Inter-Citic Minerals Inc.

Management's Discussion and Analysis

This Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements for the first quarter ended February 29, 2012 (unaudited), and the audited consolidated financial statements for the year ended November 30, 2011 and the Annual Information Form ("**AIF**") for the year ended November 30, 2011 for Inter-Citic Minerals Inc. ("**Inter-Citic**" or the "**Company**"), and is current as at May 13, 2012. Unless otherwise noted, all financial information is expressed in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and with consistent application of accounting policies. Additional information regarding the Company and its operations and activities can be found on its website at www.inter-citic.com, or on SEDAR at www.sedar.com, including the documents referenced above.

Disclosure of a technical nature in this Management's Discussion and Analysis has been reviewed by Mr. B. Terrence Hennessey, P.Geo., of Micon International Limited, the Company's independent Qualified Person as that term is defined under National Instrument 43-101 ("**NI 43-101**"), as well as Mr. Michael W. Leahey, the Company's internal Qualified Person in respect of geological aspects of the Company's mineral property and Mr. Malcolm J.A. Swallow, P.Eng., the Company's Vice President, Development and internal Qualified Person in respect of engineering matters.

HIGHLIGHTS FOR THE QUARTER

Exploration

- On March 27, 2012 the Company reported final trench results from its 2011 exploration season. During the 2011 season, four new areas of surface discovery were made – two in the southeast part of the project, one north of the DMZ and a final area of discovery southwest of the Placer Valley Zone ("**PVZ**"). In addition, the 861 and Acadia Zones of discovery were expanded by this trenching program. See **Exploration section** below.

- On February 28, 2012 the Company announced that three key exploration licenses had been renewed at the Dachang Gold Project ("**Dachang**") for an additional two year period. In addition, two existing licenses covering the Dachang Main Zone ("**DMZ**") had been combined in order to facilitate permitting. In total, the project is now comprised of four exploration licenses with the total area unchanged at 279 square kilometres.

Financing and Liquidity

- As at the end of the quarter, the Company had approximately $11.8 million in cash (including restricted cash), cash equivalents and short-term investments. Net working capital at the end of the year was approximately $9.6 million, including restricted cash.

Transition to IFRS

- The Company's consolidated financial statements for the three month period ended February 29, 2012 (unaudited) represents the Company's first financial statements prepared in accordance with IFRS. For a discussion on the impact of the transition to IFRS, see Note 5 in the consolidated financial statements for the three month period ended February 29, 2012.

OVERVIEW

Inter-Citic is a development stage company engaged in the acquisition, exploration and development of exploration stage resource properties. The Company has entered into an earn-in agreement in respect of the Dachang Gold Project – a project with a total land area of approximately 279 km^2 in the Province of Qinghai in the People's Republic of China ("**China**" or the "**PRC**"), that is now in the development phase.

On November 14, 2003, the Company entered into an earn-in agreement with the Qinghai Geological Survey Institute ("**QGSI**") regarding Dachang. On November 24, 2009, the Chinese party to the agreement was changed to the No. 5 Geology and Mineral Exploration Institute ("**No. 5 Institute**"), a company that shares the same parent company as QGSI. Under the terms of this agreement, the Company can earn an 83% interest in the project by contributing 100% of the funds for exploration and development of the project (approximately $28,975,000 or ¥190,000,000 to date), completion of metallurgical and pre-feasibility reports, and making a cash payment of the equivalent of approximately $1,581,000 (¥10,000,000) upon the issuance of all applicable licenses, permits and approvals required to bring the project into production.

The Company has an option to acquire an additional 7% interest in the project based on the valuation of any potential mining project contained in the pre-feasibility report, for a total interest of 90%. The No. 5 Institute will retain a carried interest in the project. As part of the agreement, the Company also has a right of first refusal on any mineral exploration project for which the No. 5 Institute seeks foreign investment.

In the short to medium term the Company intends to develop a mining and milling operation at Dachang. As reported in 2011, the necessary permitting activities for mine and mill development for the DMZ and PVZ resources are well underway including the completion of a Geological Resources Report ("**GRR**") and condemnation (or sterilization) drilling. It is anticipated that the Chinese standard Feasibility Study ("**CFS**") and an Environmental and Social Impact Assessment ("**ESIA**"), as required under Chinese regulations, will also be completed in 2012.

The Company will continue to explore other prospective areas of the property with a view to resource expansion. The results from the 2011 season including the trench results reported on March 27th are being considered in planning for the upcoming 2012 exploration program. In addition, over the next coming months, the Company expects to provide a resource estimate update. See **Development and Exploration Activities and Commitments** section below.

In addition, the Company and its independent financial advisors together with the Company's Board of Directors will continue with an ongoing review of the Company's strategy, capital structure and future financing alternatives, including evaluating and advising on the appropriateness of listing the Company's shares on the Hong Kong Stock Exchange.

