

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

CONSOLIDATED SECOND QUARTER
INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Expressed in Canadian Dollars)

May 31, 2008 and 2007

INTER-CITIC MINERALS INC.

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

July 14, 2008

To the shareholders of Inter-Citic Minerals Inc.:

The accompanying unaudited interim consolidated 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, 2008	November 30, 2007
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 23,245,905	\$ 3,329,241
Amounts receivable	447,457	204,611
Prepaid expenses and other	30,350	48,185
	23,723,712	3,582,037
Restricted cash (Note 6)	1,254,231	2,678,440
Investment in associated company (Note 7)	1	1
Resource properties (Notes 8, 13)	21,369,176	20,125,839
Property, plant and equipment (Note 9)	1,966,697	1,692,260
	\$ 48,313,817	\$ 28,078,577
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,131,812	\$ 2,327,402
	1,131,812	2,327,402
Future income taxes	3,295,000	3,040,000
	4,426,812	5,367,402
SHAREHOLDERS' EQUITY		
Share capital (Note 12 (b))	74,117,237	49,437,779
Share-purchase warrants (Note 12 (c))	838,229	2,122,589
Contributed surplus	4,268,049	4,425,669
Deficit accumulated during development stage	(35,336,510)	(33,274,862)
	43,887,005	22,711,175
	\$ 48,313,817	\$ 28,078,577

NATURE OF OPERATIONS AND BASIS OF PRESENTATION (Note 1)
COMMITMENTS (Notes 8, 11)

Approved by the Board of Directors:

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

Mark R. Frederick **James J. Moore**
Director *Director*

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

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(All figures in Canadian dollars)

	Common Shares		Share-purchase Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
	Number	Amount				
Balance as at November 30, 2005 before investment in own shares	46,669,174	30,992,036	1,387,890	2,599,577	(27,639,352)	7,340,151
Investment in own shares	(116,500)	(133,023)	-	-	-	(133,023)
Balance as at November 30, 2005	46,552,674	30,859,013	1,387,890	2,599,577	(27,639,352)	7,207,128
Issued for cash, net of cash issue costs	12,284,975	10,174,939	-	-	-	10,174,939
Issued for cash pursuant to exercise of share-purchase warrants	333,333	200,000	-	-	-	200,000
Issued for cash pursuant to exercise of stock options	350,200	247,616	-	-	-	247,616
Fair value of share-purchase warrants issued	-	(1,629,041)	1,629,041	-	-	-
Fair value of stock options exercised	-	171,413	-	(171,413)	-	-
Fair value of share-purchase warrants exercised	-	94,692	(94,692)	-	-	-
Fair value of share-purchase warrants expired	-	-	(993,455)	993,455	-	-
Stock-based compensation expense on unexercised vested options	-	-	-	236,150	-	236,150
Loss for the year ended November 30, 2006	-	-	-	-	(2,879,768)	(2,879,768)
Balance as at November 30, 2006	59,521,182	40,118,632	1,928,784	3,657,769	(30,519,120)	15,186,065
Issued for cash, net of cash issue costs	5,687,800	7,457,555	-	-	-	7,457,555
Issued for cash pursuant to exercise of share-purchase warrants	2,179,430	2,007,847	-	-	-	2,007,847
Issued for cash pursuant to exercise of stock options	75,000	59,000	-	-	-	59,000
Fair value of share-purchase warrants issued	-	(702,647)	702,647	-	-	-
Fair value of stock options exercised	-	42,500	-	(42,500)	-	-
Fair value of share-purchase warrants exercised	-	454,892	(454,892)	-	-	-
Fair value of share-purchase warrants expired	-	-	(53,950)	53,950	-	-
Stock-based compensation expense on unexercised vested options	-	-	-	756,450	-	756,450
Loss for the year ended November 30, 2007	-	-	-	-	(2,755,742)	(2,755,742)
Balance as at November 30, 2007	67,463,412	\$ 49,437,779	\$ 2,122,589	\$ 4,425,669	\$ (33,274,862)	\$ 22,711,175
Issued for cash, net of cash issue costs	8,000,000	14,896,951	-	-	-	14,896,951
Issued for cash pursuant to exercise of share-purchase warrants	6,497,927	7,816,727	-	-	-	7,816,727
Issued for cash pursuant to exercise of stock options	535,000	412,800	-	-	-	412,800
Fair value of share-purchase warrants issued	-	(230,400)	230,400	-	-	-
Fair value of stock options exercised	-	271,000	-	(271,000)	-	-
Fair value of share-purchase warrants exercised	-	1,512,380	(1,512,380)	-	-	-
Fair value of share-purchase warrants expired	-	-	(2,380)	2,380	-	-
Stock-based compensation expense on unexercised vested options	-	-	-	111,000	-	111,000
Loss for the six months ended May 31, 2008	-	-	-	-	(2,061,648)	(2,061,648)
Balance as at May 31, 2008	82,496,339	\$ 74,117,237	\$ 838,229	\$ 4,268,049	\$ (35,336,510)	\$ 43,887,005

