

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**

**CONSOLIDATED FIRST QUARTER**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**February 28, 2006 and 2005**

**INTER-CITIC MINERALS INC.**

Suite 501, 60 Columbia Way  
Markham, Ontario  
CANADA L3R 0C9

April 28, 2006

**To the shareholders of Inter-Citic Minerals Inc.:**

The accompanying unaudited interim financial statements of Inter-Citic Minerals Inc. (the "Company") have been prepared by and are the responsibility of the management of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Sincerely,

"James J. Moore"

James J. Moore  
President & CEO

"Lou Pasubio"

Lou Pasubio  
Vice-President, Finance & CFO

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED BALANCE SHEETS**  
**(All figures in Canadian dollars)**

|   | February 28,<br>2006 | November 30,<br>2005<br><small>(Audited)</small> |
|---|----------------------|--|
| <b>ASSETS</b>                             |                      |  |
| <b>Current</b>                            |                      |  |
| Cash and cash equivalents                 | \$ 45,233            | \$ 417,731                                       |
| Amounts receivable                        | 106,248              | 87,735   |
| Prepaid expenses                          | 28,255               | 46,800   |
|   | <b>179,736</b>       | <b>552,266</b>                                   |
| Restricted cash (Note 3)                  | 768,491              | 774,491  |
| Investments (Note 4)                      | 18,665               | 18,665   |
| Investment in associated company (Note 5) | 1                    | 1  |
| Resource properties (Note 6, 13)          | 5,586,119            | 5,454,216  |
| Property, plant and equipment (Note 7)    | 906,813              | 958,965  |
|   | <b>\$ 7,459,825</b>  | <b>\$ 7,758,604</b>                              |
| <b>LIABILITIES</b>                        |                      |  |
| <b>Current</b>                            |                      |  |
| Accounts payable and accrued liabilities  | 319,666              | 551,476  |
|   | <b>319,666</b>       | <b>551,476</b>                                   |
| <b>COMMITMENTS (Note 6, 10)</b>           |                      |  |
| <b>SHAREHOLDERS' EQUITY</b>               |                      |  |
| Share capital (Note 11)                   | 31,297,705           | 30,859,013                                       |
| Share-purchase warrants (Note 11)         | 1,293,198            | 1,387,890  |
| Contributed surplus (Note 11)             | 2,664,477            | 2,599,577  |
| Deficit                                   | (28,115,221)         | (27,639,352)                                     |
|   | <b>7,140,159</b>     | <b>7,207,128</b>                                 |
|   | <b>\$ 7,459,825</b>  | <b>\$ 7,758,604</b>                              |

Approved by the Board of Directors:

|  |  |
|--|--|
| <p>"Mark R. Frederick"</p> <p><b>Mark R. Frederick</b><br/><i>Director</i></p> | <p>"James J. Moore"</p> <p><b>James J. Moore</b><br/><i>Director</i></p> |
|--|--|

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

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**(All figures in Canadian dollars)**

|   | For the three months ended<br>February 28,<br>2006 | For the three months ended<br>February 28,<br>2005 |
|---|--|--|
| <b>Expenses</b>                                   |  |  |
| Executive compensation                            | 95,042   | 88,510   |
| Travel and accommodation                          | 78,539   | 18,987   |
| Office and rent                                   | 53,695   | 39,989   |
| Depreciation and amortization                     | 52,152   | 48,719   |
| Salaries and benefits                             | 39,313   | 28,176   |
| Professional fees                                 | 31,462   | 14,026   |
| Corporate relations                               | 28,268   | 34,676   |
| Consulting  | 10,500   | 28,854   |
| Other   | 9,216  | 3,096  |
|   | <b>398,187</b>                                     | <b>305,033</b>                                     |
| <b>Other expenses (income)</b>                    |  |  |
| Stock-based compensation (Note 11)                | 64,900   | 33,507   |
| Other loss, net (Note 13)                         | 13,454   | 14,033   |
| Foreign exchange                                  | 51   | (58,806)   |
| Unrealized loss on marketable securities (Note 4) | -  | 800  |
| Interest  | (723)  | (3,112)  |
| <b>Loss before income taxes</b>                   | <b>475,869</b>                                     | <b>291,455</b>                                     |
| Income taxes (Note 12)                            | -  | -  |
| <b>Net loss for the period</b>                    | <b>475,869</b>                                     | <b>291,455</b>                                     |
| Deficit, beginning of period                      | 27,639,352   | 26,240,913   |
| <b>Deficit, end of period</b>                     | <b>\$ 28,115,221</b>                               | <b>\$ 26,532,368</b>                               |
| <b>Net loss per share - basic and diluted</b>     | <b>\$ 0.011</b>                                    | <b>\$ 0.007</b>                                    |
| <b>Weighted average common shares outstanding</b> | <b>43,604,751</b>                                  | <b>39,188,070</b>                                  |

