At August 31, 2011, the Company's investment in resource properties aggregated \$13,734,115 (May 31, 2011 - \$12,778,527), prospecting permits totalled \$11,771 (May 31, 2011 - \$11,771) and equipment, net of amortization, was \$138,665 (May 31, 2011 - \$102,146).

During the three month period ended August 31, 2011, the Company raised cash proceeds of \$30,000 through the exercise of warrants. There were no financings during the three month period ended August 31, 2011.

## **Exploration Update**

### **Darby Project – Hunter Property**

The Darby Project is comprised of approximately 687,000 acres of mineral claims. The property is located approximately 200 kilometers south of the hamlet of Taloyoak and 120 kilometers southwest of the hamlet of Kugaaruk, both in the Nunavut Territory.

Over the course of the first two field seasons (2004 and 2005), Indicator identified kimberlite indicator minerals with diamond inclusion chemistry in heavy mineral samples collected on the

property. In 2005, the Company conducted a high resolution airborne geophysical survey over approximately 40,000 acres (or 10% of the original 415,000 acre project), in the 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.

In June 2006, Indicator entered an agreement (“the option agreement”) with Teck Resources Ltd. (“Teck”) granting it the option to earn an interest in the Darby Project. The agreement allows Teck the option to earn a 51% interest in the project by spending \$14 million before June 2009. Once Teck has earned its interest a joint venture will be formed and the following terms will apply:

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

The signing of the option agreement with Teck was quickly followed with the beginning of the exploration program at Darby. Five geophysical anomalies were drill tested during the 2006 exploration program and five kimberlites were discovered. Two of the kimberlites proved to be diamond bearing.

In addition to the drilling conducted on the property in 2006, the airborne geophysical survey area was expanded to cover an additional 30% of the original 415,000 acre property. An interpretation of the data identified 23 untested, high-priority targets as well as a number of lower priority anomalies. The high-priority targets have surface areas up to 7 hectares in size.

Prospecting conducted on the property in 2006 led to the discovery of 95 kimberlite float occurrences. Many of these float occurrences are associated with geophysical anomalies and form distinct “trains” parallel to the last direction of glacial ice. One float train was identified outside of the area where airborne geophysical surveying has been conducted, suggesting that kimberlites are widely distributed across the property.

Kimberlites occur in clusters or fields and the anomalies tested to date represent a fraction of the targets identified in the existing airborne geophysical data. In addition, the drill results are suggestive of the region’s potential for kimberlite bodies with large surface areas and substantial tonnage. This led to the decision to expand the Project with the acquisition of mineral claims totalling more than 272,000 acres, which brings the Project to its present size of 687,000 acres.

In 2007, Teck set the exploration budget for the field season at \$8.5 million. The main focus of the program was to expand the airborne geophysical coverage to areas where kimberlite indicator minerals and float were recovered in 2006 and to mount an aggressive drilling campaign, testing a minimum of 30 new targets on the property. Heavy mineral sampling and prospecting was also planned for the mineral claims that were acquired in 2006 and incorporated into the option agreement.

The drilling program was conducted over the course of three months and tested a total of 32 new geophysical targets. This led to the discovery of four new kimberlite bodies on the property, bringing the total to nine. The discoveries made have expanded the breadth of the kimberlite field on the property and reinforced the belief that there are many more kimberlites to be discovered at Darby. Samples of the new kimberlites were shipped to an independent laboratory for diamond analysis and results were received in November 2007. Thirteen diamonds were recovered from a 171.6 kg sample of the DR042 kimberlite with the two largest stones greater than 0.15 mm in two dimensions. A 278.7 kg sample from the DR034 kimberlite produced two diamonds and one diamond was recovered from a 66.9 kg of the DR093 kimberlite. No diamonds were recovered

from a 109.4 kg sample of the DR036 kimberlite. Finally, a 411.8 kg sample from a previously untested portion of the 11 hectare Iceberg kimberlite yielded 10 diamonds, with the largest stone exceeding 0.3 mm in two dimensions.

In January of 2008, partner Teck announced that it had set a budget of \$2.1 million for the Darby Project for the year. In June 2008, the Company was notified that work had commenced with a 16,000 line-km detailed helicopter-borne survey that extends geophysical coverage to the western mineral claims and completes the coverage of the entire Darby property.

In July 2008, boulders of kimberlite were discovered in two separate locations while prospecting in the vicinity of coincident geophysical and kimberlite indicator mineral anomalies. Analysis of the boulders showed that they were insignificantly diamondiferous; however, their discovery is significant since the area over which kimberlite has been discovered has increased from 100 km<sup>2</sup> to 1,200 km<sup>2</sup>, implying a much larger field. Furthermore, the boulders may represent two new clusters of kimberlites within the larger field.

