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

CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2005 and 2004

Management's Responsibility for Financial Statements

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

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

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

"James J. Moore"	"Lou Pasubio"
James J. Moore *President and Chief Executive Officer*	**Lou Pasubio, C.A.** *Vice-President, Finance and Chief Financial Officer*

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
PO Box 82
Royal Trust Tower, Suite 3000
Toronto Dominion Centre
Toronto, Ontario
Canada M5K 1G8
Telephone +1 416 863 1133
Facsimile +1 416 365 8215

March 3, 2006
(except for note 14, which is as at March 27, 2006)

Auditors' Report

To the Directors of
Inter-Citic Minerals Inc.

We have audited the consolidated balance sheets of **Inter-Citic Minerals Inc.** as at November 30, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at November 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

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

	November 30, 2005	November 30, 2004
ASSETS		
Current		
Cash and cash equivalents	$ 417,731	$ 2,174,163
Amounts receivable	87,735	235,094
Prepaid expenses	46,800	21,197
	552,266	**2,430,454**
Restricted cash **(Note 3)**	774,491	258,183
Deposits	-	105,375
Investments **(Note 4)**	18,665	22,645
Investment in associated company **(Note 5)**	1	1
Resource properties (**Note 6, 13**)	5,454,216	3,044,101
Property, plant and equipment **(Note 7)**	958,965	1,074,775
	$ 7,758,604	**$ 6,935,534**
LIABILITIES		
Current		
Bank advances **(Note 8)**	$ -	$ 430,500
Accounts payable and accrued liabilities	551,476	1,268,282
	551,476	**1,698,782**
COMMITMENTS (Note 6, 10)		
SHAREHOLDERS' EQUITY		
Share capital **(Note 11)**	30,859,013	27,874,823
Share-purchase warrants **(Note 11)**	1,387,890	1,816,646
Contributed surplus **(Note 11)**	2,599,577	1,786,196
Deficit	(27,639,352)	(26,240,913)
	7,207,128	**5,236,752**
	$ 7,758,604	**$ 6,935,534**

Approved by the Board of Directors:

"Mark R. Frederick" "James J. Moore"

Mark R. Frederick
Director

James J. Moore
Director

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 year ended November 30, 2005	For the year ended November 30, 2004
Expenses		
Executive compensation	369,202	400,142
Corporate relations	280,743	220,419
Travel and accommodation	232,920	561,416
Office and rent	186,333	299,045
Depreciation and amortization	173,147	4,807
Salaries and benefits	136,115	116,109
Professional fees	133,344	495,776
Consulting	53,880	324,357
Other	48,524	45,053
	1,614,208	**2,467,124**
Other Expenses (Income)		
Stock-based compensation **(Note 11)**	365,319	1,259,472
Unrealized loss on marketable securities **(Note 4)**	3,980	28,751
Interest	(24,785)	(39,775)
Foreign exchange	(36,456)	94,586
Other loss (gain), net **(Note 13)**	(523,827)	8,328
Loss before income taxes	**1,398,439**	**3,818,486**
Income taxes **(Note 12)**	-	-
Net loss for year	**1,398,439**	**3,818,486**
Deficit, beginning of year	26,240,913	22,422,427
Deficit, end of year	**$ 27,639,352**	**$ 26,240,913**
Net loss per share - basic and diluted	**$ 0.03**	**$ 0.10**
Weighted average common shares outstanding	**43,461,788**	**39,177,781**

