

**INDICATOR MINERALS INC.**

**(An Exploration Stage Company)**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008**  
**In Canadian Dollars**



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## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Indicator Minerals Inc. as at November 30, 2009 and 2008 and the statements of loss and comprehensive loss, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada  
January 15, 2010 except for note 8 which is as of March 4, 2010.

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Balance Sheets**  
**As at November 30, 2009 and 2008**  
*Canadian Dollars*

| <b>ASSETS</b>                                 | <b>2009</b>          | <b>2008</b>          |
|---|----------------------|----------------------|
| <b>Current</b>                                |                      |                      |
| Cash and cash equivalents                     | \$ 490,372           | \$ 96,402            |
| Cash calls receivable                         | 40,142               | 38,676               |
| Marketable securities (Note 5)                | 3,125                | 5,000                |
| GST recoverable                               | 100,036              | 89,823               |
| Permit bonds receivable (Note 6)              | 17,395               | 643,073              |
| Prepaid expenses                              | 32,272               | 50,001               |
|   | <b>683,342</b>       | 922,975              |
| <b>Permit Deposits</b> (Note 6)               | -                    | 411,384              |
| <b>Equipment</b> (Note 7)                     | 121,900              | 155,552              |
| <b>Option Agreement</b> (Note 8)              | 5,743                | -                    |
| <b>Resource Property Costs</b> (Note 9)       | 9,342,216            | 9,998,812            |
|   | <b>\$ 10,153,201</b> | <b>\$ 11,488,723</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                      |                      |
| <b>Current Liabilities</b>                    |                      |                      |
| Accounts payable and accrued liabilities      | \$ 115,905           | \$ 174,765           |
| <b>SHAREHOLDERS' EQUITY</b>                   |                      |                      |
| <b>Share Capital</b> (Note 10)                | 17,510,855           | 17,080,540           |
| <b>Contributed Surplus</b>                    | 4,290,185            | 3,787,107            |
| <b>Accumulated Other Comprehensive Income</b> | (24,375)             | (22,500)             |
| <b>Deficit</b>                                | (11,739,369)         | (9,531,189)          |
|   | <b>10,037,296</b>    | 11,313,958           |
|   | <b>\$ 10,153,201</b> | <b>\$ 11,488,723</b> |

Nature of Operations and Going Concern (Note 1)  
Commitment and Contingency (Note 9 and 13)

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, 2009 and 2008**  
*Canadian Dollars*

|  | 2009                  | 2008                |
|--|-----------------------|---------------------|
| <b>Expenses</b>  |                       |                     |
| Advertising and promotion  | \$ 13,015             | \$ 72,531           |
| Amortization   | 57,153                | 52,665              |
| Conference and meetings  | 71,893                | 244,361             |
| Corporate listing and filing fees  | 13,104                | 28,880              |
| Investor relations   | 177,421               | 93,878              |
| Office and administration  | 130,621               | 93,927              |
| Professional fees  | 215,452               | 165,369             |
| Rent   | 66,008                | 79,511              |
| Stock-based compensation <i>(Note 10d)</i>                               | 104,856               | 35,905              |
| Transfer agent fees  | 7,605                 | -                   |
| Wages and consulting fees  | 354,638               | 486,135             |
| <b>Loss before the undernoted</b>  | <b>(1,211,766)</b>    | <b>(1,353,162)</b>  |
| <b>Other Income (Expenses)</b>   |                       |                     |
| Administration fees  | -                     | 999                 |
| Interest   | 1,795                 | 65,839              |
| Recovery of bad debt   | -                     | 849                 |
| Write-off of resource property costs <i>(Note 9a)</i>                    | <b>(1,077,509)</b>    | <b>(365,348)</b>    |
|  | <b>(1,075,714)</b>    | <b>(297,661)</b>    |
| <b>Loss before income taxes</b>  | <b>(2,287,480)</b>    | <b>(1,650,823)</b>  |
| <b>Future income tax recovery <i>(Note 10e and 12)</i></b>               | <b>79,300</b>         | <b>1,134,000</b>    |
| <b>Loss for the year</b>   | <b>(2,208,180)</b>    | <b>(516,823)</b>    |
| <b>Other comprehensive income (loss)</b>                                 |                       |                     |
| <b>Unrealized loss on available for sale investments <i>(Note 5)</i></b> | <b>(1,875)</b>        | <b>(27,500)</b>     |
| <b>Comprehensive loss</b>  | <b>\$ (2,210,055)</b> | <b>\$ (544,323)</b> |
| <b>Basic and Fully Diluted Loss per Share</b>                            | <b>\$ (0.03)</b>      | <b>\$ (0.01)</b>    |
| <b>Weighted Average Number of Shares Outstanding</b>                     | <b>66,741,540</b>     | <b>61,623,299</b>   |

