

**INTER-CITIC MINERAL TECHNOLOGIES INC.
CONSOLIDATED FIRST QUARTER
INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

FEBRUARY 28, 2003

INTER-CITIC MINERAL TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
(All figures in Canadian dollars)

As at	February 28, 2003	November 30, 2002 <small>(Audited)</small>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,083,869	\$ 1,564,858
Accounts receivable	172,350	77,434
Other receivables	174,009	184,598
Inventories	577,517	744,727
Prepaid expenses	21,183	28,290
	2,028,928	2,599,907
Deposits	60,000	60,000
Investments (Note 3)	48,781	48,781
Investment in associated company (Note 4)	1	1
Property, plant and equipment, net (Note 5)	4,098,655	4,109,019
	\$ 6,236,365	\$ 6,817,708
LIABILITIES		
Current		
Bank advances (Note 6)	\$ 542,100	\$ 567,900
Accounts payable and accrued liabilities	362,227	402,657
Customer deposits	180,700	190,536
Due to related party (Note 7)	53,169	55,701
Convertible debenture (Note 8)	2,072,138	1,995,101
	3,210,334	3,211,895
Non-controlling interest	410,221	461,272
COMMITMENTS (Note 9)		
SHAREHOLDERS' EQUITY		
Equity portion of convertible debenture (Note 8)	213,105	213,105
Share capital (Note 10)	16,577,337	16,577,337
Share purchase warrants (Note 10)	612,706	612,706
Contributed surplus	15,000	15,000
Deficit	(14,802,338)	(14,273,607)
	2,615,810	3,144,541
	\$ 6,236,365	\$ 6,817,708

Note 1 - Nature of Operations and Going Concern Assumption

Approved by the Board of Directors:

[SIGNED] Mark R. Frederick Director	[SIGNED] James J. Moore Director
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The accompanying Notes to Financial Statements are an integral part of these financial statements.

INTER-CITIC MINERAL TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(All figures in Canadian dollars)

	For the three months ended February 28, 2003	For the three months ended February 28, 2002
REVENUE		
Sales	\$ 281,301	\$ 48,126
COST OF SALES		
Cost of goods sold	263,190	32,859
Gross margin (loss)	18,111	15,267
OTHER EXPENSES		
Selling, general and administrative expenses	422,342	292,815
Depreciation and amortization	93,416	69,942
	515,758	362,757
Loss before the undernoted	(497,647)	(347,490)
Foreign exchange gain (loss)	(3,747)	6,019
Interest and other expense, net	(78,388)	(7,858)
Equity in net income (loss) of associated company (Note 4)	-	(26,717)
Loss before income taxes and non-controlling interest	(579,782)	(376,046)
Income taxes (Note 11)	-	-
Loss before non-controlling interest	(579,782)	(376,046)
Non-controlling interest	51,051	28,019
Net loss	(528,731)	(348,027)
Deficit, beginning of period	(14,273,607)	(11,625,642)
Deficit, end of period	\$ (14,802,338)	\$ (11,973,669)
Net loss per share - basic and diluted	\$ (0.02)	\$ (0.01)
Weighted average common shares outstanding	30,626,516	25,115,176

The accompanying Notes to Financial Statements are an integral part of these financial statements.

INTER-CITIC MINERAL TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(All figures in Canadian dollars)

	For the three months ended February 28, 2003	For the three months ended February 28, 2002
CASH PROVIDED BY (used in)		
Operating activities		
Loss for the period	\$ (528,731)	\$ (348,027)
Items not involving cash		
Depreciation and amortization	93,416	69,942
Equity in net loss (income) of associated company (Note 4)	-	26,717
Non-controlling interest	(51,051)	(28,019)
	(486,366)	(279,387)
Changes in non-cash working capital balances		
Accounts receivable	(94,916)	(1,221)
Other receivables	10,589	(50,963)
Inventory	167,210	(133,702)
Prepaid expenses	7,107	(87,389)
Accounts payable and accrued liabilities	(40,430)	(51,204)
Customer deposits	(9,836)	97,350
Due to related party (Note 7)	(2,532)	8,595
	37,192	(218,534)
Financing activities		
Bank advances (Note 6)	(25,800)	11,561
Accrued interest on convertible debenture (Note 8)	77,037	-
Proceeds of convertible debenture (Note 8)	-	769,600
Share subscription	-	1,300,000
Issuance of shares (Note 10 (b))	-	36,000
	51,237	2,117,161
Investing activities		
Purchase of property, plant and equipment (Note 5)	(83,052)	(51,443)
	(83,052)	(51,443)
Increase/(decrease) in cash for the period	(480,989)	1,567,797
Cash and cash equivalents, beginning of period	1,564,858	127,503
Cash and cash equivalents, end of period	\$ 1,083,869	\$ 1,695,300
Supplemental Information:		
Income taxes paid during the period	\$ -	\$ -
Interest paid during the period	\$ 9,573	\$ 9,227

