

INDICATOR MINERALS INC.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2010 and 2009
In Canadian Dollars



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Indicator Minerals Inc. (the "Company") as at November 30, 2010 and 2009 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2010 and 2009 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

March 15, 2011

Indicator Minerals Inc.
(An Exploration Stage Company)
Consolidated Balance Sheets
As at November 30, 2010 and 2009
Canadian Dollars

ASSETS	2010	2009
Current		
Cash and cash equivalents (Note 5)	\$ 1,631,413	\$ 440,372
Restricted cash	50,000	50,000
Cash calls receivable	2,092	40,142
Marketable securities (Note 6)	4,000	3,125
GST/HST recoverable	86,621	100,036
Permit bonds receivable (Note 7)	-	17,395
Prepaid expenses	29,287	32,272
	1,803,413	683,342
Permit deposits (Note 7)	11,771	-
Equipment (Note 8)	95,981	121,900
Option agreement (Note 9)	-	5,743
Resource property costs (Note 10)	11,369,306	9,342,216
	\$ 13,280,471	\$ 10,153,201
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 547,678	\$ 115,905
Future income taxes (Note 13)	439,200	-
	986,878	115,905
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	20,009,290	17,510,855
Contributed surplus	6,261,571	4,290,185
Accumulated other comprehensive loss	(23,500)	(24,375)
Deficit	(13,953,768)	(11,739,369)
	12,293,593	10,037,296
	\$ 13,280,471	\$ 10,153,201

Nature of operations and going concern (Note 1)
 Commitments and contingency (Note 9, 10 and 14)
 Subsequent events (Note 10 (b), 11 (d) and 15)

ON BEHALF OF THE BOARD:

"Bruce Counts", President & CEO _____, Director

"Craig Bentham" _____, Director

- See Accompanying Notes -

Indicator Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended November 30, 2010 and 2009
Canadian Dollars

	2010	2009
Expenses		
Advertising and promotion	\$ 32,322	\$ 13,015
Amortization	30,068	57,153
Conference and meetings	68,764	71,893
Corporate listing and filing fees	42,155	13,104
Investor relations	129,543	177,421
Office and administration	135,585	130,621
Professional fees	433,733	215,452
Rent	80,681	66,008
Stock-based compensation <i>(Note 11d)</i>	391,130	104,856
Transfer agent fees	18,486	7,605
Wages and consulting fees	308,667	354,638
Loss before the undernoted	(1,671,134)	(1,211,766)
Other income (expenses)		
Interest	6,232	1,795
Other Income	4,224	-
Write-off of resource property costs <i>(Note 10a)</i>	(388,572)	(1,077,509)
Write-off of option agreement costs <i>(Note 9)</i>	(189,249)	-
	(567,365)	(1,075,714)
Loss before income taxes	(2,238,499)	(2,287,480)
Future income tax recovery <i>(Note 11e and 13)</i>	24,100	79,300
Net Income (loss) for the year	(2,214,399)	(2,208,180)
Other comprehensive income (loss)		
Unrealized gain (loss) on available for sale investments <i>(Note 6)</i>	875	(1,875)
Comprehensive loss for the year	\$ (2,213,524)	\$ (2,210,055)
Basic and Fully Diluted Loss per Share	\$ (0.02)	\$ (0.03)
Weighted Average Number of Shares Outstanding	89,190,803	66,741,540

- See Accompanying Notes -

Indicator Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity
For the Years Ended November 30, 2010 and 2009
Canadian Dollars

	2010	2009
Share capital		
Balance – beginning of year	\$ 17,510,855	\$ 17,080,540
Issued during the year, net of issuance costs	2,113,532	509,615
Issued under option agreement (Note 9)	9,000	-
Issued on acquisition of Bluestone Resources Inc. (Note 3)	400,003	-
Flow-through income tax renunciation (Note 11e)	(24,100)	(79,300)
Balance – end of year	20,009,290	17,510,855
Contributed surplus		
Balance – beginning of year	4,290,185	3,787,107
Fair value of share purchase warrants issued in private placements	1,580,256	398,222
Fair value of stock-based compensation on options	391,130	104,856
Balance – end of year	6,261,571	4,290,185
Accumulated other comprehensive loss		
Balance – beginning of year	(24,375)	(22,500)
Unrealized gain (loss) on available for sale investments (Note 6)	875	(1,875)
Balance – end of year	(23,500)	(24,375)
Deficit		
Balance – beginning of year	(11,739,369)	(9,531,189)
Net loss for the year	(2,214,399)	(2,208,180)
Balance – end of year	(13,953,768)	(11,739,369)
TOTAL SHAREHOLDERS' EQUITY	\$ 12,293,593	\$ 10,037,296

