

Inter-Citic Minerals Inc.

Management's Discussion and Analysis

This Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements for the first quarter ended February 28, 2011 (unaudited), and the audited consolidated financial statements for the year ended November 30, 2010 and the Annual Information Form ("AIF") for the year ended November 30, 2010 for Inter-Citic Minerals Inc. ("**Inter-Citic**" or "**the Company**"), and is current as at April 8, 2011. Unless otherwise noted, all financial information is expressed in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles and with consistent application of accounting policies. Additional information regarding the Company and its operations and activities can be found on its website at www.inter-citic.com, or on SEDAR at www.sedar.com, including the documents referenced above.

Disclosure of a technical nature in this Management's Discussion and Analysis has been reviewed by Mr. B. Terrence Hennessey, P.Geo., of Micon International Limited ("**Micon**"), the Company's independent Qualified Person as that term is defined under National Instrument 43-101 ("**NI 43-101**"), as well as Mr. Gerald Bidwell, P.Geo., the Company's internal Qualified Person, with respect to the Company's mineral properties.

HIGHLIGHTS FOR THE QUARTER

Metallurgical Update

- On March 2, 2011 the Company provided an update of the metallurgical testing carried out as part of its ongoing flowsheet development work aimed at permitting and constructing a gold mine with an associated concentrator and bacterial oxidation plant at its Dachang Gold Project ("**Dachang**").
- This extensive optimization test work, completed over the last six months, resulted in an estimated overall predictable recovery of gold to doré from typical Dachang mineralization to 87.8% - an increase from 85% previously reported in the Company's 2009 Preliminary Economic Assessment ("**2009 PEA**"). For more information see **Metallurgical Testing** below.

Permitting in China

- Subsequent to the quarter, on March 22nd the Company announced the appointment of China Nerin Engineering Co., Ltd. ("**Nerin**") to complete a Chinese-Standard Feasibility Study ("**CFS**"), a Mineral Resources Development and Utilization Program ("**MRDUP**") and the associated Project Application Report ("**PAR**") for the Dachang project. The production of a CFS, MRDUP and PAR are the first stages in the permitting process for a mine and mill development in China.
- Nerin is one of China's largest engineering companies, and an internationally accredited Level 1 Design Institute, based in Nanchang. They have extensive experience in all forms of engineering design and construction management, and have acted as the design engineers for numerous mine projects worldwide, including Eldorado Gold Corporation's Jinfeng Gold Mine in Guizhou Province (approximately 200,000 oz gold per year), plus numerous other mine, mill and smelter designs, both in China and in other countries worldwide. For more information see **Permitting and Development Work** below.

Corporate Development

- The Company also announced subsequent to the quarter that it had commenced trading on the OTCQX®, under the symbol ICMTF. The OTCQX is the most prestigious of the three tiers of the Over-the-Counter ("OTC") market in the United States. Joining this trading platform will help provide better access and liquidity as well as greater transparency of trades for the U.S. investor of

the Company's common shares. Additional information can be found in the Company's press release of March 29, 2011.

OVERVIEW

Inter-Citic is a development stage company engaged in the acquisition, exploration and development of exploration stage resource properties. The Company has entered into an earn-in agreement in respect of the Dachang Gold Project (total land area of approximately 279 km²) in the Province of Qinghai in the People's Republic of China ("China" or the "PRC").

The Company has been exploring Dachang since 2004, including completion of approximately 149,000 metres of diamond drilling (approximately 1,180 drill holes) and 89,000 metres of trenching (approximately 790 trenches) to date. Exploration results for the Project to date can be found on the Company's website at www.inter-citic.com.

On July 19, 2010 the Company announced an update to its NI 43-101 compliant mineral resource estimate for Dachang as follows:

- Estimated Measured and Indicated mineral resources of 17.2 million tonnes grading 3.41 g/t Au (1.88 million ounces contained gold), a 40% increase over the previously reported estimate of 12.4 million tonnes grading 3.37 g/t Au (1.34 million ounces contained gold).
- Estimated Inferred mineral resources of 9.8 million tonnes grading 2.97 g/t Au (0.93 million ounces contained gold) for the DMZ and PVZ, plus 1.3 million tonnes grading 5.81 g/t Au (0.24 million ounces contained gold) for the NR-2 and, a further 3.5 million tonnes grading 3.06 g/t Au (0.35 million ounces contained gold) for new exploration areas.

To date, the Company has not established any mineral reserves or engaged in any production activities, and these estimates of mineral resources are not affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.

In the medium to long term, the Company intends to continue to explore Dachang with a view to identifying gold reserves and to continue to evaluate and ultimately implement strategies for becoming a gold producer in the PRC. The Company has commenced permitting activities for mine and mill development for the DMZ and Placer Valley resources.

As at February 28, 2011, the Company had approximately \$6.2 million in net working capital, including restricted cash. The Company expects annual cash operating expenses to be in the range of \$3.5 to \$4.5 million, but has flexibility with respect to allocation of funding to ongoing exploration as the Dachang project transitions from advanced exploration to development. Additional financing will be required to complete the permitting activities necessary to develop a mine in China, including the completion of the CFS, MRDUP and PAR. Although to date the Company has been successful in sourcing funds necessary to continue its business activities, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. To date the Company has not established any proven reserves or engaged in any production activities, and there is no guarantee that this will occur in the future. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found, and even if they are, that they can be mined economically. In the event that exploration on the property, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put the property into production, and profitability of future production is not successful, assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material.

RESULTS OF OPERATIONS

Selected financial information:

| | February 28, 2011 | November 30, 2010 | November 30, 2009 | November 30, 2008 |
|---|----------------------|----------------------|----------------------|----------------------|
| Balance Sheet: | | | | |
| Cash and Cash Equivalents, including Restricted Cash | \$10,229,928 | \$11,648,645 | \$8,080,210 | \$14,962,020 |
| Total Assets | \$72,939,096 | \$74,471,055 | \$55,299,665 | \$53,072,873 |
| Total Long-term Financial Liabilities (excluding Future Income Taxes) | - | - | - | - |
| Net Loss (Income): | | | | |
| Net Loss before the Undernoted | \$1,081,262 | \$4,275,065 | \$2,846,574 | \$3,249,007 |
| Stock-based compensation | - | 1,776,250 | 816,350 | 806,250 |
| Depreciation and amortization | 123,687 | 237,749 | 297,718 | 175,697 |
| Interest and other | (15,280) | (66,542) | (132,759) | (462,091) |
| Net Loss for the period | \$1,189,669 | \$6,222,522 | \$3,827,883 | \$3,768,863 |
| Net Loss Per Share (Basic and Diluted) | \$0.01 | \$0.06 | \$0.05 | \$0.05 |
| Additional Data | | | | |
| Net proceeds from issuance of shares and warrants | \$104,500 | \$18,404,877 | \$4,759,267 | \$23,126,478 |
| Spent on exploration equipment purchases | - | \$492,042 | \$140,152 | \$1,570,570 |
| Spent on exploration expenses | \$475,590 | \$10,165,145 | \$8,081,424 | \$12,393,619 |

Total assets grew in 2010 as a result of the Zijin private placement in Q2 2010, which provided net proceeds of approximately \$18 million, increasing the Company's cash position, which was then deployed to the project (approximately \$10 million in 2010), including exploration as well as permitting and development initiatives. The decrease to total assets in Q1 reflects cash payments made against 2010 year-end accruals and the realization of a marketing related prepaid expense (see **Specific Items** below).

