

Inter-Citic Minerals Inc.

Management's Discussion and Analysis

This Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements for the years ended November 30, 2008 and 2007 and the Annual Information Form ("AIF") for the year ended November 30, 2008 for Inter-Citic Minerals Inc. ("**Inter-Citic**", or the "**Company**"), and is current as at February 26, 2009. 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.

Mr. B. Terrence Hennessey, P.Geo., of Micon International Limited, is a qualified person under National Instrument 43-101 ("**NI 43-101**") and has reviewed disclosure of a technical nature in this Management's Discussion and Analysis.

HIGHLIGHTS FOR THE YEAR

Exploration Results

- During the first half of the year, the Company reported exploration results from its 2007 exploration program for the Dachang Gold Project ("**Dachang**"), including final assays for approximately 30,000 meters drilled. Based on these results, as described in the Company's press release of April 10, 2008, the Company reported an update of the inferred mineral resource estimate on the DMZ to 23.6 million tonnes grading approximately 3.51 gpt Au (approximately 2.66 million ounces Au contained). With the NR-2 anomaly, the Dachang project combined total inferred mineral resource now stands at 24.9 million tonnes with an average grade of 3.63 gpt Au (approximately 2.90 million ounces Au contained). To date, the Company has not established any mineral reserves or engaged in any production on any of its properties, and these estimates of inferred resources are not affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.
- In May, the Company commenced its 2008 exploration program for Dachang. Since then, the Company reported results of 325 exploration holes out of a total 356 holes drilled (which total includes water and engineering holes), representing 49,788 meters drilled during 2008, as announced in the Company's press releases of June 26, July 18, August 7, September 29, November 3, and, subsequent to the end of the year, December 3, January 21, January 26, February 4 and February 17. The 2008 fieldwork at Dachang focused on in-fill drilling on a substantial portion of the Dachang Main Zone ("**DMZ**"), and on resource expansion on new areas of the property. The Company has now reported all assay results from the 2008 program, is encouraged by the results and expects that an update to its resource estimate for the DMZ will be completed in the first half of 2009.
- On September 11, 2008, the Company reported that it was successful in mapping new areas of discovery using Induced Polarization ("**IP**") tools and results from this survey proved effective in helping to identify productive drill targets.
- On July 23, 2008 the Company announced that it had hired a mining engineer to assist with advancing development plans for the Dachang Gold Project, including the preparation and drafting of a preliminary assessment to be completed in the first half of 2009.

Financing and Liquidity

- On February 5, 2008, the Company completed a private placement offering of 8 million common shares at a price of \$2.00 per common share, for total gross proceeds of \$16 million, as described in the Company's press releases of January 10 and February 5.
- During the year 535,000 stock options and 6,497,927 share purchase warrants were exercised, resulting in proceeds of \$8,229,527.
- The Company ended the year with approximately \$15 million in cash, cash equivalents and restricted cash.

OVERVIEW

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

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

As at the date of this report, the Dachang Gold Project has received government approval, has been issued a formal business license (valid until 2033), completed formal transfer of title of the exploration licenses of the subject lands and acquired new exploration licenses for additional lands for a total land area of approximately 279 km².

The Company has been conducting exploration at Dachang since 2004. The Company conducted its 2008 exploration program, including approximately 50,000 meters of diamond drilling, between the months of May and December of the year. Results to date have been announced in the Company's press releases of June 26, July 18, August 7, September 29, November 3, and, subsequent to the end of the year, December 3, January 21, January 26 and February 4. Exploration results for the Project can be found on the Company's website at www.inter-citic.com.

During the first quarter of 2006, in the Company's Press Release of December 12, 2005, the Company announced an increase to its inferred mineral resource at Dachang by approximately 1.3 million tonnes grading 5.81 grams per tonne Au (approximately 239,000 ounces Au contained) as a result of positive initial drilling of the NR-2 anomaly.

In addition, as described in the Company's press release of April 10, 2008, the Company reported an update of the inferred mineral resource estimate on the Dachang Main Zone to 23.6 million tonnes grading approximately 3.51 gpt Au (approximately 2.66 million ounces Au contained).

With the NR-2 anomaly, the Dachang project combined total inferred mineral resource stands at 24.9 million tonnes with an average grade of 3.63 gpt Au (approximately 2.90 million ounces Au contained).

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

The aim of the 2008 drill program on the DMZ was to test continuity of the Company's inferred resource area of the DMZ. The Company has now reported all outstanding assays from 2008 and expects that an update to its inferred resource estimate for the DMZ will be completed in the first half of 2009.

