

**INDICATOR MINERALS INC.**

**(An Exploration Stage Company)**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED AUGUST 31, 2008**

**In Canadian Funds**

**(Unaudited)**

## Notice

### **No Auditor Review of the Interim Financial Statements**

The accompanying unaudited interim financial statements of the Company for the period ended August 31<sup>st</sup>, 2008 have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

Statement 1

Canadian Funds  
(Unaudited)

| <b>ASSETS</b>                                      | <b>August 31,<br/>2008<br/>(Unaudited)</b> | <b>November 30,<br/>2007<br/>(Audited)</b> |
|--|--|--|
| <b>Current</b>                                     |  |  |
| Cash and cash equivalents                          | \$ 1,592,464                               | \$ 2,938,090                               |
| Short term investments                             | -  | 1,010,966                                  |
| Cash calls receivable                              | 67,092                                     | 447,096                                    |
| Marketable securities                              | 20,000                                     | 32,500                                     |
| GST receivable                                     | 41,848                                     | 171,556                                    |
| Prepaid expenses                                   | 21,501                                     | 28,239                                     |
|  | 1,742,905                                  | 4,628,447                                  |
| <b>Permits</b>                                     | <b>332,024</b>                             | <b>332,024</b>                             |
| <b>Property and Equipment</b>                      | <b>174,799</b>                             | <b>120,298</b>                             |
| <b>Resource Property Costs</b> (Note 4) – Schedule | <b>10,735,078</b>                          | <b>7,178,510</b>                           |
|  | <b>\$ 12,984,806</b>                       | <b>\$ 12,259,279</b>                       |

**LIABILITIES**

|  |              |            |
|--|--------------|------------|
| <b>Current</b>                           |              |            |
| Accounts payable and accrued liabilities | \$ 1,054,940 | \$ 311,903 |

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

**SHAREHOLDERS' EQUITY**

|   |                      |                      |
|---|----------------------|----------------------|
| <b>Share Capital</b> (Note 5)                             | 16,855,596           | 17,355,633           |
| <b>Contributed Surplus</b> - Statement 2                  | 3,666,105            | 3,601,109            |
| <b>Accumulated other comprehensive loss</b> – Statement 3 | (7,500)              | 5,000                |
| <b>Deficit</b> - Statement 2                              | (8,584,305)          | (9,014,366)          |
|   | 11,929,896           | 11,947,376           |
|   | <b>\$ 12,984,806</b> | <b>\$ 12,259,279</b> |

ON BEHALF OF THE BOARD:

"Bruce Counts", President & CEO, Director

"Craig Bentham", Director, Director

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

Statement 2

Canadian Funds  
(Unaudited)

