INTER-CITIC MINERALS INC.

CONSOLIDATED THIRD QUARTER
INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

AUGUST 31, 2005

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

October 21, 2005

To the shareholders of Inter-Citic Minerals Inc.:

The attached consolidated financial statements have been prepared without review by the auditors of Inter-Citic Minerals Inc.

Sincerely,

"James J. Moore"

James J. Moore
President & CEO

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

	August 31, 2005	November 30, 2004 (Audited)
ASSETS		
Current		
Cash and cash equivalents	$ 1,052,122	$ 2,174,163
Amounts receivable	46,406	235,094
Prepaid expenses	796,566	279,380
	1,895,094	**2,688,637**
Deposits	-	105,375
Investments **(Note 3)**	19,625	22,645
Investment in associated company **(Note 4)**	1	1
Resource properties (**Note 5, 12, 13**)	4,026,102	3,044,101
Property, plant and equipment **(Note 6, 12, 13)**	949,766	1,074,775
	$ 6,890,588	**$ 6,935,534**
LIABILITIES		
Current		
Bank advances **(Note 7, 12, 13)**	$ 435,470	$ 430,500
Accounts payable and accrued liabilities **(Note 12)**	572,877	1,268,282
	1,008,347	**1,698,782**
COMMITMENTS (Note 5, 9, 13)		
SHAREHOLDERS' EQUITY		
Share capital **(Note 10)**	29,297,884	27,874,823
Share-purchase warrants **(Note 10)**	1,831,619	1,816,646
Contributed surplus **(Note 10)**	2,102,364	1,786,196
Deficit	(27,349,626)	(26,240,913)
	5,882,241	**5,236,752**
	$ 6,890,588	**$ 6,935,534**

Note 1 - Going Concern Assumption

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.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(All figures in Canadian dollars)

	For the three months ended August 31, 2005	For the three months ended August 31, 2004	For the nine months ended August 31, 2005	For the nine months ended August 31, 2004
Expenses				
Travel and accommodation	111,077	204,080	175,950	413,971
Executive compensation	92,565	148,882	269,075	327,126
Corporate relations	65,150	316,602	143,887	398,048
Depreciation and amortization	58,285	1,404	165,528	4,563
Office and rent	54,774	59,036	141,628	172,935
Professional fees	34,480	117,324	76,148	303,925
Salaries and benefits	33,340	36,961	103,819	91,773
Other	15,023	10,230	38,976	26,699
Consulting	8,341	92,770	63,143	201,711
	473,035	**987,289**	**1,178,154**	**1,940,751**
Other Expenses (Income)				
Stock-based compensation **(Note 10)**	19,330	40,624	99,106	272,789
Other loss, net **(Note 12, 13)**	9,240	4,622	4,401	49,593
Unrealized loss on marketable securities **(Note 3)**	660	8,374	3,020	15,281
Foreign exchange	432	3,792	(154,069)	(16,864)
Interest	(11,386)	(12,112)	(21,899)	(28,676)
Loss before income taxes	**491,311**	**1,032,589**	**1,108,713**	**2,232,874**
Income taxes **(Note 11)**	-	-	-	-
Net loss	**491,311**	**1,032,589**	**1,108,713**	**2,232,874**
Deficit, beginning of period	26,858,315	23,622,712	26,240,913	22,422,427
Deficit, end of period	**$ 27,349,626**	**$ 24,655,301**	**$ 27,349,626**	**$ 24,655,301**
Net loss per share - basic and diluted	**$ 0.01**	**$ 0.03**	**$ 0.03**	**$ 0.06**
Weighted average common shares outstanding	**43,679,816**	**39,114,124**	**42,714,004**	**38,363,169**