In August 2010 Teck informed the Company that they have surpassed \$14,000,000 in aggregate exploration expenditures to earn its 51% interest in the project. No accounting of expenditures has been received by the Company for review and none of the other terms of the agreement have been fulfilled, therefore no interest in the project has been assigned to Teck at November 30, 2010. No exploration work was carried out on the Project in 2009 and only care and maintenance of the project was conducted in 2010. It is important to note that the core mineral claims at Darby will remain in good standing well into 2011; so, there is no concern that valuable land will lapse while the partnership evaluates the options for proceeding in the future. At this time none of the other terms of the agreement have been fulfilled.

Teck has informed Indicator that no minimum work program is proposed for 2011. During the third quarter ended August 31, 2011, Teck completed the removal of the camp facilities.

No joint venture agreement has been signed and the Company continues to work with Teck on alternative options.

### **Nanuq North Project – Hunter Property**

The Nanuq North Project is located south of Wager Bay in Nunavut Territory and includes approximately 81,684 acres of mineral claims. Indicator has a 40% interest in the Nanuq North Project.

In late August 2008, the Company mounted a drill program on the Nanuq North Project with partner Peregrine Diamonds Ltd. (“Peregrine”). Five airborne geophysical targets were tested resulting in the discovery of the first kimberlite on the property. The kimberlite, NQN-001, is estimated to have a minimum surface area of 4.2 hectares based on ground geophysical data. The drill hole was inclined at -58° and collared into kimberlite 8.8 m and terminated in kimberlite at 86.5 m.

A total of 206 diamonds were recovered from 153 kg of kimberlite submitted to the Saskatchewan Research Council Geoanalytical Laboratory for analysis using caustic fusion. The largest diamond measured 0.97 mm x 0.72 mm x 0.7 mm and was described as colourless and without inclusions. Furthermore, the diamond results coupled with geologic information suggest that two phases of kimberlite were intersected. Both phases are significantly diamondiferous; however, the second phase, intersected in the last 13.7 m of the drill hole, is exceptionally diamondiferous. The results from the NQN-001 kimberlites are very compelling and the Company planned a core drilling program for 2009 that will help to further evaluate the body. On July 12, 2009, Peregrine notified Indicator and Hunter Exploration Group (“Hunter”), that it had initiated arbitration proceedings with respect to the Nanuq North Project. Indicator, Hunter and Peregrine had been jointly exploring the project under a letter agreement.

The arbitration followed a cash call issued by Indicator to Peregrine for their portion of the planned 2009 exploration program on Nanuq North. Indicator is operator of the project and issued the cash call as part of the planned 2009 exploration program. Peregrine did not support the program and did not wish to dilute their interest in the project. The Statement of Claim to the Arbitration Centre submitted that Indicator did not have right to set exploration programs and budgets on Nanuq North without the approval of Peregrine.

Indicator felt it was in the best interest of its shareholders to postpone activities at Nanuq North until the issue with Peregrine could be resolved when it became apparent that the Arbitration hearing would not happen before the end of the 2009 field season.

Indicator and Hunter each filed a statement of defence and counterclaim. In its counterclaim, Indicator asserted that the Letter Agreement between the Company, Hunter and Peregrine is unenforceable and should be set aside. Hunter was seeking the same outcome in an independent counterclaim.

On April 30, 2010 the Company announced that they had reached an agreement with Peregrine to adjourn arbitration hearings scheduled for May 2010 in order to allow Indicator and Peregrine to negotiate a Joint Venture Agreement with respect to the Nanuq North Project. As a term of the Adjournment Agreement, Indicator and Peregrine agreed to conduct a \$2.0 million exploration program at Nanuq North in 2010.

Indicator and Peregrine agreed to equally fund the \$2.0 million 2010 exploration program at Nanuq North. The program was conducted in late May and June and had a primary goal of evaluating the NQN-001 kimberlite for the following:

- Obtain preliminary estimates of the size of the kimberlite body;
- Determine the number of phases (types) of kimberlite present;
- Obtain an initial understanding of the distribution of diamonds in the different kimberlite phases identified.

Ninety six heavy mineral samples were also collected during August. Six holes were drilled and 762 meters of kimberlite was recovered. Five of the holes were drilled at a -50° angle and penetrated the edge of the kimberlite at depths between 60 meters and 126 meters below the surface allowing for a cursory estimate of surface expression and internal kimberlite geology. Preliminary analysis of the drill core suggests that the NQN-001 kimberlite has good continuity at depth and is approximately 1.8 hectares at surface.

More than 4,000 kg of medium grained, strongly magnetic kimberlite and moderately magnetic kimberlite material were recovered from the NQN-001 kimberlite. In July, 2010 a 1,008 kilogram NQN-001 was sent to the accredited Saskatchewan Research Council Geoscientific Laboratories ("SRC") for caustic fusion diamond analysis. Results received in November 2010 showed the sample yielded 612 diamonds larger than 0.075 mm. The two largest stones measured 1.00 x 0.84 x 0.64 mm and 0.68 x 0.68 x 0.46 mm and were both described by SRC as having an off-white color with inclusions. The sample was composed of rock taken at regular intervals from all six core holes.