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2003**

1. Going Concern Assumption

The accompanying financial statements have been prepared using Canadian generally accepted accounting principles assuming a going concern. The ability of the Company to continue as a going concern will be dependent upon the ability of the Company to raise additional financing and carrying out its business plan.

As at February 28, 2003, the Company reported a loss of \$528,731 and an accumulated deficit of \$14,802,338 (\$2,647,965 and \$14,273,607 as at November 30, 2002, respectively). This condition casts significant doubt as to the ability of the Company to continue in business and meet its obligations as they come due.

During 2002, \$1,114,067 was spent refurbishing the Techmat plant in China. An additional \$83,052 was spent during the first quarter of 2003. These expenditures enhanced purity and marketability of the rare earths produced. To date this has been confirmed by samples produced. However no contracts are currently in place for Techmat production and the plant remains idle as the company concentrates on securing production contracts from end users. Management believes at current product prices the plant will be profitable once contracts are secured. There is no assurance that such contracts will be negotiated and the plant reactivated. Accordingly, its future value could be severely impacted if not realized through normal production. The plant is currently reflected in the financial statements at its cost of \$4,083,088.

Management is considering various alternatives, including a private placement to raise capital in 2003. It is not possible to determine with certainty the success or adequacy of these initiatives.

The Company's continuance as a going concern is dependent on obtaining adequate resources through external funding or profitable operations. In the event that such resources are not secured, the assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material

2. Summary of Significant Accounting Policies

Use of Estimates

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. The most significant estimates relate to recoverability and carrying value of Rare Earth Division property, plant and equipment, useful economic lives of assets for amortization purposes and fair values of financial instruments. Actual results could differ from those estimates.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

- (a) Inter-Citic Holdings Ltd. (100% owned), a company incorporated in the Cayman Islands
- (b) Techmat Inc. (100% owned), a company incorporated in the Republic of Mauritius
- (c) TechMat (USA) Corporation (100% owned), a company incorporated in Nevada, USA
- (d) United Worldwide Ltd. (100% owned), a company incorporated in the British Virgin Islands
- (e) Bay Roberts Resources Ltd. (98% owned), a company incorporated in British Columbia
- (f) Yangzhong Zhonghai Techmat Co., Ltd. (80% owned), a company incorporated in the People's Republic of China
- (g) Honor Link (HK) Ltd. (51% owned), a company incorporated in Hong Kong

All material inter-company transactions and balances have been eliminated.

INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2003

Foreign Currency Translation

Effective January 1, 2002, the Company adopted, retroactively, a new Canadian Institute of Chartered Accountants ("CICA") accounting standard in respect of foreign currency translation that eliminates the deferral and amortization of currency translation.

Revenue Recognition

Revenue is recognized when title to shipments passes to third party purchasers.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash, term deposits and other interest bearing instruments with original maturity dates of less than 90 days.

Investments

Investments are recorded at cost less a write down for an other than temporary decline in value.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and other receivables, investments, bank advances and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Inventories

Inventories are carried at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis for raw materials and average cost for work-in-process and finished goods.

Property, plant and equipment

Property, plant and equipment are recorded at cost less depreciation and amortization calculated on a straight-line basis at the following rates:

Buildings	5%
Equipment	10%-33%

The Company has a long-term land lease in China, which has been prepaid, and the cost has been capitalized. This cost is being amortized on a straight-line basis over the term of the lease.

Construction in progress is not depreciated until it is put in use.

Income Taxes

Future income tax assets and liabilities are established where the accounting net book value of assets and liabilities differs from the corresponding tax basis. The benefit of future income tax assets is only recognised where their realisation is judged to be more likely than not.

**INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2003**

Stock-based Compensation Plan

The Company has a stock-based compensation plan, which is described in note 10. Effective January 1, 2002 the Company adopted CICA 3870 Stock-based Compensation and Other Stock-based payments. As permitted by CICA 3870 the Company has applied this change prospectively for new awards granted on or after January 1, 2002. The Company has chosen to recognize no compensation when stock options are granted under stock option plans with no cash settlement features. Consideration paid on exercise of stock options is credited to common share capital.