|  | For the<br>Three<br>Months<br>Ended<br>August 31,<br>2008 | For the<br>Three<br>Months<br>Ended<br>August 31,<br>2007 | For the<br>Nine<br>Months<br>Ended<br>August 31,<br>2008 | For the<br>Nine<br>Months<br>Ended<br>August 31,<br>2007 |
|--|---|---|--|--|
| <b>Expenses</b>  |   |   |  |  |
| Advertising and promotion  | \$ 7,631  | \$ 22,022   | \$ 68,132  | \$ 103,225   |
| Amortization   | 9,631   | 11,430  | 32,525   | 30,105   |
| Conference and meetings  | 38,080  | 77,480  | 179,718  | 253,181  |
| Corporate listing and filing fees  | 1,104   | 500   | 14,540   | 12,745   |
| Investor relations   | 32,655  | 32,123  | 54,468   | 61,654   |
| Office and administration  | 31,971  | 23,224  | 82,565   | 61,993   |
| Professional fees  | 46,109  | 45,482  | 117,864  | 104,892  |
| Rent   | 21,129  | 11,415  | 63,353   | 32,608   |
| Stock-based compensation (Note 5d)   | -   | -   | 30,500   | 131,465  |
| Transfer agent fees  | 1,781   | 4,973   | 8,253  | 7,593  |
| Wages and consulting fees  | 135,707   | 103,610   | 406,301  | 366,424  |
| <b>Loss before the undernoted</b>  | <b>(325,798)</b>  | <b>(332,259)</b>  | <b>(1,058,219)</b>                                       | <b>(1,165,885)</b>                                       |
| <b>Other Income (Expenses)</b>   |   |   |  |  |
| Operator's fees  | -   | 22,795  | 999  | 53,020   |
| Interest   | 12,012  | 37,451  | 54,241   | 55,156   |
| Write-off of resource property costs (Note 4a)                               | -   | (326,025)   | -  | (371,917)  |
|  | 12,012  | (265,779)   | 55,240   | (263,741)  |
| <b>Loss before income taxes</b>  | <b>(313,786)</b>  | <b>(598,038)</b>  | <b>(1,002,979)</b>                                       | <b>(1,429,626)</b>                                       |
| <b>Future income tax recovery (Note 5e)</b>                                  | <b>-</b>  | <b>-</b>  | <b>1,433,040</b>   | <b>382,173</b>   |
| <b>Net income (loss) for the period</b>                                      | <b>(313,786)</b>  | <b>(598,038)</b>  | <b>430,061</b>   | <b>(1,047,453)</b>                                       |
| <b>Transition adjustment to opening balance – other comprehensive income</b> | <b>-</b>  | <b>-</b>  | <b>-</b>   | <b>2,500</b>   |
| <b>Deficit - Beginning of Period</b>   | <b>(8,270,519)</b>  | <b>(7,849,757)</b>  | <b>(9,014,366)</b>                                       | <b>(7,402,842)</b>                                       |
| <b>Deficit - End of Period</b>   | <b>(8,584,305)</b>  | <b>(8,447,795)</b>  | <b>\$ (8,584,305)</b>                                    | <b>\$ (8,447,795)</b>                                    |
| <b>Basic and Diluted Income (Loss) per Share</b>                             | <b>\$ (0.01)</b>  | <b>\$ (0.01)</b>  | <b>\$ 0.01</b>   | <b>\$ (0.02)</b>   |
| <b>Weighted Average Number of Shares Outstanding</b>                         | <b>62,524,854</b>   | <b>55,299,195</b>   | <b>60,933,157</b>  | <b>51,461,684</b>  |

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**

Statement 3

**Interim Statement of Comprehensive Income**

*Canadian Funds*  
*(Unaudited)*

|  | For the<br>Three<br>Months<br>Ended<br>August 31,<br>2008 | For the<br>Three<br>Months<br>Ended<br>August 31,<br>2007 | For the<br>Nine<br>Months<br>Ended<br>August 31,<br>2008 | For the<br>Nine<br>Months<br>Ended<br>August 31,<br>2007 |
|--|---|---|--|--|
| <b>Net income for the period before<br/>comprehensive income</b> | (313,786)   | (598,038)   | 430,061  | \$ (1,047,453)   |
| Unrealized gain/loss on available for sale<br>investments        | (10,000)  | (16,250)  | (12,500)   | (6,250)  |
| <b>Comprehensive income</b>                                      | <b>(323,786)</b>  | <b>(614,288)</b>  | <b>417,561</b>   | <b>\$ (1,053,703)</b>                                    |

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

Statement 4

Canadian Funds  
(Unaudited)