As at February 29, 2012, the Company had approximately $9.6 million in net working capital, including restricted cash (advances held in China and committed to continued exploration and development of Dachang). The Company expects annual cash operating expenses to be in the range of $3.5 to $4.5 million, but has flexibility with respect to allocation of funding to ongoing exploration as the project transitions from advanced exploration to development. The Company believes it has sufficient funds for completing the first stage in the permitting process for a mine and mill operation at Dachang, including the completion of a CFS, a Mineral Resources Development and Utilization Program ("**MRDUP**") and the associated Project Application Report ("**PAR**"). Additional financing will be required to advance the project further and to complete all of the necessary permitting activities. Although to date the Company has been successful in sourcing funds necessary to continue its business activities, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development (see **Risks and Uncertainties** below).

RESULTS OF OPERATIONS

Selected financial information:

	February 29, 2012	November 30, 2011	November 30, 2010
Balance Sheet:			
Cash and Cash Equivalents, including Restricted Cash	$2,723,264	$8,514,317	$11,648,645
Short-term investments	$9,050,000	$10,500,000	-
Total Assets	$77,169,165	$83,763,616	$64,554,055
Total Long-term Financial Liabilities (excluding Future Income Taxes)	-	-	-
Net Loss:			
Net Loss before the Undernoted	$805,831	$4,812,621	$4,275,065
Stock-based compensation	-	1,422,720	1,776,250
Depreciation	98,907	257,567	237,749
Interest and other	(49,778)	(94,669)	(66,542)
Net Loss for the period	**$854,960**	**$6,398,239**	**$6,222,522**
Net Loss Per Share (Basic and Diluted)	$0.01	$0.06	$0.06
Additional Data			
Net proceeds from issuance of shares and warrants	-	$20,311,466	$18,404,877
Spent on exploration equipment purchases	$30,250	$52,497	$492,042
Spent on exploration and development expenses	$870,521	$11,924,781	$10,165,145

Total assets increased by approximately $19 million in 2011 as a result of the completion of the $21 million private placement, which increased the Company's cash position and was then deployed to the project for both exploration and development related activities. The decrease in the first quarter of 2012 reflects cash payments made against 2011 year-end accruals and for Q1 operating expenses. Funds not earmarked for immediate use are invested in guaranteed investment certificates with maturity terms greater than three months but less than one year.

The scope and scale of exploration and/or development programs as well as general operating expenses have generally increased year over year as the Company accumulated more data and experience with the project. However, since 2010 the Company has focused on near surface resource expansion in new areas outside the DMZ and PVZ (as these areas are now in the development stage), and anticipates that exploration expenses relating to the DMZ and PVZ will continue at significantly lower levels than was the case in prior years. As the Company continues to focus on development of these areas of the project, permitting and other development related expenses are expected to increase steadily as progress is made in this regard, and although the Company will continue to invest in exploration in prospective areas outside the DMZ and PVZ, the Company has discretion with respect to exploration activity, which is primarily determined based on prior results and availability of adequate funding (see **Cash Resources and Liquidity**, below).

Net loss (before interest and certain other items, see above) was higher in 2011 compared to 2010 due in part to a special marketing campaign at the beginning of 2011 year in advance of the Company listing on the OTCQX. A cash deposit in respect of this initiative was recorded as part of prepaid expenses at the end of 2010. In addition, higher professional fees were incurred in 2011 as management and the Board of Directors reviewed the Company's strategy, capital structure and future financing alternatives, including evaluating the appropriateness of listing the Company's shares on the Hong Kong Stock Exchange.

DEVELOPMENT AND EXPLORATION ACTIVITIES AND COMMITMENTS

A. Development

- The Company took significant steps in 2011 towards developing a mine and mill facility for the DMZ and PVZ resources at Dachang, including: China Nerin Engineering Co., Ltd. ("**NERIN**") and Chinese Research Academy of Environmental Sciences ("**CRAES**") were engaged to complete a CFS and ESIA, respectively. Both of these entities are among China's largest institutions in their respective areas of expertise.

- In support of the CFS and associated permitting process, the Company engaged a number of other consultants and contractors to carry out a variety of site specific studies, including geotechnical, structural, seismic and pit slope stability studies, among others.

- The completion of a GRR on the DMZ and PVZ prepared to Chinese formal standards for filing with Chinese regulators.

- The completion of condemnation drilling in and around the DMZ to ensure that no valuable minerals lie below or adjacent to areas of proposed construction for buildings, roads, power lines, pipelines, waste piles or tailings disposal areas, etc.

As at February 29, 2012 approximately $560,000 remains committed in respect of the various development related contracts and studies mentioned above.

The Company's development program is being led by Inter-Citic's Vice-President, Development and the Company's local Chinese partner working with local Chinese engineering staff employed by the Company and other consultants elsewhere in the world.

B. Metallurgical Testing

On March 2, 2011, the Company reported results from multiple metallurgical test work programs carried out over the latter half of 2010 at independent laboratories and testing facilities in China, Australia and South Africa. As described in the press release, the testing produced an increase in the predicted recovery of gold to doré for typical Dachang mineralization to 87.8% from 85% as previously reported in the 2009 PEA. The aim of these programs was to confirm the earlier test work reported on by the Company on March 2 and May 7 of 2009, and to provide increased certainty as to metallurgical performance of the proposed treatment route for the production of gold to doré from the Dachang project. In addition, the comprehensive test work program confirmed that the effective grind for the Dachang project can be increased from a P80 of 85 microns to a P80 of 106 microns representing a significant saving in grinding costs and a potential increase in throughput for the project, for the same installed grinding power. This work was supervised by Gary A. Patrick, B.Sc., MAusIMM, who is the principal of Metallurg Pty. Ltd. and a Qualified Person under NI 43-101. Further information is provided in Company's press release of March 2, 2011 which can be found on the Company's website at www.inter-citic.com.

