

INDICATOR MINERALS INC.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2008
In Canadian Dollars



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of Indicator Minerals Inc. as at November 30, 2008 and the statements of loss and comprehensive loss, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at November 30, 2007 and for the year then ended were audited by other auditors, who expressed an opinion without reservation on those financial statements in their report, dated March 26, 2008.

Chartered Accountants

Vancouver, Canada

January 16, 2009

Indicator Minerals Inc.
(An Exploration Stage Company)
Balance Sheets
As at November 30, 2008 and 2007
Canadian Dollars

ASSETS	2008	2007
Current		
Cash and cash equivalents	\$ 96,402	\$ 2,938,090
Cash calls receivable	38,676	447,096
Short-term investments	-	1,010,966
Marketable securities (Note 5)	5,000	32,500
GST recoverable	89,823	171,556
Permit bonds receivable (Note 6)	643,073	-
Prepaid expenses	50,001	28,239
	922,975	4,628,447
Permit Deposits (Note 6)	411,384	332,024
Equipment (Note 7)	155,552	120,298
Resource Property Costs (Note 8)	9,998,812	7,178,510
	\$ 11,488,723	\$ 12,259,279

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	\$ 174,765	\$ 311,903

SHAREHOLDERS' EQUITY

Share Capital (Note 9)	17,080,540	17,355,633
Contributed Surplus (Note 10)	3,787,107	3,601,109
Accumulated Other Comprehensive Income	(22,500)	5,000
Deficit	(9,531,189)	(9,014,366)
	11,313,958	11,947,376
	\$ 11,488,723	\$ 12,259,279

Nature of Operations and Going Concern (Note 1)
 Subsequent Events (Notes 6 and 9c)

ON BEHALF OF THE BOARD:

"Bruce Counts", President & CEO _____, Director

"Craig Bentham" _____, Director

Indicator Minerals Inc.
(An Exploration Stage Company)
Statements of Loss and Comprehensive Loss
For the Years Ended November 30, 2008 and 2007
Canadian Dollars

	2008	2007
Expenses		
Advertising and promotion	\$ 72,531	\$ 141,628
Amortization	52,665	39,738
Conference and meetings	244,361	330,699
Corporate listing and filing fees	28,880	14,122
Investor relations	93,878	85,495
Office and administration	93,927	102,770
Professional fees	165,369	129,315
Rent	79,511	56,265
Stock-based compensation <i>(Note 9d)</i>	35,905	381,411
Transfer agent fees	-	9,374
Wages and consulting fees	486,135	489,468
Loss before the undernoted	(1,353,162)	(1,780,285)
Other Income (Expenses)		
Administration fees	999	74,353
Interest	65,839	101,312
Recovery of bad debt	849	-
Write-off of resource property costs <i>(Note 8a)</i>	(365,348)	(391,577)
	(297,661)	(215,912)
Loss before income taxes	(1,650,823)	(1,996,197)
Future income tax recovery <i>(Note 9e and 12)</i>	1,134,000	382,173
Loss for the year	(516,823)	(1,614,024)
Other comprehensive income (loss)		
Unrealized gain (loss) on available for sale investments <i>(Note 5)</i>	(27,500)	7,500
Comprehensive loss	\$ (544,323)	\$ (1,606,524)
Basic and Diluted Loss per Share	\$ (0.01)	\$ (0.03)
Weighted Average Number of Shares Outstanding	61,623,299	53,575,880

- See Accompanying Notes -

Indicator Minerals Inc.
(An Exploration Stage Company)
Statements of Shareholders' Equity
For the Years Ended November 30, 2008 and 2007
Canadian Dollars

	2008	2007
Share capital		
Balance – beginning of year	\$ 17,355,633	\$ 12,397,731
Issued during the year	858,907	5,340,075
Flow-through income tax renunciation	(1,134,000)	(382,173)
Balance – end of year	17,080,540	17,355,633
Contributed surplus		
Balance – beginning of year	3,601,109	2,867,328
Fair value of share purchase warrants issued in private placement	150,903	407,537
Fair value of stock-based compensation on options vested	35,905	381,411
Fair value of stock option recognized on exercise	-	(55,167)
Balance – end of year	3,787,107	3,601,109
Deficit		
Balance – beginning of year	(9,014,366)	(7,400,342)
Net loss for the year	(516,823)	(1,614,024)
Balance – end of year	(9,531,189)	(9,014,366)
Accumulated other comprehensive income		
Balance – beginning of year	5,000	(2,500)
Unrealized gain (loss) on available for sale investments	(27,500)	7,500
Balance – end of period	(22,500)	5,000
TOTAL SHAREHOLDERS' EQUITY	\$ 11,313,958	\$ 11,947,376

- See Accompanying Notes -

Indicator Minerals Inc.
(An Exploration Stage Company)
Statements of Cash Flows
For the Years Ended November 30, 2008 and 2007
Canadian Dollars

	2008	2007
Cash Flows from Operating Activities		
Net loss for the year	\$ (516,823)	\$ (1,614,024)
Items not affected by cash:		
Future income tax recovery	(1,134,000)	(382,173)
Stock-based compensation	35,905	381,411
Amortization	52,665	39,738
Write-off of resource property costs	365,348	391,577
	(1,196,905)	(1,183,471)
Change in non-cash working capital:		
Cash calls receivable	408,420	21,849
GST recoverable	81,733	(195,282)
Short-term investments	1,010,966	(1,010,966)
Permit bonds receivable	(643,073)	-
Prepaid expenses	(21,762)	(21,499)
Accounts payable and accrued liabilities	(137,138)	59,816
	(497,759)	(2,329,553)
Cash Flows from Investing Activities		
Equipment, net	(87,919)	(56,154)
Permit deposits	(79,360)	9,730
Resource property costs	(3,185,650)	(1,894,273)
Recovery of resource property costs	-	667,868
	(3,352,929)	(1,272,829)
Cash Flows from Financing Activities		
Issuance of share capital, net	1,009,000	5,692,445
Net Increase (Decrease) in Cash	(2,841,688)	2,090,063
Cash and Cash Equivalents- Beginning of Year	2,938,090	848,027
Cash and Cash Equivalents - End of Year	\$ 96,402	\$ 2,938,090

Supplemental Schedule of Non-Cash Investing and Financial Activities

Fair value of stock based compensation relating to options exercised	\$ -	\$ 55,167
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Indicator Minerals Inc.

(An Exploration Stage Company)

Notes to Financial Statements

For the years ended November 30, 2008 and 2007

Canadian Dollars

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. The Company has a history of operating losses and has an accumulated deficit of \$9,531,189 at November 30, 2008 (November 30, 2007 - \$9,014,366). As an exploration stage company, it is currently unable to self-finance its operations. The development of the Company's resource properties is dependent on the ability of the Company to raise sufficient capital to finance its operations through a combination of equity offerings, joint venture arrangements and the sale of properties.

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and on a basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Management recognizes that the Company will need to generate additional financial resources in order to meet its planned business objectives and to continue as a going concern. There can be no assurance that such resources will be available on acceptable terms or at all. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail its operations and exploration activities.

These financial statements do not include any adjustments relating to the recorded amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

3. Significant Accounting Policies

a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with a remaining term to maturity of three months or less at acquisition, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

b) Resource Property Costs

Resource exploration and development costs are capitalized on an individual area of interest basis. Costs capitalized for producing properties are amortized on a unit-of-production method based on the estimated life of the reserves. Previously capitalized costs for properties abandoned are written off at the time of the abandonment. Recoveries from exploration partners are netted against any capitalized costs.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable.

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

For the years ended November 30, 2008 and 2007

Canadian Dollars

3. Significant Accounting Policies – Continued

b) Resource Property Costs - Continued

The recoverability of the amount capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof. In addition, the resource property costs are evaluated on an annual basis for impairment and where impairment occurs, related resource costs are written off.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, has valid title to its properties.

c) Asset Retirement Obligations

The Company recognizes a legal liability for future obligations relating to the retirement of long lived assets arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement obligations are recognized at fair value when fair value can be reasonably estimated, in the period in which they are incurred, and are added to the carrying value of the asset, and amortized into income on a systematic basis over the useful life of the asset.

At November 30, 2008 and 2007, the Company had no asset retirement obligations.

d) Marketable Securities

Marketable securities consist of common shares of a public company and are classified as available for sale and are reported at fair value based on a quoted market price. At the end of each reporting period, the Company determines if there has been a change in the market value of each individual security and records an adjustment to market value, with the offsetting debit or credit to other comprehensive income. Other than temporary declines in the value of marketable securities are recorded in the statement of loss at the time the impairment is determined.

e) Short-term investments

The Company invests in cashable Guaranteed Investment Certificates and records such investments at fair value.

f) Equipment

The Company records equipment at cost and provides for amortization using the declining balance method at rates designed to amortize the cost of the equipment over the estimated useful lives. The annual amortization rates are as follows:

Computer equipment	30 %
Computer software	100 %
Field Equipment	20 %
Leasehold improvements	20 %
Office furniture and equipment	20 %

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

November 30, 2008

Canadian Dollars

3. Significant Accounting Policies – Continued

g) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using substantively enacted statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. A valuation allowance is established, as needed, to reduce future income tax assets to the amount that is more likely than not to be realized.

h) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on the fair value of the shares issued.

i) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of (i) the date at which the counterparty performance is complete, (ii) the date the performance commitment is reached; or (iii) the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of options is accrued and charged to operations on a straight-line basis over the vesting period with the offsetting credit to contributed surplus. If and when the stock options are ultimately exercised, the cash received is credited to share capital, and the applicable amounts of contributed surplus are transferred to share capital.

j) Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets, which consist primarily of equipment and resource property costs, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the asset to the estimated undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value. The amount of the impairment is charged to income in the period when the impairment is determined.

k) Loss per Share

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method. As the conversion of the outstanding options and warrants would not have a dilutive effect on loss per share, diluted and basic loss per share are the same amount for the years ended November 30, 2008 and 2007.

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

November 30, 2008

Canadian Funds

3. Significant Accounting Policies – Continued

l) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Areas requiring significant management estimates include the assessment of the Company's ability to continue as a going concern, the evaluation and assessment of impairment of resource property costs, the determination of valuation allowances for future income tax assets and the assumptions used in determining the fair value of stock-based compensation. Actual results could differ from these estimates.

m) Flow-Through Shares

The Company follows the recommendations of the Emerging Issues Committee, Abstract 146 'Flow-Through Shares.' Under the terms of Canadian flow-through share legislation, the tax attributes of qualifying expenditures are renounced to subscribers. To recognize the foregone tax benefits, share capital is reduced and a future income tax liability is recognized as the related expenditures are renounced. This future income tax liability is then reduced by the recognition of previously unrecorded future income tax assets on unused tax losses and deductions.

n) Adoption of new 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.

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, 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 currently has sufficient working capital to meet its corporate overhead expenses and required exploration expenditures through the end of 2009, based on current plans which include some curtailment on corporate overhead and exploration.

There were no changes to the Company's approach to capital management during the year ended November 30, 2008. The Company is not subject to externally imposed capital requirements as at November 30, 2008.

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

November 30, 2008

Canadian Funds

3. Significant Accounting Policies – Continued

(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 and enable users of the financial statements to evaluate the significance of financial instruments to 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. Refer to note 4 for additional disclosures.

(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. Refer to notes 1 and 3n for additional disclosures.

(o) Future Changes in Accounting Standards

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

The CICA has announced it will transition Canadian GAAP for publicly accountable enterprises to IFRS. Under the terms of the transition rules, the Company's financial statements are to be prepared in accordance with IFRS for the fiscal year commencing on December 1, 2011. 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.

4. Financial Instruments

The Company's financial instrument assets consist of cash and cash equivalents and short-term investments, which are designated as held for trading and measured at fair value; marketable securities, which are classified as available-for-sale and measured at fair value; and cash calls receivable, GST recoverable, and permit bonds receivable, which are designated as loans and receivables and are measured at amortized cost. Financial instrument liabilities are accounts payable and accrued liabilities which are designated as other liabilities and measured at amortized cost. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these investments and/or the ability for prompt liquidation. Marketable securities are recorded at market value based on quoted market prices of the common shares held in another public company.

The Company is exposed to credit and liquidity risk with respect to its financial instruments. It is management's opinion that the Company is not exposed to significant interest, foreign exchange or commodity risks arising from its financial instruments.

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, short-term investments and amounts receivable. The Company limits exposure to credit risk arising from its cash and cash equivalents by maintaining its cash and cash equivalents with high credit quality financial institutions.

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

November 30, 2008

Canadian Funds

4. Financial Instruments - Continued

The Company's cash calls receivable is from one joint exploration partner. The Company has experienced no bad debts resulting from transactions with this partner.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they become due. The Company ensures that there is sufficient working capital in order to meet short term business requirements. The Company's cash and cash equivalents and short term investments are highly liquid and available on demand to meet the Company's ongoing obligations. The Company's accounts payable and accrued liabilities are all due within several months.

5. Marketable Securities

	2008		2007	
	Market Value	Cost	Market Value	Cost
Common shares of a public company, representing less than a 5% interest in the company	\$ 5,000	\$27,500	\$ 32,500	\$ 27,500

6. Permit Deposits and Permit Bonds Receivable

Prospecting permit deposits are paid to the Receiver General for Canada and recoverable based on exploration spending and filing of requisite geological assessment reports. If the spending commitments are not met, the deposits are forfeited.

The Company has been filing reports with the federal authorities. These reports may result in a refund of amounts paid by the Company. Any such proceeds result in a reduction in the amount recorded for permits with any non-refunded amounts being either written off or transferred to resource property costs.

Permit bonds receivable reflects the amount of deposits receivable for geological assessment reports accepted by the federal authorities, for which letters were received prior to November 30, 2008 confirming the amount to be refunded. Subsequent to November 30, 2008, the entire amount of this receivable had been received.

7. Equipment

Details are as follows:

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 60,820	\$ 32,243	\$ 28,577	\$ 46,532	\$ (18,149)	\$ 28,383
Computer software	63,855	28,807	35,048	39,131	(32,172)	6,959
Field equipment	90,880	32,242	67,932	48,046	(11,320)	36,726
Office furniture and equipment	72,089	22,948	39,847	68,194	(22,767)	45,427
Leasehold improvements	4,399	1,001	3,398	3,115	(312)	2,803
	\$ 292,043	\$ 136,491	\$ 155,552	\$ 205,018	\$ (84,720)	\$ 120,298

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

November 30, 2008

Canadian Dollars

8. Resource Property Costs

a) The following provides a summary of the costs capitalized and written off with respect to our resources properties:

	2008			2007		
	Acquisition Costs	Deferred Exploration	Total	Acquisition Costs	Deferred Exploration	Total
Mineral Interests						
Hunter Properties						
Balance, beginning of period	\$ 1,209,937	\$ 4,519,557	\$ 5,729,494	\$ 1,258,006	\$ 3,449,088	\$ 4,707,094
Acquisition costs	50,000	-	50,000	50,000	-	50,000
Claims and staking	-	(172,457)	(172,457)	48,648	-	48,648
Analytical and sampling	-	57,735	57,735	-	283,773	283,773
Airborne geophysics	-	-	-	-	320,655	320,655
Consulting	-	148,678	148,678	-	70,888	70,888
Fieldwork	-	1,892,343	1,892,343	-	1,221,776	1,221,776
Recovery of costs	-	-	-	-	(667,868)	(667,868)
Write-off	-	-	-	(146,717)	(158,755)	(305,472)
Balance, end of period	1,259,937	6,445,856	7,705,793	1,209,937	4,519,557	5,729,494
Committee Bay Properties						
Balance, beginning of period	339,998	509,789	849,787	219,945	336,789	556,734
Acquisition costs	-	-	-	9,052	-	9,052
Claims and staking	-	-	-	111,001	-	111,001
Analytical and sampling	-	2,771	2,771	-	12,095	12,095
Consulting	-	15,835	15,835	-	18,433	18,433
Fieldwork	-	288,491	288,491	-	142,472	142,472
Write-off	(51,064)	(314,284)	(365,348)	-	-	-
Balance, end of period	288,934	502,602	791,536	339,998	509,789	849,787
Indicator Properties						
Balance, beginning of period	322,813	276,416	599,229	167,737	44,891	212,628
Claims and staking	-	274,112	274,112	155,076	-	155,076
Analytical and sampling	-	169,517	169,517	-	94,184	94,184
Consulting	-	132,556	132,556	-	20,116	20,116
Fieldwork	-	325,069	325,069	-	117,226	117,226
Balance, end of period	322,813	1,177,669	1,500,483	322,813	276,416	599,229
Generative						
Balance, beginning of period	-	-	-	-	-	-
Claims and staking	-	-	-	2,250	-	2,250
Analytical and sampling	-	-	-	-	7,649	7,649
Airborne geophysics	-	-	-	-	6,900	6,900
Consulting	-	-	-	-	42,940	42,940
Fieldwork	-	-	-	-	26,365	26,365
Write-off	-	-	-	(2,250)	(83,855)	(86,105)
Balance, end of period	-	-	-	-	-	-
TOTAL	\$ 1,871,684	\$ 8,127,128	\$ 9,998,812	\$ 1,872,748	\$ 5,305,762	\$ 7,178,510

Amounts written off during the years ended November 30, 2008 and 2007 relate to cost capitalized on certain claims where the Company chose not to renew its prospecting permits.

Indicator Minerals Inc.
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Notes to Financial Statements

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8. Resource Property Costs - Continued

b) Hunter Properties

General

The Company owns an 80% interest in the diamond rights of several properties, including 54 prospecting permits and 24 mineral claims acquired 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. The properties are subject to a gross overriding royalty of up to 2%. The Company pays an annual advance royalty of \$25,000 to each of Hunter and International Royalty Corp., should the Company elect to retain any of the original properties subject to the Hunter agreement.

Darby

On June 2, 2006 the Company entered into an agreement with Teck Cominco Limited ("Teck Cominco") whereby Teck Cominco has the option to earn a 51% interest in the diamond rights of the Company's 80% owned Darby Project, which is part of the Hunter properties, by spending \$14 million over four years, including reimbursement of limited expenditures by the Company on the property, prior to June 2, 2009. 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 Cominco became the operator of the project. It is estimated that during the year ended November 30, 2008, Teck Cominco surpassed the \$14,000,000 in aggregate exploration spending required for it to earn an undivided 51% interest in the Darby Project; however, no accounting of expenditures has been received by the Company for review and therefore no interest in the project has been assigned to Teck Cominco as at November 30, 2008.

Once Teck Cominco has earned its 51% interest a joint venture is to be formed and the following items will apply:

- While Teck Cominco owns at least a 51% interest in the Darby Project, it will be obliged to carry Indicator's remaining 29% share of exploration expenses through to mine production on a project loan basis. Indicator will be required to repay the loan only in the event of cash flow from the project.
- Teck Cominco will propose a minimum of program of \$2.5 million per year to advance the project.
- Indicator will have the right to purchase Teck Cominco's interest in the project, under certain circumstances, if Teck Cominco elects not to develop a mine.

Nanuq North

Under the terms of a letter agreement entered into in 2005, the Company has a 40% interest in 16 core claims covering 11,605 hectares (the "Core Claims"). Peregrine Diamonds Ltd. has a 40% interest and Hunter a 20% interest. Exploration costs on the Core Claims are currently funded on a 50/50 basis by Peregrine and the Company. Hunter's 20% interest is carried through to completion of a scoping study. Peregrine and the Company each have an undivided 50% interest in the remaining 21,451 hectares of claims at Nanuq North.

c) Committee Bay Properties

The Company and Committee Bay Resources Ltd. ("CBR"), a company with directors in common, finalized agreements in 2006 for three properties, named Borden, Kellet and TIM. In order to earn a 51% interest in the Borden and Kellet properties and a 35% interest in the TIM property, 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.

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8. Resource Property Costs – Continued

c) Committee Bay Properties - Continued

The Company can then earn a further 19% interest in the Borden and Kellet properties and a further 4% interest in the TIM property by spending \$6 per acre and \$3 per acre, respectively, (minimum of \$4,153,290) over the first two years after staking the claims. Upon earning a 70% interest in the Borden and Kellet properties, the Company and CBR will split diamond exploration costs 80%/20%, respectively. Upon earning a 39% interest in the TIM property, and Company, CBR, and CBR's joint venture partner will split diamond exploration costs 44%/5%/51%, respectively. 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% of production.

d) Indicator Properties

The Company has several 100% owned grass roots properties across the Nunavut Territory. The most notable of these properties is the Dorset Project located on the Foxe Peninsula of Baffin Island. To date, the Company has spent \$505,866 on the Dorset Project and \$994,616 on the rest of the properties. Each of the grassroots properties held by the Company is being evaluated with heavy mineral sampling in an effort to confirm the presence of kimberlite, the primary source of diamond, and to isolate the general location of the kimberlites.

e) Marketing Agreement

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

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

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

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

Under the terms of the Agreement, Munic Gems was required to earn a 9.9% ownership interest in the Company through Private Placement financings at the Company's discretion, beginning with the purchase of 2.5 million units of the Company within 60 days of the Agreement being signed. This initial financing was completed in May 2008 (*Note 9b*) and each unit consisted of one common share and one warrant to purchase one common share. Each unit in the initial financing was priced at \$0.29, and with the exercise price of each warrant being \$0.36.

Once Munic Gems has earned a 9.9% interest in the Company, it is to maintain the 9.9% ownership through the exercise of an anti-dilution right on subsequent financings. Munic Gems maintains the anti-dilution right so long as it does not skip more than three financings in total and does not skip two consecutively

At November 30, 2008 the Company has not acquired any projects under the terms of this agreement.

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9. 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	4,025,000		858,907
Future income taxes on renouncement of flow-through shares issued (note 9e)	-		(1,134,000)
Balance – November 30, 2008	63,966,702	\$	17,080,540

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 \$361,525 was allocated to the fair value of the warrants issued on a prorated basis. Each flow-through unit consisted 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 \$340,410 and 420,000 agents warrants were issued which had a fair value of \$82,317. 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 consisted 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 \$29,632 was allocated to the fair value of the warrants issued on a prorated basis. Each flow-through unit consisted 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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9. Share Capital – Continued

b) **Private Placements - Continued**

Private Placement September 2008

During September 2008, the Company completed a 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, of which \$3,419 was allocated to the fair value of the warrants issued on a prorated basis. Each flow-through unit consisted 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 September 10, 2010. Agents fees and expenses relating to the issuance were paid in cash totalling \$3,500 and 17,500 agents warrants were issued which had a fair value of \$588. The agents warrants entitle the holder to purchase one common share at \$0.25 to September 10, 2010.

c) **Share Purchase and Agents Warrants**

Details of outstanding warrants are as follows:

	Number of Warrants	Weighted Average 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	3,367,500	0.34
Expired without exercise	(4,683,500)	0.75
Outstanding warrants, November 30, 2008	6,787,500	\$0.77

At November 30, 2008, 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:			
December 28, 2008	\$0.75	420,000	0.08
December 28, 2008	1.25	3,000,000	0.08
May 17, 2010	0.36	2,500,000	1.44
August 25, 2010	0.25	87,500	1.73
August 25, 2010	0.30	637,500	1.73
September 10, 2010	0.25	17,500	1.78
September 10, 2010	0.30	125,000	1.78
Weighted average of exercise price	\$0.77	6,787,500	0.80

The fair value of 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

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9. Share Capital - Continued

c) Share Purchase and Agents Warrants – Continued

The fair value of 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

The fair value of warrants issued in the September 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

Subsequent to November 30, 2008, 3,420,000 warrants expired unexercised.

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 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 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, 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)	0.47
Granted	775,000	0.14
Outstanding November 30, 2008	6,232,000	\$0.45

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9. Share Capital - Continued

d) **Stock Options - Continued**

Fiscal year ended November 20, 2008 - Grants

The associated stock-based compensation expense of \$30,500 for the 200,000 options granted to consultants during the 2008 year were calculated based on the following assumptions:

Estimated risk-free rate	3.47%
Expected volatility	71.98%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

The stock options vest immediately upon issuance.

The associated stock-based compensation expense of \$5,405 for the 575,000 options granted to employees, consultants and directors during the 2008 year were calculated based on the following assumptions:

Estimated risk-free rate	3.09%
Expected volatility	79.19%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

The stock options vest immediately upon issuance.

Fiscal year ended November 30, 2007 - Grants

The associated stock-based compensation expense of \$381,411 for the 1,275,000 options granted during the year 2007 were calculated based on the following range of assumptions:

Estimated risk-free rate	3.88 - 4.30%
Expected volatility	101.43% - 104.44%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

The stock options vest immediately upon issuance.

At November 30, 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	0.38
April 19, 2009	0.355	180,000	0.38
November 16, 2009	0.355	495,000	0.96
April 25, 2010	0.230	225,000	1.40
October 23, 2010	0.320	805,000	1.90
December 19, 2010	0.275	100,000	2.05
April 11, 2011	0.580	360,000	2.36
August 2, 2011	0.750	837,500	2.67
October 1, 2011	0.790	25,000	2.83
November 20, 2011	0.400	150,000	2.97
March 13, 2012	0.450	175,000	3.28
September 17, 2012	0.400	955,000	3.80
February 28, 2013	0.250	200,000	4.25
November 12, 2013	0.100	575,000	4.93
	\$0.45	6,232,000	2.32

All options were fully vested and exercisable at November 30, 2008.

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e) **Flow-Through Shares**

2008

During the year ended November 30, 2008, the Company issued 1,525,000 flow-through common shares for total proceeds of \$305,000 which must be used for qualifying exploration expenditures and was renounced to the flow-through shareholders effective December 31, 2008. The future income tax liability estimated to be \$82,350 (by applying a future tax rate of 27%) resulting from the renunciation of these qualifying expenditures will be recorded subsequent to November 30, 2008 when the renunciation tax forms are filed, in accordance with the pronouncement of the CICA Emerging Issues Committee Abstract 146.

The unspent balance of this flow-through issuance at November 30, 2008 was \$nil.

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 \$1,134,000 (by applying a future tax rate of 27%) resulting from the renunciation of these qualifying expenditures was recorded during the year ended November 30, 2008 when the renunciation tax forms were filed, in accordance with the pronouncement of the CICA Emerging Issues Committee Abstract 146.

10. Contributed Surplus

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

Balance, November 30, 2007	2,867,328
Fair value of share purchase warrants issued in June 2007 private placement, net of share issuance costs (Note 9b)	407,537
Fair value of stock-based compensation on options vested (Note 9d)	381,411
Fair value of stock option recognized on exercise (Note 9a)	(55,167)
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Balance, November 30, 2007	3,601,109
Fair value of stock-based compensation on options vested (Note 9d)	35,905
Fair value of share purchase warrants issued in May 2008 private placement, net of share issuance costs (Note 9b)	111,590
Fair value of share purchase warrants issued in August 2008 private placement, net of share issuance costs (Note 9b)	34,496
Fair value of share purchase warrants issued in September 2008 private placement, net of share issuance costs (Note 9b)	4,007
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Balance – November 30, 2008	\$ 3,787,107

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11. Related Party Transactions

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

Relationship	Nature of Transaction	2008	2007
Company of which the Director and VP Exploration is the majority shareholder	Geological Services	\$ 125,700	\$ 144,202
Company of which the Director and President and CEO is majority shareholder	Management Services	-	55,650
Company of which a Director is a majority shareholder	Geological Services	93,537	120,623
Company of which an independent Director is a shareholder	Marketing	36,726	76,473

Of these amounts \$10,354 was unpaid at November 30, 2008 (2007 – \$0) and is included in accounts payable and accrued liabilities

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Income Taxes

- a) Reconciliation of accounting and taxable income (rounded to the nearest thousand) using the effective tax rate of 31.63% (2007 – 34.12%):

	Year Ended November 30, 2008	Year Ended November 30, 2007
Expected tax recovery	\$ (522,000)	\$ (681,000)
Adjustments:		
Change in valuation allowance	(127,000)	231,000
Adjustment to tax bases in 2008	(570,000)	-
Permanent differences and other	85,000	68,000
Future income tax recovery	\$ (1,134,000)	\$ (382,000)

- b) The Company has non-capital losses which may be applied to reduce future years' taxable income. As at November 30, 2008 these amounted to \$4,450,000 (2007 – \$3,226,000). These non-capital losses expire between 2009 and 2028.

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12. Income Taxes - Continued

- c) The components of the future income tax asset (liability) at November 30, 2008 and 2007 are as follows:

	2008	2007
Future income tax asset		
Non-capital loss carry-forwards	\$ 1,201,000	\$ 1,065,000
Share issue costs	90,000	64,000
Resource property costs	(1,183,000)	(894,000)
Future income tax asset	108,000	235,000
Valuation Allowance	(108,000)	(235,000)
Future income tax liability	\$ -	\$ -

The future income tax rate that is estimated to be applicable when the temporary differences reverse is estimated to be 27% (2007 – 30%).

13. Commitments:

- a) Lease Commitment:

On October 5, 2007 the Company entered into a sub-lease agreement for office premises to be effective December 1, 2007, for 16 months. At November 30, 2008, the remaining monthly lease payments, including rent, operating costs and property taxes to March 31, 2009 total \$19,385.

Subsequent to the sublease expiring, the Company has signed a lease for a period of 44 months for the same office premises effective April 1, 2009 as follows:

Remainder of 2009	\$42,225
2010	63,338
2011	64,812
2012	66,244