

Indicator Minerals Inc.

(Formerly Dev Investments Inc.)

Interim Management Discussion and Analysis

For the Three Month Period ended MAY 31, 2004

Dated July 30, 2004

Management's Discussion and Analysis supplements, but does not form part of, the unaudited interim consolidated financial statements of the Company and the notes thereto for the period ended May 31, 2004. Consequently, the following discussion and analysis of the financial condition and results of operations for Indicator Minerals Inc. ("Indicator" or the "Company"), should be read in conjunction with the unaudited interim consolidated financial statements for the period ended May 31, 2004 and related notes therein, which have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied.

Additional information, including audited financial statements, and the notes thereto, for the year ended November 30, 2003, can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in the following Management's Discussion and Analysis (MD&A) and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

GENERAL

Indicator commenced trading on the TSX Venture Exchange Inc. (the "Exchange" or "TSX-V") under the symbol "IME" effective March 2, 2004.

During the prior years ended November 30, 2002 and 2003 and the first quarter ended Feb 29, 2004, the Company operated as a Capital Pool Corporation ("CPC") called Dev Investments Inc. in accordance with TSX-V policy 2.4 with its Common Shares having been listed and posted for trading on the TSX Venture Exchange under the symbol "DIN.P" on October 24, 2001.

On February 27, 2004, the Company announced the completion of its Qualifying Transaction as set out in Policy 2.4 and became a junior resource exploration company under new management. Shareholders approved amending the name from Dev Investments Inc. to Indicator Minerals Inc. and the Company commenced trading on the TSX-V under the symbol "IME" effective March 2, 2004.

Indicator Minerals Inc. now operates as a well financed publicly traded Canadian diamond exploration company focused on the discovery of economic diamond deposits. Management has a proven track record in the discovery and development of diamond bearing kimberlites as well as the financing and

administration of junior exploration companies. The Company is technically driven and committed to the efficient and systematic evaluation of its projects.

Indicator is exploring for diamonds on more than seven million acres of mineral claims and prospecting permits in Canada's eastern arctic. The land package was specifically targeted for acquisition based on research of historical information and the recovery of kimberlite indicator minerals from regional heavy mineral samples collected in 2003. This represents a dominant land position in an area where more than 70 million acres of prospecting permits and mineral claims have been acquired by diamond exploration companies in 2004.

More information about the Management and Projects of Indicator can be found on the Company's website at www.indicatorminerals.com.

RESULTS OF OPERATIONS

Qualifying Transaction

The Company's Qualifying Transaction on February 27, 2004, was an arm's length acquisition of an option to acquire up to a 60% working interest in the mineral claims comprising the Aylmer Lake Property (the "Property") from Shear Minerals Ltd. ("Shear"), Mantle Minerals Inc. ("Mantle") and 974134 NWT Ltd. (the "Option Agreement"). The Property is located in the Mackenzie district of the Northwest Territories approximately 70km east of the Diavik Diamond Mine and immediately west of the diamond bearing Nicholas Bay kimberlite. The mineral claims comprising the Property are owned jointly by Shear and Mantle on a 60%/40% basis, are registered in the name of 974134 NWT Ltd. (a wholly owned subsidiary of Shear) and are subject to 1.5% Gross Overriding Royalty on all diamonds produced from the Property in favour of Kennecott Canada Exploration Inc., which royalty is to continue in perpetuity.

As consideration for entering into the Option Agreement, Indicator issued 50,000 common shares to each of Shear and Mantle at a deemed price of \$0.10 per share for aggregate consideration of \$10,000. In addition, Indicator issued 250,000 common shares to 660327 BC Ltd. at a deemed price of \$0.10 as a finders fee in connection with the Qualifying Transaction. 660327 BC Ltd. is a company wholly owned by Bruce Counts, the President and Chief Executive Officer of Indicator.

Pursuant to the Option Agreement, Indicator had the option to earn up to a 60% working interest in the Property over two stages. During the first stage, Indicator would have earned an option to acquire a 51% working interest in the Property by expending a minimum of \$300,000 in exploration costs with respect to the Property within 18 months of the effective date of the Option Agreement (the "First Stage Option"). In the event Indicator exercised the First Stage Option, Indicator would have issued to Shear and Mantle 100,000 Common Shares each at a deemed price of \$0.10 per share upon the exercise of this option. To obtain the Second Stage Option to acquire an additional 9% working interest in the Property, Indicator would have had to expend an additional \$500,000 in explorations costs with respect to the Property within 18 months of exercising its First Stage Option.

