

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

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

November 30, 2008 and 2007

Management's Responsibility for Financial Statements

February 26, 2009

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

The Company has developed and maintains a system of internal control to provide reasonable assurance that financial information is accurate and reliable.

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

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board has appointed an Audit Committee composed of three independent directors. The Committee meets with the independent auditors to discuss the results of their audit and audit report prior to submitting the consolidated financial statements to the Board of Directors for its consideration and approval for issuance to shareholders. On the recommendation of the Audit Committee, the Board of Directors has approved the Company's consolidated financial statements.

"James J. Moore"

James J. Moore

President and Chief Executive Officer

"Lou Pasubio"

Lou Pasubio, C.A.

Vice-President, Finance and Chief Financial Officer

February 26, 2009

Auditors' Report

To the Shareholders of
Inter-Citic Minerals Inc.

We have audited the consolidated balance sheets of **Inter-Citic Minerals Inc.** as at November 30, 2008 and 2007 and the consolidated statements of shareholders' equity, operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at November 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

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

	November 30, 2008	November 30, 2007
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 9,500,805	\$ 3,329,241
Amounts receivable	297,093	204,611
Prepaid expenses and other	107,688	48,186
	9,905,586	3,582,038
Restricted cash (Note 6)	5,461,215	2,678,440
Resource properties (Notes 7, 13)	34,853,752	20,125,839
Property, plant and equipment (Note 8, 13)	2,852,320	1,692,260
	\$ 53,072,873	\$ 28,078,577
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 5,063,833	\$ 2,327,402
	5,063,833	2,327,402
Future income taxes (Note 12)	4,936,000	3,040,000
	9,999,833	5,367,402
SHAREHOLDERS' EQUITY		
Share capital (Note 11 (b))	74,117,237	49,437,779
Share purchase warrants (Note 11 (c))	230,400	2,122,589
Contributed surplus	5,769,128	4,425,669
Deficit	(37,043,725)	(33,274,862)
	43,073,040	22,711,175
	\$ 53,072,873	\$ 28,078,577

NATURE OF OPERATIONS AND BASIS OF PRESENTATION (Note 1)

COMMITMENTS (Notes 7, 10)

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 consolidated 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, 2006 before investment in own shares	59,637,682	\$ 40,251,655	\$ 1,928,784	\$ 3,657,769	\$ (30,519,120)	\$ 15,319,088
Investment in own shares	(116,500)	(133,023)	-	-	-	(133,023)
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	-	-	(610,209)	610,209	-	-
Stock-based compensation expense on unexercised vested options	-	-	-	1,004,250	-	1,004,250
Loss for the year ended November 30, 2008	-	-	-	-	(3,768,863)	(3,768,863)
Balance as at November 30, 2008	82,496,339	\$ 74,117,237	\$ 230,400	\$ 5,769,128	\$ (37,043,725)	\$ 43,073,040

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated 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 year ended November 30, 2008	For the year ended November 30, 2007
Expenses		
Executive compensation	\$ 826,220	\$ 641,652
Stock-based compensation (Note 11 (d))	806,250	756,450
Corporate relations	775,578	364,694
Office and rent	652,572	483,129
Travel and accommodation	450,506	490,674
Professional fees	335,684	251,732
Salaries and benefits	261,335	135,383
Depreciation and amortization	175,697	131,872
Consulting	-	72,957
Foreign exchange	(52,888)	37,852
	4,230,954	3,366,395
Other expenses (income)		
Write down of acquisition and exploration costs (Note 7(b))	-	91,825
Write-down of investments	-	17,754
Other income, net (Note 13 (c))	-	(530,385)
Interest	(462,091)	(189,847)
	(462,091)	(610,653)
Net Loss and Comprehensive Loss for the year	3,768,863	2,755,742
Deficit, beginning of year	33,274,862	30,519,120
Deficit, end of year	\$ 37,043,725	\$ 33,274,862
Net loss per share - basic and diluted	\$ 0.05	\$ 0.04
Weighted average common shares outstanding	79,313,619	64,458,862