C. Exploration

The Dachang project is located approximately 160 km from the City of Golmud in the Province of Qinghai, China, at an elevation of approximately 4,500 metres and consists of four exploration licenses covering approximately 279 km^2. Since 2004, the Company has been exploring Dachang including:

1. 1:25,000 scale Geological Mapping over 200 km^2;

2. Soil Geochemical Surveys over areas of approximately 229 km^2 (more than 60,000 conventional B-horizon soil samples collected and tested for gold, arsenic and antimony);

3. 24.6 km of 50 metre pole-dipole IP and resistivity surveying and 32.6 km of 25 metre pole-dipole IP and resistivity surveying;

4. Excavation and sampling of 1,108 trenches totalling more than 109,000 linear metres; and

5. 1,362 diamond drill holes totalling more than 174,000 metres.

Highlights of Past Exploration Activities

- From 2007 to 2009, a detailed in-fill drill program on the DMZ was undertaken by the Company with the aim of defining and confirming continuity of grade and mineralization. The results of this program culminated in the NI 43-101 compliant mineral resource update announced by the Company on July 19, 2010.

- In 2010 and 2011, the Company was focused on near surface resource expansion targeting new areas of the 279 km^2 property known to contain gold mineralization. A total of 50,073 metres of diamond drilling was completed in 419 holes and a further 30,635 metres of shallow trenching was completed with a total of 447 trenches excavated.

- In 2011 the Company filed a NI 43-101 compliant technical report (dated June 28, 2011) on an updated mineral resource estimate that included the results of the 2010 exploration program.

Results from the 2011 exploration program were reported as they became available in the Company's press releases dated October 3rd, December 5th, December 12th of 2011 and January 10th, February 6th and February 14th of 2012.

On March 27th the Company announced the final summary of significant trenching discoveries made during 2011. Results included a trench in the South East Anomaly reporting 17.0 metres at 6.65 g/t Au or 113.05 gram/metres Au. The most advanced new discovery at Dachang expanded by 2011's trenching program is the 861/XP fault system which has now been drill tested on its known western and eastern extents. This fault system north of the DMZ had been delineated along a 2.8 km extent. The 861 Zone located on the fault's west end is still open to the west and has now been consistently intersected in trenches and 40 metre spaced drill fences along a 1.4 km strike length to depths of 125 to 150 metres. A central section of this fault requiring further drill testing lies between the 861 Zone from the nearby XP Zone. The XP Zone remains open along strike to the east.

All exploration at Dachang since 2004 was completed under the direction of the Company.

Further details of the Company's exploration results, maps and associated materials and other information regarding ongoing work and findings at Dachang, is available from the Company's website www.inter-citic.com

D. Mineral Resource

The information, tables and figures that follow relating to Dachang are derived from, and in some instances are extracts from, the technical report entitled "A Technical Report on an Updated Mineral Resource Estimate for the Dachang Gold Project, Qinghai Province, People's Republic of China", dated June 28, 2011 (the "**Technical Report**"), prepared by Stanley C. Barlett, P.Geo., and Dibya Kanti Mukhopadhyay, M.Sc., MAusIMM (CP) of Micon International Co Limited ("**Micon**"), independent Qualified Persons as that term is defined under NI 43-101. The full text of the Technical Report is available from the Company's website www.inter-citic.com or at www.sedar.com.

Dachang Mineral Resources at June 28, 2011

Location	**Resource Category**	**Million Tonnes**	**Grade (g/t Au)**	**Million Ounces Gold**
Dachang Main Zone & Placer Valley Zone	Measured	5.00	3.55	0.57
	Indicated	12.20	3.34	1.31
Total Measured & Indicated		**17.20**	**3.41**	**1.88**
Dachang Main Zone & Placer Valley Zone	Inferred	9.70	2.97	0.93
NR-2 Anomaly	Inferred	1.30	5.81	0.24
Exploration Areas	Inferred	10.27	2.31	0.76
Total Inferred		**21.27**	**2.83**	**1.93**

(Cut off grade for the above table is 0.6 g/t Au)

Micon has calculated the break-even cut-off grade for Dachang mineralization to be 0.6 g/t gold based on a gold price of US$750 per ounce.

The updated mineral resource estimate for the DMZ and PVZ was prepared for the Company under the supervision of Messrs. Bartlett and Mukhopadhyay of Micon International Co Limited. The inferred polygonal resource estimates for the other exploration areas were reviewed by Mr. Hennessey who took responsibility for them. The estimates comply with the CIM mineral resource definitions referenced in NI 43-101.

