

Inter-Citic Minerals Inc.

Management's Discussion and Analysis

This Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements of November 30, 2005 and 2004 and the Annual Information Form ("AIF") for the year ended November 30, 2005 for Inter-Citic Minerals Inc. ("**Inter-Citic**", or the "**Company**"), and is current as at March 30, 2006. Unless otherwise noted, all financial information is expressed in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles. 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 David G. Wahl, Inter-Citic's Vice-President of Resource Development and the Company's designated qualified person under National Instrument 43-101 ("N.I. 43-101") with respect to the Company's mineral properties.

HIGHLIGHTS FOR THE YEAR

Q1: The Company's Dachang Gold Project ("Dachang"), located in the Province of Qinghai in the People's Republic of China ("China" or the "PRC"), receives final confirmation of approval of exploration licenses for approximately 391 km². During the quarter the Company completed its 2004 exploration program at Dachang.

Q2: Mobilization begins for 2005 exploration program at Dachang based on exploration results of 2004 and the Company successfully negotiates favourable terms for deferral of contributions for the Dachang Gold Project such that they are better matched to timing of exploration work.

Q3: Mobilization for 2005 exploration at Dachang completed – camp opens in August; completion of private placement financing for proceeds of \$1,721,000 (\$1,620,800 net), as announced in the Company's Press Release August 2, 2005.

Q4: Fieldwork for 2005 included:

- 1:25,000 scale geological mapping covering approximately 200 km²
- 1:10,000 geochemical survey covering approximately 54 km² not tested in 2004
- 101 trenches (approximately 23,710 linear meters)
- 22 diamond drill holes (approximately 2,487 meters)

Also in Q4, completion of private placement financing for proceeds of \$533,500 (\$502,480 net), as announced in the Company's Press Release of October 27, 2005.

- Compilation and publication of exploration results as they are received, including:
 - Final geochemical survey results from 2004 (total of 23,600 samples) as announced in the Company's press releases of May 2, May 3, and June 30, 2005
 - Identification of 24 new, large geochemical anomalies over 5 districts (a total of 25 anomalies have now been identified at Dachang), including three new mineralized gold zones discovered in North River (NR-1, NR-2) and Central Dachang (CD-5), as announced in the Company's press releases of September 7, 19 and 28, 2005
 - One of these anomalies was tested in 2004, as reported in the Company's press release of February 11, 2005, which announced that initial drill testing returned results of 3.7 gpt Au over 4.5 m for drill hole CJV-11 and 6.4 gpt Au over 8.5 m for drill hole CJV-15

- Drilling results from NR-2 anomaly include 7.59 gpt Au over 7 m for drill hole CJV-16, which is 600 m west along strike from drill hole CJV-15 (see above), as reported in the Company's press release of November 1, 2005
- Subsequent to year-end, in the Company's Press Release of December 12, 2005, the Company announced an increase to its inferred mineral resource at Dachang by 1,282,500 tonnes grading 5.81 grams per tonne Au as a result of positive initial drilling of the NR-2 anomaly.
- During the year a total of \$2,577,848 was spent on the Dachang joint venture, the bulk of which occurred in Q4.
- Subsequent to year-end, on March 22, 2006, the Company completed private placement financing for gross proceeds of \$11,056,478 (\$10,366,994 net), to be used for further exploration at Dachang and for general working capital purposes.

OVERVIEW

Inter-Citic is a development stage company engaged in the acquisition, exploration and development of exploration stage resource properties.

To date the Company has entered into joint venture agreements to acquire two exploration properties, the Dachang Gold Project in the Province of Qinghai, China, and the Zalantun Gold Project ("Zalantun") in the Inner Mongolia Autonomous Region, in the People's Republic of China ("China" or the "PRC").

As at the date of this report the joint venture for the Dachang Gold Project has received government approval, has been issued a formal business license, completed formal transfer of title of the exploration licenses of the subject lands and acquired new exploration licenses for additional lands for a total land area of approximately 391 km². An exploration program for this project began in Q3 of 2004 and was completed at the beginning of the first quarter of 2005. Results from 2004 were published in press releases between February and June, 2004. Exploration for 2005 began during Q3 and was completed in Q4. Results from this program were detailed in press releases by the Company between September of 2005 and March of 2006, including an increase to its inferred mineral resource at Dachang by 1,282,500 tonnes grading 5.81 grams per tonne Au as a result of positive initial drilling of the NR-2 anomaly (see press release of December 12, 2005).