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

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

	For the year ended November 30, 2008	For the year ended November 30, 2007
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (3,768,863)	\$ (2,755,742)
Adjustments for:		
Depreciation and amortization	175,697	131,872
Stock-based compensation (Note 11 (d))	806,250	756,450
Write-down of acquisition and exploration costs (Note 7(b))	-	91,825
Write-down of investments	-	17,754
Net gain on disposition (Note 13 (c))	-	(561,031)
	(2,786,916)	(2,318,872)
Amounts receivable	(92,482)	(19,682)
Prepaid expenses and other	(59,502)	(9,215)
Accounts payable and accrued liabilities	(24,120)	38,483
Changes in non-cash working capital balances	(176,104)	9,586
	(2,963,020)	(2,309,286)
Financing activities		
Issuance of shares and warrants (Note 11)	23,126,478	9,524,402
	23,126,478	9,524,402
Investing activities		
Restricted cash (Note 6)	(2,782,775)	(622,463)
Resource properties (Notes 7, 13)	(12,393,619)	(6,588,533)
Proceeds of disposition (Note 13 (c))	-	561,034
Property, plant and equipment (Note 8, 13)	(1,576,051)	(757,799)
Change in accounts payable and accrued liabilities	2,760,551	1,262,919
	(13,991,894)	(6,144,842)
Increase in cash and cash equivalents for the year	6,171,564	1,070,274
Cash and cash equivalents, beginning of year	3,329,241	2,258,967
Cash and cash equivalents, end of year (Note 3)	\$ 9,500,805	\$ 3,329,241
Supplemental Information:		
Income taxes paid during the year	\$ -	\$ -
Interest paid during the year	\$ -	\$ -
Stock-based compensation exercised	\$ 271,000	\$ 42,500
Share-purchase warrants exercised	\$ 1,512,380	\$ 454,892
Issuance of share-purchase warrants to brokers	\$ 230,400	\$ 83,843

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

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 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, are not successful, assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material.

2. Changes in Accounting Policies

(a) Changes in Accounting Policies

Section 1535, Capital Disclosures

On December 1, 2007, the Company adopted Canadian Institute of Chartered Accountants' ("CICA") Handbook 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 Standards in **Note 4** to these consolidated 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 CICA 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 Standards in **Note 5** to these consolidated financial statements.

(b) Recent Accounting Pronouncements

The following Canadian accounting pronouncements were issued and have not yet been adopted by the Company:

Section 1400, General Standards of Financial Statement Presentation

This Section was amended so as to include the criteria for determining and presenting the Company's ability to continue as a going concern.

This standard will impact the Company's disclosures provided but will not affect the Company's consolidated results or financial position.

Section 3064, Goodwill and Intangible Assets

This standard establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew Emerging Issues Committee Issue ("EIC") 27, Revenues and Expenses During the Pre-Operating Period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer preproduction and start-up costs at new mine operations. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of this standard on its consolidated financial statements.

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2008

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 balances have been eliminated.

Financial Instruments – Recognition and Measurement

The Company classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other financial liabilities. 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 consolidated statement of operations, comprehensive loss and deficit.

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 fiscal 2008 and fiscal 2007. As the Company has no items of comprehensive income or loss, net loss for both years 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:

	November 30, 2008	November 30, 2007
Cash on hand and balances with banks	\$ 775,805	\$ 689,241
Short-term interest bearing investments	8,725,000	2,640,000
	<u>\$ 9,500,805</u>	<u>\$ 3,329,241</u>

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

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2008

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.

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% declining balance
Office equipment	10%-33% declining balance
Exploration equipment	20%-30% declining 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 its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the asset and its 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 11 (d)**. The Company accounts for stock-based compensation in accordance with CICA Handbook 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 accordance 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 reporting period. Actual results could differ from those estimates.

Comparative Figures

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

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2008

4. Capital Management

The Company's objective when managing capital, which the Company defines as shareholders' equity, 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.

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 short-term deposit certificates issued by the 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 November 30, 2008, the carrying amounts of financial instruments approximate their fair market values.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible":

(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 held the following balances in foreign currency as at November 30, 2008:

	<u>US dollars</u>	<u>Chinese renminbi</u>
Cash and cash equivalents	576,100	-
Amounts receivable	-	343,623
Restricted cash	-	227,255
Accounts payable and accrued liabilities	<u>(336,956)</u>	<u>(25,961,681)</u>
	239,144	(25,390,803)
Equivalent in Canadian dollars	<u>\$ 296,539</u>	<u>\$ (4,621,126)</u>

Sensitivity by a plus or minus 1% change in exchange rates would affect net income by approximately \$50,000.

6. Restricted Cash

Restricted cash relates to advances held in China and committed to continuing exploration of the Dachang Gold Project (**Note 7**).

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2008

7. 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.

