

Inter-Citic

MINERALS INC.



Annual Report 2010



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Mr. Mark R. Frederick, *Chairman*

Dear Inter-Citic Shareholders,

On behalf of the Board, Management and Staff of Inter-Citic Minerals, I am pleased to provide you with the Company's 2010 Annual Report. 2010 was indeed a momentous year for the Company.

We saw continued positive news with respect to exploration results at our Dachang property. Under the guidance of our VP Exploration, Mr. Garth Pierce, the Company undertook drilling operations in new exploration areas with positive results on almost all accounts. We believe that this strategic exploration further demonstrates that our Dachang Gold Project is among the most potentially productive in China.

On the domestic front, the Company was successful in renewing its permits for continued exploration at Dachang, and continues its close liaison with local and regional government to ensure measured progress in site development and further exploration.

We have been fortunate to have Zijin Mining Group Co. Ltd. join us as a substantial shareholder of the Company, and were pleased to announce that Mr. Lan Fusheng, Vice-Chairman of Zijin, joined our Board. As one of China's leading gold producers, Zijin brings great benefit and prestige to the Company and our standing in the China gold community. The addition of Mr. Lan, a key player in the China mining community, brings further strength to our Board.

We believe that this strategic exploration further demonstrates that our Dachang Gold Project is among the most potentially productive in China.

The past year saw record trading and significant price appreciation for the Company's shares, indicative of the strong market presence we have developed. I am as ever grateful to Inter-Citic's management team for their efforts over the past year in successfully promoting the Dachang Project. Thanks go to Company President Jim Moore, our CFO and VP China, Lou Pasubio, VP Development and Board member Malcolm Swallow, all of whom have put in countless hours of effort in seeing to our presence in China and future planning.

Thanks also go to our Communications VP Stephen Lautens who successfully implemented new and informative investor communication tools and continues to highlight Inter-Citic's accomplishments to the marketplace, as well as to all our staff who continued to support the Company's efforts.

I also thank Michael Doggett, whose knowledge of the industry is a backstop to our Board, Don Brown, who chairs our audit committee, and Carlos Ho, who assists in committee work.

I am confident that the forthcoming year will rank as the most successful year ever for Inter-Citic. On behalf of all at Inter-Citic, I thank our loyal shareholders for their continued support and look forward to the opportunity to report on further success for the coming year.

A handwritten signature in black ink that reads "Mark R. Frederick".

Mark R. Frederick
Chairman

April 18, 2011

MESSAGE TO SHAREHOLDERS



James Moore, *President & CEO*

In 2010 we welcomed the addition of Zijin Mining Group Co. Ltd. as a significant investor in Inter-Citic. Zijin is China's largest gold producer and third largest copper producer.

Dear Fellow Shareholders,

2010 was a year of steady, solid and significant advances for Inter-Citic's Dachang Gold Project as well as for our shareholders.

Inter-Citic's share price continued to appreciate through 2010, regaining lost ground due to the 2008 global financial crisis. As gold prices increased and investor confidence returned to the junior exploration market, Inter-Citic continued our steady flow of news and milestones further progressing Dachang towards permitting and production.

2009's infill drill program on the Dachang Main Zone proved very successful, and in July 2010 we were able to report a significant update to our mineral resource estimate. The new estimated Measured and Indicated mineral resources of 1.88 million ounces contained gold (17.2 million tonnes grading 3.41 gpt Au) represented a 40% increase over the previously reported estimate. In addition, estimated Inferred mineral resources was reported at a further 1.52 million ounces gold (14.6 million tonnes grading 3.23 gpt Au).

After successfully completing our infill drill program on the Dachang Main Zone in 2009, in 2010 we devoted ourselves to fresh exploration of new and highly prospective parts of our large Dachang property.

The focus of the 2010 exploration season at Dachang was entirely on near surface resource expansion targeting new areas of the property already known to contain gold mineralization through soil geochemistry. The areas of the property of principal focus were the Acadia Zone, Central Dachang, NR-1 and DMZ-X. All of these zones are outside the areas of our current resource inventory.

During the year a total of 25,07 metres of diamond drilling was completed in 236 holes, and a further 9,660 metres of shallow trenching was completed with a total of 129 new trenches excavated. Throughout the year we were pleased to report the discovery of gold mineralization in all of these new areas of exploration. At press time, the final updated mineral resource estimate based on 2010's exploration results is in preparation.





NI 43-101 Resource Estimate

CATEGORY	MILLION TONNES	GRADE (g/t Au)	MILLION OUNCES GOLD
Measured (DMZ)	5.0	3.55	0.57
Indicated (DMZ)	12.2	3.34	1.31
Total Measured & Indicated (DMZ)	17.2	3.41	1.88
Inferred (DMZ)	9.8	2.97	0.93
Inferred (NR-2)	1.3	5.81	0.24
Inferred (Exploration)	3.5	3.06	0.35
Total Inferred	14.6	3.23	1.52

As calculated by Micon International Ltd. (UK) at July 1, 2010



With infill drilling complete on the Dachang Main Zone in 2009, our development team focused in 2010 on preparations for permitting.

In 2010 we welcomed the addition of Zijin Mining Group Co. Ltd. as a significant investor in Inter-Citic. Zijin is China's largest gold producer and third largest copper producer. It operates the Zijinshan Gold Mine, the largest open pit gold mine in China, along with three other gold mines in production.

In November, 2010, we welcomed Mr. Lan Fusheng, Vice Chairman of Zijin Mining Group, to our own Board of Directors. Having the assistance of China's largest gold producer behind Inter-Citic is a tremendous benefit to our shareholders as we continue to move forward and we are particularly pleased that Zijin has nominated such a senior and experienced member of their company to our board.

With infill drilling complete on the Dachang Main Zone in 2009, our development team focused in 2010 on preparations for permitting. Malcolm Swallow, our board member, also became our Vice President Development just before fiscal 2010 to bring the Dachang Gold Project forward to feasibility and then through construction into production in the shortest possible time. Mr. Swallow is a senior mining industry professional with over thirty-five years of operations and project management experience in the mining industry in the evaluation and development of operations from green field sites through planning, permitting, feasibility and financing, to construction and then into production. We are fortunate to have him heading up our experienced development team in China and our new office in Beijing.

Our Dachang Gold Project continues to enjoy a high profile within China, and is welcomed as a major economic driver in the Province of Qinghai. We have consistently enjoyed the support of all levels of government, as well as that of the local inhabitants who are looking forward to the employment and other opportunities a major development project will bring to their area.

Our stock in 2010 experienced significant appreciation. This was due to the general recovery of the global markets, the strength of gold prices, and the advancement of the Dachang Gold Project as we make solid progress towards eventual production. Our shareholder base increased significantly in 2010, and we are grateful for our shareholders, whether new or long-term, who have supported our company and stock over the past year of growth.

I am fortunate to have the support of a talented Board of Directors and staff. I am again grateful to Garth Pierce, our Vice-President of Exploration, his crew, and the No. 5 Geology and Mineral Exploration Institute of Qinghai Province – our valued Joint Venture partner in China.

Like you, we look forward to the many exciting opportunities and milestones ahead of us in 2011.

James J. Moore
President & CEO

April 18, 2011

大场金矿项目开发研究服务协议签字仪式

Signing Ceremony of Agreement for Provision of Dachang Gold Project Studies



EXPLORATION RESULTS 2010

Drilling results from 2010 reported numerous intercepts of mineralized near-surface fault structures of strong widths and grades.

Following the successful infill drilling of the Dachang Main Zone (“DMZ”) in 2009, the 2010 program was focused entirely on resource expansion through exploring new areas known to contain near-surface gold mineralization. In June the Company commenced its 2010 exploration program at Dachang. The new work focussed primarily on the Acadia Zone, Central Dachang, NR-1 and the DMZ Extension (“DMZ-X”), where the Company had previously recorded significant gold in soil anomalies or promising intercepts in earlier exploratory drill holes.

In 2010, six drills and two backhoes were deployed to explore the Acadia, Central Dachang, NR-1, Placer Valley and the DMZ-X areas for near surface mineralization. All of these areas are outside the areas of the Company’s present resource inventory.

During 2010, a total of 25,070 metres of diamond drilling was completed in 236 holes. A further 9,660 metres of shallow trenching was completed with a total of 129 new trenches excavated. Gold mineralization was encountered in all new areas of the property through drilling and trenching. Drilling results from 2010 reported numerous intercepts of mineralized near-surface fault structures of strong widths and grades. Trenching also continues to define on surface new mineralized fault structures at Dachang for further exploration.