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

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(All figures in Canadian dollars)**

|   | For the three months ended<br>February 28,<br>2006 | For the three months ended<br>February 28,<br>2005 |
|---|--|--|
| <b>Operating activities</b>                       |  |  |
| Net loss for the year                             | \$ (475,869)                                       | \$ (291,455)                                       |
| Adjustments for:                                  |  |  |
| Depreciation and amortization                     | 52,152   | 48,719   |
| Stock-based compensation (Note 11)                | 64,900   | 33,507   |
| Foreign exchange                                  | 51   | (58,806)   |
| Unrealized loss on marketable securities (Note 4) | -  | 800  |
|   | <b>(358,766)</b>                                   | <b>(267,235)</b>                                   |
| Changes in non-cash working capital balances      | (231,829)  | 45,449   |
|   | <b>(590,595)</b>                                   | <b>(221,786)</b>                                   |
| <b>Financing activities</b>                       |  |  |
| Issuance of shares and warrants (Note 11)         | 344,000  | 34,296   |
|   | <b>344,000</b>                                     | <b>34,296</b>                                      |
| <b>Investing activities</b>                       |  |  |
| Restricted cash (Note 3)                          | 6,000  | (29,537)   |
| Resource properties (Note 6, 13)                  | (131,903)  | (382,484)  |
| Property, plant and equipment (Note 7)            | -  | (37,537)   |
|   | <b>(125,903)</b>                                   | <b>(449,558)</b>                                   |
| <b>Increase/(decrease) in cash for the period</b> | <b>(372,498)</b>                                   | <b>(637,048)</b>                                   |
| Cash and cash equivalents, beginning of period    | 417,731  | 2,174,163  |
| <b>Cash and cash equivalents, end of period</b>   | <b>\$ 45,233</b>                                   | <b>\$ 1,537,115</b>                                |
| <b>Supplemental Information:</b>                  |  |  |
| Income taxes paid during the period               | \$ -   | \$ -   |
| Interest paid during the period (Note 8, 13)      | \$ -   | \$ 8,174   |

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

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**1. Nature of Operations**

Inter-Citic Minerals Inc. (the "Company"), is a development stage company engaged in the acquisition, exploration and development of exploration-stage mineral properties.

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

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

**2. Summary of Significant Accounting Policies**

**Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

- (a) Inter-Citic Holdings Ltd. (100% owned), a company incorporated in the Cayman Islands
- (b) Techmat Inc. (100% owned), a company incorporated in the Republic of Mauritius
- (c) TechMat (USA) Corporation (100% owned), a company incorporated in Nevada, USA
- (d) United Worldwide Ltd. (100% owned), a company incorporated in the British Virgin Islands
- (e) Bay Roberts Resources Ltd. (98% owned), a company incorporated in British Columbia, Canada
- (f) Yangzhong Zhonghai Techmat Co., Ltd. (80% owned), a company incorporated in the People's Republic of China
- (g) Honor Link (HK) Ltd. (51% owned), a company incorporated in Hong Kong

All material inter-company transactions and balances have been eliminated.

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. Actual results could differ from those estimates.

**Foreign Currency Translation**

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 depreciation and amortization 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.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash, term deposits and other interest bearing instruments with original maturity dates of less than 90 days.

**Investments**

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

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**Financial Instruments**

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

**Resource Properties**

Costs associated with acquisition, direct exploration and development of resource properties are capitalized pending commencement of production, at which time they will be amortized. If capitalized expenditures on individual resource properties exceed the estimated net recoverable amount, the properties are written down to the estimated fair value. Costs relating to properties abandoned are written off when the decision to abandon is made.

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

**Property, plant and equipment**

Property, plant and equipment are recorded at cost less depreciation and amortization calculated as follows:

|                        |                            |
|------------------------|----------------------------|
| Leasehold improvements | Three years, straight-line |
| Buildings              | 5% reducing-balance        |
| Equipment              | 10%-33% reducing-balance   |
| Exploration equipment  | 20%-30% reducing-balance   |

The Company has a long-term land lease in China that has been prepaid but was written down to \$1 during 2003 (**Note 13**).

**Income Taxes**

Future income tax assets and liabilities are established where the accounting net book value of assets and liabilities differs from the corresponding tax basis. The benefit of future income tax assets is only recognized where their realization is judged to be more likely than not.

**Stock-based Compensation Plan**

The Company has one stock-based compensation plan, which is described in **Note 11**. The Company accounts for stock-based compensation in accordance with CICA 3870 (Stock-based Compensation and Other Stock-based Payments) and has chosen to recognize stock-based compensation based on the fair value method of accounting. Under this method, the fair value of stock-based compensation is determined based on the Black-Scholes valuation model and is recognized based on vesting of options granted under the stock option plan. Amounts recognized are credited to Contributed Surplus. Consideration paid on exercise of stock options is credited to Share Capital.