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

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

	For the three months ended August 31, 2005	For the three months ended August 31, 2004	For the nine months ended August 31, 2005	For the nine months ended August 31, 2004
Operating activities				
Net loss for the period	$ (491,311)	$ (1,032,589)	$ (1,108,713)	$ (2,232,874)
Items not involving cash				
Depreciation and amortization	58,285	1,404	165,528	4,563
Stock-based compensation **(Note 10)**	19,330	40,624	99,106	272,789
Unrealized loss on marketable securities **(Note 3)**	660	8,374	3,020	15,281
Foreign exchange	432	3,792	(154,069)	(16,864)
	(412,604)	(978,395)	(995,128)	(1,957,105)
Changes in non-cash working capital balances	(471,088)	43,669	(759,489)	(81,529)
	(883,692)	**(934,726)**	**(1,754,617)**	**(2,038,634)**
Financing activities				
Issuance of shares and warrants **(Note 10)**	1,620,800	2,545,000	1,655,096	6,787,290
	1,620,800	**2,545,000**	**1,655,096**	**6,787,290**
Investing activities				
Purchase of marketable securities **(Note 3)**	-	-	-	(10,535)
Resource properties **(Note 5, 12, 13)**	(406,987)	(129,295)	(982,001)	(2,069,547)
Property, plant and equipment **(Note 6, 12, 13)**	(2,928)	(866,929)	(40,519)	(869,891)
	(409,915)	**(996,224)**	**(1,022,520)**	**(2,949,973)**
Increase/(decrease) in cash for the period	**327,193**	**614,050**	**(1,122,041)**	**1,798,683**
Cash and cash equivalents, beginning of period	724,929	2,363,903	2,174,163	1,179,270
Cash and cash equivalents, end of period	**$ 1,052,122**	**$ 2,977,953**	**$ 1,052,122**	**$ 2,977,953**
Supplemental Information:				
Income taxes paid during the period	$ -	$ -	$ -	$ -
Interest paid during the period **(Note 7, 12, 13)**	$ 8,082	$ 8,613	$ 24,372	$ 25,364

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

INTER-CITIC MINERALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED AUGUST 31, 2005

1. Going Concern Assumption

Inter-Citic Minerals Inc. (the "Company"), is an exploration company focused exclusively in the People's Republic of China (the "PRC" or "China").

The accompanying financial statements have been prepared using Canadian generally accepted accounting principles assuming a going concern. The ability of the Company to continue as a going concern will be dependent upon the ability of the Company to raise additional financing and carry out its business plan. As at August 31, 2005, the Company has available working capital of approximately $866,747.

For the year to date ended August 31, 2005 the Company reported a net loss of $1,108,713 ($3,818,486 for the year ended November 30, 2004) and an accumulated deficit of $27,349,626 ($26,240,913 as at November 30, 2004). This condition casts significant doubt as to the ability of the Company to continue in business and meet its obligations as they come due.

The Company has certain commitments with respect to its exploration joint ventures in China **(Note 5)**. For the Dachang Gold Project, the joint venture contract requires the Company to fund the project as to the equivalent of approximately $5,014,900 (Renminbi 32,830,000) over three years, including contributions in 2005 as to the equivalent of approximately $2,951,300 (Renminbi 18,830,000). As of the date of this report, the Company has funded the equivalent of $2,509,100 (Renminbi 15,830,000) of this amount, of which $450,000 (Renminbi 3,000,000) was contributed subsequent to the end of the quarter **(Note 13)**. An additional contribution as to the equivalent of approximately $442,200 (Renminbi 3,000,000) is due by October 31, 2005. In addition, the joint venture contract requires the Company to make contributions as to the equivalent of approximately $884,400 (Renminbi 6,000,000) by June of 2006 and a final contribution as to the equivalent of $1,179,200 (Renminbi 8,000,000) by October of 2006.

Management is considering various alternatives, including a number of initiatives to raise additional capital. However, as at the date of this report the Company has not secured further financing to raise sufficient capital to fund ongoing operations and committments to projects. It is not possible to determine with certainty the success or adequacy of these initiatives.

The Company’s continuance as a going concern is dependent on obtaining adequate resources through external funding or profitable operations. In the event that such resources are not secured, 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.

Use of Estimates

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 not temporary.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, 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 realizable value, the properties are written down to the estimated 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%
Equipment	10%-33%
Exploration equipment	20%-30%

The Company has a long-term land lease in China, which has been prepaid but was written down to $1 during 2003 **(Note 12)**.