|   | For the<br>Three<br>Months<br>Ended<br>August 31,<br>2008 | For the<br>Three<br>Months<br>Ended<br>August 31,<br>2007 | For the<br>Nine<br>Months<br>Ended<br>August 31,<br>2008 | For the<br>Nine<br>Months<br>Ended<br>August 31,<br>2007 |
|---|---|---|--|--|
| <b>Cash Flows from Operating Activities</b>                                 |   |   |  |  |
| Net income (loss) for the period  | \$ (313,786)  | \$ (598,038)  | \$ 430,061   | \$ (1,047,453)   |
| Items not affected by cash:   |   |   |  |  |
| Future income tax recovery  | -   | -   | (1,433,040)  | (382,173)  |
| Stock-based compensation  | -   | -   | 30,500   | 131,465  |
| Amortization  | 9,631   | 11,430  | 32,525   | 30,105   |
| Write-off of leasehold improvements   | -   | -   | -  | -  |
| Write-off of resource property costs  | -   | 326,025   | -  | 371,917  |
|   | <u>(304,155)</u>  | <u>(260,583)</u>  | <u>(939,954)</u>   | <u>(896,139)</u>   |
| Change in non-cash working capital:   |   |   |  |  |
| Cash calls receivable   | 189,993   | 16,597  | 380,004  | (11,818)   |
| GST receivable  | 167,582   | (56,977)  | 129,708  | (130,027)  |
| Prepaid expenses  | (527)   | 6,991   | 6,738  | (185,808)  |
| Accounts payable and accrued liabilities                                    | 773,589   | (124,076)   | 743,037  | 45,679   |
|   | <u>826,482</u>  | <u>(418,048)</u>  | <u>319,533</u>   | <u>(1,178,113)</u>                                       |
| <b>Cash Flows from Investing Activities</b>                                 |   |   |  |  |
| Increase in property and equipment, net                                     | (3,357)   | (12,390)  | (87,026)   | (56,664)   |
| Decrease in permits and bonds   | -   | -   | -  | 9,730  |
| Resource property costs   | (1,523,775)   | (92,664)  | (3,556,568)  | (371,332)  |
| Resource property costs recovered   | -   | -   | -  | 667,868  |
|   | <u>(1,527,132)</u>  | <u>(105,054)</u>  | <u>(3,643,594)</u>                                       | <u>249,602</u>   |
| <b>Cash Flows from Financing Activities</b>                                 |   |   |  |  |
| Issuance of share capital, net  | 242,469   | 5,103,885   | 967,499  | 5,692,445  |
| <b>Net Increase (Decrease) in Cash</b>                                      | <b>(458,181)</b>  | <b>4,580,783</b>  | <b>(2,356,592)</b>                                       | <b>4,796,934</b>   |
| <b>Cash and Cash Equivalents- Beginning of Period</b>                       | <b>2,050,645</b>  | <b>1,031,178</b>  | <b>3,949,056</b>   | <b>848,027</b>   |
| <b>Cash and Cash Equivalents - End of Period</b>                            | <b>\$ 1,592,464</b>                                       | <b>\$ 5,611,961</b>                                       | <b>\$ 1,592,464</b>                                      | <b>\$ 5,611,961</b>                                      |
| <b>Supplemental Schedule of Non-Cash Investing and Financial Activities</b> |   |   |  |  |
| Fair value of stock based compensation relating to options exercised        | \$ -  | \$ -  | \$ -   | \$ 55,167  |

**Indicator Minerals Inc.**

Statement 5

(An Exploration Stage Company)

**Interim Statement of Changes in Shareholders' Equity**

Canadian Funds

(Unaudited)

|  | For the Nine<br>Month Period<br>Ended August<br>31, 2008 | For the Nine<br>Month Period<br>Ended August<br>31, 2007 |
|--|--|--|
| <b>Share capital</b>   |  |  |
| Balance – beginning of period  | \$ 17,355,633  | \$ 12,397,731  |
| Issued during the period   | 933,003  | 5,340,075  |
| Flow-through income tax renunciation                                     | (1,433,040)  | (382,173)  |
| Balance – end of period  | <u>\$ 16,855,596</u>                                     | <u>\$ 17,355,633</u>                                     |
| <b>Contributed surplus</b>   |  |  |
| Balance – beginning of period  | \$ 3,601,109   | \$ 2,867,328   |
| Fair value of share purchase warrants issued in private placement        | 34,496   | 407,537  |
| Fair value of stock-based compensation on options vested                 | 30,500   | 381,411  |
| Fair value of stock option recognized on exercise                        | -  | (55,167)   |
| Balance – end of period  | <u>\$ 3,666,105</u>                                      | <u>\$ 3,601,109</u>                                      |
| <b>Deficit</b>   |  |  |
| Balance – beginning of period  | \$ (9,014,366)   | \$ (7,402,842)   |
| Transitional adjustment to opening balance of other comprehensive income | -  | 2,500  |
| Net income for the period  | 430,061  | (1,614,024)  |
| Balance – end of period  | <u>\$ (8,584,305)</u>                                    | <u>\$ (9,014,366)</u>                                    |
| <b>Accumulated other comprehensive income (loss)</b>                     |  |  |
| Balance – beginning of year  | \$ 5,000   | \$ -   |
| Transitional adjustment to opening balance                               | -  | (2,500)  |
| Unrealized gain/loss on available for sale investments                   | (12,500)   | 7,500  |
| Balance – end of period  | <u>\$ (7,500)</u>  | <u>\$ 5,000</u>  |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  | <u>\$ 11,929,896</u>                                     | <u>\$ 11,947,376</u>                                     |

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

Schedule 6

Canadian Funds  
(Unaudited)

|  | For the Nine Months Ended August 31, 2008<br>(Unaudited) |                      |               | For the Year Ended November 30, 2007<br>(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     | \$ 50,000   | \$ -                 | \$ 50,000    |
| Claims and staking                           | 296,890  | -                    | 296,890       | 48,648  | -                    | 48,648       |
| Analytical and sampling                      | -  | 47,083               | 47,083        | -   | 283,773              | 283,773      |
| Airborne geophysics                          | -  | 630,746              | 630,746       | -   | 320,655              | 320,655      |
| Salaries and consulting fees                 | -  | 29,261               | 29,261        | -   | 70,888               | 70,888       |
| Fieldwork                                    | -  | 1,199,148            | 1,199,148     | -   | 1,221,776            | 1,221,776    |
| Recovery of costs                            | -  | -                    | -             | -   | (667,868)            | (667,868)    |
|  | 346,890  | 1,906,238            | 2,253,128     | 98,648  | 1,229,224            | 1,327,872    |
| <b>Committee Bay Properties</b>              |  |                      |               |   |                      |              |
| Acquisition costs                            | -  | -                    | -             | 9,052   | -                    | 9,052        |
| Claims and staking                           | 130,698  | -                    | 130,698       | 111,001   | -                    | 111,001      |
| Analytical and sampling                      | -  | 16,668               | 16,668        | -   | 12,095               | 12,095       |
| Consulting                                   | -  | 115,577              | 115,577       | -   | 18,433               | 18,433       |
| Fieldwork                                    | -  | 217,233              | 217,233       | -   | 142,472              | 142,472      |
|  | 130,698  | 349,478              | 480,176       | 120,053   | 173,000              | 293,053      |
| <b>Indicator Property</b>                    |  |                      |               |   |                      |              |
| Claims and staking                           | 220,356  | -                    | 220,356       | 155,076   | -                    | 155,076      |
| Analytical and sampling                      | -  | 173,498              | 173,498       | -   | 94,184               | 94,184       |
| Consulting                                   | -  | -                    | -             | -   | 20,116               | 20,116       |
| Fieldwork                                    | -  | 342,336              | 342,336       | -   | 117,226              | 117,226      |
|  | 220,356  | 515,834              | 736,190       | 155,076   | 231,525              | 386,601      |
| <b>Generative</b>                            |  |                      |               |   |                      |              |
| Claims and staking                           | -  | -                    | -             | 2,250   | -                    | 2,250        |
| Analytical and sampling                      | -  | -                    | -             | -   | 7,649                | 7,649        |
| Airborne geophysics                          | -  | -                    | -             | -   | 6,900                | 6,900        |
| Consulting                                   | -  | 68,230               | 68,230        | -   | 42,940               | 42,490       |
| Fieldwork                                    | -  | 18,844               | 18,844        | -   | 26,365               | 26,365       |
|  | -  | 87,074               | 87,074        | 2,250   | 83,855               | 86,105       |
| <b>Resource Costs for the Period</b>         | 697,944  | 2,858,624            | 3,556,568     | 376,027   | 1,717,604            | 2,093,631    |
| Mineral Property Costs Written Off (Note 4a) | -  | -                    | -             | (148,967)   | (242,610)            | (391,577)    |
| Costs, Beginning of the Period               | 1,872,748  | 5,305,762            | 7,178,510     | 1,645,688   | 3,830,768            | 5,476,456    |
| <b>Balance, End of the Period</b>            | \$ 2,570,692   | \$ 8,164,386         | \$ 10,735,078 | \$ 1,872,748                                      | \$ 5,305,762         | \$ 7,178,510 |

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

**August 31, 2008**

*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 \$8,584,305 at August 31, 2008 (November 30, 2007 - \$9,014,366).

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**2. Significant Accounting Policies**

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, 2007.

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 effective December 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a retrospective basis with no restatement to prior period financial statements.

(a) Newly Adopted Accounting Standards

(i) Section 1535 – Capital Disclosures

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any externally imposed capital requirements and, if it has not complied, the consequences of such non-compliance.

## 2. Significant Accounting Policies – Continued

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to explore and develop its projects for the benefit of its shareholders and other stakeholders. The Company considers the components of shareholders' equity, as well as its cash and equivalents and debt (if any), as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Since the Company is in the exploration stage, the Company may issue new shares through private placements in order to maintain or adjust the capital structure.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company's cash resources at August 31, 2008 are sufficient for its present needs, specifically to continue administrative and exploration operations at current levels through the end of 2008.

There were no changes to the Company's approach to capital management during the three months ended August 31, 2008. The Company is not subject to externally imposed capital requirements as at August 31, 2008.

### (ii) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures previously required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

The carrying value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, due to/from related parties and term loan approximate their fair value.

### (iii) Amendments to Section 1400 – Going Concern

CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

## (b) Accounting Policies Not Yet Adopted

### (i) International Financial Reporting Standards ("IFRS")

In 2006, the Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to apply IFRS. The changeover is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement of comparative amounts reported by the Company for the year ending November 30, 2010. While the Company has begun assessing the potential impact of the adoption of IFRS in 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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

**August 31, 2008**

*Canadian Funds*  
*(Unaudited)*

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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 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.

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**4. Resource Property Costs**

**a) Details are as follows:**

At August 31, 2008

|   | Acquisition<br>Costs | Exploration<br>Costs | Balance<br>as at<br>August 31,<br>2008 |
|---|----------------------|----------------------|--|
| Hunter Properties, Nunavut Canada         | \$ 1,556,827         | 6,425,795            | <b>7,982,622</b>                       |
| Committee Bay Properties, Nunavut, Canada | 470,696              | 859,267              | <b>1,329,963</b>                       |
| Indicator Properties, Nunavut, Canada     | 543,169              | 792,250              | <b>1,335,419</b>                       |
| General                                   | -                    | 87,074               | <b>87,074</b>                          |
|   | <b>\$ 2,570,692</b>  | <b>\$ 8,164,386</b>  | <b>\$ 10,735,078</b>                   |

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

**August 31, 2008**

Canadian Funds  
(Unaudited)

**4. Resource Property Costs - Continued**

At November 30, 2007

|   | Acquisition<br>Costs | Exploration<br>Costs | Balance as at<br>November 30,<br>2007 |
|---|----------------------|----------------------|---------------------------------------|
| Hunter Properties, Nunavut Canada         | \$ 1,209,937         | \$ 4,519,557         | \$ 5,729,292                          |
| Committee Bay Properties, Nunavut, Canada | 339,998              | 509,789              | 849,787                               |
| Indicator Properties, Nunavut, Canada     | 322,813              | 276,416              | 599,229                               |
|   | \$ 1,872,748         | \$ 5,305,762         | \$ 7,178,510                          |

In November 2007, the Company did not renew the permits on certain claims. Accordingly, the Company's resource property costs were written down effective November 30, 2007. Details of the write-offs are as follows:

|                                  | Acquisition<br>Costs | Exploration<br>Costs | Total Written Down<br>as at November 30,<br>2007 |
|----------------------------------|----------------------|----------------------|--|
| Hunter Property, Nunavut, Canada | \$ 146,717           | \$ 158,755           | \$ 305,472                                       |
| General                          | 2,250                | 83,855               | 86,105   |
|                                  | \$ 148,967           | \$ 242,610           | \$ 391,577                                       |

**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 to each Hunter and to International Royalty Corp., should Indicator elect to retain any of the original properties subject to the Hunter agreement.

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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, 2009, 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. As of August 31, 2008, Teck Cominco has completed its option to earn a 51% interest.

**c) Committee Bay Property**

The Company and Committee Bay Resources Ltd. (CBR:TSX-V) ("CBR"), a company with directors in common, have finalized agreements for three properties, 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 than 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 (maximum of \$4,153,290) 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%.

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**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, 2006   | 48,979,115 | \$ | 12,397,731  |
| Exercise of share purchase warrants   | 4,737,587  |    | 1,762,169   |
| Future income taxes on renouncement of flow-through shares issued           | -          |    | (382,173)   |
| Private placement, net of issuance costs - June 2007                        | 6,000,000  |    | 3,452,991   |
| Exercise of stock options   | 225,000    |    | 69,750      |
| Fair value allocation from contributed surplus on exercise of stock options | -          |    | 55,167      |
| Balance – November 30, 2007   | 59,941,702 |    | 17,355,633  |
| Private placement, net of issuance costs                                    | 3,775,000  |    | 933,003     |
| Future income taxes on renouncement of flow-through shares issued (note 6f) | -          |    | (1,433,040) |
| Balance – August 31, 2008   | 63,716,702 | \$ | 16,855,596  |

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.

*Private Placement May 2008*

During May 2008, the Company completed a non-brokered private placement. The private placement consisted of 2,500,000 units at a price of \$0.29 per unit, for total gross proceeds of \$725,000, of which \$111,590 was allocated to the fair value of the warrants issued on a prorated basis. Each unit consists of one common share and one non-transferable share purchase warrant entitling the holder to purchase one common share at \$0.36 per share until May 17, 2010.

*Private Placement August 2008*

During August 2008, the Company completed a non-brokered private placement consisting of 1,275,000 flow-through units at a price of \$0.20 per unit for total gross proceeds of \$255,000, of which \$28,632 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 \$0.30 per share until August 25, 2010. Agents fees and expenses relating to the issuance were paid in cash totalling \$17,500 and 87,500 agents warrants were issued which had a fair value of \$4,864. The agents warrants entitle the holder to purchase one common share at \$0.25 to August 25, 2010.

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**5. Share Capital - Continued**

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

|   | Number of Warrants | Weighted Average<br>Exercise Price |
|---|--------------------|------------------------------------|
| Outstanding warrants, November 30, 2006 | 12,359,972         | \$0.49                             |
| Issued                                  | 3,420,000          | \$1.19                             |
| Exercised                               | (4,737,587)        | \$0.37                             |
| Expired without exercise                | (1,938,885)        | \$0.41                             |
| Outstanding warrants, November 30, 2007 | 8,103,500          | \$0.49                             |
| Issued                                  | 3,225,000          | \$0.35                             |
| Expired without exercise                | (4,683,500)        | \$0.75                             |
| Outstanding warrants, August 31, 2008   | 6,645,000          | \$0.84                             |

At August 31, 2008, the following warrants were outstanding:

| Expiry Date                        | Weighted<br>Average<br>Exercise Price | Number of Warrants | Weighted Average<br>Remaining<br>Contractual Life in<br>Years |
|------------------------------------|---------------------------------------|--------------------|---|
| Other Share Purchase               |                                       |                    |   |
| Warrants:                          |                                       |                    |   |
| December 28, 2008                  | \$0.75                                | 420,000            | 0.33  |
| December 28, 2008                  | \$1.25                                | 3,000,000          | 0.33  |
| May 17, 2010                       | \$0.36                                | 2,500,000          | 1.71  |
| August 25, 2008                    | \$0.25                                | 87,500             | 1.99  |
| August 25, 2008                    | \$0.30                                | 637,500            | 1.99  |
| Weighted average of exercise price | \$0.78                                | 6,645,000          | 1.03  |

The fair value of warrants, assigned proportionally to warrants issued in the June 2007 private placement, were estimated using the Black-Scholes Option Pricing Model with the following range of assumptions:

|                                 |           |
|---------------------------------|-----------|
| Estimated risk-free rate        | 4.64%     |
| Expected volatility             | 102 %     |
| Estimated annual dividend yield | 0.0%      |
| Expected life of warrants       | 1.5 years |