Indicator processed the remaining kimberlite sample from NQN-001 for commercial size stones using the low cost technique of Dense Media Separation. The sample was composed of 2942.0 kg of core material from the 2010 drilling campaign as well as 651.6 kg of reverse circulation kimberlite chips from the 2008 drilling program. No commercial sized stones were recovered from this sample.

A short exploration program was conducted on the property during the quarter ended August 31, 2011. Airborne geophysical anomaly NNQ-408 was covered with 16.8 line kilometers of ground magnetics. The anomaly was down graded and no further work recommended. Magnetic anomaly NQN-024 was drill tested with a single core hole inclined at -50°. The hole was

terminated at 214 meters having passed through the anomaly not intersecting kimberlite. The magnetic low is interpreted to be the result of a mag destructive zone resulting from intercepting faults.

The process of completing a joint venture agreement is still ongoing.

### **Barrow Project – Hunter Property**

The Barrow Project is comprised of 72,310 acres of mineral claims located approximately 15 km 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 at Barrow 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 6.8 kg 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 0.33 mm - or more significantly - the detection of diamonds.

Subsequently, a 25.5 kg sample of kimberlite float from the 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, drilling is required to determine this.

A ground geophysical crew mobilised to the property in early May 2007. Surveys were conducted over 27 airborne geophysical targets and eleven high-priority targets and numerous lower priority targets were identified. Based on these results, a multi-phase drill program was planned with the first phase testing land-based targets in 2007 and the second phase testing a combination of land and lake based targets in early 2008.

The first phase of drilling commenced in mid-September 2007 and was completed in early October. During the program, five targets were tested but no kimberlites were discovered. The Company remained confident that there are diamond bearing kimberlites on the property and committed to a second phase of drilling in 2008.

Indicator set a \$1.3 million budget for the Barrow Project for 2008. The program was designed to include the collection of detailed magnetic data over selected areas of the property. In addition, a two stage drill program was contemplated. The first stage of spring drilling was designed to test previously identified targets located within lakes which must be drilled from ice. The second stage of drilling focused on following up land based targets identified in the detailed airborne magnetic survey conducted in 2007.

The Company commenced field operations at Barrow in early May 2008 with the spring drilling program. Five lake based kimberlite targets were tested with a drill rig capable of retrieving core samples. No kimberlites were discovered and the spring drilling campaign was terminated in early June.

In June 2008, airborne magnetic survey equipment was deployed to the Barrow Project. This highly sensitive helicopter-borne system developed for the US military flew selected areas of the property where evidence of local kimberlite bodies has been recovered. Targets that were

identified in the magnetic survey may be tested in a future drilling program; however, no exploration work was conducted on the Project in 2010.

On March 4, 2011 the Company entered into a Letter Agreement with Diamonds North Resources Ltd. ("Diamonds North") whereby Diamonds North has the option to earn up to a 60% interest in any diamond rights on the Barrow property.

To earn the 60% interest on the Barrow property Diamonds North must incur up to \$2,000,000 in exploration expenditures according to the following schedule:

- (a) to maintain the option incur \$200,000 in exploration expenditures on or before December 31, 2013 of which \$50,000 must be incurred on or before December 31, 2011.
- (b) to earn a 51% interest in the property incurs an additional \$800,000 in exploration expenditures for an aggregate of \$1,000,000 in total exploration expenditures on or before December 31, 2015.
- (c) to earn an additional 9% for an aggregate 60% in the property incur an additional \$1,000,000 for an aggregate of \$2,000,000 in total exploration expenditures on or before December 31, 2016.

A work program for the \$50,000 exploration expenditure to be completed on or before December 31, 2011 is pending from Diamonds North.

#### **Grail Project – Hunter Property**

The Grail Project (a combination of the Sanagak and Mayo Projects) is located on the Boothia Peninsula and originally included approximately 1.1 million acres of prospecting permits. In 2004, heavy mineral samples were collected on the project on a 3 km 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 is adjacent to the eastern boundary of the prospecting permits. Heavy mineral samples were collected on the open ground to the east of the Grail Project early in the 2005 exploration season. These samples were expedited to the 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.

In 2006 additional heavy mineral samples were collected in areas where kimberlite indicator minerals had been identified in previous sampling campaigns. Results from work carried out in 2005 isolated an area where the Company believes kimberlite sources may exist.

The 2007 exploration program included a detailed airborne geophysical survey over a small portion of the project thought to be the source area for one of the indicator mineral anomalies. Several anomalies were selected from the preliminary airborne data to be surveyed with ground geophysics. Finally, a summer program of heavy mineral sampling was conducted to further delineate the areas where kimberlite indicator minerals have been recovered.

