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

CONSOLIDATED SECOND QUARTER INTERIM FINANCIAL STATEMENTS (UNAUDITED)

May 31, 2006 and 2005

INTER-CITIC MINERALS INC.
Suite 501, 60 Columbia Way
Markham, Ontario
CANADA L3R 0C9

July 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, C.A.
Vice-President, Finance & CFO

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

	May 31, 2006	November 30, 2005 (Audited)
ASSETS		
Current		
Cash and cash equivalents	$ 7,577,271	$ 417,731
Amounts receivable	92,161	87,735
Prepaid expenses	21,598	46,800
	7,691,030	**552,266**
Restricted cash **(Note 3)**	1,842,204	774,491
Investments **(Note 4)**	18,665	18,665
Investment in associated company **(Note 5)**	1	1
Resource properties (**Note 6, 13**)	6,285,179	5,454,216
Property, plant and equipment **(Note 7)**	1,028,464	958,965
	$ 16,865,543	**$ 7,758,604**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	345,568	551,476
	345,568	**551,476**
COMMITMENTS (Note 6, 10)		
SHAREHOLDERS' EQUITY		
Share capital **(Note 11)**	39,865,093	30,859,013
Share-purchase warrants **(Note 11)**	3,393,928	1,387,890
Contributed surplus **(Note 11)**	2,625,814	2,599,577
Deficit	(29,364,860)	(27,639,352)
	16,519,975	**7,207,128**
	$ 16,865,543	**$ 7,758,604**

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 three months ended May 31, 2006	For the three months ended May 31, 2005	For the six months ended May 31, 2006	For the six months ended May 31, 2005
Expenses				
Corporate relations	365,588	44,061	393,856	78,737
Executive compensation	257,922	88,000	352,964	176,510
Professional fees	243,735	27,642	275,197	41,668
Travel and accommodation	151,157	45,886	229,696	64,873
Office and rent	79,337	46,865	133,032	86,854
Other	74,555	20,857	83,771	23,953
Salaries and benefits	35,667	42,303	74,980	70,479
Consulting	28,900	25,948	39,400	54,802
Depreciation and amortization	28,888	58,524	81,040	107,243
	1,265,749	**400,086**	**1,663,936**	**705,119**
Other expenses (income)				
Stock-based compensation **(Note 11)**	132,750	46,269	197,650	79,776
Unrealized loss on marketable securities **(Note 4)**	-	1,560	-	2,360
Interest	(11,222)	(7,401)	(11,945)	(10,513)
Other loss (income), net **(Note 13)**	(14,029)	(18,872)	(575)	(4,839)
Foreign exchange	(123,609)	(95,695)	(123,558)	(154,501)
Loss before income taxes	**1,249,639**	**325,947**	**1,725,508**	**617,402**
Income taxes **(Note 12)**	-	-	-	-
Net loss for the period	**1,249,639**	**325,947**	**1,725,508**	**617,402**
Deficit, beginning of period	28,115,221	26,532,368	27,639,352	26,240,913
Deficit, end of period	**$ 29,364,860**	**$ 26,858,315**	**$ 29,364,860**	**$ 26,858,315**
Net loss per share - basic and diluted	**$ 0.03**	**$ 0.01**	**$ 0.03**	**$ 0.01**
Weighted average common shares outstanding	**47,202,507**	**42,230,174**	**51,770,769**	**42,218,305**

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 May 31, 2006	For the three months ended May 31, 2005	For the six months ended May 31, 2006	For the six months ended May 31, 2005
Operating activities				
Net loss for the year	$ (1,249,639)	$ (325,947)	$ (1,725,508)	$ (617,402)
Adjustments for:				
Depreciation and amortization	28,888	58,524	81,040	107,243
Stock-based compensation **(Note 11)**	132,750	46,269	197,650	79,776
Unrealized loss on marketable securities **(Note 4)**	-	1,560	-	2,360
Foreign exchange	(123,609)	(95,695)	(123,558)	(154,501)
	(1,211,610)	**(315,289)**	**(1,570,376)**	**(582,524)**
Changes in non-cash working capital balances	170,255	(592,033)	(61,574)	(546,584)
	(1,041,355)	**(907,322)**	**(1,631,950)**	**(1,129,108)**
Financing activities				
Issuance of shares and warrants **(Note 11)**	10,496,705	-	10,840,705	34,296
	10,496,705	**-**	**10,840,705**	**34,296**
Investing activities				
Restricted cash **(Note 3)**	(1,073,713)	287,720	(1,067,713)	258,183
Resource properties **(Note 6, 13)**	(679,061)	(184,068)	(810,964)	(566,552)
Property, plant and equipment **(Note 7)**	(170,538)	(8,516)	(170,538)	(46,053)
	(1,923,312)	**95,136**	**(2,049,215)**	**(354,422)**
Increase/(decrease) in cash for the period	**7,532,038**	**(812,186)**	**7,159,540**	**(1,449,234)**
Cash and cash equivalents, beginning of period	45,233	1,537,115	417,731	2,174,163
Cash and cash equivalents, end of period	**$ 7,577,271**	**$ 724,929**	**$ 7,577,271**	**$ 724,929**
Supplemental Information:				
Income taxes paid during the period	$ -	$ -	$ -	$ -
Interest paid during the period **(Note 8, 13)**	$ -	$ 8,116	$ -	$ 16,290

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:

		May 31, 2006		November 30, 2005	
November 30, 2005	Number	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	3,000	2,100	2,100	2,100
Talware Networx Inc.	100,000	2,900	1,400	1,400	1,400
Persifal Holdings Inc.	2,000	480	180	180	180
		$ 23,238	$ 18,665	$ 18,665	$ 18,665

During the year ended November 30, 2005, the Company recorded an unrealized loss of $3,980 ($2,360 for the period ended May 31, 2005 of which $1,560 was recorded during the quarter ended May 31, 2005), 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	May 31, 2006	November 30, 2005
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; 2005 - 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 May 31, 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 $5,162,500 (Renminbi 32,830,000) over three years and making a cash payment of the equivalent of approximately $1,572,327 (Renminbi 10,000,000) upon the issuance of a mining license required to bring the project into production. As at May 31, 2006, the Company has advanced $3,930,000 (Renminbi 24,830,000) of this amount. The Company made its final contribution of $1,232,500 (Renminbi 8,000,000) subsequent to the quarter, in July 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 $2,055,343 (Renminbi 15,002,500) over three years. Although minimum contributions were originally staged as to the equivalent of approximately $548,000 (Renminbi 4,000,000) in 2004, $1,096,000 (Renminbi 8,000,000) in 2005 and $411,343 (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 $241,805 (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

	May 31, 2006			November 30, 2005		
	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	(17,985)	19,015	37,000	(11,819)	25,181
Office equipment	71,384	(40,751)	30,633	62,966	(36,673)	26,293
Exploration equipment	1,358,681	(379,868)	978,813	1,196,561	(289,073)	907,488
Total	$ 1,467,068	$ (438,604)	$ 1,028,464	$ 1,296,530	$ (337,565)	$ 958,965

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 ened November 30, 2005 the Company liquidated rare earth processing equipment for net proceeds equivalent to approximately $429,240 (Renminbi 2,940,000) and used the proceeds to repay outstanding bank advances **(Note 8, 13)**.

8. Bank Advances

As at May 31, 2005, an 80%-owned Chinese subsidiary of the Company, Yangzhong Zhonghai Techmat Co., Ltd., had borrowed, in aggregate $456,000 (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)**.

The Company paid interest of $16,290 (of which $8,116 was paid during the quarter ended May 31, 2005) related to these loans **(Note 13)**.

9. Related Party Transactions

The Company paid or accrued management compensation of $178,922 to three directors during the quarter (2005 - $48,000). 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	$	43,178
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

	May 31, 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	12,284,975		8,292,359	3,353,333		1,809,907
Exercise of share-purchase warrants	333,333		294,692	710,963		814,363
Exercise of options	350,200		419,029	409,000		359,920
	59,637,682		39,998,116	46,669,174		30,992,036
Investment in own shares	(116,500)		(133,023)	(116,500)		(133,023)
Balance - end of period	59,521,182	$	39,865,093	46,552,674	$	30,859,013

(i) Private Placement (March, 2006)

On March 22, 2006, the Company 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 entitled 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 entitled 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 entitled 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 entitled 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 were 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 agreed to use its best efforts to obtain a decision document in respect of a prospectus (the "Decision Document"), which definitively evidenced 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 had not been obtained by the Qualification Deadline, the Company agreed to 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 was not issued on or before the Qualification Deadline, holders of the Special Warrants would 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 were exercisable at any time on or before (the “Time of Expiry”) the date which was the earlier of: (i) July 23, 2006; and (ii) the first business day following the Qualification Date. The “Qualification Date” was, 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 were to 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 exercised such Special Warrants or Brokers’ Special Warrants prior to the date of the Decision Document was obtained, the common shares issued upon exercise would have been subject to hold periods under applicable securities legislation and would have borne such legends as required by securities laws.

In addition, the Special Warrant Indenture provided for and contained 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 was successful in obtaining the Decision Document on April 28, 2006 and all of the Special Warrants and the Brokers' Special warrants were deemed to have been exercised at that time.

The Company evaluated the fair value of the Underlying Warrants and the Brokers' Warrants using the Black-Scholes model with the following valuation assumptions: expected life - 24 months, expected volatility - 69.10%, risk-free interest rate - 4.00%, dividend rate - 0%.

Consideration received has been allocated to the common shares after deducting commissions of $663,389 and the estimated fair value of the Underlying Warrants and the Brokers' Warrants of $2,100,730.

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

(ii) 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.

(iii) 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:

	May 31, 2006			November 30, 2005		
	Number	Value	Weighted-average Exercise Price	Number	Value	Weighted-average Exercise Price
Balance - beginning of period	4,856,499	$ 1,387,890	$ 0.99	5,741,877	$ 1,816,646	$ 0.99
Issued	6,879,585	2,100,730	1.18	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	11,402,751	$ 3,393,928	$ 1.12	4,856,499	$ 1,387,890	$ 0.99

The weighted-average remaining contractual life is 1.25 years (2005 - 0.85 years).

(d) Stock-based Compensation Plan

The Company has one stock-based compensation plan as at May 31, 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:

	May 31, 2006		November 30, 2005	
	Number	Weighted-average Exercise Price	Number	Weighted-average Exercise Price
Options outstanding - beginning of period	3,735,200	$ 0.87	3,794,200	$ 0.86
Options granted	335,000	0.95	425,000	0.97
Options exercised	(350,200)	0.71	(409,000)	0.88
Options expired	(100,000)	0.72	(75,000)	0.67
Options outstanding - end of period	3,620,000	$ 0.90	3,735,200	$ 0.87
Exercisable options	3,620,000	$ 0.90	3,735,200	$ 0.87

Options Outstanding and Exercisable	May 31, 2006	November 30, 2005
Price range per option	$0.58 to $1.15	$0.58 to $1.15
Weighted-average remaining contractual life	2.76 Years	2.82 Years
Weighted-average exercise price	$0.90	$0.87

During the quarter, the Company recognized $132,750 (2005 - $46,269) as stock-based compensation expense and included this amount in Contributed Surplus. Amounts recognized for the periods ended May 31, 2006 and 2005 were $197,650 and $79,776, respectively.

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:

	May 31, 2006	November 30, 2005
Expected life:	5.0-years	5.0-years
Expected volatility:	72.41%	71.42%
Risk-free interest rate:	3.92%	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.

(e) Contributed Surplus

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

	May 31, 2006	November 30, 2005
Balance - beginning of period	$ 2,599,577	1,786,196
Stock-based compensation	197,650	365,319
Stock-options exercised	(171,413)	-
Share-purchase warrants expired	-	448,062
Balance - end of period	2,625,814	2,599,577

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

	May 31, 2006	November 30, 2005
China	$ 7,263,995	$ 6,361,707
Canada	49,648	51,474
	$ 7,313,643	$ 6,413,181

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
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(b) Acquisition and Exploration Costs by Resource Property

	For the Period Ended May 31, 2006			
	Balance as at November 30, 2005	Additions during the period	Expensed during the period	Balance as at May 31, 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
	282,729	**-**	**-**	**282,729**
Exploration costs:				
Drilling	1,840,423	336,260	-	2,176,683
Consulting	755,684	184,259	-	939,943
Camp	485,295	106,227	-	591,522
Travel and accommodation	416,328	84,342	(35,303)	465,367
Trenching	389,360	2,892	-	392,252
Metallurgical	265,807	53,191	-	318,998
Geochemical	268,320	37,137	-	305,457
Geophysical	253,986	-	-	253,986
Mapping	137,543	21,770	-	159,313
Depreciation	134,276	19,999	-	154,275
Professional fees	92,369	14,148	-	106,517
Other	40,271	12,041	(6,000)	46,312
	5,079,662	**872,266**	**(41,303)**	**5,910,625**
	5,362,391	**872,266**	**(41,303)**	**6,193,354**
(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	**$ 5,454,216**	**$ 872,266**	**$ (41,303)**	**$ 6,285,179**

	For the Period Ended May 31, 2005			
	Balance as at November 30, 2004	Additions during the period	Expensed during the period	Balance as at May 31, 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	141,455	-	1,354,489
Consulting	320,545	136,328	-	456,873
Travel and accommodation	275,530	70,697	(6,120)	340,107
Camp	225,919	50,674	-	276,593
Geochemical	212,962	48,221	-	261,183
Geophysical	253,986	-	-	253,986
Metallurgical	3,976	84,342	-	88,318
Depreciation	71,896	8,462	-	80,358
Professional fees	34,952	20,275	-	55,227
Mapping	25,417	9,302	-	34,719
Other	16,635	15,860	(4,594)	27,901
Trenching	14,807	-	-	14,807
	2,669,659	**585,616**	**(10,714)**	**3,244,561**
	2,952,276	**585,728**	**(10,714)**	**3,527,290**
(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**	**$ 585,728**	**$ (10,714)**	**$ 3,619,115**

(c) Other Loss (Income), 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 and for the period ended May 31, 2006, the net amount of these costs were net income of $14,029 and $575, respectively (2005 - net income of $18,872 and $4,839, respectively), including interest charges on the outstanding bank advances in 2005 of $8,116 and $16,290, respectively, 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 Event

TSX Listing

On July 24, 2006, the Company announced that it had received conditional approval from the Toronto Stock Exchange ("TSX") for the listing of its shares. The Company's graduation to the TSX from the TSX Venture Exchange is expected to occur within a few weeks of that announcement.

The Company currently trades on the TSX Venture Exchange. After listing on the TSX, the Company will continue to trade under the symbol "ICI".

15. Comparative Figures

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