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

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

	For the three months ended May 31, 2008	For the three months ended May 31, 2007	For the six months ended May 31, 2008	For the six months ended May 31, 2007
Expenses				
Executive compensation	\$ 302,765	\$ 204,007	\$ 680,007	\$ 434,717
Office and rent	143,510	151,127	330,143	244,953
Corporate relations	196,889	81,852	314,125	177,159
Travel and accommodation	146,675	142,760	232,468	219,483
Professional fees	102,683	28,419	251,355	77,184
Depreciation and amortization	71,794	50,553	164,900	121,475
Stock-based compensation (Note 12 (d))	-	597,000	111,000	730,950
Salaries and benefits	68,791	30,405	106,243	57,205
Foreign exchange	20,724	28,933	93,777	40,651
Consulting	-	28,394	-	34,394
	1,053,831	1,343,450	2,284,018	2,138,171
Other expenses (income)				
Interest	(137,163)	(32,350)	(222,370)	(56,125)
Other loss, net (Note 13 (c))	-	(565,219)	-	(565,170)
Write-down of investments	-	17,714	-	17,754
	(137,163)	(579,855)	(222,370)	(603,541)
Net Loss and Comprehensive Loss for the period	916,668	763,595	2,061,648	1,534,630
Deficit, beginning of period	34,419,842	31,290,155	33,274,862	30,519,120
Deficit, end of period	\$ 35,336,510	\$ 32,053,750	\$ 35,336,510	\$ 32,053,750
Net loss per share - basic and diluted	\$ 0.011	\$ 0.012	\$ 0.027	\$ 0.025
Weighted average common shares outstanding	81,473,736	62,652,701	75,994,726	61,532,566

The accompanying Notes to Consolidated 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, 2008	For the three months ended May 31, 2007	For the six months ended May 31, 2008	For the six months ended May 31, 2007
Operating activities				
Net loss for the period	\$ (916,668)	\$ (763,595)	\$ (2,061,648)	\$ (1,534,630)
Adjustments for:				
Depreciation and amortization	71,794	50,553	164,900	121,475
Stock-based compensation (Note 12 (d))	-	597,000	111,000	730,950
Write-down of investments	-	17,714	-	17,754
Net gain on disposition (Note 12 (c))	-	(582,247)	-	(582,247)
	(844,874)	(680,575)	(1,785,748)	(1,246,698)
Amounts receivable	(100,352)	52,332	(242,846)	22,622
Prepaid expenses and other	189	(4,412)	17,835	8,855
Accounts payable and accrued liabilities	(98,889)	(47,079)	167,196	(47,323)
Changes in non-cash working capital balances	(199,052)	841	(57,815)	(15,846)
	(1,043,926)	(679,734)	(1,843,563)	(1,262,544)
Financing activities				
Issuance of shares and warrants (Note 12)	5,886,949	7,760,493	23,126,478	9,086,523
	5,886,949	7,760,493	23,126,478	9,086,523
Investing activities				
Restricted cash (Note 6)	11,341	52,393	1,424,209	529,802
Resource properties (Notes 8, 13)	(604,129)	(771,017)	(956,007)	(949,632)
Proceeds of disposition (Note 12 (c))	-	582,250	-	582,250
Property, plant and equipment	(468,188)	(274,397)	(471,667)	(275,503)
Change in accounts payable and accrued liabilities	384,182	211,162	(1,362,786)	(429,285)
	(676,794)	(199,609)	(1,366,251)	(542,368)
Increase in cash and cash equivalents for the period	4,166,229	6,881,150	19,916,664	7,281,611
Cash and cash equivalents, beginning of period (Note 3)	19,079,676	2,659,428	3,329,241	2,258,967
Cash and cash equivalents, end of period (Note 3)	\$ 23,245,905	\$ 9,540,578	\$ 23,245,905	\$ 9,540,578
Supplemental Information:				
Income taxes paid during the period	\$ -	\$ -	\$ -	\$ -
Interest paid during the period	\$ -	\$ -	\$ -	\$ -
Stock-based compensation exercised	\$ 175,500	\$ -	\$ 271,000	\$ 42,500
Share-purchase warrants exercised	\$ 1,066,230	\$ 72,066	\$ 1,512,380	\$ 362,164
Issuance of share-purchase warrants to brokers	\$ -	\$ 83,843	\$ 230,400	\$ 83,843