In the medium to long term, the Company intends to continue to explore its gold properties with a view to identifying gold reserves and to continue to evaluate and ultimately implement strategies for becoming a gold producer in the PRC. To date the Company has not found any proven reserves or engaged in any production on any of its properties.

The Company expects that ongoing funding for these activities will come in the form of equity offerings to take place in 2006 and thereafter. Additional financings will be required in the future to fund ongoing operations and meet the Company's commitments as they come due, including its joint venture commitments (see Exploration Projects, Activities and Commitments, below). Subsequent to year end, as announced in the Company's press release of March 22, 2006, and as detailed in Cash Resources and Liquidity – Private Placement Financing Subsequent to Year-end, below, and in Note 14 - Subsequent Events of the Company's Notes to Financial Statements for the year ended November 30, 2005, the Company completed private placement financing for gross proceeds of \$11,056,478 (\$10,366,994 net), to be used for further exploration at Dachang and for general working capital.

RESULTS OF OPERATIONS

Selected financial information:

	November 30, 2005	November 30, 2004	November 30, 2003
Balance Sheet:			
Cash and Cash Equivalents	\$417,731	\$2,174,163	\$1,179,270
Total Assets	\$7,758,604	\$6,935,534	\$1,624,663
Total Long-term Financial Liabilities	-	-	-
Net Loss (Income):			
Head Office ^[1]			\$1,529,171 ^[5]
Exploration ^[1]	\$1,922,266 ^[2]	\$3,810,158 ^[4]	\$509,900
Rare Earth	\$(523,827) ^[3]	\$8,328	\$4,689,932 ^[6]
Net loss for the period	\$1,398,439	\$3,818,486	\$6,729,003
Net Loss Per Share (Basic and Diluted)	\$0.03	\$0.10	\$0.23

[1] Beginning in 2004 the Company's business is that of an integrated exploration company and as such does not have a head office for multiple divisions.

[2] Includes stock-based compensation expense of \$365,319.

[3] During the year the Company liquidated most of its rare earth processing equipment for net proceeds of approximately \$429,240 (Renminbi 2,940,000) and reversed approximately \$102,967 in accounts payable that were over-accrued at the time operations ceased.

[4] Includes stock-based compensation expense of \$1,259,472.

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

[6] Includes a write down of Rare Earth Division assets 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.

Until 2003 the Company's activities included a rare earth operation that processed rare earth concentrates in China for use primarily in the optical and automotive catalytic converter industries, as well as the manufacture of mini and micro magnets for the computer and telecommunications industries. Rare earth operations ceased in 2003 and the processing facility has since remained idle. As a result, during 2003, total assets of the Company decreased significantly as the prepaid land lease, buildings, equipment and other assets that the Company holds through its 80% interest in Yangzhong Zhonghai Techmat Co., Ltd. were written down to their estimated realizable amounts, resulting in a 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 of acquisition and exploration costs associated with the Dachang and Zalantun Gold Projects, which were acquired that same year.

Since 2003 the Company has allocated virtually all of its resources to the acquisition of exploration stage resource properties in China and to explore and develop those properties. Although historically the Company did generate revenue from the rare earth operation (\$422,191 in 2003), this information has not been presented, as it is not applicable to the Company's current operations.

During 2004 the Company increased total assets from \$1,624,663 to \$6,935,534. This increase was as a result of two private placements resulting in net proceeds of \$3,392,300 and exercise of previously issued

share-purchase warrants and stock options at various times during the year of \$3,764,659, the proceeds of which were used to acquire two diamond drill rigs and other equipment for use on the Company's exploration projects in China (\$1,136,446) and advancement of the Company's Dachang and Zalantun Gold Projects (total expenditures for the year of \$3,069,592, of which \$2,775,033 was capitalized) and to fund ongoing operating expenses, as discussed herein.

During 2005 total assets increased from \$6,935,534 at the end of 2004 to \$7,758,604. This increase was as a result of two private placements resulting in net proceeds of \$2,123,280 and exercise of previously issued share-purchase warrants and stock options at various times during the year of \$880,216, the proceeds of which were used to advance the Dachang Gold Project (total expenditures for the year of \$2,577,848, of which \$2,410,115 was capitalized) and to fund ongoing operating expenses, as discussed herein.

EXPLORATION PROJECTS, ACTIVITIES AND COMMITMENTS

In early 2003 the Company began to aggressively seek opportunities to acquire 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 ("QGSI") for the acquisition of the Dachang Gold Project in the Province of Qinghai, PRC, and the Beijing Institute of Geology for Mineral Resources ("BIGM") 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 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, with an immediate primary focus at Dachang. To date, the Company has not found any proven reserves or engaged in any production on any of its properties.

