

**INDICATOR MINERALS INC.**

**(An Exploration Stage Company)**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2007**

**In Canadian Funds**

**(Unaudited)**

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

Statement 1

Canadian Funds  
(Unaudited)

<b>ASSETS</b>	<b>February 28, 2007 (Unaudited)</b>	<b>November 30, 2006 (Audited)</b>
<b>Current</b>		
Cash and cash equivalents	\$ 1,114,484	\$ 555,962
Restricted cash (Note 5f)	138,486	292,065
Cash calls receivable	1,009,661	1,994,356
Marketable securities	25,000	25,000
Prepaid expenses	15,836	6,740
	<b>2,303,467</b>	2,874,123
<b>Permits</b>	<b>341,237</b>	341,754
<b>Property and Equipment</b>	<b>114,640</b>	103,882
<b>Resource Property Costs</b> (Note 4) – Schedule	<b>5,113,167</b>	5,476,456
	<b>\$ 7,872,511</b>	<b>\$ 8,796,215</b>

**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 235,694	\$ 779,628
Due to related parties	-	130,644
GST payable	21,024	23,726
	<b>256,718</b>	933,998

**Nature of Operations and Going Concern** (Note 1)

**SHAREHOLDERS' EQUITY**

<b>Share Capital</b> (Note 5)	<b>12,112,419</b>	12,397,731
<b>Contributed Surplus</b> (Note 6)	<b>2,860,775</b>	2,867,328
<b>Deficit</b> - Statement 2	<b>(7,354,901)</b>	(7,402,842)
<b>Accumulated other comprehensive loss</b> (Note 2c)	<b>(2,500)</b>	-
	<b>7,615,793</b>	7,862,217
	<b>\$ 7,872,511</b>	<b>\$ 8,796,215</b>

ON BEHALF OF THE BOARD:

“Bruce Counts”, President & CEO \_\_\_\_\_, Director

“Sean Mager” \_\_\_\_\_, Director

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Statements of Loss and Deficit**  
**For the Three Months Ended February 28**

Statement 2

Canadian Funds  
(Unaudited)

	2007	2006
<b>Expenses</b>		
Advertising and promotion	\$ 68,515	\$ 25,881
Amortization	7,754	3,309
Conference and meetings	59,916	44,997
Corporate listing and filing fees	7,200	4,200
Investor relations	17,238	9,907
Office and administration	16,402	14,572
Professional fees	24,177	13,123
Rent	11,174	8,818
Stock-based compensation (Note 5e)	12,436	32,573
Transfer agent fees	1,153	920
Wages and consulting fees	108,989	48,136
<b>Loss before the undernoted</b>	<b>(334,954)</b>	<b>(206,436)</b>
<b>Other Income (Expenses)</b>		
Operator's fees	6,150	-
Interest	9,119	3,732
Write-off of leasehold improvements	-	(2,684)
Write-off of resource property costs (Note 4a)	(17,047)	(186,994)
	<b>(1,778)</b>	<b>(185,946)</b>
<b>Loss before income taxes</b>	<b>(336,732)</b>	<b>(392,382)</b>
<b>Future income tax recovery (Note 5f)</b>	<b>382,173</b>	<b>390,845</b>
<b>Net income (loss) for the period</b>	<b>45,441</b>	<b>(1,537)</b>
<b>Transition adjustment to opening balance – other comprehensive income (Note 2c)</b>	<b>2,500</b>	<b>-</b>
<b>Deficit - Beginning of Period</b>	<b>(7,402,842)</b>	<b>(4,321,556)</b>
<b>Deficit - End of Period</b>	<b>\$ (7,354,901)</b>	<b>\$ (4,323,093)</b>
<b>Basic and Diluted Income (Loss) per Share</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>49,036,665</b>	<b>38,751,526</b>

- See Accompanying Notes -

**Indicator Minerals Inc.**

(An Exploration Stage Company)

**Interim Statement of Comprehensive Income**

**For the Three Months Ended February 28**

*Canadian Funds*

*(Unaudited)*

Statement 3

	<b>2007</b>
<b>Net income for the period before comprehensive income</b>	<b>\$ 45,441</b>
Unrealized gain/loss on available for sale investments	-
<b>Comprehensive income</b>	<b>\$ 45,441</b>