**Per Share Amounts**

Net loss per share has been computed by dividing net loss applicable to common shareholders by the weighted-average number of common shares outstanding during the respective periods.

Diluted net loss per share has not been presented as it is anti-dilutive.

**3. Restricted Cash**

Restricted cash relates to advances held in China and committed to continuing exploration of the Dachang Gold Project (**Note 6**).

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**4. Investments**

The Company holds marketable securities in the form of common shares as follows:

| November 30, 2005         | Number  | February 28, 2006 |                  | November 30, 2005 |                  |
|---------------------------|---------|-------------------|------------------|-------------------|------------------|
|                           |         | Market Value      | Book Value       | Market Value      | Book Value       |
| Pearl River Holdings Ltd. | 374,625 | \$ 16,858         | \$ 14,985        | \$ 14,985         | \$ 14,985        |
| Jaguar Nickel Inc.        | 10,000  | 3,400             | 2,100            | 2,100             | 2,100            |
| Persifal Holdings Inc.    | 2,000   | 300               | 180              | 180               | 180              |
| Talware Networx Inc.      | 100,000 | 3,500             | 1,400            | 1,400             | 1,400            |
|                           |         | <u>\$ 24,058</u>  | <u>\$ 18,665</u> | <u>\$ 18,665</u>  | <u>\$ 18,665</u> |

During the quarter ended February 28, 2005, the Company recorded an unrealized loss of \$800 to reflect a decline in value of marketable securities held.

It is the Company's intention to hold the marketable securities for greater than one year.

**5. Investment in Associated Company**

Investment in associated company is carried on an equity basis.

| <u>Ideal e-Commerce Limited</u> | February 28,<br>2006 | November 30,<br>2005 |
|---------------------------------|----------------------|----------------------|
| Equity - 50% ownership (a)      | \$ 1                 | \$ 1                 |
| Shareholder loan (b)            | 250,000              | 250,000              |
| Accumulated equity in net loss  | <u>(250,000)</u>     | <u>(250,000)</u>     |
|                                 | <u>\$ 1</u>          | <u>\$ 1</u>          |

(a) Investment in associated company represents the Company's 50% interest in Ideal e-Commerce Limited, a Hong Kong company formed in a 50/50 joint venture between the Company and Henderson China Holdings Ltd., of Hong Kong, in March, 2000 for the development of a business-to-business online metals trading portal through its 48% ownership in China Metals Net Company Ltd. ("China Metals Net"), of Hong Kong.

52% of the shares of China Metals Net are owned by China National Non-Ferrous Industrial Trading Group Company ("CNIT"), formerly Minmetals International Non-Ferrous Metals Trading Company, of Beijing. CNIT has agreed to utilize the services of China Metals Net on an exclusive basis to conduct all of its non-ferrous metals trading business activities through the business-to-business online metals trading portal.

The Company does not plan to make any further investment in this enterprise for the foreseeable future.

(b) The Hong Kong dollar denominated shareholder loan (HK\$1,224,999; 2005 - HK\$1,224,999) is unsecured, bears no interest and has no terms of repayment.

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**6. Resource Properties**

The Company is involved in exploration in China through earn-in agreements in the form of joint venture contracts whereby it provides 100% of the funding in order to earn a controlling interest in certain projects. As at February 28, 2006, the Company had entered into two such agreements, as follows:

**(a) The Dachang Gold Project**

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 by contributing the equivalent of approximately \$4,958,300 (Renminbi 32,830,000) over three years and making a cash payment of the equivalent of approximately \$1,428,000 (Renminbi 10,000,000) upon the issuance of a mining license required to bring the project into production. As at November 30, 2005, the Company has advanced \$2,959,100 (Renminbi 18,830,000) of this amount. The joint venture contract, as amended during the year, requires that the Company make additional contributions as to the equivalent of approximately \$856,800 (Renminbi 6,000,000) by June of 2006 and a final contribution as to the equivalent of \$1,142,400 (Renminbi 8,000,000) by October of 2006. The Company also has the option to acquire an additional 7% interest in the joint venture based on the valuation of any potential mining project contained in a pre-feasibility report, 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.

**(b) The Zalantun Gold Project**

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 \$2,142,357 (Renminbi 15,002,500) over three years. Although minimum contributions were originally staged as to the equivalent of approximately \$571,200 (Renminbi 4,000,000) in 2004, \$1,142,400 (Renminbi 8,000,000) in 2005 and \$428,757 (Renminbi 3,002,500) in 2006, contributions have been deferred subject to resolution of administrative delays in organizing the joint venture, which is expected to occur in 2006. The Company also has the ability to acquire an additional 5% interest in the joint venture for the equivalent of approximately \$252,042 (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 Beijing Institute of Geology for Mineral Resources seeks foreign investment. To date, the Company has not made any financial contributions relating to this joint venture agreement.