On April 26, 2004, exploration commenced on the Aylmer Lake Diamond Project with drill testing of up to three kimberlite targets that were identified in detailed airborne electromagnetic (EM) data. Each of the targets slated for drilling had been surveyed with ground EM instruments to insure that the character of the anomaly is consistent with known kimberlites. In addition to the drilling program, ground EM surveys were to be conducted over three priority airborne anomalies in order to assess suitability for drilling.

EM has played an important role in the discovery of economic kimberlites in the Lac de Gras area. Many of the kimberlites in the Ekati and Diavik mine plan were initially located by their EM signatures. The EM anomalies on the Aylmer Lake Diamond Project are similar to those associated with kimberlites elsewhere in the region and were considered high priority by the company.

By May 7, 2004, the initial exploration program on the Aylmer Lake Diamond Project, located approximately 300km northeast of Yellowknife, was completed. During the program three electromagnetic (EM) geophysical targets were drill-tested. No kimberlite was intersected. The targets were explained by the discovery of a thick layer of glacial-lacustrine clays within the overburden sequence. In addition to the drilling program, ground EM surveys were conducted over three priority airborne anomalies. The surveys performed did not produce compelling drill targets and no further work was contemplated on these anomalies.

Based on these results, Indicator elected to not exercise its option to earn a 51% interest in the project and has focussed its efforts on the properties included in the agreements entered into with Hunter Exploration Group and Committee Bay Resources Ltd.

\$500,000 Non-Brokered Private Placement

In conjunction with its Qualifying Transaction, the Corporation completed a financing of 5,000,000 units at a price of \$0.10 per unit for gross proceeds of \$500,000. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire a common share at an exercise price of \$0.15 for a period of 24 months from issuance. The private placement was completed on February 3, 2004 with a restriction from trading the common shares until June 3, 2004.

Acquisition of Diamond Rights on More than 3 Million Acres in Nunavut – The Hunter Properties

On February 26, 2004, Indicator entered into a letter agreement to acquire an 80% interest in the diamond rights to several parcels of land that total 3,298,437.5 acres from Hunter Exploration Group, an arms length vendor. Hunter retains a 20% carried interest in the Properties until a bankable feasibility study is completed. The Properties consist of 54 prospecting permits and 24 mineral claims located near the communities of Kugaaruk and Taloyoak in Nunavut Territory. As consideration for the Properties, Indicator has issued 3,000,000 common shares at a deemed price of \$0.40 per share and must reimburse the vendor for property acquisition costs in the amount of \$1,056,677.78 and for work deposits on the permits of \$242,710.20. Management is reviewing regional data acquired by the Vendors and will propose a program and budget to evaluate the Properties during 2004.

The Agreement was subject to a number of conditions, including Exchange approval, an appropriate geological report with respect to the Properties prepared in accordance with National Policy 43-101 and Indicator obtaining financing of a minimum of two million dollars. The outstanding conditions were cleared and the deal was closed effective July 19, 2004. The share issuance and reimbursement of costs have been recorded during the second quarter ended May 31, 2004.

\$3.09 Million Brokered Private Placement

On April 16, 2004, Indicator completed a private placement of \$3,090,000 (the "Offering"), including an over-allotment issue of \$490,000, through Canaccord Capital Corporation (the "Agent"). Pursuant to the Offering, the Corporation issued 2,000,000 flow-through units ("FT Units") at a price of \$0.55 per FT Unit and 3,980,000 non-flow-through units (the "NFT Units") at a price of \$0.50 per NFT Unit. Each FT Unit consisted of one flow-through common share and one-half of one purchase warrant (the "FT Warrant"), while each NFT Unit consisted of one non-flow-through common share and one-half of one

purchase warrant (the "NFT Warrant"). Each whole FT Warrant will entitle the holder to acquire a non-flow-through common share at an exercise price of \$0.75 for a period of one year from issuance. Each whole NFT Warrant will have the same terms, except they will expire 18 months from issuance.