In 2008 Indicator initiated an airborne survey of an area of the Grail Project thought to host the sources of the kimberlite indicator minerals recovered on the property. Numerous kimberlite targets were identified in the data and the project is now considered drill ready.

In fall of 2009, Indicator staked and additional 16 claims encompassing 41,320 acres of land contiguous to the Grail property. This acquisition was for the purposes of securing strategic ground in close proximity to positive results returned from previous exploration campaigns.

As a result of focussed exploration, the project is now 236,000 acres. No work was conducted on the Project in 2010; however, all core mineral claims on the project remain in good standing.

During the quarter ended August 31, 2011 a small helicopter borne magnetic survey was conducted on the Grail property. A total of 1,653.9 line kilometers of total field magnetics data was collected using a stinger mag mounted on a 206 Jet Ranger. The objective of the survey was to collect additional geophysical data in the down ice direction, proximal to high interest indicator minerals recovered in previous heavy mineral sampling campaigns. The survey was successful in identifying several high priority magnetic anomalies with signatures comparable to known kimberlites in the region.

### **Borden Project – North Country Gold Corp.**

The Borden Project is located on the Borden Peninsula of Baffin Island and includes approximately 389,000 acres of prospecting permits. Indicator acquired an option on Borden in 2004 from Committee Bay Resources Ltd. (now North Country Gold Corp.) and can earn up to 70% of the diamond rights to the project.

High interest kimberlite indicator minerals were identified on the property through heavy minerals sampling programs in 2004 and 2005. Subsequent sampling programs conducted in 2006 and 2007 have isolated an area on the property believed to contain the kimberlite sources.

In 2008, an airborne magnetic survey was conducted on the Borden Project over an area believed to contain the sources of kimberlite indicator minerals recovered in previous heavy mineral sampling campaigns. Several high priority targets were identified in the preliminary data. A field geologist was dispatched to the project to prospect and collect heavy mineral samples immediately down-ice of the targets. Kimberlite boulders were discovered while investigating one of the targets, greatly increasing the confidence that kimberlites exist on the property.

In fall of 2009, Indicator staked 24 claims encompassing 61,980 acres of land. This staking campaign was for the purposes of converting Prospecting Permits in their final year of tenure into claims. The land converted to claims is highly strategic as it lies in close proximity to the positive results recovered in 2008 including the discovery of kimberlite float.

As a result of focussed exploration, the project is now 180,000 acres. No work was conducted on the project in 2010 and 2011; however, all core mineral claims on the project remain in good standing.

### **Mohave Copper Porphyry Project**

On November 1, 2010 Indicator completed the acquisition of private company Bluestone Resources Inc. ("Bluestone"), which includes its 100% owned Mohave Copper-Moly-Silver Porphyry Project ("the Mohave Project") in Arizona. The Company agreed to acquire all of the issued and outstanding shares of Bluestone in return for the issue of 5,000,040 common shares (approximately 4.7% of the number of outstanding common shares post-transaction).

The Mohave Project is located in north-western Arizona and is interpreted as a large-scale, copper porphyry deposit with significant amounts of silver and molybdenum. Exploration work conducted by Bluestone in 2008, identified extensive copper mineralization over a large area of the project with a coincident IP anomaly (2.5 km x 2.5 km) and complimentary structural features. The geology of the Mohave Project is believed to be analogous to the Bagdad Copper Porphyry Mine, which is located within 33 km and along the same structural trend.

Historic explorers on the property mined copper, molybdenum, silver, lead, zinc, barium and manganese mineralization in two small scale operations in the late 1950's and early 1960's. The first was a copper leach operation where copper was recovered from copper oxide (e.g. chrysocolla-neotocite) mineralization. The second operation lies 2.0 km to the southeast where

molybdenum-lead-silver-barite-manganese were recovered from a known mineralized strike extent of 1.5 km. In the late 1960's and early 1970's explorers tested the copper-molybdenum-silver porphyry mineralization in several shallow churn holes to depths ranging from 100 to 500 ft (30.5 to 152.4 m).

The Mohave Project was acquired by Bluestone under the terms of an option agreement entered into on July 8, 2008 and amended on March 26, 2009 and July 30, 2010. Bluestone has exercised the option and earned its 100% interest in the Mohave Project, however to maintain this ownership interest, Bluestone was required to make payments to the previous owners of US\$240,000 on or before September 1, 2011 (paid) and will be required to make an additional payment to the previous owners of US\$360,000 on or before September 1, 2012.

The Mohave Project is subject to a 3% net smelter return royalty (the "Royalty") payable in cash to the previous owners. Bluestone has the option to purchase one-third of the Royalty for the fixed amount of US\$1,500,000 at any time during the ninety day period commencing on the date Bluestone receives a Bankable Feasibility Study with respect to the properties comprising the Mohave Project.