(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 \$13,516,400 (renminbi 90,000,000) for exploration (all of which was advanced as at November 30, 2008), completion of metallurgical and pre-feasibility reports, and making a cash payment of the equivalent of approximately \$1,820,000 (renminbi 10,000,000) upon the issuance of a mining licence 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 \$2,730,000 (renminbi 15,002,500) over three years. Minimum contributions are staged as to the equivalent of approximately \$728,000 (renminbi 4,000,000) within 30 days of the organization of the project; the equivalent of approximately \$728,000 (renminbi 4,000,000) within seven to twelve months of the date of the first contribution; the equivalent of approximately \$728,000 (renminbi 4,000,000) within thirteen to eighteen months of the date of the first contribution; and the equivalent of approximately \$546,000 (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 \$321,000 (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 due to ongoing delays in organization of the project.

8. Property, Plant and Equipment

	November 30, 2008			November 30, 2007		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value
Leasehold improvements	\$ 43,790	\$ (36,262)	\$ 7,528	\$ 43,790	\$ (30,238)	\$ 13,552
Office equipment	87,845	(63,091)	24,754	82,364	(54,535)	27,829
Exploration equipment	4,012,107	(1,192,069)	2,820,038	2,441,537	(790,658)	1,650,879
Total	\$ 4,143,742	\$ (1,291,422)	\$ 2,852,320	\$ 2,567,691	\$ (875,431)	\$ 1,692,260

9. Related Party Transactions

The Company paid or accrued management and other compensation to five directors of \$573,657 during the year (2007 - \$383,686 to three directors). This compensation is in the normal course of operations and is measured at the exchange amount, which is the the amount of consideration established and agreed to by the parties.

10. Lease Commitment

The Company has entered into a lease for office space to the year 2014 with minimum lease payments as follows:

2009	\$ 86,117
2010	\$ 86,038
2011	\$ 88,419
2012	\$ 89,214
2013	\$ 89,214
2014	\$ 22,303

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2008

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

(a) Authorized

Unlimited number of common shares, without par value (2007 - 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%; and 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' 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%; and 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%; and 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' 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, 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)	1.20
Expired	(2,804,410)	(610,209)	2.25
Balance, November 30, 2008	480,000	\$ 230,400	\$ 2.00

(i) These share purchase warrants were issued in connection with a private placement financing in May, 2007 (**Note 11 (b) (ii)**). Of these, 2,843,900 entitled 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, was \$1.20.

The weighted average remaining contractual life is 0.18 years (2007 - 0.51 years).

(d) Stock-based Compensation Plan

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

	November 30, 2008		November 30, 2007	
	Number	Weighted average Exercise Price	Number	Weighted average Exercise Price
Options outstanding - beginning of year	4,130,000	\$ 1.02	3,310,000	\$ 0.92
Options granted	1,075,000	1.78	1,160,000	1.30
Options exercised	(535,000)	0.77	(75,000)	0.79
Options expired	(300,000)	0.81	(165,000)	0.92
Options terminated	(250,000)	1.00	(100,000)	1.40
Options outstanding - end of year	4,120,000	\$ 1.27	4,130,000	\$ 1.02
Exercisable options, end of year	4,120,000	\$ 1.27	4,130,000	\$ 1.02

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The following table summarizes information about the stock options outstanding and exercisable at November 30, 2008:

	Number outstanding November 30, 2008	Weighted average remaining contractual life	Weighted average exercise price
Price range per option			
From \$0.61 to \$0.80	150,000	0.87	0.80
From \$0.81 to \$1.00	1,995,000	1.37	0.96
From \$1.01 to \$1.20	125,000	1.00	1.15
From \$1.21 to \$1.40	50,000	0.59	1.30
From \$1.41 to \$1.60	725,000	2.02	1.45
From \$1.61 to \$1.80	975,000	3.63	1.76
Higher than \$1.80	100,000	4.19	1.95
Overall	4,120,000	2.09	\$ 1.27

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 Venture 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 Value	Exercise Price Equals Market Value	Exercise Price is below Market Value	Total
November 30, 2008				
Number issued	100,000	975,000	-	1,075,000
Weighted average exercise price	\$ 1.95	\$ 1.76	\$ -	\$ 1.78
Weighted average fair value	\$ 1.11	\$ 0.92	\$ -	\$ 0.93
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 year ended November 30, 2008 the Company recognized \$1,004,250 (2007 - \$756,450) as stock-based compensation expense and included this amount in contributed surplus.