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

E. Capitalized Exploration and Development Costs

A breakdown of capitalized exploration and development costs for the three month period ended February 29, 2012 is included in the Company's Notes to Consolidated Financial Statements. Capitalized costs consist primarily of drilling and costs for drilling support, including camp and consulting costs, as well as costs associated with other geological testing and mapping, assays, metallurgical testing, and permitting and other development related expenses.

Differences in exploration expenditures from year to year and from quarter to quarter arise primarily as a result of differences in the scope, nature and timing of exploration activity. While it is normally expected that exploration that began in the previous year will conclude in Q1 of the following year, followed by an expectation that Q2 of every year will represent a transitional quarter for the Company as it compiles and analyzes results of exploration from the previous year and subsequently prepares for commencement of exploration for the current year, this is not always the case as exploration at Dachang may start and end earlier or later depending on many factors (weather, for example). As a result, expenditures from quarter to quarter may vary greatly. The Company sets exploration targets during the planning phase for the year, including budgets, and then monitors the productivity onsite against those plans during the season. In addition, development program costs for the DMZ and PVZ are also recorded as capitalized expenses relating to Dachang. To date, the Company has incurred approximately $7.1 million in development costs, of which approximately $0.6 million was incurred in 2012.

During the first quarter of 2012, the Company capitalized $874,038 in costs relating to Dachang (compared to $475,590 last year) representing an increase of $398,448 (84%). This increase is primarily a result of increasing costs related to development of the project as most of the exploration related costs are generally incurred in Q3 and Q4. Previously under Canadian GAAP, for certain payments in relation to Dachang the Company recorded a future income tax liability and a corresponding adjustment to resource properties. As described in Note 5 to the consolidated financial statements for the first quarter of 2012, under IFRS the Company does not recognize a future tax liability in respect of these payments. See Note 5 to the consolidated financial statements for the first quarter of 2012.

F. Office Lease

The Company has entered into leases for office space to the year 2014 with minimum lease payments as follows: 2012 - $99,303, 2013 - $89,214 and 2014 - $22,303.

SUMMARY OF QUARTERLY RESULTS

Selected quarterly information for the past eight quarters:

	2012	2011				2010		
(unaudited)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net Loss:								
Net Loss before the Undernoted:	$805,831	$1,682,665	$901,086	$1,147,608	$1,081,262	$1,223,444	$870,446	$1,008,580
Stock-based compensation	-	-	-	1,422,720	-	100,650	54,636	192,214
Depreciation	98,907	2,363	3,355	128,162	123,687	2,700	3,329	125,054
Interest and other	(49,778)	(39,019)	(33,390)	(6,980)	(15,280)	(6,808)	(42,756)	(11,165)
Net Loss for the period	**$854,960**	**$1,646,009**	**$871,051**	**$2,691,510**	**$1,189,669**	**$1,319,986**	**$885,655**	**$1,314,683**
Net Loss Per Share (Basic and Diluted)	$0.007	$0.014	$0.008	$0.025	$0.011	$0.012	$0.008	$0.014

The seasonality of the Company's exploration program is best demonstrated by depreciation and amortization expense as the Company capitalizes depreciation of exploration equipment only while that equipment is in use during the exploration season. Generally, this pattern of activity also influences the timing of overhead expenses incurred. Over the past couple of years, however, certain events also played a significant factor in both the nature and timing of costs incurred by the Company.

In 2011, the Company began the year with a one-time marketing campaign in advance of its OTCQX listing, followed by the completion of a $21 million private placement in Q3, followed by an unsolicited proposal in Q4 (see the Company's press release of October 6, 2011). In addition, throughout the year, significant permitting related contracts were being negotiated and entered into. All of these events had a direct impact on the amount and timing of overhead expenses for the year. Similarly, in 2010 the Company completed a strategic private placement with Zijin in Q2 and was moving the project into the development phase towards the end of year including the establishment of a Beijing office.

Overall, total expenses were higher in 2011 than 2010; however, cash operating expenses remained within the $3.5 to $4.5 million range mentioned above. See below for specific items of note between Q1 2012 and Q1 2011.

Additional details regarding overall expenses from quarter to quarter can be found in the Company's annual and interim Management's Discussion and Analysis for each period, as applicable, which are available on its website at www.inter-citic.com, or on SEDAR at www.sedar.com.

SPECIFIC ITEMS

The Company's consolidated financial statements for the three month period ended February 29, 2012 include a detailed breakdown of expenses. Notable comparisons between Q1 2012 and 2011 are provided below:

- Salaries and benefits expense decreased by $66,624 (18%) from $377,819 to $311,195 in 2012. This decrease is attributed to a headcount reduction at the Company's head office as well as timing of bonuses.

- Corporate relations expense decreased by $323,899 (66%) from $488,998 to $165,099 in 2012. As reported in prior periods, a special marketing campaign had occurred in the first quarter of 2011 and was not repeated in the current quarter.

- Travel and accommodation expense increased by $79,205 (122%) to $144,003 in 2012 from $64,798. This increase represents a continuation of higher travel related costs incurred towards the end of 2011 as the Company made progress on its development program for Dachang.

- Depreciation expense decreased by $24,780 (20%) from $123,687 to $98,907 in 2012. This decline reflects a lower net book value for property, plant and equipment at the beginning of this year compared to 2011.

