

**INDICATOR MINERALS INC.**

**(An Exploration Stage Company)**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED AUGUST 31, 2007**

**In Canadian Funds**

**(Unaudited)**

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

Statement 1

Canadian Funds  
(Unaudited)

**ASSETS**

	<b>As at August 31, 2007 (Unaudited)</b>	<b>As at November 30, 2006 (Audited)</b>
<b>Current</b>		
Cash and cash equivalents	\$ 5,611,961	\$ 848,027
Cash calls receivable	306,435	1,994,356
GST receivable	106,301	-
Marketable securities	21,250	25,000
Prepaid expenses	192,548	6,740
	<b>6,238,495</b>	<b>2,874,123</b>
<b>Permits</b>	<b>332,024</b>	<b>341,754</b>
<b>Property and Equipment</b>	<b>130,441</b>	<b>103,882</b>
<b>Resource Property Costs</b> (Note 4) – Schedule	<b>5,971,250</b>	<b>5,476,456</b>
	<b>\$ 12,672,210</b>	<b>\$ 8,796,215</b>

**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 419,460	\$ 779,628
Due to related parties	-	130,644
GST payable	-	23,726
	<b>419,460</b>	<b>933,998</b>

**SHAREHOLDERS' EQUITY**

<b>Share Capital</b> (Note 5)	<b>16,910,400</b>	<b>12,397,731</b>
<b>Contributed Surplus</b> (Note 6)	<b>3,796,395</b>	<b>2,867,328</b>
<b>Deficit</b> - Statement 2	<b>(8,447,795)</b>	<b>(7,402,842)</b>
<b>Accumulated other comprehensive loss</b> (Note 2c)	<b>(6,250)</b>	<b>-</b>
	<b>12,252,750</b>	<b>7,862,217</b>
	<b>\$ 12,672,210</b>	<b>\$ 8,796,215</b>

ON BEHALF OF THE BOARD:

"Bruce Counts", President & CEO, Director

"Craig Bentham", Director

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Statements of Loss and Deficit**

Statement 2

Canadian Funds  
(Unaudited)

	For the Three Months Ended August 31, 2007	For the Three Months Ended August 31, 2006	For the Nine Months Ended August 31, 2007	For the Nine Months Ended August 31, 2006
<b>Expenses</b>				
Advertising and promotion	\$ 22,022	\$ 23,829	\$ 103,225	\$ 95,112
Amortization	11,430	7,483	30,105	17,291
Conference and meetings	77,480	30,452	253,181	124,758
Corporate listing and filing fees	500	3,051	12,745	9,696
Investor relations	32,123	10,975	61,654	37,138
Office and administration	23,224	34,865	61,993	58,385
Professional fees	45,482	16,128	104,892	67,768
Rent	11,415	7,628	32,608	25,311
Stock-based compensation (Note 5d)	-	628,496	131,465	846,163
Transfer agent fees	4,973	5,607	7,593	8,798
Wages and consulting fees	103,610	63,413	366,424	167,118
<b>Loss before the undernoted</b>	<b>(332,259)</b>	<b>(831,927)</b>	<b>(1,165,885)</b>	<b>(1,457,538)</b>
<b>Other Income (Expenses)</b>				
Operator's fees	22,795	26,629	53,020	81,545
Interest	37,451	18,036	55,156	27,214
Recovery of bad debt	-	27,500	-	27,500
Write-off of leasehold improvements	-	-	-	(2,684)
Write-off of resource property costs (Note 4a)	(326,025)	(216,997)	(371,917)	(425,174)
	265,779	(144,832)	263,741	(291,599)
<b>Loss before income taxes</b>	<b>(598,038)</b>	<b>(976,759)</b>	<b>(1,429,626)</b>	<b>(1,749,137)</b>
<b>Future income tax recovery (Note 5e)</b>	<b>-</b>	<b>-</b>	<b>382,173</b>	<b>390,845</b>
<b>NET LOSS FOR THE PERIOD</b>	<b>(598,038)</b>	<b>(976,759)</b>	<b>(1,047,453)</b>	<b>(1,358,292)</b>
<b>Transition adjustment to opening balance – other comprehensive income (Note 2c)</b>	<b>-</b>	<b>-</b>	<b>2,500</b>	<b>-</b>
<b>Deficit - Beginning of period</b>	<b>(7,849,757)</b>	<b>(4,703,089)</b>	<b>(7,402,842)</b>	<b>(4,321,556)</b>
<b>Deficit - End of Period</b>	<b>\$ (8,447,795)</b>	<b>\$ (5,679,848)</b>	<b>\$ (8,447,795)</b>	<b>\$ (5,679,848)</b>
<b>Basic and Diluted Loss per Share</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>55,299,195</b>	<b>48,302,476</b>	<b>51,461,684</b>	<b>43,296,427</b>