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 the joint venture contract and related amendments the Company has agreed to fund 100% of the costs associated with exploration and development of the Dachang Gold Project in exchange for 83% of any profits earned by the joint venture company. Initial capital contribution on the part of Inter-Citic is defined as monetary contribution as to the equivalent of approximately \$4,986,300 (Renminbi 32,830,000), whereas initial capital contribution for the Chinese partner (QGSI) took the form of the transfer of existing exploration licenses held by QGSI to the joint venture company. To date, the Company has advanced the equivalent of \$2,959,100 (Renminbi 18,830,000) of this amount. The Company is required to make its final contributions as to the equivalent of approximately \$868,800 (Renminbi 6,000,000) and \$1,158,400 (Renminbi 8,000,000) by June and October of 2006, respectively.

In addition to the foregoing the Company is required to complete a pre-feasibility study within one year of the completion of all exploration work at Dachang, and has agreed to pay QGSI the equivalent of approximately \$1,448,000 (Renminbi 10,000,000) upon the grant of all necessary permits, including related mining licenses, that are required to bring the project into production. QGSI has agreed to provide the Company with an option to increase its interest in the joint venture company from 83% to 90% in exchange for payment equal to the pro rata value of the increased interest in the joint venture based on the valuation of any potential mining project contained in the pre-feasibility study, and has given Inter-Citic a right of first refusal on any mineral exploration project for which QGSI seeks foreign investment.

Inter-Citic controls the joint venture company by virtue of its ability to appoint three of the five members of the board of directors of that company. However, certain matters require unanimous approval of the board of directors of the joint venture company, including transfer of all or a portion of either party's interest in the joint venture, changes to registered capital and/or profit distribution or matters relating to financing,

dissolution, liquidation or extension of the term of the joint venture. See Risks and Uncertainties - Operations in China, below, for additional information.

The Dachang gold project consists of four pre-existing exploration licenses covering approximately 218 km² and approximately 173 km² of new exploration licenses (three licenses) for a total of 391 km². The joint venture company holds all exploration licenses. Of this area, approximately 106 km² (the "Main Parcel") has been extensively prospected by the Qinghai Geological Survey Institute, including geochemical sampling, reconnaissance geological mapping, extensive trenching and diamond drilling. During the first quarter of 2005 the Company completed its initial exploration program at Dachang, including diamond drilling, trenching and geochemical, geophysical and TEM surveys. Results of this work identified a total of 21 large, new geochemical anomalies over six districts on the Main Parcel that were the targets of additional exploration during the balance of 2005. The six districts are as follows:

- Dachang East
- Dachang North
- Central Dachang
- Western Quarter
- North River
- Southwest Dachang

In 2005 the Company completed geological mapping of the project, extended the 2004 soil geochemical survey, and began an extensive mechanical trenching program throughout the Main Parcel, followed by diamond drilling of identified targets, as follows:

1. 1:25,000 scale Geological Mapping over 200 km²;
2. Soil Geochemical Survey over new areas of approximately 54 km² (11,220 conventional B-horizon soil samples collected and tested for gold, arsenic and antimony);
3. Excavation and sampling of 101 trenches totalling 23,710 linear meters; and
4. 22 NQ core diamond drill holes totalling 2,487 metres.

Further to the above, the Company was able to identify 3 new geochemical anomalies (total of 25 such anomalies have now been identified at Dachang). Results of ongoing work and findings at Dachang can be found on the Company's website and its ongoing press releases. Subsequent to year-end, in the Company's Press Release of December 12, 2005, the Company announced an increase to its inferred mineral resource at Dachang by 1,282,500 tonnes grading 5.81 grams per tonne Au as a result of positive initial drilling of the NR-2 anomaly. To date, the Company has not found any proven mineral reserves or engaged in any production on any of its properties.

All exploration at Dachang since the establishment of the joint venture was completed on the Main Parcel under the direction of the Company. Cyr Drilling International Ltd., of Canada, performed the diamond drilling, while the Company's joint venture partner, QGSI, performed all other exploration work.

The Company completed and filed a technical report for the Dachang Gold Project which is available on its website at www.inter-citic.com, or on SEDAR at www.sedar.com.

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.

The Zalantun gold project is an exploration stage project consisting of three blocks covering 125 km². The project area has been explored by BIGM, with nine individual target areas identified to date.

In part because the Company has chosen to focus its efforts on the exploration and development of the Dachang Gold Project over the past several years, and in part due to general administrative delays in organizing the joint venture, applications have yet to be made for approval from the Chinese Commission for Foreign Trade and Economic Co-operation (“COFTEC”), which is necessary prior to obtaining a business license and ultimately transferring title to exploration licenses to the joint venture company. As a result, while the Zalantun joint venture contract continues to be in full force and effect, it has yet to be implemented by the Company.

Under the terms of the joint venture contract the Company need not make any capital contributions until the joint venture company is fully organized (i.e. approvals are in place and exploration licenses transferred). Once this occurs, the Company has agreed to fund all exploration and development of the Zalantun Gold Project in exchange for 85% of any profits earned by the joint venture company. Initial capital contribution on the part of Inter-Citic is defined as monetary contribution as to the equivalent of approximately \$2,172,362 (Renminbi 15,002,500) over three years, whereas initial capital contribution for the Chinese partner (BIGM) will take the form of the transfer of existing exploration licenses held by BIGM to the joint venture company. Inter-Citic is required to contribute the equivalent of approximately \$579,200 (Renminbi 4,000,000) within 30 days of the organization of the joint venture; the equivalent of approximately \$579,200 (Renminbi 4,000,000) within seven to twelve months of the date of the first contribution; the equivalent of approximately \$579,200 (Renminbi 4,000,000) within thirteen to eighteen months of the date of the first contribution; and the equivalent of approximately \$434,762 (Renminbi 3,002,500) within nineteen to twenty-four months of the date of the first contribution. To date, the Company has not made any capital contributions, pending the organization of the joint venture.

The Company has the option to increase its interest in the joint venture company from 85% to 90% in exchange for payment of the equivalent of approximately \$255,572 (Renminbi 1,765,000). Inter-Citic also has a right of first refusal on any mineral exploration project for which BIGM seeks foreign investment.

Once organized, Inter-Citic will control the joint venture company by virtue of its ability to appoint three of the five members of the board of directors of that company. However, certain matters will require unanimous approval of the board of directors of the joint venture company, including, changes to registered capital and/or profit distribution or matters relating to financing, dissolution, liquidation or extension of the term of the joint venture. See Risks and Uncertainties - Operations in China, below, for additional information.

The Company completed and filed a technical report for the Zalantun Gold Project which is available on its website at www.inter-citic.com, or on SEDAR at www.sedar.com.

Capitalized Exploration Costs

A breakdown of capitalized or expensed exploration costs for the Company’s resource properties, on a property-by-property basis for 2005 together with the comparative figures for 2004 is included in the Company’s Notes to Consolidated Financial Statements for the year ended November 30, 2005.

Overall, the Company spent \$2,577,848 (of which \$2,410,115 was capitalized) on the Dachang Gold Project in 2005, compared to \$3,069,592 (of which \$2,775,033 was capitalized) in 2004, representing a decrease in expenditure in 2005 compared to 2004 of \$491,744, or 16%. The Company did not incur any expenses related to the Zalantun Gold Project during 2005 (\$48,785 was incurred in 2004, of which \$5,061 was capitalized).

Differences in exploration expenditures from year to year will arise primarily as a result of differences in the scope and nature of exploration activity, although during 2004 the Company was still in the process of organizing its joint ventures, and as a result incurred acquisition expenditures for both properties that essentially did not exist in 2005 (\$252,482 in 2004 compared to \$112 in 2005). On the other hand, as

activity for the Dachang Gold Project transitioned from start-up to operational in nature, exploration expenses for this project were much higher during Q1 of 2005 compared to Q1 of 2004 (\$398,670, of which 390,834 was capitalized in 2005 compared to \$89,354, of which 57,570 was capitalized in 2004), as exploration expenses for Dachang during Q1 of 2005 consisted of the completion of the Company's 2004 exploration program for the project that began in Q4 of 2004.

While it is normally expected that exploration that began in the previous year will conclude in Q1 of every year, it is expected that Q2 of every year will represent a transitional quarter for the Company, as it compiles and analyzes results of exploration for the previous year which would have been completed in Q1 and subsequently prepare for commencement of exploration for the current year to begin in Q3. During Q2 of 2005 these expenses totalled \$198,400, of which \$184,068 was capitalized, and for the most part the Company expects that this trend will continue in the future. However, despite the fact that the Company did not have exploration results to compile and analyze in 2004, expenses were much higher (\$589,943, of which \$584,927 was capitalized) for the same period as a result of significantly increased costs associated with one-time mobilization of the Company's drilling and other exploration equipment to China.

Exploration in 2005 began earlier than it did in 2004, and the Company will continue to work towards beginning exploration earlier in the year every year, and believes that ultimately it can operate a year-round exploration and drilling camp at Dachang.

SUMMARY OF QUARTERLY RESULTS

Selected quarterly information for the past eight quarters:

	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Loss Before the Undernoted):	\$551,741	\$462,741	\$298,550	\$271,981	\$626,060	\$987,343	\$504,759	\$432,524
Rare Earth ^[1]	(\$528,228)	\$9,240	(\$18,872)	\$14,033	(\$41,265)	\$4,622	\$14,545	\$30,426
Stock-based compensation	\$266,213	\$19,330	\$46,269	\$33,507	\$1,000,817	\$40,624	\$218,031	-
Overall	\$289,726	\$491,311	\$325,947	\$291,455	\$1,585,612	\$1,032,589	\$737,335	\$462,950
Net Loss Per Share (Basic and Diluted)	\$0.006	\$0.011	\$0.008	\$0.007	\$0.038	\$0.026	\$0.019	\$0.013

[1] Operations at the Company's rare earth facility in China, held through the Company's 80% interest in Yangzhong Zhonghai Techmat Co., Ltd., ceased in 2003 and the facility has remained idle since that time. The Company continues to incur ongoing expenses related to the maintenance and security of land, buildings and equipment, which have been written down to \$1 in the financial statements, and are net of recovery of bad debts, sale of inventory previously written off, liquidation of fixed assets, exchange gains and losses for the period and other related income or expenses as applicable. These expenses are recorded in the financial statements as other expense. During Q4 of 2005 the Company liquidated most of its rare earth processing equipment for net proceeds of approximately \$429,240 (Renminbi 2,940,000) and used the proceeds to repay outstanding bank advances.

During 2004 the Company mobilized and began exploration of its Dachang Gold Project, a major initiative requiring substantially increased management and corporate infrastructure compared to prior years. In 2004, approximately \$3.1 million was spent on resource properties and an additional \$1.1 million was spent on procurement and shipping of exploration equipment to China. To fund these initiatives, the Company raised approximately \$7.3 million by way of private placements and exercise of existing share-purchase warrants and stock options. This activity is reflected in the expense activity trends from Q1 to Q4 of 2004, as the Company moved from first establishing its business operations for the Dachang Gold Project in Q1 and Q2, to mobilizing for the project in Q2 and Q3, and finally beginning exploration in Q4 that ended very early in Q1 of 2005. Additionally, major financings closed in Q1 and Q3 of 2004, which contributed to generally increased expenses for those periods.

In summary, where 2003 could be considered a transition year as the Company secured its exploration projects and suspended its rare earth operations, 2004 could be described as a year of organization, mobilization and commencement of exploration in China. As a result, it would have been expected that expenses (see Net Loss Before the Undernoted, above) in 2005 would generally be consistent with those of 2004 as long as the Company continued to finance ongoing activities in the same manner as it did the year before (i.e. multiple small financings) and continued to expand its exploration activities in China (i.e. acquisition and establishment of new ventures or projects). This was not the case in 2005, however, and expenses have in fact fallen significantly as the Company has not had multiple financings (\$3.0 million raised in 2005 compared to \$7.3 million in 2004), the Company did not incur the high initial mobilization expenses of 2004, the Company focused substantially all its resources on exploration at Dachang, and the Company has been able to capitalize on efficiencies created in establishing this exploration platform in China last year, all resulting in significantly less travel and accommodation, professional, consulting and administrative expenses. On the other hand, the Company incurred significantly higher depreciation expense in 2005, further to the acquisition of exploration equipment in 2004 (\$173,147 compared to \$4,807). If the impact of these differences (approximately \$906,000) is removed, overall 2005 expenses for the Company are more comparable from year to year at approximately \$1.5-\$1.7 million.

Additional details regarding overall expenses from quarter to quarter during 2004 and 2005 can be found in the Company's annual and interim Management's Discussion and Analysis for each period, 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 years ended November 30, 2005 and 2004 include a detailed breakdown of expenses. Specific items of note include:

- As discussed above, travel and accommodation, professional fees, consulting, and administrative expenses are materially affected by the nature and frequency of individual financings that the Company pursues, which have declined significantly in 2005 compared to 2004. Travel and accommodation and consulting fees are also impacted by business development and other corporate initiatives. During Q1 and Q2 of 2004 the Company incurred significant expenses relating to acquisition of its mineral projects, and in particular in the establishment of the Dachang joint venture company in China, as well as costs associated with mobilization of drilling and other exploration equipment to China, which did not occur in 2005. Moreover, exploration at Dachang ended for the season very early in Q1 of 2005, resulting in significantly lower travel and related expenses immediately thereafter and until mobilization for the 2005 season began, which occurred primarily in Q3 followed by execution of the Company's exploration program at Dachang in the balance of the year. As a result, associated expenses are lower on both a year to date and quarter-to-quarter basis compared to last year, but increase in Q3 and Q4 compared to Q1 and Q2 of this year. Specifically, travel and accommodation expenses fell by \$328,496 (59%), from \$561,416 in 2004 compared to \$232,920 in 2005, professional fees fell by \$362,432 (73%), from \$495,776 in 2004 compared to \$133,344 in 2005, consulting expenses fell by \$270,477 (83%) from 324,357 in 2004 to \$53,880 in 2005 and office and rent expenses decreased by \$112,712 (38%) from \$299,045 in 2004 to \$186,333.
- There is a significant increase in depreciation and amortization expense in 2005 compared to 2004 (from \$4,807 to \$173,147) because the Company now owns in excess of \$1 million in drilling and other exploration equipment which it did not own in the previous year, and when this equipment is not in use, depreciation charges are not allocated to a project and are written off.
- Executive compensation decreased \$30,940 (8%) from \$400,142 in 2004 to \$369,202 in 2005 as a result of increased costs in the prior year relating to compensation of directors and officers as the Company worked to secure the services of key management.

- The Company has a common share-purchase option plan for directors, officers, employees and consultants of the Company. Stock options are typically granted in such numbers as to reflect the level of responsibility of the particular optionee and his or her contribution to the business and activities of the Company, typically vest immediately and 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. Stock option expense fell significantly in 2005 compared to 2004 by \$894,153 (71%) from \$1,259,472 to \$365,319. As is the case with respect to executive compensation, higher costs in 2004 related to the Company's efforts at that time in securing key officers, Directors and advisors and other personnel subsequent to the acquisition of the Company's mineral properties.

CASH RESOURCES AND LIQUIDITY

By its very nature as a development stage exploration company, the Company continued to generate negative cash flow from operations in 2005 compared to 2004 (\$2,291,216 compared to \$2,459,011), and continued to invest in the exploration of its mineral properties with a view to eventual development of those properties and commencement of profitable production sufficient to recover its investment. However, to date the Company has not found any proven reserves or engaged in any production on any of its properties, and there is no guarantee that this will occur in the future.

Although the Company determines the scope of exploration of its mineral properties based on prior results and available resources, the Company relies on equity offerings from time to time to fund its operations, and additional financings will be required in the future to fund ongoing operations and meet the Company's commitments as they come due, including its joint venture commitments (see Exploration Projects, Activities and Commitments). See Private Placement Financing Subsequent to Year-end, below.

Restricted Cash

Restricted cash relates to advances held in China and committed to continuing exploration of the Dachang Gold Project. The balance of restricted cash will vary depending on the timing of contributions under the terms of the joint venture contract compared to expenditure of those funds on exploration and related expenses.

Private Placement Financing Subsequent to Year-end

Subsequent to the end of the Company's fiscal year, on March 22, 2006, the Company announced that it had completed a brokered private placement financing for gross proceeds of \$11,056,478, made up of 12,284,975 special warrants of the Company (the "Special Warrants") issued at a price of \$0.90 per Special Warrant. Each Special Warrant entitles the holder thereof, upon exercise or deemed exercise of the Special Warrants and without payment of any additional consideration, to receive one common share of the Company (the "Special Warrant Shares") and one-half of one share-purchase warrant (the "Underlying Warrants"). Each whole Underlying Warrant entitles the holder to purchase one additional common share of the Company (the "Underlying Warrant Shares") at a price of \$1.20 until March 22, 2008.

The Company paid a cash commission of \$663,389 and issued 737,098 share-purchase warrants to brokers (the "Brokers' Special Warrants") in connection with this financing. Each Broker's Special Warrant entitles the holder thereof, upon exercise or deemed exercise of the Brokers' Special Warrants and without payment of any additional consideration, to receive one share-purchase warrant of the Company (the "Brokers' Warrants"). Each Broker's Warrant entitles the holder to purchase one additional common share of the Company (the "Brokers' Warrant Shares") at a price of \$1.00 until March 22, 2008.

The Special Warrants were issued under and are governed by an indenture dated March 22, 2006 (the "Special Warrant Indenture") between the Company and Computershare Trust Company of Canada (the "Special Warrant Agent").

The Company has agreed to use its best efforts to obtain a decision document in respect of a prospectus (the "Decision Document"), which definitively evidences that the Special Warrant Shares, Underlying Warrant Shares and Brokers' Warrant Shares to be issued upon the exercise or deemed exercise of the Special Warrants, the Underlying Warrants or Brokers' Warrants have been qualified for the purposes of distribution in the provinces of Canada within which the holders of the Special Warrants, the Underlying Warrants or Brokers' Warrants are resident (the "Offering Jurisdictions") on or before April 30, 2006 (the "Qualification Deadline"). If the Decision Document has not been obtained by the Qualification Deadline, the Company will continue to use its best efforts to obtain the Decision Document until the Time of Expiry (as defined below). In the event that the Decision Document is not issued on or before the Qualification Deadline, holders of the Special Warrants will thereafter be entitled to receive 1.1 Special Warrant Shares and 0.55 Underlying Warrants for each Special Warrant so exercised for no additional consideration.

The Special Warrants and the Brokers' Special Warrants are exercisable at any time on or before (the "Time of Expiry") the date which is the earlier of: (i) July 23, 2006; and (ii) the first business day following the Qualification Date. The "Qualification Date" is, in respect of an Offering Jurisdiction, the later of: (i) the date of issuance of the Decision Document (or equivalent receipt) of the securities commissions of the Offering Jurisdiction; and (ii) April 30, 2006. Any Special Warrants or Brokers' Special Warrants not exercised by the Time of Expiry will be deemed to be exercised immediately prior to the Time of Expiry without any further action by the holders thereof.

In the event a holder of Special Warrants or Brokers' Special Warrants exercises such Special Warrants or Brokers' Special Warrants prior to the date of the Decision Document is obtained, the common shares issued upon exercise will be subject to hold periods under applicable securities legislation and shall bear such legends as required by securities laws.

In addition, the Special Warrant Indenture provides for and contains provisions designed to protect the holders of the Special Warrants against dilution upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Common Shares, the payment of stock dividends or special distributions, the amalgamation, merger or corporate reorganization of the Company or a rights offering.

The Company intends to use the proceeds of this private placement for further exploration at Dachang and for general working capital purposes.

OUTSTANDING SHARE DATA

As at March 30, 2006, the Company had outstanding:

- 47,202,507 common shares (98,500,000 common shares, without par value, were authorized),
- 12,284,975 Special Warrants, as described in Cash Resources and Liquidity – Private Placement Financing Subsequent to Year-end, above
- 737,098 Brokers' Special Warrants, as described in Cash Resources and Liquidity – Private Placement Financing Subsequent to Year-end, above
- 4,523,166 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 \$1.02, for a weighted-average period per share-purchase warrant of 0.57 years, and
- 3,545,200 stock options, each of which is convertible to one common share of the Company at a weighted average price per stock option of \$0.89, for a weighted-average period per stock option of 2.79 years.

ADEQUACY OF DISCLOSURE CONTROLS AND PROCEDURES

The Company believes that it has designed and implemented disclosure controls and procedures as at November 30, 2005 that are sufficient in providing reasonable assurance that material information related to the Company and its consolidated subsidiaries is made known and is adequately disclosed in the Company's annual filings as defined in Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

CRITICAL ACCOUNTING POLICIES

The Company is a development stage company engaged in the acquisition, exploration and development of exploration-stage mineral properties. To date the Company has not found any proven reserves or engaged in any production on any of its properties, 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 properties, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put these properties into production, and profitability of future production, especially with respect to the Dachang Gold Project, 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 Associated with Exploration and Development, below.

A detailed summary of the Company's significant accounting policies is included in Note 2, Significant Accounting Policies, of the Company's Notes to Financial Statements for the year ended November 30, 2005.

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

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. The most significant estimates are related to resource properties, and valuation of incentive stock options and share-purchase warrants.

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 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.

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 found any proven mineral reserves or engaged in any production on any of its properties, 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 N.I. 43-101) and others in the assessment of its resource properties. The respective partners for each project have provided the results of this prior work to the Company. In the case of the Dachang project, a significant portion of the Company's mineral resource estimate is based on 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.

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. The effect of these and other factors cannot be predicted.

Operations in China

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

The Company's joint ventures in China are (in the case of Dachang) or will be (in the case of Zalantun) organized as co-operative joint venture companies 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. The co-operative joint venture companies are considered legal entities and can hold assets and assume liabilities. The relationship between the partners in a co-operative joint venture are established in a co-operative joint venture contract, which sets out respective capital contributions, terms for division of profits, issues of management and control, and other material terms of the relationship. Co-operative joint venture contracts, amendments to those contracts and articles of association of co-operative joint venture companies must be approved by relevant government authorities, and co-operative joint venture companies must have a business license in order to operate within the scope permitted.

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 in China is therefore subject to a variety of laws and regulations at state, provincial and municipal or local levels or government that include laws and regulations concerning the form and manner in which foreign companies may invest and operate in China. Although China has recently and continually introduced reforms to encourage foreign investment and develop a more market-based economy, there is no guarantee that this trend will continue, and the government of China continues to exert significant influence through laws, regulations and policies.

The mining industry in China is regulated through the Mineral Resources Law of China (adopted in 1986 and amended 1997) and associated policies, rules and regulations at State and local levels. The Ministry of Land and Resources in China is responsible for administration of exploration and mining claims. Exploration claims 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 legal priority to subsequent mining rights, which are issued based on the nature of the deposit. However there is no guarantee that exploration and mining rights will 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. Holders of mining rights must submit environmental impact studies for approval. Mining rights also have specific timeframes within which mining must occur. Specifically, for gold mining, foreign companies must also receive approval from the Chinese National Development and Reform Commission, a department of the State Council, which has a mandate to develop national economic strategies, long term economic plans and annual plans, and to report on the national economy and social development to the National People's Congress.

A stated objective of the Company is to ultimately become a gold producer in China. The value of the Company's projects is ultimately tied to the Company's ability to realize on the sale of 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 market prices. Foreign gold mining companies are currently able to repatriate profits in foreign currencies. However, the nature and impact to the interests of the Company of possible further changes or reforms to these policies in the future cannot be predicted.

China became a member of the World Trade Organization in December of 2001 and has committed to ensure transparency in its legal system. While China's recent general relaxation of restrictions on foreign trade and investment and developments in its mining industry has improved the operating parameters for foreign exploration and mining companies, the continued progress of these reforms depends on political, economic and international influences beyond the Company's control.

China's control over its currency and so 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. Fluctuations in the value of the Renminbi may have an adverse affect on the operations and operating costs of the Company.

China continues to exert a great deal of control and influence on its society and economy through laws, policies and regulation. The impact of changes to these laws, policies and regulations on the Company's operations in China, including relative impact on the Company's ability to operate in China through changes to foreign enterprise rules (including repatriation of profits), possible restrictions on production and the sale of gold or other mining product, maintenance of business, exploration and/or mining licenses, environmental laws, taxation, or in other areas, cannot be accurately predicted.

Specialized Skill and Knowledge

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 the underlying exploration properties. This includes individuals and organizations that are capable of executing exploration works (such as drilling), compiling and interpreting data, and planning subsequent follow-up work effectively and efficiently.

The Company has established a special advisory committee to continually evaluate and address issues of expertise at the Company's disposal. The Company has also had its own internal qualified person (as that term is defined in N.I. 43-101) with more than 30 years' industry experience under contract since before acquisition of its exploration projects more than two years ago. The Company's Vice-President, Exploration has more than 20 years of experience as an exploration geologist. The Company has a qualified and experienced geologist on the Board of Directors, and the Company has an established relationship with a North-American based drilling company that has been active in carrying out the Company's drilling program at Dachang. In addition, the Company has relationships with a number of 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 market for these services has improved significantly over the past several years (see discussion below), the Company has been successful in securing services necessary to carryout its business plan to date. 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.

Environmental Protection

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 operations, 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.

Resale of Shares

The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. 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 such event, the probability of resale of shares purchased would be diminished.

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.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Certain of the statements that are not historical facts contained in this Management's Discussion and Analysis, or incorporated by reference herein, 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 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.

CAUTIONARY NOTE TO UNITED STATES READERS – DIFFERENCES REGARDING MINING TERMS IN THE UNITED STATES AND CANADA

While the terms "mineral resource," "measured mineral resource," "indicated mineral resource," and "inferred mineral resource" are recognized and required by Canadian regulations, they are not defined terms under standards in the United States. As such, information contained in this report concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the United States Securities and Exchange Commission. "Indicated mineral resource" and "inferred mineral resource" have a great amount of uncertainty as to their existence and a great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "indicated mineral resource" or "inferred mineral resource" will ever be upgraded to a higher category. Readers are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.

This document may also contain information about adjacent properties on which we have no right to explore or mine. Readers are cautioned that mineral deposits on adjacent properties are not indicative of mineral deposits on our properties.