Earnings per Share

Net income (loss) per common share has been computed by dividing income (loss) applicable to common shareholders by the weighted-average number of common shares outstanding during the respective periods. Diluted net income (loss) per common share is computed by dividing net earnings (loss) applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

3. Investments

	February 28, 2003	November 30, 2002
Investments in marketable securities (fair market value - \$36,638; 2001 - \$59,201)	\$ 48,781	\$ 48,781

It is the Company's intention to hold the marketable securities for greater than one year.

4. Investment in Associated Company

Investment in associated company is carried on an equity basis.

	February 28, 2003	November 30, 2002
<u>Ideal e-Commerce Limited</u>		
Equity - 50% ownership (a)	\$ 1	\$ 1
Shareholder loan (b)	250,000	250,000
Accumulated equity in net loss	(250,000)	(250,000)
	\$ 1	\$ 1

(a) Investment in associated company represents the Company's 50% interest in Ideal e-Commerce Limited. ("Ideal e-Commerce"), a Hong Kong company formed in a 50/50 joint venture between the Company and Henderson China Holdings Ltd. ("Henderson China"), of Hong Kong, in March, 2000 for the development and launch of a Business-to-Business online metals trading portal through its 48% ownership in China Metals Net Company Ltd. ("China Metals Net"), of Hong Kong. This investment is consistent with the business activity of the Company and its long term strategic objectives.

52% of the shares of China Metals Net are owned by China National Non-Ferrous Industrial Trading Group Company ("CNIT"), formerly Minmetals International Non-Ferrous Metals Trading Company, of Beijing. CNIT has agreed to utilize the services of China Metals Net on an exclusive basis to conduct all of its non-ferrous metals trading business activities through the Business-to Business online metals trading portal.

(b) The Hong Kong dollar denominated shareholder loan (HK \$1,224,999; 2002 - HK\$1,224,999) is unsecured and bears no interest and has no terms of repayment.

INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2003

(c) The Company's net investment in and operations of Ideal e-Commerce are represented by:

	February 28, 2003	November 30, 2002
Expenses and net loss	\$ (46,586)	\$ (46,586)
Current assets	\$ 31,626	\$ 31,626
Current liabilities	(31,625)	(31,625)
Net investment	\$ 1	\$ 1

5. Property, plant and equipment

	February 28, 2003			November 30, 2002		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value
Prepaid land lease	\$ 255,232	\$ (17,558)	\$ 237,674	\$ 255,232	\$ (15,938)	\$ 239,294
Building	1,184,637	(134,251)	1,050,386	1,165,431	(120,997)	1,044,434
Equipment	3,336,892	(667,275)	2,669,617	3,322,219	(588,733)	2,733,486
Construction in progress	140,978	-	140,978	91,805	-	91,805
Total	\$ 4,917,739	\$ (819,084)	\$ 4,098,655	\$ 4,834,687	\$ (725,668)	\$ 4,109,019

6. Bank Advances

As at February 28, 2003, Yangzhong Zhonghai Techmat Co., Ltd. in China has borrowed, in aggregate, \$542,100 (Renminbi 3,000,000; 2002 - \$567,900, Renminbi 3,000,000) from a domestic bank in the form of a line of credit, repayable on demand, and secured by a fixed charge on the land and buildings. The bank advances bear interest at a rate of 7.605%. During the period, the Company paid or accrued interest charges of \$9,573 (2002 - \$9,227).

7. Related Party Transactions

Due to Related Party of \$53,169 (Renminbi 294,239; 2002 - \$55,701, Renminbi 294,239) represents advances from the minority shareholder of Yangzhong Zhonghai Techmat Co., Ltd. bearing no interest and having no fixed terms of repayment.

During the period, the Company paid or accrued management fees of \$45,834 (2002 - \$35,235) to one company controlled by a director and to one director. These fees were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Convertible Debenture

On July 10, 2002, the Company received the final tranche of a \$2,000,000 two-year, non-redeemable convertible debenture. The debenture carries an 8.9% coupon, non-compounding, and is convertible into common shares of the Company at a price of \$1.00 per share. Proceeds of the debenture will be used to expand capacity and to enhance productivity at the Company's 80%-owned rare earths processing facility.

