

**INDICATOR MINERALS INC.**

**(An Exploration Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2011**  
**In Canadian Dollars**

## **NOTICE**

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

The accompanying unaudited consolidated interim financial statements of the Company for the three months ended February 28, 2011 have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Consolidated Balance Sheets**  
**As at February 28, 2011 and November 30, 2010**  
*Canadian Dollars (Unaudited)*

<b>ASSETS</b>	<b>February 28 2011 (Unaudited)</b>	<b>November 30 2010 (Audited)</b>
<b>Current</b>		
Cash and cash equivalents <i>(Note 5)</i>	\$ 3,238,973	\$ 1,631,413
Restricted cash	50,000	50,000
Amounts receivable	37,257	2,092
Marketable securities <i>(Note 6)</i>	4,000	4,000
HST recoverable	98,740	86,621
Prepaid expenses	21,842	29,287
	<b>3,450,812</b>	<b>1,803,413</b>
<b>Permit deposits</b> <i>(Note 7)</i>	<b>11,771</b>	<b>11,771</b>
<b>Equipment</b> <i>(Note 8)</i>	<b>104,671</b>	<b>95,981</b>
<b>Resource property costs</b> <i>(Note 10)</i>	<b>11,503,502</b>	<b>11,369,306</b>
	<b>\$ 15,070,756</b>	<b>\$ 13,280,471</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 552,980	\$ 547,678
<b>Future income taxes</b>	<b>439,200</b>	<b>439,200</b>
	<b>992,180</b>	<b>986,878</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> <i>(Note 11)</i>	<b>21,034,829</b>	<b>20,009,290</b>
<b>Contributed surplus</b>	<b>7,062,336</b>	<b>6,261,571</b>
<b>Accumulated other comprehensive loss</b>	<b>(23,500)</b>	<b>(23,500)</b>
<b>Deficit</b>	<b>(13,995,089)</b>	<b>(13,953,768)</b>
	<b>14,078,576</b>	<b>12,293,593</b>
	<b>\$ 15,070,756</b>	<b>\$ 13,280,471</b>

Nature of operations and going concern *(Note 1)*  
 Commitments and contingency *(Note 10 and 13)*  
 Subsequent events *(Note 9, 10 b)*

ON BEHALF OF THE BOARD:

"Bruce Counts", President & CEO, Director

"Craig Bentham", Director

# Indicator Minerals Inc.

(An Exploration Stage Company)

## Consolidated Statements of Loss and Comprehensive Loss

For the Three Month Period Ended February 28, 2011 and 2010

Canadian Dollars (Unaudited)

	Three Months Ended	
	2011 (Unaudited)	2010 (unaudited)
<b>Expenses</b>		
Advertising and promotion	\$ 9,764	\$ 10,751
Amortization	6,942	7,340
Conference and meetings	11,737	6,358
Corporate listing and filing fees	7,754	7,150
Investor relations	30,954	14,853
Office and administration	29,544	31,466
Professional fees	77,965	117,008
Rent	19,964	18,783
Stock-based compensation (Note 11d)	245,622	-
Transfer agent fees	1,266	945
Wages and consulting fees	148,350	81,564
<b>Loss before the undernoted</b>	<b>(589,862)</b>	<b>(262,218)</b>
<b>Other income</b>		
Interest	5,141	-
		-
<b>Loss before income taxes</b>	<b>(584,721)</b>	<b>(296,218)</b>
<b>Future income tax recovery (Note 11e)</b>	<b>543,400</b>	<b>24,100</b>
<b>Net loss for the period</b>	<b>(41,321)</b>	<b>(272,118)</b>
<b>Other comprehensive income</b>		
Unrealized gain on available for sale investments (Note 6)	-	2,625
<b>Comprehensive loss for the period</b>	<b>\$ (41,321)</b>	<b>\$ (269,493)</b>
<b>Basic and Fully Diluted Loss per Share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>116,926,398</b>	<b>73,009,702</b>

