INTER-CITIC MINERAL TECHNOLOGIES INC.
CONSOLIDATED THIRD QUARTER
INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

AUGUST 31, 2003

INTER-CITIC MINERAL TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
(All figures in Canadian dollars)

As at	August 31, 2003 (Unaudited)	November 30, 2002 (Audited)
ASSETS		
Current		
Cash and cash equivalents	$ 287,613	$ 1,564,858
Accounts receivable	73,523	77,434
Other receivables	83,547	184,598
Inventories	233,328	744,727
Prepaid expenses	12,266	28,290
	690,277	**2,599,907**
Deposits	60,000	60,000
Investments **(Note 3)**	48,781	48,781
Investment in associated company **(Note 4)**	1	1
Property, plant and equipment, net **(Note 5)**	2,374,197	4,109,019
	$ 3,173,256	**$ 6,817,708**
LIABILITIES		
Current		
Bank advances **(Note 6)**	$ 508,500	$ 567,900
Accounts payable and accrued liabilities	337,238	402,657
Customer deposits	-	190,536
Due to related party **(Note 7)**	49,874	55,701
Convertible debenture **(Note 8, 14 (a))**	2,228,162	1,995,101
	3,123,774	**3,211,895**
Non-controlling interest	342,071	461,272
COMMITMENTS (Note 9)		
SHAREHOLDERS' EQUITY		
Equity portion of convertible debenture **(Note 8, 14 (a))**	213,105	213,105
Share capital **(Note 10, 14 (b))**	16,577,337	16,577,337
Share purchase warrants **(Note 10 (b))**	612,706	612,706
Contributed surplus	15,000	15,000
Deficit	(17,710,737)	(14,273,607)
	(292,589)	**3,144,541**
	$ 3,173,256	**$ 6,817,708**

Note 1 - Nature of Operations and Going Concern Assumption

Approved by the Board of Directors:

[SIGNED]	[SIGNED]
Mark R. Frederick	**James J. Moore**
Director	*Director*

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

INTER-CITIC MINERAL TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(All figures in Canadian dollars)

	For the three months ended August 31, 2003 (Unaudited)	For the three months ended August 31, 2002 (Unaudited)	For the nine months ended August 31, 2003 (Unaudited)	For the nine months ended August 31, 2002 (Unaudited)
REVENUE				
Sales	$ 23,563	$ 11,174	$ 422,191	$ 82,756
COST OF SALES				
Cost of goods sold	9,822	44,383	635,622	117,197
Gross profit (loss)	**13,741**	**(33,209)**	**(213,431)**	**(34,441)**
OTHER EXPENSES				
Selling, general and administrative expenses	378,381	436,713	1,332,324	1,099,134
Depreciation and amortization	96,567	75,373	283,506	217,228
	474,948	512,086	1,615,830	1,316,362
Loss before the undernoted	**(461,207)**	**(545,295)**	**(1,829,261)**	**(1,350,803)**
Foreign exchange gain	22,451	91,607	12,553	73,598
Interest and other expense, net	(26,321)	(92,658)	(188,200)	(102,694)
Gain (loss) on sale of investments	-	(2,588)	-	9,769
Equity in net loss of associated company **(Note 4)**	-	(2,572)	-	(46,586)
Write down of the Rare Earth Division **(Note 11)**	-	-	(1,551,423)	-
Loss before income taxes and non-controlling interest	**(465,077)**	**(551,506)**	**(3,556,331)**	**(1,416,716)**
Income taxes **(Note 12)**	-	-	-	-
Loss before non-controlling interest	**(465,077)**	**(551,506)**	**(3,556,331)**	**(1,416,716)**
Non-controlling interest	(18,392)	22,664	119,201	70,016
Net loss	**(483,469)**	**(528,842)**	**(3,437,130)**	**(1,346,700)**
Deficit, beginning of period	(17,227,268)	(12,443,500)	(14,273,607)	(11,625,642)
Deficit, end of period	**$ (17,710,737)**	**$ (12,972,342)**	**$ (17,710,737)**	**$ (12,972,342)**
Net loss per share - basic and diluted	**$ (0.02)**	**$ (0.02)**	**$ (0.12)**	**$ (0.05)**
Weighted average common shares outstanding	**28,711,810**	**28,711,810**	**28,711,810**	**26,935,350**

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

INTER-CITIC MINERAL TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(All figures in Canadian dollars)

	For the three months ended August 31, 2003 (Unaudited)	For the three months ended August 31, 2002 (Unaudited)	For the nine months ended August 31, 2003 (Unaudited)	For the nine months ended August 31, 2002 (Unaudited)
CASH PROVIDED BY (used in)				
Operating activities				
Loss for the period	$ (483,469)	$ (528,842)	$ (3,437,130)	$ (1,346,700)
Items not involving cash				
Depreciation and amortization	96,567	75,373	283,506	217,228
Equity in net loss (income) of associated company **(Note 4)**	-	2,572	-	46,586
Writedown of the Rare Earth Division **(Note 11)**	-	-	1,551,423	-
Non-controlling interest	18,392	(22,664)	(119,201)	(70,016)
	(368,510)	**(473,561)**	**(1,721,402)**	**(1,152,902)**
Changes in non-cash working capital balances				
Accounts receivable	13,165	1,331	3,911	31,992
Other receivables	(27,136)	(47,254)	101,051	(191,129)
Inventory	84,145	(407,006)	511,399	(942,620)
Prepaid expenses	(12,266)	(24,181)	16,024	(24,682)
Accounts payable and accrued liabilities	(6,439)	(142,490)	(65,419)	444,251
Customer deposits	-	(92,850)	(190,536)	-
Due to related party **(Note 7)**	1,265	854	(5,827)	(283,270)
	52,734	**(711,596)**	**370,603**	**(965,458)**
Financing activities				
Bank advances **(Note 6)**	12,900	120,120	(59,400)	110,081
Accrued interest and accretion on convertible debenture **(Note 8, 1**	78,012	83,309	233,061	83,309
Proceeds of convertible debenture **(Note 8)**	-	75,900	-	2,000,000
Non-controlling interest	-	-	-	286,010
Issuance of shares **(Note 10 (b), 14 (b))**	-	-	-	3,054,000
	90,912	**279,329**	**173,661**	**5,533,400**
Investing activities				
Marketable securities **(Note 3)**	-	2,313	-	(10,492)
Property, plant and equipment **(Note 5)**	(40,403)	(136,606)	(100,107)	(984,409)
	(40,403)	**(134,293)**	**(100,107)**	**(994,901)**
Increase/(decrease) in cash for the period	**(265,267)**	**(1,040,121)**	**(1,277,245)**	**2,420,139**
Cash and cash equivalents, beginning of period	552,880	3,587,763	1,564,858	127,503
Cash and cash equivalents, end of period	**$ 287,613**	**$ 2,547,642**	**$ 287,613**	**$ 2,547,642**
Supplemental Information:				
Income taxes paid during the period	$ -	$ -	$ -	$ -
Interest paid during the period	$ 9,307	$ 10,180	$ 27,523	$ 27,592