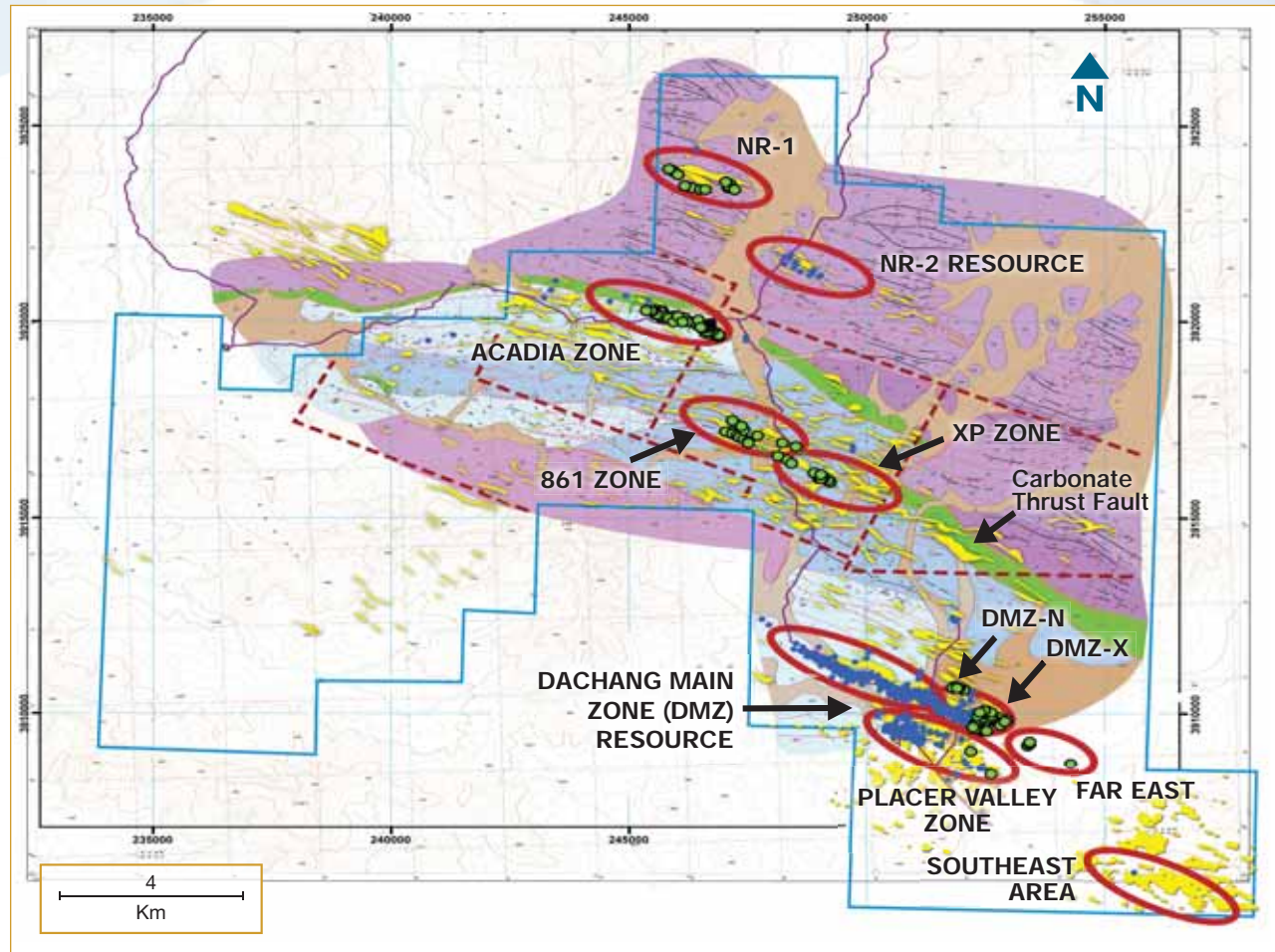


With this new exploration, gold at Dachang is now known to be related to an extensive series of steeply dipping faults that extend across the full 22 kilometre width of the project, providing the Company with numerous new targets for potential resource expansion in future exploration. With priority on expanding shallow open pit resources, to date the Company has still only tested a fraction of these structures and has yet to significantly test any of these mineralized faults below 200 metres anywhere on the property.

An update of the Company’s estimated resource inventory based on 2010 exploration results is expected shortly.



DACHANG GOLD PROJECT EXPLORATION ZONES



Legend

- 2010 Drill Hole
- 2005 - 2009 Drill Hole
- Alluvial Soils
 - Sediments: sandstone, siltstone, shale
 - Thrust Fault (carbonate breccia)
- Gold Soil Anomalies
- Property Boundary

NEW CHINA OFFICE

In September 2010, Inter-Citic opened its new office in Beijing to move forward the development and early permitting of the Dachang Gold Project.

In September 2010, Inter-Citic opened its new office in Beijing to move forward the development and early permitting of the Dachang Gold Project. Overseen by Malcolm Swallow, Inter-Citic's Vice President Development who has over thirty-five years of mine development and project management experience, the Beijing office is staffed by professionals with a wealth of experience in the development and permitting process in China:



Jonathon Guo Zhengxun
*Deputy General Manager,
Inter-Citic Beijing Office*

Mr. Guo is a senior metallurgical engineer. He was Chief Representative for the development of both the Sino Gold/Eldorado Jinfeng Gold Mine, Mill and BIOX plant, and the Tanjianshan Gold Mine, Mill and Roaster/CIL plant. Mr. Guo's career has stretched through mill operation to subsequent permitting and construction of mines and mills in China.



Wei Wu
*Environmental Manager,
Inter-Citic Beijing Office*

Mr. Wu has 7 years' executive experience in the field of environmental protection and 18 years' experience in business and project development in the Chinese non-ferrous metals industry. Mr. Wu has a strong background in government and public relations. Previously he worked for CNNC (China National Nonferrous Metals Industry Corp.), China National Rare Earth & Rare Metals Group, CNIA, Sino Gold Ltd. and Continental Minerals (KMK).



Demi Yang
*Administration Manager,
Inter-Citic Beijing Office*

Ms. Yang is responsible for administration, logistics and finance of the office. She previously worked for Continental Minerals (KMK) in the same position.

Together, and with the help of local and national contractors selected for their expertise and experience in engineering, permitting and mine development, Inter-Citic's Beijing office will be at the leading edge moving the Dachang Gold Project forward in 2011.



2010 HUMANITARIAN PROGRAM



While Inter-Citic continued to provide no cost medical assistance and emergency transportation to individuals and families in the Dachang area, a much larger humanitarian disaster struck Western China in 2010.

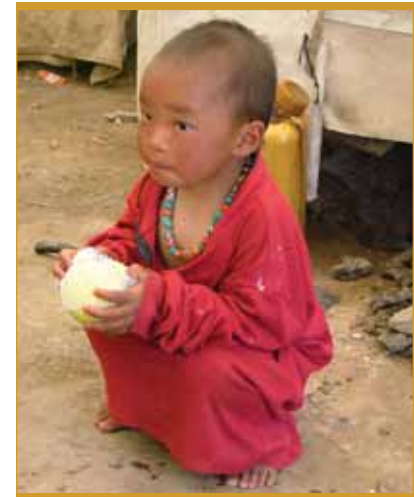
On April 14, 2010, the Yushu earthquake struck the southernmost part of Qinghai Province. The magnitude 7 earthquake occurred in Yushu County about 500 km south of the Dachang Gold Project. While the Dachang Gold Project itself was unaffected, there was widespread destruction and loss of life in the southern part of the province, with almost 3,000 dead, over 12,000 injured, and the almost total destruction of the clay, wood and brick buildings of the area.

Along with local, national and international organizations and agencies, Inter-Citic answered the call for humanitarian and emergency assistance in the wake of the

Inter-Citic answered the call for humanitarian and emergency assistance in the wake of the earthquake, and made a substantial donation to the Red Cross for the rebuilding of the affected areas.

earthquake, and made a substantial donation to the Red Cross for the rebuilding of the affected areas, which is home to some of our workers and employees.

As part of the of the wider community, Inter-Citic's humanitarian presence and ongoing commitment to the people we work among continues to be felt and appreciated.



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, 2010 and 2009 and the Annual Information Form ("AIF") for the year ended November 30, 2010 for Inter-Citic Minerals Inc. ("Inter-Citic", or the "Company"), and is current as at February 24, 2011. Unless otherwise noted, all financial information is expressed in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles and with consistent application of accounting policies. Additional information regarding the Company and its operations and activities can be found on its website at www.inter-citic.com, or on SEDAR at www.sedar.com, including the documents referenced above.

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

Highlights for the Year

Mineral Resource Estimate Update

- On July 19, 2010 the Company reported an update to its mineral resource estimate for the Dachang Gold Project ("Dachang"), including estimated Measured and Indicated mineral resources of 17.2 million tonnes grading 3.41 g/t Au (1.88 million ounces contained gold) – a 40% increase over the previously reported estimate of 1.34 million ounces (12.4 million tonnes grading 3.37 g/t Au).
- In addition, estimated Inferred mineral resources now consists of 9.8 million tonnes grading 2.97 g/t Au (0.93 million ounces contained gold) for the Dachang Main Zone ("DMZ") and Placer Valley Zone ("PVZ"), plus 1.3 million tonnes grading 5.81 g/t Au (0.24 million ounces contained gold) for NR-2 area, and a

further 3.5 million tonnes grading 3.06 g/t Au (0.35 million ounces contained gold) for new exploration areas – for a total of 14.6 million tonnes grading 3.23 g/t Au.

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

Exploration Results

- The Company's 2010 exploration program began in June and was focused entirely on near surface resource expansion targeting new areas of the 279 km² property outside of the DMZ, including the Acadia Zone, Central Dachang, the XP Zone, NR-1 and the DMZ Extension ("DMZ-X"). A description of these areas can be found in the Company's press release of September 15, 2010 as well as in press releases of drill results from the 2010 exploration program.
- Gold mineralization was reported in all five new areas with many exploration drill holes intersecting multiple intervals. In particular, the Acadia Zone returned multiple longer intercepts of gold mineralization and is increasingly defining a structure similar to the DMZ resource area. All of these intercepts are outside of the existing resource inventory and may represent a potentially significant new discovery at Dachang. Results for the 2010 exploration program are described in the Company's press releases of July 27, October 28 and November 23, 2010 and, subsequent to year end, on January 18 and January 26, 2011.

Financing and Liquidity

- On April 20, 2010 the Company announced the closing of a private placement with Zijin Mining Group Co. Ltd. ("Zijin"), China's largest gold producer. Under the terms of this investment, 16,000,000 common shares of the Company were issued to Zijin at \$1.16 per share for gross proceeds of approximately \$18.6 million. For more information see **Cash Resources and Liquidity**, below.

- As at the end of the year the Company had approximately \$11.6 million in cash and cash equivalents, including restricted cash, and approximately \$7.7 million in net working capital.

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 149,000 metres of diamond drilling (approximately 1,180 drill holes) and 89,000 metres of trenching (approximately 790 trenches) to date. In June of 2010 the Company commenced 2010 exploration, consisting of approximately 9,700 metres of trenching and 25,000 metres of drilling focusing on new exploration targets outside the DMZ. Exploration results for the Project to date, including results for the 2010 exploration program, can be found on the Company's website at www.inter-citic.com.