For certain payments in relation to the mineral property interests, the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amount, which also contributed to the increase in total assets from year to year.

The scope and scale of exploration and/or permitting and development programs as well as general operating expenses have generally increased each year as the Company accumulates more data and experience with the Dachang project. During 2008, the Company had a significantly expanded drill program at Dachang as it focused on making significant progress with respect to the definition of the DMZ. In 2009, the Company's exploration program was designed to further test the continuity of the mineralization and to upgrade any remaining inferred resources to measured and indicated. In 2010, however, the Company was focused on near surface resource expansion targeting new areas outside the DMZ. At this time, the Company anticipates that exploration expenses relating to the DMZ will continue at significantly lower levels than was the case in prior years as the Company moves towards feasibility and permitting work for that area of the project, and permitting and development expenses are expected to increase steadily as progress is made in this regard. The Company will continue to invest in exploration in prospective areas outside the DMZ, though the Company has discretion with respect to exploration activity,

which is primarily determined based on prior results and availability of adequate funding (see **Cash Resources and Liquidity**, below).

Net loss (before interest and certain other items, see above) was higher in 2010 compared to previous years as a result of the timing of bonus awards to management. In addition, the Company experienced significantly increased indirect costs associated with the completion of the Zijin investment, and increased professional and corporate development costs relating to ongoing corporate initiatives.

EXPLORATION AND DEVELOPMENT ACTIVITIES AND COMMITMENTS

A. Exploration Activity

On November 14, 2003, the Company entered into an earn-in agreement with the Qinghai Geological Survey Institute (“**QGS**”) regarding the Dachang Gold Project. On November 24, 2009, the Chinese party to the agreement was changed to the No. 5 Geology and Mineral Exploration Institute (“**No. 5 Institute**”), a company that shares the same parent company as QGS. Under the terms of this agreement, the Company can earn an 83% interest in the project by contributing the equivalent of approximately \$22,517,300 (Renminbi 150,000,000) for exploration (all of which was advanced as at February 28, 2011), completion of metallurgical and pre-feasibility reports, and making a cash payment of the equivalent of approximately \$1,484,000 (Renminbi 10,000,000) upon the issuance of all applicable licenses, permits and approvals required to bring the project into production.

The Company also has the option to acquire an additional 7% interest in the project based on the valuation of any potential mining project contained in the pre-feasibility report, for a total interest of 90%. The No. 5 Institute will retain a carried interest in the project. As part of the agreement, the Company also has a right of first refusal on any mineral exploration project for which the No. 5 Institute seeks foreign investment.

The Dachang project is located approximately 160 km from the City of Golmud in the Province of Qinghai, China, at an elevation of approximately 4,500 metres and consists of five exploration licenses covering approximately 279 km². Since 2004, the Company has been exploring Dachang including:

1. 1:25,000 scale Geological Mapping over 200 km²;
2. Soil Geochemical Surveys over areas of approximately 229 km² (more than 60,000 conventional B-horizon soil samples collected and tested for gold, arsenic and antimony);
3. 24.6 km of 50 metre pole-dipole IP and resistivity surveying and 32.6 km of 25 metre pole-dipole IP and resistivity surveying;
4. Excavation and sampling of 791 trenches totalling more than 89,000 linear metres; and
5. 1,179 diamond drill holes totalling more than 149,000 metres.

Highlights of Past Exploration Activities

- In 2007, a detailed in-fill drill program on the DMZ was undertaken by the Company with the aim of confirming continuity of grade and mineralization. Drilling along a 900 metre-long area of the DMZ, the in-fill drill program increased both grade and contained ounces of gold, and showed good geological continuity on the closely spaced drill sections.
- In 2008, drilling on the DMZ was designed to test continuity of mineralization of the fault structures along the 3.5 km strike length defined in 2007. This testing occurred over drill sections spaced from 20 to 80 metres apart.
- In 2009, drilling on the DMZ was designed to further test continuity of mineralization and to upgrade any remaining inferred resources to measured and indicated prior to beginning deposit

engineering and development studies. Approximately 18,500 metres of core was drilled in 198 holes for this purpose, and this drilling was successful in confirming grade and continuity of the mineralization and extended strike of both the eastern and western limits of the DMZ such that the fault is now defined along a 4 km strike length to a depth of at least 150 metres along this strike length.

- In 2010, the Company was focused entirely on near surface resource expansion targeting new areas of the 279 km² property known to contain gold mineralization. A total of 25,070 metres of diamond drilling was completed in 236 holes and a further 9,660 metres of shallow trenching was completed with a total of 129 new trenches excavated. This work exposed near surface mineralization in typical Dachang style fault structures in three of the four new areas while work on the DMZ extension continue to intersect narrow bands of flat-lying sulphide mineralization on the direct eastern extension of the DMZ deposit under a thicker layer of overburden cover.

All exploration at Dachang since 2004 was completed under the direction of the Company. The Company completed and filed an updated, independent technical report dated August 20, 2009 for the Dachang Gold Project which, in addition to subsequent exploration results and other information regarding ongoing work and findings at Dachang, is available from the Company's website or from www.sedar.com.

B. Mineral Resource Update

On July 19, 2010 the Company announced an update to its mineral resource estimate at Dachang as follows:

Dachang Mineral Resources at July 1, 2010

| Category | Million Tonnes | Grade (g/t Au) | Million Ounces Gold |
|---------------------------------------|----------------|----------------|---------------------|
| Measured (DMZ & Placer Valley) | 5.0 | 3.55 | 0.57 |
| Indicated (DMZ) | 12.2 | 3.34 | 1.31 |
| Total Measured & Indicated | 17.2 | 3.41 | 1.88 |
| Inferred (DMZ & Placer Valley) | 9.8 | 2.97 | 0.93 |
| Inferred (NR-2) | 1.3 | 5.81 | 0.24 |
| Inferred (Exploration) | 3.5 | 3.06 | 0.35 |
| Total Inferred | 14.6 | 3.23 | 1.51 |

(Cut off grade for the above table is 0.6 g/t Au)

This estimate was based on all drill holes at Dachang drilled up to the end of 2009. Drilling used in the mineral resource estimate of DMZ and Placer Valley is approximately 114,000 metres in 868 drill holes. A further 12,030 metres in 96 drill holes was carried out in exploration areas. The cut-off grade used for 3-D mineralized wireframes was 0.5 g/t Au for DMZ and Placer Valley. The cut-off grade used for exploration areas was 0.6 g/t and linear metal accumulation of 2.4 gm/t. A bulk density of 2.7 t/m³ was used to convert volume to tonnage based on 103 samples. The top cut based on a probability plot is 40 g/t Au. The primary search ellipse used was 70 m x 35 m x 3.5 m. The minimum and maximum number of samples used for interpolation was 6 and 16 using at least 2 drill holes. The parent block size used was 10 m x 5 m x 5 m.

The interpolation method used was Ordinary Kriging. Uniform conditioning was used to derive grade and tonnage above each cut-off using a selective mining unit of 2.5 m x 2.5 m x 2.5 m.

Resources were categorized based on the following criteria:

- **Measured Resource:** Measured Mineral Resources were defined as those portions of the mineralized blocks where the average distance of all the samples used is less than 70 metres with a minimum distance of 20 metres from the block centre. In addition, the blocks were estimated using a minimum of 2 drill holes with a minimum of 6 and a maximum of 16 samples.
- **Indicated Resource:** Indicated Mineral Resources were defined as those portions of the mineralized blocks where the average distance of all the samples used is less than 90 metres with a minimum distance of 50 metres from the block centre. In addition, the blocks were estimated using a minimum of 2 drill holes with a minimum of 6 and maximum of 16 samples.
- **Inferred Resource:** Inferred Mineral Resources were defined as those portions of mineralized areas that are based on widely-spaced drilling. The confidence on geological continuity has been interpreted but there is not enough drilling to confirm confidence on grade.

The resource estimate for the NR-2 Anomaly was not further tested in 2009 and remains unchanged as described in the Company's press release of December 12, 2005.

Maps and associated materials are available on the Company's website at www.inter-citic.com.

To date, the Company has not established any mineral reserves or engaged in any production activities, and these estimates of mineral resources are not affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.

This updated mineral resource estimate was prepared for the Company under the supervision of Stanley C. Bartlett, P.Geo., of Micon International Co Limited, an independent Qualified Person as that term is defined under NI 43-101. The estimate complies with the CIM mineral resource definitions referenced in NI 43-101.

C. Metallurgical Testing

On March 2, 2009, the Company announced results of first stage metallurgical testing for Dachang. Results demonstrated relatively high concentrate gold grades with excellent float recovery of 96% using conventional floatation methods. The rougher concentrate graded 30 g/t and is considered high enough to be marketable. Further test work showed that the rougher concentrate could be upgraded to 57.7 g/t gold through regrind and cleaning stages, resulting in an overall recovery of 94% of the gold into a final cleaner concentrate with a mass of only 6.2% w/w. These results confirmed that it was possible to produce a marketable high-grade, low mass concentrate from the mineralization at Dachang.

On May 7, 2009, the Company reported results of bio-leach testing on bulk flotation concentrate. The Company believes that the results of this testing provide the Company with an economically viable process flow sheet for mineralization at Dachang by bio-leaching and conventional CIL. Gold CIL recovery of 89% was achieved on bio-leached flotation concentrate and overall gold recovery to doré are predicted at 85%.

On March 2, 2011, the Company reported results from multiple metallurgical test work programs carried out over the latter half of 2010 at independent laboratories and testing facilities in China, Australia and South Africa. As described in the press release, the testing produced an increase in the predicted recovery of gold to doré for typical Dachang mineralization to 87.8% from 85% as previously reported in the 2009 PEA. The aim of these programs was to confirm the earlier test work reported on by the Company on March 2 and May 7 of 2009, and to provide increased certainty as to metallurgical performance of the proposed treatment route for the production of gold to doré from the Dachang project. In addition, the comprehensive test work program confirmed that the effective grind for the Dachang project can be

increased from a P80 of 85 microns to a P80 of 106 microns representing a significant saving in grinding costs and a potential increase in throughput for the project, for the same installed grinding power. This work was supervised by Gary A. Patrick, B.Sc., MAusIMM, who is the principal of Metallurg Pty. Ltd. and a Qualified Person under NI 43-101. Further information is provided in Company's press release of March 2, 2011 which can be found on the Company's website at www.inter-citic.com.

D. Preliminary Economic Assessment

On July 6, 2009, the Company announced results of a positive Preliminary Economic Assessment ("2009 PEA") for Dachang. The 2009 PEA was prepared based upon a mineral resource prepared and reported in 2009 and uses the results derived from a programme of preliminary process test work, conceptual mining schedules and cost forecasts prepared at that time and was prepared by qualified, experienced, independent engineering consulting groups, working under the direction of Mr. Patrick Gorman, M.Sc., C.Eng., Eur.Eng., MIMMM.

The preferred case reported in the 2009 PEA comprises an open pit mine delivering 2 million tonnes per year of ore to a fully integrated flotation, BIOX® and CIL circuit which produces doré. Highlights of the preferred case reported in the 2009 PEA include:

- At a gold price of US\$750/troy ounce the Dachang project is estimated to generate an after tax IRR in excess of 40% and an after tax project NPV at a 5% discount rate in excess of US\$198 million.
- At a gold price of US\$800/troy ounce, the after tax IRR increases to 47% and NPV exceeds US\$241 million.
- Total gold production of approximately 1.5 million ounces is forecast to be generated during a mine life of approximately 9 years.
- Estimated mine site cash operating costs average US\$404/oz and project capital cost is forecast to be US\$104 million.

The economic model in the 2009 PEA was based upon conceptually scheduling an estimated 17.8 million tonnes of mineral resources at an average grade of 3 grams gold/tonne. This was derived from pit optimizations generated from using a resource model prepared for the DMZ only. It did not include resources contained in areas such as Placer Valley.

Since that time, a new mineral resource estimate has been prepared as at July 1, 2010. In general, this resource estimate reported a significant increase in both quality of the resource and in overall tonnage, and could form the basis for a revision to the 2009 PEA.

The Company cautions that the results of the 2009 PEA are preliminary in nature and includes mineral resources that are not mineral reserves and do not demonstrate economic viability as defined by NI 43-101. The 2009 PEA includes inferred mineral resources that are considered to be too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized. There is no certainty that the preliminary assessment will be realized as presented since certain engineering parameters related to construction, operating, environment, geotechnical and other technical and cost factors will require further systematic assessment and validation during the pre-feasibility study phase. The results of the 2009 PEA are considered to have an accuracy of +/- 30%.

E. Permitting and Development Work

The Company has entered into a program of engineering and environmental studies required to move the Dachang project from exploration to development.

The program is being led by the Company's Vice-President, Development and the Company's local Chinese partner working with Nerin and is being supported by local Chinese engineering staff employed by the Company and other consultants elsewhere in the world. This work is intended to move the DMZ and

PVZ towards full operating permits and subsequent construction of a mine and mill complex, in the shortest possible period.

The production of a CFS, MRDUP and PAR are the first stages in the permitting process for a mine and mill development in China. In addition, in the near future, the Company will commence work on a number of other permitting and environmental initiatives which may lead to the approval and development of a mine, concentrator and metallurgical facility to produce gold in doré at Dachang.

The 2009 PEA forms the current basis for the permitting and development plan described above, with a base case production level of approximately 180,000 to 200,000 ounces of gold in doré being considered throughout these studies. The eventual mine and mill design and capacity will be subject to a number of operating and technical variables which will be extensively studied as part of the CFS, which is currently expected to be published by the end of 2011.

Costs in respect of the services agreement with Nerin are expected to be up to \$1 million over the next year. The Company may terminate the agreement at any time with written notice and, as a result, would then be subject to a penalty based on the status of the work at that time.

F. Capitalized Exploration Costs

A breakdown of capitalized exploration costs for the quarter ended February 28, 2011 together with the comparative figures for the year ended November 30, 2010 is included in the Company's Notes to Consolidated Financial Statements for the three months ended February 28, 2011. Capitalized costs consist primarily of drilling and costs for drilling support, including camp and consulting costs, as well as costs associated with other geological testing and mapping, assays, metallurgical testing, and permitting and development related expenses.

Differences in exploration expenditures from year to year and from quarter to quarter arise primarily as a result of differences in the scope, nature and timing of exploration activity. While it is normally expected that exploration that began in the previous year will conclude in Q1 of the following year, followed by an expectation that Q2 of every year will represent a transitional quarter for the Company as it compiles and analyzes results of exploration from the previous year and subsequently prepares for commencement of exploration for the current year, this is not always the case as exploration at Dachang may start and end earlier or later depending on many factors (weather, for example). As a result, expenditures from quarter to quarter may vary greatly. The Company sets exploration targets during the planning phase for the year, including budgets, and then monitors the productivity onsite against those plans during the season. In addition, the Company has initiated a permitting and development program for the Dachang Main and Placer Valley zones, and these costs are also recorded as capitalized expenses relating to Dachang. To date, the Company has incurred approximately \$3.4 million in permitting and development costs, of which approximately \$300,000 was incurred in the first quarter of 2011.

During the quarter, the Company capitalized \$475,590 in costs relating to the Dachang Gold Project (compared to \$1,002,017 last year), excluding future tax liabilities of \$134,000 (compared to \$263,000 last year), representing a decrease of \$526,427 (53%). This decrease is primarily a timing difference, as the 2009 exploration program extended into the first quarter of 2010. The 2010 exploration program did not extend into 2011.

G. Office Lease

The Company has entered into leases for office space to the year 2014 with minimum lease payments as follows: 2011 - \$106,772, 2012 - \$129,622, 2013 - \$89,214 and 2014 - \$22,303.

SUMMARY OF QUARTERLY RESULTS

Selected quarterly information for the past eight quarters:

| | 2011 | 2010 | | | | 2009 | | |
|--|--------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|------------------|
| (unaudited) | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Net Loss: | | | | | | | | |
| Net Loss before the Undernoted: | \$1,081,262 | \$1,223,444 | \$870,446 | \$1,008,580 | \$1,172,595 | \$905,619 | \$597,991 | \$646,733 |
| Stock-based compensation | - | 100,650 | 54,636 | 192,214 | 1,428,750 | 58,800 | 757,550 | - |
| Depreciation and amortization | 123,687 | 2,700 | 3,329 | 125,054 | 106,666 | 1,122 | 4,936 | 153,208 |
| Interest and other | (15,280) | (6,808) | (42,756) | (11,165) | (5,813) | (18,544) | (6,848) | (39,651) |
| Net Loss for the period | \$1,189,669 | \$1,319,986 | \$885,655 | \$1,314,683 | \$2,702,198 | \$946,997 | \$1,353,629 | \$760,290 |
| Net Loss Per Share (Basic and Diluted) | \$0.011 | \$0.012 | \$0.008 | \$0.014 | \$0.030 | \$0.011 | \$0.016 | \$0.009 |

As discussed, the Company's annual exploration program for Dachang typically begins by the end of Q2 and runs through Q3 and Q4, ending either by the end of Q4 or sometimes in Q1 of the following year (as was the case in 2009 but not in 2010). Exploration results are compiled and released as they are received throughout this period and into the following year, with planning and mobilization for the current year's exploration program occurring in Q2, although if the Company begins exploration earlier in a particular year some of these costs may be incurred by the end of Q1 (this was not the case in 2009 as the Company took additional time to assess the results of the 2008 program which ended in the early part of 2009). Expenditures on exploration are generally consistent with this pattern of activity, as are the Company's overhead expenses, in that they are expected to be lowest in Q1, begin to increase in Q2 and then level off at their highest in Q3 and Q4. An indicator of this pattern of activity is depreciation and amortization expense from quarter to quarter, as the Company capitalizes depreciation of exploration equipment only while that equipment is in use during the exploration season.

Overall, expenses increased significantly in 2010 compared to 2009, as a result of the timing of bonus awards to management, significantly increased indirect costs associated with the completion of the Zijin investment, and increased professional and corporate development costs relating to ongoing corporate initiatives. It is expected that costs will generally increase as the Company's business evolves from exploration to development and ultimately production while continuing its exploration activities.

Additional details regarding overall expenses from quarter to quarter can be found in the Company's annual and interim Management's Discussion and Analysis for each period, as applicable, which are available on its website at www.inter-citic.com, or on SEDAR at www.sedar.com.

SPECIFIC ITEMS

The Company's consolidated financial statements for the three months ended February 28, 2011 include a detailed breakdown of expenses. Specific items of note are as follows:

- Corporate relations expense increased by \$394,334 (417%) to \$488,998 in 2011 from \$94,664 in 2010 primarily due to the timing of a marketing initiative which commenced in the first quarter of 2011. A cash deposit in respect of this initiative was recorded as part of prepaid expenses at the end of fiscal 2010.
- As noted, salaries and benefits expense decreased from \$749,229 in 2010 to \$377,819 in 2011 (representing a decrease of \$371,410 or 50%) primarily as a result of the timing of management's bonus awards. Similarly, 1,615,000 stock options valued at \$1,963,000 were issued subsequent to

the quarter compared to 2,800,000 stock options valued at \$1,428,750 issued in the first quarter of 2010 principally to secure the services and maintain the continuity of senior employees, directors and consultants of the Company.

- Office and rent expense increased by \$35,473 (24%) from \$149,230 to \$184,703 in 2011, primarily as a result of listing fees in respect of the OTCQX marketplace and the Toronto Stock Exchange.
- The increase to depreciation and amortization expense of \$17,021 (16%) from \$106,666 in 2010 to \$123,687 during Q1 is due to a larger capital asset base as well as timing of exploration activities as the 2009 exploration season did not finish until Q1 of 2010 whereas the 2010 season ended in Q4 of 2010, resulting in the capitalization of a portion of the 2010 expense.
- Travel and accommodation expense decreased by \$37,644 (37%) from \$102,442 in 2010 to \$64,798 in 2011, and professional fees also declined \$24,047 (23%) from \$103,884 to \$79,837 as more costs were incurred last year while the Company evaluated financing alternatives, culminating in the successful completion of the Zijin private placement in Q2 of 2010.
- Foreign exchange gain increased by \$88,039 (328%) to \$114,893 from \$26,854 in 2010 primarily as a result of the relative strength of the Canadian dollar against the Chinese Yuan Renminbi during the quarter, though foreign exchange gains/losses from period to period also vary depending on timing of advances to China for use in exploration, when exploration costs are incurred, and when payments are made for services rendered.
- The Company earns interest income on highly liquid interest-bearing investments. Interest income will vary depending on cash available to earn interest income.

RELATED PARTY TRANSACTIONS

Details regarding transactions with related parties are detailed in Note 6 of the Company's Notes to Consolidated Financial Statements for the three months ended February 28, 2011. All related party expenditures were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

CASH RESOURCES AND LIQUIDITY

As at February 28, 2011, the Company had approximately \$10.2 million in cash, cash equivalents and restricted cash (approximately \$6.2 million in net working capital).

However, by its very nature as a development stage exploration company, the Company continued to generate negative cash flow from operations (including changes in non-cash working capital items). In 2011, net cash used in operating activities amounted to \$366,715 compared to \$1,571,811 in 2010. The Company also continues to invest in the exploration of Dachang with a view to eventual development of the project and commencement of profitable production sufficient to recover its investment. The Company has discretion with respect to exploration activity, which is primarily determined based on prior results and availability of adequate funding. In the past, the Company has relied upon equity offerings to fund its operations, and additional financings will be required in the future to fund ongoing operations and to meet the Company's commitments as they come due, including its project commitments (see **Exploration and Development Activities and Commitments**). As discussed in the Overview, above, although to date the Company has been successful in sourcing funds necessary to continue its business activities, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development.

To date the Company has not established any proven reserves or engaged in any production activities, and there is no guarantee that this will occur in the future. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found, and

even if they are, that they can be mined economically. In the event that exploration on the property, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put the property into production, and profitability of future production is not successful, assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material.

The Company does not have any material capital lease agreements, nor does the Company hold any investments in asset-backed securities.

Restricted Cash

Restricted cash relates to advances held in China, held substantially in Canadian dollars and committed to continuing exploration of the Dachang Gold Project. The balance of restricted cash will vary depending on the timing of contributions compared to expenditure of those funds on exploration and related expenses.

OUTSTANDING SHARE DATA

As at April 8, 2011, the Company had outstanding:

- 106,404,013 common shares (an unlimited number of common shares, without par value, were authorized),
- 8,904,826 stock options, each of which is convertible to one common share of the Company at a weighted average price per stock option of \$1.15, for a weighted-average period per stock option of 3.56 years. Exercise prices range from \$0.50 to \$1.95.
- 3,333,000 share purchase warrants, each of which is convertible to one common share of the Company at a weighted average price per share purchase warrant of \$1.45, for a weighted-average period per share purchase warrant of 0.55 years.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any.

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, restricted cash 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 and the fair values of these financial instruments, unless otherwise noted, approximate their carrying values due to their short-term nature.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in the Company's internal control over financial reporting that occurred during the period beginning on December 1, 2010 and ended on February 28, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A detailed summary of the Company's significant accounting policies is included in Note 3, Significant Accounting Policies, of the Company's Notes to Consolidated Financial Statements for the three months ended February 28, 2011.

The Company considers the following policies critical to understanding the judgements that are involved in the preparation of the consolidated financial statements of the Company and the uncertainties that could impact results of operations, financial condition and cash flows.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Critical accounting estimates represent estimates that are highly uncertain and could materially impact the financial statements. The following estimates are considered by management to be the most critical for investors to understand some of the processes and reasoning that go into the preparation of the Company's Consolidated Financial Statements, providing some insight also to uncertainties that could impact the Company's financial results.

Development Stage Entity

The Company has adopted the Accounting Guideline 11, *Enterprises in the Development Stage*, relating to enterprises in the development stage, as detailed by the Canadian Institute of Chartered Accountants ("CICA"). The Company is engaged in the acquisition, exploration and development of exploration-stage mineral properties. To date the Company has not established any proven or probable reserves or engaged in any production activities, and there is no guarantee that this will occur in the future. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found, and even if they are, that they can be mined economically. In the event that exploration on the property, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put the property into production, and profitability of future production is not successful, assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material. Please also see **Risks and Uncertainties - Risks Associated with Exploration and Development**, below.

Resource Properties

The Company considers its exploration costs to have the characteristics of property, plant and equipment. Costs associated with acquisition, direct exploration and development of resource properties are capitalized pending commencement of production, at which time they will be amortized over the estimated production life. The Company assesses its capitalized resource property costs when facts and circumstances suggest that the carrying value exceeds the estimated net recoverable amount. If capitalized expenditures on individual resource properties exceed the estimated net recoverable amount, the properties are written down to the estimated fair value. Costs relating to properties abandoned are written off when the decision to abandon is made.

The Company is in the process of exploring its property interests. Amounts reflected in the financial statements reflect cost to date and may not represent future value to the Company. No mineral reserves have been determined to exist on these properties. Therefore, the recoverability of the amounts reflected is dependent on future successful exploration and development of the properties.

Income Taxes

Income taxes are calculated using the asset and liability method. Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. The benefit of future income tax assets is only recognized where their realization is judged to be more likely than not. Future income tax assets and liabilities are measured using tax rates and laws expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. A valuation allowance is provided against future income tax assets to the extent it is considered not likely that the future income tax assets will be realized.

Stock Based Compensation

The Company has one stock-based compensation plan, which is described in Note 7 (d) of the Notes to Consolidated Financial Statements for the three months ended February 28, 201. The Company accounts for stock-based compensation in accordance with CICA 3870, *Stock-based Compensation and Other Stock-Based Payments* and recognizes stock-based compensation based on the fair value method of accounting.

Under this method, the fair value of stock-based compensation is determined based on the Black-Scholes valuation model and is recognized based on vesting of options granted under the stock option plan. Amounts recognized are expensed or capitalized and credited to contributed surplus. Consideration paid on exercise of stock options is credited to share capital.

Please refer to the Notes to the Consolidated Financial Statements of the Company for the three months ended February 28, 2011 for further information on the Company's financial policies and estimates.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

All Canadian public companies will be required to report their financial information using IFRS for fiscal years commencing in 2011. For the Company, the adoption date for IFRS is December 1, 2011 and the Company will be issuing annual audited consolidated financial statements in accordance with IFRS for the fiscal year ending November 30, 2012, and the first set of interim consolidated statements under IFRS will be for the quarter ending February 29, 2012.

The standards require that financial statements be issued with comparatives that are prepared in accordance with IFRS. Accordingly, the Company is required to prepare an opening balance sheet as at December 1, 2010, the transition date, in accordance with IFRS and maintain IFRS compatible information during the fiscal year ended November 30, 2011 so that the necessary financial information is available to prepare the comparative amounts for future IFRS statements. Financial information that is prior to the transition date need not be converted to IFRS but can be presented using the current Canadian GAAP model providing that it is appropriately labelled. The Company intends to maintain its records without change during the fiscal year ending November 30, 2011, and quarterly adjustment of that information to convert to IFRS will provide the comparative information necessary for the following fiscal year.

The Company is continuing to review the effect that adopting IFRS will have compared to current Canadian GAAP and to develop a conversion implementation plan (the “**Conversion**”) that will be necessary. The Conversion is being led by the CFO and internal accounting personnel with oversight by the Audit Committee.

Since 2006 the CICA has been working to amend a number of current standards to harmonize with IFRS standards. As a result, although a portion of current Canadian GAAP and IFRS are or will be harmonized by 2011, there will continue to be a number of areas where differences will remain.

In transitioning to IFRS, the Company will be eligible to make elections under IFRS 1 *First Time Adoption*. In some cases, the changes that would otherwise have been retrospective are, with election, applicable from the date of transition and prospectively applied; in a number of other cases, there is a mandatory approach to deal with the effects of the changes. The Company is near to completing a preliminary assessment and a final assessment will be completed in the near future.

The Company will also continue to monitor and identify ongoing differences at the transaction level and their effect as a result of changing from current Canadian GAAP to IFRS. Based on a preliminary review, the Company does not anticipate any substantial changes to the system for the recording and reporting of normal day-to-day transactions.

In addition, IFRS typically requires significantly more disclosure than is the case under current Canadian GAAP, particularly with respect to the notes to the financial statements. The Company, as part of the Conversion, will be reviewing its data collection and reporting systems to ensure that the requisite information will be available and reliable.

The planning of the transition to IFRS, the identification of issues where differences must be resolved and the recognition of all new information that must be disclosed under the new rules are the responsibility of the Company; it is the Company's intention that most of this work will be achieved using in-house personnel. Complementing this process, the Company engaged a consultant to review all of these areas and

to ensure that all relevant standards have been considered so that resulting financial reporting is in accordance with IFRS.

Key Issues That May Give Rise to Material Differences Under IFRS

The International Accounting Standards Board (“IASB”) have a number of currently active projects that are considering changes to a number of the standards ranging from minor changes to complete reconsideration of a standard, and it is likely that there will be changes to a number of the IFRS standards between now and November 30, 2012. Comparative information must be prepared based on the IFRS standards in effect at the end of the current reporting period, and it is the Company’s intention that the opening balance sheet at December 1, 2010 will be prepared using IFRS in effect on that date plus changes that are ratified before the statement is issued. If further changes and amendments to the Standards are finalized and required prior to November 30, 2012, the opening balance sheet and comparative information will be updated to incorporate these changes.

All changes incurred during the migration from current Canadian GAAP to IFRS will be netted to the opening retained earnings at December 1, 2010, the transition date.

Internal Control over Financial Reporting (“ICFR”)

The Company has designed, implemented and tested its systems with respect to ICFR and determined that such systems provide reasonable assurance with respect to the completeness and accuracy of its financial reporting. With the change to IFRS, additional and more extensive disclosures will be required. As information necessary to provide the data for these additional disclosures is identified, ICFR will be expanded to ensure that appropriate controls are in place and that such controls are included within the testing programs so that the reliability of the data and hence the financial reporting is maintained.

RISKS AND UNCERTAINTIES

The following describes certain principal risks, some or all of which have been described in prior management’s discussion and analysis as well as the Company’s current AIF, but is not, by its very nature, all-inclusive.

Risks Associated with Exploration and Development

The Company is engaged in mineral exploration and development. To date the Company has not established any mineral reserves or engaged in any production activities, and there is no guarantee that this will occur in the future. The Company has no history of earnings, nor has it previously engaged in the mining and production of gold. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found, and even if they are, that they can be mined economically. The mining industry is also subject to market pressures from unpredictable commodity and metal prices, which may have a significant impact on the economic viability of a known deposit. A significant commitment of time and money is required for high cost exploration activity, such as diamond-bore drilling, in order to establish mineral reserves, develop a feasibility study and then to implement construction of a mine and commence production. At any time during this process there are numerous factors that alone or in combination may impede or interfere with intended plans, and the impact of these variables cannot be predicted or determined with certainty. Such factors include, but are not limited to, market (including currency) fluctuations, location of the Company’s projects, political stability, government regulations, environmental protection, the nature of the deposit, competition, and availability of ongoing financial and personnel resources, both in sufficient quantity and within required timeframes. Many of these risk factors are discussed in other areas of this section, below, but all can be related directly to the nature of the business of the Company.

In addition, the Company’s exploration activities and specifically the nature and location of those activities have associated with them certain operating risks that cannot be predicted but may be significant. Although the Company maintains health and safety standards onsite (including emergency evacuation protocols) to

mitigate the risk of injury to individuals working on its exploration projects, there is no guarantee that a serious injury will not occur, nor can the impact of such an event be measured. The Company maintains property, third party liability and personal injury insurance, including an emergency medical evacuation program for certain employees, and the Company performs ongoing review of its health and safety practices, however there may be risks for which insurance may not be sufficient or for which coverage may not be extended.

The Company has relied on the results of prior exploration work and the review of that work by independent and internal qualified persons (as that term is defined in NI 43-101) and others in the assessment of its resource properties. A significant portion of the Company's mineral resource estimate for the Dachang project is based the results of this prior work, and although the results have been independently tested by way of due diligence and test sampling, there is no guarantee that material differences do not exist.

Mineral Resource Estimates

On July 1, 2010, the Company updated its mineral resource estimate for Dachang. Details of the updated mineral resource estimate are included in **Exploration and Development Activities and Commitments** section above. To date, the Company has not established any mineral reserves or engaged in any production activities. These mineral resources have not been sufficiently drilled to demonstrate economic viability. Additional drilling will be required to upgrade inferred mineral resources to an indicated or measured resource. There can be no certainty that further drilling will enable inferred mineral resource to be upgraded. Although these mineral resource estimates are not currently affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues, this could change in the future. The future economic viability of these mineral resources may be adversely affected by their location, as the Dachang project is situated at an elevation of approximately 4,500 meters above sea level, in a high-cold mountainous area exhibiting desert alpine climate and vegetation with limited infrastructure. The nearest major city centre is approximately 160 km away, with the nearest primary road and power lines approximately 120 km from the property. Although the Company believes that the mineral resources have reasonable prospects for economic extraction, there is no guarantee that this will in fact be the case and confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability.

Exploration and development of mineral properties, and as a result investing in the securities of the Company, involves a high degree of inherent risk. The marketability of the natural resources that may be discovered will be affected by numerous factors beyond the control of the Company. The return, if any, on the investment in shares of a resource company is subject to market conditions that are beyond the control of the Company. Some of the factors affecting resource exploration and development generally include the proximity and capacity of resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure and land use, importing and exporting minerals and environmental protection. The effect of these factors cannot be accurately predicted and any or all of these risk factors facing exploration and development companies generally, and the Company in particular, could result in a material adverse impact on the Company's business, operations and financial condition.

Canadian Corporate Governance Requirements and Securities Laws

The Company complies with the corporate governance and securities laws of Canada, which may differ from those of the United States and elsewhere.

Risks Associated with Operations in China

The Company's current business focus and, as a result, essentially all of the Company's physical assets are located in China, including the Company's interests in Dachang.

As in any jurisdiction, the Company is subject to social, political and economic developments and trends that are beyond its control. The Company's business is in China and the Company is therefore subject to a

variety of laws and regulations at state, provincial and municipal or local levels that include laws and regulations concerning the form and manner in which foreign companies may invest and operate in China. Although China has generally introduced reforms to develop a more market-based economy, there is no guarantee that this trend will continue. The government of China, at all levels, continues to exert significant influence on market activities through laws, regulations and policies which are often ambiguously drafted and subject to divergent interpretation.

As the Company's resource property is located in China, a brief statement on the laws of China as they relate to mining is appropriate. However, as laws continually evolve and suffer from inconsistent application and interpretation, this is only a general statement and is not to be taken as a legal opinion or as an exhaustive summary of the relevant laws. The mining industry in China is regulated through the Mineral Resources Law of China (adopted in 1986 and amended in 1996) and associated policies, rules and regulations at state, provincial and local levels. Under Chinese law, mineral resources are owned by the state and in the past the bulk of activity in the minerals sector has been conducted by state owned or otherwise affiliated or related entities. The Ministry of Land and Resources in China is generally responsible for the administration of exploration and mining claims although there has been some dispute, particularly with respect to gold, as to which part of government has ultimate regulatory authority over gold exploitation projects. This leads to uncertainty as to whether all necessary approvals have or could be obtained. Exploration rights (other than those for oil and gas) are issued for a maximum term of three years and are renewable provided minimum expenditure thresholds have been met. Holders of exploration rights have a "privileged" priority to subsequent mining rights, and such rights to mine may be issued based on the nature of the subject deposit provided that the holder meets the conditions and requirements specified at law. However there is no guarantee that exploration and mining rights will be or continue to be granted or renewed, or that any conditions imposed as part of the issuance of these rights can be satisfied, or that the perceived quality of these legal rights will be sufficient to enable the Company to attract the funding required to implement business plans based on these rights.

A stated objective of the Company is to ultimately become a gold producer in China. Under Chinese laws and regulations, before a gold producer can commence production, it must obtain mining rights and, among other things: (a) an approval of the project evaluation application from the local development and reform bureau; (b) a production safety permit from the local administration of work safety; (c) an environmental protection permit from the local environmental protection department; (e) a state-owned land use certificate from the local land and resources department; and (f) certificates of approval for storage and use of explosives. In addition, employees responsible for handling explosives must obtain a certificate of safekeeping of explosive equipment from the local public security bureau. Mining rights also have specific timeframes attached to them within which mining must occur. Specifically, for gold mining, foreign companies may also be required to receive approval from, among others, the Chinese National Development and Reform Commission, a department of the Chinese central government, or the State Council, which government bodies have a role in developing national economic strategies, annual and long term economic plans, and to report on the national economy and social development. There is no guarantee that the conditions necessary for the Company to meet its stated objectives will be satisfied.

Changes to the Chinese regulatory regime for the gold mining industry may have an adverse impact on the Company's results of operations and its ability to reach its stated objectives. The Chinese local, provincial and central authorities exercise a substantial degree of control over the Chinese gold industry. The Company's operations are subject to a range of Chinese laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labour standards, occupational health and safety, waste treatment and environmental protection and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may increase the Company's operating costs and thus adversely affect its results of operations. There is no assurance that the Company will be able to comply with any new Chinese laws, regulations, policies, standards and requirements applicable to the gold mining industry or any changes in existing laws, regulations, policies, standards and requirements economically or at all. Further, any such new Chinese laws, regulations, policies, standards and requirements or any such change in existing laws, regulations, policies, standards and requirements may also constrain the Company's future expansion plans, adversely affect its profitability and limit its ability to meet its stated objective.

The value of the Company's project is ultimately tied to the Company's ability to realize on the sale of its gold production. Since late 2002, with the establishment of the Shanghai Gold Exchange and relaxation of restrictive rules governing the sale of gold, mining companies in China are able to sell gold production at prices indicated by the Shanghai Gold Exchange which to some extent reflects market value. Foreign gold mining companies are generally able to repatriate profits in foreign currencies assuming that they are in compliance with Chinese law and have conducted all of the formalities necessary for such repatriation. Repatriation of capital contributions may not be undertaken without specific approvals. However, the nature of and impact on the interests of the Company of possible further changes or reforms to these rules and policies in the future cannot be predicted. China's control over its currency and hence the Company's ability to advance funds to China (for capital investment or operations) is subject to changes in the valuation of the Renminbi as well as rules and regulations of the State Administration of Foreign Exchange limiting the inflow of foreign currency convertible to Renminbi. Fluctuations in the value of the Renminbi and on the ability of the Company to fund its operations in China may have an adverse effect on the operations and operating costs of the Company.

The Company may suffer disadvantages when competing against companies from countries that are not subject to Canadian and US laws, including the US *Foreign Corrupt Practices Act* and the Canadian *Corruption of Foreign Public Officials Act*.

Risk of loss due to disease and other potential endemic health issues is also of concern in China and could impact on the performance of the Company.

It is quite common for foreign companies to form joint ventures with state owned mining enterprises which hold mining licences and to have mining licences transferred to the joint venture, all subject to approval. The Company's project in China is organized as a "Co-operative Joint Venture" company, with a state owned company, in accordance with the Law of the People's Republic of China on Sino-Foreign Co-operative Joint Venture Enterprises and associated policies, rules and regulations. While this connection to government-related entities can benefit the Company, there is often inequality with respect to the influence of the parties with the Chinese government in the event of a dispute. Like other state-sector entities, the actions and priorities of the Company's joint venture partners may be dictated by government policies, many of which may not be apparent to the Company, instead of purely commercial considerations. The Chinese government exerts a substantial degree of subjective control over the application and enforcement of laws and the Chinese judiciary may not act independently. Such inequality in influence and a tendency towards protection of local enterprises in the application of law can prove detrimental in the event of a business dispute arising between joint venture parties.

The Company has investigated title to all of its properties and believes that such title is in good standing. However, given the lack of a comprehensive registration system in China, the properties may be subject to prior unregistered agreements or transfers and undetected defects may affect title. The Company cannot give any assurance that title to its properties will not be challenged. In addition, under Chinese legislation, exploration licenses are granted for an initial period of three years and are extendible thereafter for subsequent two year periods. The legislation also requires a minimum expenditure on exploration by companies holding these licenses prior to extension. Although the Company has always exceeded these minimum requirements by significant amounts, the Company cannot give any assurance that title to its properties will not be challenged.

The Chinese government continues to exert a great deal of control and influence on Chinese society and economic development through laws, policies and regulations. The impact of changes to these laws, policies and regulations on the Company's operations in China, including their impact on the Company's ability to operate in China in the event of changes to foreign investment rules (including with respect to repatriation of profits), possible restrictions on the production and sale of gold or other mining products, the maintenance of business, exploration and/or mining licenses, environmental laws, taxation, or on other matters having an impact on the Company's business and operations, cannot be accurately predicted.

Environmental hazards may occur in connection with the Company's operations as a result of human negligence, force majeure or otherwise. The occurrence of any environmental hazards may delay

exploration, increase exploration costs, cause personal injuries or property damage, result in liability to the Company and its directors and/or damage our reputation. Such incidents may also result in a breach of the conditions of the Company's mining permits or other consents, approvals or authorizations, which may result in fines or penalties or even possible revocation of the Company's exploration permits. In the future, the Company may experience increased costs of production arising from compliance with environmental laws and regulations. Moreover, the development of the Chinese economy and the improvements in the living standards of the population may lead to a heightened awareness of environmental protection. As a result, it is possible that more stringent environmental laws, regulations and policies may be implemented in the future, or the existing environmental laws, regulations and policies may be more strictly enforced. The Company may not always be able to comply with existing or future laws, regulations or policies in relation to environmental protection and rehabilitation economically or at all. Should the Company fail to comply with any such existing or future laws, regulations or policies, it may be subject to penalties and liabilities under Chinese laws, and regulations, including but not limited to warnings, fines and suspension of operations. There is no assurance that future changes in environmental regulation, or other areas of regulation, if any, will not adversely affect the Company's operations and results.

In addition, the Chinese government continues to strengthen the enforcement of safety regulations in relation to the mining industry. There can be no assurance that more stringent laws, regulations or policies regarding production safety will not be implemented or that the existing laws, regulations and policies will not be more stringently enforced. The Company may not be able to comply with all existing or future laws, regulations and policies in relation to production safety economically or at all. Should the Company fail to comply with any production safety laws or regulations, it could be required to rectify the production safety problems within a limited period. Failure to rectify any problem could lead to suspension of operations. Should the Company fail to comply with any relevant laws, regulations or policies or should any accident occur as a result of the mishandling of dangerous articles, its business, reputation, financial condition and results of operations may be adversely affected, and it may be subject to penalties, civil liabilities or criminal liabilities.

Dependence on Key Personnel

As an exploration company the Company relies heavily on the availability of individuals and organizations with the necessary skill and knowledge required to execute exploration programs of the scale and scope appropriate to its exploration properties. This includes the availability of individuals and organizations that are capable of efficiently and effectively executing exploration activities such as drilling, compiling and interpreting data, and planning subsequent follow-up work.

The Company's Vice-President, Exploration has more than 20 years of experience as an exploration geologist. The Company's Vice-President, Development has more than 35 years of operations and project management experience in the mining industry. The Company has a qualified and experienced geologist on its Board of Directors, and the Company has an established relationship with a North American based drilling company that has carried out the Company's drilling program at Dachang. The Company has relationships with a number of other organizations that have also provided services essential to its exploration activities.

The Company has a high degree of reliance on its management team, and failure to retain the services of key personnel could have a materially negative impact on the Company.

While the competition for these services has increased significantly over the past several years (see discussion below), the Company has been successful in securing services necessary to carry out its business plan to date. However, the availability of these services in the future and the relative cost of securing them cannot be predicted.

Competition

Recent increases in the price of gold have resulted in increased activity in the gold exploration and mining industry. Combined with the economic development and opening of China and general scarcity of mineral

deposits throughout the world, interest of foreign exploration and mining companies in China has increased significantly. As a result, the Company faces continued competition for financing dollars, personnel and other resources from this competition, the impact of which cannot be predicted. Historically, gold prices are often subject to wide swings in price and can be cyclical in nature, and demand for gold is based on many factors, including demand for jewellery, many industrial uses for gold, as well as demand from governments and financial institutions that hold gold reserves for hedge and other purposes. Any decrease in gold prices could have an adverse effect on the Company's business, operations and financial results.

Environmental Risk

The Dachang Gold Project is located in the proximity of the Sanjiangyuan Nature Reserve, established primarily to protect the sources of three major rivers in Asia (the Yangtze, Yellow and Lancang rivers). To date, the project has received all relevant government support and approvals, and the Company is committed to preserve and protect the environment within which it operates, and has a policy of adopting and applying the highest standards for environmental protection in its activities, in addition to being active in the betterment of the lives of local people. However the impact of possible future liabilities or impediments to development associated with or as a result of environmental matters cannot be measured or predicted, and there is no assurance that present or future environmental regulations will not adversely affect the operations of the Company.

Cash Flow

The Company has no source of operating cash flow to fund its exploration and development projects. Any further significant work would likely require additional equity or debt financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its obligations on existing or future exploration projects. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration, and the possible partial or total loss of the Company's interests in China.

Dividends

The Company has not, since the date of its incorporation, declared or paid any dividends on its common shares and does not currently intend to pay dividends. Earnings, if any, will be retained to finance further growth and development of the business of the Company.

Resale of Shares

The continued operation of the Company will be dependent upon its ability to procure additional financing and generate operating revenues. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In addition, sales or availability for sale of substantial amounts of the shares of the Company could adversely affect the prevailing market prices for those shares. In such event, the probability of resale of shares purchased would be diminished. Moreover, a decline in the market prices or demand of the shares of the Company could impair the ability of the Company to raise additional capital through the sale of shares.

Exploration and development of mineral properties, and as a result investing in the shares of the Company, involves a high degree of inherent risk. The marketability of the natural resources that may be discovered will be affected by numerous factors beyond the control of the Company. The return, if any, on the investment in shares of a resource company is subject to market conditions that are beyond the control of the Company. Some of the factors affecting resource exploration and development include the proximity and capacity of resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure and land use, importing and exporting minerals and environmental protection, and the effect of these and other risk factors as discussed above cannot be predicted.

OUTLOOK

Over the next year the Company will continue to focus substantially all of its available resources to carry out exploration and development of its Dachang Gold Project, including permitting initiatives related to the development of a mine and mill facility and associated gold refining and production facility based around the resources established at the DMZ and PVZ.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis ("MD&A") contains or incorporates by reference "**forward looking information**" which means disclosure regarding possible events, conditions, acquisitions, or results of operations that is based on assumptions about future conditions and courses of action based upon management's good faith expectations and beliefs concerning future developments and their potential effect on the Company. These may include statements with respect to the future financial and operating performance of Inter-Citic Minerals Inc., its current and proposed subsidiaries, its current mineral projects, the estimation of mineral resources, working capital requirements, capital and exploration expenditures, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, title disputes or claims and limitations of insurance coverage. In some cases forward looking statements can be identified by the use of such words as "**plans**", "**proposes**", "**expects**", "**is expected**", "**budget**", "**scheduled**", "**estimates**", "**forecasts**", "**intends**", "**anticipates**", "**believes**" or variations of such words and phrases. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the performance or achievements expressed or implied by the forward looking statements. There can be no assurance that future developments will be in accordance with such expectations or that the effect of future developments on the Company will be those anticipated by management. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of exploration activities; future mineral prices; accidents, labour disputes and other risks of the mining industry; political instability; insurrection or war; arbitrary changes in law; delays in obtaining governmental approvals or financing or in the completion of the company's exploration programs. As a result, actual actions, events or results may differ materially from those described in forward looking statements. Forward looking statements are made as of the date of this MD&A and the Company disclaims any obligation to update any forward looking statements, whether as a result of new information, future events or otherwise. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.