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Statements of Cash Flows**  
**For the Three Months Ended February 28**

Statement 4

Canadian Funds  
(Unaudited)

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Net income (loss) for the period	\$ 45,441	\$ (1,537)
Items not affected by cash:		
Future income tax recovery	(382,173)	(390,845)
Stock-based compensation	12,436	32,573
Amortization	7,754	3,309
Write-off of leasehold improvements	-	2,684
Write-off of resource property costs	17,047	186,994
	<u>(299,495)</u>	<u>(166,822)</u>
Change in non-cash working capital:		
Cash calls receivable	(20,419)	-
GST payable	(2,702)	16,502
Prepaid expenses	(9,096)	-
Accounts payable and accrued liabilities	87,884	7,882
	<u>(243,828)</u>	<u>(142,438)</u>
<b>Cash Flows from Investing Activities</b>		
Decrease in restricted cash	153,579	-
Increase in property and equipment, net	(18,512)	(6,459)
Decrease in permits and bonds	517	56,324
Resource property costs	(78,974)	(843,519)
Resource property costs recovered	667,868	-
	<u>724,478</u>	<u>(793,654)</u>
<b>Cash Flows from Financing Activities</b>		
Issuance of share capital, net	77,872	576,375
	<u>77,872</u>	<u>576,375</u>
<b>Net Increase (Decrease) in Cash</b>	<b>558,522</b>	<b>(359,717)</b>
<b>Cash and Cash Equivalents- Beginning of Period</b>	<b>555,962</b>	<b>988,302</b>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 1,114,484</b>	<b>\$ 628,585</b>
<b>Supplemental Schedule of Non-Cash Investing and Financial Activities</b>		
Cash calls receivable, accounts payable and accrued liabilities and amounts due to related parties included in resource property costs	\$ 242,652	\$ (377,472)
Fair value of stock based compensation relating to options exercised	\$ 18,989	\$ -
Issuance of shares for property	\$ -	\$ 28,000

- See Accompanying Notes -

**Indicator Minerals Inc.**

Statement 5

(An Exploration Stage Company)

**Interim Statement of Changes in Shareholders' Equity  
For the Three Months Ended February 28***Canadian Funds  
(Unaudited)*

	<b>2007</b>
<b>Share capital</b>	
Balance – beginning of period	\$ 12,397,731
Issued during the period	96,861
Flow-through income tax renunciation	(382,173)
Balance – end of period	<u>\$ 12,112,419</u>
<b>Contributed surplus</b>	
Balance – beginning of period	\$ 2,867,328
Fair value of stock-based compensation on options vested	12,436
Fair value of stock option recognized on exercise	(18,989)
Balance – end of period	<u>\$ 2,860,775</u>
<b>Deficit</b>	
Balance – beginning of period	\$ (7,402,842)
Transitional adjustment to opening balance of other comprehensive income	2,500
Net income for the period	45,441
Balance – end of period	<u>\$ (7,354,901)</u>
<b>Accumulated other comprehensive income (loss)</b>	
Transitional adjustment to opening balance	\$ (2,500)
Unrealized gain/loss on available for sale investments	-
Balance – end of period	<u>\$ (2,500)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><b>\$ 7,615,793</b></u>

- See Accompanying Notes -

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

Schedule

Canadian Funds  
(Unaudited)