Pursuant to the Offering, the Agent received a cash commission of 8% of the gross proceeds and elected to receive 95,720 NFT Units in lieu of a portion of its cash commission. In addition, the Agent received 598,000 warrants (the "Agent's Warrants"). Each Agent's Warrant entitles the holder to acquire a common share of the Corporation at an exercise price of \$0.65 for a period of 12 months from closing. Furthermore, the Agent was paid an administration fee of \$5,000 and a corporate finance fee of 70,000 units (the "CF Units"). Each CF Unit consisted of one common share and one whole common share purchase warrant exercisable for a period of 12 months at a price of \$0.75.

The proceeds from the Offering are intended to assist Indicator in financing its proposed acquisition of an 80% interest in the diamond rights to several properties held by the Hunter Exploration Group. In addition, funds raised in the offering will be used for working capital and exploration expenditures.

Grant of Stock Options

On April 19, 2004, subsequent to the completion of the brokered private placement, the Corporation granted 1,514,500 stock options at an exercise price of \$0.58, of which 1,164,500 were granted to directors and officers of the Corporation with the remaining 350,000 to employees and consultants.

Acquisition of Diamond Rights on Additional 3 Million Acres in Nunavut - The Committee Bay Properties

On April 22, 2004, Indicator entered a letter agreement with Committee Bay Resources Ltd. (CBR:TSX-V) ("CBR"), a company with common directors and management, whereby Indicator can earn up to a 70% interest in only the diamond rights of the CBR's areas of interest in Nunavut Territory, which total more than three million acres of land. The properties included in the deal are located in the Kivilliq region of Nunavut and comprise more than 400,000 acres of mineral claims and 2.6 million acres of prospecting permits. Under the terms of the agreement, Indicator can earn a 50% interest by spending \$3,000,000 on exploration by December 31, 2006, including a committed expenditure of \$500,000 by December 31, 2004. An additional 20% interest can be earned by spending a further \$2,000,000 by December 31, 2007. Furthermore, Indicator must issue 1,000,000 common shares at a deemed value of \$ 0.40 per share and reimburse approximately \$243,820 in work deposits posted by CBR to acquire prospecting permits. The properties are subject to a gross overriding royalty of up to 2%.

The Committee Bay land package, coupled with the ground acquired from the Hunter Exploration Group gives Indicator a dominant land position totalling more than six million acres in an area that has become an international focus for diamond exploration. In addition, much of the six million acres was specifically targeted for acquisition based on kimberlite indicator minerals recovered from regional heavy mineral samples collected in 2003. The proposed Acquisition is non-arm's length as John Williamson, Sean Mager and Craig Bentham are all directors, officers and/or shareholders of Indicator and Committee Bay. In addition, under the terms of the agreement, the Acquisition is subject to regulatory approval and to Indicator raising sufficient funds to meet its expenditure obligations. Of these, only regulatory approval remains outstanding, but it is expected that this will be received. Therefore, the share issuance and reimbursement of permit costs have been recorded during the quarter-ended May 31, 2004.

Exclusive Agreement with Hunter Exploration Group

On May 19, 2004, Indicator entered into a letter agreement with the Hunter Exploration Group (Hunter) of Vancouver, BC to provide diamond exploration services to Indicator on an exclusive basis.

Hunter is one of Canada's most successful private exploration groups and has an established track record in the mineral industry as an innovative group specializing in generative exploration projects. Hunter has taken a leading role in regional diamond exploration in northern Canada since 1992 and has been involved in more than 24 kimberlite discoveries and the acquisition of over 30 million acres.

Previous initiatives by Hunter led to the acquisition of the Aviat Project on the Melville Peninsula and the subsequent discovery of the AV-1 kimberlite by partners Stornoway Diamond Corporation and BHP Billiton Diamonds. In addition, Hunter's regional work led Shear Minerals Ltd. to acquire the Churchill Diamond Project, where 15 kimberlites have been discovered. These discoveries precipitated the largest staking rush in Canadian history with more than 80 million acres being acquired in eastern Nunavut by several of the world's leading diamond explorers including Stornoway Diamond Corporation, BHP Billiton Diamonds, De Beers and Kennecott.

In 2003, Hunter conducted an independent regional sampling program and recovered kimberlite indicator minerals from several areas in eastern Nunavut. Based on these results, Hunter acquired more than three million acres of prospecting permits and mineral claims in eastern Nunavut near the communities of Kugaaruk and Taloyoak. On March 1, 2004 Indicator announced that it had entered into an agreement with Hunter to earn an 80% interest in the diamond rights to these properties. Hunter's work, together with recent announcements by Diamonds North Resources Ltd. and BHP Billiton Diamonds, point toward the presence of a new kimberlite district in the eastern Arctic.

Under the terms of the agreement, Indicator will fund regional generative exploration programs proposed by Hunter and pay \$75,000 annually to cover their overhead costs. In return, Indicator will have an exclusive option to earn an 80% interest in the diamond rights to any projects created as a result of the regional work. Hunter will retain a 20% interest and a 2% Gross Over-riding Royalty (GORR) in any projects and will be carried by Indicator to the conclusion of a positive feasibility study.

Joint Venture with International Samuel

On May 31, 2004, Indicator entered into a letter agreement with International Samuel Exploration Corp. (SAZ: TSX-V) ("Samuel") to jointly explore approximately 1.36 million acres of prospecting permits and mineral claims located southwest of Wager Bay, Nunavut Territory. The Naniruaq Project consists of 12 prospecting permits totaling 490,000 acres and is part of the land package that Indicator has acquired from Hunter (see Hunter Properties above). Qulliq Project is composed of approximately 870,000 acres of mineral claims that were recently staked by Samuel (80%) and Hunter (20%) under a letter agreement dated May 4th, 2004. This joint venture pools their respective interests on two adjoining projects.

Under the terms of the agreement, which is subject to regulatory approval, Hunter will retain a 20% interest and a 2% Gross Over-riding Royalty (GORR) in the projects and will be carried equally by Indicator and Samuel to the conclusion of a positive feasibility study. Indicator and Samuel will each have a 40% participating interest in the diamond rights to the combined properties and will share the acquisition and exploration costs equally. Indicator and Samuel have each paid their \$425,000 share of the acquisition costs for the Qulliq claims and Indicator and Samuel will fund future exploration expenditures equally on the combined properties. Samuel will be operator.

SUBSEQUENT EVENTS

\$1.8 Million Brokered Private Placement

On July 9, 2004, Indicator announced a brokered private placement with Canaccord Capital Corporation to raise up to \$1,800,000 by issuing up to 4,500,000 Flow-Through Shares at a price of \$0.40 per Share. In addition, Canaccord will have an over allotment option to acquire up to 500,000 additional shares for additional gross proceeds of \$200,000, exercisable at any time until the closing date.

The proceeds of the private placement will be used to advance the Company's projects in eastern Nunavut. Particular emphasis will be placed on those areas that produced the most promising regional heavy mineral sample results. This includes the 735,000 acres of mineral claims located near the community of Pelly Bay and within the BHP Billiton - Diamonds North Resources Ltd. joint venture area.

The Agents will be paid a cash fee equal to 8% of the gross proceeds raised in the Offering. The Agents will also receive broker warrants (the "Broker Warrants") entitling them to purchase that number of Common Shares, which is equal to 10% of the number of Units sold. The Broker Warrants will expire eighteen months after the Closing Date and have an exercise price of \$0.40 per Common Share. The Flow-Through shares and the Broker Warrants will be subject to a hold period of four months from the Closing Date, which will be on or about August 6th, 2004.

FINANCIAL RESULTS

As Indicator did not commence operations as a junior resource exploration company until completing its Qualifying Transaction at the end of the first quarter of 2004, the comparison of second quarter financial results to operations of the former Capital Pool Corporation in prior periods is not a meaningful exercise.

Selected unaudited financial data for the first and second quarters of Indicator operations are as follows:

| 3 months ended | May 2004 | Feb 2004 |
|---------------------------------|-----------------|-----------------|
| Current assets | 2,819,546 | 646,545 |
| Mineral properties and deposits | 3,744,558 | 78,926 |
| Current liabilities | 1,836,532 | 108,981 |
| Total revenue | 0 | 0 |
| Loss from operations | (108,865) | (81,230) |
| Write-off of mineral interest | (281,976) | 0 |
| Net loss | (390,841) | (80,411) |
| Basic loss per share | (0.025) | (0.0222) |
| Weighted Avg shares | 15,509,988 | 3,617,582 |

Selected audited financial data for annual operations of the former Capital Pool Corporation during the years ended November 30, 2002 and 2003 are as follows:

| Year ended | Nov 2003 | Nov 2002 |
|---------------------------------|-----------------|-----------------|
| Current assets | 191,409 | 218,111 |
| Mineral properties and deposits | 0 | 0 |
| Current liabilities | 9,508 | 4,172 |
| Total revenue | 0 | 0 |
| Net loss | (32,038) | (104,814) |
| Basic loss per share | (0.0092) | (0.0299) |
| Weighted Avg shares | 3,500,000 | 3,500,000 |

Key financial results of Indicator's operations during the six-month interim period ending May 31, 2004 are as follows:

- \$ 3,590,000 was raised through gross proceeds of two private placements;
- \$ 1,481,678 was incurred on the acquisitions of mineral interests for payments of cash;
- \$ 1,635,000 was incurred on the acquisitions of mineral interests for payments of shares;
- \$ 486,530 was incurred for recoverable deposits on prospecting permits;
- \$ 420,276 was spent on exploration activity;
- \$ 281,976 was written off for capitalized costs on the termination of the Aylmer option;
- \$ 190,095 was spent on general and administrative activity.

FINANCIAL CONDITION, LIQUIDITY and CAPITAL RESOURCES

Indicator plans to spend a minimum of \$2.5 million on exploration in 2004.

Working capital as at the second quarter ended May 31, 2004, was \$1,469,544 including prospecting permit deposits (versus \$181,901 at Nov.30, 2003) and fully diluted working capital was \$4,939,139 (versus \$223,151 at Nov.30, 2003). With the \$1.8 million placement to be completed during the third quarter, Indicator will have sufficient working capital to meet its anticipated general and administrative expenses over the next 24 months as well as exploration expenditure commitments for 2004. Nevertheless, due to the inherent nature of the junior mineral exploration industry, the Corporation will have a continuous need to secure additional funds through the issuance of equity or debt in order to support its corporate and exploration activities, as well as its share of obligations relating to mineral properties.

As Indicator is in the development phase and its properties are early stages of exploration, none of the Company's properties are in production. Mineral exploration expenditures are capitalized and losses are incurred as a result of administrative expenses relating to the operation of the Corporation's business. Consequently, the Company's net income is not a meaningful indicator of its performance or potential. The key performance driver for the company is the acquisition and development of prospective mineral properties. By acquiring and exploring projects of superior technical merit, the Company increases its chances of finding and developing an economic deposit.

At this time, the Corporation is not anticipating profit from operations. Until such time as the Corporation is able to realize profits from the production and marketing of commodities from its mineral interests, the Corporation will report an annual deficit and will rely on its ability to obtain equity and/or debt financing for long-term growth.

RISK FACTORS

The success of the Company's business is subject to a number of factors, including but not limited to those risks normally encountered in the mining industry, such as exploration uncertainty, operating hazards, increasing environmental regulation, competition with companies having greater resources, and lack of operating cash flow. In addition, there is no quoted market price for diamonds and the market price for rough diamonds is dependent on an efficient market management system.

The Company employs many strategies to minimize overhead and reduce financial risk in exploration, such as:

- Advancing its own properties and/or participating in the advancement of third party properties through joint venture and/or option agreements with third parties;
- Coordinating field work with other regional companies to reduce mobilization costs and take advantage of existing infrastructure;

- Closely monitoring industry developments and revisiting existing data to identify overlooked and/or new opportunities;
- Outsourcing corporate and field support capacity as needed, rather than employing fulltime staff;
- Maintaining its headquarters in Edmonton, Alberta, Canada, which is the transportation gateway to the Company's northern operating locations and provides low overhead costs compared to other large cities in North America.

RELATED PARTY TRANSACTIONS

Transactions with related parties during the three-month period include management, administration and consulting fees of \$29,320 (nil in 2003) paid to directors or companies controlled by directors. No fees were paid to related parties in 2003 as the Company was a non-operating Capital Pool Corporation under different management prior to completing its Qualifying Transaction.

The proposed acquisition diamond rights from Committee Bay Resources Ltd. is non-arm's length as John Williamson, Sean Mager and Craig Bentham are all directors, officers and/or shareholders of Indicator and Committee Bay. Under the terms of the agreement, the acquisition is subject to regulatory approval and to Indicator raising sufficient funds to meet its expenditure obligations. Of these, only regulatory approval remains outstanding, but it is expected that this will be received.

INVESTOR RELATIONS

With respect to public relations, the Company provides information from its corporate offices to investors and brokers directly.

APPROVAL

The Board of Directors of the Company has approval the disclosure contained in this interim MD&A. A copy of this interim MD&A will be provided to anyone who requests it.