**7. Property, Plant and Equipment**

|                                 | February 28, 2006   |   |                   | November 30, 2005   |   |                   |
|---------------------------------|---------------------|---|-------------------|---------------------|---|-------------------|
|                                 | Cost                | Accumulated<br>Depreciation and<br>Amortization | Net Book<br>Value | Cost                | Accumulated<br>Depreciation and<br>Amortization | Net Book<br>Value |
| Prepaid land lease              | \$ 1                | \$ -  | \$ 1              | \$ 1                | \$ -  | \$ 1              |
| Buildings                       | 1                   | -   | 1                 | 1                   | -   | 1                 |
| Rare earth processing equipment | 1                   | -   | 1                 | 1                   | -   | 1                 |
| Leasehold improvements          | 37,000              | (14,902)  | 22,098            | 37,000              | (11,819)  | 25,181            |
| Office equipment                | 62,966              | (38,554)  | 24,412            | 62,966              | (36,673)  | 26,293            |
| Exploration equipment           | 1,196,561           | (336,261)                                       | 860,300           | 1,196,561           | (289,073)                                       | 907,488           |
| <b>Total</b>                    | <b>\$ 1,296,530</b> | <b>\$ (389,717)</b>                             | <b>\$ 906,813</b> | <b>\$ 1,296,530</b> | <b>\$ (337,565)</b>                             | <b>\$ 958,965</b> |

Prepaid land lease, buildings and rare earth processing equipment are held through the Company's 80% interest in Yangzhong Zhonghai Techmat Co., Ltd., in China. During the year ended November 30, 2005 the Company liquidated rare earth processing equipment for net proceeds of the equivalent of approximately \$429,240 (Renminbi 2,940,000) and used the proceeds to repay outstanding bank advances (**Note 8, 13**).

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**8. Bank Advances**

As at February 28, 2005, an 80%-owned Chinese subsidiary of the Company, Yangzhong Zhonghai Techmat Co., Ltd., had borrowed, in aggregate \$449,700 (Renminbi 3,000,000) from the Bank of China in the form of three one-year term loans secured by a fixed charge on land and buildings. The bank advances bore interest at a rate of 6.903%. During 2005, these loans were repaid by the Company out of proceeds from the liquidation of rare earth processing equipment that had previously been written down to \$1 in these financial statements (**Note 13**).

During the quarter ended February 28, 2005, the Company paid interest of \$8,174 related to these loans (**Note 13**).

**9. Related Party Transactions**

The Company paid or accrued management compensation of \$55,042 to three directors during the quarter (2005 - \$48,510). This compensation is in the normal course of operations and is measured at the exchange amount, which is the the amount of consideration established and agreed to by the parties.

**10. Lease Commitment**

The Company has entered into a three-year lease for office space to the year 2007 with minimum lease payments as follows:

|                 |    |        |
|-----------------|----|--------|
| Balance of 2006 | \$ | 64,766 |
| 2007            | \$ | 86,355 |

**11. Share Capital, Share-Purchase Warrants, Stock-based Compensation Plan and Contributed Surplus**

**(a) Authorized**

98,500,000 common shares, without par value.

**(b) Issued and Outstanding**

|                                     | February 28, 2006 |               | November 30, 2005 |               |
|-------------------------------------|-------------------|---------------|-------------------|---------------|
|                                     | Shares            | Amount        | Shares            | Amount        |
| Balance - beginning of period       | 46,669,174        | \$ 30,992,036 | 42,195,878        | \$ 28,007,846 |
| Issued by private placement         | -                 | -             | 3,353,333         | 1,809,907     |
| Exercise of share-purchase warrants | 333,333           | 294,692       | 710,963           | 814,363       |
| Exercise of options                 | 200,000           | 144,000       | 409,000           | 359,920       |
|                                     | 47,202,507        | 31,430,728    | 46,669,174        | 30,992,036    |
| Investment in own shares            | (116,500)         | (133,023)     | (116,500)         | (133,023)     |
| Balance - end of period             | 47,086,007        | \$ 31,297,705 | 46,552,674        | \$ 30,859,013 |

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**(i) Private Placement (October, 2005)**

In October of 2005 the Company completed a private placement for proceeds of \$533,500 representing 485,000 units of the Company at a price of \$1.10 per unit. Each unit consisted of one common share and one half of one share-purchase warrant. Each share-purchase warrant entitles the holder to purchase one additional common share at \$1.45 for a period of eighteen months from the date of issue. The Company evaluated the fair value of share-purchase warrants using the Black-Scholes model with the following valuation assumptions: expected life - 18 months, expected volatility - 68.28%, risk-free interest rate - 2.96%, dividend rate - 0%.

As part of this financing transaction, the Company agreed to pay finders' fees of \$31,020 in cash and 47,000 share-purchase warrants. Each share-purchase warrant entitles the holder to purchase one additional common share at \$1.10 for a period of twelve months from the date of issue. The Company evaluated the fair value of share-purchase warrants using the Black-Scholes model with the following valuation assumptions: expected life - 12 months, expected volatility - 68.08%, risk-free interest rate - 2.88%, dividend rate - 0%.

Consideration received has been allocated to the common shares after deducting the finders' fees paid in cash of \$31,020 and the estimated fair value of the share-purchase warrants of \$76,680.

**(ii) Private Placement (July, 2005)**

In July of 2005 the Company completed a private placement in three tranches for proceeds of \$1,721,000 representing 2,868,333 units of the Company at a price of \$0.60 per unit. Each unit consisted of one common share and one half of one share-purchase warrant. Each share-purchase warrant entitles the holder to purchase one additional common share at \$0.80 for a period of eighteen months from the date of issue. The Company evaluated the fair value of share-purchase warrants using the Black-Scholes model with the following valuation assumptions: expected life - 18 months, expected volatility - 63.38%, risk-free interest rate - 2.75%, dividend rate - 0%.

As part of this financing transaction, the Company agreed to pay cash finders' fees of \$100,200.

Consideration received has been allocated to the common shares after deducting the finders' fees paid in cash of \$100,200 and the estimated fair value of the share-purchase warrants of \$236,693.

**(c) Share-Purchase Warrants**

The following is a summary of the Company's outstanding share-purchase warrants:

|                               | February 28, 2006 |              |                                       | November 30, 2005 |              |                                       |
|-------------------------------|-------------------|--------------|---------------------------------------|-------------------|--------------|---------------------------------------|
|                               | Number            | Value        | Weighted-average<br>Exercise<br>Price | Number            | Value        | Weighted-average<br>Exercise<br>Price |
| Balance - beginning of period | 4,856,499         | \$ 1,387,890 | \$ 0.99                               | 5,741,877         | \$ 1,816,646 | \$ 0.99                               |
| Issued                        | -                 | -            | -                                     | 1,723,666         | 313,373      | 0.90                                  |
| Exercised                     | (333,333)         | (94,692)     | 0.60                                  | (710,963)         | (294,067)    | 0.73                                  |
| Expired                       | -                 | -            | -                                     | (1,898,081)       | (448,062)    | 1.00                                  |
| Balance - end of period       | 4,523,166         | \$ 1,293,198 | \$ 0.99                               | 4,856,499         | \$ 1,387,890 | \$ 0.99                               |

The weighted-average remaining contractual life is 0.65 years (2005 - 0.85 years).

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**(d) Stock-based Compensation Plan**

The Company has one stock-based compensation plan as at February 28, 2006, a common share-purchase option plan for directors, officers, employees and consultants of the Company (the "Plan"). Options under the Plan are typically granted in such numbers as to reflect the level of responsibility of the particular optionee and his or her contribution to the business and activities of the Company, typically vest immediately and have a five-year term. Except in specified circumstances, options are not assignable and terminate upon the optionee ceasing to be employed by or associated with the Company.

The Company's common shares are listed on the TSX Ventures Exchange and are traded in Canadian dollars. The following is a summary of the Company's outstanding stock options:

|   | February 28, 2006 |                                    | November 30, 2005 |                                    |
|---|-------------------|------------------------------------|-------------------|------------------------------------|
|   | Number            | Weighted-average<br>Exercise Price | Number            | Weighted-average<br>Exercise Price |
| Options outstanding - beginning of period | 3,735,200         | \$ 0.87                            | 3,794,200         | \$ 0.86                            |
| Options granted                           | 110,000           | 0.95                               | 425,000           | 0.97                               |
| Options exercised                         | (200,000)         | 0.72                               | (409,000)         | 0.88                               |
| Options expired                           | (100,000)         | 0.72                               | (75,000)          | 0.67                               |
| Options outstanding - end of period       | 3,545,200         | \$ 0.89                            | 3,735,200         | \$ 0.87                            |
| Exercisable options                       | 3,545,200         | \$ 0.89                            | 3,735,200         | \$ 0.87                            |

| Options Outstanding and Exercisable         | February 28,<br>2006 | November 30,<br>2005 |
|---|----------------------|----------------------|
| Price range per option                      | \$0.58 to \$1.15     | \$0.58 to \$1.15     |
| Weighted-average remaining contractual life | 2.87 Years           | 2.82 Years           |
| Weighted-average exercise price             | \$0.89               | \$0.87               |

During the quarter, the Company recognized \$64,900 (2005 - \$33,507) as stock-based compensation expense and included this amount in Contributed Surplus.

The fair value of options issued was estimated on the date of grant using the Black-Scholes option pricing model based on the following weighted-average valuation assumptions for each period:

|                          | February 28,<br>2006 | November 30,<br>2005 |
|--------------------------|----------------------|----------------------|
| Expected life:           | 5.0-years            | 5.0-years            |
| Expected volatility:     | 71.72%               | 71.42%               |
| Risk-free interest rate: | 3.75%                | 3.30%                |
| Dividend rate:           | 0%                   | 0%                   |

Under these assumptions, the fair value of options issued during these periods was \$0.59 and \$0.68, respectively.

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**(e) Contributed Surplus**

The following is a summary of transactions in the Contributed Surplus account:

|                                 | February 28,<br>2006 | November 30,<br>2005 |
|---------------------------------|----------------------|----------------------|
| Balance - beginning of period   | \$ 2,599,577         | 1,786,196            |
| Stock-based compensation        | 64,900               | 365,319              |
| Share-purchase warrants expired | -                    | 448,062              |
| Balance - end of period         | <u>2,664,477</u>     | <u>2,599,577</u>     |

**12. Income Taxes**

The Company has available losses of approximately \$11,447,000 that may be carried forward to reduce future years' income for tax purposes, as follows:

|      |              |
|------|--------------|
| 2006 | \$ 657,000   |
| 2007 | \$ 664,000   |
| 2008 | \$ 925,000   |
| 2009 | \$ 1,252,000 |
| 2010 | \$ 3,185,000 |
| 2014 | \$ 3,037,000 |
| 2015 | \$ 1,727,000 |

A full valuation allowance of \$4,808,000 has been applied against the benefit of these tax losses.

**13. Segmented Information**

The Company's activities are in one reportable operating segment, being acquisition of exploration stage resource properties and exploration and development of those properties.

**(a) Resource Properties and Property, Plant and Equipment by Geographic Region**

|        | February 28,<br>2006 | November 30,<br>2005 |
|--------|----------------------|----------------------|
| China  | \$ 6,446,422         | \$ 6,361,707         |
| Canada | 46,510               | 51,474               |
|        | <u>\$ 6,492,932</u>  | <u>\$ 6,413,181</u>  |

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**(b) Acquisition and Exploration Costs by Resource Property**

For the Quarter Ended February 28, 2006

| Balance as at<br>November 30,<br>2005 | Additions<br>during the<br>period | Expensed<br>during the<br>period | Balance as at<br>February 28,<br>2006 |
|---------------------------------------|-----------------------------------|----------------------------------|---------------------------------------|
|---------------------------------------|-----------------------------------|----------------------------------|---------------------------------------|

**(i) Dachang Gold Project**

**Acquisition costs:**

|                          |                |          |          |                |
|--------------------------|----------------|----------|----------|----------------|
| Consulting               | \$ 131,732     | \$ -     | \$ -     | \$ 131,732     |
| Professional fees        | 112,204        | -        | -        | 112,204        |
| Dues and fees            | 17,909         | -        | -        | 17,909         |
| Other                    | 15,573         | -        | -        | 15,573         |
| Travel and accommodation | 5,311          | -        | -        | 5,311          |
|                          | <b>282,729</b> | <b>-</b> | <b>-</b> | <b>282,729</b> |

**Exploration costs:**

|                          |                  |                |                |                  |
|--------------------------|------------------|----------------|----------------|------------------|
| Drilling                 | 1,840,423        | 17,242         | -              | 1,857,665        |
| Consulting               | 755,684          | 85,414         | -              | 841,098          |
| Camp                     | 485,295          | 1,030          | -              | 486,325          |
| Travel and accommodation | 416,328          | 2,915          | (2,318)        | 416,925          |
| Trenching                | 389,360          | -              | -              | 389,360          |
| Metallurgical            | 265,807          | 5,289          | -              | 271,096          |
| Geochemical              | 268,320          | -              | -              | 268,320          |
| Geophysical              | 253,986          | -              | -              | 253,986          |
| Mapping                  | 137,543          | 11,620         | -              | 149,163          |
| Depreciation             | 134,276          | -              | -              | 134,276          |
| Professional fees        | 92,369           | 8,640          | -              | 101,009          |
| Other                    | 40,271           | 8,071          | (6,000)        | 42,342           |
|                          | <b>5,079,662</b> | <b>140,221</b> | <b>(8,318)</b> | <b>5,211,565</b> |
|                          | <b>5,362,391</b> | <b>140,221</b> | <b>(8,318)</b> | <b>5,494,294</b> |

**(ii) Zalantun Gold Project**

**Acquisition costs:**

|                   |               |          |          |               |
|-------------------|---------------|----------|----------|---------------|
| Professional fees | 13,860        | -        | -        | 13,860        |
|                   | <b>13,860</b> | <b>-</b> | <b>-</b> | <b>13,860</b> |

**Exploration costs:**

|                          |               |          |          |               |
|--------------------------|---------------|----------|----------|---------------|
| Consulting               | 51,800        | -        | -        | 51,800        |
| Travel and accommodation | 15,003        | -        | -        | 15,003        |
| Mapping                  | 10,921        | -        | -        | 10,921        |
| Other                    | 241           | -        | -        | 241           |
|                          | <b>77,965</b> | <b>-</b> | <b>-</b> | <b>77,965</b> |
|                          | <b>91,825</b> | <b>-</b> | <b>-</b> | <b>91,825</b> |

|                                |                     |                   |                   |                     |
|--------------------------------|---------------------|-------------------|-------------------|---------------------|
| <b>All resource properties</b> | <b>\$ 5,454,216</b> | <b>\$ 140,221</b> | <b>\$ (8,318)</b> | <b>\$ 5,586,119</b> |
|--------------------------------|---------------------|-------------------|-------------------|---------------------|

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

For the Quarter Ended February 28, 2005

| Balance as at<br>November 30,<br>2004 | Additions<br>during the<br>period | Expensed<br>during the<br>period | Balance as at<br>February 28,<br>2005 |
|---------------------------------------|-----------------------------------|----------------------------------|---------------------------------------|
|---------------------------------------|-----------------------------------|----------------------------------|---------------------------------------|

**(i) Dachang Gold Project**

**Acquisition costs:**

|                          |                |            |          |                |
|--------------------------|----------------|------------|----------|----------------|
| Consulting               | \$ 131,732     | \$ -       | \$ -     | \$ 131,732     |
| Professional fees        | 112,204        | -          | -        | 112,204        |
| Dues and fees            | 17,909         | -          | -        | 17,909         |
| Other                    | 15,573         | -          | -        | 15,573         |
| Travel and accommodation | 5,199          | 112        | -        | 5,311          |
|                          | <b>282,617</b> | <b>112</b> | <b>-</b> | <b>282,729</b> |

**Exploration costs:**

|                          |                  |                |                |                  |
|--------------------------|------------------|----------------|----------------|------------------|
| Drilling                 | 1,213,034        | 138,790        | -              | 1,351,824        |
| Consulting               | 320,545          | 61,631         | -              | 382,176          |
| Travel and accommodation | 275,530          | 51,614         | (6,120)        | 321,024          |
| Camp                     | 225,919          | 50,674         | -              | 276,593          |
| Geophysical              | 253,986          | -              | -              | 253,986          |
| Geochemical              | 212,962          | -              | -              | 212,962          |
| Depreciation             | 71,896           | 8,462          | -              | 80,358           |
| Metallurgical            | 3,976            | 56,879         | -              | 60,855           |
| Professional fees        | 34,952           | 18,124         | -              | 53,076           |
| Other                    | 16,635           | 11,984         | (1,604)        | 27,015           |
| Mapping                  | 25,417           | 400            | -              | 25,817           |
| Trenching                | 14,807           | -              | -              | 14,807           |
|                          | <b>2,669,659</b> | <b>398,558</b> | <b>(7,724)</b> | <b>3,060,493</b> |
|                          | <b>2,952,276</b> | <b>398,670</b> | <b>(7,724)</b> | <b>3,343,222</b> |

**(ii) Zalantun Gold Project**

**Acquisition costs:**

|                   |               |          |          |               |
|-------------------|---------------|----------|----------|---------------|
| Professional fees | 13,860        | -        | -        | 13,860        |
|                   | <b>13,860</b> | <b>-</b> | <b>-</b> | <b>13,860</b> |

**Exploration costs:**

|                          |               |          |          |               |
|--------------------------|---------------|----------|----------|---------------|
| Consulting               | 51,800        | -        | -        | 51,800        |
| Travel and accommodation | 15,003        | -        | -        | 15,003        |
| Mapping                  | 10,921        | -        | -        | 10,921        |
| Other                    | 241           | -        | -        | 241           |
|                          | <b>77,965</b> | <b>-</b> | <b>-</b> | <b>77,965</b> |
|                          | <b>91,825</b> | <b>-</b> | <b>-</b> | <b>91,825</b> |

**All resource properties**

|                     |                   |                   |                     |
|---------------------|-------------------|-------------------|---------------------|
| <b>\$ 3,044,101</b> | <b>\$ 398,670</b> | <b>\$ (7,724)</b> | <b>\$ 3,435,047</b> |
|---------------------|-------------------|-------------------|---------------------|

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**(c) Other Loss (Gain), Net**

Until 2003 the Company's activities included a rare earth operation that processed rare earth concentrates in China for use primarily in the optical and automotive catalytic converter industries, as well as the manufacture of mini and micro magnets for the computer and telecommunication industries. During 2003 operations ceased and the processing facility has since remained idle. Fixed assets associated with the operation include a prepaid land lease, buildings and rare earth processing equipment that the Company holds through its 80% interest in Yangzhong Zhonghai Techmat Co., Ltd., which have been written down to \$1. Accounts receivable and inventory have been written off.

During 2005 the Company liquidated most of its rare earth processing equipment for net proceeds of approximately \$429,240 (Renminbi 2,940,000), the proceeds of which were used to repay amounts owing to the Bank of China (**Note 8**). In addition, the Company reversed approximately \$102,967 in accounts payable that were over-accrued at the time operations ceased.

The Company continues to incur expenses associated with security and maintenance of the land, buildings and remaining equipment in China. During the quarter, the net amount of these costs were \$13,454 (2005 - \$14,033), including interest charges on the outstanding bank advances in 2005 of \$8174, and are net of recovery of bad debts, sale of inventory previously written off, liquidation of property, plant and equipment, exchange gains and losses for the period and other related income or expenses as applicable.

**14. Subsequent Events**

Subsequent to the end of the quarter, on March 22, 2006, the Company announced that it had completed a brokered private placement financing for gross proceeds of \$11,056,478, made up of 12,284,975 special warrants of the Company (the "Special Warrants") issued at a price of \$0.90 per Special Warrant. Each Special Warrant entitles the holder thereof, upon exercise or deemed exercise of the Special Warrants and without payment of any additional consideration, to receive one common share of the Company (the "Special Warrant Shares") and one-half of one share-purchase warrant (the "Underlying Warrants"). Each whole Underlying Warrant entitles the holder to purchase one additional common share of the Company (the "Underlying Warrant Shares") at a price of \$1.20 until March 22, 2008.

The Company paid a cash commission of \$663,389 and issued 737,098 share-purchase warrants to brokers (the "Brokers' Special Warrants") in connection with this financing. Each Broker's Special Warrant entitles the holder thereof, upon exercise or deemed exercise of the Brokers' Special Warrants and without payment of any additional consideration, to receive one share-purchase warrant of the Company (the "Brokers' Warrants"). Each Broker's Warrant entitles the holder to purchase one additional common share of the Company (the "Brokers' Warrant Shares") at a price of \$1.00 until March 22, 2008.

The Special Warrants were issued under and are governed by an indenture dated March 22, 2006 (the "Special Warrant Indenture") between the Company and Computershare Trust Company of Canada (the "Special Warrant Agent").

The Company has agreed to use its best efforts to obtain a decision document in respect of a prospectus (the "Decision Document"), which definitively evidences that the Special Warrant Shares, Underlying Warrant Shares and Brokers' Warrant Shares to be issued upon the exercise or deemed exercise of the Special Warrants, the Underlying Warrants or Brokers' Warrants have been qualified for the purposes of distribution in the provinces of Canada within which the holders of the Special Warrants, the Underlying Warrants or Brokers' Warrants are resident (the "Offering Jurisdictions") on or before April 30, 2006 (the "Qualification Deadline"). If the Decision Document has not been obtained by the Qualification Deadline, the Company will continue to use its best efforts to obtain the Decision Document until the Time of Expiry (as defined below). In the event that the Decision Document is not issued on or before the Qualification Deadline, holders of the Special Warrants will thereafter be entitled to receive 1.1 Special Warrant Shares and 0.55 Underlying Warrants for each Special Warrant so exercised for no additional consideration. The Company was successful in obtaining the Decision Document on April 28, 2006.

The Special Warrants and the Brokers' Special Warrants are exercisable at any time on or before (the "Time of Expiry") the date which is the earlier of: (i) July 23, 2006; and (ii) the first business day following the Qualification Date. The "Qualification Date" is, in respect of an Offering Jurisdiction, the later of: (i) the date of issuance of the Decision Document (or equivalent receipt) of the securities commissions of the Offering Jurisdiction; and (ii) April 30, 2006. Any Special Warrants or Brokers' Special Warrants not exercised by the Time of Expiry will be deemed to be exercised immediately prior to the Time of Expiry without any further action by the holders thereof.

**INTER-CITIC MINERALS INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2006**

**14. Subsequent Events, continued**

In the event a holder of Special Warrants or Brokers' Special Warrants exercises such Special Warrants or Brokers' Special Warrants prior to the date of the Decision Document is obtained, the common shares issued upon exercise will be subject to hold periods under applicable securities legislation and shall bear such legends as required by securities laws.

In addition, the Special Warrant Indenture provides for and contains provisions designed to protect the holders of the Special Warrants against dilution upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the common shares of the Company, the payment of stock dividends or special distributions, the amalgamation, merger or corporate reorganization of the Company or a rights offering.

The Company intends to use the proceeds of this private placement for further exploration at Dachang and for general working capital purposes.

**15. Comparative Figures**

Certain comparative figures have been reclassified to conform with the presentation of the current period.