The accompanying Notes to Consolidated 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 SECOND QUARTER ENDED MAY 31, 2008

1. Nature of Operations and Basis of Presentation

Inter-Citic Minerals Inc. (the "Company") is a development stage company engaged in the acquisition, exploration and development of exploration-stage mineral properties. The Company has entered into earn-in agreements to acquire 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").

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.

The accompanying unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). Preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as noted below. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended November 30, 2007, since they do not contain all disclosures required by GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

2. Changes in Accounting Policies

Section 1535, Capital Disclosures

On December 1, 2007, the Company adopted Section 1535, Capital Disclosures, which requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard did not affect the Company's consolidated financial position or results of operations. The Company has included disclosures recommended by the new Section in **Note 4** to these interim financial statements.

Section 3862, Financial Instruments, Disclosures; and Section 3863, Financial Instruments, Presentation

On December 1, 2007, the Company adopted Sections 3862 and 3863, which replace Handbook Section 3861 - Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards apply to the Company's interim and annual financial statements relating to the fiscal year beginning December 1, 2007, and the Company has included disclosures recommended by the new Section in **Note 5** to these interim financial statements..

3. 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, dissolved during 2007
- (d) Bay Roberts Resources Ltd. (98% owned), a company incorporated in British Columbia, Canada
- (e) Yangzhong Zhonghai Techmat Co., Ltd. (80% owned), a company incorporated in the People's Republic of China. The Company disposed of its interest in this entity during 2007 (**Note 13 (c)**).

All material inter-company transactions balances have been eliminated.

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED MAY 31, 2008

Financial Instruments – Recognition and Measurement

The Company now classifies all financial instruments as either held to maturity, available for sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations.

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, restricted cash and accounts payable and accrued liabilities, as follows:

Cash	Held for trading
Cash equivalents	Held to maturity
Amounts receivable	Loans and receivables
Restricted cash	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and the fair value of these financial instruments, unless otherwise noted, approximate their carrying values due to their short term nature.

Comprehensive Income or Loss

Comprehensive income or loss is the change in shareholders' equity during a period from transactions and events from sources other than the Company's shareholders. The Company reports a consolidated statement of comprehensive income or loss and accumulated other comprehensive income or loss is added to the shareholders' equity section of the consolidated balance sheet when components to be recognized in comprehensive income or loss exist. There were no components to be recognized in comprehensive income or loss during the period. As the Company has no items of comprehensive income or loss, net loss for the period is equivalent to comprehensive loss.

Foreign Currency Translation

The accounts of the foreign operations have been translated using the temporal method for foreign integrated operations. 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, which are translated at historical exchange rates. Translation gains and losses are reflected in the consolidated statements of operations, comprehensive loss and deficit.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing investments with maturities of 90 days or less from the date of acquisition. Cash and cash equivalents comprise the following balance sheet amounts:

	May 31, 2008	November 30, 2007
Cash on hand and balances with banks	\$ 595,905	\$ 689,241
Short-term interest bearing investments	<u>22,650,000</u>	<u>2,640,000</u>
	<u>\$ 23,245,905</u>	<u>\$ 3,329,241</u>

Interest from cash and cash equivalents is recorded on an accrual basis.

Resource Properties

The Company considers its exploration costs to have the characteristics of property, plant and equipment. Costs associated with acquisition, direct exploration and development of resource properties are capitalized pending commencement of production, at which time they will be amortized over the estimated production life. The Company assesses its capitalized resource property costs on a regular basis. 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.

