SPELMAN RESEARCH
INDEPENDENT INVESTMENT RESEARCH

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October 6, 2004

INITIATION OF COVERAGE

Inter-Citic Minerals, Inc. *(TSX-V: "ICI")*

"Right Property Sites, Drill Results, People, Partners, & Technology"

Speculative Buy Rating & $2.60 Share Price Target

CORPORATE SUMMARY:	TSX-V: ICI
Target Price	$2.60
Previous Close	$0.85
52-Week Range	0.60 - 2.05
Average Volume (3 mo.)	29,000
Market Capitalization	$35,148,144
Basic Shares Outstanding	41,400,000
Diluted Shares Outstanding	50,129,000
Estimated Float	60%
Est. Insider Ownership	21%
Institutional Holdings (Est.)	1%
Working Capital	$3.8 Mn
Cash (Est. Canadian)	$4.0 Mn
Book Value (P/S) – 05/31[1]	$1.16
Fiscal Year Ending/Reporting	11/30

Commodities: Gold/Minerals	Stage: Exploration	Sites: Mainland China

Rating & Price Target

We are Initiating Coverage of Inter-Citic Minerals, Inc ("Inter-Citic," "ICI" or "the Company") with a ***Speculative* Buy** rating and assign a FY05 **$2.60** per fully diluted share price target. The impetus for the rating reflects the price disparity between current ICI market prices and the fundamentally valued intrinsic price, along with the following meaningful catalysts, both quantitative and qualitative: (1) Cyr Drilling International is commencing a 15,000 meter drill program at Dachang utilizing two recently imported North American diamond drill rigs which is expected to quickly produce results that could materially increase the existing inferred resource calculation of 1.3 million ounces; (2) our own view in conferring with other third party experts is that the lead project is an excellent geological target with significant resource potential over the current inferred resources estimate (3) ICI holds valuable, and in both cases exclusive, agreements of strategic joint ventures where Inter-Citic has the majority economic interest (through production) and first refusal right in acquiring new quality gold exploration properties; (4) the Company has secured influential strategic shareholders - Macao, Hong Kong, Taiwan and Shanghai based industrialists and businessmen with strong government relationships; (5) Inter-Citic has been in China for over seven years and has established a team of experienced explorers and mine developers; (6) ICI is fully funded, and recently closed a private placement of 2,545,000 units at a price of C$1.00 per unit for gross proceeds of C$2,545,000; and, (7) The new Shanghai Gold Exchange and the removal of ownership restrictions for individuals makes gold a new viable China investment class with tremendous growth potential. The term '*Speculative*' is assigned to account for the low liquidity, penny stock status, and the mining exploration stage in which ICI participates.

(*Refer to Investment Merits Pg. 14, Investment Risks Pg. 17 & Investment Conclusion & Analyst Rating Rationale Pg. 22*)

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[1] Combined share capital, share purchase warrants and contributed surplus of $27,382,989; add to that share capital raised of $2,545,000, and 254,500 units of share purchase warrants valued at $1.10 each, total book value is now $30,207,939

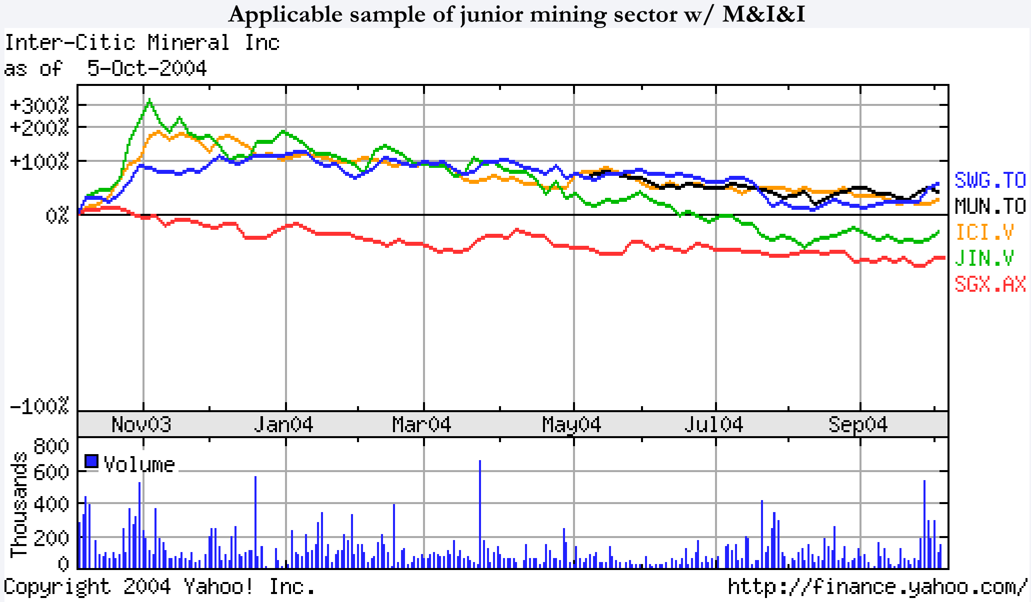
Valuation: Price Target

Comparable Ratio Valuation Multiple Matrix

As depicted by the chart below, a year out since the 2003 gold sector bullish run, many of the junior mining stocks have lost 40-50% of their value. The principal exchange for this sector stock slump has been the Toronto Stock Exchange. More than 1,000 mining companies are listed on the Toronto market and on its smaller-capitalization TSX Venture Exchange - more than half the listed miners worldwide. After a threefold rise in 2003, China gold seeker Southwestern Resources Corp. (Toronto: SWG) is off approximately 30% percent from their highs; China gold explorer Sino Gold (Australia: SGX) is down 39 percent; and, another China Explorer, Jinshan Gold (Vancouver: JIN) Mines is down 45 percent. For the sector, some attribute the overall price collapse to exploration companies saturating the market through massive waves of equity issuances. Others contend that the doldrums are indicative of no world-class discoveries and/or redundant drill activity in the same deposit, with no width or grade improvement news.

Nonetheless, what remains notable is that listings on the Toronto Stock Exchange (TSX) for junior mining companies should be regarded as advantageous. Mining companies last year raised two and a half times more money on the Toronto Stock Exchange as they did on the next closest exchange in the world, the NYSE. They raised five times as much on TSX as they did on the London Stock Exchange. In fact, TSX companies, combined with TSX Venture companies, raised nearly a third of the mining finance in the world.[2]

Applicable sample of junior mining sector w/ M&I&I



Gold still hasn't recovered since 2003, while the commodity prices of energy are experiencing a long-term bull run. Jude Wanniski, a former Reagan adviser who coined the phrase "supply-side economics," has studied the relationship between oil and gold for decades. He points to America's change in monetary policy, specifically its decision to drop the gold standard in 1971, as a trigger for the volatile commodity prices that followed. He has seen the trend reverse itself, with oil and gas prices plunging, more than once. But he notes a stark difference in the current situation. Even under America's current monetary policy, he says, an ounce of gold has always tended to buy about 15 barrels of oil. Now, he says, it buys fewer than 10. He believes that a correction is imminent "because gold and oil are now so out of whack, according to traditional relationships, something has got to happen," Wanniski said. "Either gold goes up or oil goes down." Others suggest that investors typically buy gold -- and drive its price higher – when they view the U.S. dollar as vulnerable, believing that America's record budget and trade deficits could soon further pressure the currency. Finally, gold is the choice of safety & stability and a hedge against the potential market dislocation associated with material negative events like terrorism. The conclusion with regard to valuation is the pricing figures used for valuing ICI don't account for the

[2] Consolute General, ICD Corporate Governance Conference, Barbara Stymiest, CEO TSX Corp.

indicators of a bullish resurgence in gold mining, while at the same time the valuation multiples for ICI's peer market comparative companies have all been trading well off their highs.

Gold Exploration Companies with Operations in China	Ticker	10/6/2004 Price	Shares[3]	Mkt Cap	Reserve Mil Ounces	M&I[1] Mil Ounces	M&I&I[2] Mil Ounces	Mk Cap Per Ounce Reserve	Mkt. Cap Per[1] Ounce M&I	Mkt. Cap Per[2] Ounce M&I&I
Southwestern Resources Corp	SWG/TSX	14.85	42,446,274	$ 630,327,169	0.00	0.00	0.00	n/a	n/a	n/a
Sino Gold Limited	SGX/ASX	1.94	110,249,449	$ 213,883,931	1.43	2.84	3.70	$ 149,569,183	$ 75,311,243	$ 57,806,468
TVI Pacific Inc.	TVI/TSX	0.175	338,548,885	$ 59,246,055	0.19	0.21	0.22	nm	nm	nm
Jinshan Gold Mines Inc.	JIN/TSXV	0.90	48,544,614	$ 43,690,153	0.00	0.89	1.70	n/a	$ 49,090,059	$ 25,700,090
Minco Mining & Minerals	MMM/TSX	1.51	30,971,636	$ 46,767,170	0.00	0.00	3.77	n/a	n/a	$ 12,405,085
Mundoro Mining Inc.	MUN/TSX	1.8	25,740,143	$ 46,332,257	0.00	1.10	5.50	n/a	$ 42,120,234	$ 8,424,047
Afcan Mining Corp.	AFK/TSX	0.26	83,828,965	$ 21,795,531	0.00	0.62	0.79	n/a	$ 35,154,082	$ 27,589,280
Average $CAD				$ 151,720,324	0.29	1.09	3.09			$ 26,384,994
Average $USD										$ 20,305,891
Inter Citic Minerals $CAD	**ICI/TSX**	**0.85**	**41,400,000**	**$ 35,190,000**	**0.00**	**0.00**	**1.29**	**n/a**	**n/a**	$ 27,279,070
Average $USD										$ 20,993,972

[1] Measured & Indicated, [2] Inferred Resources [3] Basic for Mkt Cap (www.tsx.com)

Inter-Citic is a Canadian-based junior exploration company with drilling operations focused on China. Drill hole sample test analysis from historical Chinese geological records combined with more recent North American testing results suggest ICI prospective gold mines harbor generous gold deposits.

Perhaps the most applicable peer for ICI is Southwestern Resources (SWG). Both ICI & SWG are Canadian companies with principal exploration assets in mainland China; they both have secured perhaps some of the richest gold potential deposit sites & recently imported modern drill gear (and have roughly the same stock share base outstanding). SWG has been very instrumental in raising the profile of Canadian exploration in China, with a $630 million market capitalization and analyst recommendations based on analyst estimates of a resource base ranging from 16 million to 30 million ounces. These recommendations have been made based on analyst interpretation of published drill results, despite the fact that SWG has no NI 43-101 defined reserves, measured or indicated ounces, or inferred resources in China[3]. In turn, ICI trades at a relatively marginal $35 million market capitalization but has what one expert (George Cargill[4]) has defined as potentially "*significantly more resources*" than the 1.3 million ounces estimated by the NI-43101 technical report filed in March 2004. With ICI's new drill equipment in place and being deployed on previously untested zones, as well as previously tested zones, we anticipate an almost four time increase in inferred resources. The basis for this is that significantly improved core recoveries plus angled drilling techniques should yield measurably better width and grade prospects. It is especially important to note that only a small percentage of one anomaly has been drill tested, with large geochemical and geophysical anomalies still to be tested during this program.

For decades, global gold exploration companies have understood the geological potential of China. Several major companies, including BHP Billiton, Rio Tinto plc, Anglo American plc, Barrick Gold, and Placer Dome have opened, or re-opened offices in Beijing or Shanghai to position themselves for possible options or joint ventures. However, the first-movers and consequently the best early positioned companies are largely represented by junior companies that have patiently been nurturing relationships to secure the best mining partnerships. Inter-Citic's previous operating experience with its now-suspended rare earths division, led directly to the Chinese relationships it currently holds.

Although some foreign-held exploration companies in China have commenced production (e.g., Afcan and Michelago), only one has reached the stage of meaningful production, Australian-listed Sino Gold Ltd. (SGX-ASX). However, like other China explorers, the company's market value is more related to exploration prospects rather than its production, which is only at about 100,000 ounces of gold annually.

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[3] Statement only refers to China exploration assets; does not include Peru or Argentina exploration.

[4] George Cargill is an independent Consulting Geologist and Consulting Engineer associated with Roscoe Postle Associates Inc. Until 1987, he was a Senior Consulting Geologist working world-wide with a major multinational mining company (BHP Minerals Ltd.), and previously was District Manager, Eastern Canada for a predecessor company. Dr. Cargill has over 25 years of extensive experience in all facets of mineral exploration, from project generation and planning through to execution and management, as well as in mining geology, property assessment and resource estimation.

[6] Assumes weighted average of ICI & comparative peers of $23.69 million per million inferred gold resouces; 5x$23.69 million or assigned $118.5 million assigned prospective market capitalization.

Inter-Citic's current inferred ounces are 1.29 million, the assigned fair value forward-looking price target is based on the conservative estimate of only concentrating on the area that has been defined in the NI 43-101 Engineering Report, and further characterized by the 2003 drill results. Based on known data from that area, we project a new inferred resource base of up to 5 million gold ounces. Using peer group multiple comparisons per inferred ounce, combined with the current ICI market capitalization per inferred ounce, **we assign ICI with a FYE05 range fo $2.56 per fully diluted share to $2.86 per basic share outstanding price target**[6] *(footnote previous page)*. This valuation does not account for potential gold sector recovery, or the fact that ICI has yet to test for mineralization continuity

THE COMPANY: *Background, Divisions & Activities, Mining Outlook & Project Time Line*

Inter-Citic Minerals Inc. (the "Company") is a development stage mineral exploration company focused exclusively in the People's Republic of China (the "PRC" or "China The Company has strategic partnerships with several large financially strong and established groups in China to facilitate investment in China for both Western and Chinese partners. Inter-Citic is listed on the TSX Venture Exchange under the symbol ICI.

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

The Company's operations include a Head Office in Canada, a Mine Development Division based in Canada and Beijing, China, a Rare Earth Division with operations in China, and an e-Commerce division based in Canada and Hong Kong. The Mine Development Division is a newly formed division whose purpose is to acquire exploration stage resource properties in China and to explore and develop these properties. The Rare Earth Division was originally formed to processes rare earth concentrates in China, but has since been written down concurrent with depressed commodity pricing for the specific rare earths being treated.

- **Active Mine Division Projects:**
  - **Dachang Gold Project -** Advanced gold exploration property with 1.3 million ounces gold (NI 43-101 Inferred Resource, see SEDAR filing March 14, 2004) with the potential to host a large scale Carlin-like deposit as well as an exciting district play.
  - **Zalantun Gold Project -** Early stage gold/copper exploration property in Inner Mongolia.

Holdings:
(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

Background

Over the course of the past seven years in China, ICI has engaged in a number of ventures, such as pursuit of a large lead-zinc deposit in Yunnan, establishment and operation of the rare earth operation, and development of a business plan for the China Metals Net project. These fully in-country efforts of the past seven years (including, not insignificantly, establishment and management of the rare earth mineral processing business employing in excess of one hundred people) have enabled the Company to develop both valuable management experience and expertise and key relationships with strategic Chinese partners that will be critical in the creation of increasingly promising opportunities. Management believes strongly that this wealth of experience and relationships with the right Chinese partners is a key competitive advantage that distinguishes Inter-Citic from other companies that have only recently demonstrated interest in the Chinese mineral industry. During the third quarter, on July 31, 2003, the Company announced that preliminary agreements were signed with the Qinghai Geological Survey Institute, covering the Dachang Gold Project in the Province of Qinghai, China, and the Beijing Institute of Geology for Mineral Resources, covering the Zalantun Gold Project in the Inner Mongolia Autonomous Region, China. Formal joint venture agreements for these projects were completed and signed during the fourth quarter, on October 30, 2003 (Zalantun Gold Project) and November 14, 2003 (Dachang Gold Project). As at the date of this report, the joint venture for the Dachang Gold Project had already received government approval and had been issued a formal business license.

Acquisition of these projects has highlighted management's abilities in China, and the range and scope of the Company's presence in the Chinese market. The Company intends to explore and further develop these exploration stage properties, and to add additional properties in the future. By the end of 2003, the Company established a special technical advisory committee comprised of industry leaders in exploration, mining, metallurgy and investment banking fields, adding a significant depth of resources from which to draw upon as it proceeds in developing its exploration opportunities in China. During Q1 of 2004, the Company began an initiative to secure and ship to China two North American wireline diamond drill rigs for use on its Dachang Gold Project, leading to the signing of a formal agreement with Cyr Drilling International during Q2. Gordon Cyr, of Cyr Drilling International, has been involved in numerous world-class exploration drilling programs for over thirty years, including surface and underground field operations as well as senior management positions with Canadian-based Midwest Drilling and Major Drilling Group International Inc. He and his crew will oversee all aspects of Inter-Citic's exploration drilling programs in China. Under the terms of the agreement, the Company has the option to acquire the drill rigs at anytime. It is expected that funding for these activities will come in the form of private and public offerings, and during the third quarter of last year the Company announced the successful negotiation of a private placement with proceeds of $2,430,000. During the first quarter of this year the Company received an additional $3,164,706 as a result of the exercise of existing share-purchase warrants, and during the last quarter of the fiscal year, the Company closed a private placement for gross proceeds of $2.45 million, leaving the Company with a cash balance of roughly $4.0 million. It is anticipated that the Company will complete additional financings during the balance of 2004. During the prior year, the Company recognized a write down of the Rare Earth Division in the form of a charge against property, plant and equipment of $3,824,786 to reflect the Company's decision to suspend operations of the factory in the face of currently unfavorable market conditions. In light of the Company's recent success in acquiring exploration properties for further development, the Company does not intend to allocate any further funding of significance to this division. In addition, there has been no significant activity in the e-Commerce Division, nor has there been any further advancement of initiatives with respect to the Yunnan lead-zinc project.

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

Dachang and Zalantun Gold Projects

The Dachang gold project consists of three parcels of land either owned or under application, covering approximately 275 km2. The main parcel and the current area of interest covers approximately 275km2. Inter-Citic's joint venture partner, the Qinghai Geological Survey Institute focused its exploration in the southeast corner of the main parcel. This work consisted of geological mapping, soil sampling, 20,000m of trenching and 6,000m of diamond drilling; the majority of which, covers approximately 10km2.

On November 14, 2003, the Company entered into an agreement with the Qinghai Geological Survey Institute regarding the "**Dachang**" gold project in the Province of Qinghai, China. Under the terms of this **joint venture agreement**, the Company can earn an 83% interest in the joint venture Minimum contributions are staged as to the equivalent of approximately $2,970,000 (Renminbi 18,830,000) in 2004 and $2,200,000 (Renminbi 14,000,000) in 2006. The Company also has the ability to acquire an additional 7% interest in the joint venture based on the valuation of any potential mining project contained in a Pre-feasibility Reporst, for a total interest of 90%. The Qinghai Geological Survey Institute will retain a carried interest in the joint venture. 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.

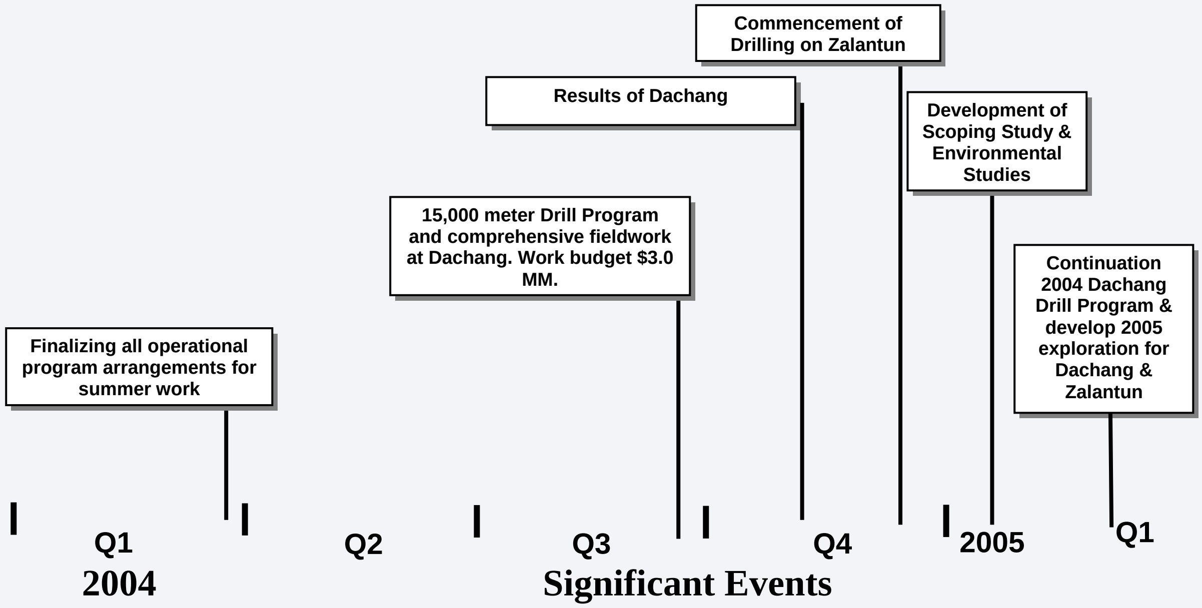
The **Zalantun** gold project is an exploration stage project consisting of three blocks covering 125 km2. The project area has been explored by the Beijing Institute of Geology for Mineral Resources, with nine individual target areas identified to date. On October 30, 2003, the Company entered into an agreement with the Beijing Institute of Geology for Mineral Resources regarding the "Zalantun" gold project in the Autonomous Region of Inner Mongolia, China. Under the terms of this **joint venture agreement**, the Company can earn an 85% interest in the joint venture by contributing the equivalent of approximately $2,360,000 (Renminbi 15,002,500) over three years. Minimum contributions are staged as to the equivalent of approximately $630,000 (Renminbi 4,000,000) in 2004, $1,260,000 (Renminbi 8,000,000) in 2005 and $470,000 (Renminbi 3,002,500) in 2006. The Company also has the ability to acquire an additional 5% interest in the joint venture for the equivalent of approximately $278,000 (Renminbi 1,765,000), for a total interest of 90%. The Beijing Institute of Geology for Mineral Resources will retain a carried interest in the joint venture. As part of this agreement, the Company also has a right of first refusal on any mineral exploration project for which the Beijing Institute of Geology for Mineral Resources seeks foreign Investment. The Company completed and filed technical reports on both properties subsequent to year-end.

Mining Outlook

Over the next year the Company will focus all of its available resources and relationships in China to carry out an exploration and development program for its Dachang project as the highest priority with Zalantun and potentially new gold projects also intended for further development. The Company believes that it will be successful in securing new projects, and that these projects will result in a significant enhancement of enterprise value in the coming twelve months. In the meantime, the rare earth and e-Commerce operations will remain suspended to preserve capital and allow for focus of resources and effort on development of the above objective.

Near-Term Project Exploration Time Line

PROJECT '*TIME LINE*' FLOW CHART



OVERALL INDUSTRY, GOLD MARKET & CHINA MINING OVERVIEW

As depicted by the first table below, world demand trends have been on a steady increase. Meanwhile, the second chart illustrates gold demand trend is outstripping gold supply. World Gold Council reported a second successive quarter of strong consumer demand, as consumer demand rose by 11% in tonnage terms, and 25% in dollar terms, compared to a year earlier.

World Gold Demand ($bn)

	2003	*% change '03 vs '02*	Q4'03	Q1'04	Q2'04[1]	*% change Q2'04 vs Q2'03*	*% change H1'04 vs H1'03*
Fabrication							
Jewellery	29.56	*10.8*	8.05	8.30	8.84	*20.2*	*23.2*
Industrial	3.72	*28.2*	1.03	1.04	1.10	*21.2*	*21.0*
Dental	0.78	*14.1*	0.21	0.22	0.21	*13.0*	*14.2*
Sub-total above fabrication	34.06	*12.5*	9.28	9.57	10.16	*20.2*	*22.7*
Bar & coin retail investment[2]	3.67	*-1.2*	1.04	1.45	1.38	*44.6*	*61.5*
Total Demand	37.73	*11.0*	10.33	11.01	11.54	*22.6*	*26.5*
Balance[3]	7.42	*450.7*	2.44	-0.63	-1.17	...	...
London PM fix (US$/oz)	363.32	*17.3*	391.06	408.44	393.27	*13.4*	*14.7*

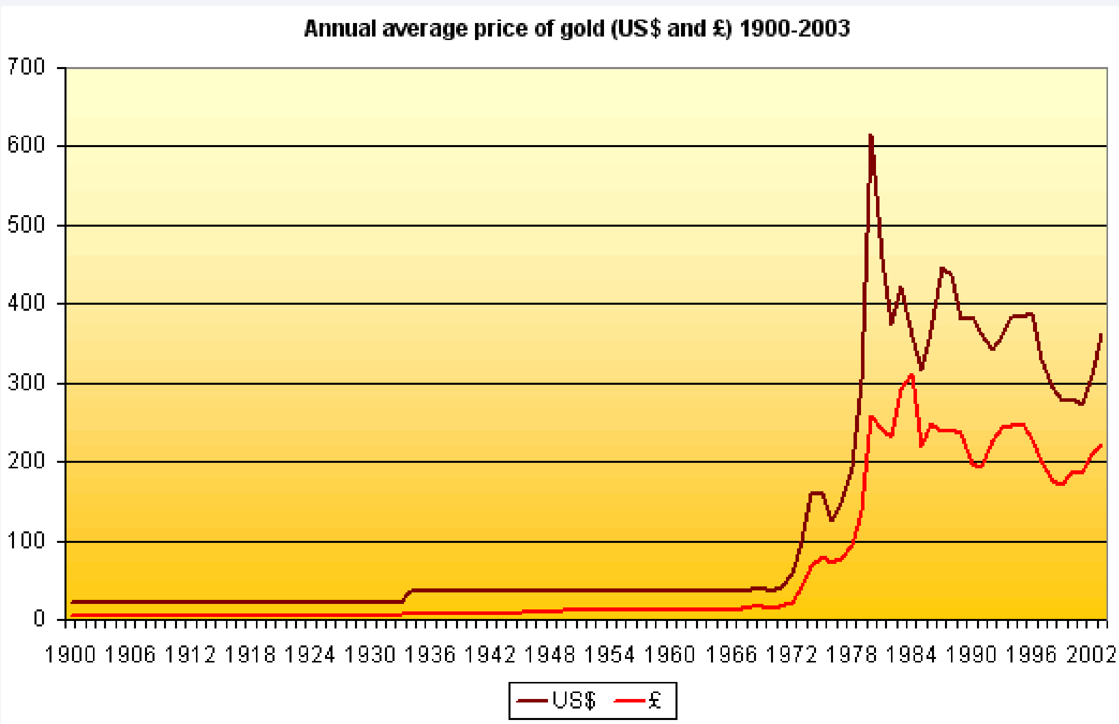
Source: Word Gold Council

World Supply-Demand

tonnes	2003	*% change '03 vs '02*	Q4'03	Q1'04	Q2'04[1]	*% change Q2'04 vs Q2'03*	*% change H1'04 vs H1'03*
Supply							
Mine production	2,593	*0.1*	640	561	639	*-1.5*	*-3.8*
Net producer hedging	-291	...	-37	-84	-90	...	...
Total Mine supply	2,302	*6.2*	603	477	549	*4.7*	*2.7*
Official sector sales[2]	617	*13.2*	172	102	81	*-50.1*	*-37.8*
Old gold scrap	945	*13.0*	240	212	191	*-14.6*	*-18.7*
Total Supply	3,865	*8.9*	1,015	791	820	*-9.8*	*-9.9*
Demand							
Fabrication							
Jewellery	2,531	*-5.6*	640	632	699	*6.1*	*7.5*
Industrial	318	*9.3*	82	79	87	*6.9*	*5.6*
Dental	67	*-2.8*	17	17	17	*-0.4*	*-0.4*
Sub-total above fabrication	2,916	*-4.1*	738	728	804	*6.0*	*7.1*
Bar & coin retail investment[3]	314	*-15.8*	83	110	109	*27.5*	*40.7*
Total Demand	3,230	*-5.4*	821	838	913	*8.2*	*10.4*
Balance[4]	635	*369.4*	194	-48	-92	...	...

Source: Word Gold Council

In the historical gold chart below, we find gold pricing largely stagnant until the 1970's, where the U.S. had the inflationary spike upward to its apex in 1980, followed by the most recent price resurgence during the 2002-to-current period *(refer to following chart)*.



Source: http://www.gold.org

The reawakening of investor interest in gold follows a deep bear market which saw gold retreat to levels last seen in the early 1980s. The price revival has taken place amidst a massive level of monetary stimulation in the U.S. and a slump from U.S. Budget surpluses to near record deficits. This in turn undermined the value of the U.S. dollar, and propelled gold forward – up 21% last year alone. It has been a long haul back for gold which briefly glimpsed $US500/oz in the aftermath of the October 1987 market crash before sliding lower for most of the 1990s.[7]

Gold producers are forecasting a bullish market for the yellow metal over the next few months with the US dollar weakening and demand strong in China. AME Info columnist Dr. Marc Faber is also a gold bull and advised buying the metal in one of his most recent columns.[7] One positive for gold is likely to be renewal of the agreement among central banks for orderly and capped gold sales. The current agreement expires in September 2004 and the early signs suggest central banks, although still queuing to sell gold, are happy to sell in a controlled manner in amounts which the market can absorb without significant price shock.

A portion of the increase simply reflects the general dollar depreciation, relative to other currency. However, gold also represents a safe haven investment. Hence, there have been periods in the past when the fear that drove investors into gold was the fear of inflation and periods when gold prices also respond to geopolitical tensions - both of these issues have been apparent mechanisms in the recent pricing trends. The dollar has fallen dramatically against some major currencies, notably the euro, against which the dollar has declined roughly 30 percent from its recent peak in the first quarter of 2002. Going forward, while near-term inflationary concerns have ebbed, with the high US deficit and current governmental spending outpacing treasury revenue, it is apparent that the incremental debasement trend of the US dollar may continue. Many believe this monetary drag along with 'flight-to-safety' hedge against future terrorism bodes well for gold's near-term outlook.

GOLD & CHINA:

We believe China's mounting gold influence is essential to understanding the gold industry. China's mineral deposit potential will likely migrate toward central stage, a spotlight currently reserved for leading gold producers like South Africa, North America, and other gold enriched continents. China is the world's fourth largest gold consumer and gold producer[8]. China is vast, not only in size and population, but also in mineral wealth. Mining has an incredibly long history in China; Shandong province and Hebei province have been mining for thousands of years.

The country is suffering from a long-term supply shortage of precious metals. The opening of the market made it possible for individual citizens to invest in the gold sector and would encourage enterprises to develop new gold products, providing a much needed economic boost. China's recent liberalization translates into the removal of foreign ownership restrictions and an opportunity to joint venture and/or acquire assets.

China is the fastest growing destination for direct foreign investment - exceeding USD$50 billion in 2002. Mining has become one of the beneficiaries of this trend, with foreign investment becoming critical to sustaining the industry as exploration funding from the China Central government continues to decrease. This leaves local exploration teams with little or no source of cash flow independent of foreign investment, as demonstrated by the following statistic from the China Gold Association: State investment in gold prospecting for 2004 is expected to be US$12 million, down from US$240 million 10 years ago.[9] There are approximately 3,000 small mines in China: in 1992, China's gold production was 8.5 tons, while 189.9 tons were produced in 2002, representing an approximate 10% annual growth rate during the decade; gold output in the Chinese mainland is expected to reach 210 tons this year, according to the China Gold Association. According to the China Gold Association, China's gold output reached a record 200.598 tons in 2003, while in 1945, the country's output was 4.5 tons, and reached 100 tons in 1995. Both production levels and efficiencies could get a substantial boost from foreign investment and application of foreign equipment and expertise, as average production per mine in China is still well below global standards, running at approximately 15,000 ounces annually.[10] Gold demand in the mainland grew by 6 per cent year-on-year to 61 tons during the first quarter of this year, according to statistics from the World Gold Council.

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[7] GOLD – WILL THE BULL MARKET CONTINUE?, By Mark Smith, GoldLink Capital Asset Management Pty Limited, AIMA Journal, February 2004

[8] Source: China Daily

[9] Source: China Economic Net

In addition to jewelry demand, new gold consumption in China is expected to surge with direct bullion ownership by individuals. In 2002, the government lifted restrictions on direct ownership of gold, allowing for gold trading on the Shanghai Gold Exchange. This development has been further accelerated with the Bank of China and China Merchants Bank[10] starting to sell gold bullion to individuals as an agent of gold producers in 2004. Other large state-owned banks are expected to follow suit.

In terms of its operational scale, China has previously been seen as hosting a large number of small, inefficient mines with archaic technology, ineffectual management, and low production efficiency; most Chinese gold mines have historically not been competitive and subsequently suffered from high production costs.[12] Hence, China's mineral resources are principally underexplored, suffering both from historic inefficiencies and a lack of foreign investment. Some of these problems remain, including a lack of information sharing between agencies, and provincial and local contingencies.

Historical Results at Dachang

Figure 1: Satellite Image of the Dachang Project Area

Golmud (pronounced "Geermu") is a new industrial city located on the plateau in central Qinghai. Close to the borders of the Gobi Desert and the Kunlun Mountains at an elevation of 3,000m, the city is strategically situated in the Golmud River valley, which provides the primary access route into Kunlun Mountains of southern Qinghai and the Autonomous Region of Tibet. With a population of 150,000, the city has experienced construction and infrastructure supported by modern road, rail and air service to the capital Xining and the rest of China.

Situated on the Qinghai Plateau at an elevation of approximately 4,500m, the Dachang Project area is accessible by four-wheel drive vehicles along paved and gravel roads to the property a distance of approximately 250 kilometers.

SATELLITE IMAGE OF THE DACHANG PROJECT AREA

Genesis of Dachang Gold Camp:
The rocks of the Dachang Gold Camp are sedimentary in origin and consist of sandstone, argillaceous siltstone, slate and limestone. The sediments were deposited in a shallow basin along the ancient southern coastline of the Asian continent during the Triassic period, almost 200 million years ago. At this time, the coastline was dramatically different than it appears to day.

The Dachang Project Area is underlain by a sequence of Mesozoic sandstone, slate and limestone of the Bayankara Mountain Group. This sequence of sedimentary rocks has been intensely folded and fractured along a northwesterly trending axis. The property lies on the northern flank of the Apeng'eliqu anticline, which tends northwesterly along the southern boundary of the property. The dominant structural feature in the area is the Gaude Maduo Thrust Fault, which trends northwesterly across the area and transects the center of the property. This thrust fault is parallel to and cuts the

[10] Goldseek.com

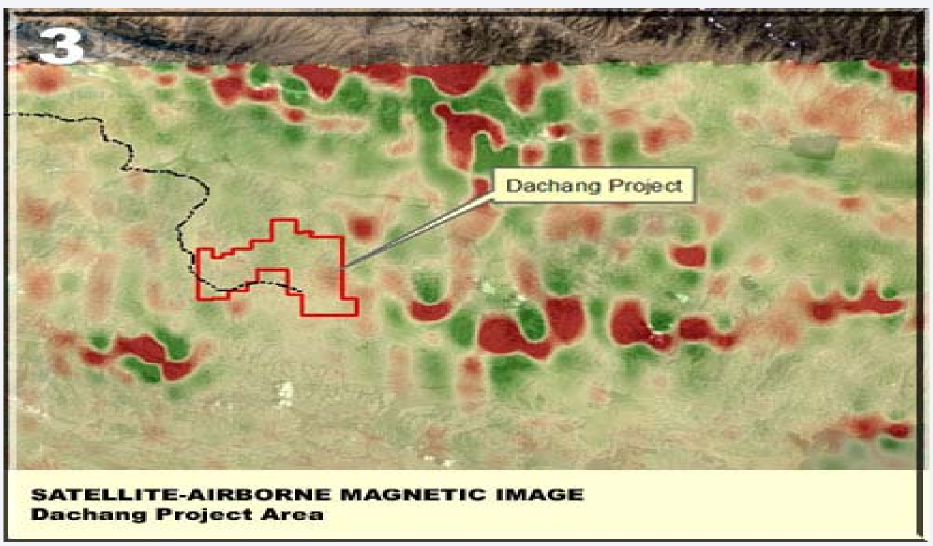
northern flank of the Apeng'eliqu anticline and is believed to be the major controlling factor for the gold deposits on the property. Numerous northeasterly trending cross faults, such as the Zhayejia fault offset the sedimentary sequence. Granodiorite, an intrusive is exposed east of the property.

The topography generally reflects the underlying geology. The faults, representing major fracture/breccia zones, are less resistant to weathering and erosion and define the river valleys in the area. The erosion of the sediments is generally uniform across the sequence; however, the more silicified units are more resistant to erosion. These units tend to represent low ridges parallel to the strike of the overall sedimentary sequence.

Figure 2: Satellite-Airborne Magnetic Image of the Dachang Project Area

All rocks are composed of minerals and all minerals have their own magnetic susceptibility or fingerprint. For example, magnetite, a principal mineral of iron ore, has a high magnetic susceptibility. In contrast, limestone generally contains no magnetic minerals and would therefore have a low magnetic susceptibility. As a result of this basic principle, rocks can be identified by their magnetic fingerprint.

Figure 2 illustrates areas of different colors from white to green to red. White to light green represents areas underlain by rocks having relatively low magnetic susceptibility and red represents areas underlain by rocks having relatively high magnetic susceptibility. The entire Dachang property exhibits various shades of white to light green. Inter-Citic's consulting geophysicist believes these various shades represent individual rock units within the sedimentary sequence mapped on the property. In the immediate area surrounding the Dachang property there are three distinct red areas; one located immediately southwest, one small area immediately northeast, and one larger area comprising a number of discrete red clusters immediately east of the property. Inter-Citic's consulting geophysicist believes that these red areas are the magnetic fingerprint of an intrusive, probably part of the same intrusive. Geological mapping east of the property has identified a granodiorite intrusive associated with this magnetic fingerprint. The significance of this observation is that Inter-Citic's consulting geologists believe that this intrusive is the source of the gold at Dachang and was the heat pump, which initiated the convection currents of the gold bearing solutions within the faults and fracture zones identified in Figure 2.



Gold at Dachang:

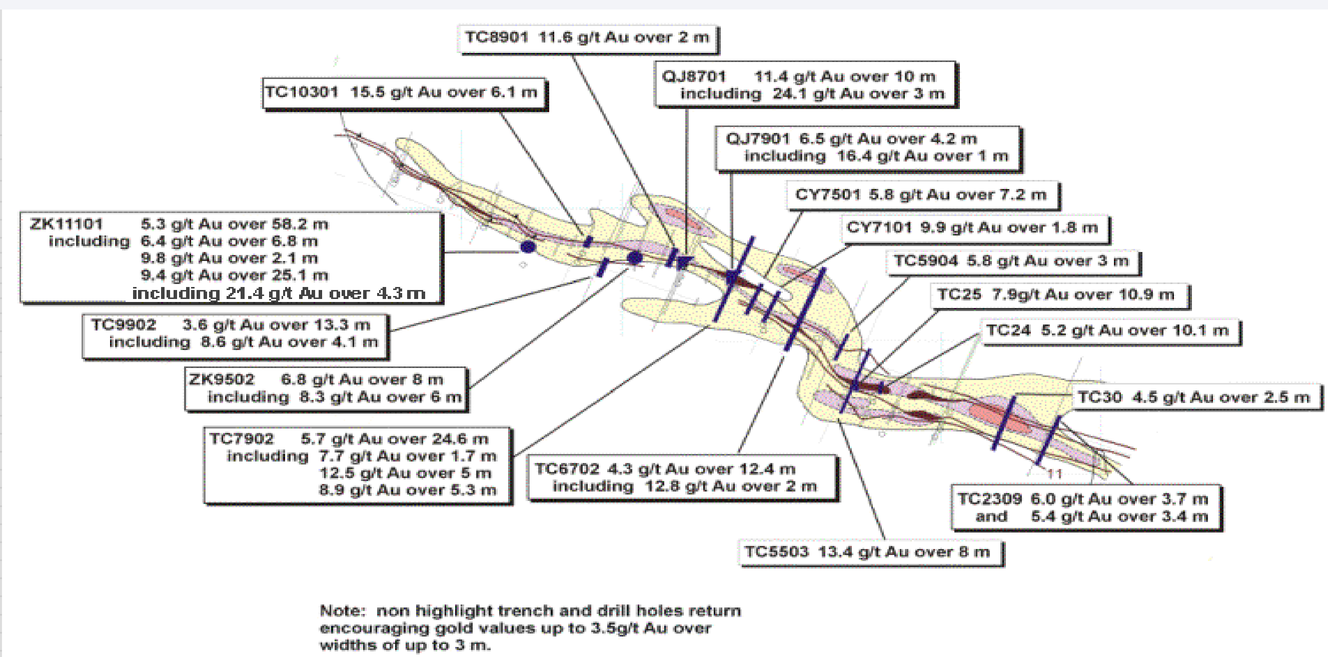
Gold at Dachang is associated with the minerals pyrite and arsenopyrite. It also occurs as native “free” gold in quartz. This gold bearing mineral assemblage is typical of most gold deposits. At Dachang, the gold mineralization is associated with a large regional fracture system referred to as the Gaude Maduo Thrust Fault. In the Dachang area, this fault zone trends northwesterly across the region and has been traced for over 160 kilometers and is the result of the extensive tectonic activity in the region. Airborne magnetic data collected by the Chinese Central Government, covering the region and re-interpreted by Inter-Citic confirms the location of the thrust fault and the presence of a large intrusive body, which is variably exposed in outcrop in the eastern part of the region.

History of Discovery:
Local prospectors discovered gold at Dachang over 200 years ago. Since that time, gold has been recovered from the gold bearing gravels of the streams and rivers in the region. The placer gold, as it is called, is the direct result of the natural weathering process of the primary gold bearing rocks at Dachang. During the 1960s and 1970s the Central Government completed geological mapping and geochemical sampling in the region. This work discovered the Gaude Maduo Thrust Fault and outlined an anomalous gold corridor up to 15 kilometers wide and in excess of 60 kilometers long, covering approximately 900km^2, coincident with the thrust fault.

It was as a result of this work and reports of extensive artisanal placer gold mining at Dachang, that the Qinghai Geological Survey Institute ("QGSI") became aware of the gold potential of the region. Encouraged by the initial results, QGSI completed a detailed geochemical sampling program covering 340km^2 of the anomalous gold corridor, resulting in the discovery of seven (7) large individual gold anomalies, the largest, referred to as Anomaly 1, covers approximately 75 km^2. The core of this anomaly covers approximately 5km^2 and is outlined by gold geochemical values greater that 36ppb gold up to a maximum of 240ppb gold (approximately 0.240g/t gold). A subsequent soil geochemical survey completed by QGSI over the core and surrounding area identified 28 individual gold anomalies.

QGSI excavated trenches across these anomalies and confirmed that all of the anomalies reflect economically significant gold bearing zones, which exhibit exceptional continuity along strike. Trenching exposed and traced individual mineralized zones along strike for up to 4,700m. The average strike length of the zones is 1,000m. The mineralization exposed in the trenches is up to 20.3m wide. The gold grades range up to 28.1g/t. over individual one-meter sample intervals. The mineralized zones are open along strike indicating further resource potential under the soil-covered areas.

Encouraged by the very significant trenching results, QGSI completed approximately 6,000m of diamond drilling designed to intersect the mineralization at depth below the mineralization exposed in the trenches. The majority of the drilling was completed during the 2002 and 2003 summer exploration seasons and focused on a 2.5km strike length of Zones 9, 10 and 11, which outcrop in the central portion of the property. The remaining portion of these zones, exposed by trenching for a further 2.5km, remains to be tested by drilling. The most significant drill hole, referred to as ZK11101, intersected 58.2m averaging 5.3g/t gold, which included several higher grade intersections, the most significant being 25.1m averaging 9.4g/t gold. Included in this 25.1m interval was a significant intersection of 21.4g/t gold over 4.3m.



Assays from the remaining eight holes of the 31-hole drill program also returned high values. Significant gold intercepts include 7.0 meters grading 6.91 g/t Au in Hole ZK-11103 (which includes individual and consecutive one meter assays of

13.4 g/t and 15.5 g/t), 8.46 g/t over 5.04 meters in Hole ZK 3101, and 4.82 g/t over 6.0 meters and 7.17 g/t over 5.16 meters in Hole ZK-0803. Significant shaft results include 6 meters grading 12.13 g/t in Shaft QJ-4501.

Gold Resource at Dachang:
At the end of the 2002 exploration season, QGSI completed a mineral resource estimate on Zones 9, 10 and 11. Inter-Citic's independent geological consultant, Dr. George Cargill reviewed this estimate and reported an inferred resource of 5.7 million metric metric tonnes grading 7.0g/t gold (1.3 million ounces) as defined by 43-101 associated with a 2,500m strike length of the zones defined by drilling. The results of the 2003 exploration season, which included a significant amount of drilling on this section of these zones, increased the confidence level of the inferred resource.

Resource Potential at Dachang:
Inter-Citic has compiled an interactive computer database of all the historical exploration data at Dachang. This database will be added updated as new exploration information is generated through subsequent exploration programs and will provide a basis for deposit modeling and further resource estimations.

As part of Inter-Citic's exploration philosophy, exploration data and geological models are continually being challenged at Dachang as old data is reviewed and new information is added to the database. As a result of this ongoing process, Inter-Citic believes that the seven (7) regional gold geochemical anomalies identified by QGSI during the early stages of exploration at Dachang may reflect two larger anomalies each covering approximately 75km^2. The exploration results to date at Dachang only cover a portion of Anomaly 1; yet this limited, but very encouraging data indicates significant resource potential associated with Anomaly 1. This is highlighted by the fact that the current 1.3 million ounce inferred resource, is based only on a 2,500m strike length of three zones (9, 10 and 11), which are exposed in trenching for almost 5,000m. Limited trenching has exposed the remaining 25 gold zones. The majority has not been drilled. Additionally, there is strong evidence to suggest that all 28 gold zones of Anomaly 1 continue southeasterly along strike under overburden for almost 5,000m; at which point, similar geology and mineralization is exposed in trenching.

Furthermore, Inter-Citic believes the remaining six (6) gold geochemical anomalies located immediately northwest of Anomaly 1, may reflect one large anomaly defining the area of influence of a large geological inferred breccia zone occurring at the juncture of the Gaude-Maduo Thrust Fault and the younger northeasterly tending fault. This conclusion is based on a reinterpretation of the Chinese airborne magnetometer data completed by Inter-Citic's independent consulting geophysicist Dr. Jim Misener and on Inter-Citic's review of the geological, geochemical and topographic data in the area. Inter-Citic estimates the core of this zone covers approximately 5km^2 and may represent a geological setting typically associated with large structurally controlled gold deposits.

Proposed Exploration at Dachang:
The exploration results at Dachang are extremely encouraging and warrant further work. Inter-Citic has proposed a major exploration program for Dachang. The program will include geological mapping, ground magnetometer and electromagnetic surveys, extensive mechanical trenching, sampling and 15,000m of diamond drilling. The diamond drilling will be carried out by Cyr Drilling International, a Winnipeg based company, using modern Canadian drills and experienced Canadian drillers.

Recently, regional prospecting by Inter-Citic's partner on the project, the Qinghai Geological Survey Institute ("QGSI"), discovered the remnants of an historic underground mining operation on the Gaude-Maduo fault immediately adjacent to the western boundary of the main parcel, approximately 20km northwest of Inter-Citc's Dachang gold deposit, reporting an NI 43-101 inferred resource of the 5.7 million metric tonnes averaging 7g/t gold (approximately 1.3 million ounces). Adits, exploration shafts and mine dumps define this zone, which trend southeasterly onto Inter-Citic's Dachang property. This new discovery potentially doubles the length of the gold corridor on the property, previously defined by stream sediment and soil geochemical surveys, from 10km to 20km. All of the known gold occurrences in the region appear to be directly related to the Gaude Maduo fault.

Because of the regional geological significance of this new discovery and the indicated resource potential of this new zone, Inter-Citic will direct its initial exploration effort on the strike extension of this new gold zone.

The Dachang project is on the Qinghai Plateau at an elevation of 4,500m and has a sensitive high alpine environment. Drilling is expected to commence in the near term, and initial assays will be carried out by SGS, an international respected laboratory recently established near Beijing.

INVESTMENT MERITS:

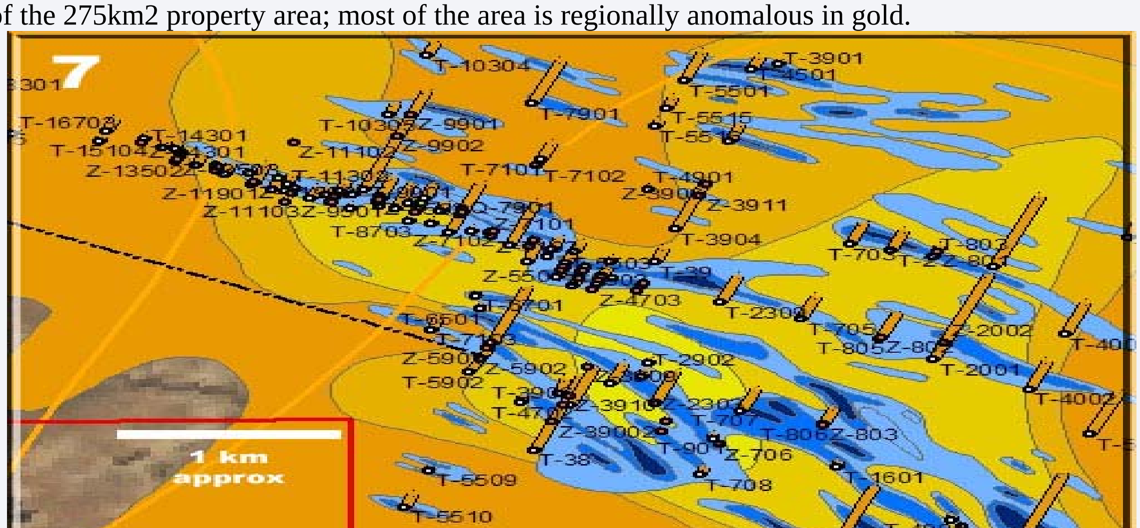
Immense Mining Potential - Stellar Exploration Results

Inter-Citic and its Chinese partner currently have land holdings confirmed or under application now encompassing approximately 275 square kilometers at Dachang. North American drill rigs are in place to verify continuity of the known mineralized zones, up to 5 kilometers long, associated with a major gold corridor traced on the property for over 20 kilometers. Historically, exploration at Dachang has focused on less than 5% of the total anomalous area on the property and within this area Inter-Citic's partners have completed 20,000 meters of trenching and 6,000 meters of drilling. The majority of this work concentrated on the western 2.5 kilometer portion of 3 gold zones (9, 10 and 11 exhibiting a strike length of 5 kilometers) of the 28 gold zones exposed on the property.

The total cost of the 2004 exploration program is estimated to be C$ 3.0 million. Inter-Citic is fully funded to carry out the program. ICI anticipates the results of the proposed program will significantly increase the 1.3 million ounce inferred resource. Historically, diamond drilling at Dachang was carried out using outdated drills, restricted to less than optimal vertical or near vertical holes. Furthermore; the core recovery was very poor, averaging less than 50%. This was further complicated by a very slow daily drilling rate, being one to three meters per day per drill.

- <u>Figure 7: Detail of Western Portion of Gold Zones 9, 10 and 11</u>

  Figure 7 details the western portion, approximately 2.5km length, of gold Zones 9, 10 and 11. Several sets of data are shown on this figure. The prefix "Z" designates a diamond drill hole, the prefix "T" designates a trench and the prefix "QJ" designates an exploration shaft. The work on this portion of the zone (s) discovered potentially economic gold grades over mineable widths and exhibits exceptional continuity along strike of the 2.5km of the zone (s) tested to date. This inferred resource was based only on the results up to and including the 2002 exploration program. The results of the 2003 program were not received until after Dr. Cargill completed his review; however, the results of the 2003 program greatly increased the confidence in Dr. Cargill's review. The significance of this inferred resource is that it represents only a 2.5km section of three (zones 9, 10 and 11) of the 28 gold zones identified on approximately 10km2 of the 275km2 property area; most of the area is regionally anomalous in gold.



TRENCHES AND DRILL HOLE LOCATIONS
Western portion of Zones 9, 10 & 11

Market Entry Barriers & Regional Competitive Advantages

(Leveraging Influential Partnerships, Alliances & Affiliations)

There are a host of indirect and direct barriers to entry into China's Mining Industry. First, the early to market entry enables ICI several advantages, such as: (1) the access to strategic investors of influence; (2) an exclusive partnership with Beijing Institute of Geology for Mineral Resources ("BIGM"); (3) exclusive partnership with the Qinghai Geological Survey Institute (QGSI); (4) other relationships and connections from seven years of operational history within China; (5) early access to China's internal geological study records; and, perhaps most importantly, (5) the early-mover advantage of laying claim to what the Company (& outside mining consultant) deems to be the most lucrative gold mining sites.

Since many of these advantages are discussed in full detail with separate sections within *Investment Merits*, it is important to address the regulatory landscape for those already not participating in licensed mining within Mainland China. The National Development and Reform Commission ("NDRC") of China released its "Regulations on Issuing Approval for Mining Gold" (the "Regulation") requiring all potential gold mining projects to seek NDRC approval as of January 1, 2004. The Regulation added another layer of approval to the gold mining process, in addition to the need to obtain a mining license from the Ministry of Land and Resources ("MLR"). The Regulation followed comments initially made by a representative of the NDRC at the 2003 International Gold Investment Conference in November 2003 that suggested that NDRC would be pursuing a policy of actively restricting the activity of foreign investors with respect to gold exploration and mining. On March 25, 2004 an NDRC representative announced its understanding that the Foreign Investment Industrial Guidance Catalogue (the "Catalogue") will be amended to limit foreign investment in the gold mining sector. By way of background, all foreign investment in China, including any investment in mining projects, must comply with the specifications of the Catalogue. The Catalogue segregates the various industries and projects into three broad categories where foreign investment is encouraged (no restrictions are placed on foreign ownership), restricted (joint ventures with Chinese companies are permitted but wholly foreign owned operations are not allowed), or prohibited. Any industry not listed in the Catalogue is considered to be "permitted". Gold exploration and mining, like the exploration and mining of a selected number of other minerals, are currently within the "restricted" category of activities. NDRC has suggested that future policy in the gold mining sector will see the exploration and mining of high grade gold by foreign investors moved to the "prohibited" category while leaving the exploration and mining of low grade deposits within the "restricted" category. That said, those foreigners who have locked-up agreements for verifiable and tested mines are positioned to benefit from a future oligopoly.[11]

Canadian Drilling Technology and Canadian Drillers at Dachang:

ICI plans to carry out a comprehensive integrated exploration program at Dachang which includes ground geophysical surveys, stream sediment and soil geochemical surveys, geological mapping, trenching, rock sampling and diamond drilling. The geophysical surveys will include a gradient magnetometer survey, a VLF electromagnetic survey and several Induced Polarization (IP) test profiles. Inter-Citic has contracted Cyr Drilling International for the Dachang project. Cyr Drilling is a leading edge diamond drilling company based in Winnipeg, Canada. The Company was recently formed by the founding family of MidWest Diamond Drilling, one of the most respected and recognized names in the Canadian diamond drilling industry.

Inter-Citic will use new modern specially modified Canadian drills operated by experienced Canadian drillers. The newer drills will have the flexibility to drill angle holes. Core recovery is expected to be greater than 95% and the drilling rate is anticipated to average 50 meters per drill per day. With the ability to drill optimal angle holes, and retrieve over 95% of the core, Inter-Citic will obtain extremely reliable structural information regarding the width of the mineralized zone. Additionally, with better core recovery, ICI expects to recover more core from the mineralized section, which historically was ground up and not recovered due to antiquated drilling technology

Historically, all of the samples collected on the Dachang property were collected, documented and analyzed by Inter-Citic's Chinese partner. Blind confirmation sampling by Inter-Citic and its independent qualified person and analysis by an independent Canadian Assay Laboratory confirmed the tenor of the gold grades reported by the Chinese. The 2004

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[11] Source: http://www.blakes.com/english/publications/China/chinaApr04/ChinaGoldMining.pdf

exploration program at Dachang will be carried out under the direct supervision of David G. Wahl, P.Eng., P.Geo.,Inter-Citic's internal "Qualified Person" as defined by NI-43-101. An internationally accredited laboratory will carry out all of the analytical work for the project. Inter-Citic is pleased to have Dr. D. George Cargill, P.Eng as Inter-Citic's independent Qualified Person (geology) and Dr. Jim Misener, P.Eng and Mr. Ron Mertens, P.Geo., as Inter-Citic's independent Qualified Persons (geophysics) for the Dachang project. The Dachang project will be managed and directed on site, by Mr. Garth Pierce, Inter-Citic's Vice President of Exploration. Mr. Pierce is a respected Canadian geologist who directed Noranda's exploration at the world class Hemlo Gold Mine in Ontario.

The drilling at Dachang is being carried out by experienced Canadian drillers using two modern Boyles coring drills, modified to operate efficiently at high altitude and arctic conditions. Cyr Drilling has equipped its drill crews with the latest wireline core recovery system and will use world-proven polymer drilling fluid to enhance core recovery. The Boyles drills have the capability to drill holes at any angle; however, the normal operating range is from vertical (90 degrees) to minus 45 degrees. Daily production is estimated to 50 meters per day per drill. Normal production is significantly higher. **Hence, <u>core recovery is expected to increase materially, to in excess of 95%.</u>**

***Strategic Shareholders** – Key Deterrent to Expropriation, Fast-Track Projects & Governmental Influence*

The estimated total interest (direct and indirect) of the influential strategic partners is approximately 68%. The vision and strategic positioning of ICI's executive team has adeptly secured the 'right' players of industrialists and tycoons to secure contracts and fast-track bureaucratic approvals to avoid delays; meanwhile, these influential guardians also provide another safety layer or 'safety net' against the potential threat of expropriation. The strategic shareholders are no less than the '*who's who*' list in industrializing China.

- **Ho Family and Associates** (Direct and Indirect) - Hong Kong and Macao. Owners of The Tai Fung Bank (Macao) with assets over US $5 billion and in partnership with The Bank of China.
- **Lee Family** - Hong Kong. Henderson Land Group of Companies with an aggregate market cap of approximately USD $20 Billion.
- **Hong Family** - Taiwan politically active industrialist family.
- **Xu Family** - Shanghai, China - Active investment group based in Shanghai.

<u>Exclusive</u> Partner of the Beijing Institute of Geology for Mineral Resources

The regionally prestigious and strategically important Beijing Institute of Geology for Mineral Resources ("BIGM") is China's ONLY national geological institute. With Inter-Citic's <u>exclusive</u> access and partnership relationship, the Company has complete access to all historical geological work performed in the country. Further, ICI has a Right of First Refusal on all mineral projects controlled by BIGM. This strategic asset provides Inter-Citic with unprecedented access to a 'pipeline' of deal flow. Indeed, the relationship is so cozy that ICI's Beijing office is located inside the offices of BIGM.

<u>Exclusive</u> Partner with the Qinghai Geological Survey Institute ("QGSI").

- Largest geological exploration group in Qinghai.
- Qinghai, a province of five million people, is part of the "Go West" investment incentive plan.
- 40% of the GDP of Qinghai comes from the mining industry – gold, coal, lead-zinc and lithium.
- Inter-Citic holds a Right of First Refusal on all QGSI exploration licenses.
- Central Government is intent on maintaining stability and continues to invest heavily in infrastructure.

History of Successful Outside Funding

Like any exploration Company, funding is essential until the stock delivers critical mass for traditional new issues. ICI has had a history of success in private investment in public equity (PIPEs) to fund operations:

- August 26, 2004: Inter-Citic Minerals ("Inter-Citic" or "the Company") closed the previously announced private placement of 2,545,000 units at a price of C$1.00 per unit for gross proceeds of C$2,545,000. Each unit consists of one common share plus one share purchase warrant, with each full warrant entitling the holder to purchase, at any time until August 26, 2006, one common share of the Company at a price of $1.10;
- An earlier financing was closed November 13, 2003 and February 2, 2004 (in two tranches) for proceeds of $2,430,000, conversion to common shares of the Company's $2,000,000 convertible debenture on October 31,

2003, as well as additional financing of $3,164,706 following the exercise of share purchase warrants as announced on December 17 and December 22, 2003.

Proceeds from the private placement will be used to help finance further exploration of the Company's interests in the Dachang and Zalantun properties in China and for general working capital purposes.

Tax Benefit - Net Operating Losses

The Company has available losses of approximately $5,355,000 which may be carried-forward to reduce future years' income for tax purposes. A full valuation allowance of $2,700,000 has been applied against the benefit of these tax losses, as in management's view recognition is not warranted:

INVESTMENT RISKS

History of Losses, Auditors Statement & Ongoing Liquidity Concerns.

As at November 30, 2003, the Company reported a loss of $6,729,003 and an accumulated deficit of $22,422,427 ($2,663,588 and $14,289,230 as at November 30, 2002, respectively). A critical component of management's operating plan impacting the continued existence of ICI is the ability to obtain additional capital through additional debt and/or equity financing. Management does not anticipate that the Company will generate a positive internal cash flow until such time as ICI can generate revenues from its mining activities, which may not materialize in a meaningful way. 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. However, 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. Also, ICI has a successful history of securing outside funding.

Management continues to consider various alternatives to raise capital however it is not possible to determine with certainty the success or adequacy of these initiatives. The most recent round of financing increased Inter-Citic's consolidated cash position to approximately $4,000,000.00. Proceeds of the issue will be directed toward accelerating the drill program at the Dachang gold project in Qinghai, China and further field work at the Zalantun gold project in Inner Mongolia, China. Both of these projects are described in technical reports in accordance with NI 43-101 "Standards of Disclosure for Mineral Projects" which were filed in March 2004.

Political Risk

The Company's strategic advantage is its ability to accomplish business objectives in China efficiently and effectively. Accordingly, ICI 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 ICI'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.

Mine Development Activities

The Company has negotiated formal joint venture contracts relating to the Dachang and Zalantun Gold Projects in China. Although approval from regulatory authorities was received for the Dachang Project subsequent to year-end, approval of the Zalantun joint venture is expected to occur during 2004; however, there is no guarantee that these activities will be without delay or success.

Exploration and development of mineral properties and as a result investing in the shares of the Company both involve a high degree of risk. Even if the Company is successful in acquiring an interest in these and/or other exploration properties, the marketability of the natural resources that may be discovered will be affected by numerous factors beyond the control of the Company. The return, if any on the investment in shares of a resource company is subject to market conditions that are beyond the control of the Company. Some of the factors affecting resource exploration and development include the proximity and capacity of resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure and land use, importing and exporting minerals and environmental protection. A portion of the Dachang Gold Project is situated in an environmentally sensitive area around the headwaters of the Yellow River that will require approval from the regulatory authorities prior to mining in the future. The effect of these and other factors cannot be predicted.

Other Negative Considerations:

- ***Existing & Future Dilution.*** Due to the fact that Inter-Citic expects to seek further sources of outside funding, we would expect shareholders' positions to be further diluted. Past funding has been in the form of stock and warrant dilution.
- ***Stock Price & Erratic Trading.*** Stocks which trade below $5 per share are typically considered penny stocks and are subject to volatility until which time the liquidity and price provide efficiency for larger trades. ICI has erratic trading and relatively low average volume; this will be an albatross for institutional support, until such time as the fundamentals serve to attract institutions.
- ***Environmental Risk.*** The Company believes that the environmental protection measures taken at its metal projects 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. Inter-Citic and Cyr will adhere to strict environmental protocols, recycling the water used for drilling, using environmentally friendly drilling fluids and collecting drill cuttings to respect the environment.

RECENT DEVELOPMENTS

- September 2004: Inter-Citic announced that exploration has commenced on the Dachang Gold Project in the Province of Qinghai, China. The exploration program consists of gradient magnetometer, electromagnetic and IP surveys, extensive mechanical trenching, sampling and 15,000 meters of diamond drilling.
- August 2004: Inter-Citic announced the closing of a private placement financing, raising gross proceeds of $2.45 million.
- June 2004: Inter-Citic Minerals announced that Rick Van Nieuwenhuyse, President and CEO of NovaGold Resources Inc., has joined the Company's Board of Directors. Mr. Van Nieuwenhuyse established NovaGold in 1998, and has over 25 years of worldwide experience in the natural resources sector. The company is advancing five separate million-plus-ounce gold deposits toward production, including three of the largest undeveloped deposits in North America. Prior to establishing NovaGold, Mr. Van Nieuwenhuyse was Vice President of Exploration for Placer Dome Inc.
- June 2004: Inter-Citic Minerals Inc., announced that Abe Schwartz, President and CEO of Cedara Software Corp., has been appointed a Director of the Company. A leading independent provider of medical technologies to customers around the globe, Cedara has over 20,000 medical imaging installations worldwide. Mr. Schwartz has been actively building and managing companies for over 25 years, from start-up to maturity.

MANAGEMENT

In addition to the experience at the senior executive level, ICI shows significant depth throughout Director, advisory committee and intermediary ranks *(refer above to Recent Developments, Rick Van Nieuwenhuyse CEO of NovaGold Resources Inc & Abe Schartz CEO Cedara; another active notable is Scott Dorey, Executive Investment Banker at Lehman Brothers)*. Specifically, the key operating managers have vast experience in finance, start-up/venture operations, and mineral resources:

- **James J. Moore,** *President & CEO*

Possessing an entrepreneurial nature, Mr. Moore has spent the past twelve years of his career working in international businesses all of which have been directly and exclusively involved in post-communist era markets. Since 1997 Mr. Moore has worked closely with the Hong Kong based investor groups who have supported Inter-Citic. An abundance of his work has focused on developing key relationships within the mineral industry in China. Over the course of this period he has witnessed first-hand the continuing evolution of China's mining industry as well as becoming well accustomed to dealing with the subtleties and nuances of the Chinese business culture. Over the past seven years he has visited the Peoples Republic of China on business on over 50 occasions. On average, he spends up to a third of every year in China on business. Mr. Moore is credited for assembling the Inter-Citic team and maintaining the company's focus on the China mineral industry.

Prior to his work in China, Mr. Moore held the position of Vice-President, Finance and Operations of the Klon Group of companies. The Klon Group was a very successful start-up oil-trading group with offices in Toronto, Boston and Moscow, controlled by citizens of the former Soviet Union who were operating at the forefront of the Perestroika reform movement. In each of the four years Mr. Moore was with The Klon Group the company had profitable operations with revenue in excess of US$100 million.

In addition to the above, Mr. Moore is a Past President of Toronto's Ontario Club, and has the distinction of being the youngest person ever to hold the highest office of the prestigious 95-year-old business and social club. Mr. Moore is married with three children and resides in the Greater Toronto Area.

- **Lou Pasubio**, C.A., *Vice President, Finance and CFO*

Mr. Pasubio is the CFO of the Company and has executed the responsibilities of that position for the past four years. In addition to these responsibilities Mr. Pasubio is responsible for the implementation of all China Joint-Venture contracts as well as managing all ongoing business affairs between Inter-Citic and its China based partners and suppliers. In this regard, Mr. Pasubio's role is to ensure that Inter-Citic's field team and geological professionals are able to focus as much as possible on the technical challenges of their projects and executing the day to day exploration field work with as little distraction as possible. Mr. Pasubio spends a significant portion of his time in China dealing with the company's business affairs.

After four years with the pubic accounting firm of Arthur Andersen , LLP, followed by four years in independent public practice, Mr. Pasubio left Canada for the Turks & Caicos Islands in 1998 to help establish a construction and development firm specializing in custom designed homes and structures utilizing ultra-modern building technologies. Within two years, several dozen high profile structures were completed and the business expanded into supply chain management for the local construction industry.

- **Garth A. Pierce,** *Vice President, Exploration*

Mr. Pierce is a geologist with thirty years of exploration and project management experience, including 17 years with Noranda. He played a significant role in Noranda's 1982 Hemlo acquisition and development as well as Hemlo Gold's 1989 Eagle River gold discovery. Mr. Pierce left the Noranda Group in 1993. He has spent much of the last ten years active in evaluating gold and diamond prospects in the Canadian Shield. In addition to his work on Canadian precious and base metal deposits, Mr. Pierce has also managed advanced gold projects in the United States and Norway.

- **David G. Wahl**, P.Eng, P.Geo, *Vice President, Mineral Projects*

Mr. Wahl has authored or co-authored more than 300 geological and mining reports for the Canadian and international mining industry and has been instrumental in raising large amounts for mining projects. As an integral part of this work, he has managed and directed many resource development programs. In addition, for the purpose of Canadian securities law compliance, Mr. Wahl is a qualified person as that term is defined in the Ontario Securities Act and other relevant Canadian securities legislation.

SELECTED QUARTERLY INFORMATION

Selected quarterly information:

	2003				2004	
	Q1	Q2	Q3	Q4	Q1	Q2
Sales:	$281,301	$117,327	$23,563	$ -	$5,755	$ -
Net Loss:						
Head Office	$220,253	$235,056	$231,555	$842,307[2]	$316,814	$668,182[4]
Mine Development	$40,888	$139,808	$139,399	$189,805	$115,710	$54,608
Rare Earth	$267,590	$2,050,066[1]	$112,515	$2,259,761[3]	$30,426	$14,545
e-Commerce	-	-	-	-	-	-
Overall	**$528,731**	**$2,424,930**	**$483,469**	**$3,291,873**	**$462,950**	**$737,335**
Net Loss Per Share (Basic and Diluted)	**$0.02**	**$0.08**	**$0.02**	**$0.11**	**$0.01**	**$0.02**

Recent Quarterly 2004 Performance:
During the second quarter of 2004, proceeds from these financings were used primarily to fund the Company's contractual commitments for its Dachang Gold Project and for mobilization costs relating to the Company's initiative to secure two North American diamond-drill rigs for use on that project (total expenditures of $1,389,835). In addition, the Company spent an additional $597,963 on mobilization and preparation for exploration programs for both the Dachang and Zalantun Gold Projects, which are scheduled to begin in the second half of this year. Overall net decrease in cash for the quarter was $1,920,714 and capital expenditures on resource properties were $1,626,151. Combined, cash and cash equivalents and resource properties still account for over 95% of total assets as at May 31, 2004.

During the first quarter of 2004, total assets increased by $3,488,401 primarily as a result of additional cash following the closing of the second tranche of the private placement announced in the second quarter of 2003 ($1,000,000) as well as proceeds from the exercise of outstanding share-purchase warrants ($3,164,706). Overall net increase in cash for the quarter was $3,105,347 and capital expenditures on resource properties were $314,092. Combined, cash and cash equivalents and resource properties accounted for 95% of total assets as at February 29, 2004 compared to 89% as at November 30, 2003.

Historical:
Overall total assets of the Company increased in 2002 from 2001, and then decreased dramatically in 2003, primarily as a result of the suspension of the Rare Earth Division and the subsequent charge to property, plant and equipment of $3,824,786. The impact of this write-down on total assets was partially offset by capitalization of $269,068 in acquisition and exploration costs associated with these newly acquired mineral properties. In addition, the Company also succeeded in completing two financings during this three-year period, resulting in an improved cash position in 2002 and 2003 compared to 2001. The first financing, completed in 2002, resulted in total proceeds of $5,000,000 by way of a private placement ($3,000,000) and convertible debenture ($2,000,000). Proceeds from this financing were used for the Rare Earth Division and for general working capital. The second financing, by way of private placement alone, resulted in total proceeds of $2,430,000 of which $1,430,000 was completed in 2003. The second and final tranche of this financing ($1,000,000) was completed subsequent to year-end, in Q1 of 2004. Also completed in Q1 of 2004 was the exercise of share–purchase warrants issued as a result of these financings for total proceeds of $3,164,706. Proceeds from these latter financings are to be used to fund the Company's exploration programs for its Dachang and Zalantun Gold Projects, as well as for future acquisitions.

Selected Historical Financial Snapshots

($ Canadian) <------------- November 30, -------------->

	2001	2002	2003
Balance Sheet:			
Cash and Cash Equivalents	$127,503	$1,564,858	$1,179,270
Total Assets	$4,123,988	$6,817,708	$1,624,663
Total Long-term Financial Liabilities	-	-	-
Sales and Gross Profit (Loss):			
Rare Earth Sales	$1,178,840	$89,436	$422,191
Cost of Sales	$1,266,850	$127,730	$635,622
Gross Profit (Loss)	$(88,010)	$(38,294)	$(213,431)
Net Loss:			
Mine Development	-	-	$509,900
Rare Earth	$960,056	$1,417,631[1]	$4,689,932[2]
e-Commerce	$247,833	$53,279	-
Head Office	$670,140	$1,192,678 [3]	$1,529,171 [4]
Overall	**$1,878,029**	**$2,663,588**	**$6,729,003**
Net Loss Per Share (Basic and Diluted)	$0.08	$0.09	$0. 23

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

Selected quarterly information:

	2002				2003			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Sales:	$48,126	$23,456	$11,174	$6,680	$281,301	$117,327	$23,563	$ -
Net Loss:								
Head Office	$226,568[1]	$255,511	$357,794	$352,805	$220,253	$235,056	$231,555	$842,307[4]
Mine Development	-	-	-	-	$40,888	$139,808	$139,399	$189,805
Rare Earth	$110,365	$190,330	$168,476	$948,460[2]	$267,590	$2,050,066[3]	$112,515	$2,259,761[5]
e-Commerce	$26,717	$23,990	$2,572	-	-	-	-	-
Overall	**$363,650**	**$469,831**	**$528,842**	**$1,301,265**	**$528,731**	**$2,424,930**	**$483,469**	**$3,291,873**
Net Loss Per Share (Basic and Diluted)	**$0.01**	**$0.02**	**$0.02**	**$0.04**	**$0.02**	**$0.08**	**$0.02**	**$0.11**

All of the Company's balances and transactions are translated into the Company's measurement currency, the Canadian dollar, as follows. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year, except for expenses related to assets and liabilities, which are translated at historical exchange rates. Translation gains and losses are reflected in the consolidated statements of operations and deficit.

INVESTMENT CONCLUSION (Analyst Rating Rationale)

Valuing a junior gold exploration company with operations chiefly in China is a formidable task. Though ICI may be on the cusp of an immense inferred gold potential, it is difficult to assign value based on prospects. Yet given the range of market prices for other companies that may have equally great prospects, but have not yet quantified inferred deposits, the valuation task becomes cloudier. For example, one can only assume SWG has been prolific with their story and road shows, thereby garnering a mighty 43% institutional holding, $630 million market capitalization and almost an $15 per share stock price as a result of very significant gold resource estimates as put forward by analysts. Nevertheless, the market awareness issue is central to ICI's stock price performance and is one indirect factor that we believe will be resolved with equity research initiatives, anticipated company road shows and the expectation of new inferred deposits over the coming months.

Inter-Citic is building a platform from which a multi-national mining company can grow its successful future operations with strong and capable Chinese partners, both as operators and shareholders. Strategic partnerships have been successful in expediting its programs, while also enhancing ICI's ability to work in the country. The relationships provide access to an extensive proprietary Chinese mining database for new acquisitions, as well as a depth of in-country experience and knowledge. Further, the existing joint-venture agreements are fortified with attractive terms in what is deemed to be one of the most gold fertile regions of China. This is a very attractive position for a burgeoning foreign exploration company.

Admittedly, gold is never easy to find in mineable amounts sufficient to make a difference. However, ICI has already executed the bulk of the due diligence and subsequently the stock is at an inflection point between confirming higher grade and width of existing tests and extending tests to equally attractive zones. We expect ICI to continue delivering into maturing positions. ICI's stock provides investors the opportunity to participate in exceptional potential for large-scale, high-grade gold deposits. The mining projects have a strong potential for a high grade gold mine initially, and a potential of finding a low-cost bulk tonnage deposits as well. Further, each project has significant exploration upside for value enhancement in a rising gold market.

China remains under-explored and blessed with world-class mineral deposits. The liberalization of the mining industry will continue to offer mining companies like ICI exciting investment opportunities. The new Shanghai Gold exchange and the removal of ownership restrictions for individuals makes gold a new viable China investment class with tremendous growth potential.

We foresee ICI remaining an exploration company, outsourcing or partnering with production companies as deposits become mature. The Company will likely realize gold flows from projects by attracting producers as partners, continuing to upgrade projects with advanced exploration techniques. ICI is mindful of the extra returns of producing involves a host of other costs and risks. Instead, ICI will likely remain nimble and adept at acquiring prime assets through its network and/or previously uneconomic resources that can be upgraded to a new economic status with modern equipment. Meanwhile, we anticipate the current to projects in Dachang and Zalantun to be the prospective cash cows for new initiatives as they unfold over the long horizon.

Special Note: For more geological studies, test result analysis and Satellite-Airborne Magnetic Image overlays, refer to company website: http://www.inter-citic.com;

Research Reference Sources: ICI's 10K & 10Q SEC filings, correspondence with George Cargill, Ph.D., P. Eng., ICI Web Site, News Releases, Footnoted References, Management Discussions, Company Power Point, referenced article & research sources.

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Analyst: Kipley J. Lytel, CFA, is a senior partner with money management firm Montecito Capital Management. For over three years, Mr. Lytel served as the lead securities analyst for M.L. Stern & Company. Previously, he performed portfolio management and analyst coverage during his employment with two hedge funds, Pacific Strategic Fund Group and DD Capital Management. His background has been marked by his experience as a Generalist, with analyst coverage spanning numerous industries, including: telecommunications & wireless, health care, retail, consumer products, technology, gaming and energy (E&P). Mr. Lytel has over fifteen years of investment finance experience, with expertise in equity valuation, credit analysis, private placements, and buy/sell recommendations. He received his Masters of Business Administration (MBA) with Honors from the Peter F. Drucker School of Management at Claremont Graduate University, where he also received his undergraduate Bachelors of Arts (BA) degree in Economics. Mr. Lytel is a Chartered Financial Analyst (CFA) and an active member of the Association of Investment Management and Research (AIMR/ICFA). He has frequently served as a Senior Grader for AIMR's (ICFA) CFA Examination and has been a Regional Expert for AIMR's (ICFA) advisory panel on investment management. Kipley@SpelmanResearch.com