- See Accompanying Notes -

Indicator Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the Years Ended November 30, 2010 and 2009
Canadian Dollars

	2010	2009
Cash Flows used in Operating Activities		
Net loss for year	\$ (2,214,399)	\$ (2,208,180)
Items not affected by cash		
Future income tax recovery	(24,100)	(79,300)
Stock based compensation	391,130	104,856
Amortization	30,068	57,153
Write off of resource property costs	388,572	1,077,509
Write off of option agreement costs	189,249	-
	(1,239,480)	(1,047,962)
Change in non cash working capital		
Cash calls receivable	38,050	(1,466)
GST/HST recoverable	14,550	(10,213)
Permit bonds receivable	17,395	625,678
Prepaid expenses	3,500	17,729
Accounts payable and accrued liabilities	364,404	(58,860)
	(801,581)	(475,094)
Cash Flows used in Investing Activities		
Equipment, net	(4,149)	(23,501)
Increase (decrease) in permit and deposits	(11,771)	411,384
Resource property costs	(1,304,608)	(420,913)
Acquisition of Bluestone, net of cash acquired of \$24,405 (Note 3)	(206,132)	-
Option agreement	(174,506)	(5,743)
	(1,701,166)	(38,773)
Cash Flows from Financing Activities		
Issuance of share capital and warrants, net of issuance costs	3,693,788	907,837
Net Increase in Cash	1,191,041	393,970
Cash and Cash Equivalents- Beginning of year	440,372	46,402
Cash and Cash Equivalents - End of year	\$ 1,631,413	\$ 440,372
Supplemental information		
Interest received	\$ 6,232	\$ 1,795
Non-cash transactions:		
Shares issued in acquisition of Bluestone	400,003	-
Shares issued under option agreement	9,000	-

- See Accompanying Notes -

Indicator Minerals Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended November 31, 2010 and 2009
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1. Nature of Operations and Going Concern

Indicator Minerals Inc. ("Indicator" or the "Company") is an exploration stage enterprise and is currently exploring its mineral interests in Nunavut, Canada and in Arizona, United States 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 current or future fair values.

These consolidated 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 2011 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 will be 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 consolidated 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) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Bluestone Resources Inc. ("Bluestone"). Results of operations of Bluestone are included in these consolidated financial statements from the date of

Indicator Minerals Inc.
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Notes to Consolidated Financial Statements
For the Years Ended November 30, 2010 and 2009
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2. Significant Accounting Policies - Continued

a) **Consolidation - Continued**

acquisition on November 1, 2010. All intercompany balances and transactions have been eliminated upon consolidation.

b) **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.

c) **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.

d) **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, 2010 and 2009, the Company had no asset retirement obligations.

e) **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.

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2. Significant Accounting Policies - Continued

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

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, being the market share price of the shares at the time of issuance.

i) 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.

j) 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

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2. Significant Accounting Policies – Continued

j) Stock-Based Compensation - Continued

share capital, and the applicable amounts of contributed surplus are transferred to share capital.

k) 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.

l) 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 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, 2010 and 2009.

m) 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 and non-cash share issue costs. Actual results could differ from these estimates.

n) Comparative Figures

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

o) Future changes in Accounts Standards

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

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2. Significant Accounting Policies – Continued

o) Future changes in Accounts Standards - Continued

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.

3. Acquisition of Bluestone Resources Inc.

On November 1, 2010, the Company completed the acquisition of Bluestone Resources Inc. ("Bluestone") and its 100% owned subsidiary Four Point Construction, Inc.

Bluestone's assets consist of the Mohave Copper-Moly-Silver Porphyry Project located in Mohave County, Arizona. The Company agreed to acquire the shares of Bluestone in return for the issue of 5,000,040 common shares (approximately 4.7% of the number of outstanding common shares post-transaction).

The value of the consideration was based on the value of the Indicator shares on the closing date of the transaction. This cost of the acquisition was allocated to the fair value of the net assets acquired.

Prior to acquisition, Indicator loaned Bluestone \$175,000 to keep their property in good standing. The loan was repayable on demand bearing interest at Canadian Western Bank prime plus 3.0% per annum. This amount is included as consideration for the acquisition.

The President and Vice-President of Exploration of Bluestone are both directors of Indicator and received 314,270 and 377,124 Indicator shares respectively on closing of the transaction. In addition, two other directors of Indicator were non-material shareholders of Bluestone.