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 10**. 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 common share is computed by dividing net loss applicable to common shares by the sum of the weighted-average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

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

3. Investments

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

August 31, 2005	Number	Market Value	Book Value
Pearl River Holdings Ltd.	374,625	$ 14,985	$ 14,985
Jaguar Nickel Inc.	10,000	2,200	2,200
Persifal Holdings Inc.	2,000	440	440
Talware Networx Inc.	100,000	2,000	2,000
		$ 19,625	$ 19,625

During the nine-month period ended August 31, 2005, the Company recorded an unrealized loss of $3,020 (2004 - $15,281) to reflect a decline in value of marketable securities held, of which $660 of this amount was recorded in the quarter (2004 - $8,374) .

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

During the year ended November 30, 2004, the Company recorded an unrealized loss of $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.

4. Investment in Associated Company

Investment in associated company is carried on an equity basis.

Ideal e-Commerce Limited	August 31, 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; 2003 - HK$1,224,999) is unsecured, bears no interest and has no terms of repayment.

5. Resource Properties

The Company is involved in exploration in China through earn-in agreements in the form of joint veture contracts whereby it provides 100% of the funding in order to earn a controlling interest in certain projects. As at August 31, 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 $5,014,900 (Renminbi 32,830,000) over three years and making a cash payment of the equivalent of approximately $1,474,000 (Renminbi 10,000,000) upon the issuance of a mining license required to bring the project into production. As at the date of this report, the Company has advanced $2,509,100 (Renminbi 15,830,000) of this amount, of which $450,000 (Renminbi 3,000,000) was contributed subsequent to the end of the quarter **(Note 13)**. An additional contribution as to the equivalent of approximately $442,200 (Renminbi 3,000,000) is due by October 31, 2005. The joint venture contract, as ammended during the year, requires that the Company make additional contributions as to the equivalent of approximately $884,400 (Renminbi 6,000,000) by June of 2006 and a final contribution as to the equivalent of $1,179,200 (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 $2,211,370 (Renminbi 15,002,500) over three years. Although minimum contributions were originally staged as to the equivalent of approximately $589,600 (Renminbi 4,000,000) in 2004, $1,179,200 (Renminbi 8,000,000) in 2005 and $442,570 (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 2005. The Company also has the ability to acquire an additional 5% interest in the joint venture for the equivalent of approximately $260,160 (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.

6. Property, plant and equipment

	August 31, 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	(8,736)	28,264	-	-	-
Office equipment	60,214	(34,875)	25,339	48,232	(30,141)	18,091
Exploration equipment	1,128,577	(232,417)	896,160	1,128,577	(71,896)	1,056,681
Total	$ 1,225,794	$ (276,028)	$ 949,766	$ 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 **(Note 7, 12)**. The Company liquidated rare earth processing equipment subsequent to the end of the quarter and used the proceeds to repay outstanding bank advances **(Note 13).**

7. Bank Advances

As at August 31, 2005, an 80%-owned Chinese subsidiary of the Company, Yangzhong Zhonghai Techmat Co., Ltd., has borrowed, in aggregate $435,470 (Renminbi 3,000,000; as at November 30, 2004 - $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 bear interest at a rate of 6.903%. During the quarter, the Company paid or accrued interest charges of $8,082 (2004 -$8,613) related to these loans **(Note 12)**.

Subsequent to the end of the quarter and as at the date of this report, these loans have been 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 statement **(Note 13)**.

8. Related Party Transactions

The Company paid or accrued management compensation of $52,565 to three directors during the quarter (2004 - $88,026 to one company controlled by a director and to three directors) and $149,075 for the period ended August 31, 2005 (2004 - $205,570). 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.

9. Lease Commitment

The Company has entered into a 3-year lease for office space to the year 2007 with minimum lease payments as follows:

Balance of 2005	$	21,589
2006	$	86,355
2007	$	86,355

10. 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

	August 31, 2005			November 30, 2004		
	Shares		Amount	Shares		Amount
Balance - beginning of period	42,195,878	$	28,007,846	34,029,636	$	21,124,899
Exercise of share-purchase warrants	34,296		38,954	3,839,775		4,713,958
Issued by private placement	2,868,333		1,384,107	4,211,667		2,091,405
Exercise of options	-		-	114,800		77,584
	45,098,507		29,430,907	42,195,878		28,007,846
Investment in own shares	(116,500)		(133,023)	(116,500)		(133,023)
Balance - end of period	44,982,007	$	29,297,884	42,079,378	$	27,874,823

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

The Company evaluated the fair market 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%.