- Foreign exchange gain declined by $37,887 (33%) to $77,006 from $114,893 in 2012. Despite a significant amount of accounts payable denominated in the Chinese Yuan Renminbi at the end of 2011, the Chinese currency depreciated at a lower rate against the Canadian dollar compared to the same period in 2011. This lower rate of depreciation coupled with the timing of payments produced a smaller foreign exchange gain in the first quarter of 2012.

- The Company earns interest income on highly liquid interest-bearing investments. Interest income will vary depending on cash available to earn interest income.

RELATED PARTY TRANSACTIONS

Details regarding transactions with related parties are detailed in Note 8 of the Company's Notes to Consolidated Financial Statements for the three month period ended February 29, 2012. All related party expenditures were in the normal course of business and measured at the amount of consideration established and agreed to by the parties.

CASH RESOURCES AND LIQUIDITY

As at February 29, 2012, the Company had approximately $12 million in cash, cash equivalents, short-term investments and restricted cash (approximately $9.6 million in net working capital, including restricted cash). The Company does not have any material capital lease agreements, nor does the Company hold any investments in asset-backed securities.

However, by its very nature as a development stage exploration company, the Company continued to generate negative cash flow from operations (including changes in non-cash working capital items). In 2012, net cash and cash equivalents used in operating activities amounted to $666,370 compared to $366,715 in 2011. The Company also continues to invest in the exploration of Dachang with a view to eventual development of the project and commencement of profitable production sufficient to recover its investment. The Company has discretion with respect to exploration activity, which is primarily determined based on prior results and availability of adequate funding.

In the past, the Company has relied upon equity offerings to fund its operations, and additional financings will be required in the future to fund ongoing operations and to meet the Company's commitments as they come due, including its project commitments (see **Development and Exploration Activities and Commitments** above). As discussed in the Overview, above, although to date the Company has been successful in sourcing funds necessary to continue its business activities, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development.

Restricted Cash

Restricted cash relates to advances held in China, held substantially in Canadian dollars and committed to continuing exploration and development of the Dachang Gold Project. The balance of restricted cash will vary depending on the timing of contributions compared to expenditure of those funds on exploration and development related expenses.

OUTSTANDING SHARE DATA

As at May 13, 2012, the Company had outstanding:

- 117,573,645 common shares (an unlimited number of common shares, without par value, were authorized),
- 8,712,826 stock options, each of which is convertible to one common share of the Company at a weighted average price per stock option of $1.15, for a weighted-average period per stock option of 2.46 years. Exercise prices range from $0.50 to $1.95.
- 5,968,420 share purchase warrants, each of which is convertible to one common share of the Company at a weighted average price per share purchase warrant of $2.05, for a weighted-average period per share purchase warrant of 1.14 years.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any.

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, restricted cash and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and the fair values of these financial instruments, unless otherwise noted, approximate their carrying values due to their short-term nature.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in the Company's internal control over financial reporting that occurred during the period beginning on December 1, 2011 and ended on February 29, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A detailed summary of the Company's significant accounting policies is included in Note 3 of the Company's Notes to Consolidated Financial Statements for the three month period ended February 29, 2012.

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Critical accounting estimates represent estimates that are highly uncertain and could materially impact the financial statements.

Resource Properties

Management believes that the most critical areas of judgement relate to the Company's resource properties. It is the Company's policy to capitalize exploration and development costs with the expectation for recoupment through successful development and exploitation or sale of the property. To date, the Company has not found any proven reserves or engaged in any production activities, and there is no guarantee that this will occur in the future. Mineral resource exploration and development is extremely risky and speculative by nature, as there is no guarantee that mineral deposits will be found and, even if they are, that they can be mined economically. In the event that exploration on the property, confirmation of the Company's interest in the underlying mining claims, the Company's ability to obtain appropriate financing to put the property into production, and profitability of future production are not successful, assets may not be realized or liabilities discharged at their carrying values, and these differences may be material. See **Risks and Uncertainties - Risks Associated with Exploration and Development**, below.

Functional Currency

The functional currency of the Company has been determined to be the Canadian dollar. An entity's functional currency is the currency of the primary economic environment in which it operates in. The primary economic environment can often be identified by considering cash inflows (sources of revenue) and cash outflows (costs incurred in generating revenue) of an entity. The Company currently has no source of operating cash inflows while costs are denominated in Canadian dollars as well as other foreign currencies including the US dollar and the Chinese renminbi. As a result, judgement was applied in arriving at the Company's functional currency by considering such factors as the currency in which the majority of costs are denominated in, the currency in which financing is raised, the currency in which cash resources are held and the degree of autonomy experienced by foreign operations of the Company. In the future, the determination of the Company's functional currency may be impacted by the successful development of Dachang, changes in the foreign currency composition of costs and other factors.

Stock Based Compensation and Share Purchase Warrants

The Company has one stock-based compensation plan, which is described in Note 11 of the Notes to Consolidated Financial Statements for the three month period ended February 29, 2012. In utilizing the Black-Scholes option pricing model, management is required to make certain estimates (such as volatility) when determining the fair value of stock options and share purchase warrants. These estimates affect the amount recognized as stock-based compensation as well as the fair value allocation to share purchase warrants.

Income Taxes

The measurement of income taxes payable and deferred income tax assets and liabilities require management to make judgements in the interpretation and application of the relevant tax laws. Management did not recognize deferred income tax assets as future taxable profits are not expected until the Company reaches technical feasibility and commercial viability, the timing of which is uncertain as the Company is still in the exploration and development stage with respect to the Dachang Gold Project.

RISKS AND UNCERTAINTIES

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

Risks Associated with Exploration and Development

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

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

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

Uncertainty Relating to Mineral Resources

On June 30, 2011, the Company updated its mineral resource estimate for Dachang. Details of the updated mineral resource estimate are included in the **Exploration and Development Activities and Commitments** section above. To date, the Company has not established any mineral reserves or engaged in any production activities. These mineral resources have not been sufficiently drilled to demonstrate economic viability. Additional drilling will be required to upgrade inferred mineral resources to an indicated or measured resource. There can be no certainty that further drilling will enable inferred mineral resource to be upgraded. Although these mineral resource estimates are not currently affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues, this could change in the future. The future economic viability of these mineral resources may be adversely affected by their location, as the Dachang project is situated at an elevation of approximately 4,500 meters above sea level, in a high-cold mountainous area exhibiting desert alpine climate and vegetation with limited infrastructure. The nearest major city centre is approximately 160 km away, with the nearest primary road and power lines approximately 120 km from the property. Although the Company believes that the mineral resources have reasonable prospects for economic extraction, there is no guarantee that this will in fact be the case and confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability.

Commodity Prices

The price of Inter-Citic's common shares, the Company's financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of gold. Gold and other mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of gold by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold producing countries throughout the world. The price of gold has fluctuated widely in recent years, and future serious price declines could cause continued development of Dachang to be impracticable. In addition, any future production from Dachang would be dependent on gold prices that are adequate to make the project economic.

In addition to adversely affecting the Company's resource estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Risks Associated with Operations in China

The Company's current business focus and, as a result, essentially all of the Company's physical assets are located in China, including the Company's interests in Dachang.

As in any jurisdiction, the Company is subject to social, political and economic developments and trends that are beyond its control. The Company's business is in China and the Company is therefore subject to a variety of laws and regulations at state, provincial and municipal or local levels that include laws and regulations concerning the form and manner in which foreign companies may invest and operate in China. Although China has generally introduced reforms to develop a more market-based economy, there is no guarantee that this trend will continue. The government of China, at all levels, continues to exert significant influence on market activities through laws, regulations and policies which are often ambiguously drafted and subject to divergent interpretation.

As the Company's resource property is located in China, a brief statement on the laws of China as they relate to mining is appropriate. However, as laws continually evolve and suffer from inconsistent application and interpretation, this is only a general statement and is not to be taken as a legal opinion or as an exhaustive summary of the relevant laws. The mining industry in China is regulated through the Mineral Resources Law of China (adopted in 1986 and amended in 1996) and associated policies, rules and regulations at state, provincial and local levels. Under Chinese law, mineral resources are owned by the state and in the past the bulk of activity in the minerals sector has been conducted by state owned or otherwise affiliated or related entities. The Ministry of Land and Resources in China is generally responsible for the administration of exploration and mining claims although there has been some dispute, particularly with respect to gold, as to which agency of the government has ultimate regulatory authority over gold exploitation projects. This leads to uncertainty as to whether all necessary approvals have or could be obtained. Exploration rights (other than those for oil and gas) are issued for a maximum term of three years and are renewable provided minimum expenditure thresholds have been met. Holders of exploration rights have a "privileged" priority to subsequent mining rights, and such rights to mine may be issued based on the nature of the subject deposit provided that the holder meets the conditions and requirements specified at law. However there is no guarantee that exploration and mining rights will be or continue to be granted or renewed, or that any conditions imposed as part of the issuance of these rights can be satisfied, or that the perceived quality of these legal rights will be sufficient to enable the Company to attract the funding required to implement business plans based on these rights. There cannot be any assurance that the competent authorities will not use their discretion to deny or delay the renewal or issuance of existing or desired permits or rights due to factors outside the Company's control. Therefore there can be no assurance that the Company will be able to successfully renew its exploration rights as such expire or obtain mining rights.

A stated objective of the Company is to ultimately become a gold producer in China. Under Chinese laws and regulations, before a gold producer can commence production, it must obtain mining rights and, among other things: (a) an approval of the project evaluation application from the local development and reform commission; (b) a production safety permit from the local administration of work safety; (c) an environmental protection permit from the local environmental protection department; (d) a state-owned land use certificate from the local land and resources department; and (e) certificates of approval for storage and use of explosives. In addition, employees responsible for handling explosives must obtain a certificate of safekeeping of explosive equipment from the local public security bureau. Mining rights also have specific timeframes attached to them within which mining must occur. Specifically, for gold mining, foreign companies may also be required to receive approval from, among others, the Chinese National Development and Reform Commission, a department of the Chinese central government, or the State Council, which government bodies have a role in developing national economic strategies, annual and long term economic plans, and to report on the national economy and social development. There is no guarantee that the conditions necessary for the Company to meet its stated objectives will be satisfied.