Cost of Acquisition	
Share consideration (5,000,040 shares)	\$ 400,003
Acquisition costs	55,537
Amounts advanced prior to acquisition	<u>175,000</u>
	<u>\$ 630,540</u>
Fair Value of net assets acquired	
Resource Property Cost	\$ 1,111,054
Working Capital Deficit	(41,314)
Future Income Tax Liability	<u>\$ (439,200)</u>
	<u>\$ 630,540</u>

Indicator Minerals Inc.
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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 anticipates equity financings in 2011, 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 2011, based on current plans.

There were no changes to the Company's approach to capital management during the years ended November 30, 2010 and 2009. The Company is not subject to externally imposed capital requirements as at November 30, 2010.

b) Financial Instruments

The Company's financial instrument assets consist of cash and cash equivalents and restricted cash, 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/HST 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.

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, restricted cash 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 call receivable has been settled subsequent to year end.

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4. Capital Disclosures and Financial Instruments - Continued

b) Financial Instruments – Continued

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. Cash and Cash Equivalents

	2010	2009
Operating funds	\$ 402,483	\$ 411,394
Flow-through funds	1,228,930	28,978
	\$ 1,631,413	\$ 440,372

Flow-through funds may only be used for Canadian mineral exploration costs.

The amounts in the preceding table exclude \$50,000 (2009 - \$50,000) that is subject to restrictions under a credit card arrangement and is separately presented as restricted cash.

6. Marketable Securities

	2010		2009	
	Market Value	Cost	Market Value	Cost
Common shares of a public company, representing less than a 5% interest in the company	\$4,000	\$27,500	\$3,125	\$27,500

7. 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 next year.

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8. Equipment

Details are as follows:

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 63,558	\$ 46,285	\$ 17,273	\$ 62,398	\$ 38,884	\$ 23,514
Computer software	76,962	76,962	-	73,973	73,973	-
Field equipment	90,880	47,404	43,476	90,880	36,534	54,346
Office furniture and equipment	72,089	46,587	25,502	72,089	40,212	31,877
Leasehold improvements	16,204	6,474	9,730	16,204	4,041	12,163
	\$ 319,693	\$ 223,712	\$ 95,981	\$ 315,544	\$ 193,644	\$ 121,900

9. 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 had elected to proceed with the Letter Agreement subject to financing.

Under the terms of the Letter Agreement on April 5, 2010, the Company issued 100,000 common shares to Rio Verde and must by August 31, 2011 fund an aggregate of \$1,000,000 including \$500,000 on exploration and development and \$500,000 on marketing and sales.

Upon completion of the initial 18 month period on August 31, 2011, 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 of the Company 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.

During the year ended November 30, 2010 the Company incurred costs of \$183,506 (2009 - \$5,743) related to the property. At November 30, 2010 the Company wrote off the entire balance of \$189,249, as the Company has determined it is unlikely to proceed with any further investment.

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10. Resource Property Costs

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

	2010			2009		
	Acquisition Costs	Deferred Exploration	Total	Acquisition Costs	Deferred Exploration	Total
Mineral Interests						
<i>Hunter Properties</i>						
Balance, beginning of year	\$ 1,297,059	\$ 6,431,508	\$ 7,728,567	\$ 1,259,937	\$ 6,446,856	\$ 7,706,793
Acquisition costs	50,000	-	50,000	50,000	-	50,000
Claims and staking	-	1,399	1,399	-	32,742	32,742
Analytical and sampling	-	248,396	248,396	-	24,113	24,113
Consulting	-	-	-	-	45,881	45,881
Fieldwork	-	873,385	873,385	-	86,878	86,878
Write-off	-	-	-	(12,878)	(204,962)	(217,840)
Balance, end of year	1,347,059	7,554,688	8,901,747	1,297,059	6,431,508	7,728,567
<i>North Country Gold Corp. (formerly CBR Gold Corp.)</i>						
Balance, beginning of year	288,934	630,449	919,383	288,934	502,602	791,536
Claims and staking	-	1,075	1,075	-	13,715	13,715
Analytical and sampling	-	1,133	1,133	-	62,255	62,255
Fieldwork	-	25,239	25,239	-	51,877	51,877
Balance, end of year	288,934	657,896	946,830	288,934	630,449	919,383
<i>Indicator Properties</i>						
Balance, beginning of year	322,813	371,453	694,266	322,813	1,177,670	1,500,483
Claims and staking	-	(697)	(697)	-	-	-
Analytical and sampling	-	31,342	31,342	-	21,175	21,175
Consulting	-	-	-	-	32,082	32,082
Fieldwork	-	48,306	48,306	-	195	195
Write-off	-	(388,572)	(388,572)	-	(859,669)	(859,669)
Balance, end of year	322,813	61,832	384,645	322,813	371,453	694,266
<i>Bluestone Resources Inc.</i>						
Acquisition costs	1,111,054	-	1,111,054	-	-	-
Fieldwork	-	25,030	25,030	-	-	-
	1,111,054	25,030	1,136,084	-	-	-
TOTAL	\$ 3,069,860	\$ 8,299,446	\$ 11,369,306	\$ 1,908,806	\$ 7,433,410	\$ 9,342,216

Amounts written off during the year ended November 30, 2010 and 2009 related to cost capitalized on certain claims where the Company has chosen not to renew its prospecting permits.