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.

(ii) 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 market 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.

(iii) 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 market 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 market 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:

	August 31, 2005			November 30, 2004		
	Number	Value	Weighted-Average Exercise Price	Number	Value	Weighted-Average Exercise Price
Balance - beginning of period	5,741,877	$ 1,816,646	$ 0.99	5,274,706	$ 1,456,836	$ 0.96
Issued	1,434,166	236,693	$ 0.80	4,799,500	1,300,895	$ 1.03
Exercised	(34,296)	(4,658)	$ 1.00	(3,839,775)	(874,183)	$ 1.00
Expired	(1,598,081)	(217,062)	$ 1.00	(492,554)	(66,902)	$ 1.00
Balance - end of period	5,543,666	$ 1,831,619	$ 0.94	5,741,877	$ 1,816,646	$ 0.99

The weighted-average remaining contractual life is 0.91 years for those listed as at August 31, 2005 and 1.12 years for those listed as at November 30, 2004.

(d) Stock-based Compensation Plan

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

	August 31, 2005		November 30, 2004	
	Number of Share Options	Weighted-average Exercise Price	Number of Share Options	Weighted-average Exercise Price
Options outstanding - beginning of period	3,794,200	$ 0.86	2,199,000	$ 0.75
Options granted	75,000	$ 0.93	1,785,000	$ 0.97
Options exercised	-	$ -	(114,800)	$ 0.68
Options expired	(75,000)	$ 0.67	(75,000)	$ 0.91
Options outstanding - end of period	3,794,200	$ 0.86	3,794,200	$ 0.86
Exercisable options	3,594,200	$ 0.85	3,594,200	$ 0.85

Options Outstanding and Exercisable	August 31, 2005	November 30, 2004
Price range per option	$0.58 to $1.15	$0.58 to $1.15
Weighted-average remaining contractual life	2.56 Years	3.21 Years
Weighted-average exercise price	$0.86	$0.86

During the quarter, the Company recognized $19,330 (2004 - $40,624) as stock-based compensation expense and included this amount in Contributed Surplus. Amounts recognized for the periods ended August 31, 2005 and 2004 were $99,106 and $272,789, 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:

	August 31, 2005	November 30, 2004
Expected life:	5.0-years	5.0-years
Expected volatility:	71.67%	70.91%
Risk-free interest rate:	2.75%	2.25%
Dividend rate:	0%	0%

Under these assumptions, the fair value of options issued during these periods was $0.56 and $0.60.

(e) Contributed Surplus

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

	August 31, 2005	November 30, 2004
Balance - beginning of period	$ 1,786,196	459,822
Stock-based compensation	99,106	1,259,472
Share-purchase warrants expired	217,062	66,902
Balance - end of period	2,102,364	1,786,196

11. Income Taxes

The Company has available losses of approximately $10,167,000 which may be carried-forward to reduce future years' income for tax purposes. A full valuation allowance of $4,270,000 has been applied against the benefit of these tax losses, as in management's view recognition is not warranted.

2005	$ 447,000
2006	$ 657,000
2007	$ 664,000
2008	$ 925,000
2009	$ 1,252,000
2010	$ 3,185,000
2014	$ 3,037,000

12. Segmented Information

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

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

	August 31, 2005	November 30, 2004
China	$ 4,922,265	$ 4,100,785
Canada	53,603	18,091
	$ 4,975,868	$ 4,118,876