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Statements of Shareholders' Equity**  
**For the Years Ended November 30, 2009 and 2008**  
*Canadian Dollars*

|   | 2009                 | 2008                 |
|---|----------------------|----------------------|
| <b>Share capital</b>  |                      |                      |
| Balance – beginning of year                                       | \$ 17,080,540        | \$ 17,355,633        |
| Issued during the year  | 509,615              | 858,907              |
| Flow-through income tax renunciation                              | (79,300)             | (1,134,000)          |
| Balance – end of year   | 17,510,855           | 17,080,540           |
| <b>Contributed surplus</b>  |                      |                      |
| Balance – beginning of year                                       | 3,787,107            | 3,601,109            |
| Fair value of share purchase warrants issued in private placement | 398,222              | 150,903              |
| Fair value of stock-based compensation on options vested          | 104,856              | 35,905               |
| Balance – end of year   | 4,290,185            | 3,787,107            |
| <b>Accumulated other comprehensive income</b>                     |                      |                      |
| Balance – beginning of year                                       | (22,500)             | 5,000                |
| Unrealized loss on available for sale investments                 | (1,875)              | (27,500)             |
| Balance – end of year   | (24,375)             | (22,500)             |
| <b>Deficit</b>  |                      |                      |
| Balance – beginning of year                                       | (9,531,189)          | (9,014,366)          |
| Net loss for the year   | (2,208,180)          | (516,823)            |
| Balance – end of year   | (11,739,369)         | (9,531,189)          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                 | <b>\$ 10,037,296</b> | <b>\$ 11,313,958</b> |

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Statements of Cash Flows**  
**For the Years Ended November 30, 2009 and 2008**  
*Canadian Dollars*

|  | 2009               | 2008               |
|--|--------------------|--------------------|
| <b>Cash Flows from (used in) Operating Activities</b>      |                    |                    |
| Net loss for the year                                      | \$ (2,208,180)     | \$ (516,823)       |
| Items not affected by cash:                                |                    |                    |
| Future income tax recovery                                 | (79,300)           | (1,134,000)        |
| Stock-based compensation                                   | 104,856            | 35,905             |
| Amortization   | 57,153             | 52,665             |
| Write-off of resource property costs                       | 1,077,509          | 365,348            |
|  | <b>(1,047,962)</b> | <b>(1,196,905)</b> |
| Change in non-cash working capital:                        |                    |                    |
| Cash calls receivable                                      | (1,466)            | 408,420            |
| GST recoverable  | (10,213)           | 81,733             |
| Short-term investments                                     | -                  | 1,010,966          |
| Permit bonds receivable                                    | 625,678            | (643,073)          |
| Prepaid expenses   | 17,729             | (21,762)           |
| Accounts payable and accrued liabilities                   | (58,860)           | (137,138)          |
|  | <b>(475,094)</b>   | <b>(497,759)</b>   |
| <b>Cash Flows from (used in) Investing Activities</b>      |                    |                    |
| Equipment, net   | (23,501)           | (87,919)           |
| Permit deposits  | 411,384            | (79,360)           |
| Resource property costs                                    | (420,913)          | (3,185,650)        |
| Option Agreement   | (5,743)            | -                  |
|  | <b>(38,773)</b>    | <b>(3,352,929)</b> |
| <b>Cash Flows from Financing Activities</b>                |                    |                    |
| Issuance of share capital and warrants, net of issue costs | 907,837            | 1,009,000          |
| <b>Net Increase (Decrease) in Cash</b>                     | <b>393,970</b>     | <b>(2,841,688)</b> |
| <b>Cash and Cash Equivalents- Beginning of Year</b>        | <b>96,402</b>      | <b>2,938,090</b>   |
| <b>Cash and Cash Equivalents - End of Year</b>             | <b>\$ 490,372</b>  | <b>\$ 96,402</b>   |

