

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 for the years ended November 30, 2009 and 2008 and the Annual Information Form ("AIF") for the year ended November 30, 2009 for Inter-Citic Minerals Inc. ("**Inter-Citic**", or the "**Company**"), and is current as at February 23, 2010. Unless otherwise noted, all financial information is expressed in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles and with consistent application of accounting policies. Additional information regarding the Company and its operations and activities can be found on its website at www.inter-citic.com, or on SEDAR at www.sedar.com, including the documents referenced above.

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

HIGHLIGHTS FOR THE YEAR

Preliminary Economic Assessment and Update to Mineral Resource Estimate

- On July 6, 2009 the Company reported an update to its mineral resource estimate for its Dachang Gold Project ("**Dachang**"), including estimated Measured and Indicated mineral resources of 12.4 million tonnes grading 3.37 g/t Au (1.34 million ounces contained gold) and estimated Inferred mineral resources of 11.9 million tonnes grading 3.00 g/t Au (1.14 million ounces contained gold) for the Dachang Main Zone ("**DMZ**"), and 2.4 million tonnes grading 4.82 g/t Au (0.37 million ounces contained gold) for the NR-2 and other areas, for a total Inferred mineral resource estimate of 14.3 million tonnes grading 3.28 g/t Au (1.51 million ounces contained gold). To date, the Company has not found any mineral reserves or engaged in any production on any of its properties, and these estimates of inferred resources are not affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.
- In addition to the above, in the same press release of July 6, 2009, the Company announced results from a positive Preliminary Economic Assessment ("**PEA**"). The preferred case reported in the PEA comprises an open pit mine delivering 2 million tonnes per year of ore to a fully integrated flotation, Biox[®] and CIL circuit which produces approximately 1.5 million ounces doré over approximately 9 years at an average cash operating cost of US\$404/oz and projected capital cost of approximately US\$104 million, and demonstrates an internal rate of return ("**IRR**") of 40% and net present value ("**NPV**") of US\$198 million assuming a discount rate of 5% and gold price of US\$750/oz.
- The Company filed an updated technical report on the updated mineral resource estimate and PEA for the Dachang project, available for download from SEDAR at www.sedar.com or the Company's website at www.inter-citic.com.

Metallurgical Testing

- During the first quarter of 2009 the Company demonstrated that high recoveries of gold (96% recovery to a rougher concentrate) can be achieved on the Dachang Main Zone using conventional crushing, grinding and froth flotation methods as described in the Company's press release of March 2, 2009. Testwork conducted at AMMTEC Laboratories in Perth, Western Australia demonstrated that a 30g/t Au concentrate can be produced, which can be further upgraded to 57.7 g/t Au through further grinding and cleaning. This process results in an overall recovery of 94% of contained gold into a final cleaner concentrate contained in only 6.2% of the original mass.

- Subsequent testwork on these concentrates demonstrated that the rougher concentrate can be bio leached, followed by conventional CIL, to produce a doré giving a recovery of 89% of gold in concentrate. Overall gold recoveries to doré are thus predicted to be 85%, assuming 96% for the flotation stage, 89% for the BIOX/CIL stage, and 99% for solution/gold room losses, as described in the Company's press release of May 7, 2009. The bio-leach amenability (BAT) test work was conducted at the Burnie Laboratory in Tasmania and subsequent CIL testing of the bio-leached product was carried out by AMMTEC laboratories in Perth. AMMTEC Pty Ltd. is one of the largest metallurgical and mineral testing consultancies in the world.
- This metallurgical work was subsequently used by the Company to form the process route for the PEA discussed above.

Exploration Results

- During the first quarter of 2009 the Company continued to report on the balance of results for its 2008 diamond drill program at Dachang, as announced in the Company's press releases of December 3, 2008 and January 6, January 21, February 4 and February 17, 2009.
- From July 2009, fieldwork at Dachang focused on in-fill drilling on a substantial portion of the DMZ and on resource expansion on new areas of the property, including the eastern extension of the Placer Valley Zone ("PVZ") and exploration targets 7 km northwest of the main DMZ resource area in the Western Quarter ("WQ") and Central Dachang ("CD") districts. The Company drilled approximately 25,000 meters in 252 holes in 2009.
- Encouraging results were returned in all three of these new exploration areas. DMZ style mineralization was detected in many new fault zones east of Placer Valley and as well in a strong fault in Central Dachang. A new style of sulphide gold mineralization was also detected in limited drill testing of carbonate rocks adjacent to the Gaudo-Maduo fault in the Western Quarter. All three areas require much more detail trenching and drill testing and this work is recommended for 2010.
- Results to date for the 2009 exploration program are described in the Company's press releases of September 8, October 21, November 10, November 18, November 24, December 1, December 14 and, subsequent to year end, January 11 and January 25.

Mine Development

- On October 6, 2009, the Company announced that it had hired an experienced mining engineer to lead mine development of the DMZ. Since that time the Company has initiated a mine development program with the objective of bringing the DMZ into production as soon as possible. Under this program the Company has engaged a senior Chinese metallurgical and design institute to complete a program of metallurgical testing to conform the metallurgical testwork results used in the PEA to Chinese standards, and also to provide sufficient information to allow the Company to commence the Chinese mine design and permitting process. At the same time the Company has engaged a Chinese Technical Institute to complete a preliminary environmental baseline study of the DMZ and the surrounding area. This work is ongoing and will be expanded over the next year.

Financing and Liquidity

- The Company completed a non-brokered private placement financing for gross proceeds of approximately \$5 million, as described in the Company's press release of October 26, 2009.
- Subsequent to the end of the year the Company advanced approximately \$3.1 million representing the entirety of an increase in the Company's financial commitment to Dachang that was made during the fourth quarter of 2009. This amount was funded in order to settle current liabilities in China and accordingly does not impact the Company's net working capital position.

OVERVIEW

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

The Company has been exploring Dachang since 2004, including completion of approximately 124,000 meters of diamond drilling (approximately 940 drill holes) and 78,000 meters of trenching (approximately 660 trenches) to date. The Company conducted its 2008 exploration program, including approximately 50,000 meters of diamond drilling, between the months of May and December. Results to date were announced in various press releases of the Company between June of 2008 and February of 2009. In July of 2009 the Company commenced 2009 exploration, consisting of approximately 14,000 meters of trenching and 25,000 meters of drilling. Results of this exploration program continue to be released as they become available. Exploration results for the Project can be found on the Company's website at www.inter-citic.com.

The overall N.I. 43-101-compliant mineral resource estimate for Dachang, as reported on July 6, 2009, includes estimated measured and indicated mineral resources of 12.4 million tonnes grading 3.37 g/t Au (1.34 million ounces contained gold) and estimated inferred mineral resources of 11.9 million tonnes grading 3.00 g/t Au (1.14 million ounces contained gold) for the DMZ and 2.4 million tonnes grading 4.82 g/t Au (0.37 million ounces contained gold) for the NR-2 and other areas.

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

The aim of the 2009 drill program was to test continuity of the Company's remaining inferred resource area of the DMZ in order to bring much of the July 2009 inferred inventory (inferred mineral resource estimate of 14.3 million tonnes grading 3.28 g/t Au containing 1.51 million ounces of gold at the time) into the measured and indicated classification, as well as to continue exploration drilling with a focus on internal areas of the DMZ open to expansion, on the western extensions of the DMZ, drilling in Placer Valley, and testing of new geochemical and IP targets (see **Exploration Results, Activities and Commitments**, below). The DMZ mineralization remains open at depth and to the west, as well as within internal areas to the east. Further testing of this structure in the future will continue to focus on shallow potentially bulk-mineable mineralization.

During the second quarter of 2009 the Company reported first stage metallurgical results for Dachang, as described in the Company's press releases of March 2, and May 7, 2009, demonstrating that it is possible to produce a marketable high-grade, low mass concentrate from the mineralization at Dachang. In addition, the Company believes that these results also provide an economically viable process flow sheet for mineralization at Dachang by floatation, bio-leaching of the concentrate, and conventional CIL.

Also announced in the Company's press release of July 6, 2009 were results of a positive Scoping Study for Dachang demonstrating the potential of the Project to generate attractive IRR's and NPV's.

In the medium to long term, the Company intends to continue to explore Dachang with a view to identifying gold reserves and to continue to evaluate and ultimately implement strategies for becoming a gold producer in the PRC. The Company has initiated a mine development program with the objective of bringing the DMZ into production as soon as possible.

As at November 30, 2009, the Company has approximately \$4 million in net working capital. The Company expects annual cash operating expenses in the \$2.5 to \$3.0 million range and has flexibility with respect to allocation of funding to ongoing exploration as the Dachang project transitions from the advanced exploration to early pre-development phase. However, additional financings will be required in the future to fund ongoing operations and meet the Company's commitments as they come due, including its project commitments (see **Exploration Projects, Activities and Commitments**, below). Although to

date the Company has been successful in sourcing funds necessary to continue its business activities, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. Given recent market conditions the Company cannot predict when additional equity offerings will be possible, but is confident that current cash resources are sufficient to sustain the Company for the upcoming business cycle (see **Cash Resources and Liquidity and Critical Accounting Policies and Estimates – Going Concern**, below). To date the Company has not established 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.

RESULTS OF OPERATIONS

Selected financial information:

	November 30, 2009	November 30, 2008	November 30, 2007
Balance Sheet:			
Cash and Cash Equivalents, including Restricted Cash	\$8,080,210	\$14,962,020	\$6,007,681
Total Assets	\$55,299,665	\$53,072,873	\$28,078,577
Total Long-term Financial Liabilities (excluding Future Income Taxes)	-	-	-
Net Loss (Income):			
Net Loss before the Undernoted	\$2,846,574	\$3,249,007	\$2,495,827
Stock-based compensation	816,350	806,250	756,450
Depreciation and amortization	297,718	175,697	131,872
Write-down of Zalantun	-	-	91,825
Interest and other	(132,759)	(462,091)	(189,847)
Rare Earth	-	-	(530,385) ^[1]
Net loss for the period	\$3,827,883	\$3,768,863	\$2,755,742
Net Loss Per Share (Basic and Diluted)	\$0.05	\$0.05	\$0.04
Additional Data			
Net proceeds from issuance of shares and warrants	\$4,759,267	\$23,126,478	\$9,524,402
Spent on equipment purchases	\$140,152	\$1,576,051	\$757,799
Spent on exploration expenses	\$8,081,424	\$12,393,619	\$6,588,533

[1] During the second quarter of 2007 the Company disposed of its 80% interest in Yangzhong Zhonghai Techmat Co., Ltd. for a net recovery of \$530,385.

Since 2004 the Company has focused exclusively on exploration of Dachang with a view towards proving reserves and progression to development. The Company successfully completed various financings since

2004 for that purpose, including raising more than \$23 million in 2008 (resulting in a significant increase in total assets compared to previous years). Funds raised were and continue to be used to pay for exploration costs at Dachang and to fund ongoing operating expenses.

The scope and scale of exploration programs from year to year has generally increased each year as the Company accumulated more data and experience with the Project, as did general operating expenses. During 2008, the Company had a significantly expanded drill program at Dachang as it focused on making significant progress with respect to definition of the DMZ. At this time, the Company anticipates that exploration expenses relating to the DMZ will continue at generally lower levels than was the case in 2008 as the Company moves towards feasibility and permitting work for the DMZ and ultimate development of the project. Permitting and development expenses are expected to increase steadily as progress is made in this regard. During 2009 the Company added an experienced mining engineer to the management team for this purpose and expects that costs for development will increase significantly over the course of the next year subject to the availability of capital (see **Cash Resources and Liquidity and Critical Accounting Policies and Estimates – Going Concern**, below).

The Company intends to continue to aggressively explore prospective areas outside of the DMZ and will tailor the scale and scope of annual exploration in these areas to specific objectives and in accordance with budget parameters at the time.

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

The Company expects that in general cash operating expenses from year to year will continue to be in the range of \$2.5 to \$3.0 million, however costs may vary somewhat depending on the level of exploration activity from year to year and other items. Net loss was higher in 2008 compared to 2009 and 2007 for example, as a result, in part, of expenses associated with the filing of an application to list the Company's shares for trading on the American Stock Exchange, as well as costs associated with bonuses accrued to management and significantly increased marketing expenses in response to conditions in the financial markets (see **Specific Items**, below).

EXPLORATION PROJECTS, ACTIVITIES AND COMMITMENTS

A. Exploration Activity

On November 14, 2003, the Company entered into an earn-in agreement with the Qinghai Geological Survey Institute (“**QGS**”) regarding the Dachang Gold Project in the Province of Qinghai, China. On November 24, 2009, the Chinese party to the agreement was changed to the No. 5 Geology and Mineral Exploration Institute (“**No. 5 Institute**”), a company that shares the same parent company as QGS. Under the terms of this agreement, the Company can earn an 83% interest in the project by contributing the equivalent of approximately \$16,619,600 (Renminbi 110,000,000) for exploration (all of which was advanced as at February 23, 2010), completion of metallurgical and pre-feasibility reports, and making a cash payment of the equivalent of approximately \$1,556,000 (Renminbi 10,000,000) upon the issuance of all applicable licenses, permits and approvals required to bring the project into production.

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

The Dachang Gold Project is located approximately 160 km from the City of Golmud in the Province of Qinghai, China, at an elevation of approximately 4,500 meters and consists of five exploration licenses covering approximately 279 km². To date the Company has identified 55 gold-in-soil anomalies across six districts of the property. The six districts are as follows:

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

The Company has been exploring Dachang since 2004, including:

1. 1:25,000 scale Geological Mapping over 200 km²;
2. Soil Geochemical Surveys over areas of approximately 229 km² (more than 60,000 conventional B-horizon soil samples collected and tested for gold, arsenic and antimony);
3. 24.6 km of 50 meter pole-dipole IP and resistivity surveying and 32.6 km of 25 meter pole-dipole IP and resistivity surveying;
4. Excavation and sampling of 662 trenches totalling more than 79,000 linear meters; and
5. 943 diamond drill holes totalling more than 124,000 meters.

A detailed in-fill drill program on the DMZ was undertaken by the Company in 2007 with the aim of confirming continuity of grade and mineralization. Drilling along a 900 meter-long area of the DMZ, 2007's in-fill drill program increased both grade and contained ounces of gold, and has shown good geological continuity on the closely spaced drill sections. Of the 11,637 meters directed at in-fill drilling in the DMZ, a majority was directed at a 900-meter strike length of the DMZ (from sections 12800 to 8300) to test mineral continuity and grade. In 2006, 120-meter spaced drill fences returned an 890 meter section on this portion of the DMZ that contained 7.8 million tonnes grading 3.49 g/t Au, or 980 ounces Au per linear meter tested. In 2007, with much closer spaced 40 meter sections, an 820 meter section of this same area returned 7.5 million tonnes grading 3.56 g/t Au, or 1,041 ounces Au per linear meter tested. This represents an increase over 2006 as to both grade and gold contained per linear meter.

In addition, the fault controlled mineralization that hosts the gold at Dachang was extended off the eastern end of the DMZ by approximately 1.5 kilometers and defined a total 3.5 km strike length. The central and eastern portions of the DMZ still remained open to additional resource expansion above 150 meters. Also, the most easterly sections of the fault tested (sections 2400E and 2900E) showed that the DMZ mineralization is still strong and open in this direction. The fault structure going east also changed - the DMZ fault flattens in the east to a 30-35° dip which has increased the dip length of the fault above 150 meters (depth) by more than 50%.

The Company resumed exploration at Dachang in early May, 2008, including an expanded diamond-drilling program of up to 50,000 meters. By early December, when the field camp closed for the season, the Company had completed 49,788 meters of diamond drilling in 356 holes. Drilling results were reported by the Company as follows:

- June 26: 22 drill holes, including a new step-out drill hole with 29.5 meters averaging 4.78 g/t Au and 21 in-fill holes. Gold mineralization was reported in all 22 holes.
- July 18: 31 drill holes and the occurrence of visible gold in core.
- August 7: 26 drill holes, with gold mineralization reported in 25 of the 26 holes.
- September 29: 50 drill holes, with all holes reporting gold mineralization.

- November 3: 44 drill holes, with 41 drill holes reporting gold mineralization, including two drill holes on the DMZ- X that returned wide and good grade values - hole CJV-483 intersected 32.5 meters of 3.91 g/t Au and hole CJV-495 returned 19.6 meters of 6.32 g/t Au.
- December 3: 15 drill holes, with 13 holes reporting gold mineralization.
- January 6: 26 holes, with 21 holes reporting gold mineralization, including hole CJV-543 on the PVZ which reported multiple mineralized intercepts including 3.4 meters of 10.98 g/t Au.
- January 21: 28 holes, with 23 reporting multiple zones of mineralization. Two holes on the DMZ, infill hole CJV-576 and infill hole CJV-563, returned 9 meters of 3.28 g/t Au and 4.6 meters of 10.53 g/t Au, respectively.
- February 4: 47 holes, with 41 holes reporting gold mineralization, including drill hole CJV-584 on the PVZ which returned multiple intercepts including 12.2 meters of 3.15 g/t Au.
- February 17: 36 holes, with 34 holes reporting gold mineralization. Two drill holes from this press release, CJV-666 and CJV-669, returned multiple mineralized zones, including 12 meters of 4.31 g/t Au and 15 meters of 2.84 g/t Au, respectively.

In 2008, drilling on the DMZ was designed to test continuity of mineralization of the fault structures along the 3.5 km strike length defined in 2007. This testing occurred over drill sections spaced from 20 to 80 meters apart. 268 holes totalling 39,563 meters were drilled on the DMZ in 2008. Drilling was successful in confirming grade and continuity of the mineralization and extended strike of both the eastern and western limits of the DMZ such that the fault is now defined along a 4 km strike.

Drilling was also undertaken in 2008 in the Placer Valley anomaly approximately 1 km south of the DMZ on anomalous soil and trench results with some coincident IP targets, consisting of 51 holes totalling 6,573 meters.

Finally, limited drilling was undertaken on IP targets north of the DMZ with no significant mineralization detected.

In July of 2009 the Company commenced 2009 exploration, with an original budget that included approximately 14,000 meters of trenching and 25,000 meters of drilling. As discussed, the aim of the 2009 drill program was to test continuity of the Company's remaining inferred resource area of the DMZ in order to bring this inventory into a measured and indicated classification, as well as to continue exploration drilling with a focus on internal areas of the DMZ open to expansion, on the western extensions of the DMZ, drilling in Placer Valley, and testing of new geochemical and IP targets. Results of ongoing exploration will be released as they become available. Exploration results for the Project can be found on the Company's website at www.inter-citic.com.

Results of the 2009 exploration program were announced beginning in the fourth quarter of 2009. Highlights of results announced to date include:

- November 10: 32 holes with gold mineralization reported in all 32 holes, including:
 - 11.5 meters of mineralization averaging 5.45 g/t Au in CJV-676
 - 21.1 meters of mineralization averaging 7.01 g/t Au in CJV-680
 - 26.3 meters of mineralization averaging 4.72 g/t Au in CJV-685
 - 53.7 meters of mineralization averaging 5.40 g/t Au in CJV-687

- November 18: 27 holes with gold mineralization reported in all 27 holes, including:
 - 6.0 meters of mineralization averaging 5.38 g/t Au and 6.0 meters of mineralization averaging 4.48g/t Au in CJV-716
 - 12.2 meters of mineralization averaging 4.08 g/t Au and 9.5 meters of mineralization averaging 5.01g/t Au in CJV-723
- November 24: 22 holes with gold mineralization reported in 20 holes, including:
 - 10.4 meters of mineralization averaging 4.49 g/t Au in CJV-742
 - 8.8 meters of mineralization averaging 8.26 g/t Au in CJV-746
 - 17.3 meters of mineralization averaging 2.62 g/t Au in CJV-737
- December 1: one hole, CJV-861, returned 9.5 meters of 2.38 g/t and 3.0 meters of 10.05 g/t in a strong fault 9 kilometers northwest of the DMZ in a structure that may be the western extension of the main DMZ fault zone
- December 14: 18 holes with gold mineralization in 17 holes, including:
 - 6.3 meters of mineralization averaging 4.48 g/t Au and 3.2 meters of mineralization averaging 5.39 g/t Au in CJV-762
- January 11: one hole, CJV-914, returned 21.3 meters of sulphide gold mineralization averaging 2.27g/t Au from a strong fault associated with the regional Gaudo-Maduo thrust fault. This mineralization was associated with highly deformed carbonate rocks at the base of regional thrust fault 9 km northwest of the DMZ and is a new type of gold mineralization for the Dachang project.
- January 25: one hole, CJV-923, returned 12.5 meters averaging 3.34 g/t Au in a 750 meter step out east and along strike of hole CJV-914, and in the same fault structure CJV-923, expanding on the new zone defined by CJV-914, above.

In 2009, drilling on the DMZ was designed to further test continuity of mineralization and to upgrade any remaining inferred resources to measured and indicated prior to beginning deposit engineering and development studies. Approximately 18,500 meters of core was drilled in 198 holes for this purpose, and this drilling was successful in confirming grade and continuity of the mineralization and extended strike of both the eastern and western limits of the DMZ such that the fault is now defined along a 4 km strike length to a depth of at least 150 meters along this strike length.

Exploration drilling was also undertaken in 2009 to test the eastern extension of the Placer Valley gold soil anomaly, and also to test exploration targets northwest of the DMZ. This work included 40 drill holes totalling approximately 3,900 meters of core and results were generally encouraging, though this testing evaluated many widely spaced targets. Many new areas of bedrock gold discovery were confirmed at shallow depth below surface showings. Two styles of gold mineralization were detected in this work. Most new mineralization was similar in style and grade to that of the DMZ occurrence but disseminated gold mineralization was also detected in highly deformed carbonate rocks northwest of the DMZ along a strong fault structure associated with the regional Gaudo-Maduo Fault system.

Finally, 2,480 meters of HQ drilling were completed in 14 geotechnical holes to collect information to begin feasibility studies and also provide sample for additional metallurgical testing.

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

B. Mineral Resource Update

On July 6, 2009 the Company announced an update to its mineral resource estimate at Dachang as follows:

Dachang Mineral Resources at July 6, 2009

Category	Tonnage ('000)	Grade (g/t Au)	Gold ('000 oz)
Measured (DMZ)	4,500	3.65	520
Indicated (DMZ)	7,900	3.21	820
Total Measured & Indicated (DMZ)	12,400	3.37	1,340
Inferred (DMZ)	11,900	3.00	1,140
Inferred (NR-2)	1,300	5.81	240
Inferred (Exploration)	1,100	3.68	130
Total Inferred	14,300	3.28	1,510

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

DMZ mineral resources were estimated using a block model with block dimensions of 10 m x 5 m x 5 m and 3-D mineralized wireframes defined with a cut-off of 0.5 g/t Au. Outlier samples were top cut to 40 g/t Au and assays within the mineralized zones were composited to 1 m. Block model grades were interpolated using Ordinary Kriging. The tonnage and grade at different cut-off grades were calculated using a selective mining unit (SMU) of 2.5 m x 2.5 m x 2.5 m with Uniform Conditioning. A bulk density of 2.7 t/m³ was used to convert volume to tonnage.

Blocks within 20 m of a drill hole and for which a minimum five sample composites from at least 2 drill holes were used to calculate the gold grade were defined as Measured mineral resources. Blocks within 40 m of a drill hole and for which a minimum three sample composites from at least 2 drill holes were used to calculate the gold grade were defined as Indicated mineral resources. Blocks remaining within the mineralized envelope that did not meet the Measured or Indicated criteria were categorized as Inferred mineral resources. An economic cut-off grade of 0.6 g/t Au was used for mineral resource reporting.

For NR-2 and other exploration areas, mineral resources were estimated using a cross-sectional polygonal method. Polygons were drawn using a cut-off grade of 0.5 g/t Au and projected half the distance to adjacent sections to generate a mineralized volume. A bulk density of 2.7 t/m³ was used to convert volume to tonnage. Polygon gold grades are the weighted average of all sample assays inside the polygon. Mineral resources estimated using polygons were assigned to the Inferred category. The resource estimate for the NR-2 Anomaly was not further tested, and remains unchanged as described in the Company's press release of December 12, 2005.

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

The updated mineral resource estimate for the DMZ and other exploration areas were prepared for the Company under the supervision of Stanley C. Bartlett, P.Geo., of Micon International Co Limited, an

independent Qualified Person as that term is defined under National Instrument 43-101. The estimate complies with the CIM mineral resource definitions referenced in National Instrument 43-101.

The Company has filed an updated technical report on the updated mineral resource estimate for the Dachang project, available for download on SEDAR or the Company's website at www.inter-citic.com.

C. Metallurgical Testing

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

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

D. Preliminary Economic Assessment

On July 6, 2009, the Company announced results of a positive PEA for Dachang. The PEA has been prepared based upon the mineral resource update described above and uses the results derived from a programme of preliminary process testwork, conceptual mining schedules and cost forecasts. The PEA has been prepared by qualified, experienced, independent engineering consulting groups, working under the direction of Mr. Patrick Gorman, M.Sc., C.Eng., Eur.Eng., MIOMMM.

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

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

The economic model in the PEA is based upon conceptually scheduling an estimated 17.8 Million tonnes of mineral resources at an average grade of 3 grams gold/tonne. This was derived from pit optimizations generated from using the resource model prepared to update the mineral resource estimate for the DMZ as reported below. It does not include resources contained in areas such as Placer Valley.

The Company cautions that the results of this PEA are preliminary in nature and includes mineral resources that are not mineral reserves and do not have demonstrated economic viability as defined by N.I. 43-101. The PEA includes inferred mineral resources that are considered to be too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized. There is no certainty that the preliminary assessment will be realized as presented since certain engineering parameters related to

construction, operating, environment, geotechnical and other technical and cost factors will require further systematic assessment and validation during the pre-feasibility study phase. The results of the PEA are considered to have an accuracy of +/- 30%.

E. Capitalized Exploration Costs

A breakdown of capitalized or expensed exploration costs for the year ended November 30, 2009 together with the comparative figures for the year ended November 30, 2008 is included in the Company's Notes to Consolidated Financial Statements for the year ended November 30, 2009.

Differences in exploration expenditures from year to year and from quarter to quarter arise primarily as a result of differences in the scope, nature and timing of exploration activity. While it is normally expected that exploration that began in the previous year will conclude in Q1 of 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 prepares for commencement of exploration for that year.

During the year the Company capitalised \$8,597,000 in costs relating to the Dachang Gold Project (compared to \$12,832,000 last year), excluding future tax liabilities of \$1,173,000 (compared to \$1,896,000 last year), representing a decrease of \$4,235,000 (33%). The decrease in 2009 compared to 2008 is a result of a delay in the Company's exploration program for 2009 pending results and recommendations of the PEA (resulting in a significantly smaller exploration budget), offset by new costs associated with preparation of the PEA, including metallurgical testing. Capitalised costs consisted primarily of drilling and costs for drilling support, including camp and consulting costs, consistent with the Company's planned exploration program for 2009 and continued longer into the first quarter of 2010 than in prior years as a result of the initial delay. The Company therefore expects an increase in these expenses in the first quarter of 2010 compared to 2009, partially offsetting the otherwise apparently significant decline in 2009 compared to 2008.

F. Office Lease

The Company has entered into a lease for office space to the year 2014 with minimum lease payments as follows: 2010 - \$86,038, 2011 - \$88,419, 2012 - \$89,214, 2013 - \$89,214 and 2014 - \$22,303.

SUMMARY OF QUARTERLY RESULTS

Selected quarterly information for the past eight quarters:

(unaudited)	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Loss:								
Net Loss before the Undernoted:	\$905,619	\$597,991	\$646,733	\$696,231	\$528,561	\$712,328	\$982,037	\$1,026,081
Stock-based compensation	58,800	757,550	-	-	-	695,250	-	111,000
Depreciation and amortization	1,122	4,936	153,208	138,452	3,664	7,133	71,794	93,106
Interest and other	(18,544)	(6,848)	(39,651)	(67,716)	(77,238)	(162,483)	(137,163)	(85,207)
Overall	\$946,997	\$1,353,629	\$760,290	\$766,967	\$454,987	\$1,252,228	\$916,668	\$1,144,980
Net Loss Per Share (Basic and Diluted)	\$0.011	\$0.016	\$0.009	\$0.009	\$0.003	\$0.015	\$0.011	\$0.016

Generally speaking, the Company's annual exploration program for Dachang begins by the end of Q2 and runs through Q3 and Q4. Exploration results are compiled and released as they are received throughout

this period and into Q1 of the following year, with planning and mobilization for the following year's exploration program occurring in Q2, although if the Company begins exploration earlier in a particular year some of these costs may be incurred by the end of Q1, while on the other hand if the Company begins later, as was the case in 2009 as the Company took additional time to assess the results of the 2008 program, some of these costs will continue into the first quarter of the following year. An excellent measure of this is depreciation and amortization expense from quarter to quarter, as the Company capitalizes depreciation of exploration equipment only while that equipment is in use during the exploration season. Notwithstanding, expenditures on exploration are generally consistent with this pattern of activity, as are the Company's overhead expenses, in that they are expected to be lowest in Q1, begin to increase in Q2 and then level off at their highest in Q3 and Q4.

The overall trend apparent from the table above is that expenses decreased significantly in the first three quarters of 2009 compared to 2008, then increased very significantly in Q4, resulting in an overall modest decrease year on year. Primary reasons for the significant decreases in expenses in both Q1 and Q2 of 2008 compared to 2009, during which time the largest single financing of the Company's history was completed, were in fact not directly related to the financing, but, rather, to increased expenses associated with executive compensation as well as to costs associated with the filing of an application to list the Company's shares on the American Stock Exchange in the United States of America (see **Specific Items**, below). The decrease in expenses in Q3 of 2009 compared to 2008 is almost entirely attributable to decreased marketing costs. Generally speaking the Company has sought to preserve cash where possible and marketing efforts were delayed in the first three quarters of 2009 as the Company focused on completing the PEA and update to its mineral resource estimate for Dachang as well as to develop an exploration plan for 2009 based on these results. The Company expected that once the 2009 exploration program for Dachang was underway that expenses would increase in Q4 relative to Q3 and relative to last year, which is what in fact occurred.

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

THREE MONTHS ENDED NOVEMBER 30, 2009 AND 2008

In 2008 the Company wrapped up its 2008 exploration program for Dachang at the end of Q4, while in 2009, as discussed, the Company delayed the start of exploration until Q3 and continued work into Q1 of 2010. As a result, expenses across the board were much lower in Q4 of 2008 compared to 2009 (overall decrease of \$492,010, or 108%). As discussed the Company expected that once the 2009 exploration program for Dachang was underway that expenses would increase in Q4 relative to Q3 and relative to last year, which is what in fact occurred.

SPECIFIC ITEMS

The Company's consolidated financial statements for the year ended November 30, 2009 include a detailed breakdown of expenses. Specific items of note are as follows:

- During 2009 the Company significantly reduced its ongoing marketing and promotional activities compared to 2008. There was one non-brokered financing of approximately \$5 million late in 2009, in contrast to last year during which the Company raised more than \$20 million through the issuance of shares and exercise of stock options and warrants, primarily at the beginning of the year. In addition, the Company had been waiting for the results of the PEA and project update, which occurred at the end of the Q3 of this year resulting in a delay to the resumption of exploration at Dachang, as discussed above. As a result of this:
 - Office expenses decreased by \$78,788 (12%) from \$652,572 in 2008 to \$573,784 in 2009
 - Corporate relations expenses decreased significantly by \$246,143 (32%) from \$775,578 in 2008 to \$529,435 in 2009, as discussed above, although a portion of this decrease is as

a result of the hiring of a long-time consultant of the Company (see increase in salaries and benefits, below).

- Travel and accommodation expenses decreased by \$103,347 (23%) from \$450,506 in 2008 to \$347,159 in 2009.
- Salaries and benefits expense increased from \$261,335 in 2008 to \$452,713 in 2009 (representing an increase of \$191,378, or 73%), primarily as a result of the employment of a long-time consultant referred to above, and as a result this increase is expected to continue as a permanent change.
- Professional fees decreased by \$149,480 (45%) from \$335,684 in 2008 to \$186,204 in 2009 as a result of the increased legal and accounting fees in 2008 in connection with the Company filing an application to list its shares on the American Stock Exchange as well as other initiatives last year.
- During the year the Company issued 2,800,000 stock options to employees, directors and consultants of the Company. The value of these stock options is estimated at approximately \$995,350 using the Black-Scholes valuation method with the following weighted-average valuation assumptions: expected life - 4.9 years, expected volatility - 92.80%, risk-free interest rate - 2.35%, dividend rate - 0%. Of this amount, \$179,000 was capitalized to resource properties (2008 - \$198,000). More than half of these options were to replace previously unexercised and expired out-of-the-money options. In addition, executive compensation fell by \$110,866 (13%) from \$826,220 in 2008 to \$715,354 in 2009 as the Company sought to preserve cash in the face of difficult market conditions.
- Foreign exchange gains/losses from period to period vary depending on the strength of the Canadian dollar relative to the Chinese Yuan Renminbi and the United States dollar and timing of advances to China for use in exploration when exploration is conducted and when payments are made for services rendered. During 2009 this resulted in a \$94,813 (179%) change in foreign exchange from an exchange gain of \$52,888 to an exchange loss of \$41,925, primarily as a result of cash held in United States dollars.
- The Company earns interest income on highly liquid interest-bearing investments with maturities of less than 90 days from the date of acquisition. Interest income will vary depending on cash available to earn interest income.

RELATED PARTY TRANSACTIONS

Details regarding transactions with related parties are detailed in Note 9 of the Company's Notes to Consolidated Financial Statements for the year ended November, 2009. All related party expenditures were in the normal course of business at market rates.

CASH RESOURCES AND LIQUIDITY

As at November 30, 2009, the Company has approximately \$8.0 million in cash, cash equivalents and restricted cash (approximately \$4.1 million in net working capital).

However, by its very nature as a development stage exploration company, the Company continued to generate negative cash flow from operations (including changes in non-cash working capital items) in 2009 (\$2,328,030) compared to 2008 (\$2,963,020). The Company also continues to invest in the exploration of Dachang with a view to eventual development of the project and commencement of profitable production sufficient to recover its investment. 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 project commitments (see **Exploration Projects, Activities and Commitments**). As discussed in the Overview, above, although to date the Company has been successful in sourcing funds necessary to continue its

business activities, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. See **Critical Accounting Policies and Estimates – Going Concern**.

To date the Company has not established 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.

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

Restricted Cash

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

Private Placement Financing (October, 2009)

On October 26, 2009, the Company announced the completion of a non-brokered private placement of 6,666,000 units of the Company at \$0.75 per unit for gross proceeds of approximately \$5 million. Each unit consisted of one common share of the Company and one half of one share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share of the Company at a price of \$1.45 per common share for a period of 24 months from the date of issue.

In connection with this private placement, the Company paid finder's fees of cash commission of \$299,970 in cash and 399,960 share purchase warrants. Each share-purchase warrant entitles the holder to acquire one common share of the Company at a price of \$0.75 per common share for a period of 12 months from the date of issue.

Proceeds from this financing will be used by the Company to advance the Dachang Gold Project and for general working capital purposes.

OUTSTANDING SHARE DATA

As at February 23, 2009, the Company had outstanding:

- 89,278,839 common shares (an unlimited number of common shares, without par value, were authorized),
- 7,945,000 stock options, each of which is convertible to one common share of the Company at a weighted average price per stock option of \$0.94, for a weighted-average period per stock option of 3.80 years. Exercise prices range from \$0.50 to \$1.95.
- 3,732,960 share purchase warrants, each of which is convertible to one common share of the Company at a weighted average price per share purchase warrant \$1.38, for a weighted-average period per share purchase warrant of 1.53 years.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any.

FINANCIAL AND OTHER INSTRUMENTS

Financial instruments are described in Note 3 Significant Accounting Policies, Financial Instruments – Recognition and Measurement, of the Company’s Notes to Consolidated Financial Statements for the year ended November 30, 2009.

The Company’s financial instruments consist of cash and cash equivalents, amounts receivable, restricted cash and accounts payable and accrued liabilities. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and the fair values of these financial instruments, unless otherwise noted, approximate their carrying values due to their short-term nature.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure. The Company evaluated the effectiveness of the Company’s disclosure controls and procedures as at the financial year ended November 30, 2009 and based on that evaluation concluded that the design and operation of these disclosure controls and procedures were effective as at November 30, 2009 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known and is adequately disclosed in the Company’s annual filings as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As at the financial year ended November 30, 2009, the Chief Executive Officer and Chief Financial Officer evaluated the design and operating effectiveness of the Company’s internal control over financial reporting (“**ICFR**”), and based on that evaluation concluded that the design and operating effectiveness of internal control over financial reporting was effective as at November 30, 2009 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

In addition, there has not been any change in the Company’s internal control over financial reporting that occurred during the year ended November 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A detailed summary of the Company’s significant accounting policies is included in Note 3, Significant Accounting Policies, of the Company’s Notes to Consolidated Financial Statements for the year ended November 30, 2009.

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

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

Going Concern

While the Company's Consolidated Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations into the foreseeable future, certain historical adverse conditions and events, could cast significant doubt upon the validity of this assumption and hence the appropriateness of the use of accounting principles applicable to 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 for the foreseeable future which is at least one year from November 30, 2009. As at November 30, 2009, the Company has available working capital of approximately \$4 million, and reported a net loss of \$3,827,883 for the year (\$3,768,863 for the year ended November 30, 2008) and an accumulated deficit of \$40,924,246 (\$37,043,725 as at November 30, 2008). This circumstance casts significant doubt as to the ability of the Company to continue in business and meet its obligations as they come due.

The Company's Consolidated Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

Management is considering various alternatives, including a number of initiatives to raise additional capital. However, as at the date of this report the Company has not secured further financing to raise sufficient capital to fund ongoing operations and commitments to projects. Although the Company has been successful in securing the funds necessary to execute its business plan in the past, it is not possible to determine with certainty the success or adequacy of these initiatives.

Development Stage Entity

The Company has adopted the Accounting Guideline 11 – Enterprises in the Development Stage (AcG11), relating to enterprises in the development stage, as detailed by the Canadian Institute of Chartered Accountants ("CICA"). The Company is engaged in the acquisition, exploration and development of exploration-stage mineral properties. To date the Company has not established any proven or probable reserves or engaged in any production 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 and Uncertainties - Risks Associated with Exploration and Development**, below.

Resource Properties

The Company considers its exploration costs to have the characteristics of property, plant and equipment. Costs associated with acquisition, direct exploration and development of resource properties are capitalized pending commencement of production, at which time they will be amortized over the estimated production life. The Company assesses its capitalized resource property costs on a regular basis. 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.

Note that mineral reserves and resources are estimated in accordance with N.I. 43-101, as required by Canadian securities regulatory authorities. For United States reporting purposes, Industry Guide 7 under the Securities Exchange Act of 1934, as interpreted by the staff of the United States Securities and Exchange Commission (“SEC”), applies different standards to classify mineralization as a reserve.

Readers are advised that the terms “**mineral resource**”, “**measured mineral resource**”, “**indicated mineral resource**” and “**inferred mineral resource**” are not defined terms under standards in the United States and normally are not permitted to be used in reports and registration statements filed with the SEC. As such, information contained in this report concerning descriptions of mineralization and resources required under Canadian standards may not be comparable to similar information made public by US companies in SEC filings. Readers are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves.

Income Taxes

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

Stock Based Compensation

The Company has one stock-based compensation plan, which is described in Note 11 (d) of the Notes to Consolidated Financial Statements for the year ended November 30, 2009. The Company accounts for stock-based compensation in accordance with CICA 3870 (Stock-based Compensation and Other Stock-based Payments) and recognizes stock-based compensation based on the fair value method of accounting. Under this method, the fair value of stock-based compensation is determined based on the Black-Scholes valuation model and is recognized based on vesting of options granted under the stock option plan. Amounts recognized are expensed and also credited to Contributed Surplus. Consideration paid on exercise of stock options is credited to Share Capital.

Please refer to the notes to the consolidated financial statements of the Company for the year ended November 30, 2009 for further information on the Company’s financial policies and estimates.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Changes in Canadian GAAP

As described in Note 2 (a) of the Notes to Consolidated Financial Statements for the year ended November 30, 2009, the Company has adopted the new standards “General Standards of Financial Statement Presentation” (Section 1400 of the CICA Handbook), “Goodwill and Intangible Assets” (Section 3064 of the CICA Handbook) and “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” and “Mining Exploration Costs” (Emerging Issues Committee Abstract 173 and 174, respectively) for its fiscal year beginning December 1, 2008. The adoption of these new Sections and Abstract did not have a significant impact on the Company’s consolidated financial statements.

Future Changes in Canadian GAAP

As described in Note 2 (a) of the Notes to Consolidated Financial Statements for the year ended November 30, 2009, in January 2009 the CICA issued Section 1582, Business Combinations, Section 1601,

Consolidated Financial Statements and Section 1602, Non-Controlling Interests all of which apply for accounting periods starting on or after October 1, 2011. The Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

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

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

The Company is currently reviewing the changes and developing a conversion implementation plan (the “**Conversion**”) that will be necessary under these new reporting standards and assessing the effect that adopting the standards will have compared to Canadian GAAP currently being used. The Conversion is being led by the CFO and internal accounting personnel with oversight of the Audit Committee.

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

In transitioning to IFRS, the Company will be eligible to make elections under IFRS 1 – First Time Adoption. In some cases, the changes that would otherwise have been retrospective are, with election, applicable from the date of transition and prospectively; in a number of other cases, there is a mandatory approach to deal with the effects of the changes. Where an election is available, the Company is currently reviewing the selection of a suitable option. As a first step, identification of all elections and determination of the appropriate selection is planned for the first half of fiscal 2010.

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

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

The planning of the transition to IFRS, the identification of issues where differences must be resolved and the recognition of all new information that must be disclosed under the new rules are the responsibility of the Company; it is the Company’s intention that most of this work will be achieved using in house personnel. Complementing this process, the Company anticipates engaging a consultant to review all of these areas and to critique the decisions taken and ensure that all relevant standards have been considered so that resulting financial reporting is in accordance with IFRS.

Key Issues That May Give Rise to Material Differences Under IFRS

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

IFRS defines assets, liabilities or equity and only elements that qualify under those definitions may appear on the balance sheet. Canadian GAAP similarly defines these items but as there are differences, assets or liabilities for one set of standards may not qualify as such under the other set. A preliminary review suggests that all balance sheet items that have been recorded under Canadian GAAP will continue under IFRS although amounts may change.

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

Internal Control over Financial Reporting (“ICFR”)

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

RISKS AND UNCERTAINTIES

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

Risks Associated with Exploration and Development

The Company is engaged in mineral exploration and development. To date the Company has not established any mineral reserves or engaged in any production 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 National Instrument 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.

Mineral Resource Estimates

On July 6, 2009, the Company updated its mineral resource estimate for Dachang. Details of the updated mineral resource estimate are included in Exploration Projects, Activities and Commitments, above. To date, the Company has not established any mineral reserves or engaged in any production on any of its properties. These mineral resources have not been sufficiently drilled to demonstrate economic viability. Additional drilling will be required to upgrade inferred mineral resources to an indicated or measured resource. There can be no certainty that further drilling will enable inferred mineral resource to be upgraded. Although these mineral resource estimates are not currently affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues, this could change in the future. The future economic viability of these mineral resources may be adversely affected by their location, as the Dachang project is situated at an elevation of approximately 4,500 meters above sea level, in a high-cold mountainous area exhibiting desert alpine climate and vegetation with limited infrastructure. The nearest major city center is approximately 160 km away, with the nearest primary road and power lines approximately 120 km from the property. Although the Company believes that the mineral resources have reasonable prospects for economic extraction, there is no guarantee that this will in fact be the case and confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability.

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

Reserves and Resources – Differences Between Canadian and U.S. Standards

Mineral reserves and resources are estimated in accordance with N.I. 43-101, as required by Canadian Securities regulatory authorities. For United States reporting purposes, Industry Guide 7 under the

Securities Exchange Act of 1934, as interpreted by the staff of the United States Securities and Exchange Commission (“SEC”), applies different standards to classify mineralization as a reserve.

Readers are advised that the terms “**mineral resource**”, “**measured mineral resource**”, “**indicated mineral resource**” and “**inferred mineral resource**” are not defined terms under standards in the United States and normally are not permitted to be used in reports and registration statements filed with the SEC. As such, information contained in this report concerning descriptions of mineralization and resources required under Canadian standards may not be comparable to similar information made public by US companies in SEC filings. Readers are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves.

Canadian Corporate Governance Requirements and Securities Laws

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

Risks Associated with Operations in China

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

As in any jurisdiction, the Company is subject to social, political and economic developments and trends that are beyond its control. The Company’s business is in China and the Company is therefore subject to a variety of laws and regulations at state, provincial and municipal or local levels that include laws and regulations concerning the form and manner in which foreign companies may invest and operate in China. Although China has generally introduced reforms to develop a more market-based economy, there is no guarantee that this trend will continue, particularly given market conditions. The government of China, at all levels, continues to exert significant influence on market activities through laws, regulations and policies which are often ambiguously drafted and subject to divergent interpretation. The Company’s joint venture partners in China are state-sector entities and, like other state-sector entities, their actions and priorities may be dictated by government policies, many of which may not be apparent to the Company, instead of purely commercial considerations.

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

government, the Ministry of Industry and Information Technology of China, or the State Council, which government bodies have a role in developing national economic strategies, annual and long term economic plans, and to report on the national economy and social development.

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 prices indicated by the Shanghai Gold Exchange which to some extent reflects market value. Foreign gold mining companies are generally able to repatriate profits in foreign currencies assuming that they are in compliance with Chinese law and have conducted all of the formalities necessary for such repatriation. Repatriation of capital contributions may not be undertaken without specific approvals. However, the nature of and impact on the interests of the Company of possible further changes or reforms to these rules and policies in the future cannot be predicted.

The Company may suffer disadvantages when competing against companies from countries that are not subject to Canadian and US laws, including the US *Foreign Corrupt Practices Act* and the Canadian *Corruption of Foreign Public Officials Act*. Risk of loss due to disease and other potential endemic health issues is also of concern in China and could impact on the performance of the Company.

It is quite common for foreign companies to form joint ventures with state owned mining enterprises which hold mining licences and to have mining licences transferred to the joint venture, all subject to approval. The Company's projects in China are (in the case of Dachang) 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. While China's gradual relaxation of restrictions on foreign trade and investment and developments in its mining industry since its membership in the World Trade Organization 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.

As noted, the Company conducts many of its operations in China through co-operative joint ventures, often with state owned entities. While this connection to government related entities can benefit the Company, there is often inequality with respect to the influence of the parties with the Chinese government in the event of a dispute. The Chinese government exerts a substantial degree of subjective control over the application and enforcement of laws and the Chinese judiciary may not act independently. Such inequality in influence and a tendency towards protection of local enterprises in the application of law can prove detrimental in the event of a business dispute arising between joint venture parties.

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

China's control over its currency and hence the Company's ability to advance funds to China (for capital investment or operations) is subject to changes in the valuation of the Renminbi as well as rules and regulations of the State Administration of Foreign Exchange limiting the inflow of foreign currency convertible to Renminbi. Fluctuations in the value of the Renminbi and on the ability of the Company to fund its operations in China may have an adverse effect on the operations and operating costs of the Company.

The Chinese government continues to exert a great deal of control and influence on Chinese society and economic development through laws, policies and regulations. The impact of changes to these laws, policies and regulations on the Company's operations in China, including their impact on the Company's ability to operate in China in the event of changes to foreign investment rules (including with respect to repatriation of profits), possible restrictions on the production and sale of gold or other mining products, the maintenance of business, exploration and/or mining licenses, environmental laws, taxation, or on other matters having an impact on the Company's business and operations, cannot be accurately predicted. In particular, environmental legislation, as it evolves, will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, or other areas of regulation, if any, will not adversely affect the Company's operations and results.

Dependence on Key Personnel

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

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

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

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

Competition

Recent increases in the price of gold have resulted in increased activity in the gold exploration and mining industry. Combined with the economic development and opening of China and general scarcity of mineral deposits throughout the world, interest of foreign exploration and mining companies in China has increased significantly. As a result, the Company faces continued competition for financing dollars (perhaps particularly in the context of current global financial markets), personnel and other resources from this competition, the impact of which cannot be predicted. Historically, gold prices are often subject to wide swings in price and can be cyclical in nature, and demand for gold is based on many factors, including demand for jewellery, many industrial uses for gold, as well as demand from governments and financial institutions that hold gold reserves for hedge and other purposes. Any decrease in gold prices could have an adverse effect on the Company's business, operations and financial results.

Environmental Risk

The Dachang Gold Project is located in the proximity of the Sanjiangyuan Nature Reserve, established primarily to protect the sources of three major rivers in Asia (the Yangtze, Yellow and Lancang rivers). To date, the project has received all relevant government support and approvals, and the Company is committed to preserve and protect the environment within which it operates, and has a policy of adopting and applying the highest standards for environmental protection in its activities, in addition to being active in the betterment of the lives of local people. However the impact of possible future liabilities or

impediments to development associated with or as a result of environmental matters cannot be measured or predicted, and there is no assurance that present or future environmental regulations will not adversely affect the operations of the Company.

Cash Flow

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

Dividends

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

Resale of Shares

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

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

OUTLOOK

Over the next year the Company will continue to focus substantially all of its available resources to carry out exploration and progress development of its Dachang Gold Project, including permitting initiatives related to the DMZ.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis ("MD&A") contains or incorporates by reference "**forward looking information**" which means disclosure regarding possible events, conditions, acquisitions, or results of operations that is based on assumptions about future conditions and courses of action based upon management's good faith expectations and beliefs concerning future developments and their potential effect on the Company. These may include statements with respect to the future financial and operating performance of Inter-Citic Minerals Inc. ("**Inter-Citic**" or the "**Company**"), its current and proposed subsidiaries, its current mineral projects, the estimation of mineral resources, working capital requirements, capital and exploration expenditures, costs and timing of future exploration, requirements for additional

capital, government regulation of mining operations, environmental risks, title disputes or claims and limitations of insurance coverage. In some cases forward looking statements can be identified by the use of such words as "**plans**", "**proposes**", "**expects**", "**is expected**", "**budget**", "**scheduled**", "**estimates**", "**forecasts**", "**intends**", "**anticipates**", "**believes**" or variations of such words and phrases. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the performance or achievements expressed or implied by the forward looking statements. There can be no assurance that future developments will be in accordance with such expectations or that the effect of future developments on the Company will be those anticipated by management. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of exploration activities; future mineral prices; accidents, labour disputes and other risks of the mining industry; political instability; insurrection or war; arbitrary changes in law; delays in obtaining governmental approvals or financing or in the completion of the company's exploration programs. As a result, actual actions, events or results may differ materially from those described in forward looking statements. Forward looking statements are made as of the date of this MD&A and the Company disclaims any obligation to update any forward looking statements, whether as a result of new information, future events or otherwise. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.

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.