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

INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED AUGUST 31, 2003

1. Going Concern Assumption

The accompanying financial statements have been prepared using Canadian generally accepted accounting principles assuming a going concern. The ability of the Company to continue as a going concern will be dependent upon the ability of the Company to raise additional financing and carrying out its business plan.

As at August 31, 2003, the Company reported a loss of $3,437,130 and an accumulated deficit of $17,710,737 ($2,647,965 and $14,273,607 as at November 30, 2002, respectively). This condition casts significant doubt as to the ability of the Company to continue in business and meet its obligations as they come due.

During 2002, $1,114,067 was spent refurbishing the Techmat plant in China. These expenditures enhanced purity and marketability of the rare earths produced, which was confirmed by samples produced. However, as a result of unfavorable market conditions, the Company has been unable to secure contracts at sufficient prices and the plant remains idle. Accordingly, its future value could be severely impacted if not realized through normal production, and during the previous quarter management wrote down the assets of the Rare Earth Division to the estimated net recoverable and realizable amounts, resulting in a charge of $1,551,423 to property, plant and equipment (see **Note 11**). The plant is carried on the financial statements at its cost of $2,360,820 ($4,092,312 as at November 30, 2002).

Management is considering various alternatives, including a private placement to raise capital in 2003 (see **Note 14 (b)**). It is not possible to determine with certainty the success or adequacy of these initiatives.

The Company's continuance as a going concern is dependent on obtaining adequate resources through external funding or profitable operations. In the event that such resources are not secured, the assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material

2. Summary of Significant Accounting Policies

Use of Estimates

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. The most significant estimates relate to recoverability and carrying value of Rare Earth Division property, plant and equipment, useful economic lives of assets for amortization purposes and fair values of financial instruments. Actual results could differ from those estimates.

Principles of Consolidation

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

(a) Inter-Citic Holdings Ltd. (100% owned), a company incorporated in the Cayman Islands
(b) Techmat Inc. (100% owned), a company incorporated in the Republic of Mauritius
(c) TechMat (USA) Corporation (100% owned), a company incorporated in Nevada, USA
(d) United Worldwide Ltd. (100% owned), a company incorporated in the British Virgin Islands
(e) Bay Roberts Resources Ltd. (98% owned), a company incorporated in British Columbia
(f) Yangzhong Zhonghai Techmat Co., Ltd. (80% owned), a company incorporated in the People's Republic of China
(g) Honor Link (HK) Ltd. (51% owned), a company incorporated in Hong Kong

All material inter-company transactions and balances have been eliminated.

Foreign Currency Translation

Effective January 1, 2002, the Company adopted, retroactively, a new Canadian Institute of Chartered Accountants ("CICA") accounting standard in respect of foreign currency translation that eliminates the deferral and amortization of currency translation.

Revenue Recognition

Revenue is recognized when title to shipments passes to third party purchasers.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash, term deposits and other interest bearing instruments with original maturity dates of less than 90 days.

Investments

Investments are recorded at cost less a write down for an other than temporary decline in value.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and other receivables, investments, bank advances and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Inventories

Inventories are carried at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis for raw materials and average cost for work-in-process and finished goods.

Property, plant and equipment

Property, plant and equipment are recorded at cost less depreciation and amortization calculated on a straight-line basis at the following rates:

Buildings	5%
Equipment	10%-33%

The Company has a long-term land lease in China, which has been prepaid, and the cost has been capitalized. This cost is being amortized on a straight-line basis over the term of the lease.

Construction in progress is not depreciated until it is put in use.

Income Taxes

Future income tax assets and liabilities are established where the accounting net book value of assets and liabilities differs from the corresponding tax basis. The benefit of future income tax assets is only recognised where their realisation is judged to be more likely than not.

Stock-based Compensation Plan

The Company has a stock-based compensation plan, which is described in Note 10. Effective January 1, 2002 the Company adopted CICA 3870 (Stock-based Compensation and Other Stock-based Payments). As permitted by CICA 3870 the Company has applied this change prospectively for new awards granted on or after January 1, 2002. The Company has chosen to recognize no compensation when stock options are granted under stock option plans with no cash settlement features. Consideration paid on exercise of stock options is credited to common share capital.

Earnings per Share

Net income (loss) per common share has been computed by dividing income (loss) applicable to common shareholders by the weighted-average number of common shares outstanding during the respective periods. Diluted net income (loss) per common share is computed by dividing net earnings (loss) applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

3. Investments

	August 31, 2003	November 30, 2002
Investments in marketable securities (fair market value - $39,318; 2002 - $59,703)	$ 48,781	$ 48,781

It is the Company's intention to hold the marketable securities for greater than one year.

4. Investment in Associated Company

Investment in associated company is carried on an equity basis.

Ideal e-Commerce Limited	August 31, 2003	November 30, 2002
Equity - 50% ownership (a)	$ 1	$ 1
Shareholder loan (b)	250,000	250,000
Accumulated equity in net loss	(250,000)	(250,000)
	$ 1	$ 1

(a) Investment in associated company represents the Company's 50% interest in Ideal e-Commerce Limited ("Ideal e-Commerce"), a Hong Kong company formed in a 50/50 joint venture between the Company and Henderson China Holdings Ltd. ("Henderson China"), of Hong Kong, in March, 2000 for the development and launch of a Business-to-Business online metals trading portal through its 48% ownership in China Metals Net Company Ltd. ("China Metals Net"), of Hong Kong. This investment is consistent with the business activity of the Company and its long term strategic objectives.