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Statement of Comprehensive Loss**

Statement 3

*Canadian Funds*  
*(Unaudited)*

	<b>For the Three Months Ended August 31, 2007</b>	<b>For the Nine Months Ended August 31, 2007</b>
<b>Net loss for the period before comprehensive loss</b>	\$ (598,038)	\$ (1,047,453)
Unrealized gain on available for sale investments	(16,250)	(6,250)
<b>Comprehensive loss</b>	<b>\$ (614,288)</b>	<b>\$ (1,053,703)</b>

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Statements of Cash Flows**

Statement 4

Canadian Funds  
(Unaudited)

	For the Three Months Ended August 31, 2007	For the Three Months Ended August 31, 2006	For the Nine Months Ended August 31, 2007	For the Nine Months Ended August 31, 2006
<b>Cash Flows from Operating Activities</b>				
Net loss for the period	\$ (598,038)	\$ (976,759)	\$ (1,047,453)	\$ (1,358,292)
Items not affected by cash:				
Future income tax recovery	-	-	(382,173)	(390,845)
Stock-based compensation	-	628,496	131,465	846,163
Amortization	11,430	7,483	30,105	17,291
Recovery of bad debt	-	(27,500)	-	(27,500)
Write-off of leasehold improvements	-	-	-	2,684
Write-off of resource property costs	326,025	216,997	371,917	425,174
	<b>(260,583)</b>	<b>(151,283)</b>	<b>(896,139)</b>	<b>(485,325)</b>
Change in non-cash working capital:				
Cash calls receivable	16,597	(324)	(11,818)	(324)
Share subscriptions receivable	-	5,000	-	-
GST receivable and payable	(56,977)	6,378	(130,027)	(42,713)
Prepaid expenses	6,991	992	(185,808)	(5,000)
Accounts payable and accrued liabilities	(124,076)	142,758	45,679	10,246
	<b>(418,048)</b>	<b>3,521</b>	<b>(1,178,113)</b>	<b>(523,116)</b>
<b>Cash Flows from Investing Activities</b>				
Increase in property and equipment	(12,390)	(13,148)	(56,664)	(73,476)
Decrease in permits	-	(145,858)	9,730	179,140
Resource property costs	(92,664)	(901,117)	(371,332)	(2,793,913)
Resource property costs recovered	-	-	667,868	-
Repayment from related party	-	(114,413)	-	1,663
	<b>(105,054)</b>	<b>(1,174,536)</b>	<b>249,602</b>	<b>(2,686,586)</b>
<b>Cash Flows from Financing Activities</b>				
Issuance of share capital, net	5,103,885	240,664	5,692,445	4,152,051
<b>Net Increase (Decrease) in Cash</b>	<b>4,580,783</b>	<b>(930,351)</b>	<b>4,763,934</b>	<b>942,349</b>
<b>Cash and Cash Equivalents - Beginning of period</b>	<b>1,031,178</b>	<b>2,861,002</b>	<b>848,027</b>	<b>988,302</b>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 5,611,961</b>	<b>\$ 1,930,651</b>	<b>\$ 5,611,961</b>	<b>\$ 1,930,651</b>
<b>Supplemental Schedule of Non-Cash Investing and Financial Activities</b>				
Trade receivables, prepaid expenses, trade payables and amounts due to related parties included in resource property costs and permits	\$ 633,680	\$ (177,942)	\$ 1,163,248	\$ 906,302
Shares received for bad debt recovery	\$ -	\$ 27,500	\$ -	\$ 27,500
Fair value of stock based compensation relating to options exercised	\$ -	\$ 161,154	\$ 55,167	\$ 161,154
Issuance of shares for property	\$ -	\$ -	\$ -	\$ 28,000

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Statement of Changes in Shareholders' Equity**

Statement 5

Canadian Funds  
(Unaudited)