	For the Three Months Ended February 28, 2007 (Unaudited)			For the Year Ended November 30, 2006 (Audited)		
	Acquisition Costs	Deferred Exploration	Total	Acquisition Costs	Deferred Exploration	Total
<b>Mineral Interests</b>						
<b>Hunter Properties</b>						
Acquisition costs	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
Claims and staking	-	-	-	338,776	-	338,776
Analytical and sampling	-	53,849	<b>53,849</b>	-	309,227	309,227
Airborne geophysics	-	87,965	<b>87,965</b>	-	9,041	9,041
Salaries and consulting fees	-	11,704	<b>11,704</b>	-	58,713	58,713
Fieldwork	-	3,470	<b>3,470</b>	-	526,639	526,639
Recovery of costs	-	(667,868)	<b>(667,868)</b>	-	-	-
	-	(510,880)	<b>(510,880)</b>	388,776	903,620	1,292,396
<b>Committee Bay Properties</b>						
Claims and staking	-	-	-	96,086	-	96,086
Analytical and sampling	-	5,670	<b>5,670</b>	-	146,441	146,441
Consulting	-	1,202	<b>1,202</b>	-	14,854	14,854
Fieldwork	-	5,227	<b>5,227</b>	-	17,860	17,860
	-	12,099	<b>12,099</b>	96,086	179,155	275,241
<b>International Samuel JV Property</b>						
Claims and staking	-	-	-	20	-	20
Analytical and sampling	-	-	-	-	43,444	43,444
Consulting	-	-	-	-	2,756	2,756
Fieldwork	-	-	-	-	10	10
	-	-	-	20	46,210	46,230
<b>Lokgwabe Property</b>						
Acquisition costs	-	-	-	28,000	-	28,000
Airborne geophysics	-	-	-	-	139,098	139,098
Analytical and sampling	-	-	-	-	13,873	13,873
Consulting	-	-	-	-	22,498	22,498
Ground geophysics	-	-	-	-	41,644	41,644
Fieldwork	-	-	-	-	128,660	128,660
	-	-	-	28,000	345,773	373,773
<b>Indicator Property</b>						
Claims and staking	134,701	-	<b>134,701</b>	167,737	-	167,737
Analytical and sampling	-	304	<b>304</b>	-	28,281	28,281
Consulting	-	5,202	<b>5,202</b>	-	3,974	3,974
Fieldwork	-	74	<b>74</b>	-	12,636	12,636
	134,701	5,580	<b>140,281</b>	167,737	44,891	212,628
<b>Generative</b>						
Claims and staking	1,000	-	<b>1,000</b>	41,743	-	41,743
Analytical and sampling	-	-	-	-	38,120	38,120
Consulting	-	9,501	<b>9,501</b>	-	38,142	38,142
Fieldwork	-	1,757	<b>1,757</b>	-	168,425	168,425
	1,000	11,258	<b>12,258</b>	41,743	244,687	286,430
<b>Resource Costs for the Period</b>	135,701	(481,943)	<b>(346,241)</b>	722,362	1,764,336	2,486,698
Mineral Property Costs Written Off (Note 4a)	(1,000)	(16,047)	<b>(17,047)</b>	(807,838)	(1,003,789)	(1,811,627)
Costs, Beginning of the Period	1,645,688	3,830,768	<b>5,476,456</b>	1,731,164	3,070,221	4,801,385
<b>Balance, End of the Period</b>	\$ 1,780,389	\$ 3,332,778	<b>\$ 5,113,167</b>	\$ 1,645,688	\$ 3,830,768	\$ 5,476,456

- See Accompanying Notes -

# **Indicator Minerals Inc.**

**(An Exploration Stage Company)**

## **Notes to Interim Financial Statements**

**February 28, 2007**

*Canadian Funds  
(Unaudited)*

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### **1. Nature of Operations and Going Concern**

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

The Company is an exploration stage company that engages principally in the acquisition, exploration and development of mineral properties. As an exploration stage company, it is currently unable to self-finance its operations. As discussed in the following notes to the financial statements, the recovery of the Company's investment in its resource properties and attainment of profitable operations is dependent upon the discovery, development and sale of diamond reserves, the ability to joint venture or sell its resource properties and the ability to raise sufficient capital to finance this operation. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used. The adjustments could be material.

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has a history of operating losses and has an accumulated deficit of \$7,354,901 at February 28, 2007 (November 30, 2006 - \$7,402,842).

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### **2. Significant Accounting Policies**

These interim financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and follow the same accounting policies and methods of their application as the most recent annual financial statements except that the Company has adopted the following CICA guidelines effective for the Company's first quarter commencing December 1, 2006. These interim financial statements do not include all disclosures required by Canadian Generally Accepted Accounting Principles for annual financial statements and accordingly, the interim financial statements should be read in conjunction with the audited financial statements and notes thereto of the Company as at November 30, 2006.

#### **New Accounting Policies**

a) Section 3855 - Financial Instruments - Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value. All of the investments have been designated as available for sale.