52% of the shares of China Metals Net are owned by China National Non-Ferrous Industrial Trading Group Company ("CNIT"), formerly Minmetals International Non-Ferrous Metals Trading Company, of Beijing. CNIT has agreed to utilize the services of China Metals Net on an exclusive basis to conduct all of its non-ferrous metals trading business activities through the Business-to Business online metals trading portal.

(b) The Hong Kong dollar denominated shareholder loan (HK $1,224,999; 2002 - HK$1,224,999) is unsecured and bears no interest and has no terms of repayment.

(c) The Company's net investment in and operations of Ideal e-Commerce are represented by:

	August 31, 2003	November 30, 2002
Expenses and net loss	$ (46,586)	$ (46,586)
Current assets	$ 31,626	$ 31,626
Current liabilities	(31,625)	(31,625)
Net investment	$ 1	$ 1

5. Property, plant and equipment

	August 31, 2003			November 30, 2002		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value
Prepaid land lease	$ 255,232	$ (20,798)	$ 234,434	$ 255,232	$ (15,938)	$ 239,294
Building	888,255	(124,012)	764,243	1,165,431	(120,997)	1,044,434
Equipment	1,804,357	(454,544)	1,349,813	3,322,219	(588,733)	2,733,486
Construction in progress	25,707	-	25,707	91,805	-	91,805
Total	$ 2,973,551	$ (599,354)	$ 2,374,197	$ 4,834,687	$ (725,668)	$ 4,109,019

During the last quarter, the Company wrote off capital assets with a net book value of $1,551,423 (see **Note 11**).

6. Bank Advances

As at August 31, 2003, Yangzhong Zhonghai Techmat Co., Ltd. in China has borrowed, in aggregate, $508,500 (Renminbi 3,000,000; 2002 - $567,900, Renminbi 3,000,000) from a domestic bank in the form of a line of credit, repayable on demand, and secured by a fixed charge on the land and buildings. The bank advances bear interest at a rate of 7.605%. During the quarter, the Company paid or accrued interest charges of $9,307 (2002 - $10,180).

7. Related Party Transactions

Due to Related Party of $49,874 (Renminbi 294,239; 2002 - $55,701, Renminbi 294,239) represents advances from the minority shareholder of Yangzhong Zhonghai Techmat Co., Ltd. bearing no interest and having no fixed terms of repayment.

During the quarter, the Company paid or accrued management fees of $43,002 (2002 - $34,500) to one company controlled by a director and to one director. These fees were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Convertible Debenture

On July 10, 2002, the Company received the final tranche of a $2,000,000 two-year, non-redeemable convertible debenture. The debenture carries an 8.9% coupon, non-compounding, and is convertible into common shares of the Company at a price of $1.00 per share. Proceeds of the debenture were used to expand capacity and to enhance productivity at the Company's 80%-owned rare earths processing facility.

In view of the debenture holder's right to redeem the debenture through the issuance of common shares, the debenture is being accounted for as having both a debt and equity component in accordance with accounting standards of the Canadian Institute of Chartered Accountants. Accordingly, interest and accretion of $78,013 has been accrued for the quarter.

9. Lease Commitment

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

Balance of 2003	$	11,147
2004	$	44,585
2005	$	46,593
2006	$	46,995
2007	$	46,995
2008 and thereafter	$	105,739

10. Share Capital

(a) Authorized

98,500,000 common shares, without par value

(b) Issued and Outstanding

	August 31, 2003			November 30, 2002		
	Shares		Amount	Shares		Amount
Balance - Beginning of period	28,711,810	$	16,710,360	25,107,398	$	14,269,066
Issued by private placement	-		-	3,529,412		2,387,294
Exercise of Options	-		-	75,000		54,000
	28,711,810		16,710,360	28,711,810		16,710,360
Investment in own shares	(116,500)		(133,023)	(116,500)		(133,023)
Balance - End of period	28,595,310	$	16,577,337	28,595,310	$	16,577,337

On April 15, 2002 the Company completed a private placement for total proceeds of $3,000,000, representing 3,529,412 units of the Company at a price of $0.85 per unit. Each unit consists of one common share and a one-half of one share purchase warrant. Each whole share purchase warrant permits the purchase of one additional common share at $1.00 for a period of twenty-four months from the date of issue.

As part of this financing transaction, the Company agreed to pay a finders's fee of $75,000 in cash and 150,000 share purchase warrants. Each share purchase warrant entitles the holder to purchase one share at a price of $1.00 for twenty-four months from the date of issue.

Consideration received has been allocated to the common shares after deducting the estimated fair value of the share purchase warrants of $612,706.

Proceeds of the private placement were for general working capital.

(c) Stock-based Compensation Plan

The Company has a stock option compensation plan. No compensation expense is recognized when stock or stock options are issued. Any consideration paid on exercise of stock options or purchase of stock is credited to share capital. Shares issued under the plan are recorded at the exercise price.

	August 31, 2003			November 30, 2002		
	Number of Share Options		Weighted Average Exercise Price	Number of Share Options		Weighted Average Exercise Price
Options outstanding - beginning of period	2,049,000	$	0.77	1,764,000	$	0.85
Options granted	-	$	-	165,000	$	0.92
Options exercised	-	$	-	(75,000)	$	0.72
Options expired	-	$	-	(100,000)	$	1.01
Options terminated	(500,000)	$	0.74	(80,000)	$	1.15
Options outstanding - end of period	1,549,000	$	0.78	1,674,000	$	0.83

Options Outstanding and Exercisable	August 31, 2003	November 30, 2002
Price range per option	$0.67 to $0.96	$0.67 to $1.24
Weighted average remaining contractual life	2.95 Years	2.85 Years
Weighted average exercise price	$0.78	$0.83

Effective January 1, 2002, the Company adopted a new accounting standard issued by the CICA relating to stock-based compensation and other stock-based payments. This new standard requires either the recognition of compensation expense for grants of stock, stock options and other equity instruments to employees, or, alternatively, the disclosure of pro forma net earnings and net earnings per share data as if stock-based compensation had been recognized in earnings. The Company has elected to disclose, by way of note, pro forma net earnings and earnings per share data for options granted after January 1, 2002. Therefore, there is no effect of adopting this standard on the Company's results of operations and financial position. Had compensation costs been determined for all options granted, the Company's pro forma net loss per share would have been adjusted as follows:

		For the three months ended August 31, 2003		For the nine months ended August 31, 2003
Net loss				
As reported	$	(483,469)	$	(3,437,130)
Pro Forma	$	(483,469)	$	(3,656,880)
Net loss per share - basic and diluted				
As reported	$	(0.02)	$	(0.12)
Pro Forma	$	(0.02)	$	(0.13)

The fair value of the options at the date of grant was estimated using the Modified Black Scholes option pricing model based on the following assumptions: risk-free interest rate of 4.5%; expected life of 5 years; volatility of 74%.