- See Accompanying Notes -

# Indicator Minerals Inc.

(An Exploration Stage Company)

## Consolidated Statements of Shareholders' Equity

For the Three Month Period Ended February 28, 2011 and the Year Ended November 30, 2010

Canadian Dollars (Unaudited)

	Three Months Ended February 28 2011 (Unaudited)	Year Ended November 30 2010 (Audited)
<b>Share capital</b>		
Balance – beginning of year	\$ 20,009,290	\$ 17,510,855
Private placements, net of issuance costs	1,286,091	2,113,532
Cash received on exercise of warrants	159,796	-
Fair value of warrants exercised	42,213	-
Cash received on exercise of options	53,905	-
Fair value of options exercised	26,934	-
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)	(543,400)	(24,100)
Balance – end of period	21,034,829	20,009,290
<b>Contributed surplus</b>		
Balance – beginning of year	6,261,571	4,290,185
Fair value of share purchase warrants issued in private placements	624,290	1,580,256
Fair value of stock-based compensation on options vested	245,622	391,130
Fair value of warrants redeemed	(42,213)	-
Fair value of options exercised	(26,934)	-
Balance – end of period	7,062,336	6,261,571
<b>Accumulated other comprehensive loss</b>		
Balance – beginning of year	(23,500)	(24,375)
Unrealized gain on available for sale investments (Note 6)	-	875
Balance – end of period	(23,500)	(23,500)
<b>Deficit</b>		
Balance – beginning of year	(13,953,768)	(11,739,369)
Net loss for the period	(41,321)	(2,214,399)
Balance – end of period	(13,995,089)	(13,953,768)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 14,078,576</b>	<b>\$ 12,293,593</b>

- See Accompanying Notes -

# Indicator Minerals Inc.

(An Exploration Stage Company)

## Consolidated Statements of Cash Flows

For the Three Month Periods Ended February 28, 2011 and 2010

Canadian Dollars (Unaudited)

	2011 (Unaudited)	2010 (Unaudited)
<b>Cash Flows used in Operating Activities</b>		
Net loss for period	\$ (41,321)	(272,118)
Items not affected by cash		
Future income tax recovery	(543,400)	(24,100)
Stock based compensation	245,622	-
Amortization	6,942	7,340
	<b>(332,157)</b>	<b>(288,878)</b>
<b>Change in non cash working capital</b>		
Amounts receivable	(35,165)	40,142
GST/HST recoverable	(12,119)	74,090
Permit bonds receivable	-	(28,931)
Prepaid expenses	7,445	21,699
Accounts payable and accrued liabilities	5,302	49,243
	<b>(366,694)</b>	<b>(132,635)</b>
<b>Cash Flows used in Investing Activities</b>		
Equipment, net	(15,632)	(2,628)
Increase in permit and deposits	-	11,771
Resource property costs	(134,196)	(37,846)
Option agreement	-	(101,866)
	<b>(149,828)</b>	<b>(154,111)</b>
<b>Cash Flows from Financing Activities</b>		
Issuance of share capital and warrants, net of issuance costs	2,124,082	-
<b>Net Increase (Decrease) in Cash</b>	<b>1,607,560</b>	<b>(286,746)</b>
<b>Cash and Cash Equivalents- Beginning of year</b>	<b>1,631,413</b>	<b>490,372</b>
<b>Cash and Cash Equivalents - End of period</b>	<b>\$ 3,238,973</b>	<b>\$ 203,626</b>
<b>Supplemental information</b>		
Interest received	\$ 5,141	\$ 1,795

- See Accompanying Notes -

**Indicator Minerals Inc.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**For the Three Month Periods Ended February 28, 2011 and 2010**  
*Canadian Dollars (Unaudited)*

**1. Nature of Operations and Going Concern**

Indicator Minerals Inc. ("Indicator" or the "Company") is an exploration stage enterprise and is currently exploring its mineral interests in Nunavut, Canada 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 interim 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 next 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 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 interim 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**

The Company prepares its consolidated interim financial statements in accordance with Canadian generally accepted accounting principles on a basis consistent with those used and described in the annual consolidated financial statements for the year ended November 30, 2010. The disclosures contained in these interim financial statements do not include all the requirements of Canadian generally accepted accounting principles for annual financial

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**2. Significant Accounting Policies - Continued**

statements, and accordingly, these interim financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2010. Certain comparative figures have been restated to conform to the current period's financial statements presentation.