In view of the debenture holder's right to redeem the debenture through the issuance of common shares, the debenture is being accounted for as having both a debt and equity component in accordance with accounting standards of the Canadian Institute of Chartered Accountants. Accordingly, interest of \$77,037 has been accrued for the for the period.

**INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2003**

9. Lease Commitment

The Company has entered into a lease for office space to the year 2010 with minimum lease payments as follows:

Balance of 2003	\$	33,439
2004	\$	44,585
2005	\$	46,593
2006	\$	46,995
2007	\$	46,995
2008 and thereafter	\$	105,739

10. Share Capital

(a) Authorized

98,500,000 common shares, without par value

(b) Issued and Outstanding

	February 28, 2003		November 30, 2002	
	Shares	Amount	Shares	Amount
Balance - Beginning of period	28,711,810	\$ 16,710,360	25,107,398	\$ 14,269,066
Issued by private placement	-	-	3,529,412	2,387,294
Exercise of Options	-	-	75,000	54,000
	28,711,810	16,710,360	28,711,810	16,710,360
Investment in own shares	(116,500)	(133,023)	(116,500)	(133,023)
Balance - End of period	28,595,310	\$ 16,577,337	28,595,310	\$ 16,577,337

On April 15, 2002 the Company completed a private placement for total proceeds of \$3,000,000, representing 3,529,412 units of the Company at a price of \$0.85 per unit. Each unit consists of one common share and a one-half of one share purchase warrant. Each whole share purchase warrant permits the purchase of one additional common share at \$1.00 for a period of twenty-four months from the date of issue.

As part of this financing transaction, the Company agreed to pay a finders's fee of \$75,000 in cash and 150,000 share purchase warrants. Each share purchase warrant entitles the holder to purchase one share at a price of \$1.00 for twenty-four months from the date of issue.

Consideration received has been allocated to the common shares after deducting the estimated fair value of the share purchase warrants.

Proceeds of the private placement will be for general working capital.

**INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2003**

(c) Stock-based Compensation Plan

The Company has a stock option compensation plan. No compensation expense is recognized when stock or stock options are issued. Any consideration paid on exercise of stock options or purchase of stock is credited to share capital. Shares issued under the plan are recorded at the exercise price.

	February 28, 2003		November 30, 2002	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Options outstanding - Beginning of year	1,674,000	\$ 0.85	1,764,000	\$ 0.95
Options granted	-	\$ -	165,000	\$ 0.92
Options exercised	-	\$ -	(75,000)	\$ 0.72
Options expired	-	\$ -	(100,000)	\$ 1.01
Options terminated	-	\$ -	(80,000)	\$ 1.15
Options outstanding - End of year	1,674,000	\$ 0.85	1,674,000	\$ 0.85

Options Outstanding and Exercisable	February 28, 2003
Price range per option	\$0.67 to \$1.24
Weighted average remaining contractual life	2.60 Years
Weighted average exercise price	\$0.85

Effective January 1, 2002, the Company adopted a new accounting standard issued by the CICA relating to stock-based compensation and other stock-based payments. This new standard requires either the recognition of compensation expense for grants of stock, stock options and other equity instruments to employees, or, alternatively, the disclosure of pro forma net earnings and net earnings per share data as if stock-based compensation had been recognized in earnings. The Company has elected to disclose, by way of note, pro forma net earnings and earnings per share data for options granted after January 1, 2002. Therefore, there is no effect of adopting this standard on the Company's results of operations and financial position. Since there were no options granted during the period, there would not have been any change to net loss or net loss per share.

(d) Earnings per Share

Options on 1,674,000 (2002 - 1,764,000) common shares were excluded from the computation of diluted earnings per share because their effect was not dilutive.

11. Income Taxes

(a) China Subsidiary Tax Status

According to the "Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises", Yangzhong Zhonghai Techmat Co., Ltd, the Company's China subsidiary, is entitled to an exemption on enterprise income tax for the first two years commencing with the first profitable year after offsetting all losses carried forward, and a 50% reduction for the three years thereafter. Following the expiration of the five-year exemption, the subsidiary will qualify for a 50% reduction in regular tax rates if the value of its exported products amounts to 70% or more of the total production value for the year. Yangzhong Zhonghai Techmat Co., Ltd. has not yet achieved its first full year of profitability.

INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2003

(b) Loss Carry forwards - Canada

The Company has available losses of approximately \$3,871,000 which may be carried forward to reduce future years' income for tax purposes. A full valuation allowance of \$2,000,000 has been applied against the benefit of these tax losses, as in management's view recognition is not warranted.

2003	\$	388,000
2004	\$	653,000
2005	\$	447,000
2006	\$	658,000
2007	\$	664,000
2008	\$	752,000
2009	\$	1,028,000

12. Segmented Information

The Company's operations include a Head Office in Canada, a Rare Earth Division with operations in China and a sales office in Florida, USA, and an e-Commerce division based in Canada and Hong Kong. The Rare Earth Division processes rare earth concentrates in China which are primarily used in the optical and automotive catalytic converter industries as well as the manufacture of mini and micro magnets for the computer and telecommunication industries.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

(a) Segmented Net Loss

For the three months ended February 20, 2003

	Head Office	Rare Earth Division	e-Commerce Division	Consolidated
REVENUE				
Sales	\$ -	\$ 281,301	\$ -	\$ 281,301
COST OF SALES				
Cost of goods sold	-	263,190	-	263,190
Gross margin (loss)	-	18,111	-	18,111
OTHER EXPENSES				
Selling, general and administrative expenses	189,720	232,622	-	422,342
Depreciation and amortization	1,140	92,276	-	93,416
	190,860	324,898	-	515,758
Operating loss	(190,860)	(306,787)	-	(497,647)
Foreign exchange gains (losses)	(688)	(3,059)	-	(3,747)
Interest and other expense, net	(69,593)	(8,795)	-	(78,388)
Loss before income taxes and non-controlling interest	(261,141)	(318,641)	-	(579,782)
Income taxes (Note 10)	-	-	-	-
Loss before non-controlling interest	(261,141)	(318,641)	-	(579,782)
Non-controlling interest	-	51,051	-	51,051
Net loss	\$ (261,141)	\$ (267,590)	\$ -	\$ (528,731)

INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2003

(a) **Segmented Net Loss, continued**

For the three months ended February 28, 2002

	Head Office	Rare Earth Division	e-Commerce Division	Consolidated
REVENUE				
Sales	\$ -	\$ 48,126	\$ -	\$ 48,126
COST OF SALES				
Cost of goods sold	-	32,859	-	32,859
Gross margin (loss)	-	15,267	-	15,267
OTHER EXPENSES				
Selling, general and administrative expenses	204,582	88,233	-	292,815
Depreciation and amortization	1,140	68,802	-	69,942
	205,722	157,035	-	362,757
Operating loss	(205,722)	(141,768)	-	(347,490)
Foreign exchange gains (losses)	(6,454)	12,473	-	6,019
Interest and other income (expense), net	1,231	(9,089)	-	(7,858)
Equity in net loss of associated company (Note 4)	-	-	(26,717)	(26,717)
Loss before income taxes and non-controlling interest	(210,945)	(138,384)	(26,717)	(376,046)
Income taxes (Note 10)	-	-	-	-
Loss before non-controlling interest	(210,945)	(138,384)	(26,717)	(376,046)
Non-controlling interest	-	28,019	-	28,019
Net loss	\$ (210,945)	\$ (110,365)	\$ (26,717)	\$ (348,027)

(b) **Property, plant and equipment, net, by Geographic Region**

	February 28, 2003	November 30, 2002
China	\$ 4,083,088	\$ 4,092,312
Canada	15,567	16,707
	<u>\$ 4,098,655</u>	<u>\$ 4,109,019</u>

(c) **Total Assets by Segment**

	February 28, 2003	November 30, 2002
Rare Earth Division	\$ 5,151,998	\$ 5,407,531
Head Office	1,084,366	1,410,176
e-Commerce Division	1	1
	<u>\$ 6,236,365</u>	<u>\$ 6,817,708</u>

Inter-Citic Mineral Technologies Inc.