Indicator plans to undertake a two phase exploration program on the Mohave property including up to 10,000 meters of core drilling. Phase One will entail approximately 5,000 meters of drilling and extensive geophysics with both an IP and Ground Magnetic survey. Phase Two of the program will follow-up on the results of the first phase of the program.

The results of the IP survey were released in April 2011 and increased the existing anomaly by 68% over the original IP work completed by Bluestone Resources in 2008. The IP anomaly identified using the 20mRad chargeability contour increased from 438 Ha to 738 Ha and closed off the anomaly to the west and the south.

Phase One of the drill program was completed during the quarter ended August 31, 2011. Geological, geochemical and geophysical surveys indicate that the Mohave Project is part of an extensive sulphide-bearing hydrothermal system. A broad IP/chargeability anomaly measuring 4.0km long and up to 3.0km in width, flanked by bounding faults to the north and east, is coincident with strong copper-molybdenum and silver rock and soil geochemical anomalies coinciding with an easterly trending intrusive and structural corridor.

As part of the 2011 Phase I drill program, Indicator Minerals Inc. drilled 3500m of core in 11 exploration holes at Mohave with reported favourable mineralization from surface to depths of up to 380m. Significant Mo-(Cu)-Ag mineralization was intersected in most of the holes drilled that targeted discrete zones within the system. Alteration assemblages and metal assays indicate that the Mohave project is a large porphyry system that has had multiple stages of structurally favoured dilation, intrusion and related hydrothermal activity.

Holes MV11001 and MV11002 were drilled in the Oxide Pit Zone (OPZ) to down hole depths of 363.00m and 355.40m respectively. The holes were targeting copper oxides and copper silicates on surface that returned 0.24%Cu, 0.008%Mo and 0.68gpt Ag over 50.3m in a surface trench coincident with a weak chargeability anomaly. MV11001 tested the edge of a magnetic high and MV11002 tested a weak magnetic response.

MV11001:

- Intersected from surface to 65.8m (216 ft) grading 0.20%Cu, 0.011% Mo and 2.35 g/t Ag
- Included in this intersection is a 32.9m (108ft) interval from 3.1m to 36.0m (10ft to 118ft) grading 0.28% Cu and 2.62 g/t Ag

MV11002:

- Intersected from surface 70.7m (232ft) grading 0.30% Cu, 0.010 Mo, 2.54 g/t Ag
- Included in this intersection is a 25.0m (82ft) interval grading 0.66% Cu and 5.3 g/t Ag

Holes MV11003 and MV11004 were drilled 515m SE of MV11001 from the same set-up in the Rio Verde Zone (RVZ) to down hole depths of 370m and 362m, respectively. The holes target a Cu-Mo-Ag bearing Pb-Zn domain coincident with a high chargeability anomaly and a moderate magnetic response. These results showed MV11003 and MV11004 intercepted anomalous but weakly mineralized Cu, Ag and Mo values in conjunction with Pb and Zn from surface to 370.9m and 362.10m respectively.

Hole MV11005 was drilled to a depth of 362 meters in the Leach Cap Zone (LCZ) 640m ENE of MV11003 along the same Rio Verde Fault corridor within a weak chargeability anomaly and a weak magnetic response with coincident surface rock and soil geochemistry.

#### MV11005

- The hole included an intercept of 27.50 g/t Ag over 1.2m from 107.3m to 108.5m and 0.010% Mo and 0.51g/t Ag over 24.1m from 177.1m to 201.2m.

Holes MV11006 and MV11007 were drilled into the north-eastern lobe of the monzonite complex approximately 800m NNW of MV11005 within the Leach Cap Zone in a weak chargeability and a low magnetic response.

#### MV11006

- Was drilled south to a depth of 167.34m and included an intercept of 0.50 g/t Ag and 0.032% Mo over 2.1m from 135.9m to 138m.

#### MV11007

- Was drilled north to a depth of 176.78m and included an intercept of 15.3 g/t Ag over 0.15m from 9.14m to 9.29m.

Holes MV11008 and MV11009 were drilled in the North Cupola Zone (NCZ) located 415m NW of MV11007 and 950m NNE of MV11001 in a moderate chargeability and along the edge of a magnetic high.

#### MV11008

- MV11008 was drilled to the south to a depth of 324.92 m and included an intercept of 0.45 g/t Ag and 0.011% Mo over 189.8m from 8.5m to 198.3m.

#### MV11009

- Results from MV11009 include 47.73m (157ft) of 0.015% Mo, 0.40gpt Ag and 0.025% Cu.

Hole MV11010 was drilled in the South Moly Zone (SMZ) located 1.2km SW from MV11009 and 300m SW from MV11001 within a chargeability and magnetic high.

#### MV11010

- Assay results from MV11010 produced 0.011% Mo and 0.74gpt Ag over 299.95m (984ft) from surface to a depth of 303.0m.