**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>

**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

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

**a) Capital Disclosures – Continued**

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 additional 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 three months ended February 28, 2011 and 2010. The Company is not subject to externally imposed capital requirements as at February 28, 2011.

**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.

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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**

	<b>At February 28, 2011 (Unaudited)</b>	<b>At November 30, 2010 (Audited)</b>
Operating funds	\$ 2,061,514	\$ 402,483
Flow-through funds	1,177,459	1,228,930
	<b>\$ 3,238,973</b>	<b>\$ 1,631,413</b>

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

The amounts in the preceding table exclude \$50,000 (November 30, 2010 - \$50,000) that is subject to restrictions under a credit card arrangement and is separately presented as restricted cash.

**6. Marketable Securities**

	<b>At February 28, 2011 (Unaudited)</b>		<b>At November 30, 2010 (Audited)</b>	
	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>
Common shares of a public company, representing less than a 5% interest in the company	\$4,000	\$27,500	\$4,000	\$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.

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*Canadian Dollars (Unaudited)*

**7. Permit Deposits and Permit Bonds Receivable - Continued**

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.

**8. Equipment**

Details are as follows:

	At February 28, 2011 (Unaudited)			At November 30, 2010 (Audited)		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 76,114	\$ 48,524	\$ 27,590	\$ 63,558	\$ 46,285	\$ 17,273
Computer software	80,040	77,731	2,309	76,962	76,962	-
Field equipment	90,880	49,578	41,302	90,880	47,404	43,476
Office furniture and equipment	72,089	47,863	24,226	72,089	46,587	25,502
Leasehold improvements	16,204	6,960	9,244	16,204	6,474	9,730
	<b>\$ 335,327</b>	<b>\$ 230,656</b>	<b>\$ 104,671</b>	<b>\$ 319,693</b>	<b>\$ 223,712</b>	<b>\$ 95,981</b>

**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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**9. Option Agreement - Continued**

**Rio Verde Property - Continued**

On March 21, 2011 the Company formally terminated its Letter Agreement with Rio Verde.

**10. Resource Property Costs**

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

	As at and for the three month period ended February 28, 2011 (Unaudited)			As at and for the year ended November 30, 2010 (Audited)		
	Acquisition Costs	Deferred Exploration	Total	Acquisition Costs	Deferred Exploration	Total
<b>Mineral Interests</b>						
<b>Hunter Properties</b>						
Balance, beginning of year	\$ 1,347,059	\$ 7,554,688	\$ 8,901,747	\$ 1,297,059	\$ 6,431,508	\$ 7,728,567
Acquisition costs	-	-	-	50,000	-	50,000
Claims and staking	-	-	-	-	1,399	1,399
Analytical and sampling	-	-	-	-	248,396	248,396
Fieldwork	-	64,462	64,462	-	873,385	873,385
Balance, end of period	1,347,059	7,619,150	8,966,209	1,347,059	7,554,688	8,901,747
<b>North Country Gold Corp. (formerly CBR Gold Corp.)</b>						
Balance, beginning of year	288,934	657,896	946,830	288,934	630,449	919,383
Claims and staking	-	-	-	-	1,075	1,075
Analytical and sampling	-	-	-	-	1,133	1,133
Fieldwork	-	3,105	3,105	-	25,239	25,239
Balance, end of period	288,934	661,001	949,935	288,934	657,896	946,830
<b>Indicator Properties</b>						
Balance, beginning of year	322,813	61,832	384,645	322,813	371,453	694,266
Claims and staking	-	-	-	-	(697)	(697)
Analytical and sampling	-	-	-	-	31,342	31,342
Fieldwork	-	1,600	1,600	-	48,306	48,306
Write-off	-	-	-	-	(388,572)	(388,572)
Balance, end of period	322,813	63,432	386,245	322,813	61,832	384,645
<b>Bluestone Resources Inc.</b>						
Balance, beginning of year	1,111,054	25,030	1,136,084	1,111,054	-	1,111,054
Claims and staking	-	13,718	13,718	-	-	-
Fieldwork	-	51,311	51,311	-	25,030	25,030
Balance, end of period	1,111,054	90,059	1,201,113	1,111,054	25,030	1,136,084
<b>TOTAL</b>	<b>\$ 3,069,860</b>	<b>\$ 8,433,642</b>	<b>\$ 11,503,502</b>	<b>\$ 3,069,860</b>	<b>\$ 8,299,446</b>	<b>\$ 11,369,306</b>