- See Accompanying Notes -

**Indicator Minerals Inc.**  
(An Exploration Stage Company)  
**Notes to Financial Statements**  
For the years ended November 30, 2009 and 2008  
*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 with the objective of bringing 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 in the process of exploring its mineral resource properties and has not yet determined whether these properties contain economically recoverable mineral reserves. The recoverability of the amounts capitalized to resource property costs is ultimately dependant upon the existence of economically recoverable ore reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to continue to explore and develop the properties, and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown as resource property costs represent costs incurred to date, less amounts recovered from third parties and/or written-off, and do not necessarily represent present or future fair values.

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.

The Company has a history of losses with no operating revenue, other than interest income which raises substantial doubt about the Company's ability to continue as a going concern. The Company has forecast financial results and cash flows for its 2010 fiscal year. The forecast is based on management's best estimates of operating conditions in the context of current economic conditions and today's capital market climate. Based on its forecast, the Company expects that sufficient liquidity and equity financing is available to meet its obligations over the next fiscal year.

The ability of the Company to carry out its planned business objectives and continue as a going concern is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow from its mineral resource properties. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

The 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**

**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 at the Company's option. The Company holds cash and cash equivalents with large Canadian banks that have a strong credit rating.

**Indicator Minerals Inc.**  
 (An Exploration Stage Company)  
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**2. Significant Accounting Policies - Continued**

**b) Resource Property Costs**

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

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, 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) 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 %           |                   |
| Office furniture and equipment | 20 %           |                   |
| Leasehold improvements         | Lesser of 20 % | and term of lease |

**Indicator Minerals Inc.**  
(An Exploration Stage Company)  
**Notes to Financial Statements**  
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**2. Significant Accounting Policies – Continued**

**f) 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.

**g) Share Capital**

Share capital issued for non-monetary consideration is recorded at an amount based on the fair value, being the quoted share price at the time of issuance.

**h) 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 to the extent possible, by the recognition of previously unrecorded future income tax assets on unused tax losses and deductions.

**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.

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**2. Significant Accounting Policies – Continued**

**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 amounts for the years ended November 30, 2009 and 2008.

**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) Comparative Figures**

Certain comparative figures have been reclassified to conform to the current years presentation.

**3. Adoption of New and Future Changes in Accounting Standards**

**a) Adoption of New Accounting Standards**

On December 1, 2008 the Company adopted Section 3064, Goodwill and Intangible Assets issued by the Canadian Institute of Chartered Accountants ("CICA"). This standard provides guidance on the recognition, measurements, presentation and disclosure of goodwill and intangible assets. Section 3064 requires the expensing of start-up costs unless those costs satisfy specific capitalization criteria. Concurrent with the adoption of this standard, EIC-27, "Revenues and Expenditures in the Pre-operating Period," was withdrawn. Section 3064 is effective for annual or interim periods beginning on or after October 1, 2008. The adoption of this Standard had no impact on the Company's financial statements.

The Company has adopted the enhanced disclosure requirements of CICA Section 3862, Financial Instruments – Disclosures. Refers to note 4 for fair value measurement disclosures using a fair value hierarchy, as defined in Section 3862, that reflects the significance of the inputs in making the measurements of certain financial instruments.

**Indicator Minerals Inc.**  
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**3. Adoption of New and Future Changes in Accounting Standards - Continued**

**b) Future Changes in Accounting Standards**

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 with restatement of the Company's November 30, 2011 comparative figures. 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. Capital Disclosures and Financial Instruments**

**a) 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 expects to complete an equity financing in 2010, which together with the existing working capital is expected to be sufficient to meet its corporate overhead expenses and required exploration expenditures through the end of fiscal 2010, based on current plans.

There were no changes to the Company's approach to capital management during the year ended November 30, 2009. The Company is not subject to externally imposed capital requirements as at November 30, 2009.

**b) Financial Instruments**

The Company's financial instrument assets consist of cash and cash equivalents, which are designated as held for trading and measured at fair value (level one of the fair value hierarchy in CICA Section 3862); 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, which is consistent with level one of the fair value hierarchy.

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**4. Capital Disclosures and Financial Instruments - Continued**

**b) Financial Instruments**

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.