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

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

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

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

As at November 30, 2010, the Company had approximately \$7.7 million in net working capital, including restricted cash. The Company expects annual cash operating expenses to be in the range of \$3.5 to \$4.5 million, but has flexibility with respect to allocation of funding to ongoing exploration as the Dachang project transitions from advanced exploration to development. Cash operating expenses were higher than expected for the year ended November 30, 2010 primarily due to indirect costs relating to the Zijin investment in the second quarter as well as other corporate initiatives. Although to date the Company has been successful in sourcing funds necessary to continue its business activities, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. To date the Company has not established any proven reserves or engaged in any production on the property, and there is no guarantee that this will occur in the future. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found, and even if they are, that they can be mined economically. In the event that exploration on the property, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put the property into production, and profitability of future production is not successful, assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material.

Results of Operations

Selected financial information:

	November 30, 2010	November 30, 2009	November 30, 2008
Balance sheet:			
Cash and cash equivalents, including restricted cash	\$ 11,648,645	\$ 8,080,210	\$ 14,962,020
Total assets	\$ 74,471,055	\$ 55,299,665	\$ 53,072,873
Total long-term financial liabilities (excluding future income taxes)	-	-	-
Net loss (income):			
Net loss before the undernoted	\$ 4,275,065	\$ 2,846,574	\$ 3,249,007
Stock-based compensation	1,776,250	816,350	806,250
Depreciation and amortization	237,749	297,718	175,697
Interest and other	(66,542)	(132,759)	(462,091)
Net loss for the period:	\$ 6,222,522	\$ 3,827,883	\$ 3,768,863
Net loss per share (basic and diluted)	\$ 0.06	\$ 0.05	\$ 0.05
Additional data:			
Net proceeds from issuance of shares and warrants	\$ 18,404,877	\$ 4,759,267	\$ 23,126,478
Spent on equipment purchases	\$ 519,138	\$ 140,152	\$ 1,576,051
Spent on exploration expenses	\$ 10,165,145	\$ 8,081,424	\$ 12,393,619

Total assets grew in 2010 as a result of the Zijin private placement in Q2 2010, which provided net proceeds of approximately \$18 million, increasing the Company's cash position, which was then deployed to the project (approximately \$10 million), including exploration focusing on near surface resource expansion targeting new areas outside of the DMZ as well as permitting and development initiatives.

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

The scope and scale of exploration and/or permitting and development programs has generally increased each year as the Company accumulates more data and

experience with the Dachang 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 the definition of the DMZ resulting in a bulge in expenditures in that year. In 2009, the Company's exploration program was designed to further test the continuity of the mineralization and to upgrade any remaining inferred resources to measured and indicated. At this time, the Company anticipates that exploration expenses relating to the DMZ will continue at significantly lower levels than was the case in prior years as the Company moves towards feasibility and permitting work for that area of the project, and permitting and development expenses are expected to increase steadily as progress is made in this regard. The Company will also continue to invest in further exploration with a focus on near surface resource expansion targeting new areas outside the DMZ. However, the Company has discretion with respect to exploration activity, which is primarily determined based on prior results and availability of adequate funding (see **Cash Resources and Liquidity**, below).

Net loss (before interest and certain other items, see above) was higher in 2010 compared to prior years as a result of the timing of bonus awards to management. Management's bonus in respect of 2009 was not awarded until Q1 of 2010 pending the late results of the 2009 exploration season. This was not the case in 2010. In addition, the Company experienced significantly increased indirect costs associated with the completion of the Zijin investment, and increased professional and corporate development costs relating to ongoing corporate initiatives (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 \$22,517,300 (Renminbi 150,000,000) for exploration (all of which was advanced as at November 30, 2010), completion of metallurgical and pre-feasibility reports, and making a cash payment of the equivalent of approximately \$1,534,000 (Renminbi 10,000,000) upon the issuance of all applicable licences, 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 metres and consists of five exploration licences covering approximately 279 km². Since 2004, the Company has been exploring Dachang including:

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

Highlights of Past Exploration (2007 to 2009)

- In 2007, a detailed infill drill program on the DMZ was undertaken by the Company with the aim of confirming continuity of grade and mineralization. Drilling along a 900 metre-long area of the DMZ, the infill drill program increased both grade and contained ounces of gold, and showed good geological continuity on the closely spaced drill sections.
- In 2008, drilling on the DMZ was designed to test continuity of mineralization of the fault structures along the 3.5 km strike length defined in 2007. This testing occurred over drill sections spaced from 20 to 80 metres apart.
- In 2009, drilling on the DMZ was designed to further test continuity of mineralization and to upgrade any remaining inferred resources to measured and indicated prior to beginning deposit engineering and development studies. Approximately 18,500 metres of core was drilled in 198 holes for this purpose, and this drilling was successful in confirming grade and continuity of the mineralization and extended strike of both the eastern and western limits of the DMZ such that the fault is now defined along a 4 km strike length to a depth of at least 150 metres along this strike length.
- 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 metres 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.

2010 Exploration

In June the Company commenced its 2010 exploration program at Dachang, focused entirely on near surface resource expansion targeting new areas of the 279 km² property known to contain gold mineralization. The areas of the property of principal focus were the Acadia Zone, Central Dachang, NR-1 and DMZ-X. Description of these areas can be found in the Company's press release of September 15, 2010 as well as subsequent press releases of results from the 2010 exploration program.

To date the Company has identified 55 gold-in-soil anomalies, outside of the Dachang Main Zone, across six districts of the property, as follows:

- Central Dachang
- Western Quarter
- North River
- Placer Valley
- Dachang Main Zone extension areas
- South-East Anomaly

Of the 55 gold-in-soil anomalies, many have yet to be explored.

In 2010, six drills and two backhoes were utilized to explore the Acadia, Central Dachang, NR-1, Placer Valley and the DMZ extension areas for near surface mineralization. All of these areas are outside the areas of known resource inventory. During the year, a total of 25,070 metres of diamond drilling was completed in 236 holes and a further 9,660 metres of shallow trenching was completed with a total of 129 new trenches excavated. This work exposed near surface mineralization in typical Dachang style fault structures in three of the four new areas while work on the DMZ extension continue to intersect narrow bands of flat-lying sulphide mineralization on the direct eastern extension of the DMZ deposit under a thicker layer of overburden cover. The Company reported results of the 2010 exploration program on July 27, October 28 and November 23, 2010 and, subsequent to year end on January 18 and January 26, 2011.

Within the above districts, mineralization is being defined by initial drilling and trenching, as follows:

District	Zone	Work Performed in 2010			
		Drilling		Trenching	
		No. of Holes	Metres	No. of Trenches	Metres
Central Dachang	861 Zone	5	448	30	3,630
	XP Zone	40	2,748	21	755
Western Quarter	Acadia Zone	88	7,978	66	4,292
North River	NR1	19	2,079	6	383
	NR2	-	-	-	-
Placer Valley	PVZ	-	-	-	-
	PVZ-SE	2	251	-	-
Main Zone extension areas	DMZ-X	71	9,988	-	-
	DMZ-N	7	770	6	600
	DMZ-Far East	4	808	-	-

Highlights of drill results from the 2010 exploration season include:

Acadia Zone

Hole No.	From (Metres)	To (Metres)	Length (Metres)	Assay (g/t Au)
CJV-924	106.00	116.00	10.00	5.62
CJV-931	8.00	17.00	9.00	4.02
CJV-932	11.00	14.00	3.00	2.89
CJV-967	83.20	89.80	6.60	4.88
CJV-1056	29.00	37.00	8.00	2.64
CJV-1058A	24.20	36.50	12.30	3.01
CJV-1064	25.60	28.60	3.00	3.58
CJV-1064	32.60	64.90	32.30	1.93
CJV-1091	14.80	18.80	4.00	2.29
CJV-1098	7.00	11.90	4.90	4.18
CJV-1142	33.00	47.00	14.00	2.15

XP Zone

Hole No.	From (Metres)	To (Metres)	Length (Metres)	Assay (g/t Au)
CJV-991	43.35	51.65	8.30	1.84
CJV-1002	36.40	43.50	7.10	3.95
CJV-1002A	33.60	36.60	3.00	2.61
CJV-1057	31.80	35.80	4.00	6.42
CJV-1094	28.90	34.40	5.50	8.03
CJV-1102	61.30	63.30	2.00	6.67

NR-1

Hole No.	From (Metres)	To (Metres)	Length (Metres)	Assay (g/t Au)
CJV-990	51.95	53.45	1.50	3.47
	62.00	77.00	15.00	1.51
CJV-1030	71.70	74.00	2.30	2.85

DMZ-X

Hole No.	From (Metres)	To (Metres)	Length (Metres)	Assay (g/t Au)
CJV-936	79.00	81.00	2.00	2.89
CJV-943	89.70	93.70	4.00	3.50
CJV-959	155.65	160.15	4.50	2.86
CJV-968	174.00	179.45	5.45	1.63
CJV-973	62.30	70.30	8.00	2.45
CJV-981	170.67	172.80	2.13	2.61
CJV-992	74.67	87.67	13.00	4.89
CJV-995	174.00	179.00	5.00	3.21
CJV-996	114.47	116.47	2.00	10.70
	178.67	182.67	4.00	1.84
CJV-1004	15.17	18.17	3.00	3.66
	24.67	25.67	1.00	5.39
CJV-1036	156.00	163.00	7.00	2.44
CJV-1054	71.80	77.00	5.20	2.89
	82.00	85.10	3.10	2.89
CJV-1055	156.50	158.50	2.00	4.28
CJV-1069	68.10	77.10	9.00	2.21
CJV-1118	169.15	171.15	2.00	3.08

861 Zone

Hole No.	From (Metres)	To (Metres)	Length (Metres)	Assay (g/t Au)
CJV-929	39.80	42.80	3.00	2.88
CJV-930	63.00	70.00	7.00	1.48

Areas of strong mineralization were also encountered during surface trenching. Assay results for these intercepts were released subsequent to year end on January 26, 2011.