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

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*Canadian Dollars (Unaudited)*

**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 February 28, 2011. 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**

**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 were 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 February 28, 2011 the Company has not acquired any projects under the terms of this agreement.

**11. 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, 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 <i>(Note 9)</i>	100,000		9,000
Issued on acquisition of Bluestone Resources Inc. <i>(Note 3)</i>	5,000,040		400,003
Future income taxes on renouncement of flow-through shares issued <i>(Note 11e)</i>	-		(24,100)
Balance – November 30, 2010	115,528,967		20,009,290
Private placement, net of issuance costs	11,005,055		1,286,091
Cash received on exercise of warrants	1,331,635		159,796
Fair value of warrants exercised	-		42,213
Cash received on exercise of options	485,000		53,905
Fair value of options exercised	-		26,934
Future income taxes on renouncement of flow-through shares issued <i>(Note 11e)</i>	-		(543,400)
Balance – February 28, 2011	128,350,657	\$	21,034,829

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**11. Share Capital - Continued**

**b) Private Placements**

*Private Placement February 24, 2011*

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. An amount of \$624,290 was allocated to the fair market value of the warrants on a relative fair value basis.

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 in aggregate 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 at a price of \$0.27 per share until February 23, 2013.

The fair value of finder's fees and expenses related to the private placement totalled \$102,985, of which \$70,529 was allocated to the cost of the share issuance and the remaining \$32,456 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 June 24, 2011 except as permitted by Canadian securities legislation and the TSX Venture Exchange.

*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 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.

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**11. Share Capital – Continued**

**b) Private Placements – Continued**

*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 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

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**11. Share Capital – Continued**

**b) Private Placements – Continued**

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.

**c) Share Purchase and Agents Warrants**

Details of outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
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
Issued	11,396,883	0.27
Exercised	(1,331,635)	(0.12)
Outstanding February 28, 2011	57,776,421	\$ 0.18

At February 28, 2011, 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	0.45
April 28, 2012	0.12	7,565,865	1.17
April 28, 2012	0.15	5,043,900	1.17
May 5, 2012	0.12	1,291,250	1.18
May 5, 2012	0.15	1,973,388	1.18
June 17, 2012	0.20	10,000,000	1.29
July 14, 2012	0.16	2,043,450	1.38
October 29, 2012	0.12	9,503,125	1.67
February 23, 2013	0.27	11,396,883	1.98
Weighted average of exercise price	\$0.18	57,776,421	1.33

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**11. Share Capital - Continued**

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

**Three months ended February 28, 2011**

The fair value of warrants issued during the period was estimated using the Black-Scholes option pricing model with the following assumption:

Estimated risk-free rate	1.82%
Expected volatility	106%
Estimated dividend yield	0.0 %
Expected life of warrants	2 years

**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

**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	1.29

	Number of Warrants	Exercise Price	Remaining contractual life in years
Issued during the period, expiring June 17, 2012	175,000	\$0.20	1.29