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. See also note 1 to the financial statements.

**5. Marketable Securities**

|  | 2009         |          | 2008         |          |
|--|--------------|----------|--------------|----------|
|  | Market Value | Cost     | Market Value | Cost     |
| Common shares of a public company, representing less than a 5% interest in the company | \$3,125      | \$27,500 | \$5,000      | \$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 refunds are anticipated in the current year.

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**7. Equipment**

Details are as follows:

|                                | 2009              |                          |                   | 2008              |                          |                   |
|--------------------------------|-------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|
|                                | Cost              | Accumulated Amortization | Net Book Value    | Cost              | Accumulated Amortization | Net Book Value    |
| Computer equipment             | \$ 62,398         | \$ 38,884                | \$ 23,514         | \$ 60,820         | \$ 28,807                | \$ 32,013         |
| Computer software              | 73,973            | 73,973                   | -                 | 63,855            | 51,493                   | 12,362            |
| Field equipment                | 90,880            | 36,534                   | 54,346            | 90,880            | 22,948                   | 67,932            |
| Office furniture and equipment | 72,089            | 40,212                   | 31,877            | 72,089            | 32,242                   | 39,847            |
| Leasehold improvements         | 16,204            | 4,041                    | 12,163            | 4,399             | 1,001                    | 3,398             |
|                                | <b>\$ 315,544</b> | <b>\$ 193,644</b>        | <b>\$ 121,900</b> | <b>\$ 292,043</b> | <b>\$ 136,491</b>        | <b>\$ 155,552</b> |

**8. Option Agreement**

**Rio Verde Property**

On November 20, 2009 the Company entered into a Letter Agreement whereby it was granted the right to acquire a 60% interest in Rio Verde Enterprises Inc. ("Rio Verde"), a private Canadian Company entitled to acquire Colombian emeralds and export such emeralds.

Under the terms of the Letter Agreement (as amended), the Company had until February 28, 2010 for initial due diligence. On March 4, 2010 the Company announced it had completed its due diligence review and has elected to proceed with the Letter Agreement subject to financing. The Company must issue 100,000 common shares to Rio Verde within 30 days of completion of the due diligence period and fund an aggregate of \$1,000,000 over the next 18 months (the "Evaluation Period") including \$500,000 on exploration and development and \$500,000 on marketing and sales. There is no formal commitment to this funding. Upon completion of the initial 18 month period, Indicator will have the right to purchase a 60% share ownership of Rio Verde by investing \$5,000,000 into Rio Verde and issuing a further 2.4 million common shares to Rio Verde. In addition, the Company will have a onetime right to extend the Evaluation Period by an additional 18 months under certain conditions that include an additional \$1,000,000 evaluation expenditure.

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**9. Resource Property Costs**

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

|                                    | 2009                |                      |                     | 2008                |                      |                     |
|------------------------------------|---------------------|----------------------|---------------------|---------------------|----------------------|---------------------|
|                                    | Acquisition Costs   | Deferred Exploration | Total               | Acquisition Costs   | Deferred Exploration | Total               |
| <b>Mineral Interests</b>           |                     |                      |                     |                     |                      |                     |
| <b><i>Hunter Properties</i></b>    |                     |                      |                     |                     |                      |                     |
| Balance, beginning of year         | \$ 1,259,937        | \$ 6,446,856         | \$ 7,706,793        | \$ 1,209,937        | \$ 4,520,557         | \$ 5,730,494        |
| Acquisition costs                  | 50,000              | -                    | 50,000              | 50,000              | -                    | 50,000              |
| Claims and staking                 | -                   | 32,742               | 32,742              | -                   | (172,457)            | (172,457)           |
| Analytical and sampling            | -                   | 24,113               | 24,113              | -                   | 57,735               | 57,735              |
| Consulting                         | -                   | 45,881               | 45,881              | -                   | 148,678              | 148,678             |
| Fieldwork                          | -                   | 86,878               | 86,878              | -                   | 1,892,343            | 1,892,343           |
| Balance, end of year               | 1,309,937           | 6,636,470            | 7,946,407           | 1,259,937           | 6,446,856            | 7,706,793           |
| <b><i>CBR Gold Corp.</i></b>       |                     |                      |                     |                     |                      |                     |
| Balance, beginning of year         | 288,934             | 502,602              | 791,536             | 339,998             | 509,789              | 849,787             |
| Claims and staking                 | -                   | 13,715               | 13,715              | -                   | -                    | -                   |
| Analytical and sampling            | -                   | 62,255               | 62,255              | -                   | 2,771                | 2,771               |
| Consulting                         | -                   | -                    | -                   | -                   | 15,835               | 15,835              |
| Fieldwork                          | -                   | 51,877               | 51,877              | -                   | 288,491              | 288,491             |
| Write-off                          | (12,878)            | (204,962)            | (217,840)           | (51,064)            | (314,284)            | (365,348)           |
| Balance, end of year               | 276,056             | 425,487              | 701,543             | 288,934             | 502,602              | 791,536             |
| <b><i>Indicator Properties</i></b> |                     |                      |                     |                     |                      |                     |
| Balance, beginning of year         | 322,813             | 1,177,670            | 1,500,483           | 322,813             | 276,416              | 599,229             |
| Claims and staking                 | -                   | -                    | -                   | -                   | 274,112              | 274,112             |
| Analytical and sampling            | -                   | 21,175               | 21,175              | -                   | 169,517              | 169,517             |
| Consulting                         | -                   | 32,082               | 32,082              | -                   | 132,556              | 132,556             |
| Fieldwork                          | -                   | 195                  | 195                 | -                   | 325,069              | 325,069             |
| Write-off                          | -                   | (859,669)            | (859,669)           | -                   | -                    | -                   |
| Balance, end of year               | 322,813             | 371,453              | 694,266             | 322,813             | 1,177,670            | 1,500,483           |
| <b>TOTAL</b>                       | <b>\$ 1,908,806</b> | <b>\$ 7,433,410</b>  | <b>\$ 9,342,216</b> | <b>\$ 1,871,684</b> | <b>\$ 8,127,127</b>  | <b>\$ 9,998,812</b> |

Amounts written off during the years ended November 30, 2009 and 2008 relate to cost capitalized on certain claims where the Company has chosen not to renew its prospecting permits.

b) **Hunter Properties**

**General**

The Company owns an 80% interest in the diamond rights of several properties, acquired from Hunter Exploration Group ("Hunter"), an arm's 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 Royal Gold Inc. (formerly International Royalty Corp.), should the Company elect to retain any of the original properties subject to the Hunter agreement.

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**9. Resource Property Costs - Continued**

**b) Hunter Properties**

**Darby**

On June 2, 2006 the Company entered into an agreement with Teck Resources Ltd. (formerly Teck Cominco Limited ("Teck") whereby Teck 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 under a service contract that was renewable annually and was incurring the exploration expenditures and being reimbursed by Teck monthly. The Company was receiving a 10% administrative fee on all disbursements in addition to payment for all overhead directly attributable to the project. As of February 26, 2007, Teck became the operator of the project. It is estimated that during the year ended November 30, 2008, Teck 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 as at November 30, 2009.

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

- While Teck 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 will propose a minimum program of \$2.5 million per year to advance the project.
- Indicator will have the right to purchase Teck interest in the project, under certain circumstances, if Teck 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. ("Peregrine") 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.

On July 7, 2009 the Company, as operator of the Nanuq North Project gave notice to Peregrine and Hunter of its intention to proceed with a 2009 exploration program with a budget of \$2.34 million. On July 12, 2009 Peregrine advised Indicator that it has commenced arbitration proceedings to assess whether the Company has the right to unilaterally implement the program and require Peregrine to contribute 50% of planned expenditures.

The Statement of Claim submitted by Peregrine to the Arbitration Centre asserts that the Company does not have the right to set exploration programs and budgets on Nanuq North without the approval of Peregrine. Peregrine is also seeking an award of costs, in an amount that cannot be quantified at this time.

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**9. Resource Property Costs - Continued**

**Nanuq North**

On July 24, 2009 the Company and Hunter each filed a statement of defense and counterclaim. In its counterclaim, the Company asserts that the Letter Agreement between the Company, Hunter and Peregrine is unenforceable and should be set aside. Hunter is seeking the same outcome in an independent counterclaim. The arbitration hearing is tentatively scheduled for May 2010.