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 year ended November 30, 2005	For the year ended November 30, 2004
Operating activities		
Net loss for the year	$ (1,398,439)	$ (3,818,486)
Adjustments for:		
Depreciation and amortization	173,147	4,807
Stock-based compensation **(Note 11)**	365,319	1,259,472
Unrealized loss on marketable securities **(Note 4)**	3,980	28,751
Foreign exchange	(36,456)	94,586
Gain on sale of property, plant and equipment **(Note 13)**	(429,240)	-
	(1,321,689)	**(2,430,870)**
Changes in non-cash working capital balances	(453,219)	230,042
	(1,774,908)	**(2,200,828)**
Financing activities		
Bank advances **(Note 8)**	(430,500)	-
Issuance of shares and warrants **(Note 11)**	3,003,496	7,309,659
	2,572,996	**7,309,659**
Investing activities		
Purchase of marketable securities **(Note 4)**	-	(16,172)
Increase in restricted cash **(Note 3)**	(516,308)	(258,183)
Resource properties **(Note 6, 13)**	(2,347,735)	(2,703,137)
Sale of rare earth processsing equipment **(Note 7, 13)**	429,240	-
Property, plant and equipment **(Note 7, 13)**	(119,717)	(1,136,446)
	(2,554,520)	**(4,113,938)**
Increase/(decrease) in cash for the year	**(1,756,432)**	**994,893**
Cash and cash equivalents, beginning of year	2,174,163	1,179,270
Cash and cash equivalents, end of year	**$ 417,731**	**$ 2,174,163**
Supplemental Information:		
Income taxes paid during the year	$ -	$ -
Interest paid during the year **(Note 8, 13)**	$ 17,201	$ 33,524

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

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.

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)**.

4. Investments

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

		2005		2004	
November 30, 2005	Number	Market Value	Book Value	Market Value	Book Value
Pearl River Holdings Ltd.	374,625	$ 14,985	$ 14,985	$ 14,985	$ 14,985
Jaguar Nickel Inc.	10,000	2,100	2,100	7,500	4,000
Persifal Holdings Inc.	2,000	180	180	1,660	1,660
Talware Networx Inc.	100,000	1,400	1,400	2,000	2,000
		$ 18,665	$ 18,665	$ 26,145	$ 22,645

During the year ended November 30, 2005, the Company recorded an unrealized loss of $3,980 (2004 - $28,751) 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.

Ideal e-Commerce Limited	November 30, 2005	November 30, 2004
Equity - 50% ownership (a)	$ 1	$ 1
Shareholder loan (b)	250,000	250,000
Accumulated equity in net loss	(250,000)	(250,000)
	$ 1	$ 1

(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; 2004 - HK$1,224,999) is unsecured, bears no interest and has no terms of repayment.

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 November 30, 2005, 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 $4,986,300 (Renminbi 32,830,000) over three years and making a cash payment of the equivalent of approximately $1,448,000 (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 ammended during the year, requires that the Company make additional contributions as to the equivalent of approximately $868,800 (Renminbi 6,000,000) by June of 2006 and a final contribution as to the equivalent of $1,158,400 (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 $2,172,362 (Renminbi 15,002,500) over three years. Although minimum contributions were originally staged as to the equivalent of approximately $579,200 (Renminbi 4,000,000) in 2004, $1,158,400 (Renminbi 8,000,000) in 2005 and $434,762 (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 $255,572 (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

	November 30, 2005			November 30, 2004		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book 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	(11,819)	25,181	-	-	-
Office equipment	62,966	(36,673)	26,293	48,232	(30,141)	18,091
Exploration equipment	1,196,561	(289,073)	907,488	1,128,577	(71,896)	1,056,681
Total	$ 1,296,530	$ (337,565)	$ 958,965	$ 1,176,812	$ (102,037)	$ 1,074,775

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, 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)**.

8. Bank Advances

As at November 30, 2004, an 80%-owned Chinese subsidiary of the Company, Yangzhong Zhonghai Techmat Co., Ltd., had borrowed, in aggregate $430,500 (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 year, the Company paid interest of $17,201 related to these loans (2004 - $33,524) **(Note 13)**.

9. Related Party Transactions

The Company paid or accrued management compensation of $202,202 to three directors during the year (2004 - $238,570) to one company controlled by a director and to three directors). 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:

2006	$	86,355
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

	November 30, 2005		November 30, 2004	
	Shares	Amount	Shares	Amount
Balance - beginning of year	42,195,878	$ 28,007,846	34,029,636	$ 21,124,899
Issued by private placement	3,353,333	1,809,907	4,211,667	2,091,405
Exercise of share-purchase warrants	710,963	814,363	3,839,775	4,713,958
Exercise of options	409,000	359,920	114,800	77,584
	46,669,174	30,992,036	42,195,878	28,007,846
Investment in own shares	(116,500)	(133,023)	(116,500)	(133,023)
Balance - end of year	46,552,674	$ 30,859,013	42,079,378	$ 27,874,823

(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.