**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,

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**11. Share Capital – Continued**

**d) Stock Options - Continued**

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, 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
Expired	(975,000)	(0.46)
Granted	2,100,000	0.17
Exercised	(485,000)	(0.11)
Outstanding November 30, 2010	<b>10,137,500</b>	<b>\$0.20</b>

**Period ended February 28, 2011 - Grants**

During the period ended February 28, 2011 the Company granted 1,750,000 options to employees, directors and consultants that vested immediately. A further 350,000 options were granted to consultants and vest over 12 months.

The average grant date fair value of options issued during the period was \$0.12. Stock based compensation expense for the three month period ended February 28, 2011 was \$245,622. The fair value of the stock options was calculated using a Black-Scholes Pricing model with the following assumptions:

Estimated risk-free rate	2.10% – 2.53%
Expected volatility	106% – 111%
Estimated annual dividend yield	0.0%
Expected life of options	5 years

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**11. Share Capital – Continued**

**d) Stock Options – Continued**

**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. For the three month period ended February 28, 2010, stock based compensation expense was \$ nil as no options were granted during this period. 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

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining in Years
April 11, 2011	\$0.58	190,000	0.11
August 2, 2011	0.75	592,500	0.42
November 20, 2012	0.40	150,000	0.72
March 13, 2012	0.45	150,000	1.03
September 18, 2012	0.40	730,000	1.55
February 28, 2013	0.25	100,000	2.00
November 11, 2013	0.10	475,000	2.70
May 20, 2014	0.12	650,000	3.22
June 15, 2014	0.12	100,000	3.29
May 31, 2015	0.15	1,100,000	4.25
October 7, 2015	0.10	3,350,000	4.62
November 8, 2015	0.10	350,000	4.70
November 11, 2015	0.10	100,000	4.70
January 5, 2016	0.16	350,000	4.87
January 12, 2016	0.18	1,750,000	4.88
	\$0.20	10,137,500	3.76

All options were fully vested and exercisable at November 30, 2010, except for 437,500 options with a weighted average exercise price of \$0.14, which will vest during the 2011 fiscal year, and 87,500 options with an exercise price of \$0.16 per option, which will vest during the 2012 fiscal year.

**e) Flow-Through Shares**

**2010 Issuance**

During the year ended November 30, 2010 the Company issued 15,985,000 flow-through common shares for total proceeds of \$2,098,500 which must be used for qualifying exploration expenditures and were renounced to the flow-through shareholders in February 2011. The unspent balance of this flow-through issuance at February 28, 2011 was \$1,177,459. The future tax liability estimated to be \$543,400 (by applying a future tax rate of 26% resulting from the renunciation of these qualifying expenditures) was recorded during the three month period ended February 28, 2011 when the renunciation forms were filed and share capital was reduced accordingly.

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**11. Share Capital – Continued**

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

**2010 Issuance – Continued**

The valuation allowance previously recorded against future income tax assets was reduced by \$543,400 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 three months ended February 28, 2011.

**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 and were renounced to the flow-through shareholders in February 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 three month period ended February 28, 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 three month period February 28, 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 three month period ended February 28, 2010.

**12. Related Party Transactions**

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

Relationship	Nature of Transaction	Three Months Ended February 28, 2011 (Unaudited)	Three Months Ended February 28, 2010 (Unaudited)
Company of which the Director and VP Exploration is the majority shareholder	Geological Services	\$ 36,900	\$ 19,650
Company of which an independent Director is a shareholder	Marketing	\$ 10,896	\$ -

Of these amounts \$20,309 was unpaid at February 28, 2011 (February 28, 2010 - \$0) and is included in accounts payable and accrued liabilities.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. For further related party information see Note 3 - Acquisition of Bluestone Resources Inc.

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**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	2011	\$	63,047
	2012		<u>70,706</u>
		\$	<u><u>133,753</u></u>