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

	November 30, 2008	November 30, 2007
Expected life:	4.2 years	3.8 years
Expected volatility:	66.11%	70.07%
Risk-free interest rate:	3.48%	4.10%
Dividend rate:	0%	0%

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12. Taxes

The Company's provision for recovery of income tax has been calculated as follows:

	November 30, 2008	November 30, 2007
Loss for the year	<u>\$ 3,768,863</u>	<u>\$ 2,755,742</u>
Income tax recovery at Canadian federal and provincial statutory rates	\$ 1,270,798	\$ 995,374
Permanent differences	(383,080)	(295,102)
Increase in valuation allowance	<u>(887,718)</u>	<u>(700,272)</u>
Provision for recovery of income tax	<u>\$ -</u>	<u>\$ -</u>

Significant components of the Company's future income tax assets and liabilities as at November 30, 2008 and 2007 are as follows:

	November 30, 2008	November 30, 2007
Future income tax assets:		
Capital assets	\$ (137,000)	\$ 21,000
Non-capital losses carried forward	6,860,000	6,518,000
Share issue costs	837,000	956,000
Other temporary differences	<u>21,000</u>	<u>27,000</u>
Gross future income tax asset	7,581,000	7,522,000
Valuation allowance	<u>(7,581,000)</u>	<u>(7,522,000)</u>
Net future income tax asset	<u>-</u>	<u>-</u>
Future income tax liability:		
Deferred acquisition and exploration costs	<u>4,936,000</u>	<u>3,040,000</u>
Gross future income tax liability	<u>4,936,000</u>	<u>3,040,000</u>
Net future income tax liability	<u>\$ 4,936,000</u>	<u>\$ 3,040,000</u>

The Company recorded full valuation allowances in respect of its Canadian losses and other attributes as at November 30, 2008 because management believes that future income tax assets have not met the "more likely than not" recognition threshold. For certain payments in relation to mineral property interests the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amounts. During the year the Company recorded a future income tax liability and corresponding adjustment to resource properties of \$1,896,000 (2007 - \$1,136,000).

The Company has available losses of approximately \$23,654,000 that may be carried forward to reduce future years' income for tax purposes, as follows:

2009	\$ 1,252,000
2010	\$ 3,185,000
2014	\$ 3,037,000
2015	\$ 1,767,000
2026	\$ 3,992,000
2027	\$ 5,986,000
2028	\$ 4,435,000

13. Segmented Information

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

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

	November 30, 2008	November 30, 2007
China	\$ 37,673,790	\$ 21,776,718
Canada	<u>32,282</u>	<u>41,381</u>
	<u>\$ 37,706,072</u>	<u>\$ 21,818,099</u>

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(b) Acquisition Costs and Exploration Costs by Resource Property

	For the year ended November 30, 2008			
	Balance as at November 30, 2007	Additions during the year	Expensed during the year	Balance as at November 30, 2008
(i) Dachang Gold Project				
Acquisition costs:	\$ 282,729	\$ -	\$ -	\$ 282,729
Exploration costs:				
Drilling	7,157,785	6,835,715	-	13,993,500
Consulting	2,494,952	1,355,271	-	3,850,223
Camp	1,730,305	1,058,959	-	2,789,264
Assays and metallurgy	1,314,236	1,216,571	-	2,530,807
Trenching	1,180,204	530,376	-	1,710,580
Travel and accommodation	817,374	373,960	-	1,191,334
Administrative and other	599,702	576,039	-	1,175,741
Depreciation	461,136	276,905	-	738,041
Geochemical	338,506	-	-	338,506
Geophysical	253,986	166,891	-	420,877
Mapping	226,469	172,860	-	399,329
Professional fees	228,455	70,366	-	298,821
Stock-based compensation(Note 11 (d))	-	198,000	-	198,000
	16,803,110	12,831,913	-	29,635,023
Future income tax liability	3,040,000	1,896,000	-	4,936,000
All resource properties	\$ 20,125,839	\$ 14,727,913	\$ -	\$ 34,853,752

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

	For the year ended November 30, 2007			
	Balance as at November 30, 2006	Additions during the year	Expensed during the year	Balance as at November 30, 2007
(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
Mapping	176,983	49,486	-	226,469
Professional fees	166,393	62,062	-	228,455
	10,023,662	6,779,448	-	16,803,110
Future income tax liability	1,904,000	1,136,000	-	3,040,000
	12,210,391	7,915,448	-	20,125,839

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(ii) Zalantun Gold Project

Acquisition costs:	13,860	-	(13,860)	-
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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)	-
<hr/>				
All resource properties	\$ 12,302,216	\$ 7,915,448	\$ (91,825)	\$ 20,125,839

(c) Other 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 was \$51,862, including legal fees associated with the disposition of \$21,216, and is net of recovery of bad debts, sale of inventory previously written off, liquidation of property, plant and equipment, exchange gains and losses for the year and other related income or expenses, as applicable.