Trench highlights include:

Acadia

- Trench A2TC6001A returned 10.0 metres of mineralization averaging 6.20 g/t Au
- Trench A2TC6007 returned 21.5 metres of mineralization averaging 2.85 g/t Au
- Trench A2TC1307 returned 7.0 metres of mineralization averaging 7.24 g/t Au
- Trench A2TC1303 returned 20.5 metres of mineralization averaging 2.39 g/t Au

XP Zone

- Trench A2TC1723 returned 10.5 metres of mineralization averaging 4.04 g/t Au
- Trench A2TC1711 returned 12.5 metres of mineralization averaging 3.26 g/t Au

861 Zone

- Trench A2TC1511 returned 10.0 metres of mineralization averaging 5.91 g/t Au
- Trench A2TC1502 returned 12.0 metres of mineralization averaging 4.19 g/t Au

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

B. Mineral Resource Update

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

Dachang Mineral Resources at July 1, 2010:

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

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

This estimate was based on all drill holes at Dachang drilled up to the end of 2009. Drilling used in the mineral resource estimate of DMZ and Placer Valley is approximately 114,000 metres in 868 drill holes. A further 12,030 metres in 96 drill holes was carried out in exploration areas. The cut-off grade used for 3-D mineralized wireframes was 0.5 g/t Au for DMZ and Placer Valley. The cut-off grade used for exploration areas was 0.6 g/t and linear metal accumulation of 2.4 gm/t. A bulk density of 2.7 t/m³ was used to convert volume to tonnage based on 103 samples. The top cut based on a probability plot is 40 g/t Au. The primary search ellipse used was 70 m x 35 m x 3.5 m. The minimum and maximum number of samples used for interpolation was 6 and 16 using at least 2 drill holes. The parent block size used was 10 m x 5 m x 5 m. The interpolation method used was Ordinary Kriging. Uniform conditioning was used to derive grade and tonnage above each cut-off using a selective mining unit of 2.5 m x 2.5 m x 2.5 m.

Resources were categorized based on the following criteria:

- **Measured Resource:** Measured Mineral Resources were defined as those portions of the mineralized blocks where the average distance of all the samples used is less than 70 metres with a minimum distance of 20 metres from the block

centre. In addition, the blocks were estimated using a minimum of 2 drill holes with a minimum of 6 and a maximum of 16 samples.

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

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

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

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

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

C. Metallurgical Testing

On March 2, 2009, the Company announced results of first stage metallurgical testing for Dachang. Results demonstrated relatively high concentrate gold grades with excellent float recovery of 96% using conventional floatation methods. The rougher concentrate graded 30 g/t and is considered high enough to be marketable.

Further test work showed that the rougher concentrate could be upgraded to 57.7 g/t gold through regrind and cleaning stages, resulting in an overall recovery of 94% of the gold into a final cleaner concentrate with a mass of only 6.2% w/w. 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%.

Currently, work is continuing on a series of additional test work programs in both South Africa and Australia to confirm and refine the metallurgical performance of the proposed flow sheet for Dachang.

D. Preliminary Economic Assessment

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

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

- At a gold price of US\$750/troy ounce the Dachang project is estimated to generate an after tax IRR in excess of 40% and an after tax project NPV at a 5% discount rate in excess of US\$198 million.

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

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

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

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

E. Permitting and Development Work

The Company has entered into a program of work, based in a new office established in Beijing in September 2010, to move the Dachang Project from exploration to

development. This program of permitting and environmental review will take approximately two years, and will result in a significant increase in feasibility and other technical and environmental studies in China, and further project economic and technical evaluation. The program is being led by a dedicated Project Manager, working with local Chinese engineering staff employed by the Company as well as Class 1 Engineering Institutes in China and other consultants elsewhere in the world. This work is intended to move the Dachang Main Zone and Placer Valley Zone towards full operating permits and subsequent construction of a mine and mill complex, in the shortest possible period. As a consequence of this work, the Company expects to significantly increase its expenditures in this regard over the next two years.

F. Capitalized Exploration Costs

A breakdown of capitalized exploration costs for the year ended November 30, 2010 together with the comparative figures for the year ended November 30, 2009 is included in the Company's Notes to Consolidated Financial Statements for the year ended November 30, 2010. Capitalized costs consist primarily of drilling and costs for drilling support, including camp and consulting costs, as well as costs associated with other geological testing and mapping, assays, metallurgical testing, and permitting and development related expenses.

Differences in exploration expenditures from year to year and from quarter to quarter arise primarily as a result of differences in the scope, nature and timing of exploration activity. While it is normally expected that exploration that began in the previous year will conclude in Q1 of the following year, followed by an expectation that Q2 of every year will represent a transitional quarter for the Company as it compiles and analyzes results of exploration from the previous year and subsequently prepares for commencement of exploration for the current year, this is not always the case as exploration at Dachang may start and end earlier or later depending on many factors (weather, for example). As a result, expenditures from quarter to quarter may vary greatly. The Company sets exploration targets during the planning phase for the year, including budgets, and then monitors the productivity onsite against those plans

during the season. In addition, the Company has initiated a permitting and development program for the Dachang Main and Placer Valley zones, and these costs are also recorded as capitalized expenses relating to Dachang. To date, the Company has incurred approximately \$3.1 million in permitting and development costs, of which approximately \$1.4 million was incurred in 2010.

During the year the Company capitalized \$11,242,017 in costs relating to the Dachang Gold Project (compared to \$8,596,830 last year), excluding future tax liabilities of \$3,808,000 (compared to \$1,173,000 last year), representing an increase of \$2,645,187 (31%). This increase is primarily a timing difference, as the 2009 exploration program extended into the first quarter of 2010.

G. Office Lease

The Company has entered into leases for office space to the year 2014 with minimum lease payments as follows: 2011 – \$142,297, 2012 – \$129,622, 2013 – \$89,214 and 2014 – \$22,303.

Summary of Quarterly Results

Selected quarterly information for the past eight quarters:

(Unaudited)	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Loss:								
Net loss before the undernoted:	\$ 1,223,444	\$ 870,446	\$ 1,008,580	\$ 1,172,595	\$ 905,619	\$ 597,991	\$ 646,733	\$ 696,231
Stock-based compensation	100,650	54,636	192,214	1,428,750	58,800	757,550	-	-
Depreciation and amortization	2,700	3,329	125,054	106,666	1,122	4,936	153,208	138,452
Interest and other	(6,808)	(42,756)	(11,165)	(5,813)	(18,544)	(6,848)	(39,651)	(67,716)
Overall	\$ 1,319,986	\$ 885,655	\$ 1,314,683	\$ 2,702,198	\$ 946,997	\$ 1,353,629	\$ 760,290	\$ 766,967
Net loss per share (basic and diluted)	\$ 0.012	\$ 0.008	\$ 0.014	\$ 0.030	\$ 0.011	\$ 0.016	\$ 0.009	\$ 0.009

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

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

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

Three Months Ended November 30, 2010 and 2009

The Company was actively exploring Dachang during all of Q4 in both 2009 and 2010. Excluding future income tax charges, the Company capitalized \$5,470,121 in

exploration and development costs during Q4 of 2010 (2009 – \$5,312,112). Operating expenses were higher in Q4 of 2010 compared to 2009 (\$1,223,444 compared to \$905,619) primarily as a result of the timing of management's bonus awards. Management's bonus in respect of 2009 was not awarded until Q1 of 2010 pending the late results of the 2009 exploration season. This was not the case in 2010.

During Q4 the Company also established a formal office in Beijing to co-ordinate permitting and development of the DMZ and PVZ of the property, and looks forward to significant progress in this regard in the coming year.

Specific Items

The Company's consolidated financial statements for the year ended November 30, 2010 include a detailed breakdown of expenses. Specific items of note are as follows:

- During the year the Company issued 3,650,000 stock options (compared to 2,800,000 issued in 2009) principally to secure the services and maintain the continuity of senior employees, directors and consultants of the Company. The Company has been very successful when it comes to retention of key management and considers this a critical success factor to its ongoing business. The value of these stock options was estimated at approximately \$2,528,000 using the Black-Scholes valuation method with the following weighted-average valuation assumptions: expected life – 5 years, expected volatility – 80.43%, risk-free interest rate – 2.63%, dividend rate – 0%. Of this amount, \$751,750 was capitalized to resource properties (2009 – \$179,000).
- Salaries and benefits expense increased from \$1,168,067 in 2009 to \$2,039,363 in 2010 (representing an increase of \$871,296 or 75%), primarily as a result of the timing of management's bonus awards. Management's bonus in respect of 2009 was not awarded until Q1 of 2010 pending the late results of the 2009 exploration season. This was not the case in 2010.
- In addition to a late start in the year's exploration program, 2009 was also marked by a general constraint on travel and office expenses, as well as a delay in

exploration pending the announcement of the PEA, compilation of the results of the 2008 exploration program, and completion of the resource update for Dachang (all of which occurred in Q3). Consequently, overhead expenses in 2010 were expected to be higher with the completion of the Zijin investment and other corporate initiatives. Specifically:

- Travel and accommodation expenses increased by \$289,799 (83%) from \$347,159 in 2009 to \$636,958 in 2010. In addition to the negotiation and closing of the Zijin investment, travel costs were incurred in communicating the nature and impact of this investment on the overall business of the Company;
 - Office and rent expenses increased by \$136,568 (24%) from \$573,784 in 2009 to \$710,352 in 2010. Increased administrative support was required for many corporate initiatives as discussed above, including setting up the Beijing development and permitting office;
 - Corporate relations expenses increased by \$62,018 (12%) from \$529,435 in 2009 to \$591,453 and professional fees increased by \$184,915 (99%) from \$186,204 in 2009 to \$371,119. In 2010, the Company experienced increased corporate communication and other indirect costs associated with the Zijin investment and ongoing corporate initiatives.
- 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 2010 this resulted in a \$116,105 (277%) change in foreign exchange from an exchange loss of \$41,925 in 2009 to an exchange gain of \$74,180 (on average, the Canadian dollar gained in excess of 10% against the Chinese Yuan Renminbi in 2010 compared to 2009).
 - The Company earns interest income on highly liquid interest-bearing investments. Interest income will vary depending on cash available to earn interest income.