Hole MV11011 was drilled in the Scott Fault Zone (SFZ) located 1.48km SE from MV11010 to test surface alteration and silver rock and soil mineralization in dilational low temperature vein zones exposed along the Scott Fault trace.

#### MV11011

- Results from the initial hole into the Scott Fault Zone produced 119.95m (395ft) of 2.36gpt Ag including 0.50m of 100gpt Ag and 3.0gpt Au, and 2.50m of 27.36gpt Ag and 0.60gpt Au.

The potential for Phase Two of the 2011 exploration program is being discussed.

### **Grass Roots Projects**

In September 2009, Indicator collected a total of 60 heavy minerals samples on its 100% owned Dorset Property located on southern Baffin Island. Dorset is an ongoing grass roots project that has shown positive sampling results during exploration campaigns commencing in 2007. No grass roots diamond exploration work was conducted in 2010. There are currently no plans for Grass Roots exploration in 2011.

### **Marketing Agreement**

On March 12, 2008 the Company signed an agreement with Munic Gems N.V. ("Munic Gems") under which Munic Gems will use its best efforts to bring project opportunities to the Company for review with a particular focus on India and Brazil. Munic Gems will retain the following rights on certain projects that they have brought to the Company:

- The right to act as agent on the sale of 50% of Indicator's share of diamond production at a commission of 5%
- A Net Profits Interest (NPI) of 5%.

The Company will continue to generate and acquire projects through its own efforts. Munic Gems will have the following rights on these projects as long as it earns and maintains a 9.9% ownership interest in the common shares of the Company:

- The right to act as agent on 20% of the Company's share of diamond production at a commission of 5%
- The first right-of-offer to underwrite 100% of the Company's share of debt financing for capital costs incurred after the completion of a bankable feasibility study. In exchange, Munic Gems will have the right to market 100% of the Company's share of diamond production for the term of the debt at a commission of 5%.

Under the terms of the Agreement, Munic Gems was required to earn a 9.9% ownership interest in the Company through Private Placement financings at the Company's discretion, beginning with the purchase of 2.5 million units of the Company within 60 days of the Agreement being signed. This initial financing was completed in May 2008 and each unit consisted of one common share and one warrant to purchase one common share. Each unit in the initial financing was priced at \$0.29, with the exercise price of each warrant being \$0.36.

Once Munic Gems has earned a 9.9% interest in the Company, it is to maintain the 9.9% ownership through the exercise of anti-dilution right on subsequent financings. Munic Gems maintains the anti-dilution right so long as it does not skip more than three financings in total and does not skip two consecutively. Munic Gems is currently in default of its antidilution right agreement, and as a consequence certain rights Munic Gems has on diamond exploration and development projects are currently suspended.

At August 31, 2011 the Company has not acquired any projects under the terms of this agreement.

## **Risks and Uncertainties**

### ***Exploration Stage Company***

Indicator is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. All of its properties are in the early stages of exploration and are without known deposits of diamonds. Development of Indicator's properties will only follow upon obtaining satisfactory exploration results. There can be no assurance that Indicator's

existing or future exploration programs will result in the discovery of commercially viable mineral deposits. Further, there can be no assurance that even if an economic deposit of minerals is located, that it can be commercially mined.

### ***Mineral Exploration and Development***

The exploration and development of minerals is highly speculative in nature and involves a high degree of financial and other risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mineral deposit or ore body may result in significant rewards, few properties which are explored are ultimately developed into producing mines. Substantial expenses are required to establish ore reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on Indicator.

### ***Mining Operations and Insurance***

Mining operations generally involve a high degree of risk. Indicator's operations are subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, flowing and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, and periodic interruptions due to adverse weather conditions, labour disputes, and political unrest and in the case of diamonds, theft of production. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. Indicator does not currently carry insurance against these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with liabilities not covered by insurance or excess insurance coverage may cause substantial delays and require significant capital outlays.

### ***No Operating History and Financial Resources***

Indicator does not have an operating history and has no operating revenues and is unlikely to generate any in the foreseeable future. It anticipates that its existing cash resources following the private placements will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to prove economic deposits and to bring such deposits to production. Additional funds will also be required for Indicator to acquire and explore other mineral interests. Indicator has limited financial resources and there is no assurance that sufficient additional funding will be available to fulfill its obligations or for further exploration and development, on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause Indicator to forfeit its interests in some or all of its properties or to reduce or terminate its operations.

### ***Government Regulation***

The current or future operations of Indicator, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various foreign federal, state and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste

disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. There can be no assurance, however, that Indicator will obtain on reasonable terms, or at all, the permits and approvals, and the renewals thereof, which it may require for the conduct of its current or future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on any mining project which Indicator may undertake. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to Indicator's planned exploration and operations, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, 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 the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

### ***Competition***

The mineral exploration and mining business is competitive in all of its phases. Indicator will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties. Indicator's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or development. There is no assurance that Indicator will be able to compete successfully with others in acquiring such prospects.