BC Form 51-901F - Schedule B

(Supplementary Information)

1. ANALYSIS OF EXPENSES AND DEFERRED COSTS

Breakdown of Selling, general and administrative expenses:

For the three months ended February 28, 2003

	Head Office	Rare Earth Division	e-Commerce Division	Consolidated
Salaries and benefits	\$ 13,842	\$ 104,404	\$ -	\$ 118,246
Travel and accommodation	38,812	60,742	-	99,554
Management fees	75,834	2,406	-	78,240
Office and rent	38,613	25,952	-	64,565
Professional fees	6,178	16,156	-	22,334
Consulting	2,436	14,844	-	17,280
Corporate relations	14,005	-	-	14,005
Other expenses	-	8,118	-	8,118
	<u>\$ 189,720</u>	<u>\$ 232,622</u>	<u>\$ -</u>	<u>\$ 422,342</u>

2. RELATED PARTY TRANSACTIONS

See Schedule A

3. SUMMARY OF SECURITIES ISSUED AND OPTIONS GRANTED DURING THE PERIOD

(a) Summary of Securities Issued

See Schedule A

(b) Summary of Options Granted

Not applicable

4. SUMMARY OF SECURITIES AS AT THE END OF THE REPORTING PERIOD

See Schedule A

5. DIRECTORS AND OFFICERS

Mark Frederick - Director

Carlos Ho - Director

Hao Veng Ho - Director

Sherman Hsiao Ming Hong - Director

James J. Moore - President and Chief Executive Officer

Lou Pasubio - Vice-President, Finance and Chief Financial Officer

Peter Tang - Secretary

Inter-Citic Mineral Technologies Inc.

BC Form 51-901F – Schedule C (Management Discussion and Analysis)

Management's Discussion and Analysis should be read in conjunction with the current period's financial statements.

OVERVIEW

Inter-Citic is focused on expanding its ability to bridge the gap between western business fundamentals with opportunities in the People's Republic of China. The Company continues to develop its Rare Earth division while at the same time aggressively pursuing development rights to resource projects in China. These initiatives are cornerstones of Inter-Citic's immediate business strategy of building an integrated mineral company that is focused on the Chinese marketplace, and activities commenced during this year are expected to result in additional opportunities.

Since its acquisition of an 80% interest in a joint venture in China, the Company's Rare Earth Division ("Techmat") has continued to undergo a phased upgrade and expansion to facilitate future growth, which has now been substantially completed. The operation processes rare earth concentrates for use in the automotive, catalyst, electronics and glass industries, and although globally the rare earth market has suffered a significant downturn since the establishment of the Division, the Company continues to see opportunity for growth in the medium to long-term. During the last fiscal year, senior technical staff was added to the Techmat management team and areas of further improvement and innovation were identified and implemented. Instead of continuing to sell lower-grade products at diminishing margins and increasingly saturated markets, the Company focused on re-positioning itself as a high-quality producer, and its greatly improved products are now being aggressively marketed for testing and qualification to international clients through a permanent sales office in the USA.

While the Company expects that testing and qualification of its products will ultimately lead to long-term sales contracts beginning some time this year, production has been suspended and costs will be kept at minimum levels in the interim. It is understood that if the Company is unsuccessful in qualifying its products and securing sales contracts this could result in impairment in value and write-down of underlying assets.

RESULTS OF OPERATIONS

For the first quarter of 2003, the Company's consolidated net loss was \$528,731 compared to \$348,027 for the same period last year. The Rare Earth Divisions accounted for \$267,590 of this loss compared to \$110,365 in 2002, while the e-Commerce Division continued with no activity during the quarter (the e-Commerce Division incurred a loss of \$26,717 for the first quarter of last year). The Company's consolidated net loss per share was \$0.02 for the quarter, compared to \$0.01 for the same period last year.

(Unaudited)	2002				2003			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales:								
Rare Earth	\$48,126	\$23,456	\$11,174	\$6,680	\$281,301			
Net Loss:								
Head Office	\$210,945	\$255,511	\$357,794	\$352,805	\$212,906			

Rare Earth	\$110,365	\$190,330	\$168,476	\$948,460*	\$267,590		
e-Commerce	\$26,717	\$23,990	\$2,572	\$0	\$0		
Overall	\$348,027	\$469,831	\$528,842	\$1,301,265	\$480,496		
Net Loss Per Share (Basic and Diluted)	\$0.01	\$0.02	\$0.02	\$0.04	\$0.02		

* Includes provisions of \$ \$746,694 for low-grade inventory resulting from implementation and testing of expansion and improvement measures during the latter part of 2001 and throughout 2002.