In addition, the Company continued exploration drilling with a focus on internal areas of the DMZ open to expansion, on the western extensions of the DMZ, limited drilling in Placer Valley, and testing of new geochemical and IP targets, in that order of priority. The DMZ mineralization remains open at depth and to the west, as well as within internal areas to the east. Further testing of this structure in the future will continue to focus on shallow potentially bulk-mineable mineralization.

The Company has also initiated work on a preliminary assessment in conjunction with industry consultants, completion of which is expected in the first half of 2009.

During 2007 the Company wrote-down \$91,825 of previously capitalised exploration expenses for the Zalantun Gold Project, reflecting ongoing delays in organizing the project and the Company's decision to focus substantially all of its resources in the exploration of Dachang. The Company does not anticipate any further investment in this project.

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 currently has approximately \$10 million in cash available for the continued exploration of Dachang and for general working capital. Additional financings will be required in the future to fund ongoing operations and meet the Company's commitments as they come due, including its project commitments (see Exploration Projects, Activities and Commitments, below). Although to date the Company has been successful in sourcing funds necessary to continue its business activities, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. Given recent market conditions the Company cannot predict when additional equity offerings will be possible, but is confident that current cash resources are sufficient to sustain the Company for the upcoming business cycle. As at November 30, 2008, the Company has approximately \$10 million in working capital and expects annual operating expenses in the \$2.5 to \$3.0 million range and has flexibility with respect to allocation of funding to ongoing exploration as the Dachang project transitions from the advanced exploration to early pre-development phase. To date the Company has not established any proven reserves or engaged in any production on any of its properties, and there is no guarantee that this will occur in the future. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found, and even if they are, that they can be mined economically. In the event that exploration on the properties, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put these properties into production, and profitability of future production, especially with respect to the Dachang Gold Project, is not successful, assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material.

RESULTS OF OPERATIONS

Selected financial information:

	November 30, 2008	November 30, 2007	November 30, 2006
Balance Sheet:			
Cash and Cash Equivalents, including Restricted Cash	\$14,962,020	\$6,007,681	\$4,314,944
Total Assets	\$53,072,873	\$28,078,577	\$18,116,065
Total Long-term Financial Liabilities (excluding Future Income Taxes)	-	-	-
Net Loss (Income):			
Net Loss before the Undernoted	\$2,962,613	\$2,437,852	\$2,632,535

Write-down of Zalantun	-	91,825	-
Stock-based compensation	806,250	756,450	236,150
Other	-	(530,385) ^[1]	11,083
Net loss for the period	\$3,768,863	\$2,755,742	\$2,879,768
Net Loss Per Share (Basic and Diluted)	\$0.05	\$0.04	\$0.05
Additional Data			
Net proceeds from issuance of shares and warrants	\$23,126,478	\$9,524,402	\$10,622,555
Spent on equipment purchases	\$1,576,051	\$757,799	\$530,336
Spent on exploration expenses	\$12,393,619	\$6,588,533	\$4,808,055

[1] During the second quarter of 2007 the Company disposed of its 80% interest in Yangzhong Zhonghai Techmat Co., Ltd. for gross proceeds of the equivalent of approximately \$582,250 (Renminbi 4,000,000), resulting in a net gain of \$582,247. Prior to this disposal the Company incurred expenses associated with security and maintenance of land, buildings and rare earth processing equipment in China that were held by the subsidiary. The Company also incurred legal and other expenses related to the disposition itself. During the year ended November 30, 2007, the net amount of these costs were \$51,862, including legal fees associated with the disposition of \$21,216 and are net of recovery of bad debts, sale of inventory previously written off, liquidation of property, plant and equipment, exchange gains and losses for the period and other related income or expenses as applicable.

Since 2004 the Company has focused exclusively on exploration of Dachang with a view towards proving reserves and progression to development. The Company successfully completed various financings in each year since 2004 for that purpose, including raising more than \$23 million in 2008 (resulting in a significant increase in total assets compared to previous years). Funds raised were and will continue to be used to purchase exploration equipment for use at Dachang, to pay for exploration costs at Dachang, and to fund ongoing operating expenses. Exploration programs increased each year as the Company accumulated more data and experience with the Project, as did general operating expenses. This trend is clearly evident in the table above when comparing one year to the next, and clearly demonstrates the overall direction and business plan of the Company since acquiring the Dachang Project.

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

At this time, the Company anticipates that exploration expenses relating to the Dachang Main Zone will continue at significantly lower levels than was the case in 2008 as the Company moves towards feasibility and permitting work for the DMZ and ultimate development of the project. Permitting and development expenses are expected to increase steadily as progress is made in this regard.