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10. Resource Property Costs - Continued

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

Barrow

The Barrow Project is comprised of 110,000 acres of mineral claims located approximately 15km south of the hamlet of Kugaaruk. Results from heavy mineral sampling in 2004 have confirmed the presence of kimberlite indicator minerals with diamond inclusion chemistry on the property.

Various surveys and programs were conducted between 2005 and 2007 and in early 2008 the Company commenced field operations at Barrow. Five lake based kimberlite targets were tested with a drill rig capable of retrieving core samples. No kimberlites were discovered and the spring drilling campaign was terminated in early June.

In June 2008, airborne magnetic survey equipment was deployed to the Barrow Project. This highly sensitive helicopter-borne system developed for the US military flew selected areas of the property where evidence of local kimberlite bodies has been recovered. Targets that were identified in the magnetic survey may be tested in a future drilling program; however, no exploration work was conducted on the Project in 2010 and 2009 as the Company focused on its other properties.

On March 4, 2011 the Company entered into a Letter Agreement with Diamonds North Resources Ltd. ("Diamonds North") whereby Diamonds North has the option to earn up to a 60% interest in any diamond rights on the Barrow property.

To earn the 60% interest on the Barrow property Diamonds North must incur up to \$2,000,000 in exploration expenditures according to the following schedule:

(a) to maintain the option incur \$200,000 in exploration expenditures on or before December 31, 2013 of which \$50,000 must be incurred on or before December 31, 2011.

(b) to earn a 51% interest in the property incur an additional \$800,000 in exploration expenditures for an aggregate of \$1,000,000 in total exploration expenditures on or before December 31, 2015.

(c) to earn an additional 9% for an aggregate 60% in the property incur an additional \$1,000,000 for an aggregate of \$2,000,000 in total exploration expenditures on or before December 31, 2016.

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10. Resource Property Costs - Continued

b) **Hunter Properties - Continued**

Darby

In 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.

In August 2010 Teck informed the Company that they have surpassed \$14,000,000 in aggregate exploration expenditures to earn its 51% interest in the project.

No accounting of expenditures has been received by the Company for review and none of the other terms of the agreements have been fulfilled, therefore no interest in the project has been assigned to Teck as at November 30, 2010. No exploration work was carried out on the project in 2009 and only care and maintenance of the project was conducted in 2010. The core mineral claims at Darby will remain in good standing well into 2011; and the partners in the agreement continue to evaluate the options for proceeding in the future. Teck has informed Indicator that no minimum work program is proposed for 2011.

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's interest in the project, under certain circumstances, if Teck elects not to develop a mine.

No joint venture agreement has been signed, and the Company continues to work with Teck on alternative options.

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.

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10. Resource Property Costs - Continued

b) Hunter Properties - Continued

Nanuq North - Continued

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 had 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 asserted that the Company does not have the right to set exploration programs and budgets on Nanuq North without the approval of Peregrine. (Peregrine also sought an award of costs, in an amount that was not quantified at the time).

On April 30, 2010 the Company announced that they had reached an agreement with Peregrine to adjourn arbitration hearings scheduled for May 2010 in order to allow Indicator and Peregrine to negotiate a Joint Venture Agreement with respect to the Nanuq North Project. As a term of the Adjournment Agreement, Indicator and Peregrine agreed to conduct a \$2.0 million exploration program at Nanuq North in 2010.

Indicator and Peregrine agreed to equally fund the 2010 exploration program at Nanuq North. The program was conducted in late May and June and had a primary goal of evaluating the NQN-001 kimberlite for the following:

- Obtain preliminary estimates of the size of the kimberlite body;
- Determine the number of phases (types) of kimberlite present;
- Obtain an initial understanding of the distribution of diamonds in the different kimberlite phases identified.

Analysis of the drill core suggests that the NQN-001 kimberlite has good continuity at depth; however, there is no indication of more than one phase present with respect with this kimberlite.

The Company intends to continue exploration on the Nanuq North property.

The potential for an exploration program on the property in 2011 is currently being discussed with Peregrine and the process of completing a joint venture agreement is still in progress.

Grail

The Grail Project (a combination of the Sanagak and Mayo Projects) is located on the Boothia Peninsula and originally included approximately 1.1 million acres of prospecting permits. In 2004, heavy mineral samples were collected on the project on a 3km by 3km

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10. Resource Property Costs - Continued

b) **Hunter Properties - Continued**

c) **Grail - Continued**

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.

As a result of focussed exploration, the project is now 236,000 acres. No work was conducted on the Grail Project in 2010; however, all core mineral claims on the project remain in good standing.

An exploration program on the project is currently being considered for 2011.

c) **North Country Gold Corp.**

The Borden Project is located on the Borden Peninsula of Baffin Island and initially included approximately 389,000 acres of prospecting permits. The Company acquired an option on Borden in 2004 from Committee Bay Resources Ltd. (now North Country Gold Corp.) and can earn up to 70% of the diamond rights to the project. Upon earning a 70% interest in the Borden property, the Company and North Country Gold 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.

As a result of focussed exploration, the project is now 180,000 acres. No work was conducted on the project in 2010; however, all core mineral claims on the project remain in good standing.

d) **Indicator Properties**

The Company has narrowed its investments in Nunavut to one 100% owned grass roots property. The Dorset project is located on the Foxe Peninsula of Baffin Island. The property 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 location of kimberlites.

Remaining expenditures on exploration totalling \$388,572 have been written off in the year ended November 30, 2010.

e) **Mohave Copper Porphyry Project**

On November 1, 2010 the Company completed the acquisition of private company Bluestone Resources Inc. which includes its 100% owned Mohave Copper-Moly-Silver Porphyry Project in Arizona. The Company agreed to acquire all of the issued and outstanding shares of Bluestone in return for the issue of 5,000,040 common shares (approximately 4.7% of the number of outstanding common shares post-transaction).

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10. Resource Property Costs - Continued

e) Mohave Copper Porphyry Project - Continued

The Mohave Project is located in north-western Arizona and is interpreted as a large-scale, copper porphyry deposit with silver and molybdenum byproducts. Exploration work conducted by Bluestone in 2008, identified extensive copper mineralization over a large area of the project and the geology of the Mohave Project is believed to be analogous to the Bagdad Copper Porphyry Mine, which is located within 33km and along the same structural trend.

The Mohave Project was acquired by Bluestone under the terms of an option agreement entered into with Southwest Exploration Group on July 8, 2008 and amended on March 26, 2009 and July 30, 2010. Bluestone has exercised the option and earned its 100% interest in the Mohave Project, however to maintain this ownership interest, Bluestone is required to make payments to the previous owners of US\$240,000 on or before September 1, 2011 and US\$360,000 on or before September 1, 2012.

The Mohave Project is subject to a 3% net smelter return royalty (the "Royalty") payable in cash to the previous owners. Bluestone has the option to purchase one-third of the Royalty for the fixed amount of US\$1,500,000 at any time during the ninety day period commencing on the date Bluestone receives a Bankable Feasibility Study with respect to the properties comprising the Mohave Project.

In the next 12 months Indicator will be undertaking a two phase exploration program on the Mohave property including up to 10,000 meters of core drilling. Phase One will entail approximately 5,000 meters of drilling and extensive geophysics with both an Induced Polarization (IP) and Ground Magnetic survey. Phase Two of the program will follow-up on the results of the first phase of the program.

f) Marketing Agreement

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

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

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

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

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10. Resource Property Costs - Continued

f) **Marketing Agreement - Continued**

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 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, 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. Munic Gems is currently in default of its anti-dilution right agreement, and as a consequence certain rights Munic Gems has on diamond exploration and development projects are currently suspended.

At November 30, 2010 the Company has not acquired any projects under the terms of this agreement.

11. 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, 2008	63,966,702	\$	17,080,540
Private placement, net of issuance costs	9,043,000		509,615
Future income taxes on renouncement of flow-through shares issued (Note 11e)	-		(79,300)
Balance – November 30, 2009	73,009,702	\$	17,510,855
Private placements, net of issuance costs	37,419,225		2,113,532
Issued under terms of option agreement (Note 9)	100,000		9,000
Issued on acquisition of Bluestone Resources Inc. (Note 3)	5,000,040		400,003
Future income taxes on renouncement of flow-through shares issued (Note 11e)	-		(24,100)
Balance – November 30, 2010	115,528,967	\$	20,009,290

b) **Private Placements**

Private Placement October 2010

During October 2010 Indicator issued 9,000,000 non flow-through units (the "Units") at a price of \$0.08 per unit for gross proceeds of \$720,000 (the "Private Placement"). Each unit is comprised of one common share and one transferable share purchase warrant of the Company (the "Warrants"). Each Warrant is exercisable to purchase one common share of the Company at a price of \$0.12 per share until October 29, 2012, subject to an acceleration provision in the event the closing price of the Company's shares on the TSX Venture Exchange (the "Exchange") is \$0.16 or higher for at least 10 consecutive trading

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11. Share Capital – Continued

b) Private Placements – Continued

days beginning after March 1, 2011. An amount of \$295,068 was allocated to the fair market value of the warrants on a relative fair value basis.

Finder's fees consisting of \$40,250 in cash and 503,125 non-transferable finder warrants (with a fair value of \$26,125), representing 7% of the proceeds raised and 7% of the number of Units issued, respectively, were paid to seven finders in respect of certain subscriptions under the Private Placement. Each finder warrant is exercisable to purchase one common share of the Company at a price of \$0.15 per share until October 29, 2012.

The fair value of finder's fees and expenses related to the private placement totalled \$66,375, of which \$39,173 was allocated to the cost of the share issuance, and the remaining \$27,202 was allocated to contributed surplus as a cost of the warrants issued.

All securities issued or issuable under the Private Placement are subject to a hold period and may not be traded until March 1, 2011 except as permitted by Canadian securities legislation and the Exchange.

Private Placement June and July 2010

During June and July 2010, the Company completed two tranches of a non-brokered private placement. The private placement consisted of 2,037,500 non flow-through units at a price of \$0.12 per unit for total gross proceeds of \$244,500 and 10,000,000 flow-through units at a price of \$0.15 per unit for total gross proceeds of \$1,500,000. Each non-flow through unit consisted of one non flow-through common share and one share purchase warrant entitling the holder to purchase one common share at a price of \$0.16 per share until July 14, 2012. The warrants are subject to an acceleration provision in the event the closing price of the Company's shares on the TSX Venture Exchange exceeds \$0.30 for at least 10 consecutive trading days. An amount of \$95,092 was allocated to the fair value of these warrants on a relative fair value basis. Each flow-through unit consisted of one flow-through common share and one share purchase warrant entitling the holder to purchase one common share at \$0.20 per share until June 17, 2012. The warrants are subject to the same acceleration provision that applies to the non flow-through units. An amount of \$588,129 was allocated to the fair market value of the warrants on a relative fair value basis.

Finder's fees and expenses relating to the issue were paid in cash totaling \$90,714, 700,000 finder's units (with a fair value of \$95,560) and 5,950 non-transferrable agents warrants (with a fair value of \$454).

The fair value of finder's fees and expenses related to the private placement totaled \$186,728, of which \$113,519 was allocated to the cost of the share issuance and the remaining \$73,209 was allocated to contributed surplus as a cost of the finders units and warrants issued.

Each finder's unit is comprised of an option to purchase one common share of the Company at a price of \$0.15 until June 17, 2012 and one quarter of one non-transferrable share purchase warrant of the Company. Each whole warrant is exercisable to purchase one common share of the Company at a price of \$0.20 until June 17, 2012. These

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11. Share Capital – Continued

b) Private Placements – Continued

warrants are subject to the same acceleration provision as the units issued above. The non-transferrable agents warrants enable the holder to purchase one common share at a price of \$0.16 per share until July 14, 2012. The warrants are subject to an acceleration provision in the event the closing price on the TSX Venture Exchange exceeds \$0.24 for at least 10 consecutive trading days.

Private Placement April and May 2010

During April and May 2010 the Company completed two tranches of a non-brokered private placement. The private placement consisted of 10,288,750 non flow-through units at a price of \$0.08 per unit for total gross proceeds of \$823,100 and 5,985,000 flow-through units at a price of \$0.10 per unit for total gross proceeds of \$598,500. Each non flow-through unit consisted of one common share and one non transferable share purchase warrant entitling the holder to purchase one common share at \$0.12 per share. 8,997,500 of these warrants expire on April 28, 2012 and 1,291,250 on May 5, 2012. An amount of \$327,366 was allocated to these warrants on a relative fair value basis. Each flow-through unit consisted of one common share and one non transferrable share purchase warrant entitling the holder to purchase one common share at \$0.15 per share. 4,270,000 of these warrants expire on April 28, 2012 and 1,715,000 on May 5, 2012. An amount of \$232,906 was allocated to the fair value of the warrants on a relative fair value basis.

The fair value of agents fees and expenses related to the private placement totalled \$162,701, of which \$97,774 was allocated to the cost of the share issuance and the remaining \$64,927 was allocated to contribute surplus as a cost of the warrants issued. The agents fees and expenses are comprised of \$61,348 in cash payments, 1,032,288 warrants (with a fair value of \$84,894), and 107,975 common shares (with a fair value of \$16,459). Each agent warrant entitles the holder to purchase one common share at a price of \$0.15. 773,900 of the agent warrants expire on April 28, 2012 and 258,388 expire on May 5, 2012.

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

c) Share Purchase and Agents Warrants

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.

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11. Share Capital – Continued

c) Share Purchase and Agents Warrants – Continued

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.

Details of outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding November 30, 2008	6,787,500	\$ 0.77
Issued	8,858,560	0.20
Expired without exercise	(3,420,000)	1.19
Outstanding November 30, 2009	12,226,060	0.24
Issued	38,852,613	0.15
Expired without exercise	(3,367,500)	0.34
Outstanding November 30, 2010	47,711,173	\$ 0.16

At November 30, 2010, the following warrants were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
August 10, 2011	\$0.20	8,858,560	0.69
April 28, 2012	0.12	8,997,500	1.42
April 28, 2012	0.15	5,043,900	1.42
May 5, 2012	0.12	1,291,250	1.43
May 5, 2012	0.15	1,973,388	1.43
June 17, 2012	0.20	10,000,000	1.54
July 14, 2012	0.16	2,043,450	1.63
October 29, 2012	0.12	9,503,125	1.92
Weighted average of exercise price	\$0.16	47,711,173	1.42

Year ended November 30, 2010

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

Estimated risk-free rate	1.42% – 1.97%
Expected volatility	134% - 140%
Estimated dividend yield	0.0 %
Expected life of warrants	2 years

Year ended November 30, 2009 – Warrants

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

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11. Share Capital – Continued

c) Share Purchase and Agents Warrants - Continued

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

Finder's units

In addition to the share purchase and agents warrants described above, during the year ended November 30, 2010, the Company issued 700,000 Finder's Units in relation to a private placement. Each finder's unit is comprised of an option to purchase one common share of the Company and one quarter of one share purchase warrant.

The details of outstanding finder's units are as follows:

	Number of Options	Exercise Price	Remaining contractual life in years
Issued during the period, expiring June 17, 2012	700,000	\$0.15	1.54

	Number of Warrants	Exercise Price	Remaining contractual life in years
Issued during the period, expiring June 17, 2012	175,000	\$0.20	1.54

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

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11. Share Capital – Continued

d) Stock Options - Continued

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, 2008	6,232,000	\$0.45
Expired	(1,964,500)	0.48
Granted	1,385,000	0.12
Outstanding November 30, 2009	5,652,500	0.35
Expired	(1,055,000)	0.25
Granted	4,900,000	0.11
Outstanding November 30, 2010	9,497,500	\$0.23

Year ended November 30, 2010 – Grants

During the year ended November 30, 2010 the Company granted 4,900,000 options to employees, directors and consultants and recorded stock based compensation expense of \$391,130. The fair value of the stock options was calculated using a Black-Scholes Pricing model with the following assumptions:

Estimated risk-free rate	2.02% – 2.75%
Expected volatility	105% – 111%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

Year ended November 30, 2009 – Grants

During the year ended November 30, 2009 the Company granted 1,385,000 options to employees, directors and consultants 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% – 99%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

The stock options vest immediately upon issuance.

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11. Share Capital – Continued

d) Stock Options – Continued

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining in Years
December 19, 2010	\$0.28	100,000	0.05
April 11, 2011	0.58	360,000	0.36
August 2, 2011	0.75	837,500	0.67
October 1, 2011	0.79	25,000	0.83
November 20, 2012	0.40	150,000	0.97
March 13, 2012	0.45	150,000	1.28
September 18, 2012	0.40	955,000	1.80
February 28, 2013	0.25	100,000	2.25
November 11, 2013	0.10	535,000	2.95
February 1, 2014	0.10	160,000	3.18
May 20, 2014	0.12	1,125,000	3.47
June 15, 2014	0.12	100,000	3.54
May 31, 2015	0.15	1,100,000	4.50
October 7, 2015	0.10	3,350,000	4.87
November 8, 2015	0.10	350,000	4.95
November 11, 2015	0.10	100,000	4.95
	\$0.23	9,497,500	3.46

All options were fully vested and exercisable at November 30, 2010, except for 262,500 options which will vest during the 2011 fiscal year.