A. The Rare Earth Division

As planned, a full-scale expansion of the Rare Earth facility that continued during 2002 was completed in the first quarter of 2003. While a full ramp-up was originally expected to take place by the end of the third quarter of last year, the Company elected to change its strategy in the face of the unenthusiastic global economic outlook for rare earths and specific feedback from customers. 2002 was a difficult year for rare earths, with a continuance of the negative slide of 2001. Demand, prices and margins all suffered, especially in the markets for generic, lower-grade products. As a result, the Company modified the scope of its expansion plan to further expand its product base and improve quality. The Company believes that these steps were necessary to ensure the competitiveness of Techmat in the changing global market. In the meantime, the Company will continue to work with customers to get its products qualified with a view to securing long-term sales contracts during the year, while keeping production overheads at minimal levels in the interim. Production at the facility will not resume until sales contracts in the international market are secured.

During the quarter, sales for the Rare Earth Division totaled \$281,301 compared to \$48,126 for the same period last year as a result of limited activity while carrying out the expansion. More significantly, selling, general and administrative expenses increased to \$232,622 from \$88,233 last year as a result of increased costs associated with sales and marketing initiatives.

As a result of the above, Rare Earth Division experienced an overall loss for the quarter of \$267,590 compared to a loss of \$110,365 in the previous year.

Non-controlling interest represents minority shareholder's interest in the earnings of the subsidiary company Yangzhong Zhonghai Techmat Co., Ltd.

B. The e-Commerce Division

The e-Commerce Division did not incur any expenses for the quarter, as commercial activity was limited as the Company continued work with its partners on satisfying all regulatory requirements for the conduct of e-commerce in China. A 50% equity pick-up of the Company's share of the net loss in Ideal e-Commerce Limited ("Ideal") resulted in a loss from the e-Commerce Division in the first quarter of last year of \$26,717, while no such loss was incurred for the first quarter of 2003. A total of \$500,000 in start-up costs (net of interest earned) has been incurred and fully expensed by Ideal as it continues to work on the development and implementation of an on line metals trading portal in China. To date, Ideal has finalized a business plan and secured a long-term service agreement that the Company believes will ensure positive cash flow from the Division immediately upon successful implementation.

C. Other Initiatives

During the year the Company continued to pursue development rights for a large zinc deposit in Yunnan Province in China. An international consortium consisting of Inter-Citic and partners have demonstrated that highly specialized technology is available to the consortium on an exclusive basis. At present, the Company suspects that the processing of the deposit will not be economically feasible without this specialized technology. Recently, a company that had previously been granted a period of exclusivity on the project has indicated its intention to abandon its proposal. Inter-Citic and its partners view this as a significant development and the Company will continue to aggressively pursue the opportunity.

In addition to this project, the Company began the process of aggressively pursuing development rights to other resource projects in China, and it is expected that these efforts will produce results some time during the current fiscal year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Overall, these expenses have increased from \$292,815 in the first quarter of last year to \$422,342 this year, with the most significant increase occurring in the Rare Earth Division as a result of increased costs associated with sales and marketing initiatives.

	Q1, 2003	Q1, 2002
Head Office	\$189,720	\$204,582
Rare Earth	\$232,622	\$88,233
e-Commerce	\$0	\$0
Overall	\$422,342	\$292,815

Selling, general and administrative expenses for the e-Commerce Division expenses peaked in 2001 and consisted primarily of travel and accommodation, as well as professional and consulting services associated with the establishment of an online metals trading portal in China. Significant additional expenses are not anticipated for this Division until the project is successful in satisfying regulatory requirements for the conduct of e-commerce in China.

CASH RESOURCES AND LIQUIDITY

Operating Activities

The Company continued to generate negative cash flow from operations for the first quarter of 2003, as was the case in 2003 (\$400,939 in 2002 compared to \$497,921 in 2002), primarily as a result of losses incurred in the Rare Earth Division. Since the end of last year, however, the Company completed its improvement and expansion program for its rare earth facility and expects that negative cash flow from this division will be significantly reduced in the coming year.

SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in

conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. The most significant estimates relate to recoverability and carrying value of Rare Earth Division property, plant and equipment, useful economic lives of assets for amortization purposes and fair values of financial instruments. Actual results could differ from those estimates.

Foreign Currency Translation

Effective January 1, 2002, the Company adopted, retroactively, a new Canadian Institute of Chartered Accountants (“CICA”) accounting standard in respect of foreign currency translation that eliminates the deferral and amortization of currency translation. There was no effect of adopting this standard on the Company’s results of operations and financial position.

Stock-based Compensation Plan

Effective January 1, 2002, the Company adopted a new accounting standard issued by the CICA relating to stock-based compensation and other stock-based payments. This new standard requires either the recognition of compensation expense for grants of stock, stock options and other equity instruments to employees, or, alternatively, the disclosure of pro forma net earnings and net earnings per share data as if stock-based compensation had been recognized in earnings. The Company has elected to disclose, by way of note, pro forma net earnings and earnings per share data for options granted after January 1, 2002.