11. Write-down of Rare Earth Division

During the second quarter, the Company recognized a write down of $1,551,423 against the property, plant and equipment of it's RareEarth Division. The assets were written down to their estimated net recoverable and realizable amounts.

12. Income Taxes

(a) China Subsidiary Tax Status

According to the "Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises", Yangzhong Zhonghai Techmat Co., Ltd, the Company's China subsidiary, is entitled to an exemption on enterprise income tax for the first two years commencing with the first profitable year after offsetting all losses carried forward, and a 50% reduction for the three years thereafter. Following the expiration of the five-year exemption, the subsidiary will qualify for a 50% reduction in regular tax rates if the value of its exported products amounts to 70% or more of the total production value for the year. Yangzhong Zhonghai Techmat Co., Ltd. has not yet achieved its first full year of profitability.

(b) Loss Carry forwards - Canada

The Company has available losses of approximately $3,871,000 which may be carried forward to reduce future years' income for tax purposes. A full valuation allowance of $2,000,000 has been applied against the benefit of these tax losses, as in management's view recognition is not warranted.

2003	$	388,000
2004	$	653,000
2005	$	447,000
2006	$	658,000
2007	$	664,000
2008	$	752,000
2009	$	1,028,000

13. Segmented Information

The Company's operations include a Head Office in Canada, a Mine Development Division based in Canada and Beijing, China, a Rare Earth Division with operations in China, and an e-Commerce division based in Canada and Hong Kong. The Mine Development Division is a newly formed division whose purpose is to acquire exploration stage resource properties in China and to explore and develop these properties. The Rare Earth Division processes rare earth concentrates in China which are primarily used in the optical and automotive catalytic converter industries as well as the manufacture of mini and micro magnets for the computer and telecommunication industries.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

(a) Segmented Net Loss

For the three months ended August 31, 2003

	Head Office	Mine Development Division	Rare Earth Division	e-Commerce Division	Consolidated
REVENUE					
Sales	$ -	$ -	$ 23,563	$ -	$ 23,563
COST OF SALES					
Cost of goods sold	-	-	9,822	-	9,822
GROSS PROFIT (LOSS)	**-**	**-**	**13,741**	**-**	**13,741**
OTHER EXPENSES					
Selling, general and administrative expenses	153,213	139,399	85,769	-	378,381
Depreciation and amortization	1,230	-	95,337	-	96,567
	154,443	139,399	181,106	-	474,948
Operating loss	**(154,443)**	**(139,399)**	**(167,365)**	**-**	**(461,207)**
Foreign exchange gain (loss)	(632)	-	23,083	-	22,451
Interest and other income (expense), net	(76,480)	-	50,159	-	(26,321)
Write down of the Rare Earth Division **(Note 11)**	-	-	-	-	-
Gain on sale of investments	-	-	-	-	-
Equity in net income (loss) of associated company **(Note 4)**	-	-	-	-	-
Loss before income taxes and non-controlling interest	**(231,555)**	**(139,399)**	**(94,123)**	**-**	**(465,077)**
Income taxes **(Note 12)**	-	-	-	-	-
Loss before non-controlling interest	**(231,555)**	**(139,399)**	**(94,123)**	**-**	**(465,077)**
Non-controlling interest	-	-	(18,392)	-	(18,392)
Net loss	**$ (231,555)**	**$ (139,399)**	**$ (112,515)**	**$ -**	**$ (483,469)**

(a) Segmented Net Loss, continued

For the three months ended August 31, 2002

	Head Office	Mine Development Division	Rare Earth Division	e-Commerce Division	Consolidated
REVENUE					
Sales	$ -	$ -	$ 11,174	$ -	$ 11,174
COST OF SALES					
Cost of goods sold	-	-	44,383	-	44,383
GROSS PROFIT (LOSS)	**-**	**-**	**(33,209)**	**-**	**(33,209)**
OTHER EXPENSES					
Selling, general and administrative expenses	276,184	-	160,529	-	436,713
Depreciation and amortization	1,140	-	74,233	-	75,373
	277,324	-	234,762	-	512,086
Operating loss	**(277,324)**	**-**	**(267,971)**	**-**	**(545,295)**
Foreign exchange gain (loss)	(669)	-	92,276	-	91,607
Interest and other income (expense), net	(77,213)	-	(15,445)	-	(92,658)
Loss on sale of investments	(2,588)	-	-	-	(2,588)
Equity in net income (loss) of associated company **(Note 4)**	-	-	-	(2,572)	(2,572)
Loss before income taxes and non-controlling interest	**(357,794)**	**-**	**(191,140)**	**(2,572)**	**(551,506)**
Income taxes **(Note 12)**	-	-	-	-	-
Loss before non-controlling interest	**(357,794)**	**-**	**(191,140)**	**(2,572)**	**(551,506)**
Non-controlling interest	-	-	22,664	-	22,664
Net loss	**$ (357,794)**	**$ -**	**$ (168,476)**	**$ (2,572)**	**$ (528,842)**

INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED AUGUST 31, 2003

(a) Segmented Net Loss, continued

For the nine months ended August 31, 2003

	Head Office	Mine Development Division	Rare Earth Division	e-Commerce Division	Consolidated
REVENUE					
Sales	$ -	$ -	$ 422,191	$ -	$ 422,191
COST OF SALES					
Cost of goods sold	-	-	635,622	-	635,622
Gross margin (loss)	**-**	**-**	**(213,431)**	**-**	**(213,431)**
OTHER EXPENSES					
Selling, general and administrative expenses	457,903	320,455	553,966	-	1,332,324
Depreciation and amortization	3,330	-	280,176	-	283,506
	461,233	320,455	834,142	-	1,615,830
Operating loss	**(461,233)**	**(320,455)**	**(1,047,573)**	**-**	**(1,829,261)**
Foreign exchange gain (loss)	(5,224)	-	17,777	-	12,553
Interest and other income (expense), net	(220,047)	-	31,847	-	(188,200)
Write down of the Rare Earth Division **(Note 11)**	-	-	(1,551,423)	-	(1,551,423)
Gain on sale of investments	-	-	-	-	-
Equity in net income (loss) of associated company **(Note 4)**	-	-	-	-	-
Loss before income taxes and non-controlling interest	**(686,504)**	**(320,455)**	**(2,549,372)**	**-**	**(3,556,331)**
Income taxes **(Note 12)**	-	-	-	-	-
Loss before non-controlling interest	**(686,504)**	**(320,455)**	**(2,549,372)**	**-**	**(3,556,331)**
Non-controlling interest	-	-	119,201	-	119,201
Net loss	**$ (686,504)**	**$ (320,455)**	**$ (2,430,171)**	**$ -**	**$ (3,437,130)**

INTER-CITIC MINERAL TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED AUGUST 31, 2003

(a) Segmented Net Loss, continued

For the nine months ended August 31, 2002

	Head Office	Mine Development Division	Rare Earth Division	e-Commerce Division	Consolidated
REVENUE					
Sales	$ -	$ -	$ 82,756	$ -	$ 82,756
COST OF SALES					
Cost of goods sold	-	-	117,197	-	117,197
Gross margin (loss)	**-**	**-**	**(34,441)**	**-**	**(34,441)**
OTHER EXPENSES					
Selling, general and administrative expenses	716,065	-	376,376	6,693	1,099,134
Depreciation and amortization	3,420	-	213,808	-	217,228
	719,485	-	590,184	6,693	1,316,362
Operating loss	**(719,485)**	**-**	**(624,625)**	**(6,693)**	**(1,350,803)**
Foreign exchange gains (losses)	(42,382)	-	115,980	-	73,598
Interest and other income (expense), net	(72,152)	-	(30,542)	-	(102,694)
Gain on sale of investments	9,769	-	-	-	9,769
Equity in net loss of associated company **(Note 4)**	-	-	-	(46,586)	(46,586)
Loss before income taxes and non-controlling interest	**(824,250)**	**-**	**(539,187)**	**(53,279)**	**(1,416,716)**
Income taxes **(Note 10)**	-	-	-	-	-
Loss before non-controlling interest	**(824,250)**	**-**	**(539,187)**	**(53,279)**	**(1,416,716)**
Non-controlling interest	-	-	70,016	-	70,016
Net loss	**$ (824,250)**	**$ -**	**$ (469,171)**	**$ (53,279)**	**$ (1,346,700)**

(b) Property, plant and equipment, net, by Geographic Region

	August 31, 2003	November 30, 2002
China	$ 2,360,820	$ 4,092,312
Canada	13,377	16,707
	$ 2,374,197	$ 4,109,019

(c) Total Assets by Segment

	August 31, 2003	November 30, 2002
Rare Earth Division	$ 2,844,786	$ 5,407,531
Head Office	328,469	1,410,176
e-Commerce Division	1	1
Mine Development Division	-	-
	$ 3,173,256	$ 6,817,708

14. Subsequent Financing Activity

(a) Convertible Debenture

On October 16, 2003, the Company announced that, subject to regulatory acceptance, the Companyand the holder of the outstanding convertible debenture **(Note 8)**, otherwise due and payable on November 30, 2003, have agreed to convert the debenture into cash, common shares and share purchase warrants of the Company. It is anticipated that upon closing the debenture holder will receive $127,687 in cash, 2,884,493 common shares of the Company at a deemed price of $0.75, and 500,000 share purchase warrants entitling the holder to purchase one additional common share at $1.00 for each share purchase warrant for a period of twenty-four months.

(b) Private Placement

The Company is in the process of completing a private placement for total proceeds of $2,430,000, of which $60,000 was received as at October 7, 2003, representing 4,050,000 units of the Company at a price of $0.60 per unit. Each unitconsists of one common share and one share purchase warrant. Each share purchase warrant permits the purchase of one additional common share at $1.00 for a period of twelve months from the date of issue.

Subject to regulatory acceptance, the Company will pay a maximum allowable finder's fee in connection with the private placement.

Proceeds of the private placement are for general working capital, and to finance future acquisitions.

Inter-Citic Mineral Technologies Inc.

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

1. ANALYSIS OF EXPENSES AND DEFERRED COSTS

Breakdown of Selling, general and administrative expenses:

For the three months ended August 31, 2003

	Head Office	Mine Development Division	Rare Earth Division	e-Commerce Division	Consolidated
Consulting	$ -	$ 89,395	$ 10,655	$ -	$ 100,050
Office and rent	34,160	-	54,536	-	88,696
Management fees	73,001	-	636	-	73,637
Other expenses	4,497	-	65,787	-	70,284
Travel and accommodation	1,235	50,004	3,497	-	54,736
Salaries and benefits	18,117	-	17,483	-	35,600
Professional fees	12,452	-	169	-	12,621
Corporate relations	9,751	-	-	-	9,751
Inventory provision (recovery)	-		(66,994)	-	(66,994)
	$ 153,213	$ 139,399	$ 85,769	$ -	$ 378,381

2. RELATED PARTY TRANSACTIONS

See Schedule A

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

(a) Summary of Securities Issued

Not applicable.

(b) Summary of Options Granted

Not applicable

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

Not applicable.

5. DIRECTORS AND OFFICERS

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

Inter-Citic Mineral Technologies Inc.

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

Management's Discussion and Analysis should be read in conjunction with the current period's financial statements.

OVERVIEW

Inter-Citic is focused on expanding its ability to bridge the gap between western business fundamentals with opportunities in the People's Republic of China (the "PRC"). Over the course of the past several years the Company has sought to systematically leverage its key relationships in the PRC to generate deal-flow with a strategic focus on the acquisition and development of key mineral and related projects in China. These opportunities have included establishment of the Rare Earth Division, the e-Commerce Division and a Mine Development Division to actively pursue development stage gold, silver and base metal mineral exploration properties for further exploration and development.