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

**February 28, 2007**

*Canadian Funds*  
*(Unaudited)*

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**2. Significant Accounting Policies - Continued**

b) Section 1530 - Comprehensive Income. Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net income (loss) until realized.

c) Transition adjustment to opening balance: The adoption of Sections 1530 and 3855 impacts the opening equity and losses of the Company. The unrealized loss on the available for sale securities from purchase to November 30, 2006 was \$2,500 which is reported as an adjustment to the opening balance of accumulated other comprehensive income. There was no unrealized gain or loss on the available for sale securities for the three months ended February 28, 2007. There is no tax impact resulting from adjustments arising from comprehensive income.

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**3. Fair Value of Financial Instruments**

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

The Company has a concentration of cash calls receivable from one joint exploration partner such that substantially all cash calls receivable are from a single entity. The Company has experienced no bad debts resulting from transactions with this entity.

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**4. Resource Property Costs:**

a) Details are as follows:

At February 28, 2007

	Acquisition Costs	Exploration Costs	Balance as at February 28, 2007
Hunter Properties, Nunavut Canada	\$ 1,258,006	\$ 2,933,419	\$ 4,191,425
Committee Bay Properties, Nunavut, Canada	219,945	348,888	568,833
Indicator Properties, Nunavut, Canada	302,438	50,471	352,909
	\$ 1,780,389	\$ 3,332,778	\$ 5,113,167

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

**February 28, 2007**

*Canadian Funds*  
*(Unaudited)*

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

At November 30, 2006

	Acquisition Costs	Exploration Costs	Balance as at November 30, 2006
Hunter Properties, Nunavut Canada	\$ 1,258,006	\$ 3,449,088	\$ 4,707,094
Committee Bay Properties, Nunavut, Canada	219,945	336,789	556,734
Indicator Properties, Nunavut, Canada	167,737	44,891	212,628
	\$ 1,645,688	\$ 3,830,768	\$ 5,476,456

In November 2006, the Company did not renew the permits on certain claims. Accordingly, the Company's resource property costs were written down effective November 30, 2006. To February 28, 2007, a further write-off on these claims was made. Details of the write-offs are as follows:

	Acquisition Costs	Exploration Costs	Total Written Down as at February 28, 2007
Hunter Property, Nunavut, Canada	\$ -	\$ 4,789	\$ 4,789
General	1,000	11,258	12,258
	\$ 1,000	\$ 16,047	\$ 17,047

The write off in the fiscal year ended November 30, 2006 consisted of:

	Acquisition Costs	Exploration Costs	Total Written Down as at November 30, 2006
Hunter Property, Nunavut, Canada	\$ 653,870	\$ 182,869	\$ 836,739
Committee Bay Property, Nunavut, Canada	-	33,317	33,317
International Samuel JV Property, Nunavut, Canada	20	46,210	46,230
Lokgwabe Property, Botswana, Africa	112,205	496,706	608,911
General	41,743	244,687	286,430
	\$ 807,838	\$ 1,003,789	\$ 1,811,627

**b) Hunter Property**

**General**

On February 26, 2004, the Company entered into a letter agreement to acquire an 80% interest in the diamond rights to several parcels of land that total 3,298,437 acres from Hunter Exploration Group ("Hunter"), an arms length party. Hunter retains a 20% carried interest in the properties until a feasibility study is completed. The properties consist of 54 prospecting permits and 24 mineral claims located near the communities of Kugaaruk and Taloyoak in Nunavut Territory. As consideration for the properties, Indicator issued 3,000,000 common shares at a price of \$0.40 per share and reimbursed Hunter \$1,056,678 (plus \$63,433 GST) for property acquisition costs and \$242,780 for work deposits on the permits. The outstanding conditions were cleared and the deal was closed effective July 19, 2004. In addition, the Company funded a regional diamond exploration program identified by Hunter and also paid Hunter a consulting fee of \$75,000 during the year ended November 30, 2005. The properties are subject to a gross overriding royalty of up to 2%. As of May 1, 2006 Indicator pays an annual advance royalty of \$25,000 (2006 – paid) to Hunter and to International Royalty Corp., should Indicator elect to retain any of the original properties subject to the Hunter agreement.