Related Party Transactions

Details regarding transactions with related parties are detailed in Note 9 of the Company's Notes to Consolidated Financial Statements for the year ended November, 2010. All related party expenditures were in the normal course of business at market rates.

Cash Resources and Liquidity

As at November 30, 2010, the Company had approximately \$11.6 million in cash, cash equivalents and restricted cash (approximately \$7.7 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 2010 (\$4,696,031) compared to 2009 (\$2,328,030). The Company also continues to invest in the exploration of Dachang with a view to eventual development of the project and commencement of profitable production sufficient to recover its investment. The Company has discretion with respect to exploration activity, which is primarily determined based on prior results and availability of adequate funding. In the past, the Company has relied upon equity offerings to fund its operations, and additional financings will be required in the future to fund ongoing operations and to meet the Company's commitments as they come due, including its project commitments (see **Exploration 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.

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 property, confirmation of the Company's interest in the underlying mineral

claims, the Company's ability to obtain appropriate financing to put the property into production, and profitability of future production is not successful, assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material.

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

Restricted Cash

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

Zijin Investment

On April 20, 2010 the Company completed a private placement with Zijin Mining Group, Co. Ltd. of 16,000,000 common shares at a price of \$1.16 per common share for gross proceeds of \$18,560,000 (approximately \$18 million net of \$527,373 in legal and advisory costs). No commissions or finder's fees were paid in relation to this private placement. The net proceeds are to be used to advance the Dachang project and for general corporate purposes.

Under the terms of an agreement among the Company, Zijin and ICBC Credit Suisse Asset Management Company Limited, a Chinese Qualified Domestic Institutional Investor (the "**Agreement**"), Zijin has a participation right that will enable it to maintain an equity level of up to 19.9% of the outstanding common shares of Inter-Citic by participating in future equity financings until the earlier of the date on which Zijin holds less than 19% of the outstanding common shares and 42 months from April 19, 2010 (the "**Participation Period**"). During the Participation Period, Inter-Citic has also agreed to nominate one individual, on behalf of Zijin, for election to the Company's board of directors. The Agreement also provides that Zijin will not, for 24 months from April 19, 2010 (subject to change of control or a change in management), vote against management in respect of certain matters set out in the Agreement.

The common shares issued in connection with this private placement were subject to a four month statutory hold period under applicable securities legislation. In addition, for 12 months from April 19, 2010, Zijin shall not without the prior written consent of the Company sell, transfer, dispose of or otherwise trade, or lend, encumber, transfer or assign for the purpose of short selling, any shares other than in connection with certain change of control transactions. Zijin has also agreed, for a period of 24 months from April 19, 2010, to a standstill provision under which it will not, among other things, make any offer to acquire securities of Inter-Citic without the consent of the board of directors.

Outstanding Share Data

As at February 24, 2011, the Company had outstanding:

- 105,898,839 common shares (an unlimited number of common shares, without par value, were authorized);
- 7,795,000 stock options, each of which is convertible to one common share of the Company at a weighted average price per stock option of \$0.98, for a weighted-average period per stock option of 3.21 years. Exercise prices range from \$0.50 to \$1.95; and
- 3,333,000 share purchase warrants, each of which is convertible to one common share of the Company at a weighted average price per share purchase warrant \$1.45, for a weighted-average period per share purchase warrant of 0.67 years.

Off-Balance Sheet Arrangements

The Company does not have any.

Financial and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, restricted cash and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments

and the fair values of these financial instruments, unless otherwise noted, approximate their carrying values due to their short-term nature.

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, 2010 and based on that evaluation concluded that the design and operation of these disclosure controls and procedures were effective as at November 30, 2010 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, 2010, 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, 2010 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 been no change in the Company's internal control over financial reporting that occurred during the period beginning on September 1, 2010 and ended on November 30, 2010 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, 2010.

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

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

Development Stage Entity

The Company has adopted the Accounting Guideline 11, *Enterprises in the Development Stage*, relating to enterprises in the development stage, as detailed by the Canadian Institute of Chartered Accountants ("**CICA**"). The Company is engaged in the acquisition, exploration and development of exploration-stage mineral properties. To date the Company has not established any proven or probable reserves or engaged in any production on its property, and there is no guarantee that this will occur in the future. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found, and even if they are, that they can be mined economically. In

the event that exploration on the property, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put the property into production, and profitability of future production is not successful, assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material. Please also see **Risks and Uncertainties – Risks Associated with Exploration and Development**, below.

Resource Properties

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

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

Note that mineral reserves and resources are estimated in accordance with NI 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, 2010. The Company accounts for stock-based compensation in accordance with CICA 3870, *Stock-based Compensation and Other Stock-based Payments* and recognizes stock-based compensation based on the fair value method of accounting. Under this method, the fair value of stock-based compensation is determined based on the Black-Scholes valuation model and is recognized based on vesting of options granted under the stock option plan. Amounts recognized are expensed or capitalized and credited to contributed surplus. Consideration paid on exercise of stock options is credited to share capital.

Please refer to the Notes to the Consolidated Financial Statements of the Company for the year ended November 30, 2010 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 of the Notes to Consolidated Financial Statements for the year ended November 30, 2010, the Company has adopted amendments to CICA Section 3862, *Financial Instruments – Disclosures* for 2010. As a result of these amendments, the Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has no financial instruments recorded at fair value.

Transition to International Financial Reporting Standards (“IFRS”)

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

The standards require that financial statements be issued with comparatives that are prepared in accordance with IFRS. Accordingly, the Company is required to prepare an opening balance sheet as at December 1, 2010, the transition date, in accordance with IFRS and maintain IFRS compatible information during the fiscal year ended November 30, 2011 so that the necessary financial information is available to prepare the comparative amounts for future IFRS statements. Financial information that is

prior to the transition date need not be converted to IFRS but can be presented using the current Canadian GAAP model providing that it is appropriately labelled. The Company intends to maintain its records without change during the fiscal year ending November 30, 2011, and quarterly adjustment of that information to convert to IFRS will provide the comparative information necessary for the following fiscal year.

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

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

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

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

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

The planning of the transition to IFRS, the identification of issues where differences must be resolved and the recognition of all new information that must be disclosed under the new rules are the responsibility of the Company; it is the Company's intention that most of this work will be achieved using in-house personnel. Complementing this process, the Company 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 issued. If further changes and amendments to the Standards are finalized and required prior to November 30, 2012, the opening balance sheet and comparative information will be updated to incorporate these changes.

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

Internal Control Over Financial Reporting ("ICFR")

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

Risks and Uncertainties

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

Risks Associated with Exploration and Development

The Company is engaged in mineral exploration and development. To date the Company has not established any mineral reserves or engaged in any production 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 NI 43-101) and others in the assessment of its resource properties. A significant portion of the Company's mineral resource estimate for the Dachang project is based the results of this prior work, and although the results have been independently tested by way of due diligence and test sampling, there is no guarantee that material differences do not exist.

Mineral Resource Estimates

On July 1, 2010, the Company updated its mineral resource estimate for Dachang. Details of the updated mineral resource estimate are included in **Exploration Projects, Activities and Commitments** section 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 metres above sea level, in a high-cold mountainous area exhibiting desert alpine climate and vegetation with limited infrastructure. The nearest major city centre is approximately 160 km away, with the nearest primary road and power lines approximately 120 km from the property. Although the Company

believes that the mineral resources have reasonable prospects for economic extraction, there is no guarantee that this will in fact be the case and confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability.

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

Reserves and Resources – Differences Between Canadian and US Standards

Mineral reserves and resources are estimated in accordance with NI 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. The government of China, at all levels, continues to exert significant influence on market activities through laws, regulations and policies which are often ambiguously drafted and subject to divergent interpretation.

As the Company's 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 part of government has ultimate regulatory authority over gold exploitation projects. This leads to uncertainty as to whether all necessary approvals have or could be obtained. Exploration 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.

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

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

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

regulations of the State Administration of Foreign Exchange limiting the inflow of foreign currency convertible to Renminbi. Fluctuations in the value of the Renminbi and on the ability of the Company to fund its operations in China may have an adverse effect on the operations and operating costs of the Company.

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

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

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

The Company has investigated title to all of its properties and believes that such title is in good standing. However, given the lack of a comprehensive registration system in China, the properties may be subject to prior unregistered agreements or transfers and undetected defects may affect title. The Company cannot give any assurance that title to its properties will not be challenged. In addition, under Chinese legislation,

exploration licences 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 licences prior to extension. Although the Company has always exceeded these minimum requirements by significant amounts, the Company cannot give any assurance that title to its properties will not be challenged.

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

Environmental hazards may occur in connection with the Company's operations as a result of human negligence, force majeure or otherwise. The occurrence of any environmental hazards may delay exploration, increase exploration costs, cause personal injuries or property damage, result in liability to the Company and its directors and/or damage our reputation. Such incidents may also result in a breach of the conditions of the Company's mining permits or other consents, approvals or authorizations, which may result in fines or penalties or even possible revocation of the Company's exploration permits. In the future, the Company may experience increased costs of production arising from compliance with environmental laws and regulations. Moreover, the development of the Chinese economy and the improvements in the living standards of the population may lead to a heightened awareness of environmental protection. As a result, it is possible that more stringent environmental laws, regulations and policies may be implemented in the future, or the existing environmental laws, regulations and policies may be more strictly enforced. The Company may not always be able to comply with existing or future laws, regulations or policies in relation to environmental protection and rehabilitation

economically or at all. Should the Company fail to comply with any such existing or future laws, regulations or policies, it may be subject to penalties and liabilities under Chinese laws, and regulations, including but not limited to warnings, fines and suspension of operations. There is no assurance that future changes in environmental regulation, or other areas of regulation, if any, will not adversely affect the Company's operations and results.

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

Dependence on Key Personnel

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

The Company's Vice-President, Exploration has more than 20 years of experience as an exploration geologist. The Company's Vice-President, Development has more than 35 years of operations and project management experience in the mining industry. The Company has a qualified and experienced geologist on its Board of

Directors, and the Company has an established relationship with a North American based drilling company that has carried out the Company's drilling program at Dachang. The Company has relationships with a number of other organizations that have also provided services essential to its exploration activities.

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

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

Competition

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

Environmental Risk

The Dachang Gold Project is located in the proximity of the Sanjiangyuan Nature Reserve, established primarily to protect the sources of three major rivers in Asia (the Yangtze, Yellow and Lancang rivers). To date, the project has received all relevant

government support and approvals, and the Company is committed to preserve and protect the environment within which it operates, and has a policy of adopting and applying the highest standards for environmental protection in its activities, in addition to being active in the betterment of the lives of local people. However the impact of possible future liabilities or impediments to development associated with or as a result of environmental matters cannot be measured or predicted, and there is no assurance that present or future environmental regulations will not adversely affect the operations of the Company.

Cash Flow

The Company has no source of operating cash flow to fund its exploration and development projects. Any further significant work would likely require additional equity or debt financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its obligations on existing or future exploration projects. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration, and the possible partial or total loss of the Company's interests in 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 development of its Dachang Gold Project, including permitting initiatives related to the development of a mine and mill facility and associated gold refining and production facility based around the resources established at the DMZ and PVZ.

Caution Regarding Forward Looking Statements

This Management's Discussion and Analysis ("MD&A") contains or incorporates by reference "**forward looking information**" which means disclosure regarding possible events, conditions, acquisitions, or results of operations that is based on assumptions about future conditions and courses of action based upon management's good faith expectations and beliefs concerning future developments and their potential effect on the Company. These may include statements with

respect to the future financial and operating performance of Inter-Citic Minerals Inc. ("**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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

February 24, 2011

Management is responsible for the preparation of the consolidated financial statements and other financial information relating to the Company included in this report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on estimates and judgements of management.

The Company has developed and maintains a system of internal control to provide reasonable assurance that financial information is accurate and reliable.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants appointed by the shareholders. Their report outlines the scope of their examination and expresses an opinion on the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board has appointed an Audit Committee composed of three independent directors. The Committee meets with the independent auditors to discuss the results of their audit and audit report prior to submitting the consolidated financial statements to the Board of Directors for its consideration and approval for issuance to shareholders. On the recommendation of the Audit Committee, the Board of Directors has approved the Company's consolidated financial statements.



James J. Moore
President and
Chief Executive Officer



Lou Pasubio, C.A.
Vice-President, Finance and
Chief Financial Officer

AUDITORS' REPORT

February 24, 2011

To the Shareholders of
Inter-Citic Minerals Inc.

We have audited the consolidated balance sheets of **Inter-Citic Minerals Inc.** as at November 30, 2010 and 2009 and the consolidated statements of shareholders' equity, operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at November 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

CONSOLIDATED BALANCE SHEETS

(Expressed in Canadian dollars)

	November 30, 2010	November 30, 2009
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 5,820,247	\$ 7,376,567
Amounts receivable	336,964	159,271
Prepaid expenses and other	511,762	78,254
	6,668,973	7,614,092
Restricted cash (Note 6)	5,828,398	703,643
Resource properties (Notes 7, 13)	59,673,599	44,623,582
Property, plant and equipment (Note 8)	2,300,085	2,358,348
	\$ 74,471,055	\$ 55,299,665
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 4,843,926	\$ 4,190,891
	4,843,926	4,190,891
Future income taxes (Note 12)	9,917,000	6,109,000
	14,760,926	10,299,891
Shareholders' equity		
Share capital (Note 11 (b))	96,781,039	78,161,312
Share purchase warrants (Note 11 (c))	651,842	767,830
Contributed surplus	9,424,016	6,994,878
Deficit	(47,146,768)	(40,924,246)
	59,710,129	44,999,774
	\$ 74,471,055	\$ 55,299,665

Commitments (Notes 7, 10)

Approved by the Board of Directors:


Mark R. Frederick
Director

James J. Moore
Director

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

	Common Shares		Share Purchase Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
	Number	Amount				
Balance as at November 30, 2008	82,496,339	\$ 74,117,237	\$ 230,400	\$ 5,769,128	\$ (37,043,725)	\$ 43,073,040
Issued for cash, net of cash issue costs	6,666,000	4,678,882	-	-	-	4,678,882
Fair value of share purchase warrants issued	-	(767,830)	767,830	-	-	-
Fair value of share purchase warrants expired	-	-	(230,400)	230,400	-	-
Disposition of investment in own shares	116,500	133,023	-	-	(52,638)	80,385
Stock-based compensation on unexercised vested stock options	-	-	-	995,350	-	995,350
Loss for the year ended November 30, 2009	-	-	-	-	(3,827,883)	(3,827,883)
Balance as at November 30, 2009	89,278,839	\$ 78,161,312	\$ 767,830	\$ 6,994,878	\$ (40,924,246)	\$ 44,999,774
Issued for cash, net of cash issue costs	16,000,000	18,032,627	-	-	-	18,032,627
Issued for cash pursuant to exercise of share purchase warrants	120,000	90,000	-	-	-	90,000
Fair value of share purchase warrants exercised	-	34,800	(34,800)	-	-	-
Fair value of share purchase warrants expired	-	-	(81,188)	81,188	-	-
Issued for cash pursuant to exercise of stock options	390,000	282,250	-	-	-	282,250
Fair value of stock options exercised	-	180,050	-	(180,050)	-	-
Stock-based compensation on unexercised vested stock options	-	-	-	2,528,000	-	2,528,000
Loss for the year ended November 30, 2010	-	-	-	-	(6,222,522)	(6,222,522)
Balance as at November 30, 2010	105,788,839	\$ 96,781,039	\$ 651,842	\$ 9,424,016	\$ (47,146,768)	\$ 59,710,129

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

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

(Expressed in Canadian dollars)

	For the year ended November 30, 2010	For the year ended November 30, 2009
Expenses		
Salaries and benefits	\$ 2,039,363	\$ 1,168,067
Stock-based compensation (Note 11 (d))	1,776,250	816,350
Office and rent	710,352	573,784
Travel and accommodation	636,958	347,159
Corporate relations	591,453	529,435
Professional fees	371,119	186,204
Depreciation and amortization	237,749	297,718
Foreign currency exchange	(74,180)	41,925
	6,289,064	3,960,642
Other		
Interest and other	(66,542)	(132,759)
Loss and comprehensive loss for the year	6,222,522	3,827,883
Deficit, beginning of year	40,924,246	37,043,725
Loss on disposition of investment in own shares	-	52,638
Deficit, end of year	\$ 47,146,768	\$ 40,924,246
Loss per share – basic and diluted	\$ 0.06	\$ 0.05
Weighted average number of common shares outstanding	99,322,140	83,195,231

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	For the year ended November 30, 2010	For the year ended November 30, 2009
Cash provided by (used in):		
Operating activities		
Loss for the year	\$ (6,222,522)	\$ (3,827,883)
Adjustments for:		
Depreciation and amortization	237,749	297,718
Stock-based compensation (Note 11 (d))	1,776,250	816,350
	(4,208,523)	(2,713,815)
Amounts receivable	(177,693)	137,822
Prepaid expenses and other	(433,508)	29,434
Accounts payable and accrued liabilities	123,693	218,529
Changes in non-cash working capital balances	(487,508)	385,785
	(4,696,031)	(2,328,030)
Financing activities		
Issuance of shares and warrants (Note 11)	18,404,877	4,759,267
Investing activities		
Restricted cash (Note 6)	(5,124,755)	4,757,572
Resource properties (Notes 7, 13)	(10,165,145)	(8,081,424)
Property, plant and equipment (Note 8)	(519,138)	(140,152)
Proceeds from disposition of property, plant and equipment	14,530	-
Change in accounts payable and accrued liabilities	529,342	(1,091,471)
	(15,265,166)	(4,555,475)
Decrease in cash and cash equivalents for the year	(1,556,320)	(2,124,238)
Cash and cash equivalents, beginning of year	7,376,567	9,500,805
Cash and cash equivalents, end of year (Note 3)	\$ 5,820,247	\$ 7,376,567

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended November 30, 2010 and 2009 (Expressed in Canadian dollars)

1. Nature of Operations

Inter-Citic Minerals Inc. (the "Company") is a development stage company engaged in the acquisition, exploration and development of exploration stage mineral properties. The Company has entered into an earn-in agreement in respect of an exploration property, the Dachang Gold Project, in the Province of Qinghai in the People's Republic of China ("China").

To date, the Company has not found any proven reserves or engaged in any production activities, and there is no guarantee that this will occur in the future. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found and, even if they are, that they can be mined economically. In the event that exploration on the property, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put the property into production, and profitability of future production are not successful, assets may not be realized or liabilities discharged at their carrying values, and these differences could be material.

2. Changes in Accounting Policies

CICA Handbook Section 3862, *Financial Instruments - Disclosures*

Effective December 1, 2009, the Company adopted CICA Handbook Section 3862, *Financial Instruments - Disclosures*, which was amended to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk of financial instruments. As a result of these amendments, the Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements in its consolidated financial statements. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has no financial instruments recorded at fair value.

3. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared under Canadian generally accepted accounting principles. To ensure comparability of financial information, certain comparative figures have been reclassified to conform with the presentation of the current year.

Principles of Consolidation

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

- (a) Inter-Citic Holdings Ltd. (100% owned), a company incorporated in the Cayman Islands
- (b) Techmat Inc. (100% owned), a company incorporated in the Republic of Mauritius
- (c) Bay Roberts Resources Ltd. (98% owned), a company incorporated in British Columbia, Canada

All material inter-company balances have been eliminated.

Financial Instruments - Recognition and Measurement

The Company classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other financial liabilities. Financial assets held-to-maturity, loans and receivables and other financial liabilities other than those held-for-trading, are measured at amortized cost. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in the consolidated statement of operations.

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, restricted cash and accounts payable and accrued liabilities, as follows:

Cash	Loans and receivables
Cash equivalents	Held-to-maturity
Amounts receivable	Loans and receivables
Restricted cash	Loans and receivables
Accounts payable and accrued liabilities	Other financial 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.

Comprehensive Income or Loss

Comprehensive income or loss is the change in shareholders' equity during a period from transactions and events from sources other than the Company's shareholders. The Company reports a consolidated statement of comprehensive income or loss and accumulated other comprehensive income or loss is added to the shareholders' equity section of the consolidated balance sheet when components to be recognized in comprehensive income or loss exist. There were no components to be recognized in comprehensive income or loss during fiscal 2010 and fiscal 2009. As the Company has no items of comprehensive income or loss, loss for both years is equivalent to comprehensive loss.

Foreign Currency Translation

The accounts of the foreign operations have been translated using the temporal method for foreign integrated operations. All of the Company's balances and transactions are translated into the Company's measurement currency, the Canadian dollar, as follows: monetary assets and liabilities are translated at the exchange rates in effect at the consolidated balance sheet dates; non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the period, except for depreciation and amortization related to assets, which are translated at historical exchange rates. Translation gains and losses are reflected in the consolidated statement of operations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing investments. Cash and cash equivalents comprise the following consolidated balance sheet amounts:

	November 30, 2010	November 30, 2009
Cash on hand and balances with banks	\$ 140,247	\$ 706,567
Short-term interest bearing investments	5,680,000	6,670,000
	<u>\$ 5,820,247</u>	<u>\$ 7,376,567</u>

Interest from cash and cash equivalents is recorded on an accrual basis.

Resource Properties

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

fair value. Costs related to resource properties abandoned are written off when the decision to abandon is made.

The Company is in the process of exploring its resource property interests. Amounts reflected in the consolidated 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 resource properties.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less depreciation and amortization calculated as follows:

Leasehold improvements	2 to 3 years, straight-line
Office equipment	10 to 33% declining balance
Exploration equipment	20 to 30% declining balance

An impairment charge is recognized for long-lived assets when an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the asset and its carrying value.

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 income 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 Plan

The Company has one stock-based compensation plan, which is described in Note 11 (d). The Company accounts for stock-based compensation in accordance with CICA Handbook 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 stock options granted under the stock option plan. Amounts recognized are expensed or capitalized and credited to contributed surplus. Consideration received on exercise of stock options is credited to share capital.

Per Share Amounts

Loss per share is computed by dividing loss applicable to common shareholders by the weighted average number of common shares outstanding during the respective periods. The Company follows the treasury stock method in the calculation of diluted loss per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be anti-dilutive.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses and other income during the reporting period. Actual results could differ from those estimates.

4. Capital Management

The Company's objective when managing capital, which the Company defines as shareholders' equity, is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued exploration, development and eventual production and maintenance at the Dachang Gold Project and to acquire, explore and develop other precious and base metal deposits.

The Company manages its capital structure and makes adjustments to it, based on the level of funds available to the Company to manage its operations. In order to maintain or adjust the capital structure, the Company expects that it will be able to obtain equity financing, long-term debt, equipment-based financing and/or project-based financing sufficient to maintain and expand its operations. There are no assurances that these initiatives will be successful.

In order to achieve these objectives, the Company invests its unutilized capital in short-term interest bearing investments with credit worthy financial institutions.

5. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity Risk

The Company has sufficient funds to settle current and long-term liabilities. However, 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 the delay or indefinite postponement of further exploration, and the possible partial or total loss of the Company's interests in its property.

Market Risk

(a) Interest Rate and Credit Risk

The Company has significant cash balances and no interest bearing debt. The Company's current policy is to invest excess cash in short-term deposit certificates issued by a Canadian chartered bank. The Company periodically monitors the investments it makes and is satisfied with the credit rating of the bank.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company's operations, however, are located in China where many exploration and administrative expenses are incurred in the local currency, the Chinese renminbi. 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 Chinese government. Fluctuations in the value of the renminbi may have an adverse affect on the operations and operating costs of the Company.

Sensitivity Analysis

As at November 30, 2010, the carrying amounts of financial instruments approximate their fair values.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible":

- (a) Cash and cash equivalents include bank deposits and short-term investments bearing interest at floating interest rates. Sensitivity by a plus or minus 1% change in rates would affect loss for the year by approximately \$61,000 (2009 – \$74,000).

(b) The Company held the following balances in foreign currency:

	November 30, 2010		November 30, 2009	
	US Dollars	Chinese Renminbi	US Dollars	Chinese Renminbi
Cash and cash equivalents	\$ 111,378	¥ -	\$ 557,593	¥ -
Amounts receivable	-	703,036	-	596,883
Restricted cash	-	339,296	-	295,896
Accounts payable and accrued liabilities	(372,333)	(23,520,733)	(175,370)	(21,811,062)
	\$ (260,955)	¥(22,478,401)	\$ 382,223	¥(20,918,283)
Equivalent in Canadian dollars	\$ (266,305)	\$ (3,448,187)	\$ 405,921	\$ (3,254,885)

Sensitivity by a plus or minus 1% change in foreign currency exchange rates would affect loss for the year by approximately \$37,000 (2009 – \$25,000).

6. Restricted Cash

Restricted cash relates to advances held in China, primarily in Canadian dollars, and committed to continuing exploration and development of the Dachang Gold Project (Note 7).

7. Resource Properties

The Company is involved in exploration in China through an earn-in agreement, whereby it provides 100% of the funding in order to earn a controlling interest in the project.

Dachang Gold Project

On November 14, 2003, the Company entered into an earn-in agreement with the Qinghai Geological Survey Institute 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, a company that shares the same parent company as that of the Qinghai Geological Survey Institute. Under the terms of this agreement, the Company can earn an 83% interest in the project by contributing the equivalent of approximately \$22,517,300 (renminbi 150,000,000) for exploration (all of which was advanced as at November 30, 2010), completion of metallurgical and pre-feasibility reports, and making a cash payment of the equivalent

of approximately \$1,534,000 (renminbi 10,000,000) on the issuance of all applicable licences, 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 a pre-feasibility report, for a total interest of 90%. The No. 5 Geology and Mineral Exploration 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 Geology and Mineral Exploration Institute seeks foreign investment.

8. Property, Plant and Equipment

	November 30, 2010			November 30, 2009		
	Accumulated Depreciation and Cost	Amortization	Net	Accumulated Depreciation and Cost	Amortization	Net
Leasehold improvements	\$ 53,790	\$ (44,624)	\$ 9,166	\$ 43,790	\$ (38,278)	\$ 5,512
Office equipment	104,940	(76,913)	28,027	87,845	(70,087)	17,758
Exploration equipment	4,537,421	(2,274,529)	2,262,892	4,108,287	(1,773,209)	2,335,078
	\$ 4,696,151	\$ (2,396,066)	\$ 2,300,085	\$ 4,239,922	\$ (1,881,574)	\$ 2,358,348

9. Related Party Transactions

The Company paid or accrued director fees and other compensation to six directors of \$1,072,612 during the year (2009 – \$508,679 to six directors). This compensation is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. Of this amount, \$219,764 was capitalized to resource properties (2009 – \$136,195).

10. Lease Commitments

The Company has entered into leases for office space to 2014 with minimum lease payments as follows:

2011	\$ 142,297
2012	129,622
2013	89,214
2014	22,303

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

(a) Authorized

Unlimited number of common shares, without par value.

(b) Issued and Outstanding

See consolidated statements of shareholders' equity.

Zijin Investment (April 2010)

On April 20, 2010, the Company completed a private placement of 16,000,000 common shares with Zijin Mining Group Co. Ltd. ("Zijin") at \$1.16 per share for gross proceeds of \$18,560,000. Legal and advisory fees of \$527,373 were incurred but no commissions or finder's fees were paid in relation to this private placement.

Under the terms of an agreement among the Company, Zijin and ICBC Credit Suisse Asset Management Company Limited, a Chinese Qualified Domestic Institutional Investor (the "Agreement"), Zijin has a participation right that will enable it to maintain an equity level of up to 19.9% of the outstanding common shares of the Company by participating in future equity financings until the earlier of the date on which Zijin holds less than 19% of the outstanding common shares of the Company and 42 months from April 19, 2010 (the "Participation Period"). During the Participation Period, the Company has also agreed to nominate one individual, on behalf of Zijin, for election to the Company's board of directors. The Agreement also provides that Zijin will not, for 24 months from April 19, 2010 (subject to change of control or a change in management), vote against management in respect of certain matters set out in the Agreement.

The common shares issued in connection with this private placement were subject to a four-month statutory hold period under applicable securities legislation. In addition, for 12 months from April 19, 2010, Zijin shall not without the prior written consent of the Company sell, transfer, dispose of or otherwise trade, or lend, encumber, transfer or assign for the purpose of short selling, any shares other than

in connection with certain change of control transactions. Zijin has also agreed, for a period of 24 months from April 19, 2010 to a standstill provision under which it will not, among other things, make any offer to acquire securities of Inter-Citic without the consent of the board of directors.

Private Placement (October 2009)

On October 26, 2009, the Company completed a non-brokered private placement financing for gross proceeds of \$4,999,500, consisting of 6,666,000 units of the Company at a price of \$0.75 per unit. Each unit consisted of one common share and one half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share of the Company at a price of \$1.45 for a period of two years from the date of issue. The Company evaluated the fair value of share purchase warrants using the following valuation assumptions: expected life – 24 months; expected volatility – 93.74%; risk-free interest rate – 1.54%; and dividend rate – 0%.

As part of this financing transaction, the Company paid finder's fees of \$299,970 in cash and 399,960 share purchase warrants. Each share purchase warrant entitled the holder to purchase one additional common share at \$0.75 for a period of one year from the date of issue. The Company evaluated the fair value of share purchase warrants using the Black-Scholes valuation model with the following valuation assumptions: expected life – 12 months; expected volatility – 101.48%; risk-free interest rate – 0.59%; and dividend rate – 0%.

Consideration received, after cash finder's fees and costs of \$320,618 and the estimated fair value of finder's warrants of \$115,988, has been allocated to common shares and share purchase warrants in the amounts of \$3,911,052 and \$651,842 (\$767,830 in aggregate), respectively.

(c) Share Purchase Warrants

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

	Number	Value	Weighted Average Exercise Price
Balance, November 30, 2008	480,000	\$ 230,400	\$ 2.00
Issued	3,732,960	767,830	1.38
Expired	(480,000)	(230,400)	2.00
Balance, November 30, 2009	3,732,960	\$ 767,830	\$ 1.38
Exercised	(120,000)	(34,800)	0.75
Expired	(279,960)	(81,188)	0.75
Balance, November 30, 2010	3,333,000	\$ 651,842	\$ 1.45

As at November 30, 2010 the weighted average remaining life of the Company's outstanding share purchase warrants was 0.90 years.

(d) Stock-based Compensation Plan

The Company has one stock-based compensation plan as at November 30, 2010, a common share purchase option plan for directors, officers, employees and consultants of the Company (the "Plan"). Options under the Plan are typically granted in such numbers as to reflect the level of responsibility of the particular optionee and his or her contribution to the business and activities of the Company, typically vest immediately and have a two- to five-year term. Except in specified circumstances, options are not assignable and terminate following the optionee's ceasing to be employed by or associated with the Company.

During the year ended November 30, 2010, the Company recognized \$2,528,000 (2009 – \$995,350) as stock-based compensation and included this amount in contributed surplus. Of this amount, \$751,750 was capitalized to resource properties (2009 – \$179,000).

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

	November 30, 2010	November 30, 2009
Expected life	5 years	4.9 years
Expected volatility	80.43%	92.80%
Risk-free interest rate	2.63%	2.35%
Dividend rate	0%	0%

The following is a summary of the Company's outstanding stock options:

	November 30, 2010		November 30, 2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	5,170,000	\$ 0.92	4,120,000	\$ 1.27
Granted	3,650,000	1.07	2,800,000	0.56
Exercised	(390,000)	0.72	-	-
Expired	(525,000)	1.26	(1,600,000)	1.09
Cancelled	-	-	(150,000)	1.76
Outstanding, end of year	7,905,000	\$ 0.98	5,170,000	\$ 0.92
Exercisable, end of year	7,905,000	\$ 0.98	5,170,000	\$ 0.92

The following table summarizes information about options outstanding and exercisable as at November 30, 2010:

	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
Price range per option			
Less than \$ 0.61	2,245,000	3.61	\$ 0.50
From \$0.61 to \$0.80	25,000	3.76	0.72
From \$0.81 to \$1.00	3,610,000	3.51	0.95
From \$1.01 to \$1.20	-	-	-
From \$1.21 to \$1.40	710,000	4.43	1.31
From \$1.41 to \$1.60	400,000	1.37	1.45
From \$1.61 to \$1.80	815,000	2.98	1.76
Higher than \$1.80	100,000	2.19	1.95
Overall	7,905,000	3.40	\$ 0.98

The following is a summary of weighted average exercise prices and weighted average fair values for stock options issued whose exercise price equals or exceeds the market price of the common shares on the grant date.

	Exercise Price Exceeds Market Price	Exercise Price Equals Market Price	Total
November 30, 2010			
Number issued	-	3,650,000	3,650,000
Weighted average exercise price	\$ -	\$ 1.07	\$ 1.07
Weighted average fair value	\$ -	\$ 0.69	\$ 0.69
November 30, 2009			
Number issued	50,000	2,750,000	2,800,000
Weighted average exercise price	\$ 1.75	\$ 0.54	\$ 0.56
Weighted average fair value	\$ 0.13	\$ 0.36	\$ 0.36

12. Income Taxes

The Company's provision for recovery of income tax has been calculated as follows:

	November 30, 2010	November 30, 2009
Loss for the year	\$ 6,222,522	\$ 3,827,883
Income tax recovery at Canadian federal and provincial statutory rates	\$ 1,996,392	\$ 1,264,796
Permanent differences	(634,934)	(320,037)
Increase in valuation allowance	(1,361,458)	(944,759)
Provision for recovery of income tax	\$ -	\$ -

Significant components of the Company's future income tax assets and liabilities as at November 30, 2010 and 2009 are as follows:

	November 30, 2010	November 30, 2009
Future income tax assets:		
Property, plant and equipment	\$ (329,000)	\$ (224,000)
Non-capital losses carried forward	7,380,000	6,729,000
Share issue costs	462,000	664,000
Other temporary differences	16,000	17,000
Gross future income tax asset	7,529,000	7,186,000
Valuation allowance	(7,529,000)	(7,186,000)
Net future income tax asset	-	-
Future income tax liability:		
Deferred acquisition and exploration costs	9,917,000	6,109,000
Gross future income tax liability	9,917,000	6,109,000
Net future income tax liability	\$ 9,917,000	\$ 6,109,000

The Company recorded full valuation allowances in respect of its Canadian losses and other attributes as at November 30, 2010 because management believes that future income tax assets have not met the “more likely than not” recognition threshold. For certain payments in relation to mineral resource property interests, the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amounts. During the year the Company recorded a future income tax liability and a corresponding adjustment to resource properties of \$3,808,000 (2009 – \$1,173,000).

The Company has available losses of approximately \$29,514,000 that may be carried forward to reduce future years’ income for tax purposes, as follows:

2014	\$ 3,037,000
2015	1,767,000
2026	3,992,000
2027	5,985,000
2028	4,551,000
2029	4,332,000
2030	5,850,000

13. Segmented Information

The Company’s activities are in one reportable operating segment, being the acquisition of exploration stage mineral resource properties and exploration and development of those properties.

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

	November 30, 2010	November 30, 2009
China	\$ 61,957,129	\$ 46,958,660
Canada	16,555	23,270
	\$ 61,973,684	\$ 46,981,930

(b) Acquisition Costs and Exploration Costs by Resource Property

	Balance as at November 30, 2008	Additions During the Year	Balance as at November 30, 2009	Additions During the Year	Balance as at November 30, 2010
Acquisition costs:	\$ 282,729	\$ -	\$ 282,729	\$ -	\$ 282,729
Exploration costs:					
Drilling	13,993,500	3,700,872	17,694,372	4,821,877	22,516,249
Consulting	3,850,223	1,355,752	5,205,975	1,847,452	7,053,427
Camp	2,789,264	845,643	3,634,907	1,259,645	4,894,552
Assays and metallurgy	2,530,807	371,949	2,902,756	692,799	3,595,555
Trenching	1,710,580	270,112	1,980,692	239,516	2,220,208
Administrative and other	1,175,741	342,715	1,518,456	623,222	2,141,678
Travel and accommodation	1,191,334	252,161	1,443,495	326,091	1,769,586
Depreciation	738,041	321,586	1,059,627	319,234	1,378,861
Geological	759,383	845,657	1,605,040	121,005	1,726,045
Stock-based compensation (Note 11 (d))	198,000	179,000	377,000	751,750	1,128,750
Mapping	399,329	46,923	446,252	136,168	582,420
Professional fees	298,821	64,460	363,281	103,258	466,539
	29,635,023	8,596,830	38,231,853	11,242,017	49,473,870
Future income tax liability	4,936,000	1,173,000	6,109,000	3,808,000	9,917,000
All resource properties	\$ 34,853,752	\$ 9,769,830	\$ 44,623,582	\$ 15,050,017	\$ 59,673,599

CORPORATE INFORMATION

MANAGEMENT

Mr. James J. Moore

President & CEO

Mr. Lou Pasubio, C.A.

Vice President China, Finance & CFO

Mr. Garth A. Pierce

Vice President, Exploration

Mr. Stephen Lautens, B.A. LL.B.

VP, Corporate Communications,
General Counsel & Secretary

Mr. Malcolm Swallow, B.Sc. (Hons)

Vice President, Mine Development

DIRECTORS

Mr. Mark R. Frederick, B.A. (Hons), LL.B, FCI Arb

Chairman,
Barrister & Solicitor, Miller Thompson

Mr. James J. Moore

President,
Inter-Citic Minerals Inc.

Mr. Donald Brown, C.A. C.F.P.

Managing Director,
Catalyst Strategies

Dr. Michael Doggett, M.Sc., Ph.D.

Mining Economics Consultant

Mr. Carlos Ho

Assistant to the Managing Director,
Henderson (China) Investment Co. Ltd.

Mr. Adrian Pedro Ho

Investment Banker,
Kuentai Investors Limited

Mr. Peter Joynt, C.A., B.Comm.

Owner,
Balsam Capital Inc.

Mr. Lan Fusheng

Vice Chairman,
Zijin Mining Group Co. Ltd.

Mr. Malcolm Swallow, B.Sc. (Hons)

Principal,
Swallow Services Limited

Mr. Zhang Hongyi

Director,
Henderson (China) Investment Co. Ltd.

INTER-CITIC MINERALS INC.

Fiscal Year End: November 30

TSX Symbol: ICI

OTCQX Symbol: ICMTF

OUTSTANDING SHARE DATA

As at November 30, 2010, the
Company had outstanding:

105,788,839 Common Shares

7,905,000 Options

3,333,000 Warrants

117,026,839 Fully Diluted

AUDITOR

PricewaterhouseCoopers LLP

Chartered Accountants,

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Canada M5H 1V8

Tel: (416) 863-1133

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STOCK TRANSFER AGENT

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of Canada

510 Burrard Street, 3rd floor

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OTCQX: ICMTF