The Company expects that net loss before the undernoted in the table above is expected to generally remain consistent from year to year as the Company carries out this business plan. The Company expects that in general cash operating expenses from year to year will continue to be in the range of \$2.5 to \$3.0 million, however costs will vary somewhat depending on level of exploration activity from year to year and other items. Net Loss was somewhat higher than usual in 2008 as a result, in part, of expenses associated with the filing of an application to list the Company's shares for trading on the American Stock Exchange, as well as costs associated with bonuses accrued to management and significantly increased marketing expenses in response to conditions in the financial markets (see **Specific Items**, below).

EXPLORATION PROJECTS, ACTIVITIES AND COMMITMENTS

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. Under the terms of this agreement, the Company can earn an 83% interest in the project by contributing the equivalent of approximately \$13,516,000 (Renminbi 90,000,000) for exploration (all of which was advanced as at August 31, 2008), completion of metallurgical and pre-feasibility reports, and making a cash payment of the equivalent of approximately \$1,820,000 (Renminbi 10,000,000) upon the issuance of a mining license 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 Qinghai Geological Survey 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 Qinghai Geological Survey Institute seeks foreign investment.

The Dachang Gold Project is located approximately 165 km from the City of Golmud in the Province of Qinghai, China, at an elevation of approximately 4,500 meters and consists of five exploration licenses covering approximately 279 km². To date the Company has identified 55 gold-in-soil anomalies across six districts of the property. The six districts are as follows:

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

The Company has been exploring Dachang since 2004, including:

1. 1:25,000 scale Geological Mapping over 200 km²;
2. Soil Geochemical Surveys over areas of approximately 229 km² (more than 60,000 conventional B-horizon soil samples collected and tested for gold, arsenic and antimony);
3. 24.6 km of 50 meter pole-dipole IP and resistivity surveying and 32.6 km of 25 meter pole-dipole IP and resistivity surveying;
4. Excavation and sampling of 576 trenches totalling more than 63,000 linear meters; and
5. 702 diamond drill holes totalling more than 99,128 meters.

During the first quarter of 2006, in the Company's Press Release of December 12, 2005, the Company announced an increase to its inferred mineral resource at Dachang by approximately 1.3 million tonnes grading 5.81 grams per tonne Au (approximately 239,000 ounces Au contained) as a result of positive initial drilling of the NR-2 anomaly.

In addition, as described in the Company's press release of April 10, 2008, the Company reported an update of the inferred mineral resource estimate on the Dachang Main Zone to 23.6 million tonnes grading approximately 3.51 gpt Au (approximately 2.66 million ounces Au contained).

With the NR-2 anomaly, the Dachang project combined total inferred mineral resource now stands at 24.9 million tonnes with an average grade of 3.63 gpt Au (approximately 2.90 million ounces Au contained).

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

A detailed in-fill drill program on the DMZ was undertaken by the Company in 2007 with the aim of confirming continuity of grade and mineralization. Drilling along a 900 meter-long area of the DMZ, 2007's in-fill drill program increased both grade and contained ounces of gold, and has shown good geological continuity on the closely spaced drill sections. Of the 11,637 meters directed at in-fill drilling in the DMZ, a majority was directed at a 900-meter strike length of the DMZ (from sections 12800 to 8300) to test mineral continuity and grade. In 2006, 120-meter spaced drill fences returned an 890 meter section on this portion of the DMZ that contained 7.8 million tonnes grading 3.49 gpt, or 980 ounces Au per linear meter tested. In 2007, with much closer spaced 40 meter sections, an 820 meter section of this same area returned 7.5 million tonnes grading 3.56 gpt, or 1,041 ounces Au per linear meter tested. This represents an increase over 2006 as to both grade and gold contained per linear meter.

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

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

- June 26: 22 drill holes, including a new step-out drill hole with 29.5 meters averaging 4.78 gpt contained gold and 21 in-fill holes. Gold mineralization was reported in all 22 holes.
- July 18: 31 drill holes and the occurrence of visible gold in core.
- August 7: 26 drill holes, with gold mineralization reported in 25 of the 26 holes.
- September 29: 50 drill holes, with all holes reporting gold mineralization.
- November 3: 44 drill holes, with 41 drill holes reporting gold mineralization, including two drill holes on the DMZ- X that returned wide and good grade values - hole CJV-483 intersected 32.5 meters of 3.91 gpt contained gold and hole CJV-495 returned 19.6 meters of 6.32 gpt contained gold.
- December 3: 15 drill holes, with 13 holes reporting gold mineralization.
- January 6: 26 holes, with 21 holes reporting gold mineralization, including hole CJV-543 on the PVZ which reported multiple mineralized intercepts including 3.4 meters of 10.98 gpt contained gold.
- January 26: 28 holes, with 23 reporting multiple zones of mineralization. Two holes on the DMZ, infill hole CJV-576 and infill hole CJV-563, returned 9 meters of 3.28 gpt contained gold and 4.6 meters of 10.53 gpt contained gold, respectively.