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

**February 28, 2007**

*Canadian Funds*  
*(Unaudited)*

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

On March 9, 2005, the TSX Venture Exchange accepted for filing the proposal by the Company to issue 359,193 bonus warrants to Hunter in consideration for the posting of a \$287,355 bond with the Nunavut Mining Recorder. The posting of the bond by Hunter on behalf of Indicator kept the prospecting permits, located near Kugaaruk and Taloyoak in Nunavut, in good standing for an additional one-year period. Under the terms of a letter agreement dated January 26, 2005, the bonus warrants were exercisable by Hunter at a price of \$0.45 per common share until January 26, 2007. Hunter was reimbursed for the bond in August 2005.

**Darby**

On June 2, 2006 the Company entered into an agreement with Teck Cominco Limited ("Teck Cominco") whereby Teck Cominco has the option to spend \$14 Million over four years, including reimbursement of limited expenditures by the Company on the property prior to June 2, 2006, to earn a 51% interest in the diamond rights on the Company's 80% owned Darby Project which was part of the properties acquired from Hunter in February 2004. The Company had been operating the exploration activities on the Darby properties for Teck Cominco under a service contract that was renewable annually and was incurring the exploration expenditures and being reimbursed by Teck Cominco monthly. The Company was receiving a 10% administrative fee on all disbursements in addition to payment for all overhead directly attributable to the project. As of February 26, 2007, Teck became the operator of the project.

**c) Committee Bay Property**

On April 22, 2004, Indicator signed a letter of intent ("LOI") with Committee Bay Resources Ltd. (CBR:TSX-V) ("CBR"), a company with directors in common, whereby Indicator can earn up to a 70% interest in the diamond rights of CBR's areas of interest in Nunavut Territory, which total more than three million acres of land. The properties included in the LOI are located in the Kivilliq region of Nunavut and comprise more than 400,000 acres of mineral claims and 2.6 million acres of prospecting permits. Under the terms of the LOI, Indicator can earn a 50% interest by spending \$3,000,000 on exploration by December 31, 2006. An additional 20% interest can be earned by spending a further \$2,000,000 by December 31, 2007. Furthermore, Indicator issued 1,000,000 common shares on May 31, 2004 to CBR which have been recorded at a price of \$0.40 per share and reimbursed approximately \$243,820 in work deposits posted by CBR to acquire prospecting permits. The properties are subject to a gross overriding royalty of up to 2%. The Company and Committee Bay are in negotiations to amend the terms of the agreement to reduce the required expenditures to keep the agreement in good standing.

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

**February 28, 2007**

*Canadian Funds*  
*(Unaudited)*

**5. Share Capital**

a) Details are as follows:

	Number		Amount
Authorized:			
Unlimited number of common voting shares without par value			
Unlimited number of preferred shares			
Issued:			
Balance - November 30, 2005	37,415,915	\$	8,880,532
Exercise of share purchase warrants	4,179,064		711,881
Issuance for resource property	100,000		28,000
Future income taxes on renouncement of flow-through shares issued	-		(377,850)
Private placement, net of issuance costs - May 2006	6,819,136		3,024,369
Share issuance costs	-		(187,730)
Exercise of stock options	465,000		157,375
Fair value allocation from contributed surplus on exercise of stock options	-		161,154
	<b>48,979,115</b>		<b>12,397,731</b>
Balance – November 30, 2006	<b>48,979,115</b>		<b>12,397,731</b>
Exercise of share purchase warrants	<b>119,717</b>		<b>53,872</b>
Exercise of stock options	<b>75,000</b>		<b>42,989</b>
Future income taxes on renouncement of flow-through shares issued (note 5f)	-		<b>(382,173)</b>
	<b>49,173,832</b>	<b>\$</b>	<b>12,112,419</b>
Balance – February 28, 2007	<b>49,173,832</b>	<b>\$</b>	<b>12,112,419</b>

b) **Private Placements**

**2006**

*Private Placement May 2006*

During May 2006, the Company completed a brokered and non-brokered private placement. The private placement consisted of 4,713,500 non-flow through units at a price of \$0.50 per unit and 2,105,636 flow-through common shares at a price of \$0.55 per flow-through common share, for total gross proceeds of \$3,514,850, of which \$490,481 was allocated to the fair value of the warrants issued on a prorated basis. 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 which had a fair value of \$42,013. The agents warrants entitle the holder to purchase one common share at \$0.70 to May 15, 2007.

c) **Escrow Restrictions**

As at February 28, 2007, an aggregate of 262,500 (November 30, 2006 – 262,500) common shares were subject to escrow restrictions and were held on deposit with Olympia Trust Company. These shares were subsequently released on March 1, 2007.