The value of the Company's project is ultimately tied to the Company's ability to realize on the sale of its gold production. Since late 2002, with the establishment of the Shanghai Gold Exchange and relaxation of restrictive rules governing the sale of gold, mining companies in China are able to sell gold production at prices indicated by the Shanghai Gold Exchange which to some extent reflects market value. Foreign gold mining companies are generally able to repatriate profits in foreign currencies assuming that they are in compliance with Chinese law and have conducted all of the formalities necessary for such repatriation. Repatriation of capital contributions may not be undertaken without specific approvals. However, the nature of and impact on the interests of the Company of possible further changes or reforms to these rules and policies in the future cannot be predicted. China's control over its currency and hence the Company's ability to advance funds to China (for capital investment or operations) is subject to changes in the valuation of the Renminbi as well as rules and regulations of the State Administration of Foreign Exchange limiting the inflow of foreign currency convertible to Renminbi. Fluctuations in the value of the Renminbi and on the ability of the Company to fund its operations in China may have an adverse effect on the operations and operating costs of the Company.

Changes to the Chinese regulatory regime for the gold exploration and mining industry may have an adverse impact on the Company's results of operations and its ability to reach its stated objectives. The Chinese local, provincial and central authorities exercise a substantial degree of control over the Chinese gold industry. The Company's operations are subject to a range of Chinese laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labour standards, occupational health and safety, waste treatment and environmental protection and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may increase the Company's operating costs and thus adversely affect its results of operations. There is no assurance that the Company will be able to comply with any new Chinese laws, regulations, policies, standards and requirements applicable to the gold exploration and mining industry or any changes in existing laws, regulations, policies, standards and requirements, economically or at all. Further, any such new Chinese laws, regulations, policies, standards and requirements or any such change in existing laws, regulations, policies, standards and requirements may also constrain the Company's future expansion plans, adversely affect its profitability and limit its ability to meet its stated objective.

Parties engaged in exploration and/or mining operations may be required to compensate persons suffering loss or damage by reason of such activities, and may have civil or criminal fines or penalties imposed for violations of applicable law. Changes to current laws governing the operations and activities of companies involved in mineral exploration and development or more stringent enforcement of existing laws could have a material adverse effect on the Company, could cause increases to capital expenditures or production costs or could cause abandonment of or delays in development of mining assets.

The Company may suffer disadvantages when competing against companies from countries that are not subject to Canadian and US laws, including the US *Foreign Corrupt Practices Act* and the Canadian *Corruption of Foreign Public Officials Act*.

Risk of loss due to disease and other potential endemic health issues is also of concern in China and could impact on the performance of the Company.

It is quite common for foreign companies to form joint ventures with state owned mining enterprises which hold mining licences and to have mining licences transferred to the joint venture, all subject to approval. The Company's project in China is organized as a "Co-operative Joint Venture" company, with a state owned company, in accordance with the Law of the People's Republic of China on Sino-Foreign Co-operative Joint Venture Enterprises and associated policies, rules and regulations. While this connection to government-related entities can benefit the Company, there is often inequality with respect to the influence of the parties with the Chinese government in the event of a dispute. Like other state-sector entities, the actions and priorities of the Company's joint venture partners may be dictated by government policies, many of which may not be apparent to the Company, instead of purely commercial considerations. The Chinese government exerts a substantial degree of subjective control over the application and enforcement of laws and the Chinese judiciary may not act independently. Such inequality in influence and a tendency towards protection of local enterprises in the application of law can prove detrimental in the event of a business dispute arising between joint venture parties.

The Company has investigated title to all of its properties and believes that such title is in good standing. However, given the lack of a comprehensive registration system in China, the properties may be subject to prior unregistered agreements or transfers and undetected defects may affect title. The Company cannot give any assurance that title to its properties will not be challenged. In addition, under Chinese legislation, exploration licenses are granted for an initial period of three years and are extendible thereafter for subsequent two year periods. The legislation also requires a minimum expenditure on exploration by companies holding these licenses prior to extension. Although the Company has always exceeded these minimum requirements by significant amounts, the Company cannot give any assurance that title to its properties will not be challenged.

The Chinese government continues to exert a great deal of control and influence on Chinese society and economic development through laws, policies and regulations. The impact of changes to these laws, policies and regulations on the Company's operations in China, including their impact on the Company's ability to operate in China in the event of changes to foreign investment rules (including with respect to repatriation of profits), possible restrictions on the production and sale of gold or other mining products, the maintenance of business, exploration and/or mining licenses, environmental laws, taxation, or on other matters having an impact on the Company's business and operations, cannot be accurately predicted.