**Grail**

The Grail Project (a combination of the Sanagak and Mayo Projects) is located on the Boothia Peninsula and includes approximately 1.1 million acres of prospecting permits. In 2004, heavy mineral samples were collected on the project on a 3km by 3km grid. Kimberlite indicator minerals have been recovered in five spatially separate locations.

In fall of 2009, Indicator staked an additional 16 claims encompassing 41,320 acres of land contiguous to the Grail property. This acquisition was for the purposes of securing strategic ground in close proximity to positive results returned from previous exploration campaigns.

c) **CBR Gold Corp.**

The Company and CBR Gold Corp., 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 TIM and Kellet properties have since been abandoned.

The Company can then earn a further 19% interest in the Borden property by spending \$6 per acre over the first two years after staking the claims in December 2008. Upon earning a 70% interest in the Borden property, the Company and CBR will split diamond exploration costs 80%/20% respectively. The property included in the agreement is located in the Kivalliq region of Nunavut. The Borden property is subject to a gross overriding royalty of up to 1% 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. As at November 30, 2009, the Company has capitalized \$302,311 on the Dorset Project and \$391,955 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:

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**9. Resource Property Costs – Continued**

**e) Marketing Agreement**

- 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 10b*) 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 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, 2009 the Company has not acquired any projects under the terms of this agreement.

**10. Share Capital**

a) Details are as follows:

|   | Number     |    | Amount      |
|---|------------|----|-------------|
| <b>Authorized:</b>  |            |    |             |
| Unlimited number of common voting shares without par value                          |            |    |             |
| Unlimited number of preferred shares  |            |    |             |
| <b>Issued:</b>  |            |    |             |
| Balance - November 30, 2007   | 59,941,702 | \$ | 17,355,633  |
| Future income taxes on renoucement of flow-through shares issued ( <i>Note 10</i> ) | -          |    | (1,134,000) |
| Private placements, net of issuance costs   | 4,025,000  |    | 858,907     |
| Balance – November 30, 2008   | 63,966,702 | \$ | 17,080,540  |
| Private placement, net of issuance costs  | 9,043,000  |    | 509,615     |
| Future income taxes on renoucement of flow-through shares issued ( <i>Note 10</i> ) | -          |    | (79,300)    |
| Balance – November 30, 2009   | 73,009,702 | \$ | 17,510,855  |

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**10. Share Capital - Continued**

**b) Private Placements**

*Private Placement August 2009*

During August 2009, the Company completed the first tranche of a non-brokered private placement. The private placement consisted of 8,330,000 non flow-through units at a price of \$0.10 per unit, for total gross proceeds of \$833,000 and 713,000 flow-through units at a price of \$0.13 per unit for total gross proceeds of \$92,690. Each non flow-through unit consisted of one common share and one non transferrable share purchase warrant entitling the holder to purchase one common share at \$0.20 per share until August 10, 2011. An amount of \$374,462 was allocated to the fair value of the warrants on a pro rata basis. Each flow-through unit consisted of one common share and one half of one non transferrable share purchase warrant entitling the holder to purchase one half of one common share at \$0.20 per share until August 10, 2011. An amount of \$16,026 was allocated to the fair value of the warrants on a pro rata basis.

Agents fees and expenses relating to the issue were paid in cash totalling \$17,853 and 172,060 agents warrants were issued which had a fair value of \$7,734. The agents warrants entitle the holder to purchase one common share at \$0.20 until August 10, 2011.

*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 until September 10, 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 until August 25, 2010.

*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.

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**10. Share Capital - Continued**

**c) Share Purchase and Agents Warrants**

Details of outstanding warrants are as follows:

|   | Number of Warrants | Weighted Average<br>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                               |
| Issued                                  | 8,858,560          | 0.20                               |
| Expired without exercise                | (3,420,000)        | 1.19                               |
| Outstanding warrants, November 30, 2009 | 12,226,060         | \$ 0.24                            |