Subsequent to November 30, 2010 the Company issued 1,750,000 options to employees, directors and consultants of the Company. The options vested immediately and are exercisable at a price of \$0.18 for a two year period until January 12, 2016. In addition, the Company issued 350,000 options to an investor relations provider for services to be rendered. The options issued to the investor relations provider vest in four equal quarterly instalments commencing April 5, 2011.

e) Flow-Through Shares

2010 Issuance

During the current fiscal year the Company has issued 15,985,000 flow-through common shares for total proceeds of \$2,098,500 which must be used for qualifying exploration expenditures. The unspent balance of this flow-through issuance at November 30, 2010 was \$1,228,930.

The future income tax liability estimated to be \$543,400 (by applying a future tax rate of 26%) resulting from the renunciation of these qualifying expenditures will be recorded subsequent to November 30, 2010 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.

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

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11. Share Capital – Continued

e) **Flow-Through Shares – Continued**

2009 Issuance - Continued

exploration expenditures and were renounced to the flow-through shareholders effective February 2, 2010. The future tax liability estimated to be \$24,100 (by applying a future tax rate of 26% resulting from the renunciation of these qualifying expenditures) was recorded during the year ended November 30, 2010 when the renunciation tax forms were filed and share capital was reduced accordingly.

The valuation allowance previously recorded against future income tax assets was reduced by \$24,100 during the year ended November 30, 2010 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, 2010.

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 was recorded during the year ended November 30, 2009 when the renunciation tax forms were filed, and share capital was 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.

12. Related Party Transactions

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

Relationship	Nature of Transaction	2010	2009
Company of which the Director and VP Exploration is the majority shareholder	Geological Services	\$ 141,900	\$ 102,300
Company of which an independent Director is a shareholder	Marketing	\$ 52,400	\$ 38,402

Of these amounts \$12,450 was unpaid at November 30, 2010 (November 30, 2009 - \$11,273) 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. For further related party information see Note 3 - Acquisition of Bluestone Resources Inc.

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12. Related Party Transactions - Continued

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.

13. Income Taxes

- a) Reconciliation of accounting and taxable income (rounded to the nearest thousand) using the effective tax rate of 30.08% (2009 – 31.04%):

	Year Ended November 30, 2010	Year Ended November 30, 2009
Expected tax recovery	\$ (673,300)	\$ (710,000)
Adjustments:		
Change in tax rates	75,000	82,000
Change in valuation allowance	441,200	440,000
Permanent differences and other	133,000	108,700
Future income tax recovery	\$ (24,100)	\$ (79,300)

- b) The Company has non-capital losses which may be applied to reduce future years' taxable income. As at November 30, 2010 these amounted to \$6,600,000 (2009 – \$5,323,000). These non-capital losses expire between 2010 and 2029.
- c) The components of the future income tax asset (liability) at November 30, 2010 and 2009 are as follows:

	2010	2009
Future income tax asset		
Non-capital and capital loss carry-forwards	\$ 1,723,194	\$ 1,384,000
Share issue costs	62,700	52,000
Resource property costs	(1,235,894)	(888,000)
Future income tax asset	550,000	548,000
Valuation Allowance	(989,200)	(548,000)
Future income tax liability	\$ (439,200)	\$ -

The future income tax rate that is estimated to be applicable when the temporary differences reverse is estimated to be 26% for entities in Canada and 39.53% in the United States.

14. 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	2010	\$ 6,293
	2011	75,656
	2012	70,706
		\$ <u>152,655</u>

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15. Subsequent Event

Private Placement:

On February 24, 2011 the Company issued 11,005,055 units (the "Units") at a price of \$0.18 per Unit for gross proceeds of \$1,980,910 (the "Private Placement"). Each unit is comprised of one common share and one transferable share purchase warrant of the Company (the "Warrants"). Each Warrant is exercisable to purchase one common share of the Company at a price of \$0.27 per share until February 23, 2013.

Finder's fees consisting of \$70,529 in cash and 391,828 non-transferable finder warrants, representing 5% of the proceeds raised and 5% of the number of Units issued, respectively, were paid to six finders in respect of certain subscriptions under the Private Placement. Each finder warrant is exercisable to purchase one common share of the Company a price of \$0.27 per share until February 23, 2013.

All securities issued or issuable under the Private Placement are subject to a hold period and may not be traded until June 24, 2011 except as permitted by Canadian securities legislation and the TSX Venture Exchange. The Company intends to use the proceeds for exploration expenditures on its Mohave Copper Project and for general working capital and other corporate expenditures.