

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

FEBRUARY 29, 2004

INTER-CITIC MINERALS INC.
(FORMERLY INTER-CITIC MINERAL TECHNOLOGIES INC.)
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
(All figures in Canadian dollars)

As at	February 29, 2004	November 30, 2003 <small>(Audited)</small>
ASSETS		
Current		
Cash and cash equivalents	\$ 4,284,617	\$ 1,179,270
Other receivables	123,101	64,279
Prepaid expenses	1,743	1,789
	4,409,461	1,245,338
Deposits	60,000	60,000
Investments (Note 3)	45,758	35,224
Investment in associated company (Note 4)	1	1
Resource properties (Note 5, 14)	583,160	269,068
Property, plant and equipment, net (Note 6)	14,684	15,032
	\$ 5,113,064	\$ 1,624,663
LIABILITIES		
Current		
Bank advances (Note 7)	\$ 484,800	\$ 471,600
Accounts payable and accrued liabilities	399,067	666,956
	883,867	1,138,556
COMMITMENTS (Note 5, Note 10)		
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	25,645,201	20,991,876
Share purchase warrants (Note 11)	995,417	1,456,836
Contributed surplus (Note 11)	473,956	459,822
Deficit	(22,885,377)	(22,422,427)
	4,229,197	486,107
	\$ 5,113,064	\$ 1,624,663

Note 1 - Going Concern Assumption

Approved by the Board of Directors:

[SIGNED]

Mark R. Frederick
Director

[SIGNED]

James J. Moore
Director

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

INTER-CITIC MINERALS INC.
(FORMERLY INTER-CITIC MINERAL TECHNOLOGIES INC.)
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(All figures in Canadian dollars)

	For the three months ended February 29, 2004	For the three months ended February 28, 2003 (Restated)
Sales	\$ 5,755	\$ 281,301
Operating costs	1,921	263,190
	3,834	18,111
Depreciation and amortization	1,053	93,416
Selling, general and administrative expenses:		
Travel and accommodation	140,917	99,554
Professional fees	78,394	22,334
Office and rent	76,381	60,572
Management fees	73,001	78,240
Salaries and benefits	37,245	118,246
Consulting	31,888	17,280
Corporate relations	15,920	14,005
Other expenses	11,837	12,111
Bad debt recovery	(20,897)	-
	445,739	515,758
Loss before the undernoted	(441,905)	(497,647)
Interest and other expense, net	(804)	(78,388)
Foreign exchange gain (loss)	(6,107)	(3,747)
Stock-based compensation (Note 11)	(14,134)	-
Loss before income taxes and non-controlling interest	(462,950)	(579,782)
Income taxes (Note 13)	-	-
Loss before non-controlling interest	(462,950)	(579,782)
Non-controlling interest	-	51,051
Net loss	(462,950)	(528,731)
Deficit, beginning of period	(22,422,427)	(14,289,230)
Deficit, end of period	\$ (22,885,377)	\$ (14,817,961)
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.02)
Weighted average common shares outstanding	36,973,007	28,711,810

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

INTER-CITIC MINERALS INC.
(FORMERLY INTER-CITIC MINERAL TECHNOLOGIES INC.)
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(All figures in Canadian dollars)

	For the three months ended February 29, 2004	For the three months ended February 28, 2003 (Restated)
CASH PROVIDED BY (USED IN)		
Operating activities		
Loss for the period	\$ (462,950)	\$ (528,731)
Items not involving cash		
Depreciation and amortization	1,053	93,416
Foreign exchange	6,107	3,747
Accrued interest on convertible debenture (Note 9)	-	77,037
Stock-based compensation (Note 11)	14,134	-
Non-controlling interest	-	(51,051)
	(441,656)	(405,582)
Changes in non-cash working capital balances	(332,772)	33,445
	(774,428)	(372,137)
Financing activities		
Bank advances (Note 7)	13,200	(25,800)
Issuance of shares and warrants (Note 11)	4,191,906	-
	4,205,106	(25,800)
Investing activities		
Purchase of marketable securities (Note 3)	(10,534)	-
Resource properties (Note 5)	(314,092)	-
Property, plant and equipment (Note 6)	(705)	(83,052)
	(325,331)	(83,052)
Increase/(decrease) in cash for the period	3,105,347	(480,989)
Cash and cash equivalents, beginning of period	1,179,270	1,564,858
Cash and cash equivalents, end of period	\$ 4,284,617	\$ 1,083,869
Supplemental Information:		
Income taxes paid during the period	\$ -	\$ -
Interest paid during the period	\$ 7,985	\$ 9,573

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

INTER-CITIC MINERALS INC.
(FORMERLY INTER-CITIC MINERAL TECHNOLOGIES INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 29, 2004

1. Going Concern Assumption

Inter-Citic Mineral Technologies Inc. (the "Company"), is a development stage mineral exploration company focused exclusively in the People's Republic of China (the "PRC" or "China").

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 carry out its business plan.

As at February 29, 2004, the Company reported a loss of \$462,950 and an accumulated deficit of \$22,885,377 (\$6,729,003 and \$22,422,427 as at November 30, 2003, 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 2003 the Company was successful in completing two joint venture contracts for two gold-hosted exploration stage resource properties in China for further development. Further to these acquisitions, and as a result of continuing unfavourable market conditions, during 2003 management wrote-off the assets of the Rare Earth Division to the estimated net recoverable and realizable amounts, resulting in a charge of \$3,824,786 to property, plant and equipment (**Note 12**).

Management is considering various alternatives, including a number of initiatives to raise capital in 2004. 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

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.

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 affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. Actual results could differ from those estimates.

Foreign Currency Translation

All of the Company's balances and transactions are translated into the Company's measurement currency, the Canadian dollar, as follows. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year, except for expenses related to assets and liabilities, which are translated at historical exchange rates. Translation gains and losses are reflected in the consolidated statements of operations and deficit.

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.

INTER-CITIC MINERALS INC.
(FORMERLY INTER-CITIC MINERAL TECHNOLOGIES INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 29, 2004

Investments

Investments are recorded at cost less a write-down for any 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.

Resource Properties

Costs associated with acquisition, direct exploration and development of resource properties are capitalized pending commencement of production, at which time they will be amortized. If capitalized expenditures on individual resource properties exceed the estimated net realizable value, the properties are written down to the estimated 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.

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.

Stock-based Compensation Plan

The Company has a stock-based compensation plan, which is described in **Note 11**. 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 retroactively. Effective September 1, 2003, the Company has chosen to recognize compensation when stock options are granted under stock option plans with no cash settlement features using the fair value based method of accounting, and the Company has applied this change retroactively to all stock options issued during the years ended November 30, 2003 and 2002. For stock-options issued to employees, compensation is recognized over the term of the option. For stock options issued to non-employees, compensation is recognized as at the date of grant.

Consideration paid on exercise of stock options is credited to common share capital.

Per Share Amounts

Net loss per common share has been computed by dividing net loss applicable to common shareholders by the weighted-average number of common shares outstanding during the respective periods. Diluted net loss per common share is computed by dividing net 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.

Fully-diluted net loss per share has not been presented as it is anti-dilutive.

INTER-CITIC MINERALS INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED FEBRUARY 29, 2004

3. Investments

The Company held marketable securities in the form of common shares as follows:

<u>February 29, 2004</u>	<u>Number</u>	<u>Market Value</u>	<u>Book Value</u>
Pearl River Holdings Ltd.	374,625	\$ 29,970	\$ 26,224
Jaguar Nickel Inc.	10,000	\$ 10,534	\$ 10,534
Talware Networx Inc.	100,000	10,000	9,000
		<u>\$ 50,504</u>	<u>\$ 45,758</u>

<u>November 30, 2003</u>	<u>Number</u>	<u>Market Value</u>	<u>Book Value</u>
Pearl River Holdings Ltd.	374,625	\$ 26,224	\$ 26,224
Talware Networx Inc.	100,000	9,000	9,000
		<u>\$ 35,224</u>	<u>\$ 35,224</u>

During the year ended November 30, 2003 the Company recorded an unrealized loss of \$1,340 to reflect a decline in value of marketable securities held.

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.

<u>Ideal e-Commerce Limited</u>	<u>February 29, 2004</u>	<u>November 30, 2003</u>
Equity - 50% ownership (a)	\$ 1	\$ 1
Shareholder loan (b)	250,000	250,000
Accumulated equity in net loss	<u>(250,000)</u>	<u>(250,000)</u>
	<u>\$ 1</u>	<u>\$ 1</u>

(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.

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.

The Company does not plan to make any further investment in this enterprise for the foreseeable future.

(b) The Hong Kong dollar denominated shareholder loan (HK \$1,224,999; 2003 - HK\$1,224,999) is unsecured, bears no interest and has no terms of repayment.

(c) The Company's share of unrecognized losses in Ideal e-Commerce for the period are nil and cumulatively are \$1,162.

5. Joint Ventures

The Company is involved in exploration in the People's Republic of China through option or earn-in agreements whereby it provides 100% of the funding in order to earn a controlling interest in certain projects. As at February 29, 2004, the Company had entered into two such agreements, as follows.

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(a) The Dachang Gold Project

On November 14, 2003, the Company entered into an agreement with the Qinghai Geological Survey Institute regarding the "Dachang" gold project in the Province of Qinghai, China. Under the terms of this joint venture agreement, the Company can earn an 83% interest in the joint venture by contributing the equivalent of approximately \$5,170,000 (Renminbi 32,830,000) over three years and making a cash payment of the equivalent of approximately \$1,570,000 (Renminbi 10,000,000) upon the issuance of a mining license required to bring the project into production. Minimum contributions are staged as to the equivalent of approximately \$2,970,000 (Renminbi 18,830,000) in 2004 and \$2,200,000 (Renminbi 14,000,000) in 2006. The Company also has the ability to acquire an additional 7% interest in the joint venture based on the valuation of any potential mining project contained in a pre-feasibility report, for a total interest of 90%. The Qinghai Geological Survey Institute will retain a carried interest in the joint venture. As part of the agreement, the Company also has a right of first refusal on any mineral exploration project for which the Qinghai Geological Survey Institute seeks foreign investment.

(b) The Zalantun Gold Project

On October 30, 2003, the Company entered into an agreement with the Beijing Institute of Geology for Mineral Resources regarding the "Zalantun" gold project in the Autonomous Region of Inner Mongolia, China. Under the terms of this joint venture agreement, the Company can earn an 85% interest in the joint venture by contributing the equivalent of approximately \$2,360,000 (Renminbi 15,002,500) over three years. Minimum contributions are staged as to the equivalent of approximately \$630,000 (Renminbi 4,000,000) in 2004, \$1,260,000 (Renminbi 8,000,000) in 2005 and \$470,000 (Renminbi 3,002,500) in 2006. The Company also has the ability to acquire an additional 5% interest in the joint venture for the equivalent of approximately \$278,000 (Renminbi 1,765,000), for a total interest of 90%. The Beijing Institute of Geology for Mineral Resources will retain a carried interest in the joint venture. As part of this agreement, the Company also has a right of first refusal on any mineral exploration project for which Beijing Institute of Geology for Mineral Resources seeks foreign investment.

6. Property, plant and equipment

	February 29, 2004			November 30, 2003		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value
Prepaid land lease	\$ 1	\$ -	\$ 1	\$ 1	\$ -	\$ 1
Building	1	-	1	1	-	1
Equipment	40,365	(25,335)	15,030	41,070	(26,388)	14,682
Total	\$ 40,367	\$ (25,335)	\$ 15,032	\$ 41,072	\$ (26,388)	\$ 14,684

During the year ended November 30, 2003 the Company wrote-off capital assets with a net book value of \$3,824,786 (**Note 12**).

7. Bank Advances

As at February 29, 2004, Yangzhong Zhonghai Techmat Co., Ltd. in China has borrowed, in aggregate, \$484,800 (Renminbi 3,000,000; 2002 - \$471,600, Renminbi 3,000,000) from a domestic bank in the form of three one-year term loans secured by a fixed charge on the land and buildings. The bank advances bear interest at a rate of 5.7525%. During the period, the Company paid or accrued interest charges of \$7,985 (2003 - \$9,573).

8. Related Party Transactions

During the year the Company paid or accrued management fees of \$43,002 (2003 - \$45,834) 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.

9. 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 carried an 8.9% coupon, non-compounding, and was convertible into common shares of the Company at a price of \$1.00 per share. Proceeds of the debenture were used to expand capacity and to enhance productivity at the Company's 80%-owned rare earths processing facility.

INTER-CITIC MINERALS INC.
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In view of the debenture holder's right to redeem the debenture through the issuance of common shares, the debenture was accounted for as having both a debt and equity component in accordance with accounting standards of the Canadian Institute of Chartered Accountants. Accordingly, interest and accretion of \$77,037 was accrued for the period ended February 28, 2003.

On October 31, 2003, the Company and the holder of the outstanding convertible debenture, which was otherwise due and payable on November 30, 2003, agreed to convert the debenture into cash, common shares and share-purchase warrants of the Company. Under this arrangement, the debenture holder received \$127,687 in cash, 2,884,493 common shares of the Company at a deemed price of \$0.75, and 500,000 share-purchase warrants entitling the holder to purchase one additional common share at \$1.00 for each share-purchase warrant for a period of twenty-four months. This resulted in a charge to retained earnings of \$1,404,194, representing the fair value of the reduction in conversion price under this agreement, as well as a charge to Share Capital in the amount of \$385,000, representing the fair value of the share-purchase warrants issued.

The Company evaluated the fair market value of share purchase warrants using the Black & Scholes model with the following valuation assumptions: expected life - 2-years, expected volatility - 81.5%, risk-free interest rate - 2.92%, dividend rate - 0%.

10. Lease Commitment

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

2004	\$	33,439
2005	\$	46,593
2006	\$	46,995
2007	\$	46,995
2008 and thereafter	\$	105,739

11. Share Capital, Share Purchase Warrants and Stock-based Compensation Plan

(a) Authorized

98,500,000 common shares, without par value

(b) Issued and Outstanding

	February 29, 2004		November 30, 2003	
	Shares	Amount	Shares	Amount
Balance - beginning of period	34,029,636	\$ 21,124,899	28,711,810	\$ 16,710,360
Conversion of debenture (Note 9)	-	-	2,884,493	3,395,669
Issued by private placement	1,666,667	678,930	2,383,333	970,870
Exercise of options	40,000	27,200	50,000	48,000
Exercise of warrants	3,164,706	3,947,195	-	-
	38,901,009	25,778,224	34,029,636	21,124,899
Investment in own shares	(116,500)	(133,023)	(116,500)	(133,023)
Balance - end of period	38,784,509	\$ 25,645,201	33,913,136	\$ 20,991,876

(i) Private Placement (2004)

On February 2, 2004 the Company completed the second tranche of a private placement **(Note 11 (a) (iv))** for proceeds of \$1,000,000 representing 1,666,667 units of the Company at a price of \$0.60 per unit. Each unit consists of one common share and one share-purchase warrant. Each share-purchase warrant permits the purchase of one additional common share at \$1.00 for a period of twelve months from the date of issue. The Company evaluated the fair market value of share-purchase warrants using the Black & Scholes model with the following valuation assumptions: expected life - 1-year, expected volatility - 88.3%, risk-free interest rate - 2.73%, dividend rate - 0%.

In addition, the Company paid a second tranche of finders' fees associated with this transaction **(Note 11 (a) (iv))** of 333,333 share-purchase warrants. Each share-purchase warrant entitles the holder to purchase one share at a price of \$0.60 for twenty-four months from the date of issue. The Company evaluated the fair market value of share-purchase warrants using the Black & Scholes model with the following valuation assumptions: expected life - 2-years, expected volatility - 79.7%, risk-free interest rate - 2.85%, dividend rate - 0%.

Consideration received has been allocated to the common shares after deducting the estimated fair value of the share purchase warrants of \$321,070.

(ii) Exercise of Share Purchase Warrants

On December 17 and December 22, 2003 the Company announced the exercise of 1,250,000 share purchase-warrants at a price of \$1.00 for proceeds of \$1,250,000 and the exercise of 1,914,706 share-purchase warrants at a price of \$1.00 for proceeds of \$1,914,706, respectively.

Consideration received has been allocated to the common shares after adding the estimated fair value of the share purchase warrants of \$782,489.

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(iii) Conversion of Debenture

The amount included in Share Capital relating to the conversion of the debenture includes \$2,163,370 on account of the total debt and unpaid interest converted, \$213,105 on account of the equity portion of the convertible debenture, \$1,404,194 on account of the fair value of a reduced conversion price from \$1.00 to \$0.75, and reduced by \$385,000 on account of the fair value of 500,000 share purchase warrants issued (**Note 9**).

(iv) Private Placement (2003)

On November 13, 2003 the Company completed the first tranche of a private placement for proceeds of \$1,430,000 out of total proceeds of \$2,430,000, representing 2,383,333 out of a total of 4,050,000 units of the Company at a price of \$0.60 per unit. Each unit consists of one common share and one share-purchase warrant. Each share-purchase warrant permits the purchase of one additional common share at \$1.00 for a period of twelve months from the date of issue. The Company evaluated the fair market value of share-purchase warrants using the Black & Scholes model with the following valuation assumptions: expected life - 1-year, expected volatility - 88.3%, risk-free interest rate - 2.73%, dividend rate - 0%.

As part of this financing transaction, the Company agreed to pay a finder's fee of 810,000 share-purchase warrants, of which 476,667 of these share-purchase warrants were issued on November 13, 2003, in conjunction with the completion of the first tranche of the transaction. Each share-purchase warrant entitles the holder to purchase one share at a price of \$0.60 for twenty-four months from the date of issue. The Company evaluated the fair market value of share-purchase warrants using the Black & Scholes model with the following valuation assumptions: expected life - 2-years, expected volatility - 79.7%, risk-free interest rate - 2.85%, dividend rate - 0%.

Consideration received has been allocated to the common shares after deducting the estimated fair value of the share purchase warrants of \$459,130.

(c) Share-Purchase Warrants

The following is a summary of the Company's outstanding share-purchase warrants:

	February 29, 2004			November 30, 2003		
	Number	Value	Weighted-Average Exercise Price	Number	Value	Weighted-Average Exercise Price
Balance - beginning of year	5,274,706	\$ 1,456,836	\$ 0.96	1,914,706	\$ 612,706	\$ 1.00
Issued	2,000,000	321,070	0.93	3,360,000	844,130	0.94
Exercised	(3,164,706)	(782,489)	1.00	-	-	-
Balance - end of year	4,110,000	\$ 995,417	\$ 0.92	5,274,706	\$ 1,456,836	\$ 0.96

The weighted-average remaining contractual life is 1.13 years for those listed as at February 29, 2004 and 0.93 years for those listed as at November 30, 2003.

(d) Stock-based Compensation Plan

The Company had one stock-based compensation plan as at November 30, 2003, a common share-purchase option plan for directors, officers, employees and consultants of the Company (the "Plan"). Options under the Plan are typically granted in such numbers as reflect the level of responsibility of the particular optionee and his or her contribution to the business and activities of the Company, and typically have a five year term. Except in specified circumstances, options are not assignable and terminate upon the optionee ceasing to be employed by or associated with the Company.

The Company's common shares are listed on the TSX Ventures Exchange and are traded in Canadian dollars. The following is a summary of the Company's outstanding stock options:

	February 29, 2004		November 30, 2003	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Options outstanding - beginning of year	2,199,000	\$ 0.75	1,674,000	\$ 0.83
Options granted	-	\$ -	1,175,000	\$ 0.69
Options exercised	(40,000)	\$ 0.68	(50,000)	\$ 0.96
Options expired	-	\$ -	(100,000)	\$ 1.22
Options terminated	-	\$ -	(500,000)	\$ 0.74
Options outstanding - end of year	2,159,000	\$ 0.75	2,199,000	\$ 0.75

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<u>Options Outstanding and Exercisable</u>	<u>February 29, 2004</u>	<u>November 30, 2003</u>
Price range per option	\$0.58 to \$0.91	\$0.58 to \$0.91
Weighted-average remaining contractual life	2.68 Years	2.96 Years
Weighted-average exercise price	\$0.75	\$0.75

The Company applies the fair value based method of accounting for stock-based compensation awards granted. Accordingly, for stock options issued to employees, compensation is recognized over the term of the option while for stock options issued to non-employees, compensation is recognized as at the date of grant. During the year ended November 30, 2003, the Company recognized \$429,199 as stock-based compensation expense and included this amount in Contributed Surplus.

The fair value of options issued was estimated on the date of grant using the Modified Black Scholes option pricing model based on the following weighted-average valuation assumptions:

	<u>November 30, 2003</u>
Expected life:	4.2-years
Expected volatility:	72.75%
Risk-free interest rate:	4.11%
Dividend rate:	0%

Under these assumptions, the fair value of options issued during 2003 was \$0.50.

12. Write-down of Rare Earth Division Assets

During the year ended November 30, 2003 the Company recognized a write-down of \$3,824,786 against the property, plant and equipment of its Rare Earth Division to reflect the Company's decision to indefinitely suspend operations of the division in the face of unfavourable market conditions. Accordingly, the assets were written down to their estimated net recoverable and realizable amounts.

13. 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.

(b) Loss Carry forwards - Canada

The Company has available losses of approximately \$5,355,000 which may be carried-forward to reduce future years' income for tax purposes. A full valuation allowance of \$2,700,000 has been applied against the benefit of these tax losses, as in management's view recognition is not warranted.

2004	\$ 653,000
2005	\$ 447,000
2006	\$ 658,000
2007	\$ 664,000
2008	\$ 752,000
2009	\$ 1,028,000
2010	\$ 1,153,000

INTER-CITIC MINERALS INC.
(FORMERLY INTER-CITIC MINERAL TECHNOLOGIES INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. Segmented Information

The Company's operations include a Head Office in Canada, a Mine Development Division based in Canada and Beijing, China, a Rare Earth Division with operations in China, and an e-Commerce division based in Canada and Hong Kong. The Mine Development Division is a newly formed division whose purpose is to acquire exploration stage resource properties in China and to explore and develop these properties. 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 29, 2004				
	Head Office	Mine Development Division	Rare Earth Division	e-Commerce Division	Consolidated
Sales	\$ -	\$ -	\$ 5,755	\$ -	\$ 5,755
Operating costs	-	-	1,921	-	1,921
	-	-	3,834	-	3,834
Depreciation and amortization	1,053	-	-	-	1,053
Selling, general and administrative expenses:					
Travel and accommodation	81,575	58,595	747	-	140,917
Professional fees	64,855	13,015	524	-	78,394
Office and rent	46,224	17,578	12,579	-	76,381
Management fees	73,001	-	-	-	73,001
Salaries and benefits	28,508	-	8,737	-	37,245
Consulting	-	26,522	5,366	-	31,888
Corporate relations	15,920	-	-	-	15,920
Other expenses	10,215	-	1,622	-	11,837
Bad debts	-	-	(20,897)	-	(20,897)
	321,351	115,710	8,678	-	445,739
Operating loss	(321,351)	(115,710)	(4,844)	-	(441,905)
Interest and other income (expense), net	6,668	-	(7,472)	-	(804)
Foreign exchange gain (loss)	12,003	-	(18,110)	-	(6,107)
Stock-based compensation	(14,134)	-	-	-	(14,134)
Loss before income taxes and non-controlling interest	(316,814)	(115,710)	(30,426)	-	(462,950)
Income taxes (Note 13)	-	-	-	-	-
Loss before non-controlling interest	(316,814)	(115,710)	(30,426)	-	(462,950)
Non-controlling interest	-	-	-	-	-
Net loss	\$ (316,814)	\$ (115,710)	\$ (30,426)	\$ -	\$ (462,950)

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(a) Segmented Net Loss, continued

For the three months ended February 29, 2003

	Head Office	Mine Development Division	Rare Earth Division	e-Commerce Division	Consolidated
Sales	\$ -	\$ -	\$ 281,301	\$ -	\$ 281,301
Operating costs	-	-	263,190	-	263,190
	-	-	18,111	-	18,111
Depreciation and amortization	1,140	-	92,276	-	93,416
Selling, general and administrative expenses:					
Travel and accommodation	38,812	-	60,742	-	99,554
Professional fees	6,178	-	16,156	-	22,334
Office and rent	34,620	-	25,952	-	60,572
Management fees	75,834	-	2,406	-	78,240
Salaries and benefits	13,842	-	104,404	-	118,246
Consulting	2,436	-	14,844	-	17,280
Corporate relations	14,005	-	-	-	14,005
Other expenses	3,993	-	8,118	-	12,111
	190,860	-	324,898	-	515,758
Operating loss	(190,860)	-	(306,787)	-	(497,647)
Interest and other expense, net	(69,593)	-	(8,795)	-	(78,388)
Foreign exchange gain (loss)	(688)	-	(3,059)	-	(3,747)
Loss before income taxes and non-controlling interest	(261,141)	-	(318,641)	-	(579,782)
Income taxes (Note 13)	-	-	-	-	-
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)

(b) Resource Properties and Property, Plant and Equipment by Geographic Region

	February 29, 2004	November 30, 2003
China	\$ 583,700	\$ 269,071
Canada	14,681	15,029
	\$ 598,381	\$ 284,100

INTER-CITIC MINERALS INC.
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(c) Total Assets and Capital Expenditures by Segment

	February 29, 2004		November 30, 2003	
	Total Assets	Capital Expenditures	Total Assets	Capital Expenditures
Head Office	\$ 4,470,284	\$ 705	\$ 1,298,441	\$ 2,795
Mine Development Division	583,160	314,092	269,068	269,068
Rare Earth Division	59,619	-	58,493	99,471
e-Commerce Division	1	-	1	-
	<u>\$ 5,113,064</u>	<u>\$ 314,797</u>	<u>\$ 1,626,003</u>	<u>\$ 371,334</u>

(d) Acquisition and Exploration Costs by Resource Property

	February 29, 2004		November 30, 2003	
	Capitalized	Expensed	Capitalized	Expensed
Dachang Gold Project				
Acquisition costs	\$ 259,405	\$ 31,784	\$ 35,196	\$ -
Exploration costs	237,628	-	180,058	304,000
	<u>497,033</u>	<u>31,784</u>	<u>215,254</u>	<u>304,000</u>
Zalantun Gold Project				
Acquisition costs	\$ 8,799	\$ 10,745	\$ 8,799	\$ -
Exploration costs	77,328	-	45,015	76,000
	<u>86,127</u>	<u>10,745</u>	<u>53,814</u>	<u>76,000</u>
	<u>\$ 583,160</u>	<u>\$ 42,529</u>	<u>\$ 269,068</u>	<u>\$ 380,000</u>

15. Change of Name

The Company changed its name to Inter-Citic Minerals Inc. effective December 18, 2003.

INTER-CITIC MINERALS INC.
(FORMERLY INTER-CITIC MINERAL TECHNOLOGIES INC.)

BC Form 51-901F - Schedule B
(Supplementary Information)

1. ANALYSIS OF EXPENSES AND DEFERRED COSTS

See Schedule A and Schedule C

2. RELATED PARTY TRANSACTIONS

See Schedule A and Schedule C

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

(a) Summary of Securities Issued

See Schedule A and Schedule C

(b) Summary of Options Granted

Not applicable

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

See Schedule A and Schedule C

5. DIRECTORS AND OFFICERS

Scott Dorey - Director
Mark Frederick - Director
Carlos Ho - Director
Sherman Hsiao Ming Hong - Director
James J. Moore - Director, President and Chief Executive Officer
Lou Pasubio - Vice-President, Finance and Chief Financial Officer
Peter Tang - Director and Secretary

Inter-Citic Minerals Inc.
(Formerly Inter-Citic Mineral Technologies Inc.)

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

This Management's Discussion and Analysis should be read in conjunction with the financial statements of February 29, 2004. Unless otherwise noted, all financial information is expressed in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles.

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 "PRC"). Over the course of the past several years the Company has sought to systematically leverage its key relationships in the PRC to generate deal-flow with a strategic focus on the acquisition and development of key mineral and related projects in China. These opportunities have included establishment of the Rare Earth Division, the e-Commerce Division and a Mine Development Division to actively pursue exploration stage mineral properties for further exploration and development.

Over the course of the past seven years in China, the Company has engaged in a number of ventures, such as pursuit of a large lead-zinc deposit in Yunnan, establishment and operation of the rare earth operation, and development of a business plan for the China Metals Net project. These fully in-country efforts of the past seven years (including, not insignificantly, establishment and management of the rare earth mineral processing business employing in excess of one hundred people) have enabled the Company to develop both valuable management experience and expertise and key relationships with strategic Chinese partners that will be critical in the creation of increasingly promising opportunities. Management believes strongly that this wealth of experience and relationships with the right Chinese partners is a key competitive advantage that distinguishes Inter-Citic from other companies that have only recently demonstrated interest in the Chinese mineral industry.

During the third quarter of last year, on July 31, 2003, the Company announced that preliminary agreements were signed with the Qinghai Geological Survey Institute, covering the Dachang Gold Project in the Province of Qinghai, China, and the Beijing Institute of Geology for Mineral Resources, covering the Zalantun Gold Project in the Inner Mongolia Autonomous Region, China. Formal joint venture agreements for these projects were completed and signed during the fourth quarter of last year, on October 30, 2003 (Zalantun Gold Project) and November 14, 2003 (Dachang Gold Project). As at the date of this report, the joint venture for the Dachang Gold Project had already received government approval and had been issued a formal business license and is in the process of executing a formal transfer of title of the subject lands.

Acquisition of these projects has highlighted management's abilities in China, and the range and scope of the Company's presence in the Chinese market. The Company intends to explore and further develop these exploration stage properties, and to add additional properties in the future. By the end of 2003 the Company established a special technical advisory committee comprised of industry leaders in exploration, mining, metallurgy and investment banking fields, adding a significant depth of resources from which to draw upon as it proceeds in developing its exploration opportunities in China.

It is expected that funding for these activities will come in the form of private and public offerings, and during the third quarter of last year the Company announced the successful negotiation of a private placement with proceeds of \$2,430,000. During the first quarter of this year the Company received an additional \$3,164,706 as a result of the exercise of existing share-purchase warrants. It is anticipated that the Company will complete additional financings in 2004.

During the prior year, the Company recognized a write down of the Rare Earth Division in the form of a charge against property, plant and equipment of \$3,824,786 to reflect the Company's decision to suspend operations of the factory in the face of currently unfavourable market conditions. In light of the Company's recent success in acquiring exploration properties for further development, the Company does not intend to allocate any further funding of significance to this division. In addition, there has been no significant activity in the e-Commerce Division, nor has there been any further advancement of initiatives with respect to the Yunnan lead-zinc project.

In the medium to long term, the Company intends to evaluate and ultimately implement strategies for becoming a gold producer in the PRC in conjunction with major international mining operators.

RESULTS OF OPERATIONS

Selected annual and year-to-date information:

	2002	2003	2004 YTD
Balance Sheet:			
Cash and Cash Equivalents	\$1,564,858	\$1,179,270	\$4,284,617
Total Assets	\$6,817,708	\$1,624,663	\$5,113,064
Total Long-term Financial Liabilities	-	-	-
Sales and Gross Profit (Loss):			
Rare Earth Sales	\$89,436	\$422,191	\$5,755
Operating Costs	\$127,730	\$635,622	\$1,921
Gross Profit (Loss)	\$(38,294)	\$(213,431)	\$3,834
Net Loss:			
Head Office	\$1,192,678 ^[1]	\$1,529,171 ^[3]	\$316,814
Mine Development	-	\$509,900	\$115,710
Rare Earth	\$1,417,631 ^[2]	\$4,689,932 ^[4]	\$30,426
e-Commerce	\$53,279	-	-
Overall	\$2,663,588	\$6,729,003	\$462,950
Net Loss Per Share (Basic and Diluted)	\$0.09	\$0.23	\$0.01

[1] Includes a prior-period adjustment of \$15,623 to recognize the cost of stock options issued during the period.

[2] Includes provision 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. Excluding this provision, the net loss for the Rare Earth Division for 2002 was \$670,937, the overall net loss was \$1,916,894 and the overall net loss per share, basic and diluted, was \$0.07.

[3] Includes stock-based compensation expense of \$429,199.

[4] Includes a write-down of the Rare Earth Division of \$3,824,786 and associated additional write-off of non-controlling interest of \$336,797. Excluding this provision, the net loss for the Rare Earth Division for 2003 was \$1,201,943, the overall net loss was \$3,241,014 and the overall net loss per share, basic and diluted, was \$0.11.

Selected quarterly information:

	2003				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales:	\$281,301	\$117,327	\$23,563	\$ -	\$5,755			
Net Loss:								
Head Office	\$220,253	\$235,056	\$231,555	\$842,307 ^[2]	\$316,814			
Mine Development	\$40,888	\$139,808	\$139,399	\$189,805	\$115,710			
Rare Earth	\$267,590	\$2,050,066 ^[1]	\$112,515	\$2,259,761 ^[3]	\$30,426			
e-Commerce	-	-	-	-	-			
Overall	\$528,731	\$2,424,930	\$483,469	\$3,291,873	\$462,950			
Net Loss Per Share (Basic and Diluted)	\$0.02	\$0.08	\$0.02	\$0.11	\$0.01			

[1] Includes a write-down of the Rare Earth Division of \$1,551,423. Excluding this provision, the net loss for the Rare Earth Division for the second quarter of 2003 was \$498,643, the overall net loss was \$873,507 and the overall net loss per share, basic and diluted, was \$0.03.

[2] Includes stock-based compensation expense of \$429,199.

[3] Includes a write-down of the Rare Earth Division of \$2,273,363 and associated additional write-off of non-controlling interest of \$336,797. Excluding these provisions, the net loss for the Rare Earth Division for the fourth quarter of 2003 was \$323,195, the overall net loss was \$1,355,307 and the overall net loss per share, basic and diluted, was \$0.05.

A. Overall

Total assets of the Company decreased dramatically in 2003, primarily as a result of the suspension of the Rare Earth Division and the subsequent charge to property, plant and equipment of \$3,824,786. The impact of this write-down on total assets was partially offset by capitalization of \$269,068 in acquisition and exploration costs associated with these newly acquired mineral properties. During the first quarter of 2004, total assets increased by \$3,448,401 primarily as a result of additional cash following the closing of the second tranche of the private placement announced in the second quarter of 2003 (\$1,000,000) as well as proceeds from the exercise of outstanding share-purchase warrants (\$3,164,706). Overall net increase in cash for the quarter was \$3,105,347 and capital expenditures on resource properties were \$314,092. Combined, cash and cash equivalents and resource properties now account for 95% of total assets as at February 29, 2004 compared to 89% as at November 30, 2003.

Proceeds from these financings are to be used to fund the Company's exploration programs for its Dachang and Zalantun Gold Projects, as well as for future acquisitions.

B. The Mine Development Division

In early 2003 the Company established its Mine Development Division and began to aggressively seek opportunities to acquire gold-hosted exploration stage mineral properties in China. Later that year, during the third quarter of 2003, the Company announced that it was successful in completing joint venture

contracts with the Qinghai Geological Survey Institute for the acquisition of the Dachang Gold Project in the Province of Qinghai, PRC, and the Beijing Institute of Geology for Mineral Resources for the acquisition of the Zalantun Gold Project in the Autonomous Region of Inner Mongolia, PRC.

Both projects are exploration stage properties, and it is the intention of the Company to further develop and explore these properties in the coming years. The Company intends to continue to source and acquire additional properties in the future, and has a medium to long-term objective of becoming a producer of precious metals in the PRC in conjunction with major international mining operators.

The Dachang gold project consists of three blocks covering 218 km². The main block covers 106 km² and has been extensively prospected by the Qinghai Geological Survey Institute, including geochemical sampling, reconnaissance geological mapping, extensive trenching and diamond drilling.

On November 14, 2003, the Company entered into an agreement with the Qinghai Geological Survey Institute regarding the "Dachang" gold project in the Province of Qinghai, China. Under the terms of this joint venture agreement, the Company can earn an 83% interest in the joint venture by contributing the equivalent of approximately \$5,170,000 (Renminbi 32,830,000) over three years and making a cash payment of the equivalent of approximately \$1,570,000 (Renminbi 10,000,000) upon the issuance of a Mining License required to bring the project into production. Minimum contributions are staged as to the equivalent of approximately \$2,970,000 (Renminbi 18,830,000) in 2004 and \$2,200,000 (Renminbi 14,000,000) in 2006. The Company also has the ability to acquire an additional 7% interest in the joint venture based on the valuation of any potential mining project contained in a Pre-feasibility Report, for a total interest of 90%. The Qinghai Geological Survey Institute will retain a carried interest in the joint venture. As part of the agreement, the Company also has a right of first refusal on any mineral exploration project for which the Qinghai Geological Survey Institute seeks foreign investment.

The Zalantun gold project is an exploration stage project consisting of three blocks covering 125 km². The project area has been explored by the Beijing Institute of Geology for Mineral Resources, with nine individual target areas identified to date.

On October 30, 2003, the Company entered into an agreement with the Beijing Institute of Geology for Mineral Resources regarding the "Zalantun" gold project in the Autonomous Region of Inner Mongolia, China. Under the terms of this joint venture agreement, the Company can earn an 85% interest in the joint venture by contributing the equivalent of approximately \$2,360,000 (Renminbi 15,002,500) over three years. Minimum contributions are staged as to the equivalent of approximately \$630,000 (Renminbi 4,000,000) in 2004, \$1,260,000 (Renminbi 8,000,000) in 2005 and \$470,000 (Renminbi 3,002,500) in 2006. The Company also has the ability to acquire an additional 5% interest in the joint venture for the equivalent of approximately \$278,000 (Renminbi 1,765,000), for a total interest of 90%. The Beijing Institute of Geology for Mineral Resources will retain a carried interest in the joint venture. As part of this agreement, the Company also has a right of first refusal on any mineral exploration project for which the Beijing Institute of Geology for Mineral Resources seeks foreign investment.

The Company completed and filed technical reports on both properties subsequent to year-end.

As a result of the above efforts, the Company incurred expenses of \$509,900 (in addition to capitalized acquisition and exploration costs of \$269,068 associated with its Dachang and Zalantun Gold Projects) during 2003. During the first quarter of 2004, these expenses were \$115,710, in addition to capitalized costs of \$314,092 associated with the Dachang and Zalantun Projects.

Total expenditures for the Mine Development Division can be broken down as follows:

	2003			2004 Q1			Cumulative	
	Expensed	Capitalized	Total	Expensed	Capitalized	Total	Expensed	Capitalized
Dachang Gold Project:								
Acquisition costs	-	\$35,196	\$35,196	\$31,784	\$224,209	\$255,993	\$31,784	\$259,405
Consulting	\$84,594	\$131,802	\$216,396	-	\$45,117	\$45,117	\$84,594	\$176,919
Travel and accommodation	\$219,406	\$48,256	\$267,662	-	\$12,212	\$12,212	\$219,406	\$60,468
Other	-	-	-	-	\$241	\$241	-	\$241
	\$304,000	\$215,254	\$519,254	\$31,784	\$281,779	\$313,563	\$335,784	\$497,033
Zalantun Gold Project:								
Acquisition costs	-	\$8,799	\$8,799	\$10,745	-	\$10,745	\$10,745	\$8,799
Consulting	\$21,149	\$32,951	\$54,100	-	\$20,222	\$20,222	\$21,149	\$53,173
Travel and accommodation	\$54,851	\$12,064	\$66,915	-	\$11,850	\$11,850	\$54,851	\$23,914
Other	-	-	-	-	\$241	\$241	-	\$241
	\$76,000	\$53,814	\$129,814	\$10,745	\$32,313	\$43,058	\$86,745	\$86,127
Business development:	\$129,900	-	\$129,900	\$73,181	-	\$73,181	\$203,081	-
Overall	\$509,900	\$269,068	\$778,968	\$115,710	\$314,092	\$429,802	\$625,610	\$583,160

At present, the Company is in the final stages of establishing its Dachang and Zalantun joint ventures in China. Accordingly, the Company continues to experience acquisition costs related to these activities. It is anticipated that these costs will be significantly reduced over the next few quarters. Concurrent with the above, the Company continues to evaluate targets within each project area and is in the process of finalizing exploration programs for both projects, including drilling, for Q3 and Q4 of this year.

Business development expenses are associated with due diligence and related costs in conjunction with the Company's evaluation of prospective acquisition targets.

C. The Rare Earth Division

Following its acquisition of an 80% interest in a joint venture in China, the Company's Rare Earth Division ("Techmat") underwent a phased upgrade and expansion to facilitate future growth, which was substantially completed earlier last year. 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 long-term. However, in light of the Company's Dachang and Zalantun gold project joint ventures, the Company has suspended the operations of the Rare Earth Division indefinitely and does not plan to allocate any further funding of significance to this Division for the foreseeable future. As a result, the Company recognized a write-down of \$3,824,786 against property, plant and equipment during the year.

The sales and overall expense trend since 2002 is consistent with this activity in the Rare Earth Division. In 2002, the Rare Earth Division had limited sales during the period of upgrade and expansion, during which time there was no production at the rare earth facility. In addition, sales in 2003 reflect the Company's decision to suspend operations in approximately the middle of the year, and gross loss from year to year in the Division is a reflection of the severity of the persistently unfavourable market conditions

of the rare earth industry and the Company's inability to sell its products at a profit. The minor sales that occurred in Q1 of 2004 were on account of liquidation of certain inventory that was previously written-off, offset by related selling and operational expenses. In addition, the Company managed to recover amounts previously written-off as bad debts (\$20,897). The Company continues to incur minor expenses to maintain the facility as well as ongoing interest charges relating to the Bank Loan. During the quarter, the net expense relating to the Rare Earth Division was \$30,426, including an unrealized foreign exchange loss of \$18,110, and the Company does not anticipate a significant change in these expenses for the foreseeable future.

Non-controlling interest represents minority shareholder's interest in the earnings of the subsidiary company Yangzhong Zhonghai Techmat Co., Ltd. The remaining balance of this non-controlling interest was written-down further to the write-down of \$3,824,786 against property, plant and equipment resulting in a net liability in this company at the end of 2003. This subsidiary company also has a series of loans outstanding with the Bank of China totalling Renminbi 3,000,000 (approximately \$484,800), which is the same amount outstanding as at the end of 2002, and are secured by the assets of Yangzhong Zhonghai Techmat Co., Ltd. The parent company has not guaranteed this debt.

In light of the Company's recent success in acquiring exploration properties for further development, the Company does not intend to allocate any further funding of significance to this division.

D. The e-Commerce Division

The e-Commerce Division has not incurred any expenses since 2002. To date, a total of \$500,000 in start-up costs (net of interest earned) has been incurred and fully expensed by Ideal, and the Company has recognized equity in net loss of associated company sufficient to reduce the carrying value of its investment to \$1. It is anticipated that no further expenditure will occur on this project for the foreseeable future.

E. Head Office Expenses

Head office expenses increased by \$96,561 (44%) from Q1 of 2003 to Q1 of 2004. Excluding interest charges associated with the convertible debenture of \$77,037 that were incurred in 2003 but not in 2004, this increase is even higher (\$173,598, or 79%). The increase is partially offset by significantly increased professional fees (\$58,677) as a result of the various financing activities that took place in late 2003 and Q1 of 2004, however office and rent and travel and accommodation expenses increased significantly (\$11,604, or 34% and \$42,763, or 110%, respectively) as the Company continues to incur generally higher overhead costs as a result of the Company's ongoing business development efforts in the Chinese mineral industry. The increase is apparent beginning in approximately the latter half of 2003.

Also included as part of selling, general and administrative expenses are management fees representing executive compensation to senior officers and management of the Company.

Foreign exchange gains and/or losses from year to year reflect coincidentally favourable or unfavourable exchange rates with respect to operations in China relating to capital expenditures.

Interest and accretion charges of \$77,037 relating to the Company's convertible debenture were accrued during Q1 of 2003 compared to nil in 2004 following the conversion of the debenture into common shares of the Company on October 31, 2003. Excluding this amount, interest expense from year to year has not changed significantly. Expenses are net of interest earned on cash balances.

CASH RESOURCES AND LIQUIDITY

Operating Activities

The Company continued to generate negative cash flow from operations in the first quarter of 2004 compared to 2003 (\$774,428 compared to \$372,137, respectively). During the current year, these losses were primarily as a result of activity in the Mine Development Division while last year they were primarily as a result of the Rare Earth Division. In addition, the Company was able to reduce its accounts payable balance significantly following year-end.

It is anticipated that the Company will finance ongoing operations through continuing equity offerings to take place in 2004, including the recently negotiated private placement for total proceeds of \$2,430,000 as discussed below. Although expenses relating to the Mine Development Division are expected to increase as the Company develops the Dachang and Zalantun properties, the Company does expect overall cash flow to improve as a result of the suspension of operations of the Rare Earth Division.

Private Placement

On November 13, 2003 the Company closed the first tranche of this private placement consisting of 2,383,333 Units at \$0.60 per Unit for proceeds of \$1,430,000. Each Unit consisted of one common share and one non-transferable share purchase warrant. One warrant and \$1.00 entitles the holder to acquire one additional common share of the Company until November 13, 2004. The second and final tranche closed subsequent to year-end, on February 2, 2004, consisting of 1,666,667 Units at \$0.60 per Unit. Each Unit consists of one common share and one non-transferable share purchase warrant. One warrant and \$1.00 entitles the holder to acquire one additional common share of the Company until February 2, 2005. As part of this financing transaction, the Company also issued Finder's Fees consisting of 810,000 share-purchase warrants. One warrant and \$0.60 entitles the holder to acquire one common share of the Company for a period of two years from the date of issue, which was determined on a pro-rata basis in accordance with the tranches of the private placement.

Convertible Debenture

During Q4 of 2003 the Company's outstanding 8.9%, 2-year convertible debenture of \$2,000,000 was converted into common shares of the Company, the details of which are contained in the Notes to Financial Statements.

Share-Purchase Warrants

During the quarter the Company's cash position improved significantly as a result of the exercise of 3,164,706 previously issued share-purchase warrants for proceeds of \$3,164,706. Following the closing of the second tranche of the 2003 private placement described above, the Company had, on a weighted average basis, 4,110,000 outstanding share-purchase warrants expiring in approximately 1 year at a weighted average exercise price of \$0.92, representing additional potential financing of \$3,786,000.

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.

Mine Development Activities

The Company has negotiated formal joint venture contracts relating to the Dachang and Zalantun Gold Projects in China. Although approval from regulatory authorities was received for the Dachang Project subsequent to year-end, approval of the Zalantun joint venture is expected to occur during 2004, however there is no guarantee that these activities will be without delay or success. Exploration and development of mineral properties and as a result investing in the shares of the Company both involve a high degree of risk. Even if the Company is successful in acquiring an interest in these and/or other exploration properties, 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. The Dachang Gold Project is situated in an environmentally sensitive area around the headwaters of the Yellow River that will require approval from the regulatory authorities prior to mining in the future. The effect of these and other factors cannot be predicted.

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.

Management is considering various alternatives to raise capital however it is not possible to determine with certainty the success or adequacy of these initiatives. Although recent financing initiatives resulted in the closing of a private placement (in two tranches – November 13, 2003 and February 2, 2004 as previously

discussed) for proceeds of \$2,430,000, conversion to common shares of the Company's \$2,000,000 convertible debenture on October 31, 2003, as well as additional financing of \$3,164,706 following the exercise of share purchase warrants as announced on December 17 and December 22, 2003, the Company may experience delays in meeting its implementation timetable for its projects should there be problems securing adequate financing in the future. 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

Over the next year the Company will focus all of its available resources and relationships in China to carry out an exploration and development program for its Dachang and Zalantun Gold Projects, as well as to secure additional mineral projects for further development. The Company believes that it will be successful in securing such projects, and that these projects will result in a significant enhancement of enterprise value in the coming twelve months.

In the meantime, the rare earth and e-Commerce operations will remain suspended to preserve capital and allow for focus of resources and effort on development of the above objective.

The Company does not expect any further activity on the Yunnan lead-zinc project for the foreseeable future.

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 Minerals 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.