

**INDICATOR MINERALS INC.**

**(An Exploration Stage Company)**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2009**

**In Canadian Dollars**

**(Unaudited)**

## **Notice**

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

The accompanying unaudited interim financial statements of the Company for the period ended February 28th, 2009 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**

As at February 28, 2009

Canadian Dollars (Unaudited)

	February 28, 2009 (Unaudited)	November 30, 2008 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 428,373	\$ 96,402
Cash calls receivable	39,546	38,676
Marketable securities (Note 4)	3,125	5,000
GST recoverable	31,947	89,823
Permit bonds receivable	-	643,073
Prepaid expenses	50,001	50,001
	<b>552,992</b>	<b>922,975</b>
<b>Permit Deposits</b>	<b>369,609</b>	<b>411,384</b>
<b>Equipment (Note 5)</b>	<b>159,024</b>	<b>155,552</b>
<b>Resource Property Costs (Note 6)</b>	<b>10,138,488</b>	<b>9,998,812</b>
	<b>\$ 11,220,113</b>	<b>\$ 11,488,723</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 150,312	\$ 174,765
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 7)</b>	<b>16,998,190</b>	<b>17,080,540</b>
<b>Contributed Surplus (Note 8)</b>	<b>3,792,041</b>	<b>3,787,107</b>
<b>Accumulated Other Comprehensive Income</b>	<b>(24,375)</b>	<b>(22,500)</b>
<b>Deficit</b>	<b>(9,696,055)</b>	<b>(9,531,189)</b>
	<b>11,069,801</b>	<b>11,313,958</b>
	<b>\$ 11,220,113</b>	<b>\$ 11,488,723</b>

Nature of Operations and Going Concern (Note 1)

ON BEHALF OF THE BOARD:

"Bruce Counts", President & CEO \_\_\_\_\_, Director

"Craig Bentham" \_\_\_\_\_, Director

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Statements of Loss and Comprehensive Loss**  
**For the Three Months Ended February 28, 2009**  
*Canadian Dollars (Unaudited)*

	2009	2008
<b>Expenses</b>		
Advertising and promotion	\$ 4,566	\$ 27,383
Amortization	11,776	9,593
Conference and meetings	29,560	75,098
Corporate listing and filing fees	5,000	6,200
Investor relations	46,637	(6,604)
Office and administration	9,377	26,562
Professional fees	31,959	29,067
Rent	10,936	20,538
Stock-based compensation <i>(Note 7d)</i>	4,934	30,500
Transfer agent fees	1,624	1,764
Wages and consulting fees	92,275	138,680
<b>Loss before the undernoted</b>	<b>248,645</b>	<b>358,781</b>
<b>Other Income (Expenses)</b>		
Administration fees	-	999
Interest	1,429	30,762
	<b>1,429</b>	<b>31,761</b>
<b>Loss before income taxes</b>	<b>(247,216)</b>	<b>(327,020)</b>
<b>Future income tax recovery <i>(Note 7f)</i></b>	<b>82,350</b>	<b>1,433,040</b>
<b>Loss for the period</b>	<b>(164,866)</b>	<b>1,106,020</b>
<b>Other comprehensive income (loss)</b>		
Unrealized gain (loss) on available for sale investments <i>(Note 4)</i>	(1,875)	1,250
<b>Comprehensive loss</b>	<b>\$ (166,741)</b>	<b>\$ 1,107,270</b>
<b>Basic and Diluted Loss per Share</b>	<b>\$ (0.01)</b>	<b>\$ 0.02</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>63,966,702</b>	<b>59,941,702</b>