	For the Three Months Ended August 31, 2007	For the Three Months Ended August 31, 2006	For the Nine Months Ended August 31, 2007	For the Nine Months Ended August 31, 2006
<b>Share capital</b>				
Balance – beginning of period	\$ 12,659,284	\$ 12,429,074	\$ 12,397,731	\$ 8,880,532
Issued during the period	4,251,117	401,818	4,894,843	4,341,205
Flow-through income tax renunciation	-	-	(382,173)	(390,845)
Balance – end of period	<b>16,910,401</b>	12,830,892	<b>16,910,401</b>	12,830,892
<b>Contributed surplus</b>				
Balance – beginning of period	2,943,626	1,798,031	2,867,328	1,580,364
Fair value of share purchase warrants issued in private placement	852,769	-	852,769	-
Fair value of stock-based compensation on options vested	-	628,496	131,465	846,163
Fair value of stock option recognized on exercise	-	(161,154)	(55,167)	(161,154)
Balance – end of period	<b>3,796,395</b>	2,265,373	<b>3,796,395</b>	2,265,373
<b>Deficit</b>				
Balance – beginning of period	(7,849,757)	(4,703,089)	(7,402,842)	(4,321,556)
Transitional adjustment to opening balance of other comprehensive income	-	-	2,500	-
Net loss for the period	(598,038)	(976,759)	(1,047,453)	(1,358,292)
Balance – end of period	<b>(8,447,795)</b>	(5,679,848)	<b>(8,447,795)</b>	(5,679,848)
<b>Accumulated other comprehensive income</b>				
Balance – beginning of period	7,500	-	-	-
Transitional adjustment to opening balance	-	-	(2,500)	-
Unrealized gain (loss) on available for sale investments	(13,750)	-	(3,750)	-
Balance – end of period	<b>(6,250)</b>	-	<b>(6,250)</b>	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 12,252,751</b>	<b>\$ 9,416,417</b>	<b>\$ 12,252,751</b>	<b>\$ 9,416,417</b>

- See Accompanying Notes -

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

Schedule

Canadian Funds  
(Unaudited)

	For the Nine Months Ended August 31, 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 Property</b>						
Acquisition costs	\$ 50,000	\$ -	\$ 50,000	\$ 50,000	\$ -	\$ 50,000
Claims and staking	20,310	-	20,310	338,776	-	338,776
Analytical and sampling	-	189,055	189,055	-	309,227	309,227
Airborne geophysics	-	317,055	317,055	-	9,041	9,041
Salaries and consulting fees	-	55,156	55,156	-	58,713	58,713
Fieldwork	-	440,337	440,337	-	526,639	526,639
Recovery of costs	-	(667,868)	(667,868)	-	-	-
	70,310	333,735	404,045	388,776	903,620	1,292,396
<b>Committee Bay Property</b>						
Claims and staking	3,200	-	3,200	96,086	-	96,086
Analytical and sampling	-	51,613	46,013	-	146,441	146,441
Consulting	-	12,393	12,393	-	14,854	14,854
Fieldwork	-	64,129	64,129	-	17,860	17,860
	3,200	128,734	131,934	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
Consulting	-	-	-	-	13,873	13,873
Ground geophysics	-	-	-	-	22,498	22,498
Fieldwork	-	-	-	-	41,644	41,644
Analytical	-	-	-	-	128,660	128,660
	-	-	-	28,000	345,773	373,773
<b>Indicator Properties</b>						
Claims and staking	137,902	-	137,902	167,737	-	167,737
Analytical and sampling	-	74,048	74,048	-	28,281	28,281
Consulting	-	16,152	16,152	-	3,974	3,974
Fieldwork	-	35,435	35,435	-	12,636	12,636
	137,902	125,635	263,537	167,737	44,891	212,628
<b>Generative</b>						
Claims and staking	4,044	-	1,000	41,743	-	41,743
Analytical and sampling	-	7,649	7,649	-	38,120	38,120
Airborne geophysics	-	4,350	4,350	-	-	-
Consulting	-	25,068	25,068	-	38,142	38,142
Fieldwork	-	26,084	26,084	-	168,425	168,425
	4,044	63,151	67,195	41,743	244,687	286,430
<b>Resource Costs for the Period</b>	215,456	651,255	866,711	722,362	1,764,336	2,486,698
Resource Property Costs Written Off (Note 4a)	(150,311)	(221,606)	(371,917)	(807,838)	(1,003,789)	(1,811,627)
Costs, Beginning of the Period	1,645,688	3,830,768	5,476,456	1,731,164	3,070,221	4,801,385
<b>Balance, End of the Period</b>	\$ 1,710,833	\$ 4,260,417	\$ 5,971,250	\$ 1,645,688	\$ 3,830,768	\$ 5,476,456

- See Accompanying Notes -

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

**August 31, 2007**

*Canadian Funds*  
*(Unaudited)*

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**1. Nature of Operations**

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.