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

During the third quarter, on July 31, 2003, the Company announced that preliminary agreements were signed with the Qinghai Geological Survey Institute, covering the Dachang Gold Project in the Province of Qinghai, China, and the Beijing Institute of Geology for Mineral Resources, covering the Zalantun Gold Project in the Inner Mongolia Autonomous Region, China. It is anticipated that formal joint-venture agreements will be completed during the fourth quarter of this year.

Acquisition of these projects has highlighted management's abilities in China, and the range and scope of the Company's presence in that market. The Company intends to explore and further develop these exploration stage properties, and to add additional properties in the near future. The Company also intends to add significant depth with the establishment of a special advisory committee with recognised expertise in the mineral and mining sectors.

It is expected that funding for these activities will come in the form of private and public offerings, and during the third quarter the Company announced the successful negotiation of a private placement with proceeds of $2,430,000 to close during the fourth quarter of this year.

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

RESULTS OF OPERATIONS

For the third quarter of 2003, the Company's consolidated net loss was $483,469 compared to $528,842 for the same period last year (year to date - $3,437,130 compared to $1,346,700 for the same period last year - excluding the write down of the Rare Earth Division of $1,551,423 which occurred during the second quarter of this year, the net loss on a year to date basis is $1,885,707 compared to $1,346,700 for the same period last year). Of these amounts, during the quarter the Mine Development Division incurred expenses of $139,399 while the Rare Earth Division incurred a net loss of $112,515. On a year to date basis, excluding the write down, the Rare Earth Division accounted for $878,748 of the overall loss compared to $469,171 last year, while the e-Commerce Division continued with no activity during the quarter (the e-Commerce Division incurred a loss of $2,572 in the second quarter of last year). On a year to date basis, last year the e-Commerce division incurred a loss of $53,279 compared to no activity this year. The Company's consolidated net loss per share was $0.02 for the quarter ($0.12 on a year to date basis), compared to $0.02 for the same period last year ($0.05 on a year to date basis).

(Unaudited)	**2003**				**2002**			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Sales:								
Rare Earth	$281,301	$117,327	$23,563		$48,126	$23,456	$11,174	$6,680
Net Loss:								
Head Office	$219,893	$235,056	$231,555		$210,945	$255,511	$357,794	$352,805
Mine Development	$41,248	$139,808	$139,399		$0	$0	$0	$0
Rare Earth	$267,590	$2,050,066[1]	$112,515		$110,365	$190,330	$168,476	$948,460[2]
e-Commerce	$0	$0	$0		$26,717	$23,990	$2,572	$0
Overall	**$528,731**	**$2,424,930**	**$483,469**		**$348,027**	**$469,831**	**$528,842**	**$1,301,265**
Net Loss Per Share (Basic and Diluted)	$0.02	$0.08	$0.02		$0.01	$0.02	$0.02	$0.04

[1] Includes a write down of $1,551,423.

[2] Includes provisions of $ $746,694 for low-grade inventory resulting from implementation and testing of expansion and improvement measures during the latter part of 2001and throughout 2002.

A. The Mine Development Division

During the quarter, the Company announced that it had entered into preliminary agreements with the Qinghai Geological Survey Institute for the acquisition of the Dachang Gold Project in the Province of Qinghai, PRC, and the Beijing Institute of Geology for Mineral Resources for the acquisition of the Zalantun Gold Project in the Autonomous Region of Inner Mongolia, PRC, subject to regulatory approval and completion of formal joint-venture contracts, both of which are expected to occur during the next quarter.

Both projects are exploration stage properties, and it is the intention of the company to further develop and explore these properties in the coming year. The Company intends to continue to source and acquire additional properties in the near future.

The Dachang gold project consists of three blocks covering 218 km^2. The main block covers 106 km^2 and has been extensively prospected by the Qinghai Geological Survey Institute, including geochemical sampling, reconnaissance geological mapping and extensive trenching and diamond drilling. The Institute has delineated multiple gold-bearing zones within a sequence of sedimentary rocks. The gold zones have been traced along strike for 5km. The individual gold zones are up to 10 meters wide but typically average 5-7 meters wide with an average grade of 7 g/t Au. The Institute reports the preliminary gold resource for the main zone to be approximately 3 million ounces of gold.

According to the preliminary agreement, Inter-Citic can obtain an 85% interest in the project by spending the equivalent of approximately $5.4 million over a four year period and making a payment of the equivalent of approximately $1.7 million following receipt of a mining license. Exploration expenditures are set at the equivalent of approximately $1.0 million in the first year, $2.0 million in the second year, and $2.4 million in the third and fourth years combined. In addition, Inter-Citic has the option to acquire an additional 5% interest in the project, bringing its total interest to 90%. The Qinghai Geological Survey Institute will retain a carried interest in the project for the balance of the equity.

The Zalantun gold project is an exploration stage project consisting of three blocks covering 125 $km^{2.}$ The project area has been explored by the Beijing Institute of Geology for Mineral Resources, with nine individual target areas identified to date. Based on the Institute's field research, the project is geologically analogous to the world-class gold-copper-silver deposits of the El Indio-Pascua-Lama Belt in the Main Cordillera of Chile and Argentina, which host widespread zones of hydrothermal advance argillic alteration and several styles of gold, copper and silver mineralization. The intensive and pervasive nature of the hydrothermal alteration (propylitization, silicification, kaolinitization (argillic), alunitization and pyritization) in proximity to volcanic centers on at least three identified anomalies support this belief. Furthermore, the intersection of deep-seated structures, coupled with large coincident gold geochemical anomalies in proximity to a known caldera makes the nine identified areas significant exploration targets.

According to the preliminary agreement, Inter-Citic can obtain an 85% interest in the Project by spending the equivalent of approximately $2.5 million over a three year period. Thereafter, further contributions will be made pro rata based on equity interests. Under a separate agreement, the Beijing Institute of Geology for Mineral Resources has also provided Inter-Citic with a right of first refusal on all future Institute projects contemplating foreign investment.

The Company is currently in the process of completing technical reports on both properties.

Expenses for the Mine Development Division were $139,399 for the quarter (year to date - $320,455).