- See Accompanying Notes -

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

**Interim Statements of Shareholders' Equity**

**For the Three Months Ended February 28, 2009 and the Year Ended November 30, 2008**

*Canadian Dollars (Unaudited)*

	<b>February 28, 2009 (Unaudited)</b>	November 30, 2008 (Audited)
<b>Share capital</b>		
Balance – beginning of year	\$ 17,080,540	\$ 17,355,633
Issued during the year	-	858,907
Flow-through income tax renunciation	<b>(82,350)</b>	(1,134,000)
<b>Balance – end of period</b>	<b>16,998,190</b>	17,080,540
<b>Contributed surplus</b>		
Balance – beginning of year	<b>3,787,107</b>	3,601,109
Fair value of share purchase warrants issued in private placement	-	150,903
Fair value of stock-based compensation on options vested	<b>4,934</b>	35,905
Fair value of stock option recognized on exercise	-	-
<b>Balance – end of period</b>	<b>3,792,041</b>	3,787,107
<b>Deficit</b>		
Balance – beginning of year	<b>(9,531,189)</b>	(9,014,366)
Net loss for the period	<b>(164,866)</b>	(516,823)
<b>Balance – end of period</b>	<b>(9,696,055)</b>	(9,531,189)
<b>Accumulated other comprehensive income</b>		
Balance – beginning of year	<b>(22,500)</b>	5,000
Unrealized gain (loss) on available for sale investments	<b>(1,875)</b>	(27,500)
<b>Balance – end of period</b>	<b>(24,375)</b>	(22,500)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 11,069,801</b>	\$ 11,313,958

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Interim Statements of Cash Flows**  
**For the Three Months Ended February 28, 2009**  
*Canadian Dollars (Unaudited)*

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Net income (loss) for the period	\$ (164,866)	\$ 1,106,020
Items not affected by cash:		
Future income tax recovery	(82,350)	(1,433,040)
Stock-based compensation	4,934	30,500
Amortization	11,776	9,593
Write-off of resource property costs	-	-
	<b>(230,506)</b>	<b>(286,927)</b>
Change in non-cash working capital:		
Cash calls receivable	(870)	-
GST recoverable	57,876	190,420
Short-term investments	-	23,314
Permit bonds receivable	643,073	(6,533)
Prepaid expenses	-	(16,788)
Accounts payable and accrued liabilities	(24,453)	(252,564)
	<b>445,120</b>	<b>(349,078)</b>
<b>Cash Flows from Investing Activities</b>		
Equipment, net	(15,248)	(40,112)
Permit deposits	41,775	-
Resource property costs	(97,356)	(804,795)
Recovery of resource property costs	-	-
	<b>(113,149)</b>	<b>(844,907)</b>
<b>Cash Flows from Financing Activities</b>		
Issuance of share capital, net	-	-
<b>Net Increase (Decrease) in Cash</b>	<b>331,971</b>	<b>(1,193,985)</b>
<b>Cash and Cash Equivalents- Beginning of period</b>	<b>96,402</b>	<b>2,938,090</b>
<b>Cash and Cash Equivalents - End of period</b>	<b>\$ 428,373</b>	<b>\$ 1,744,105</b>
<b>Supplemental Schedule of Non-Cash Investing and Financial Activities</b>		
Fair value of stock based compensation relating to options exercised	\$ -	\$ -

– See Accompanying Notes –

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

**For the Three Months Ended February 28, 2009**

*Canadian Dollars (Unaudited)*

**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 \$9,696,055 at February 28, 2009 (November 30, 2008 - \$9,531,189). 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 sundry 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. 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, 2008.

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.

**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 Interim Financial Statements**

**For the Three Months Ended February 28, 2009**

*Canadian Dollars (Unaudited)*

**2. 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 February 28, 2009 and 2008, 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.**  
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**Notes to Interim Financial Statements**

**For the Three Months Ended February 28, 2009**

*Canadian Dollars (Unaudited)*

**2. 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 February 28, 2009 and 2008.

**Indicator Minerals Inc.**  
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**Notes to Interim Financial Statements**

**For the Three Months Ended February 28, 2009**

*Canadian Dollars (Unaudited)*

**2. 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) Capital Disclosures**

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 period ended February 28, 2009. The Company is not subject to externally imposed capital requirements as at February 28, 2009.