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

**February 28, 2007**

*Canadian Funds*  
*(Unaudited)*

**5. Share Capital - Continued**

**d) Share Purchase and Agents Warrants:**

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, November 30, 2005	15,578,248	\$0.39
Issued	5,034,148	\$0.65
Exercised	(4,179,064)	\$0.17
Expired without exercise	(4,073,360)	\$0.40
Outstanding warrants, November 30, 2006	12,359,972	\$0.49
<b>Exercised</b>	<b>(119,717)</b>	<b>\$0.45</b>
<b>Expired without exercise</b>	<b>(239,476)</b>	<b>\$0.45</b>
<b>Outstanding warrants, February 28, 2007</b>	<b>12,000,779</b>	<b>\$0.53</b>

At February 28, 2007, the following warrants were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
<b>Agents Warrants:</b>			
March 15, 2007	\$0.45	97,414*	0.04
April 1, 2007	\$0.45	15,000*	0.09
May 15, 2007	\$0.70	320,648	0.21
<b>Other Share Purchase Warrants:</b>			
March 15, 2007	\$0.45	1,218,000*	0.04
April 1, 2007	\$0.45	75,000*	0.09
August 12, 2007	\$0.35	1,789,000	0.45
August 25, 2007	\$0.35	3,802,217*	0.48
November 15, 2007	\$0.75	4,683,500	0.71
<b>Weighted average of exercise price</b>	<b>\$0.53</b>	<b>12,000,779</b>	<b>0.51</b>

\* - see Subsequent Events note 7b, c and d

The fair value of warrants, assigned proportionally to warrants issued in the May 2006 private placement, was estimated using the Black-Scholes Option Pricing Model with the following range of assumptions:

Estimated risk-free rate	4.24%
Expected volatility	113.1 %
Estimated annual dividend yield	0.0%
Expected life of warrants	1 to 2 years

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*Canadian Funds*  
*(Unaudited)*

**5. Share Capital- Continued:**

**e) Stock Options**

The Company has established a stock option plan (the "Plan") for directors, employees, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Plan, provided that at the time of the grant, the total number of shares so reserved for issuance by the Board shall not exceed the greater of 10% of the issued and outstanding listed shares (on a non-diluted basis) as at the date of grant. No options shall be granted, without regulatory approval, entitling any single individual to purchase in excess of 5% of the then outstanding shares in the Company in any 12 month period and no more than 2% of the optioned shares may be issued to any one consultant in any 12 month period. If the option rights granted under the plan shall expire or terminate for any reason without having been exercised such optioned shares may be made available for other options to be granted under the plan. The shares so reserved by the Board under the Plan shall be authorized but unissued shares.

The options are non-transferable and will expire, if not exercised, immediately upon dismissal by the Company with cause or 90 days following the date the optionee otherwise ceases to be a director, officer, manager, consultant or employee of the corporation for reasons other than death, or one year after the death of an optionee. Pursuant to the policies of the TSX Venture Exchange ("TSXV"), options granted pursuant to the Plan in excess of 10% of the issued and outstanding common shares at the time of the grant must be subject to vesting.

	Number	Weighted Average Exercise Price
Outstanding November 30, 2005	3,514,500	\$0.41
Cancelled	(40,000)	\$0.36
Granted	1,887,500	\$0.64
Exercised	(465,000)	\$0.34
Outstanding November 30, 2006	4,897,000	\$0.50
<b>Cancelled</b>	<b>(150,000)</b>	<b>\$0.79</b>
<b>Exercised</b>	<b>(75,000)</b>	<b>\$0.32</b>
<b>Outstanding February 28, 2007</b>	<b>4,672,000</b>	<b>\$0.47</b>

**Fiscal year ended November 30, 2006 - Grants**

The associated stock-based compensation expense for the options granted during the year were calculated based on the following range of assumptions:

Estimated risk-free rate (5 year Government of Canada zero coupon bond)	3.82 - 4.31%
Expected volatility	73.0%-166.45%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

The stock options vest immediately upon issuance except those issued to investor relations consultants whose options vest in the amount of 25% every six months from date of grant. The stock based compensation for those grants not fully vested has been recorded on a straight line basis over the term of the vesting. The associated stock based compensation expenses for options granted during the year are as follows:

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**5. Share Capital - Continued**

**e) Stock Options - Continued**

Grant Date	No. of Options Granted	Total Expense	Amount of expense recognized	
			2006	2007
Nov. 21, 2006	150,000	\$ 56,585	\$ 56,585	\$ -
Oct. 1, 2006	225,000	167,712	43,468	12,436
Aug. 3, 2006	837,500	589,245	589,245	-
June 1, 2006	125,000	57,997	57,997	-
Apr. 11, 2006	400,000	185,094	185,094	-
Dec. 19, 2005	150,000	32,573	32,573	-
Oct. 24, 2005	1,200,000	303,840	-	-
Apr. 25, 2005	225,000	42,400	-	-
<b>TOTAL</b>	<b>3,312,500</b>	<b>\$ 1,435,446</b>	<b>\$ 964,962</b>	<b>\$ 12,436</b>

At February 28, 2007, the following options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining in Years
April 19, 2009	\$0.580	1,149,500	2.14
April 19, 2009	\$0.355	180,000	2.14
November 16, 2009	\$0.355	495,000	2.72
April 25, 2010	\$0.230	225,000	3.16
October 23, 2010	\$0.320	905,000	3.65
December 19, 2010	\$0.275	150,000	3.81
April 11, 2011	\$0.580	380,000	4.12
May 31, 2011	\$0.500	125,000	4.25
August 2, 2011	\$0.750	837,500	4.43
October 1, 2011	\$0.790	75,000	4.59
November 20, 2011	\$0.400	150,000	4.73
	<b>\$0.492</b>	<b>4,672,000</b>	<b>3.39</b>

All of the 4,672,000 options issued were fully vested at February 28, 2007.

**f) Flow-Through Shares**

**2006**

During the year ended November 30, 2006, the Company issued 2,105,636 flow-through common shares for total proceeds of \$1,158,100 which must be used for qualifying exploration expenditures and was renounced to the flow-through shareholders effective December 31, 2006. The future income tax liability estimated to be \$382,173 (by applying the tax statutory rate of 33.0% of \$1,158,100) resulting from the renunciation of these qualifying expenditures was recorded when the renunciation tax forms were filed, in accordance with the pronouncement of the CICA Emerging Issues Committee. The unspent balance of this flow-through issuance at February 28, 2007 was \$113,486 (November 30, 2006 - \$259,065) and is included in the Company's restricted cash.

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**6. Contributed Surplus**

Contributed surplus relates to the recognition of the estimated fair value of stock options and agents warrants as follows:

Balance, November 30, 2006	\$	2,867,328
<b>Fair value of stock-based compensation on options vested</b>		<b>12,436</b>
<b>Fair value of stock option recognized on exercise</b>		<b>(18,989)</b>
<b>Balance – February 28, 2007</b>	<b>\$</b>	<b>2,860,775</b>

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**7. Subsequent Events**

Subsequent to February 28, 2007, the following events have occurred:

- a) the Company granted a total of 275,000 stock options to directors, employees, and consultants exercisable at \$0.45 per option, expiring March 13, 2012.
- b) 850,414 share purchase warrants were exercised at \$0.45 per share for proceeds of \$414,186 and the remaining 480,000 share purchase warrants expired March 15, 2007 without exercise.
- c) 70,000 share purchase warrants were exercised at \$0.45 per share for proceeds of \$31,500 and the remaining 5,000 share purchase warrants expired April 1, 2007 without exercise.
- d) 20,000 share purchase warrants expiring August 25, 2007 were exercised at \$0.35 per share for proceeds of \$7,000.
- e) 50,000 stock options were exercised at \$0.275 per share for proceeds of \$13,750 and 50,000 stock options exercisable at \$0.79 per share expiring October 1, 2011 were cancelled without exercise 30 days after the cancellation of the investor relations contract.