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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.

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) Transitional 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. The unrealized loss on the available for sale securities for the nine months ended August 31, 2007 amounted to \$3,750. There is no tax impact resulting from adjustments arising from comprehensive income.

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

**August 31, 2007**

*Canadian Funds*  
*(Unaudited)*

**3. Fair Value of Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, cash calls receivable, marketable securities, GST receivable and 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.

**4. Resource Property Costs:**

a) Details are as follows:

At August 31, 2007

	Acquisition Costs	Exploration Costs	Balance as at August 31, 2007
Hunter Properties, Nunavut Canada	\$ 1,182,049	\$ 3,624,368	\$ 4,806,417
Committee Bay Properties, Nunavut, Canada	223,145	465,523	688,668
Indicator Properties, Nunavut, Canada	305,639	170,526	476,165
	\$ 1,710,833	\$ 4,260,417	\$ 5,971,250

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

To August 31, 2007, the write-off of resource property costs are as follows:

	Acquisition Costs	Exploration Costs	Total Written Down as at August 31, 2007
Hunter Property, Nunavut, Canada	\$ 146,267	\$ 158,455	\$ 304,722
General	4,044	63,151	67,195
	\$ 150,311	\$ 221,606	\$ 371,917

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

**August 31, 2007**

*Canadian Funds*  
*(Unaudited)*

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

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 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 are 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 has agreed to pay an annual advance royalty of \$25,000 (2006/2007 – paid) to each Hunter and to International Royalty Corp., should Indicator elect to retain any of the original properties subject to the Hunter agreement.

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.

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

**August 31, 2007**

*Canadian Funds*  
*(Unaudited)*

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

b) **Hunter Property- Continued:**

**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.

Minimum expenditure levels under the agreement are as follows:

To March 31, 2007	\$ 2,000,000 (Achieved)
To March 31, 2008	\$ 5,000,000
To March 31, 2009	\$ 9,000,000
To March 31, 2010	\$14,000,000

c) **Committee Bay Property**

The Company and Committee Bay Resources Ltd. (CBR:TSX-V) ("CBR"), a company with directors in common, are currently finalizing agreements for three property area's named Borden, Kellet and TIM. In order to earn a 51% interest in the properties, the Company is required to incur costs equal to or greater then the performance bond required over the term of the subject prospecting permits and to incur the staking costs for the associated mineral claims in the final year of the permits. The Company can then earn a further 19% interest in the properties by spending \$6 per acre over the first two years after staking the claims. Upon vesting 70%, the Company and CBR will split diamond exploration costs 80/20, so that CBR will effectively have a 10% interest carried to production. The properties included in the agreement are located in the Kivalliq region of Nunavut. The properties are subject to a gross overriding royalty of up to 2%.

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

**August 31, 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
Balance – November 30, 2006	<b>48,979,115</b>		<b>12,397,731</b>
Private placement – June 2007, net of issuance costs and warrant valuation	<b>6,000,000</b>		<b>3,007,756</b>
Exercise of share purchase warrants	<b>4,737,587</b>		<b>1,762,169</b>
Exercise of stock options	<b>225,000</b>		<b>124,917</b>
Future income taxes on renouncement of flow-through shares issued (note 5e)	-		<b>(382,173)</b>
Balance – August 31, 2007	<b>59,941,702</b>	<b>\$</b>	<b>16,910,400</b>

b) **Private Placements**

*Private Placement June 2007*

During June 2007, the Company completed a brokered private placement. The private placement consisted of 6,000,000 flow-through units at a price of \$0.70 per unit, for total gross proceeds of \$4,200,000, of which \$793,238 was allocated to the fair value of the warrants issued on a prorated basis. Each flow-through unit consists of one common share and one half of one non-transferable share purchase warrant entitling the holder to purchase one common share at \$1.25 per share until December 28, 2008. Agent's fees and expenses relating to the issuance were paid in cash totalling \$317,710 and 420,000 agents warrants were issued which had a fair value of \$152,436. The agents warrants entitle the holder to purchase one common share at \$0.75 to December 28, 2008.