At November 30, 2009, the following warrants were outstanding:

| Expiry Date                           | Weighted Average<br>Exercise Price | Number of Warrants | Weighted Average<br>Remaining<br>Contractual Life in<br>Years |
|---------------------------------------|------------------------------------|--------------------|---|
| May 17, 2010                          | \$0.36                             | 2,500,000          | 0.46  |
| August 25, 2010                       | 0.25                               | 87,500             | 0.73  |
| August 25, 2010                       | 0.30                               | 637,500            | 0.73  |
| September 10, 2010                    | 0.25                               | 17,500             | 0.78  |
| September 10, 2010                    | 0.30                               | 125,000            | 0.78  |
| August 10, 2011                       | 0.20                               | 8,858,560          | 1.69  |
| Weighted average of<br>exercise price | \$0.24                             | 12,226,060         | 1.37  |

**Year ended November 30, 2009 – Warrants**

The fair value of warrants issued during the period was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

|                           |         |
|---------------------------|---------|
| Estimated risk-free rate  | 1.41%   |
| Expected volatility       | 131%    |
| Estimated dividend yield  | 0.0%    |
| Expected life of warrants | 2 years |

**Year ended November 30, 2008 - Warrants**

The fair value of warrants issued at November 30, 2008 was estimated using the Black-Scholes Pricing Model with the following range of assumptions:

|                           |                |
|---------------------------|----------------|
| Estimated risk-free rate  | 2.75% - 2.8%   |
| Expected volatility       | 72.17 – 73.88% |
| Estimated dividend yield  | 0.0%           |
| Expected life of warrants | 2 years        |

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**10. Share Capital – Continued**

**d) Stock Options**

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

The options are non-transferable and will expire, if not exercised, immediately upon dismissal by the Company with cause or 90 days following the date the optionee otherwise ceases to be a director, officer, manager, consultant or employee of the corporation for reasons other than death, or one year after the death of an optionee. Pursuant to the policies of the TSX-V 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)        | 0.47                            |
| Granted                       | 775,000          | 0.14                            |
| Outstanding November 30, 2008 | 6,232,000        | 0.45                            |
| Expired                       | (1,964,500)      | 0.48                            |
| Granted                       | 1,385,000        | 0.12                            |
| Outstanding November 30, 2009 | <b>5,652,500</b> | <b>\$ 0.35</b>                  |

**Year ended November 30, 2009 – Grants**

During the year ended November 30, 2009 the Company granted 1,385,000 options to employees and directors and recorded stock based compensation expense of \$104,856. The fair value of the stock options was calculated using a Black-Scholes Pricing model with the following range of assumptions:

|                                 |              |
|---------------------------------|--------------|
| Estimated risk-free rate        | 2.0% - 2.1%  |
| Expected volatility             | 94.3 – 99.0% |
| Estimated annual dividend yield | 0.0%         |
| Expected life of options        | 5 years      |

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**10. Share Capital – Continued**

**d) Stock Options**

**Year ended November 30, 2008 - Grants**

The associated stock-based compensation expenses of \$35,905 for the 775,000 options granted to consultants during the 2008 year were calculated using a Black-Scholes Pricing model with the following range of assumptions:

|                                 |              |
|---------------------------------|--------------|
| Estimated risk free rate        | 3.9% - 3.47% |
| Expected volatility             | 79.19%       |
| Estimated annual dividend yield | 0.0%         |
| Expected life of warrants       | 5 years      |

The stock options vest immediately upon issuance.

| Expiry Date        | Weighted<br>Average Exercise<br>Price | Number of Options | Weighted Average<br>Remaining in Years |
|--------------------|---------------------------------------|-------------------|--|
| April 25, 2010     | \$ 0.23                               | 225,000           | 0.40                                   |
| October 23, 2010   | 0.32                                  | 805,000           | 0.90                                   |
| December 19, 2010  | 0.28                                  | 100,000           | 1.05                                   |
| April 11, 2011     | 0.58                                  | 360,000           | 1.36                                   |
| August 2, 2011     | 0.75                                  | 837,500           | 1.67                                   |
| October 1, 2011    | 0.79                                  | 25,000            | 1.83                                   |
| November 20, 2011  | 0.40                                  | 150,000           | 1.97                                   |
| March 13, 2012     | 0.45                                  | 175,000           | 2.28                                   |
| September 17, 2012 | 0.40                                  | 955,000           | 2.80                                   |
| February 28, 2013  | 0.25                                  | 100,000           | 3.25                                   |
| November 12, 2013  | 0.10                                  | 535,000           | 3.95                                   |
| February 1, 2014   | 0.10                                  | 160,000           | 4.18                                   |
| May 20, 2014       | 0.12                                  | 1,125,000         | 4.47                                   |
| June 15, 2014      | 0.12                                  | 100,000           | 4.54                                   |
|                    | \$ 0.35                               | 5,652,500         | 2.62                                   |

All options were fully vested and exercisable at November 30, 2009.

**e) Flow-Through Shares**

**2009 Issuance**

During the year ended November 30, 2009 the Company issued 713,000 flow-through common shares for total proceeds of \$92,690 which must be used for qualifying exploration expenditures. The future income tax liability estimated to be \$24,100 (by applying a future tax rate of 26%) resulting from the renunciation of these qualifying expenditures will be recorded subsequent to November 30, 2009 when the renunciation tax forms are filed, in accordance with the pronouncement of the CICA Emerging Issues Committee Abstract 146, and share capital will be reduced accordingly.

The unspent balance of this flow-through issuance at November 30, 2009 was \$28,978.

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**10. Share Capital – Continued**

e) **Flow-Through Shares**

**2008 Issuance**

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 were renounced to the flow-through shareholders effective December 31, 2008. The future income tax liability estimated to be \$79,300 (by applying a future tax rate of 26%) 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, and share capital will be reduced accordingly.

The valuation allowance previously recorded against future income tax assets was reduced by \$79,300 at the time of renunciation to offset the future income tax liability. This resulted in a recovery being recorded in the statement of loss during the year ended November 30, 2009.

**11. Related Party Transactions**

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

| Relationship   | Nature of Transaction | 2009       | 2008       |
|--|-----------------------|------------|------------|
| Company of which the Director and VP Exploration is the majority shareholder | Geological Services   | \$ 102,300 | \$ 125,700 |
| Company of which an independent Director is a shareholder                    | Marketing             | \$ 38,402  | \$ 36,726  |

Of these amounts \$11,273 was unpaid at November 30, 2009 (2008 – \$9,900) 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.

During the year ended November 30, 2009 the Company both received and repaid an advance of \$50,000 from the spouse of the CEO. No interest was paid on the advance.

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**12. Income Taxes**

- a) Reconciliation of accounting and taxable income (rounded to the nearest thousand) using the effective tax rate of 31.04% (2008 – 31.63%):

|                                 | Year Ended<br>November 30, 2009 | Year Ended November<br>30, 2008 |
|---------------------------------|---------------------------------|---------------------------------|
| Expected tax recovery           | \$ (710,000)                    | \$ (522,000)                    |
| Adjustments:                    |                                 |                                 |
| Change in tax rates             | 82,000                          | -                               |
| Change in valuation allowance   | 440,000                         | (127,000)                       |
| Adjustment to tax bases in 2008 | -                               | (570,000)                       |
| Permanent differences and other | 108,700                         | 85,000                          |
| Future income tax recovery      | \$ (79,300)                     | \$ (1,134,000)                  |

- b) The Company has non-capital losses which may be applied to reduce future years' taxable income. As at November 30, 2009 these amounted to \$5,323,000 (2008 – \$4,450,000). These non-capital losses expire between 2010 and 2029.
- c) The components of the future income tax asset (liability) at November 30, 2009 and 2008 are as follows:

|                                 | 2009         | 2008         |
|---------------------------------|--------------|--------------|
| Future income tax asset         |              |              |
| Non-capital loss carry-forwards | \$ 1,384,000 | \$ 1,201,000 |
| Share issue costs               | 52,000       | 90,000       |
| Resource property costs         | (888,000)    | (1,183,000)  |
| Future income tax asset         | 548,000      | 108,000      |
| Valuation Allowance             | (548,000)    | (108,000)    |
| Future income tax liability     | \$ -         | \$ -         |

The future income tax rate that is estimated to be applicable when the temporary differences reverse is estimated to be 26% (2008 – 27%).

**13. Commitments:**

Lease Commitment:

The Company signed a lease for a period of 44 months for office premises effective April 1, 2009 and has lease commitments as follows:

|              |      |    |                |
|--------------|------|----|----------------|
| Remainder of | 2009 | \$ | 5,949          |
|              | 2010 |    | 73,004         |
|              | 2011 |    | 73,139         |
|              | 2012 |    | 68,399         |
|              |      | \$ | <u>220,491</u> |