### ***Title to Property***

Many of Indicator's properties are held in the names of others. Indicator has taken precautions to ensure that legal titles to its property interests are properly recorded. There can be no assurance that Indicator will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which the properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. Third parties may have valid claims underlying portions of Indicator's interests and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that Indicator may lose all or part of its interest in the properties to which such defects relate.

### ***Environmental Risks and Hazards***

All phases of Indicator's operations will be subject to environmental regulation in the jurisdictions in which it intends to operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which Indicator holds interests or on properties that will be acquired which are

unknown to Indicator at present and which have been caused by previous or existing owners or operators of the properties.

### ***Commodity Prices***

The price of Indicator's securities, its financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of precious or base minerals. Precious or base minerals prices fluctuate widely and are affected by numerous factors beyond Indicator's control such as the sale or purchase of precious or base metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand; production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection and international political and economic trends, conditions and events. The price of precious or base metals has fluctuated widely in recent years, and future serious price declines could cause continued development of Indicator's properties to be impracticable.

Further, reserve calculations and life-of-mine plans using significantly lower precious or base minerals prices could result in material write-downs of Indicator's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### ***Price Volatility and Lack of Active Market***

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for Indicator's securities will be subject to such market trends and that the value of such securities may be affected accordingly. There is currently no market through which the securities of Indicator can be sold and there can be no assurance that one will develop or be sustained. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price under a private placement.

### ***Key Executives***

Indicator will be dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel, whose contributions to the immediate future operations of Indicator are likely to be of importance. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of Indicator, the loss of these persons or Indicator's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations. Indicator does not currently carry any keyman life insurance on any of its executives. The directors and officers of Indicator will only devote part of their time to the affairs of Indicator.

### ***Potential Conflicts of Interest***

Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may

arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

### ***Dividends***

Indicator has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of Indicator and will depend on Indicator's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of Indicator deem relevant.

### ***Nature of the Securities***

The purchase of the Company's 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. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in Company's securities should not constitute a major portion of an investor's portfolio.

### **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 Comprehensive Loss and note 10 in its audited consolidated financial statements for November 30, 2010 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 28, 2011, the following common shares, options and share purchase warrants were outstanding:

	<b># of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Issued and Outstanding Common Shares	132,606,680		
Warrants			
Share purchase warrants	3,629,342	\$ 0.15	April 28, 2012
	4,150,500	0.12	April 28, 2012
	1,715,000	0.15	May 5, 2012
	1,291,250	0.12	May 5, 2012
	10,000,000	0.20	June 17, 2012
	2,037,500	0.16	July 14, 2012
	9,000,000	0.12	October 29, 2012
	11,005,055	0.27	February 23, 2013
Agents Warrants	773,900	\$ 0.15	April 22, 2012
	258,388	0.15	May 5, 2012
	5,950	0.16	July 14, 2012
	503,125	0.12	October 29, 2012
	391,828	0.27	February 23, 2013
Finders Units			
Options	700,000	\$ 0.15	June 17, 2012
Warrants	175,000	0.20	June 17, 2012
Employee Stock Options	150,000	\$ 0.40	November 20, 2011
	150,000	0.45	March 13, 2012
	730,000	0.40	September 18, 2012
	100,000	0.25	February 28, 2013
	475,000	0.10	November 11, 2013
	650,000	0.12	May 20, 2014
	100,000	0.12	June 15, 2014
	1,100,000	0.15	May 31, 2015
	3,350,000	0.10	October 7, 2015
	350,000	0.10	November 8, 2015
	350,000	0.16	January 5, 2016
	1,750,000	0.18	January 12, 2016
	575,000	0.20	May 8, 2016
Fully Diluted at October 28, 2011	<b>188,073,518</b>		

## Transactions with Related Parties

The Company had the following transactions with the corresponding related parties:

		For the three months ended		For the nine months ended	
		<b>August 31,</b>	August 31,	<b>August 31,</b>	August 31,
		<b>2011</b>	2010	<b>2011</b>	2010
Company of which the Director and VP Exploration are the majority shareholder	Geological Services	\$ 42,750	\$ 55,350	\$ 125,250	\$ 93,600
Company of which an Independent director is a shareholder	Marketing	\$ 25,722	\$ 14,722	\$ 72,747	\$ 37,457

Of these amounts \$42,833 was unpaid at August 31, 2011 (November 30, 2010 – \$12,450) and included in accounts payable and accrued liabilities. An amount of \$14,520 is included in prepaid expenses (November 30, 2010 - \$nil).

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. For further related party information, please see the details of the Bluestone transaction in note 3 to the Company's unaudited consolidated financial statements for the three and nine month periods ended August 31, 2011.