- February 4: 47 holes, with 41 holes reporting gold mineralization, including drill hole CJV-584 on the PVZ which returned multiple intercepts including 12.2 meters of 3.15 gpt contained gold.
- February 17: 36 holes, with 34 holes reporting gold mineralization. Two drill holes from this press release, CJV-666 and CJV-669, returned multiple mineralized zones, including 12 meters of 4.31 gpt contained gold and 15 meters of 2.84 gpt contained gold, respectively.

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

Drilling was also undertaken in Placer Valley on anomalous soil and trench results with some coincident IP targets. The Placer Valley Zone (PVZ) drilling consisted of 51 holes, totalling 6,573 meters.

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

All exploration at Dachang since the involvement of the Company was completed under the direction of the Company. The Company completed and filed a technical report dated May 26, 2008 for the Dachang Gold Project which, in addition to information with respect to results from 193 holes (approximately 28,000 meters) drilled during 2007 as well as other 2008 information regarding ongoing work and findings at Dachang, can be found in the Company's press releases, available from the Company's website or from www.sedar.com.

Capitalized Exploration Costs

A breakdown of capitalized or expensed exploration costs for the year ended November 30, 2008 together with the comparative figures for the year ended November 30, 2007 is included in the Company's Notes to Consolidated Financial Statements for the year ended November 30, 2008.

Differences in exploration expenditures from year to year and from quarter to quarter arise primarily as a result of differences in the scope, nature and timing of exploration activity. While it is normally expected that exploration that began in the previous year will conclude in Q1 of every year, it is expected that Q2 of every year will represent a transitional quarter for the Company, as it compiles and analyzes results of exploration for the previous year which would have been completed in Q1 and subsequently prepares for commencement of exploration for that year. The Company began 2008 exploration of Dachang in early May, and the Company will continue to work towards beginning exploration earlier in the year every year, and believes that ultimately it can operate a year-round exploration and drilling camp at Dachang.

During the year the Company capitalised approximately \$12,832,000 in costs relating to the Dachang Gold Project (compared to approximately \$6,780,000 last year), excluding future tax liabilities of \$1,896,000 (compared to \$1,136,000 last year), representing an increase of \$6,052,000 (89%). The increase compared to last year is a result of the Company's significantly expanded drill program in 2008 compared to 2007 (approximately 50,000 meters drilled in 2008 compared to approximately 28,000 meters drilled in 2007).

Office Lease

The Company has entered into a lease for office space to the year 2014 with minimum lease payments as follows: 2009 - \$86,117, 2010 - \$86,038, 2011 - \$88,419, 2012 - \$89,214, 2013 - \$89,214 and 2014 - \$22,303.

SUMMARY OF QUARTERLY RESULTS

Selected quarterly information for the past eight quarters:

(unaudited)	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Loss:								
Net Loss before the Undernoted:	\$532,225	\$719,461	\$1,053,831	\$1,119,187	\$801,556	\$401,159	\$764,164	\$660,820
Write-down of Zalantun	-	-	-	-	91,825	-	-	-
Rare Earth ^[1]	-	-	-	-	-	34,785	(565,219)	49
Interest	(77,238)	(162,483)	(137,163)	(85,207)	(48,732)	(84,990)	(32,350)	(23,775)
Stock-based compensation	-	\$695,250	-	\$111,000	-	\$25,500	597,000	133,950
Overall	\$454,987	\$1,252,228	\$916,668	\$1,144,980	\$844,649	\$376,454	\$763,595	\$771,044
Net Loss Per Share (Basic and Diluted)	\$0.003	\$0.015	\$0.011	\$0.016	\$0.011	\$0.006	\$0.012	\$0.014

[1] See Note [1] and [2] under **Results of Operations – Selected Financial Information**, above.

Generally speaking, the Company’s annual exploration program for Dachang begins by the end of Q2 and runs through Q3 and Q4. Exploration results are compiled and released as they are received throughout this period and into Q1 of the following year, with planning and mobilization for the following year’s exploration program occurring in Q2, although as the Company begins exploration earlier each year some of these costs may be incurred by the end of Q1, as was the case this year. 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 (again, this trend is expected to shift from Q2 to Q1 as the Company mobilizes earlier each year). Moreover, overheads are affected by the timing and nature of the Company’s financing initiatives, as can be seen in a temporary “ballooning” of expenses in Q1 of 2007 as the Company’s travel and promotional activities increased significantly as a result of the major financing that took place at the time. Although there was a significant increase in expenses in both Q1 and Q2 of 2008, during which time the largest single financing of the Company’s history was completed, the primary reasons for this increase were in fact not related to the financing, but, rather, to increased expenses associated with executive compensation as well as to costs associated with the filing of an application to list the Company’s shares on the American Stock Exchange in the United States of America (see **Specific Items**, below). In Q3 of 2008, the significant increase in expenses is almost entirely attributable to increased marketing costs as noted earlier. Costs were significantly lower in Q3 of 2007 in part due to a stronger Canadian dollar and so increased foreign exchange gains, as well as lower executive compensation, professional fees and corporate relations costs (see **Specific Items**, below). At the time, in spite of this, the Company believed that this increase was coincidental and that expenses would most likely be somewhat higher in the next quarter to compensate for the decrease in Q3, which in fact occurred, and resulted in higher expenses in Q4 of 2007 compared to 2008.

Notwithstanding the above, however, overall operating expenses have increased compared to last year but remained within the \$2.5 to \$3.0 million range as expected. With respect to exploration, changes relate to the timing, nature and extent of exploration from year to year. As discussed, the Company has begun exploration at Dachang earlier every year since 2004 and has increased its drilling and trenching budgets significantly - approximately 50,000 meters of diamond drilling was completed in 2008 compared to approximately 28,000 meters for 2007, 15,000 meters in 2006 and only about 2,500 meters in 2005). These initiatives resulted in higher expenses across the board as the Company managed this increased activity level, and again, the Company expects this trend to continue in the future as the Dachang Project is developed.

Additional details regarding overall expenses from quarter to quarter during 2007 and 2008 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, 2008 AND 2007

The Company wrapped up its 2008 exploration program for Dachang at the end of Q4, the details of which can be found under Exploration Projects, Activities and Commitments, above. Expenses for Q4 of 2008 were significantly lower compared to Q4 of 2007 (overall decrease of \$389,662, or 46%) because, as discussed above, the Company believes that a decrease in expenses in Q3 as compared to last year was made up in Q4, primarily as a result of office and consulting expenses that were largely coincidental with respect to their timing. In addition, the Company experienced a significant foreign exchange gain (approximately \$93,000) on US dollar denominated currency holdings as the Canadian dollar weakened significantly compared to the US dollar during the fourth quarter of 2008.

SPECIFIC ITEMS

The Company's consolidated financial statements for the year ended November 30, 2008 include a detailed breakdown of expenses. Specific items of note are as follows:

- Both executive compensation and stock-based compensation expense increased significantly from \$641,652 in 2007 to \$826,220 in 2008 and from \$756,450 in 2007 to \$1,004,250 in 2008 (including \$198,000 that was capitalised to resource properties), representing an increase of \$184,568, or 29% and \$247,800, or 33%, respectively, as the Company continued in its efforts to secure the services of key management, consultants and directors in an increasingly competitive business environment (see Risks and Uncertainties – Dependence on Key Personnel, and, Competition, below).
- Corporate relations expense increased significantly from \$364,694 in 2007 to \$775,578 in 2008 (an increase of \$410,884, or 113%) as a result of new and increased marketing initiatives in response to turmoil in the global capital markets.
- Office and rent increased from \$483,129 in 2007 to \$652,572 in 2008 (an increase of \$169,443, or 35%) as a result of the Company filing an application to list its shares on the American Stock Exchange, increased indirect costs associated with the large private placement completed during the first quarter of 2008, higher regulatory and filing fees generally and increased insurance costs.
- Professional fees increased from \$251,732 in 2007 to \$335,684 in 2008 (an increase of \$83,952, or 33%) primarily as a result of increased legal and accounting fees in connection with the Company filing an application to list its shares on the American Stock Exchange as well as other initiatives.
- Salaries and benefits expense increased from \$135,383 in 2007 to \$261,335 in 2008 (representing an increase of \$125,952, or 93%), primarily as a result of the employment of two additional support staff in the Toronto office.
- Depreciation and amortization expense increased from \$131,872 to \$175,697 as a result of the Company having acquired significantly more equipment in 2007 compared to 2006, depreciation of which is generally expensed at the beginning of the following year. Depreciation for exploration equipment is expensed unless the equipment is used for exploration, during which time it is capitalised to the project.
- Foreign exchange gains/losses from period to period vary depending on the strength of the Canadian dollar relative to the Chinese Yuan Renminbi and timing of advances to China for use in exploration. In addition, the Company experiences exchange gains or losses on US dollar

denominated currency, and during 2008 the Company experienced significant foreign exchange gains primarily as a result of the strengthening of the US dollar. Overall, foreign exchange amounts went from a net loss of \$37,852 in 2007 to a net gain of \$52,888 in 2008 (representing a change of \$90,740, or 240%) as a result of these changes.

- The Company earns interest income on highly liquid interest-bearing investments with maturities of less than 90 days from the date of acquisition. Interest income in recent periods has been higher than in the past as the Company has increased cash available to earn interest income further to significantly increased financing activity in recent years.

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 30, 2008. All related party expenditures were in the normal course of business at market rates.

CASH RESOURCES AND LIQUIDITY

On February 5, 2008, the Company completed private placement financing for total gross proceeds of \$16,000,000 (net proceeds of \$14,896,951). In addition, the Company raised an additional \$8,229,527 as a result of the exercise of 535,000 stock options and 6,497,927 share purchase warrants. As at November 30, 2008, the Company has approximately \$15 million in cash, cash equivalents and restricted cash.

However, by its very nature as a development stage exploration company, the Company continued to generate negative cash flow from operations (excluding non-cash working capital items) in 2008 (\$2,786,916) compared to 2007 (\$2,318,872), for reasons related to the Company's business activities, as discussed. The Company's accounts payable and accrued liabilities balance in 2008 was also much higher than in 2007 (\$5,063,833 compared to \$2,327,402), as a result of increased exploration activities compared to last year, as discussed above. The Company continues to invest in the exploration of Dachang with a view to eventual development of the project and commencement of profitable production sufficient to recover its investment.

Although the Company determines the scope of exploration of its mineral properties based on prior results and available resources, the Company relies on equity offerings from time to time to fund its operations, and additional financings will be required in the future to fund ongoing operations and meet the Company's commitments as they come due, including its project commitments (see Exploration Projects, Activities and Commitments). As discussed in the Overview, above, although to date the Company has been successful in sourcing funds necessary to continue its business activities, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development.

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

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

Restricted Cash

Restricted cash relates to advances held in China, held substantially in Canadian dollars and committed to continuing exploration of the Dachang Gold Project. The balance of restricted cash will vary depending on the timing of contributions compared to expenditure of those funds on exploration and related expenses. During 2008 the Company advanced \$6,521,000 to the Project and spent approximately \$3,738,000 for this purpose.

Private Placement Financing (February, 2008)

On February 5, 2008, the Company announced the completion of a brokered private placement of 8 million common shares at a price of \$2.00 per common share, for total gross proceeds of \$16 million. In connection with this private placement, the Company paid cash commission of \$960,000 and issued 480,000 share-purchase warrants to the Underwriters. Each share-purchase warrant entitles the holder to purchase one common share of the Company at a price of \$2.00 per common share until February 5, 2009. Proceeds from this financing will be used by the Company to advance the Dachang Gold Project and for general working capital purposes.

OUTSTANDING SHARE DATA

As at February 26, 2009, the Company had outstanding:

- 82,612,839 common shares (an unlimited number of common shares, without par value, were authorized),
- 4,120,000 stock options, each of which is convertible to one common share of the Company at a weighted average price per stock option of \$1.27, for a weighted-average period per stock option of 1.85 years. Exercise prices range from \$0.80 to \$1.95.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any.

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 believes that it has designed and implemented disclosure controls and procedures as at November 30, 2008 that are sufficient in providing reasonable assurance that material information related to the Company and its consolidated subsidiaries is made known and is adequately disclosed in the Company's annual filings as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

In addition, there has not been any change in the Company's internal control over financial reporting that occurred during the Company's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING POLICIES

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, 2008.

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

Development Stage Entity

The Company has adopted the Accounting Guideline 11 – Enterprises in the Development Stage (AcG11), relating to enterprises in the development stage, as detailed by the Canadian Institute of Chartered Accountants ("CICA"). The Company is engaged in the acquisition, exploration and development of exploration-stage mineral properties. To date the Company has not established any proven or probable reserves or engaged in any production on any of its properties, and there is no guarantee that this will occur in the future. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found, and even if they are, that they can be mined economically. In the event that exploration on the properties, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put these properties into production, and profitability of future production, especially with respect to the Dachang Gold Project, is not successful, assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material. Please also see Risks Associated with Exploration and Development, below.

Use of Estimates

The preparation of financial statements in conformity 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 financial statements and the reported amount of expenses and other income during the quarter. Actual results could differ from those estimates.

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

Resource Properties

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

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

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

Readers are advised that the terms "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource" are not defined terms under standards in the United States and normally are not permitted to be used in reports and registration statements filed with the SEC. As such, information contained in this report concerning descriptions of mineralization and resources required under Canadian standards may not be comparable to similar information made public by US companies in SEC

filings. Readers are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves.

Income Taxes

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

Stock Based Compensation

The Company has one stock-based compensation plan, which is described in Note 11 (d) of the Notes to Consolidated Financial Statements for the year ended November 30, 2008. The Company accounts for stock-based compensation in accordance with CICA 3870 (Stock-based Compensation and Other Stock-based Payments) and recognizes stock-based compensation based on the fair value method of accounting. Under this method, the fair value of stock-based compensation is determined based on the Black-Scholes valuation model and is recognized based on vesting of options granted under the stock option plan. Amounts recognized are expensed and also credited to Contributed Surplus. Consideration paid on exercise of stock options is credited to Share Capital.

Please refer to the notes to the consolidated financial statements of the Company for the year ended November 30, 2008 for further information on the Company's financial policies and estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

The following Canadian accounting pronouncements were issued and not yet adopted by the Company:

CICA Handbook Section 1400, General Standards of Financial Statement Presentation

This Section was amended so as to include the criteria for determining and presenting the Company's ability to continue as a going concern.

These standards will impact the Company's disclosures provided but will not affect the Company's consolidated results or financial position.

CICA Handbook Section 3064, Goodwill and Intangible Assets

This standard establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew Emerging Issues Committee Issue ("EIC") 27, Revenues and Expenses During the Pre-Operating Period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer preproduction and start-up costs at new mine operations. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of this standard on its consolidated financial statements.

International Financial Reporting Standards (IFRS)

The Company has established a plan to adopt International Financial Reporting Standards by 2011 and is in the process of assessing accounting policy alternatives under IFRS and their impact to the Company's internal controls over financial reporting and disclosure controls.

RISKS AND UNCERTAINTIES

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

Risks Associated with Exploration and Development

The Company is engaged in mineral exploration and development. To date the Company has not established any mineral reserves or engaged in any production on any of its properties, and there is no guarantee that this will occur in the future. The Company has no history of earnings, nor has it previously engaged in the mining and production of gold. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found, and even if they are, that they can be mined economically. The mining industry is also subject to market pressures from unpredictable commodity and metal prices, which may have a significant impact on the economic viability of a known deposit. A significant commitment of time and money is required for high cost exploration activity, such as diamond-bore drilling, in order to establish mineral reserves, develop a feasibility study and then to implement construction of a mine and commence production. At any time during this process there are numerous factors that alone or in combination may impede or interfere with intended plans, and the impact of these variables cannot be predicted or determined with certainty. Such factors include, but are not limited to, market (including currency) fluctuations, location of the Company's projects, political stability, government regulations, environmental protection, the nature of the deposit, competition, and availability of ongoing financial and personnel resources, both in sufficient quantity and within required timeframes. Many of these risk factors are discussed in other areas of this section, below, but all can be related directly to the nature of the business of the Company.

In addition, the Company's exploration activities and specifically the nature and location of those activities have associated with them certain operating risks that cannot be predicted but may be significant. Although the Company maintains health and safety standards onsite (including emergency evacuation protocols) to mitigate the risk of injury to individuals working on its exploration projects, there is no guarantee that a serious injury will not occur, nor can the impact of such an event be measured. The Company maintains property, third party liability and personal injury insurance, including an emergency medical evacuation program for certain employees, and the Company performs ongoing review of its health and safety practices, however there may be risks for which insurance may not be sufficient or for which coverage may not be extended.

The Company has relied on the results of prior exploration work and the review of that work by independent and internal qualified persons (as that term is defined in National Instrument 43-101) and others in the assessment of its resource properties. The respective partners for each project have provided the results of this prior work to the Company. In the case of the Dachang project, a significant portion of the Company's mineral resource estimate is based on this prior work, and although the results have been independently tested by way of due diligence and test sampling, there is no guarantee that material differences do not exist.

Mineral Resource Estimates

During the first quarter of 2006, in the Company's Press Release of December 12, 2005, the Company announced an increase to its inferred mineral resource at Dachang by approximately 1.3 million tonnes grading 5.81 grams per tonne Au (approximately 239,000 ounces Au contained) as a result of positive initial drilling of the NR-2 anomaly.

In addition, as described in the Company's press release of April 10, 2008, the Company reported an update of the inferred mineral resource estimate on the Dachang Main Zone to 23.6 million tonnes grading approximately 3.51 gpt Au (approximately 2.66 million ounces Au contained).

With the NR-2 anomaly, the Dachang project combined total inferred mineral resource now stands at 24.9 million tonnes with an average grade of 3.63 gpt Au (approximately 2.90 million ounces Au contained).

To date, the Company has not established any mineral reserves or engaged in any production on any of its properties. These inferred mineral resources have not been sufficiently drilled to demonstrate economic viability. Additional drilling will be required to upgrade these inferred mineral resources to an indicated or measured resource. There can be no certainty that further drilling will enable this inferred mineral resource to be upgraded. Although these estimates of inferred resources 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 inferred mineral resources may be adversely affected by their location, as the Dachang project is situated at an elevation of approximately 4,500 meters above sea level, in a high-cold mountainous area exhibiting desert alpine climate and vegetation with limited infrastructure. The nearest major city center is approximately 165 km away, with the nearest primary road and power lines approximately 120 km from the property. Although the Company believes that the inferred mineral resources have reasonable prospects for economic extraction, there is no guarantee that this will in fact be the case and confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability.

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

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

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

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

Canadian Corporate Governance Requirements and Securities Laws

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

Risks Associated with Operations in China

The Company's current business-focus and as a result essentially all of the Company's physical assets are in China, including the Company's interest 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 continues to generally introduce reforms to encourage foreign investment and develop a more market-based economy, there is no guarantee that this trend will continue, particularly given market conditions. The government of China continues to exert significant influence over enterprise through laws, regulations and policies which are often ambiguously drafted and subject to divergent interpretation. The Company's joint venture partners in China are state-sector entities and, like other state-sector entities, their actions and priorities may be dictated by government policies, instead of purely commercial considerations.

As the Company's properties are located in China, a brief statement on the laws of China as they relate to mining is appropriate. However, as laws continually evolve and suffer from inconsistent application, 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 1997) 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 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. 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, which are issued based on the nature of the deposit provided that the holder meets the conditions and requirements specified at law. However there is no guarantee that exploration and mining rights will continue to be granted or renewed, or that any conditions imposed as part of the issuance of these rights can be satisfied, or that the perceived quality of these legal rights will be sufficient to enable the Company to attract the funding required to implement business plans based on these rights. Holders of mining rights must submit environmental impact studies for approval. Mining rights also have specific timeframes within which mining must occur. Specifically, for gold mining, foreign companies must also receive approval from, among others, the Chinese National Development and Reform Commission, a department of the Chinese central government, the State Council, a government body which has a mandate to develop national economic strategies, annual and long term economic plans, and to report on the national economy and social development.

A stated objective of the Company is to ultimately become a gold producer in China. The value of the Company's projects is ultimately tied to the Company's ability to realize on the sale of gold production. Since late 2002, with the establishment of the Shanghai Gold Exchange and relaxation of restrictive rules governing the sale of gold, mining companies in China are able to sell gold production at market prices. Foreign gold mining companies are currently able to repatriate profits in foreign currencies although capital contributions may not be repatriated without specific approvals. However, the nature and impact to the interests of the Company of possible further changes or reforms to these rules and policies in the future cannot be predicted.

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

It is quite common for foreign companies to form joint ventures with state owned mining enterprises which hold mining licences and to have mining licences transferred to the joint venture, all subject to approval. The Company's projects in China are (in the case of Dachang) organized as "Co-operative Joint Venture" companies in accordance with the Law of the People's Republic of China on Sino-Foreign Co-operative Joint Venture Enterprises and associated policies, rules and regulations. China became a member of the World Trade Organization in December of 2001 and has committed to ensure transparency in its legal system. While China's general relaxation of restrictions on foreign trade and investment and developments

in its mining industry since that time has improved the operating parameters for foreign exploration and mining companies, the continued progress of these reforms depends on political, economic and international influences beyond the Company's control.

As noted, the Company conducts its operations in China through co-operative joint ventures, often with state owned entities. While this connection to government related entities can benefit the Company, there is often inequality with respect to the influence of the parties with the Chinese government. The Chinese government holds a substantial degree of subjective control over the application and enforcement of laws. Such inequality 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. The Company cannot give any assurance that title to its properties will not be challenged.

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

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

Dependence on Key Personnel

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

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

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

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

Competition

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

Environmental Risk

The Dachang Gold Project is located in the proximity of the Sanjiangyuan Nature Reserve, established primarily to protect the sources of three major rivers in Asia (the Yangtze, Yellow and Lancang rivers). To date, the project has received all relevant government support and approvals, and the Company is committed to preserve and protect the environment within which it operates, and has a policy of adopting and applying the highest standards for environmental protection in its activities, in addition to being active in the betterment of the lives of local people. However the impact of possible future liabilities or impediments to development associated with or as a result of environmental matters cannot be measured or predicted, and there is no assurance that present or future environmental regulations will not adversely affect the operations of the Company.

Cash Flow

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

Dividends

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

Resale of Shares

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

Exploration and development of mineral properties, and as a result investing in the shares of the Company, involves a high degree of inherent risk. The marketability of the natural resources that may be discovered will be affected by numerous factors beyond the control of the Company. The return, if any, on the investment in shares of a resource company is subject to market conditions that are beyond the control of the Company. Some of the factors affecting resource exploration and development include the proximity

and capacity of resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure and land use, importing and exporting minerals and environmental protection, and the effect of these and other risk factors as discussed above cannot be predicted.

OUTLOOK

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

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.