(iii) Private Placement (August, 2004)

In August of 2004 the Company completed a private placement for proceeds of $2,545,000 representing 2,545,000 units of the Company at a price of $1.00 per unit. Each unit consisted of one common share and one share-purchase warrant. Each share-purchase warrant entitles the holder to purchase one additional common share at $1.10 for a period of twenty-four months from the date of issue.

As part of this financing transaction, the Company agreed to pay finders' fees of $152,700 in cash and 254,500 share-purchase warrants. Each share-purchase warrant entitles the holder to purchase one common share at a price of $1.10 for period of twenty-four 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 - 2 years, expected volatility - 80.72%, risk-free interest rate - 2.25%, dividend rate - 0%.

Consideration received has been allocated to the common shares after deducting the finders' fees paid in cash of $152,700 and the estimated fair value of the share-purchase warrants of $979,825.

(iv) Private Placement (February, 2004)

In February of 2004 the Company completed the second tranche of a private placement for proceeds of $1,000,000 representing 1,666,667 units of the Company at a price of $0.60 per unit. Each unit consisted of one common share and one share-purchase warrant. Each share-purchase warrant entitles the holder to purchase one common share at $1.00 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 - 1-year, expected volatility - 88.3%, risk-free interest rate - 2.73%, dividend rate - 0%.

In addition, the Company paid a second tranche of finders' fees associated with this transaction of 333,333 share-purchase warrants. Each share-purchase warrant entitles the holder to purchase one common share at a price of $0.60 for twenty-four 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 - 2-years, expected volatility - 79.7 %, risk-free interest rate - 2.85%, dividend rate - 0%.

Consideration received has been allocated to the common shares after deducting the estimated fair value of the share-purchase warrants of $321,070.

(c) Share-Purchase Warrants

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

	November 30, 2005			November 30, 2004		
	Number	Value	Weighted-average Exercise Price	Number	Value	Weighted-average Exercise Price
Balance - beginning of year	5,741,877	$ 1,816,646	$ 0.99	5,274,706	$ 1,456,836	$ 0.96
Issued	1,723,666	313,373	0.90	4,799,500	1,300,895	1.03
Exercised	(710,963)	(294,067)	0.73	(3,839,775)	(874,183)	1.00
Expired	(1,898,081)	(448,062)	1.00	(492,554)	(66,902)	1.00
Balance - end of year	4,856,499	$ 1,387,890	$ 0.99	5,741,877	$ 1,816,646	$ 0.99

The weighted-average remaining contractual life is 0.85 years (2004 - 1.12 years).

(d) Stock-based Compensation Plan

The Company has one stock-based compensation plan as at November 30, 2005, 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:

	November 30, 2005		November 30, 2004	
	Number	Weighted-average Exercise Price	Number	Weighted-average Exercise Price
Options outstanding - beginning of year	3,794,200	$ 0.86	2,199,000	$ 0.75
Options granted	425,000	0.97	1,785,000	0.97
Options exercised	(409,000)	0.88	(114,800)	0.68
Options expired	(75,000)	0.67	(75,000)	0.91
Options outstanding - end of year	3,735,200	$ 0.87	3,794,200	$ 0.86
Exercisable options	3,735,200	$ 0.87	3,594,200	$ 0.85

Options Outstanding and Exercisable	November 30, 2005	November 30, 2004
Price range per option	$0.58 to $1.15	$0.58 to $1.15
Weighted-average remaining contractual life	2.82 Years	3.21 Years
Weighted-average exercise price	$0.87	$0.86

During the year, the Company recognized $365,319 (2004 - $1,259,472) 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:

	November 30, 2005	November 30, 2004
Expected life:	5.0-years	5.0-years
Expected volatility:	71.42%	70.91%
Risk-free interest rate:	3.30%	2.25%
Dividend rate:	0%	0%

Under these assumptions, the fair value of options issued during these periods was $0.68 and $0.60, respectively.

(e) Contributed Surplus

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

	November 30, 2005	November 30, 2004
Balance - beginning of year	$ 1,786,196	459,822
Stock-based compensation	365,319	1,259,472
Share-purchase warrants expired	448,062	66,902
Balance - end of year	2,599,577	1,786,196

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

	November 30, 2005	November 30, 2004
China	$ 6,361,707	$ 4,100,785
Canada	51,474	18,091
	$ 6,413,181	$ 4,118,876

(b) Acquisition and Exploration Costs by Resource Property

	For the Year Ended November 30, 2005			
	Balance as at November 30, 2004	Additions during the period	Expensed during the period	Balance as at November 30, 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
	282,617	**112**	**-**	**282,729**
Exploration costs:				
Drilling	1,213,034	627,389	-	1,840,423
Consulting	320,545	435,139	-	755,684
Camp	225,919	259,376	-	485,295
Travel and accommodation	275,530	295,641	(154,843)	416,328
Trenching	14,807	374,553	-	389,360
Geochemical	212,962	55,358	-	268,320
Metallurgical	3,976	261,831	-	265,807
Geophysical	253,986	-	-	253,986
Mapping	25,417	112,126	-	137,543
Depreciation	71,896	62,380	-	134,276
Professional fees	34,952	57,417	-	92,369
Other	16,635	36,526	(12,890)	40,271
	2,669,659	**2,577,736**	**(167,733)**	**5,079,662**
	2,952,276	**2,577,848**	**(167,733)**	**5,362,391**

(ii) Zalantun Gold Project				
Acquisition costs:				
Professional fees	13,860	-	-	13,860
	13,860	**-**	**-**	**13,860**
Exploration costs:				
Consulting	51,800	-	-	51,800
Travel and accommodation	15,003	-	-	15,003
Mapping	10,921	-	-	10,921
Other	241	-	-	241
	77,965	**-**	**-**	**77,965**
	91,825	**-**	**-**	**91,825**
All resource properties	**$ 3,044,101**	**$ 2,577,848**	**$ (167,733)**	**$ 5,454,216**

	For the Year Ended November 30, 2004			
	Balance as at November 30, 2003	Additions during the period	Expensed during the period	Balance as at November 30, 2004
(i) Dachang Gold Project				
Acquisition costs:				
Consulting	$ -	$ 131,732	$ -	$ 131,732
Professional fees	35,196	77,008	-	112,204
Dues and fees	-	17,909	-	17,909
Other	-	15,573	-	15,573
Travel and accommodation	-	36,983	(31,784)	5,199
	35,196	**279,205**	**(31,784)**	**282,617**
Exploration costs:				
Drilling	-	1,213,034	-	1,213,034
Consulting	131,802	255,801	(67,058)	320,545
Travel and accommodation	48,256	317,890	(90,616)	275,530
Geophysical	-	253,986	-	253,986
Camp	-	225,919	-	225,919
Geochemical	-	212,962	-	212,962
Depreciation	-	71,896	-	71,896
Professional fees	-	46,453	(11,501)	34,952
Mapping	-	25,417	-	25,417
Other	-	55,766	(39,131)	16,635
Trenching	-	14,807	-	14,807
Metallurgical	-	3,976	-	3,976
	180,058	**2,697,907**	**(208,306)**	**2,669,659**
	215,254	**2,977,112**	**(240,090)**	**2,952,276**

(ii) Zalantun Gold Project

Acquisition costs:				
Professional fees	8,799	5,061	-	13,860
Travel and accommodation	-	10,745	(10,745)	-
	8,799	**15,806**	**(10,745)**	**13,860**
Exploration costs:				
Consulting	32,951	41,844	(22,995)	51,800
Travel and accommodation	12,064	23,668	(20,729)	15,003
Mapping	-	10,921	-	10,921
Other	-	241	-	241
	45,015	**76,674**	**(43,724)**	**77,965**
	53,814	**92,480**	**(54,469)**	**91,825**
All resource properties	**$ 269,068**	**$ 3,069,592**	**$ (294,559)**	**$ 3,044,101**

(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 the year 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 year, the net amount of these costs were $8,380 (2004 - $8,327), including interest charges on the outstanding bank advances of $17,201 (2004 - $33,524), 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 year, 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 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.

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 occurrence of certain events, including any subdivision, consolidation or reclassification of the Common Shares, 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 year.