**Commitments:**

- a) The Company signed a lease for a period of 44 months for office premises effective April 1, 2009 as follows:

Remainder of	2011	\$	24,015
	2012		70,706
			94,721
		<b>\$</b>	<b>94,721</b>

- b) Effective August 1, 2011 the Company entered into an agreement with a related party to share office space under a 60 month lease. Commitments under this lease are as follows:

Remainder of	2011	\$	22,266
	2012		66,797
	2013		66,797
	2014		66,797
	2015		66,797
	2016		22,266
			311,720
		<b>\$</b>	<b>311,720</b>

**Adoption of New and Future Changes in Accounting Standards**

**Future Changes in Accounting Standards**

In February 2008, the Accounting Standards Board confirmed that Canadian Generally Accepted Accounting Principles for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective for the Company's interim and annual consolidated financial statements beginning on December 1, 2011.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant potential differences in recognition, measurement, and disclosures. The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment include:

- Deferred exploration and development expenditures (Mineral properties)
- Accounting for flow-through shares
- Accounting for income taxes
- First time adoption of International Financial Reporting Standards (IFRS 1)

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; information technology and data systems, financial statement note disclosures, internal controls over financial reporting; disclosure controls and procedures; contractual arrangements; and employee training. While the Company has begun assessing process, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The Company has completed a preliminary assessment of the impact of IFRS on its information technology and data systems and determined that the transition will have no material impact on these systems. The Company has commenced education of employees and has begun discussions relating to its IFRS transition plan with its auditor. Planned activities for the remainder of the fiscal year include selection of IFRS accounting policies, identification of one-time elective exemptions available on adoption of IFRS, the consideration of additional disclosure requirements in IFRS financial statements, and the completion of an assessment of the financial statement accounts impacted by the transition.

Following completion of these tasks, during fiscal 2011, the Company will commence the process of quantifying impacts and will design and implement any applicable internal controls to address the changes in financial reporting and disclosures, including controls related to the first time adoption and reporting of IFRS. The Company will also ensure that its key stakeholders remain informed about the anticipated effects of the IFRS transition as soon as practicable, through updates provided in the Company's MD&A's.

The Company's Audit Committee will continue to receive quarterly updates on the project status from management and will receive or attend external IFRS update sessions to ensure they are financially literate with respect to IFRS.

## **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 the optioning of 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, restricted cash investments, amounts receivable, marketable securities, HST recoverable, permit deposits, and accounts payable and accrued liabilities. It is management's opinion that Indicator is not exposed to significant interest, foreign exchange or credit risks arising from financial instruments. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these investments and/or the ability for prompt liquidation. The Company's marketable securities are recorded at fair value based on the quoted market price of the common shares held in another public company.

## **Critical Accounting Estimates**

The Company's accounting policies are presented in note 2 of the November 30, 2010 audited consolidated financial statements. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the consolidated financial statements. Actual amounts could differ materially from the estimates used and, accordingly, affect the results of the operations. Significant estimates include:

- the carrying values of mineral resource properties;
- the valuation of stock-based compensation expense;
- the determination of valuation allowances for future income tax assets; and
- the assessment of the Company's ability to continue as a going concern

### ***Mineral resource properties and deferred exploration costs***

The Company records its interest in mineral resource properties at cost. Resource exploration and development costs are capitalized on an individual area of interest basis until such time as an economic resource body is defined or the prospect is abandoned. Costs for producing properties will be amortized on a unit-of-production method based on the estimated life of the reserves, while costs for the prospects abandoned are written off.

Management of the Company reviews and evaluates the carrying value of each mineral resource property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. When it is determined that a mineral property is impaired, it is written down to its estimated fair value.

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of its deferred mineral resource property costs. Although management has made its best estimate of these factors, it is possible that material changes could occur which may adversely affect management's estimate of the net cash flows expected to be generated from its properties.

The recoverability of amounts shown for mineral resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to continue operations and to complete the development and upon future profitable production or proceeds from the disposition thereof. The discovery or establishment of adequate reserves is dependent on successful exploration. Competition for exploration resources at all levels is always competitive, particularly affecting availability of manpower, drill rigs and helicopters. As a result of this, and other factors inherent in exploration, the Company has uncertainty that it will be able to carry out its planned exploration programs.

### ***Stock-based compensation expense***

From time to time, the Company may grant share purchase options to directors, employees, and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation recorded in a period.

## **Disclosure Controls and Intend Control Over Financial Reporting**

As permitted, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basis Certificate with respect to the financial information contained in the unaudited consolidated interim financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificates under National Instruments ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

## **Approval**

The Board of Directors of Indicator has approved the disclosure contained in this MD&A. A copy of this 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) or by contacting:

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Attention: Bruce Counts, President and Chief Executive Officer

/s/ "Bruce Counts"  
Bruce Counts  
President and Chief Executive Officer

/s/ "Jonathan Singh"  
Jonathan Singh  
Chief Financial Officer