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**August 31, 2007**

*Canadian Funds*  
*(Unaudited)*

**5. Share Capital - Continued**

b) **Private Placements - Continued**

*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. Finder's 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) **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>Issued</b>	<b>3,420,000</b>	<b>\$1.19</b>
<b>Exercised</b>	<b>(4,737,587)</b>	<b>\$0.44</b>
<b>Expired without exercise</b>	<b>(2,938,885)</b>	<b>\$0.53</b>
<b>Outstanding warrants, August 31, 2007</b>	<b>8,103,500</b>	<b>\$0.53</b>

At August 31, 2007, the following warrants were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
Other Share Purchase Warrants:			
November 15, 2007	\$0.75	4,713,500	0.21
December 28, 2007	\$0.75	420,000	1.33
December 28, 2007	\$1.25	3,000,000	1.33
<b>Weighted average of exercise price</b>	<b>\$0.94</b>	<b>8,133,500</b>	<b>0.68</b>

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**5. Share Capital - Continued**

**c) Share Purchase and Agents Warrants - Continued**

The fair value of warrants, issued as part of the units in the June 2007 private placement, were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Estimated risk-free rate	4.74%
Expected volatility	188 %
Estimated annual dividend yield	0.0%
Expected life of warrants	1.5 years

The fair value of warrants, issued as part of the units in the May 2006 private placement, were estimated using the Black-Scholes Option Pricing Model with the following 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

**d) 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.

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**5. Share Capital- Continued:**

d) **Stock Options - Continued:**

	Number	Weighted Average Exercise Price
Outstanding November 30, 2005	3,514,500	\$0.41
Cancelled	(40,000)	\$0.36
Exercised	(465,000)	\$0.34
Granted	1,887,500	\$0.64
Outstanding November 30, 2006	4,897,000	\$0.50
<b>Cancelled</b>	<b>(200,000)</b>	<b>\$0.79</b>
<b>Exercised</b>	<b>(225,000)</b>	<b>\$0.31</b>
<b>Granted</b>	<b>275,000</b>	<b>\$0.45</b>
<b>Outstanding August 31, 2007</b>	<b>4,747,000</b>	<b>\$0.49</b>

**Fiscal period ended August 31, 2007 - Grants**

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

Estimated risk-free rate (5 year Government of Canada zero coupon bond)	3.88%
Expected volatility	182%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

The stock options vest immediately upon issuance.

**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

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**5. Share Capital - Continued**

**d) Stock Options - Continued**

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:

Grant Date	No. of Options Granted	Total Expense	Amount of expense recognized	
			2006	2007
Mar. 13, 2007	275,000	\$ 119,029	\$ -	\$ 119,029
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>3,587,500</b>	<b>\$ 1,554,475</b>	<b>\$ 964,962</b>	<b>\$ 131,465</b>

\* The total expense was calculated to be \$167,712, however as 150,000 of these options were cancelled prior to vesting the total recognized was \$55,904.

At August 31, 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	1.89
April 19, 2009	\$0.355	180,000	1.89
November 16, 2009	\$0.355	495,000	2.47
April 25, 2010	\$0.230	225,000	2.90
October 23, 2010	\$0.320	805,000	3.40
December 19, 2010	\$0.275	100,000	3.56
April 11, 2011	\$0.580	380,000	3.87
May 31, 2011	\$0.500	125,000	4.00
August 2, 2011	\$0.750	837,500	4.18
October 1, 2011	\$0.790	25,000	4.34
November 20, 2011	\$0.400	150,000	4.48
March 13, 2012	\$0.450	275,000	4.79
	<b>\$0.492</b>	<b>4,747,000</b>	<b>3.17</b>

All of the 4,747,000 options issued were fully vested at August 31, 2007.

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**August 31, 2007**

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**5. Share Capital - Continued**

e) **Flow-Through Shares**

**2007**

During the period, the Company issued 6,000,000 flow-through common shares for total proceeds of \$4,200,000 which must be used for qualifying exploration expenditures. As at August 31, 2007, \$3,824,921 of these funds remained unspent. The future income tax recovery, resulting from the renunciation of these expenditures will be recorded when the related renunciation forms are filed.

**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 recovery 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. All of the flow-through funds raised in 2006 were spent as at August 31, 2007 (November 30, 2006 – unspent was \$259,065).

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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
Fair value of share purchase warrants issued in June 2007 private placement, net of share issuance costs (Note 5b)		852,769
Fair value of stock-based compensation on options vested (Note 5d)		131,465
Fair value of stock option recognized on exercise		(55,167)
<b>Balance – August 31, 2007</b>	<b>\$</b>	<b>3,796,395</b>

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**7. Subsequent Event**

On September 19, 2007 the Company issued 1,000,000 stock options to directors, employees and consultants. The options are exercisable at \$0.40 per share and expire on September 18, 2012.