Environmental hazards may occur in connection with the Company's operations as a result of human negligence, force majeure or otherwise. The occurrence of any environmental hazards may delay exploration, increase exploration costs, cause personal injuries or property damage, result in liability to the Company and its directors and/or damage our reputation. Such incidents may also result in a breach of the conditions of the Company's permits or other consents, approvals or authorizations, which may result in fines or penalties or even possible revocation of the Company's exploration permits. In the future, the Company may experience increased costs of production arising from compliance with environmental laws and regulations. Moreover, the development of the Chinese economy and the improvements in the living standards of the population has led to a heightened awareness of environmental protection. As a result, it is possible that more stringent environmental laws, regulations and policies may be implemented in the future, or the existing environmental laws, regulations and policies may be more strictly enforced. The Company may not always be able to comply with existing or future laws, regulations or policies in relation to environmental protection and rehabilitation economically or at all. Should the Company fail to comply with any such existing or future laws, regulations or policies, it may be subject to penalties and liabilities under Chinese laws, and regulations, including but not limited to warnings, fines and suspension of operations. There is no assurance that future changes in environmental regulation, or other areas of regulation, if any, will not adversely affect the Company's operations and results.

In addition, the Chinese government continues to strengthen the enforcement of safety regulations in relation to the mining industry. There can be no assurance that more stringent laws, regulations or policies regarding production safety will not be implemented or that the existing laws, regulations and policies will not be more stringently enforced. The Company may not be able to comply with all existing or future laws, regulations and policies in relation to production safety economically or at all. Should the Company fail to comply with any production safety laws or regulations, it could be required to rectify the production safety problems within a limited period. Failure to rectify any problem could lead to suspension of operations. Should the Company fail to comply with any relevant laws, regulations or policies or should any accident occur as a result of the mishandling of dangerous articles, its business, reputation, financial condition and results of operations may be adversely affected, and it may be subject to penalties, civil liabilities or criminal liabilities.

Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. The appreciation of non-U.S. dollar currencies against the U.S. dollar can increase the cost of gold and/or other commodity production in U.S. dollar terms. Certain of the Company's expenditures are paid in Renminbi. Accordingly, a strengthened Renminbi relative to the Canadian dollar would negatively impact the Company.

Dependence on Key Personnel

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

The Company's Vice-President, Exploration has more than 20 years of experience as an exploration geologist. The Company's Vice-President, Development has more than 35 years of operations and project management experience in the mining industry. The Company has a qualified and experienced geologist on its Board of Directors, and the Company has an established relationship with a North American based drilling company that has carried out the Company's drilling program at Dachang. The Company has relationships with a number of other organizations that have also provided services essential to its exploration activities.

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

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

Conflicts of Interest

Certain directors of the Company may also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors to be in a position of conflict. Any decision made by any of such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in applicable corporate law.

Competition

Recent increases in the price of gold have resulted in increased activity in the gold exploration and mining industry. Combined with the economic development and opening of China and general scarcity of mineral deposits throughout the world, interest of foreign exploration and mining companies in China has increased significantly. As a result, the Company faces continued competition for financing dollars, personnel and other resources from this competition, the impact of which cannot be predicted.

Environmental Risk

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

Source of Financing

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

Moreover, global financial conditions have been subject to increased volatility. Such events may impact the ability of the Company to obtain equity or debt financing in the future or on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company’s operations could be adversely impacted and the value and the price of the Company’s common shares could also be adversely affected.

Dividends

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

Resale of Shares

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

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

Canadian Corporate Governance Requirements and Securities Laws

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

OUTLOOK

Over the next year the Company will continue to focus on the permitting initiatives related to the development of a mine and mill facility and associated gold refining and production facility based around the resources established at the DMZ and PVZ. Based on final results from the 2011 field work, exploration efforts will continue on a measured basis in surrounding areas outside of the DMZ and PVZ resource with the objective of discovering and outlining a second potential open pit gold deposit.

In addition, the Company, its board of directors and its independent and legal advisors will continue an ongoing review of the Company's strategy, capital structure and future financing alternatives, including evaluating on the appropriateness of listing the Company's shares on the Hong Kong Stock Exchange.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis ("**MD&A**") contains or incorporates by reference "**forward looking information**" which means disclosure regarding possible events, conditions, acquisitions, or results of operations that is based on assumptions about future conditions and courses of action based upon management's good faith expectations and beliefs concerning future developments and their potential effect on the Company. These may include statements with respect to the future financial and operating performance of Inter-Citic Minerals Inc., its current and proposed subsidiaries, its current mineral projects, the estimation of mineral resources, working capital requirements, capital and exploration expenditures, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, title disputes or claims and limitations of insurance coverage. In some cases forward looking statements can be identified by the use of such words as "**plans**", "**proposes**", "**expects**", "**is expected**", "**budget**", "**scheduled**", "**estimates**", "**forecasts**", "**intends**", "**anticipates**", "**believes**" or variations of such words and phrases. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the performance or achievements expressed or implied by the forward looking statements. There can be no assurance that future developments will be in accordance with such expectations or that the effect of future developments on the Company will be those anticipated by management. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of exploration activities; future mineral prices; accidents, labour disputes and other risks of the mining industry; political instability; insurrection or war; arbitrary changes in law; delays in obtaining governmental approvals or financing or in the completion of the company's exploration programs. As a result, actual actions, events or results may differ materially from those described in forward looking statements. Forward looking statements are made as of the date of this MD&A and the Company disclaims any obligation to update any forward looking statements, whether as a result of new information, future events or otherwise. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.