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED MAY 31, 2008

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

An impairment charge is recognized for long lived assets when an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from their use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the assets and their carrying value.

Income Taxes

Income taxes are calculated using the asset and liability method. Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. The benefit of future income tax assets is only recognized where their realization is judged to be more likely than not. Future income tax assets and liabilities are measured using tax rates and laws expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. A valuation allowance is provided against future income tax assets to the extent it is considered not likely that the future income tax assets will be realized.

Stock-based Compensation Plan

The Company has one stock-based compensation plan, which is described in **Note 12 (d)**. The Company accounts for stock-based compensation in accordance with CICA 3870 (Stock-based Compensation and Other Stock-based Payments) and recognizes 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 expensed and credited to Contributed Surplus. Consideration received 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. The Company follows the treasury stock method in the calculation of diluted net loss per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the period. Actual results could differ from those estimates.

4. Capital Management

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued exploration, development and eventual production and maintenance at the Dachang Gold Project and to acquire, explore and develop other precious and base metal deposits.

The Company manages its capital structure and makes adjustments to it, based on the level of funds available to the Company to manage its operations. In order to maintain or adjust the capital structure, the Company expects that it will be able to obtain equity financing, long-term debt, equipment-based financing and/or project-based financing sufficient to maintain and expand its operations. There are no assurances that these initiatives will be successful.

In order to achieve these objectives, the Company invests its unutilized capital in highly liquid, highly rated financial instruments.

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED MAY 31, 2008

5. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

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

Market risk

(a) Interest rate and credit risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banks with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar. The Company's operations, however, are located in China where many exploration and administrative expenses are incurred in the local currency, the Chinese Yuan Renminbi. China's control over its currency and hence the Company's ability to advance funds to China (for capital investment or operations) is subject to changes in the valuation of the Renminbi as well as rules and regulations of the Chinese government. Fluctuations in the value of the Renminbi may have an adverse affect on the operations and operating costs of the Company.

Sensitivity Analysis

As at May 31, 2008, the carrying amount of financial instruments approximates their fair market value.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

- (a) Cash and cash equivalents include deposits at call and short-term interest bearing investments with maturities of 90 days or less from the date of acquisition, and bear interest at floating interest rates. Sensitivity by a plus or minus 1% change in rates would affect net income by approximately \$60,000.
- (b) The Company does not currently hold significant balances in foreign currencies to give rise to exposure to foreign currency risk.

6. Restricted Cash

Restricted cash relates to advances held in China and committed to continuing exploration of the Dachang Gold Project (**Note 8**).

7. Investment in Associated Company

Investment in associated company is carried on an equity basis.

<u>Ideal e-Commerce Limited</u>	May 31, 2008	November 30, 2007
Equity - 50% ownership (a)	\$ 1	\$ 1
Shareholder loan (b)	155,820	155,697
Accumulated equity in net loss	(155,820)	(155,697)
	\$ 1	\$ 1

INTER-CITIC MINERALS INC.
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FOR THE SECOND QUARTER ENDED MAY 31, 2008

(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.

(b) The Hong Kong dollar denominated shareholder loan (HK\$1,224,999; 2007 - HK\$1,224,999) is unsecured, bears no interest and has no terms of repayment.

8. Resource Properties

The Company is involved in exploration in China through earn-in agreements whereby it provides 100% of the funding in order to earn a controlling interest in certain projects. As at May 31, 2008, 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 agreement, the Company can earn an 83% interest in the project by contributing the equivalent of approximately \$6,866,000 (Renminbi 45,000,000) for exploration (all of which was advanced as at May 31, 2008), completion of metallurgical and pre-feasibility reports, and making a cash payment of the equivalent of approximately \$1,343,000 (Renminbi 10,000,000) upon the issuance of a mining license required to bring the project into production.

The Company also has the option to acquire an additional 7% interest in the project based on the valuation of any potential mining project contained in the pre-feasibility report, for a total interest of 90%. The Qinghai Geological Survey Institute will retain a carried interest in the project. As part of the agreement, the Company also has a right of first refusal on any mineral exploration project for which the 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 agreement, the Company can earn an 85% interest in the project by contributing the equivalent of approximately \$2,147,000 (Renminbi 15,002,500) over three years. Minimum contributions are staged as to the equivalent of approximately \$572,000 (Renminbi 4,000,000) within 30 days of the organization of the project; the equivalent of approximately \$572,000 (Renminbi 4,000,000) within seven to twelve months of the date of the first contribution; the equivalent of approximately \$572,000 (Renminbi 4,000,000) within thirteen to eighteen months of the date of the first contribution; and the equivalent of approximately \$430,000 (Renminbi 3,002,500) within nineteen to twenty-four months of the date of the first contribution. To date, the Company has not made any capital contributions, pending the organization of the project. The Company also has the ability to acquire an additional 5% interest in the project for the equivalent of approximately \$253,000 (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 project. 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 agreement.

During the year ended November 30, 2007, the Company wrote-off \$91,825 in costs associated with the Zalantun Gold Project in the face of ongoing delays in organization of the project.

9. Property, Plant and Equipment

	May 31, 2008			November 30, 2007		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value
Leasehold improvements	\$ 43,790	\$ (33,250)	\$ 10,540	\$ 43,790	\$ (30,238)	\$ 13,552
Office equipment	87,845	(58,775)	29,070	82,364	(54,535)	27,829
Exploration equipment	2,894,795	(967,708)	1,927,087	2,441,537	(790,658)	1,650,879
Total	\$ 3,026,430	\$ (1,059,733)	\$ 1,966,697	\$ 2,567,691	\$ (875,431)	\$ 1,692,260

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10. Related Party Transactions

The Company paid or accrued management and other compensation to five directors of \$255,692 during the quarter (2007 - \$74,770 to three directors). This compensation is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

11. Lease Commitment

The Company has entered into a lease for office space to the year 2009 with minimum lease payments of \$43,178 in 2008 and \$21,589 in 2009.

12. 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

See Consolidated Statements of Shareholders' Equity.

(i) Private Placement (February, 2008)

In February 2008 the Company completed a private placement financing for gross proceeds of \$16,000,000, consisting of 8,000,000 common shares of the Company at a price of \$2.00 per common share.

The Company paid a cash commission of \$960,000 and issued 480,000 share-purchase warrants to brokers (the "Brokers' Warrants") in connection with this financing. Each Broker's Warrant entitles the holder to acquire one common share of the Company at a price of \$2.00 for a period of one year from the date of issue. The Company evaluated the fair value of share-purchase warrants using the Black-Scholes model using the following valuation assumptions: expected life - 12 months, expected volatility - 67.16%, risk-free interest rate - 3.75%, dividend rate - 0%.

Consideration received has been allocated to common shares after fees and commissions of \$1,103,049 and the estimated fair value of brokers' share-purchase warrants of \$230,400.

(ii) Private Placement (May, 2007)

In May 2007 the Company completed a private placement financing in two tranches for gross proceeds of \$7,962,920, consisting of 5,687,800 units of the Company at a price of \$1.40 per unit. Each unit consisted of one common share and one half of one share-purchase warrant. Each whole share-purchase warrant entitles the holder to acquire one common share of the Company at a price of \$1.95 for a period of one year from the date of issue, and thereafter at a price of \$2.25 until 18 months from the date of issue. The Company evaluated the fair value of share-purchase warrants using the following valuation assumptions: expected life - 18 months, expected volatility - 68.59%, risk-free interest rate - 2.86%, dividend rate - 0%.

The first tranche of this private placement financing, consisting of 4,940,600 units, closed on May 9, 2007. As this portion of the financing was brokered, the Company paid the brokers a commission of \$404,762 of which \$233,962 was paid in cash and \$170,800 was paid through the issuance of 122,000 units of the Company in accordance with the above. In addition, the Company issued 289,116 share-purchase warrants to the brokers, each of which entitles the holder to acquire one common share of the Company at a price of \$1.50 for a period of one year from the date of issue. The Company evaluated the fair value of share-purchase warrants using the Black-Scholes model using the following valuation assumptions: expected life - 12 months, expected volatility - 66.74%, risk-free interest rate - 2.83%, dividend rate - 0%.

The second tranche of this private placement financing consisting of the remaining 747,200 units was non-brokered and closed on May 17, 2007. The Company did not pay any finder's fees or commissions in connection with this portion of the financing.

Consideration received, after fees and commissions of \$505,365 and the estimated fair value of brokers' share-purchase warrants of \$83,843, has been allocated to common shares and share-purchase warrants in the amounts of \$6,754,908 and \$618,804, respectively.

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(c) Share-Purchase Warrants

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

	Number	Value	Weighted- average Exercise Price
Balance, November 30, 2005	4,856,499	1,387,890	\$ 0.99
Issued	6,879,585	1,629,041	1.18
Exercised	(333,333)	(94,692)	0.60
Expired	(2,846,500)	(993,455)	1.10
Balance, November 30, 2006	8,556,251	1,928,784	\$ 1.12
Issued	3,133,016	702,647	(i)
Exercised	(2,179,430)	(454,892)	0.84
Expired	(207,500)	(53,950)	1.45
Balance, November 30, 2007	9,302,337	\$ 2,122,589	(ii)
Issued	480,000	230,400	2.00
Exercised	(6,497,927)	(1,512,380)	1.23
Expired	(10,510)	(2,380)	1.21
Balance, May 31, 2008	3,273,900	\$ 838,229	\$ 2.21

(i) These share-purchase warrants were issued in connection with a private placement financing in May, 2007 (**Note 12 (b) (ii)**). Of these, 2,843,900 entitle the holder to acquire one common share of the Company at a price of \$1.95 for a period of one year from the date of issue, and thereafter at a price of \$2.25 until 18 months from the date of issue.

(ii) The weighted-average exercise price of share-purchase warrants, excluding 2,793,900 share-purchase warrants with terms as described in (i), above, is \$1.20.

The weighted-average remaining contractual life is 0.57 years (2007 - 0.51 years, 2006 - 1.09 years, 2005 - 0.85 years).

(d) Stock-based Compensation Plan

The Company has one stock-based compensation plan as at May 31, 2008, 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 two to five-year term. Except in specified circumstances, options are not assignable and terminate following the optionee ceasing to be employed by or associated with the Company.

On August 3, 2006, the Company's common shares were listed on the Toronto Stock Exchange (prior to August 3, 2006, the Company's common shares were listed on the TSX Venture Exchange) and are traded in Canadian dollars. The following is a summary of the Company's outstanding stock options:

	May 31, 2008		November 30, 2007	
	Number	Weighted- average Exercise Price	Number	Weighted- average Exercise Price
Options outstanding - beginning of period	4,130,000	\$ 1.02	3,310,000	\$ 0.92
Options granted	100,000	1.95	1,160,000	1.30
Options exercised	(535,000)	0.77	(75,000)	0.79
Options expired	-	-	(165,000)	0.92
Options terminated	-	-	(100,000)	1.40
Options outstanding - end of period	3,695,000	\$ 1.08	4,130,000	\$ 1.02
Exercisable options	3,695,000	\$ 1.08	4,130,000	\$ 1.02

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The following table summarizes information about the stock options outstanding and exercisable at May 31, 2008:

	Number outstanding May 31, 2008	Weighted average remaining contractual life	Weighted average exercise price
Price range per option			
From \$0.61 to \$0.80	250,000	0.98	0.75
From \$0.81 to \$1.00	2,445,000	1.65	0.96
From \$1.01 to \$1.20	125,000	1.50	1.15
From \$1.21 to \$1.40	50,000	1.10	1.30
From \$1.41 to \$1.45	725,000	2.53	1.45
Higher than \$1.45	100,000	4.69	1.95
Overall	3,695,000	1.85	\$ 1.08

Prior to listing its shares on the Toronto Stock Exchange, the Company occasionally issued options with an exercise price that was below the market price of the stock on the grant date, as was permitted by the TSX Ventures Exchange. In addition, the Company may issue options with an exercise price that is higher than the market price of the stock on the grant date. The following is a summary of weighted average exercise prices and weighted average fair values for options issued whose exercise price equals, exceeds or is less than the market price of the stock on the grant date.

	Exercise Price Exceeds Market	Exercise Price Equals Market	Exercise Price is below Market	Total
May 31, 2008				
Number issued	100,000	-	-	100,000
Weighted average exercise price	\$ 1.95	\$ -	\$ -	\$ 1.95
Weighted average fair value	\$ 1.11	\$ -	\$ -	\$ 1.11
November 30, 2007				
Number issued	875,000	285,000	-	1,160,000
Weighted average exercise price	\$ 1.44	\$ 0.88	\$ -	\$ 1.30
Weighted average fair value	\$ 0.71	\$ 0.47	\$ -	\$ 0.65

During the quarter ended May 31, 2007 the Company recognized \$597,000 (2008 - nil) 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:

	May 31, 2008	November 30, 2007	November 30, 2006
Expected life:	5.0-years	3.8-years	3.9-years
Expected volatility:	68.97%	70.07%	70.57%
Risk-free interest rate:	3.75%	4.10%	4.09%
Dividend rate:	0%	0%	0%

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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, 2008	November 30, 2007
China	\$ 23,296,263	\$ 21,776,718
Canada	39,610	41,381
	<u>\$ 23,335,873</u>	<u>\$ 21,818,099</u>

(b) Acquisition Costs and Exploration Costs by Resource Property

	For the period ended May 31, 2008			
	Balance as at November 30, 2007	Additions during the period	Expensed during the period	Balance as at May 31, 2008

(i) Dachang Gold Project

Acquisition costs:	282,729	-	-	282,729
Exploration costs:				
Drilling	7,157,785	185,991	-	7,343,776
Consulting	2,494,952	327,602	-	2,822,554
Camp	1,730,305	60,140	-	1,790,445
Assays and metallurgy	1,314,236	96,256	-	1,410,492
Trenching	1,180,204	2,115	-	1,182,319
Travel and accommodation	817,374	117,429	-	934,803
Administrative and other	599,702	88,394	-	688,096
Depreciation	461,136	32,330	-	493,466
Geochemical	338,506	1,870	-	340,376
Geophysical	253,986	-	-	253,986
Mapping	226,469	27,476	-	253,945
Professional fees	228,455	48,734	-	277,189
	16,803,110	988,337	-	17,791,447
Future tax liability	3,040,000	255,000	-	3,295,000
	20,125,839	1,243,337	-	21,369,176
All resource properties	\$ 20,125,839	\$ 1,243,337	\$ -	\$ 21,369,176

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(b) Acquisition and Exploration Costs by Resource Property, continued

	For the year ended November 30, 2007			Balance as at November 30, 2007
	Balance as at November 30, 2006	Additions during the period	Expensed during the period	
(i) Dachang Gold Project				
Acquisition costs:	282,729	-	-	282,729
Exploration costs:				
Drilling	4,201,254	2,956,531	-	7,157,785
Consulting	1,385,968	1,108,984	-	2,494,952
Camp	959,353	770,952	-	1,730,305
Assays and metallurgy	691,556	622,680	-	1,314,236
Trenching	799,845	380,359	-	1,180,204
Travel and accommodation	549,656	267,718	-	817,374
Administrative and other	255,880	343,822	-	599,702
Depreciation	270,221	190,915	-	461,136
Geochemical	312,567	25,939	-	338,506
Geophysical	253,986	-	-	253,986
Professional fees	166,393	62,062	-	228,455
Mapping	176,983	49,486	-	226,469
	10,023,662	6,779,448	-	16,803,110
Future tax liability	1,904,000	1,136,000	-	3,040,000
	12,210,391	7,915,448	-	20,125,839
(ii) Zalantun Gold Project				
Acquisition costs:	13,860	-	(13,860)	-
Exploration costs:				
Consulting	51,800	-	(51,800)	-
Travel and accommodation	15,003	-	(15,003)	-
Mapping	10,921	-	(10,921)	-
Administrative and other	241	-	(241)	-
	77,965	-	(77,965)	-
	91,825	-	(91,825)	-
All resource properties	\$ 12,302,216	\$ 7,915,448	\$ (91,825)	\$ 20,125,839

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(c) Other Loss (Income), Net

During the second quarter of 2007 the Company disposed of its 80% interest in Yangzhong Zhonghai Techmat Co., Ltd., in China, for gross proceeds of the equivalent of approximately \$582,250 (Renminbi 4,000,000), resulting in a net gain of \$582,247. Prior to this disposal the Company incurred expenses associated with security and maintenance of land, buildings and rare earth processing equipment in China that were held by the subsidiary. The Company also incurred legal and other expenses related to the disposition itself. During the year ended November 30, 2007, the net amount of these costs were \$51,862 (2006 - \$11,083, 2005 - \$8,380), including legal fees associated with the disposition of \$21,216, 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.

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 an outstanding bank loan. In addition, the Company reversed approximately \$102,967 in accounts payable that were over-accrued at the time operations ceased.