(b) Acquisition and Exploration Costs by Resource Property

	For the period ended August 31, 2005			
	Balance as at November 30, 2004	Additions during the period	Expensed during the period	Balance as at August 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	167,390	-	1,380,424
Consulting	320,545	237,500	-	558,045
Travel and accommodation	275,530	150,515	(54,850)	371,195
Geochemical	212,962	87,741	-	300,703
Camp	225,919	56,801	-	282,720
Geophysical	253,986	-	-	253,986
Trenching	14,807	95,331	-	110,138
Metallurgical	3,976	86,867	-	90,843
Mapping	25,417	59,538	-	84,955
Depreciation	71,896	8,462	-	80,358
Professional fees	34,952	36,770	-	71,722
Other	16,635	59,077	(9,253)	66,459
	2,669,659	**1,045,992**	**(64,103)**	**3,651,548**
	2,952,276	**1,046,104**	**(64,103)**	**3,934,277**

(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**	**$ 1,046,104**	**$ (64,103)**	**$ 4,026,102**

	For the Period Ended August 31, 2004			
	Balance as at November 30, 2003	Additions during the period	Expensed during the period	Balance as at August 31, 2004
(i) Dachang Gold Project				
Acquisition costs:				
Professional fees	$ 35,196	$ 77,008	$ -	$ 112,204
Other	-	113,675	(31,784)	81,891
	35,196	**190,683**	**(31,784)**	**194,095**
Exploration costs:				
Drilling	-	455,337	-	455,337
Consulting	131,802	207,816	(67,058)	272,560
Travel and accommodation	48,256	110,932	(33,466)	125,722
Depreciation	-	25,105	-	25,105
Professional fees	-	35,980	(11,501)	24,479
Mapping	-	8,635	-	8,635
Other	-	10,865	(9,539)	1,326
	180,058	**854,670**	**(121,564)**	**913,164**
	215,254	**1,045,353**	**(153,348)**	**1,107,259**
(ii) Zalantun Gold Project				
Acquisition costs:				
Professional fees	8,799	-	-	8,799
Travel and accommodation	-	10,745	(10,745)	-
	8,799	**10,745**	**(10,745)**	**8,799**
Exploration costs:				
Consulting	32,951	41,844	-	74,795
Travel and accommodation	12,064	28,124	-	40,188
Mapping	-	3,338	-	3,338
Other	-	241	-	241
	45,015	**73,547**	**-**	**118,562**
	53,814	**84,292**	**(10,745)**	**127,361**
All resource properties	**$ 269,068**	**$ 1,129,645**	**$ (164,093)**	**$ 1,234,620**

(c) Other Loss

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.

As at August 31, 2005, Yangzhong Zhonghai Techmat Co., Ltd. has borrowed, in aggregate, $435,470 (Renminbi 3,000,000; as at November 30, 2004 - $430,500, Renminbi 3,000,000) from the Bank of China, and has outstanding accounts payable of 217,035 (Renminbi 1,472,422; as at November 30, 2004 - $223,787, Renminbi 1,560,000). These amounts were not guaranteed by the parent company or any other subsidiary or related party.

Subsequent to the end of the quarter the Company repaid amounts owing to the Bank of China out of proceeds from the sale of rare earth processing equipment which had been written down to $1**(Note 13)**.

The Company continues to incur expenses associated with security and maintenance of the land, buildings and equipment in China. During the quarter and for the period ended August 31, 2005 the net amount of these costs were $9,240 and $4,401, respectively (2004 - $4,622 and $49,593, respectively), including interest charges on the outstanding bank advances of $8,082 and $24,372, respectively (2004 - $8,613 and $25,364, respectively), and are net of recovery of bad debts, sale of inventory previously written off, liquidiation of fixed assets, exchange gains and losses for the period and other related income or expenses as applicable.

13. Subsequent Events

(a) Dachang Gold Project

Subsequent to the end of the quarter the Company advanced $450,000 (Renminbi 3,000,000), in accordance with the joint venture contract associated with the Dachang Gold Project, bringing total contirbutions as at the date of this report to $2,509,00 (Renminbi 15,830,000)

(b) Disposition of Rare Earth Processing Equipment and Repayment of Bank Loans

Subsequent to the end of the quarter the Company disposed of rare earth processing equipment that had been previously written down to $1 for proceeds of approximately $438,630 (Renminbi 3,004,520), which were used to repay outstanding advances from the Bank of China

14. Comparative Figures

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