The fair value of warrants, assigned proportionally to warrants issued in the May 2008 private placement, were estimated using the Black-Scholes Option Pricing Model with the following range of assumptions:

|                                 |         |
|---------------------------------|---------|
| Estimated risk-free rate        | 2.8%    |
| Expected volatility             | 73.88%  |
| Estimated annual dividend yield | 0.0%    |
| Expected life of warrants       | 2 years |

The fair value of warrants, assigned proportionally to warrants issued in the August 2008 private placement, were estimated using the Black-Scholes Option Pricing Model with the following range of assumptions:

|                                 |         |
|---------------------------------|---------|
| Estimated risk-free rate        | 2.75%   |
| Expected volatility             | 72.17%  |
| Estimated annual dividend yield | 0.0%    |
| Expected life of warrants       | 2 years |

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**5. Share Capital- Continued**

**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.

|                               | Number    | Weighted<br>Average<br>Exercise Price |
|-------------------------------|-----------|---------------------------------------|
| Outstanding November 30, 2006 | 4,897,000 | \$0.50                                |
| Cancelled                     | (200,000) | \$0.79                                |
| Granted                       | 1,275,000 | \$0.41                                |
| Exercised                     | (225,000) | \$0.31                                |
| Outstanding November 30, 2007 | 5,747,000 | \$0.50                                |
| Cancelled                     | (290,000) | \$0.53                                |
| Granted                       | 200,000   | \$0.25                                |
| Outstanding August 31, 2008   | 5,657,000 | \$0.48                                |

**Nine month period ended August 31, 2008 - Grants**

The associated stock-based compensation expense of \$30,500 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%      |
| Expected volatility   | 71.98%  |
| Estimated annual dividend yield   | 0.0%    |
| Expected life of options  | 5 years |

The stock options vest immediately upon issuance.

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**5. Share Capital- Continued**

**Fiscal year ended November 30, 2007 - 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.

At August 31, 2008, 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         | 0.63                                |
| April 19, 2009     | \$0.355                         | 180,000           | 0.69                                |
| November 16, 2009  | \$0.355                         | 495,000           | 1.22                                |
| April 25, 2010     | \$0.230                         | 225,000           | 1.65                                |
| October 23, 2010   | \$0.320                         | 805,000           | 2.15                                |
| December 19, 2010  | \$0.275                         | 100,000           | 2.31                                |
| April 11, 2011     | \$0.580                         | 360,000           | 2.62                                |
| August 2, 2011     | \$0.750                         | 837,500           | 2.93                                |
| October 1, 2011    | \$0.790                         | 25,000            | 3.09                                |
| November 20, 2011  | \$0.400                         | 150,000           | 3.23                                |
| March 13, 2012     | \$0.450                         | 175,000           | 3.54                                |
| September 17, 2012 | \$0.450                         | 955,000           | 4.05                                |
| February 28, 2013  | \$0.250                         | 200,000           | 4.50                                |
|                    | \$0.48                          | 5,657,000         | <b>2.89</b>                         |

All of the 5,657,000 options issued were fully vested at August 31, 2008.

**e) Flow-Through Shares**

**2007**

During the year ended November 30, 2007, the Company issued 6,000,000 flow-through common shares for total proceeds of \$4,200,00 which must be used for qualifying exploration expenditures and was renounced to the flow-through shareholders effective December 31, 2007. The future income tax liability estimated to be \$1,433,040 (by applying the tax statutory rate of 34.12%) 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 August 31, 2008 was \$956,900 (November 30, 2007 - \$2,832,818) and is included in the Company's cash and cash equivalents.

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### 6. Subsequent events

Subsequent to August 31, 2008 the Company completed the second tranche of its non-brokered private placement consisting of 250,000 flow-through units at a price of \$0.20 per unit for total gross proceeds of \$50,000. 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 \$0.30 per share for a period of 24 months. Agent's fees and expenses relating to the issuance were paid in cash totalling \$3,500 and 17,500 agents warrants were issued. The agents warrants entitle the holder to purchase one common share at \$0.25 to for a period of 24 months.