

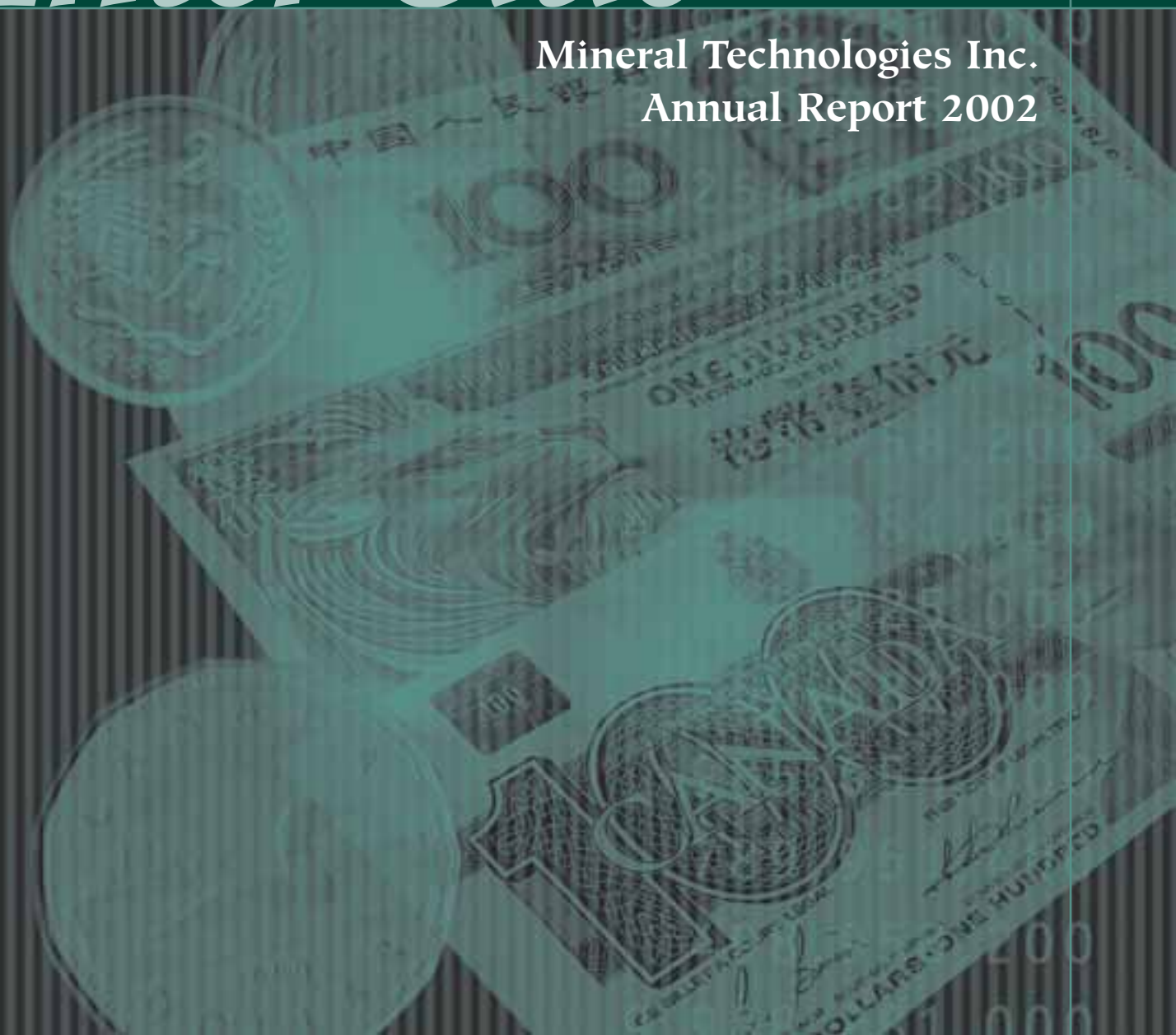
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SUCCESS THROUGH PARTNERSHIP

Inter-Citic

Mineral Technologies Inc.
Annual Report 2002

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Inter-Citic

COMPANY PROFILE

Inter-Citic is a mineral industry company continually diversifying by investing selectively in the People's Republic of China ("PRC"). The company has strategic partnerships with several large financially strong and established groups in China to facilitate investment and other business activities in China for both Western and Chinese partners.

DEVELOPMENTS 2002

- Completion of \$5,000,000 financing, closed in the first half of 2002
- Completion of Phase II of Techmat Expansion Plan
- Continued focus on large zinc deposit in Yunnan Province (PRC)
- Identified additional potential base and precious metal mineral projects in China

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LETTER TO FELLOW INTER-CITIC OWNERS

Your Company entered fiscal 2002 with three significant development opportunities in its portfolio and ended the year with the potential to add at least two, and possibly more, excellent opportunities for the future.

To facilitate advancement of these projects, your Company closed a \$5 million financing in various tranches during the year.

In the meanwhile, however, it is important to acknowledge that 2002 was a year of considerable frustration because, despite having done a number of things well, softnesses and uncertainties within many of the world's major economies resulted in substantial barriers toward achievement of our objectives for the year.

Our three projects at the beginning of the year included (i) technical upgrade of productive capacity at the Techmat rare earths processing plant; (ii) analysis of business potential for an online trading and quotation market for non-ferrous metals within Asian markets; and (iii) actively seeking to win the development rights for one of the world's largest deposits of zinc and other base metals.

The planned \$2 million upgrade of the Techmat facility was completed satisfactorily toward the end of the fiscal year and it is gratifying to report that the facility has demonstrated that it can produce superior grades of cerium, and other rare earths to exacting standards. Unfortunately, pricing for rare earths has been devastated by the world's economic slowdown of the past year and resumption of full production has been deferred until sales contracts at favorable prices can be secured. Similarly, the combined development and financing complexities associated with the creation of a major trading exchange for base metals has become a second casualty of the same economic slowdown.

Nevertheless, it is a significant pleasure to report that our Company remains well positioned to acquire, in associ-

ation with our technical and other partners, a substantial development role for the famous Lanping zinc deposit – one of the world's largest. Many hurdles remain, but your management continues to make this a priority.

Further, and as noted in all previous reports to shareholders, Inter-Citic has its focus exclusively on China with a specific area of focus in the mining and metal industry. While direct foreign investment into China has continued to exceed expectations these past few years, investment in the mining and metals sector in China has lagged other sectors significantly. This has been in part due to China's slow development of a regulatory framework within which foreign investors can operate with confidence. However, in the past year we have seen significant advancement in the legislative regime for the mining industry in China and a corresponding increase in foreign investment into the China mining industry. In concurrence with these trends, and as a result of the culmination of our investment and efforts of the past few years, the Company has succeeded in securing priority status that could lead to the acquisition of development rights to several exciting mineral deposits, and I anticipate our company announcing some new initiatives this year that will prove very favorable to the appreciation of shareholder value.

In closing, and on behalf of the Board, I would like to thank all members of the Inter-Citic team for their consistent and steadfast support throughout this process, and I am more confident than ever that developments in the coming year will give good reason for this support.



James J. Moore
President and CEO

MANAGEMENT'S 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 Company continues to develop its Rare Earth division while at the same time aggressively pursue development rights to resource projects in China. These initiatives are cornerstones of Inter-Citic's immediate business strategy of building an integrated mineral company that is focused on the Chinese marketplace, and activities commenced during this year are expected to result in additional opportunities.

Since its acquisition of an 80% interest in a joint venture in China, the Company's Rare Earth Division ("Techmat") has continued to undergo a phased upgrade and expansion to facilitate future growth, which has now been substantially completed. 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 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 in increasingly saturated markets, the Company focused on re-positioning itself as a high-quality producer, and its greatly improved products are now being aggressively marketed for testing and qualification to international clients through a permanent sales office in the USA.

While the Company expects that testing and qualification of its products will ultimately lead to long-term sales contracts beginning some time next year, production has been suspended and costs will be kept at minimum levels in the interim. It is understood that if the Company is unsuccessful in qualifying its products and securing sales contracts this could result in impairment in value and write-down of underlying assets.

RESULTS OF OPERATIONS

In 2002, the Company's consolidated net loss was \$2,647,965 compared to \$1,878,029 last year. The Rare Earth and e-Commerce divisions accounted for \$1,417,631 and \$53,279 of this loss compared to \$960,056 and \$247,833, respectively, last year. The Company's consolidated net loss per share was \$0.09 compared to \$0.06 last year.

(Unaudited)	2002				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales:								
Rare Earth	\$ 48,126	\$ 23,456	\$ 11,174	\$ 6,680	\$ 314,455	\$ 504,453	\$ 189,434	\$ 170,498
Net Loss:								
Head Office	\$ 210,945	\$ 255,511	\$ 357,794	\$ 352,805	\$ 105,578	\$ 196,558	\$ 151,149	\$ 216,855
Rare Earth	\$ 110,365	\$ 190,330	\$ 168,476	\$ 948,460 *	\$ 197,860	\$ 301,437	\$ 147,782	\$ 312,977 *
e-Commerce	\$ 26,717	\$ 23,990	\$ 2,572	\$ 0	\$ 28,422	\$ 135,811	\$ 68,308	\$ 15,292
Overall	\$ 348,027	\$ 469,831	\$ 528,842	\$1,301,265	\$ 331,860	\$ 633,806	\$ 367,239	\$ 545,124
Net Loss Per Share (Basic and Diluted)	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.01	\$ 0.03	\$ 0.01	\$ 0.02

* Includes provisions of \$109,143 and \$746,694, respectively, for lower grade inventory resulting from implementation and testing of expansion and improvement measures during the latter part of 2001 and throughout 2002.

A. The Rare Earth Division

As planned, a full-scale expansion of the Rare Earth facility continued during the year. While a full ramp-up was originally expected to take place by the end of the third quarter, the Company elected to change its strategy in the face of an unenthusiastic global economic outlook for rare earths and specific feedback from customers. This past year was a difficult year for rare earths, with a continuance of the negative slide of 2001. Demand, prices and margins all suffered, especially in the markets for generic, lower-grade products. As a result, the Company modified the scope of its expansion plan to further expand its product base and improve quality. The Company believes that these steps were necessary to ensure the competitiveness of Techmat in the changing global market. In the meantime, the Company will continue to work with customers to get its products qualified with a view to securing long-term sales contracts during the next fiscal year, while keeping production overheads at minimal levels in the interim. Production at the facility will not resume until sales contracts in the international market are secured.

While carrying out this expansion, sales for the Rare Earth Division were limited to \$89,436 for the year compared to \$1,178,840 for the same period last year. More significantly, selling, general and administrative expenses increased to \$1,435,644 from \$713,802 last year, however of this \$746,694 and \$109,143, respectively, related to provision against inventory trials produced as part of the expansion, and excluding these amounts, the balance of the expense of \$688,950 was comparable to last year's amount of \$604,659.

As a result of the above, Rare Earth Division experienced an overall loss for the year of \$1,417,631 compared to a loss of \$960,056 in the previous year.

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

B. The e-Commerce Division

Start-up expenses in the e-Commerce Division continued to decline as the Company continued work with its partners on satisfying 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 for the year of \$53,279 compared to \$247,833 last year. A total of \$500,000 in start-up costs (net of interest earned) has been incurred and fully expensed by Ideal as it continues to work on the development and implementation of an on line metals trading portal in China. To date, Ideal has finalized a business plan and secured a long-term service agreement that the Company believes will ensure positive cash flow from the Division immediately upon successful implementation.

C. Other Initiatives

During the year the Company continued to pursue development rights for a large zinc deposit in Yunnan Province in China. An international consortium consisting of Inter-Citic and partners have demonstrated that highly specialized technology is available to the consortium on an exclusive basis. At present, the Company suspects that the processing of the deposit will not be economically feasible without this specialized technology. Last year, a company that had previously been granted a period of exclusivity on the project indicated its intention to abandon its proposal. Inter-Citic and its partners view this as a significant development and the Company will continue to aggressively pursue the opportunity.

In addition to this project, the Company began the process of aggressively pursuing development rights to other resource projects in China, and it is expected that these efforts will produce results some time in the next year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Overall, these expenses have increased over the past three years from \$1,308,866 in 2000 to \$1,479,228 in 2001 to \$2,388,527 in 2002. Excluding the provision for low-grade inventory in 2002, 2001 and 2000 of \$746,694, \$109,143, and \$29,902, respectively, these expenses compare as follows:

	2002	2001	2000
Head Office	\$ 946,190	\$ 676,494	\$ 784,861
Rare Earth	\$ 688,950	\$ 604,659	\$ 494,103
e-Commerce	\$ 6,693	\$ 88,932	\$ 0
Overall	\$ 1,641,833	\$ 1,370,085	\$ 1,278,964

Head office expenses of 2001 decreased compared to 2000 primarily as a result of a reduction in the use of external management, consulting and professional services, while increasing between 2002 and 2001 as a result of expenses associated with the private placement and debenture financing, as well as increased travel and related expenses incurred relating to new initiatives in China.

Selling, general and administrative expenses for the Rare Earth Division have remained consistent from 2001 to 2002 as the Company continued to work on implementing its plan for expansion and improvement of the facility. Expenses for 2000 represent approximately six months following the acquisition of the facility in May of that year. Proportionately they are higher than 2002 and 2001 because of increased costs associated with the acquisition.

Selling, general and administrative expenses for the e-Commerce Division expenses peaked in 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 2000 to 2002 include the following:

	2002	2001	2000
Foreign exchange gain (loss)	\$ 122,648	\$ (34,648)	\$ (12,856)
Gain (loss) on sale of investments	\$ 11,464	\$ 0	\$ 0
Equity in net income (loss) of associated company	\$ (46,586)	\$ (158,901)	\$ (44,513)
Interest and other expenses, net	\$ (229,699)	\$ (19,842)	\$ 8,195
Write-down of equipment	\$ 0	\$ 0	\$ (69,000)

Foreign exchange gains in 2002 compared to previous years reflect coincidentally favorable exchange rates with respect to operations in China relating to capital expenditures, and are not expected to reoccur given that the Company does not anticipate additional expenditures of this nature in the foreseeable future.

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.

Interest and accretion charges of \$208,206 relating to the convertible debenture were accrued for 2002, although interest is not actually payable until maturity. Excluding this amount, net interest expense in 2002 compared to 2001 was \$21,493 compared to \$19,842. Interest expense relating to bank advances in China are net of interest earned on cash balances. In 2000 the Company did not incur the loan until later in the year, and so net interest was positive.

Write-down of equipment in 2000 related to the Company's Centrifugal Floatation Cell (CFC) Technology, which was abandoned in order that the Company's resources and efforts could be focused on other initiatives.

CASH RESOURCES AND LIQUIDITY

Operating Activities

The Company continued to generate negative cash flow from operations for 2002, as was the case in 2001 (\$2,889,123 in 2002 compared to \$1,490,924 in 2001). This occurred primarily as a result of Rare Earth Division initiatives that resulted in increased inventory levels (\$744,727 in 2002 compared to \$383,397 in 2001) offset partially by increased loan facilities (\$567,900 in 2002 compared to \$455,719 in 2001) in China, in the face of almost no sales revenue (\$89,436 in 2002 compared to \$1,178,840 in 2001). The Company has now completed its improvement and expansion program for its rare earth facility and expects that negative cash flow from this division will be significantly reduced in the coming year.

Financing Activities

During 2001, the Company raised \$1,700,000 as a result of the exercise of share purchase warrants relating to a private placement from the previous fiscal year, and entered into additional financing agreements scheduled to close in 2002. The Company had planned to raise additional funding during the balance of fiscal 2001 to help finance the expansion of the rare earth facility as well as to satisfy its funding requirement for the start-up costs of the e-Commerce Division initiative. However, those plans had been delayed until the first half of 2002 in the face of changes in the global economy as well as general uncertainty in the market following the tragic events of September 11, 2001. During the year the Company was successful in completing a \$3,000,000 private placement and a \$2,000,000 two-year, non-redeemable convertible debenture at 8.9%. The Company is confident that it will continue to be able to source funds for ongoing operations as required until full implementation of its business plan.

Investing Activities

During 2002, the Company completed its expansion and improvement program for its rare earth facility in China that began in 2001. Accordingly, capital expenditures of \$1,114,067 and \$206,725 were incurred in each of 2002 and 2001, respectively. The Company does not anticipate the need for any significant further investment of this nature in 2003.

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	As reported	\$ (2,647,965)
	Pro Forma	\$ (2,737,065)
Net loss per share - basic and diluted	As reported	\$ (0.09)
	Pro Forma	\$ (0.09)

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.

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. Although these expenditures enhanced product quality and marketability of the rare earth products produced, production has been suspended as the company concentrates on securing sales contracts from end users outside of China. 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. The plant is currently reflected in the financial statements at its cost of \$4,092,312.

Management is considering various alternatives, including 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 favorable, 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

Now that the Company has successfully completed its systematic phase-in of the upgrade and expansion of its rare earth facility the Rare Earth Division will focus on getting its products qualified with customers and securing long-term sales contracts. During this period, which is expected to take between six and nine months, production and costs will be kept at absolute minimum levels. It is expected that the Division will return to positive cash flows by the end of the next fiscal year.

The e-Commerce Division continues to pursue its interests in its online metal trading portal, and is confident that this initiative will provide an immediately positive contribution to cash flow when development is completed.

Finally, the Company does not expect to incur significant further expenditures relating to its bid for a large zinc deposit in Yunnan Province in China. However, the Company is determined to aggressively pursue this and other initiatives as circumstances warrant and believes that significant progress can be made during the next year.

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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board has appointed an Audit Committee composed of three directors, two of whom are not members of management. The Committee meets with the independent auditors to discuss the results of their audit and audit report prior to submitting the consolidated financial statements to the Board of Directors for its consideration and approval for issuance to shareholders. On the recommendation of the Audit Committee, the Board of Directors has approved the Company's consolidated financial statements.



Mark R. Frederick
Director



James J. Moore
President & CEO

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AUDITORS' REPORT

To the Shareholders of Inter-Citic Mineral Technologies Inc.

We have audited the consolidated balance sheets of Inter-Citic Mineral Technologies Inc. as at November 30, 2002 and 2001 and the consolidated statements of operations and deficit and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2002 and 2001 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP

Chartered Accountants

Toronto, Canada

February 13, 2003

CONSOLIDATED BALANCE SHEETS

As at November 30 (All figures in Canadian Dollars)

	2002	2001
ASSETS		
Current		
Cash and cash equivalents	\$ 1,564,858	\$ 127,503
Accounts receivable	77,434	93,866
Other receivables	184,598	64,128
Inventories	744,727	383,397
Prepaid expenses	28,290	18,436
	2,599,907	687,330
Deposits	60,000	60,000
Investments (Note 3)	48,781	37,135
Investment in associated company (Note 4)	1	46,587
Property, plant and equipment, net (Note 5)	4,109,019	3,292,936
	\$ 6,817,708	\$ 4,123,988
LIABILITIES		
Current		
Bank advances (Note 6)	\$ 567,900	\$ 455,719
Accounts payable and accrued liabilities	402,657	409,829
Customer deposits	190,536	-
Due to related party (Note 7)	55,701	338,764
Convertible debenture (Note 8)	1,995,101	-
	3,211,895	1,204,312
Non-controlling interest	461,272	394,275
COMMITMENTS (Note 9)		
SHAREHOLDERS' EQUITY		
Equity portion of convertible debenture (Note 8)	213,105	-
Share capital (Note 10)	16,577,337	14,136,043
Share purchase warrants (Note 10)	612,706	-
Contributed surplus	15,000	15,000
Deficit	(14,273,607)	(11,625,642)
	3,144,541	2,525,401
	\$ 6,817,708	\$ 4,123,988

Note 1 - Going Concern Assumption

Approved by the Board of Directors:



Mark R. Frederick

Director



James J. Moore

Director

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

For the year ended November 30 (All figures in Canadian Dollars)	2002	2001
REVENUE		
Sales	\$ 89,436	\$ 1,178,840
COST OF SALES		
Cost of goods sold	127,730	1,266,850
Gross margin (loss)	(38,294)	(88,010)
OTHER EXPENSES		
Selling, general and administrative expenses	2,388,527	1,479,228
Depreciation and amortization	297,984	267,209
	2,686,511	1,746,437
Loss before the undernoted	(2,724,805)	(1,834,447)
Foreign exchange gain (loss)	122,648	(34,648)
Gain on sale of investments	11,464	-
Equity in net loss of associated company (Note 4)	(46,586)	(158,901)
Interest and other expense, net	(229,699)	(19,842)
Loss before income taxes and non-controlling interest	(2,866,978)	(2,047,838)
Income taxes (Note 11)	-	-
Loss before non-controlling interest	(2,866,978)	(2,047,838)
Non-controlling interest	219,013	169,809
Net loss	(2,647,965)	(1,878,029)
Deficit, beginning of year	(11,625,642)	(9,747,613)
Deficit, end of year	\$ (14,273,607)	\$ (11,625,642)
Net loss per share - basic and diluted	\$ (0.09)	\$ (0.08)
Weighted average common shares outstanding	29,296,034	24,773,151

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended November 30 (All figures in Canadian Dollars)	2002	2001
CASH PROVIDED BY (used in)		
Operating activities		
Loss for the year	\$ (2,647,965)	\$ (1,878,029)
Items not involving cash		
Depreciation and amortization	297,984	267,209
Equity in net loss (income) of associated company (Note 4)	46,586	158,901
Non-controlling interest	(219,013)	(169,809)
	(2,522,408)	(1,621,728)
Changes in non-cash working capital balances		
Accounts receivable	16,432	(16,513)
Other receivables	(120,470)	(22,635)
Inventory	(361,330)	120,064
Prepaid expenses	(9,854)	(3,670)
Accounts payable and accrued liabilities	(7,172)	55,272
Customer deposits	190,536	-
Due to related party (Note 7)	(283,063)	(1,714)
	(574,921)	130,804
Financing activities		
Bank advances (Note 6)	112,181	8,359
Proceeds of convertible debenture (Note 8)	2,000,000	-
Accrued interest on convertible debenture (Note 8)	208,206	-
Non-controlling interest	286,010	-
Issuance of shares (Note 10 (b))	3,054,000	1,700,000
	5,660,397	1,708,359
Investing activities		
Marketable securities (Note 3)	(11,646)	-
Purchase of property, plant and equipment (Note 5)	(1,114,067)	(206,725)
	(1,125,713)	(206,725)
Increase/(decrease) in cash for the year	1,437,355	10,710
Cash and cash equivalents, beginning of year	127,503	116,793
Cash and cash equivalents, end of year	\$ 1,564,858	\$ 127,503
Supplemental Information:		
Income taxes paid during the year	\$ -	\$ -
Interest paid during the year	\$ 37,102	\$ 28,880

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

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 November 30, 2002, the Company reported a loss of \$2,647,965 and an accumulated deficit of \$14,273,607. 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 an additional \$1,114,067 was spent refurbishing the Techmat plant in China. These expenditures enhanced purity and marketability of the rare earths produced. To date this has been confirmed by samples produced. However no contracts are currently in place for Techmat production and the plant remains idled as the company concentrates on securing production contracts from end users. Management believe 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. The plant is currently reflected in the financial statements at its cost of \$4,092,312.

Management is considering various alternatives, including a private placement to raise capital in 2003. 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.

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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.

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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 recognized where their realization 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 loss per common share has been computed by dividing loss applicable to common shareholders by the weighted-average number of common shares outstanding during the respective periods. Diluted net loss per common share is computed by dividing net 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

November 30	2002	2001
Investments in marketable securities (fair market value - \$59,703; 2001 - \$59,201)	\$ 48,781	\$ 37,135

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.

November 30	2002	2001
Ideal e-Commerce Limited		
Equity - 50% ownership (a)	\$ 1	\$ 1
Shareholder loan (b)	250,000	250,000
Accumulated equity in net loss	(250,000)	(203,414)
	\$ 1	\$ 46,587

(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; 2001 - 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:

November 30	2002	2001
Expenses and net loss	\$ (46,586)	\$ (158,901)
Current assets	31,626	54,988
Current liabilities	(31,625)	(8,401)
Net investment	\$ 1	\$ 46,587

5. Property, plant and equipment

November 30,	2002			2001		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value
Prepaid land lease	\$ 255,232	\$ (15,938)	\$ 239,294	\$ 255,232	\$ (9,458)	\$ 245,774
Building	1,165,431	(120,997)	1,044,434	1,050,393	(73,298)	977,095
Equipment	3,322,219	(588,733)	2,733,486	2,414,995	(344,928)	2,070,067
Construction in progress	91,805	-	91,805	-	-	-
Total	\$ 4,834,687	\$ (725,668)	\$ 4,109,019	\$3,720,620	\$ (427,684)	\$ 3,292,936

6. Bank Advances

As at November 30, 2002, Yangzhong Zhonghai Techmat Co., Ltd. in China has borrowed, in aggregate, \$567,900 (Renminbi 3,000,000; 2001 - \$455,719, Renminbi 2,400,000) 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 year, the Company paid or accrued interest charges of \$37,102 (2001 - \$28,880).

7. Related Party Transactions

Due to Related Party of \$55,701 (Renminbi 294,239; 2001 - \$338,764, Renminbi 1,784,063) represents advances from the minority shareholder of Yangzhong Zhonghai Techmat Co., Ltd. bearing no interest and having no fixed terms of repayment.

During the year, the Company paid or accrued management fees of \$138,735 (2001 - \$150,001) 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 will be 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 of \$208,206 has been accrued as at November 30, 2002.

9. Lease Commitment

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

2003	\$ 44,585
2004	\$ 44,585
2005	\$ 46,593
2006	\$ 46,995
2007 and thereafter	\$ 152,734

10. Share Capital

(a) Authorized

98,500,000 common shares, without par value

(b) Issued and Outstanding

November 30	2002		2001	
	Shares	Amount	Shares	Amount
Balance - beginning of the year	\$ 25,107,398	\$ 14,269,066	\$ 23,107,398	\$ 12,569,066
Issued by private placement	3,529,412	2,387,294	-	-
Exercise of Options	75,000	54,000	-	-
Exercise of Warrants	-	-	2,000,000	1,700,000
	28,711,810	16,710,360	25,107,398	14,269,066
Investment in own shares	(116,500)	(133,023)	(116,500)	(133,023)
Balance - end of year	\$ 28,595,310	\$ 16,577,337	\$ 24,990,898	\$ 14,136,043

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.

Proceeds of the private placement will be for general working capital.

On March 14, 2000 the Company completed a private placement for total proceeds of \$3,650,250, representing 4,867,000 units at \$0.75 to fund the acquisition of an 80% interest in a joint venture with Jiangsu Haiwei Rare Earth Co. Ltd. Each unit consisted of one common share and one half of one share purchase warrant. Each whole share purchase warrant permits the purchase of one additional common share at \$0.85 for a period of twelve months from the date of issue. During fiscal 2000, 333,500 share purchase warrants were exercised resulting in the issuance of 333,500 common shares for proceeds of \$283,475.

As part of this financing transaction, the Company issued an additional 486,000 share purchase warrants in lieu of payment of a finder's fee. Each share purchase warrant entitled the holder to purchase one share at a price of \$0.75 until December 10, 2000 and at \$0.86 until December 10, 2001. During fiscal 2000, all 486,000 share purchase warrants were exercised resulting in the issuance of 486,000 common shares for proceeds of \$364,500.

During fiscal 2001, 2,000,000 of the 2,100,000 share purchase warrants still outstanding were exercised, resulting in the issuance of 2,000,000 common shares for proceeds of \$1,700,000.

(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.

November 30	2002		2001	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Options outstanding - beginning of year	1,764,000	\$ 0.85	1,279,000	\$ 0.95
Options granted	165,000	0.92	775,000	0.72
Options exercised	(75,000)	0.72	-	-
Options expired	(100,000)	1.01	(90,000)	1.00
Options terminated	(80,000)	1.15	(200,000)	0.96
Options outstanding - end of year	1,674,000	\$ 0.83	1,764,000	\$ 0.85

Options Outstanding and Exercisable

November 30 2002

Price range per option	\$0.67 to \$1.24
Weighted average remaining contractual life	2.85 Years
Weighted average exercise price	\$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:

Net loss

As reported	\$ (2,647,965)
Pro Forma	\$ (2,737,065)

Net loss per share - basic and diluted

As reported	\$ (0.09)
Pro Forma	\$ (0.09)

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 4.6%; expected life of 5 years; and volatility of 65%.

(d) Earnings per Share

In fiscal 2002 options on 1,674,000 (2001 - 1,764,000) common shares were excluded from the computation of diluted earnings (loss) per common share because their effect was not dilative.

11. 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

12. Segmented Information

The Company's operations include a Head Office in Canada, a Rare Earth Division with operations in China and a sales office in Florida, USA, and an e-Commerce division based in Canada and Hong Kong. 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 year ended November 30, 2002

	Head Office	Rare Earth Division	e-Commerce Division	Consolidated
REVENUE				
Sales	\$ -	89,436	\$ -	\$ 89,436
COST OF SALES				
Cost of goods sold	-	127,730	-	127,730
Gross margin (loss)	-	(38,294)	-	(38,294)
OTHER EXPENSES				
Selling, general and administrative expenses	946,190	1,435,644	6,693	2,388,527
Depreciation and amortization	4,562	293,422	-	297,984
	950,752	1,729,066	6,693	2,686,511
Loss before the undernoted	(950,752)	(1,767,360)	(6,693)	(2,724,805)
Foreign exchange gains (losses)	(46,552)	169,200	-	122,648
Gain on sale of investments	11,464	-	-	11,464
Equity in net loss of associated company (Note 4)	-	-	(46,586)	(46,586)
Interest and other expense, net	(191,215)	(38,484)	-	(229,699)
Loss before income taxes and non-controlling interest	(1,177,055)	(1,636,644)	(53,279)	(2,866,978)
Income taxes (Note 10)	-	-	-	-
Loss before non-controlling interest	(1,177,055)	(1,636,644)	(53,279)	(2,866,978)
Non-controlling interest	-	219,013	-	219,013
Net loss	\$ (1,177,055)	\$ (1,417,631)	\$ (53,279)	\$ (2,647,965)

(a) Segmented Net Loss (continued)

For the year ended November 30, 2001	Head Office	Rare Earth Division	e-Commerce Division	Consolidated
REVENUE				
Sales	\$ -	\$ 1,178,840	\$ -	\$ 1,178,840
COST OF SALES				
Cost of goods sold	-	1,266,850	-	1,266,850
Gross margin (loss)				
	-	(88,010)	-	(88,010)
OTHER EXPENSES				
Selling, general and administrative expenses	676,494	713,802	88,932	1,479,228
Depreciation and amortization	4,560	262,649	-	267,209
	681,054	976,451	88,932	1,746,437
Loss before the undernoted	(681,054)	(1,064,461)	(88,932)	(1,834,447)
Foreign exchange gains (losses)	1,135	(35,783)	-	(34,648)
Equity in net loss of associated company (Note 4)	-	-	(158,901)	(158,901)
Interest and other income (expense), net	9,779	(29,621)	-	(19,842)
Loss before income taxes and non-controlling interest	(670,140)	(1,129,865)	(247,833)	(2,047,838)
Income taxes (Note 10)	-	-	-	-
Loss before non-controlling interest	(670,140)	(1,129,865)	(247,833)	(2,047,838)
Non-controlling interest	-	169,809	-	169,809
Net loss	\$ (670,140)	\$ (960,056)	\$ (247,833)	\$ (1,878,029)

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

November 30	2002	2001
China	\$ 4,092,312	\$ 3,271,669
Canada	16,707	21,267
	\$ 4,109,019	\$ 3,292,936

(c) Total Assets by Segment

November 30	2002	2001
Rare Earth Division	\$ 5,407,531	\$ 3,897,677
Head Office	1,410,176	179,724
e-Commerce Division	1	46,587
	\$ 6,817,708	\$ 4,123,988

(d) Rare Earth Division Sales

The Rare Earth Division's sales for the year ended November 30, 2001 include sales to one customer of \$600,103. There were no such sales in 2002.

C O R P O R A T E I N F O R M A T I O N

OFFICERS AND DIRECTORS

James J. Moore

President and Chief Executive Officer, Director

Peter Tang

Secretary and Director

Hao Veng Ho

Director

Mark R. Frederick

Director

Carlos K.H. Ho

Director

Sherman H.M. Hong

Director

Lou Pasubio

Vice President and Chief Financial Officer

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STOCK EXCHANGE LISTING

TSX-Venture Exchange

Trading Symbol: ICI

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MANAGEMENT

James J. Moore

President and Chief Executive Officer

Lou Pasubio

Vice President, Finance and Chief Financial Officer

David Wahl

Vice President, Mineral Project Development

ANNUAL MEETING

Shareholders are cordially invited to attend the Annual General Meeting of the Company.

It will be held at The Ontario Club, 5th floor, Commerce Court South, 30 Wellington Street West

Toronto, Ontario,

on May 13, 2003 at 4.30 p.m.



Inter-Citic

Inter-Citic Mineral Technologies Inc.

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