Therefore, there was no effect of adopting this standard on the Company’s results of operations and financial position. Moreover, since no new options were granted during the quarter, there would not have been any change to net loss or net loss per share.

RISKS AND UNCERTAINTIES

The following describes certain principal risks not previously described in the management’s discussion and analysis, but is not, by its very nature, all-inclusive.

Political Risk

The Company’s strategic advantage is its ability to accomplish business objectives in China efficiently and effectively. Accordingly, the Company anticipates that a majority of its future revenue producing activities will be in that jurisdiction. As a result, the Company is subject to social, political and economic developments and trends that are beyond its control. This risk is mitigated by the Company’s strong ties to China through its shareholder base and members of its Board of Directors, as well as its expertise in understanding the realities of the Chinese government’s decision-making process. Much time and effort has been invested in identifying key senior contacts and understanding their deeper concerns when dealing with foreign investment. In fact, a cornerstone to Inter-Citic’s ability to access the highest levels of the Chinese decision and policy-making structure is in leveraging the relationships and extensive connections available within its own shareholder base, and it is this ability that sets the Company apart from other western companies attempting to do business in China.

Environmental Risk

The Company believes that the environmental protection measures taken at its rare earth processing facility are adequate for the purposes of compliance with Chinese environmental protection regulations. However, future legislation and regulations could cause additional expenses, capital expenditures, restrictions or delays in production, the extent of which cannot be predicted.

Foreign Exchange Risk

The Rare Earth Division anticipates that a majority of its sales will occur outside China and will be invoiced and paid for in US dollars, while interest on Chinese debt as well as operating expenses within China are paid in Chinese currency. As a result, the company feels that it does not have a significant exposure to devaluation of the Chinese currency.

Interest Rate Risk

The Company currently has debt outstanding in China that is subject to fluctuating Chinese interest rates. Since the Company cannot control or predict fluctuations in these rates, the impact of such fluctuations on the interest expense incurred by the Company could be significant.

Going Concern Risk

In light of ongoing and significant losses, the ability of the Company to continue to meet its obligations as they come due and therefore to implement its initiatives depends on its ability to obtain adequate financing and commence profitable business operations.

During 2002 an additional \$1,114,067 was spent refurbishing the rare earth facility in China. An additional \$83,052 was spent during the first quarter of 2003. Although these expenditures enhanced product quality and marketability of the rare earth products produced, production has been suspended as the company concentrates on securing sales contracts from end users outside of China. Management believes that at current product prices the plant will be profitable once contracts are secured. There is no assurance that such contracts will be negotiated and the plant reactivated. Accordingly, its future value could be severely impacted if not realized through normal production. The plant is currently reflected in the financial statements at its cost of \$4,083,088.

Management is considering various alternatives, including a private placement to raise capital in 2003. It is not possible to determine with certainty the success or adequacy of these initiatives. Although current financing initiatives appear favourable, the Company may experience delays in meeting its implementation timetable for its projects should there be problems securing adequate financing. The Company has mitigated this risk by entering into strategic partnerships with Companies and individuals that are experienced and capable of sourcing funds as and when required.

OUTLOOK

Now that the Company has successfully completed its systematic phase-in of the upgrade and expansion of its rare earth facility the Rare Earth Division will focus on getting its products qualified with customers and securing long-term sales contracts. During this period, which is expected to take between six and nine months, production and costs will be kept at absolute minimum levels.

The e-Commerce Division continues to pursue its interests in its online metal trading portal, and is confident that this initiative will provide an immediately positive contribution to cash flow when development is completed.

Finally, the Company does not expect to incur significant further expenditures relating to its bid for a large zinc ore deposit in Yunnan Province in China. However, the Company is determined to aggressively pursue this and other initiatives as circumstances warrant and believes that significant progress can be made during the next year.

CAUTION REGARDING FORWARD LOOKING INFORMATION

Certain of the statements that are not historical facts contained in this Annual Report and other disclosure documentation are forward-looking statements that involve risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements. These statements involve risk and uncertainties, including but not limited to the risk factors previously described. Actual results could differ materially from those projected as a result of these risks and should not be relied upon as a prediction of future events. Readers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Inter-Citic Mineral Technologies Inc. undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise.