



INTER-CITIC MINERALS, INC. (TSX-V: "ICI")
Rating: Reiterate *Speculative Buy*, Reaffirm \$2.60 Price Target

Share Statistics	
Symbol	ICI
Last Trade (2/02/05)	\$1.03
High/ Low 52 weeks	\$1.42/\$0.75
Average Volume (3m)	36,789
Market Capitalization	CD \$42,646,438 Mn
Shares Outstanding	41,404,309 Mn

Source: Yahoo Finance, SEC Filings

Material Events & Analyst Rationale

We reiterate our *Speculative Buy* rating on Inter-Citic Minerals, Inc. (ICI) and maintain the \$2.60 Price Target. The Company released several milestones, most of which are rather watershed events portending a colossal gold district for the Dachang Gold Project in the Province of Qinghai, China. Though the seminal set of developments have materially improved the outlook of ICI, at this early stage we are unable to assign additional value to our Price Target until the Company reports on further results from its extensive exploration program. In this regard, the Company has reported that diamond drilling and trenching has identified two new gold districts which lie within larger 14-15 km geochemical anomalies, in addition, to the following developments:

1. Geophysical surveys confirm that the gold system at Dachang is strata-bound.
2. TEM surveys have revealed the presence of multiple, strong electromagnetic anomalies on areas of the property that have yet to be drill tested.
3. Indications of "free gold" in the Dachang gold system.

What is equally promising and salient, is that China's Ministry of Land and Resources (MOLAR) in Beijing has provided final notice of approval for all exploration licenses covering the Dachang Gold Project. Exploration licenses covering approximately 391² km of land are now held in the name of the Inter-Citic / QGSI joint-venture company. In short, given we were unaware of these events, it is likely the Company has kept the sundry of material events from the public in order to lock-up surrounding land before competitors became privy to the massive prospects of this evolving discovery.

With great near-term interest we await the results of the soil geochemical analysis which was completed by the Company over a 108km² grid. The significance of this data cannot be understated. The discovery of the inferred resource on Dachang East occurred as a direct result of the same type of soil collection and analysis and the subsequent trenching and drilling of three of the gold soil anomalies on Dachang East. Given the strong track record of soil chemistry to result in the discovery of mineralization on Dachang East, the results of the analysis of the soils sampled on Dachang North and North River where gold mineralization has already been discovered through isolated trenching and drilling should indeed be material and allow for a more complete picture of the exploration potential in these areas. The Company appears to have taken a refreshingly "big company approach" to exploration by taking the time to lay the groundwork for a much bigger discovery and evaluating the regional characteristics of the overall district as opposed to simply drilling off known resources like so many of its less ambitious exploration competitors.

Garth Pierce, Vice-President Exploration of Inter-Citic stated, "I am encouraged that the Company has approached the project by attempting to understand and test the full regional extent of the property. As a result, even though our exploration work is just beginning we have been able to make new gold discoveries on previously untested areas of the property. I also think it is important that the sulphide gold mineralization in these new discoveries is strata-bound and appears to be very similar to the known resource on Dachang East."

Background & New Release Details:

Prior to Inter-Citic's involvement, exploration work conducted by its partner QGSI focused on the 25 km² area that contains the now known inferred resource at Dachang East. However, prior work beyond this area was limited to a regional stream sediment survey that defined five large gold anomalies, being (refer to pictorial map grid diagram 1):

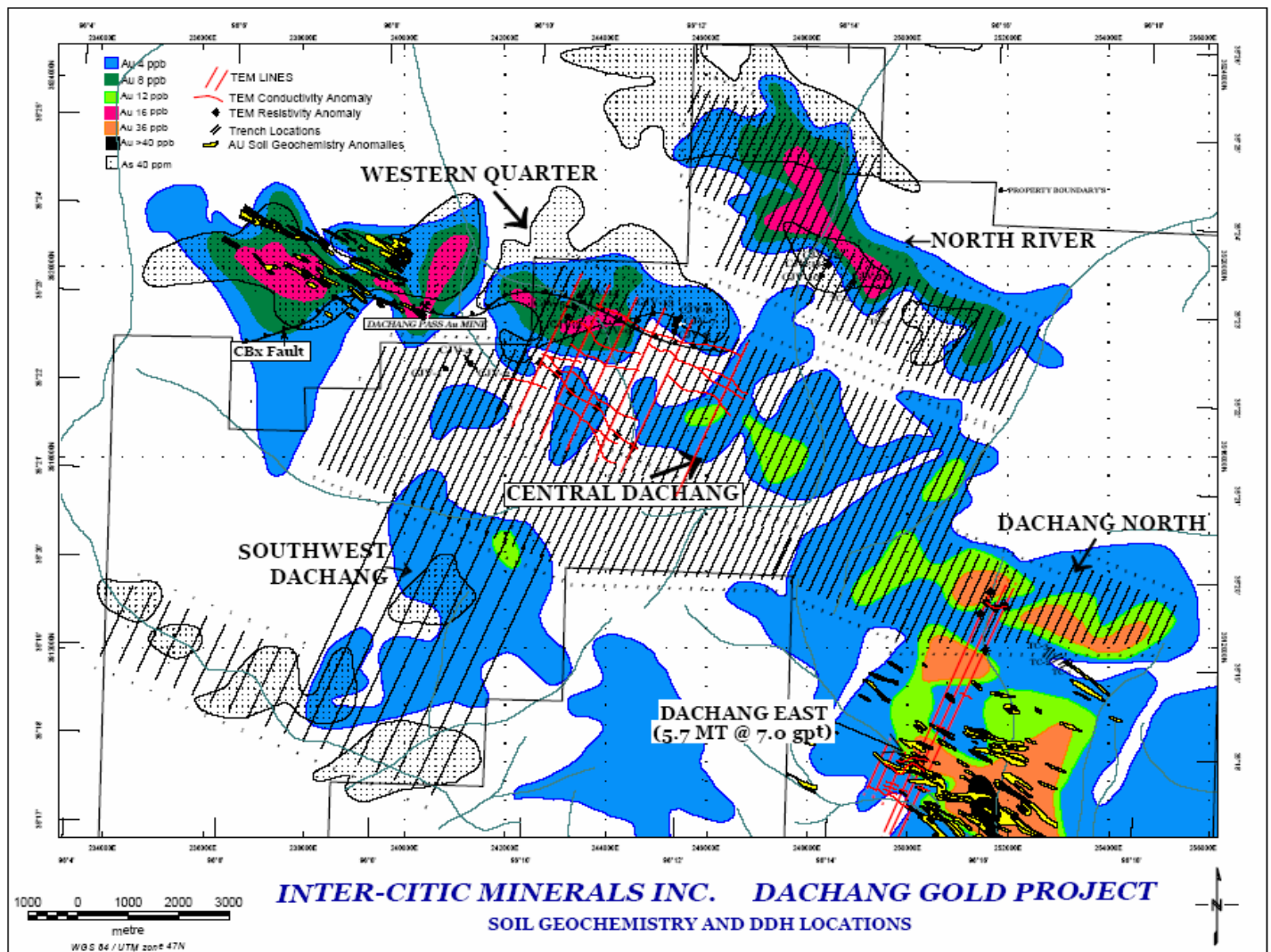
- South West Dachang
- Western Quarter
- Central Dachang
- North River
- Dachang North

An exploration grid was established to begin testing of these regional targets. The test program consisted of geochemical soil surveys, geophysical testing (magnetometer and TEM surveys), stratigraphic trenching and diamond drilling. Analytical work continues on grid soil samples and drill core. These results are expected to be available in the coming weeks. The preliminary results of this test work are detailed below.

Geochemical Soil Survey: A total of 23,600 soil samples were collected and are now being analyzed for gold. This conventional "B" horizon soil survey was carried out over a 108 km² grid that was established with a view of covering all five regional stream sediment anomalies.

Magnetometer Survey: 23,600 readings were recorded using MP-3 magnetometers on the soil geochemistry grid. Subsequent evaluation of the data defined a prominent north-westerly striking thrust fault, the CBX Fault, which crosses the northwestern extension of the Dachang sedimentary basin. This work also confirmed the strata-bound nature of the gold mineralization at Dachang.

'Diagram 1: pictorial geochemistry grid diagram of Dachang Gold Project'



Electromagnetic (TEM) Survey: TEM test profiles were completed across the Dachang East mineralization, and as expected, this system identified electromagnetic anomalies over this gold bearing sulphide zone. Following the completion of this baseline work, a second stream sediment target, the Western Quarter anomaly, was selected for TEM testing. The six profiles completed over this target detected multiple strong TEM anomalies. These anomalies will be tested by way of diamond drilling and trenching once the geochemical soil analysis for these areas has been completed. The Company, in co-operation with its partner QGSI, intends to expand the utilization of TEM over the remainder of the property as a result of the technology's ability to detect the gold-bearing sulphides at Dachang East.

Trenching: Approximately 1,425 m³ of trenching was completed. The purpose of the work was to begin testing two of the five regional stream anomalies - North River and Dachang North.

Significant results included the following:

a. *North River Anomaly:* Trenches tested the central portion of this 15 km² anomaly. Two of these trenches uncovered wide zones of silicified arsenopyrite bearing sediments with best results as follows:

1. **Trench TC-004:** 5.6 gpt Au over 6.0m and a second interval grading 1.56 gpt Au over 1.5 m. A broader sample interval in this same trench returned an average grade of 1.03 gpt Au over 26.0 m.
2. **Trench TC-002:** 12.43 gpt Au over 3.0 m, including 18.37 gpt Au over 2.0 m

The results of the analysis of approximately 4,000 soil samples covering this 15 km² anomaly are pending and will aid in further exploration of this discovery.

b. *Dachang North Anomaly:* Testing of calcareous sediments on the south flank of this 14 km² geochemical anomaly returned the following results from two of the three small trenches excavated.

- Trench TC-001: 1.7 gpt Au over 9.3 m in altered carbonate rocks.

- Trench TC-002: 1.2 gpt Au over 8.0 m in altered carbonate rocks.

The analytical results from 3,500 geochemical soil samples taken from the Dachang North Anomaly are pending and will be material to further exploration of this zone of mineralization.

Diamond Drilling

Fifteen drill-holes totalling 3,623 meters were completed by Canada-based Cyr Drilling International using integrated Canadian and Chinese drill crews. Core recovery in the drill holes was consistently well in excess of 90%. During this current break in the exploration work the project's two diamond drills have remained on-site for easy redeployment.

a. North River

- Four holes totalling 772 meters were completed in the central portion of the 8-kilometer long North River stream sediment anomaly. Strongly silicified arsenopyrite-bearing sediments were intersected in two of these holes collared 680 meters apart on the south flank of this anomaly. These intersections are believed to be part of the same mineralized horizon. Results are as follows:
- CJV-15: 6.4 gpt Au over 8.5 metres including a 7.1 metre interval which grades 7.6 gpt Au. This intersection occurs at a vertical depth of approximately 105 metres and was intersected in the hole between 151.9 metres and 160.4 metres. The well-mineralized sediments cored in hole CJV-15 correlate directly with the broad low-grade zone of mineralization discovered in trench TC-002 (1.03 gpt Au over 26.0 m). Sampling of hole CJV-15 is incomplete and many intervals both above and below the reported intercept have yet to be assayed.
- CJV-11: 3.7 gpt Au over 4.5 metres. This intersection occurs at a vertical depth of 140 metres and was intersected in the hole between 201.8 and 206.3 metres.

b. Western Quarter

- Eleven holes totalling 2,851 meters were completed on this target. Three holes - CJV1, 2 and 4 - tested a major deformation zone along the southwestern edge of the stream sediment anomaly but no significant gold assays resulted from this work. The remaining eight holes were drilled on the eastern extension of the CBX Fault, a regional thrust fault that hosts the Dachang Pass Mine, a small artisanal working. This structure also underlies the Western Quarter stream sediment gold anomaly. This stratigraphic drill program tested the CBX thrust fault on widely spaced sections, 500 to 800 meters apart. Assays are pending for these holes.

The Dachang Project is being directed and managed by Mr. Garth Pierce, BSc, Inter-Citic's Vice President of Exploration. Mr. David G. Wahl, P.Eng., P.Geo., Inter-Citic's Vice President of Resource Development is the Qualified Person, as defined by National Instrument 43-101, for the Project.

Senior 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). 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) and the Los Angeles Society of Financial Analysts (LASFA).

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