**Indicator Minerals Inc.**  
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**Notes to Interim Financial Statements**  
**For the Three Months Ended February 28, 2009**  
*Canadian Dollars (Unaudited)*

**2. Significant Accounting Policies – Continued**

**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.

**3. 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.**  
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**Notes to Interim Financial Statements**

**For the Three Months Ended February 28, 2009**

*Canadian Dollars (Unaudited)*

**3. 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.

**4. Marketable Securities**

	<b>For the three months ended February 28, 2009</b>		<b>For the year ended November 30, 2008</b>	
	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>
Common shares of a public company, representing less than a 5% interest in the company	\$ 3,125	\$27,500	\$ 5,000	\$27,500

**5. Equipment**

Details are as follows:

	<b>For the three months ended February 28, 2009</b>			<b>For the year ended November 30, 2008</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Computer equipment	\$ 60,820	\$ 31,208	\$ 29,612	\$ 60,820	\$ 28,807	\$ 32,013
Computer software	67,298	55,014	12,284	63,855	51,493	12,362
Field equipment	90,880	26,345	26,345	90,880	22,948	67,932
Office furniture and equipment	72,089	34,234	34,235	72,089	32,242	39,847
Leasehold improvements	16,204	1,466	14,738	4,399	1,001	3,398
	<b>\$ 307,291</b>	<b>\$ 148,267</b>	<b>\$ 159,024</b>	<b>\$ 292,043</b>	<b>\$ 136,491</b>	<b>\$ 155,552</b>

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

For the Three Months Ended February 28, 2009

Canadian Dollars (Unaudited)

**6. Resource Property Costs**

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

	For the Three Months Ended February 28, 2009 (Unaudited)			For the Year Ended November 30, 2008 (Audited)		
	Acquisition Costs	Deferred Exploration	Total	Acquisition Costs	Deferred Exploration	Total
<b>Mineral Interests</b>						
<b><i>Hunter Properties</i></b>						
Balance, beginning of period	\$ 1,259,937	\$ 6,446,857	\$ 7,706,794	\$ 1,209,937	\$ 4,519,557	\$ 5,729,494
Acquisition costs	-	-	-	50,000	-	50,000
Claims and staking	-	122	122	-	(172,457)	(172,457)
Analytical and sampling	-	14,114	14,114	-	57,735	57,735
Consulting	-	10,352	10,352	-	148,678	148,678
Fieldwork	-	2,804	2,804	-	1,892,343	1,892,343
Balance, end of period	1,259,937	6,474,249	7,734,186	1,259,937	6,446,857	7,706,794
<b><i>Committee Bay Properties</i></b>						
Balance, beginning of period	288,934	502,602	791,536	339,998	509,789	849,787
Acquisition costs	-	-	-	-	-	-
Claims and staking	-	45,988	45,988	-	-	-
Analytical and sampling	-	-	-	-	2,771	2,771
Consulting	-	5,622	5,622	-	15,835	15,835
Fieldwork	-	-	-	-	288,491	288,491
Write-off	-	-	-	(51,064)	(314,284)	(365,348)
Balance, end of period	288,934	554,212	843,146	288,934	502,602	791,536
<b><i>Indicator Properties</i></b>						
Balance, beginning of period	322,813	1,177,669	1,500,482	322,813	276,416	599,229
Claims and staking	-	37,439	37,439	-	274,112	274,112
Analytical and sampling	-	11,863	11,863	-	169,517	169,517
Consulting	-	11,372	11,372	-	132,556	132,556
Fieldwork	-	-	-	-	325,069	325,069
Balance, end of period	322,813	1,238,343	1,561,156	322,813	1,177,669	1,500,482
<b>TOTAL</b>	<b>\$ 1,871,684</b>	<b>\$ 8,266,804</b>	<b>\$ 10,138,488</b>	<b>\$ 1,871,684</b>	<b>\$ 8,127,128</b>	<b>\$ 9,998,812</b>

Amounts written off during the three months ended February 28, 2009 and the year ended November 30, 2008, relate to cost capitalized on certain claims where the Company chose not to renew its prospecting permits.

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

For the Three Months Ended February 28, 2009

Canadian Dollars (Unaudited)

**6. 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 February 29, 2009, 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 February 29, 2009.

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.

**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. 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.

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**6. Resource Property Costs - Continued**

**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 bring 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 February 29, 2009 the Company has not acquired any projects under the terms of this agreement.

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**7. 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, 2007	59,941,702	\$	17,355,633
Future income taxes on renouncement of flow-through shares issued	-		(1,134,000)
Private placement, net of issuance costs - June 2007	4,025,000		858,907
Balance – November 30, 2008	63,966,702		17,080,540
Future income taxes on renouncement of flow-through shares issued <i>(note 9e)</i>	-		(82,350)
<b>Balance – February 28, 2009</b>	<b>63,966,702</b>	<b>\$</b>	<b>16,998,190</b>

b) **Private Placements**

*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.

*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.

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**7. Share Capital – Continued**

**c) Share Purchase and Agents Warrants**

Details of outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
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
Expired without exercise	(3,420,000)	1.19
Outstanding warrants, February 28, 2009	3,367,500	\$0.77

At February 28, 2009, 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:			
May 17, 2010	\$0.36	2,500,000	1.19
August 25, 2010	0.25	87,500	1.48
August 25, 2010	0.30	637,500	1.48
September 10, 2010	0.25	17,500	1.53
September 10, 2010	0.30	125,000	1.53
Weighted average of exercise price	\$0.34	3,367,500	1.27

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

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

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**7. Share Capital - Continued**

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

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

**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, 2007	5,747,000	0.50
Cancelled	(290,000)	0.53
Granted	775,000	0.14
Outstanding November 30, 2008	6,232,000	0.45
Granted	160,000	0.10
Outstanding February 28, 2009	<b>6,392,000</b>	<b>0.44</b>

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### 7. Share Capital - Continued

#### d) Stock Options - Continued

##### Period ended February 28, 2009 - Grants

The associated stock-based compensation expense of \$4,934 for the 160,000 options granted to consultants during the period were calculated based on the following assumptions:

Estimated risk-free rate	2.09%
Expected volatility	94.33%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

The stock options vest immediately upon issuance.

##### Fiscal year ended November 30, 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.

At February 28, 2009, 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	0.13
April 19, 2009	0.355	180,000	0.13
November 16, 2009	0.355	495,000	0.71
April 25, 2010	0.230	225,000	1.15
October 23, 2010	0.320	805,000	1.65
December 19, 2010	0.275	100,000	1.80
April 11, 2011	0.580	360,000	2.11
August 2, 2011	0.750	837,500	2.42
October 1, 2011	0.790	25,000	2.58
November 20, 2011	0.400	150,000	2.72
March 13, 2012	0.450	175,000	3.03
September 17, 2012	0.450	955,000	3.55
February 28, 2013	0.250	200,000	4.00
November 12, 2013	0.100	575,000	4.68
February 1, 2014	0.100	160,000	5.93
	<b>\$0.437</b>	<b>6,392,000</b>	<b>2.15</b>

All options were fully vested and exercisable at February 28, 2009.

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**7. Share Capital - Continued**

**f) 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 statutory tax rate of 27%) resulting from the renunciation of these qualifying expenditures was recorded 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 February 28, 2009 was \$nil.

**8. 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	3,601,109
Fair value of stock-based compensation on options vested (Note 9c)	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
Balance – November 30, 2008	3,787,107
<b>Balance – February 28, 2009</b>	<b>\$ 3,787,107</b>

**9. 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 February 28, 2009, 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

**10. Comparative Figures**

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