B. The Rare Earth Division

Following its acquisition of an 80% interest in a joint venture in China, the Company's Rare Earth Division ("Techmat") underwent a phased upgrade and expansion to facilitate future growth, which was substantially completed earlier this year. The operation processes rare earth concentrates for use in the automotive, catalyst, electronics and glass industries, and although globally the rare earth market has suffered a significant downturn since the establishment of the Division, the Company continues to see opportunity for growth in the medium to long-term. During the last fiscal year, senior technical staff was added to the Techmat management team and areas of further improvement and innovation were identified and implemented. Instead of continuing to sell lower-grade products at diminishing margins and increasingly saturated markets, the Company focused on re-positioning itself as a high-quality producer, and although upgrade and expansion efforts have succeeded in producing higher quality products, as evidenced by samples produced, the Company has been unable to enter into sales contracts at sufficient prices to warrant production. As a result, during the previous quarter the Company decided to suspend operations of the Techmat facility until such time as market conditions and currently unfavourable pricing improve.

Consequently, the Company recognized a write down of $1,551,423 against property, plant and equipment during the previous quarter, and understands that a further write down may be necessary if production is not resumed or alternative strategies are not implemented. Given the recent significant developments in the

Mine Development Division, it is also possible that the Company may elect to focus its resources away from Techmat indefinitely, in which case further write down may also be warranted.

During the quarter, sales for the Rare Earth Division totalled $23,563 (year to date - $422,191) compared to $11,174 for the same period last year (year to date last year - $82,756) as a result of limited activity while carrying out the expansion, as well a decision to suspend operations. On a year to date basis, selling, general and administrative expenses increased from $376,376 last year to $553,966 this year as a result of increased costs associated with sales and marketing initiatives in the USA and Europe in the first half of 2003. As expected, however, these costs fell dramatically in the third quarter compared to the same quarter last year, from $160,529 to $85,769 as a result of the suspension of operations.

As a result of the above, the Rare Earth Division experienced an overall loss for the quarter of $112,515 (year to date - $2,430,171) compared to a loss of $168,476 in the previous year (year to date last year - $469,171).

Non-controlling interest represents minority shareholder’s interest in the earnings of the subsidiary company Yangzhong Zhonghai Techmat Co., Ltd.

C. The e-Commerce Division

The e-Commerce Division did not incur any expenses for the quarter, as commercial activity was limited as the Company continued work with its partners on satisfying all regulatory requirements for the conduct of e-commerce in China. A 50% equity pick-up of the Company’s share of the net loss in Ideal e-Commerce Limited (“Ideal”) resulted in a loss from the e-Commerce Division in the third quarter of last year of $2,572, while no such loss was incurred for the third quarter of 2003. To date, a total of $500,000 in start-up costs (net of interest earned) has been incurred and fully expensed by Ideal. It is anticipated that no further expenditure will occur on this project for the foreseeable future.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Overall, these expenses have decreased from $436,713 in the third quarter of last year to $378,381 this year as a result of decreased expenses in the Rare Earth Division further to the suspension of operations during the last quarter, partially offset by new expenses in the Mine Development Division. On a year to date basis, however, these expenses are higher compared to last year ($1,332,324 compared to $1,099,134), with the most significant increase occurring in the Rare Earth Division as a result of increased costs associated with sales and marketing initiatives earlier in the year, and Mine Development Division as a result of concentrated efforts to acquire exploration stage mineral properties in China.

	Q3, 2003	**Q3, 2002**	**Q3, 2001**
Head Office	$153,213	$276,184	$151,773
Mine Development	$139,399	$0	$0
Rare Earth	$85,769	$160,529	$130,731
e-Commerce	$0	$0	$75,049
Overall	**$378,381**	**$436,713**	**$357,553**

Selling, general and administrative expenses for the e-Commerce Division expenses peaked in 2001 ($88,932 for that year, with $75,049 of these expenses in the third quarter of 2001) and consisted primarily of travel and accommodation, as well as professional and consulting services associated with the establishment of an online metals trading portal in China. Significant additional expenses are not anticipated for this Division until the project is successful in satisfying regulatory requirements for the conduct of e-commerce in China.

OTHER EXPENSES

Other expenses from 2001 to 2003 include the following:

	Q3, 2003	Q3, 2002	Q3, 2001
Foreign exchange gain (loss)	$22,451	$91,607	$3,846
Interest and other income (expense)	$(26,321)	$(92,658)	$(5,497)
Gain on sale of investments	$0	$(2,588)	$0
Write down of the Rare Earth Division	$0	$0	$0
Equity in net income (loss) of associated company	$0	$(2,572)	$6,741
Overall	**$(3,870)**	**$(6,211)**	**$5,090**

Foreign exchange gains from year to year reflect coincidentally favourable exchange rates with respect to operations in China relating to capital expenditures.

Equity in net income of associated company represents an equity pick-up as a result of the Company's 50% share in Ideal e-Commerce Limited. Expenses incurred in the associated company are of a start-up nature. To date, the Company has recognized equity in net loss of associated company sufficient to reduce the carrying value of its investment to $1, and no further expenditures for this initiative are anticipated for the foreseeable future.

Interest and accretion charges of $78,012 relating to the Company's convertible debenture were accrued during the third quarter of 2003, although interest is not actually payable until maturity. Excluding this amount, interest expense from year to year has not changed significantly. Expenses are net of interest earned on cash balances.

Subsequent to the end of the third quarter, on October 16, 2003, the Company announced that, subject to regulatory acceptance, the Company and the holder of the outstanding convertible debenture, otherwise due and payable on November 30, 2003, have agreed to convert the debenture into cash, common shares and share purchase warrants of the Company. It is anticipated that upon closing the debenture holder will receive $127,687 in cash, 2,884,493 common shares of the Company at a deemed price of $0.75, and 500,000 share purchase warrants entitling the holder to purchase one additional common share at $1.00 for each share purchase warrant for a period of twenty-four months

CASH RESOURCES AND LIQUIDITY

Operating Activities

The Company continued to generate negative cash flow from operations for the third quarter of 2003, as was the case in 2002 ($368,510 compared to $473,561, respectively). During the current year, these losses were primarily as a result of activity in the Mine Development Division while last year they were primarily as a result of the Rare Earth Division. Negative cash flow was worse for the second and third quarters in 2002 due to a build-up of inventory levels as a result of expansion efforts. On a year to date basis, however, negative cash flow from operations was $1,721,402 in 2003 compared to $1,152,902 in 2002.

It is anticipated that the Company will finance ongoing operations through equity offerings to take place in the balance of 2003 and 2004, including the recently negotiated private placement for total proceeds of $2,430,000 as discussed above. Although expenses relating to the Mine Development Division are expected to increase as the Company redirects its focus, the Company does expect overall cash flow to improve dramatically as a result of the suspension of operations of the Rare Earth Division.

SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. The most significant estimates relate to recoverability and carrying value of Rare Earth Division property, plant and equipment, useful economic lives of assets for amortization purposes and fair values of financial instruments. Actual results could differ from those estimates.

Foreign Currency Translation

Effective January 1, 2002, the Company adopted, retroactively, a new Canadian Institute of Chartered Accountants ("CICA") accounting standard in respect of foreign currency translation that eliminates the deferral and amortization of currency translation. There was no effect of adopting this standard on the Company's results of operations and financial position.

Stock-based Compensation Plan

Effective January 1, 2002, the Company adopted a new accounting standard issued by the CICA relating to stock-based compensation and other stock-based payments. This new standard requires either the recognition of compensation expense for grants of stock, stock options and other equity instruments to employees, or, alternatively, the disclosure of pro forma net earnings and net earnings per share data as if stock-based compensation had been recognized in earnings. The Company has elected to disclose, by way of note, pro forma net earnings and earnings per share data for options granted after January 1, 2002.

Therefore, there was no effect of adopting this standard on the Company's results of operations and financial position. Had compensation costs been determined for all options granted, the Company's pro forma net loss per share would have been adjusted as follows:

Net loss	**Q3, 2003**	**YTD, 2003**
As reported	$(483,469)	$(3,437,130)
Pro Forma	$(483,469)	$(3,656,880)
Net loss per share - basic and diluted		
As reported	$(0.02)	$(0.12)
Pro Forma	$(0.02)	$(0.13)

RISKS AND UNCERTAINTIES

The following describes certain principal risks not previously described in the management's discussion and analysis, but is not, by its very nature, all-inclusive.

Political Risk

The Company's strategic advantage is its ability to accomplish business objectives in China efficiently and effectively. Accordingly, the Company anticipates that a majority of its future revenue producing activities will be in that jurisdiction. As a result, the Company is subject to social, political and economic developments and trends that are beyond its control. This risk is mitigated by the Company's strong ties to China through its shareholder base and members of its Board of Directors, as well as its expertise in understanding the realities of the Chinese government's decision-making process. Much time and effort has been invested in identifying key senior contacts and understanding their deeper concerns when dealing with foreign investment. In fact, a cornerstone to Inter-Citic's ability to access the highest levels of the Chinese decision and policy-making structure is in leveraging the relationships and extensive connections available within its own shareholder base, and it is this ability that sets the Company apart from other western companies attempting to do business in China.

Environmental Risk

The Company believes that the environmental protection measures taken at its rare earth processing facility are adequate for the purposes of compliance with Chinese environmental protection regulations. However, future legislation and regulations could cause additional expenses, capital expenditures, restrictions or delays in production, the extent of which cannot be predicted.

Foreign Exchange Risk

The Rare Earth Division anticipates that a majority of its sales will occur outside China and will be invoiced and paid for in US dollars, while interest on Chinese debt as well as operating expenses within China are paid in Chinese currency. As a result, the company feels that it does not have a significant exposure to devaluation of the Chinese currency.

Interest Rate Risk

The Company currently has debt outstanding in China that is subject to fluctuating Chinese interest rates. Since the Company cannot control or predict fluctuations in these rates, the impact of such fluctuations on the interest expense incurred by the Company could be significant.

Mine Development Activities

As at the end of the third quarter of 2003, the Company had negotiated preliminary agreements relating to two exploration stage gold projects in China. Formal joint venture contracts followed by approval from regulatory authorities is expected to occur during the fourth quarter of 2003, however there is no guarantee that these activities will be without delay or success. Exploration and development of mineral properties and as a result investing in the shares of the Company both involve a high degree of risk. Even if the Company is successful in acquiring an interest in these and/or other exploration properties, the marketability of the natural resources that may be discovered will be affected by numerous factors beyond the control of the Company. The return, if any on the investment in shares of a resource company is subject to market conditions that are beyond the control of the Company. Some of the factors affecting resource exploration and development include the proximity and capacity of resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure and land use, importing and exporting minerals and environmental protection. The effect of these and other factors cannot be predicted.

Going Concern Risk

In light of ongoing and significant losses, the ability of the Company to continue to meet its obligations as they come due and therefore to implement its initiatives depends on its ability to obtain adequate financing and commence profitable business operations.

During 2002 an additional $1,114,067 was spent refurbishing the rare earth facility in China. An additional $83,052 was spent during the first quarter of 2003. Although these expenditures enhanced product quality and marketability of the rare earth products produced, production has been suspended, as the company has been unsuccessful in securing supply contracts at favourable prices due to adverse market conditions. Management believes that at current product prices the plant will be profitable once contracts are secured. There is no assurance that such contracts will be negotiated and the plant reactivated. Accordingly, its future value could be severely impacted if not realized through normal production, and the Company has already recognized a write down during the previous quarter of $1,551,423. It is understood that further significant write down may occur by the end of 2003, especially in light of recent positive developments in the Mine Development Division. The plant is currently reflected in the financial statements at its cost of $2,360,820.

Management is considering various alternatives, including, as discussed, a private placement to raise capital in 2003. It is not possible to determine with certainty the success or adequacy of these initiatives. Although current financing initiatives appear favourable, the Company may experience delays in meeting its implementation timetable for its projects should there be problems securing adequate financing. The Company has mitigated this risk by entering into strategic partnerships with Companies and individuals that are experienced and capable of sourcing funds as and when required.

OUTLOOK

Over the next year the Company will focus all of its available resources and relationships in China to secure mineral projects for further development. The Company believes that it will be successful in securing such projects, and that these projects will result in a significant enhancement of enterprise value in the coming twelve months.

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

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

CAUTION REGARDING FORWARD LOOKING INFORMATION

Certain of the statements that are not historical facts contained in this Annual Report and other disclosure documentation are forward-looking statements that involve risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements. These statements involve risk and uncertainties, including but not limited to the risk factors previously described. Actual results could differ materially from those projected as a result of these risks and should not be relied upon as a prediction of future events. Readers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Inter-Citic Mineral Technologies Inc. undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise.