

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

CONSOLIDATED THIRD QUARTER
INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Expressed in Canadian dollars)

August 31, 2011 and 2010

INTER-CITIC MINERALS INC.

Suite 501, 60 Columbia Way

Markham, Ontario

CANADA L3R 0C9

October 11, 2011

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 (UNAUDITED)
(Expressed in Canadian dollars)

	August 31, 2011	November 30, 2010
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 2,851,712	\$ 5,820,247
Short-term investments (Note 3)	17,900,000	-
Amounts receivable	176,274	336,964
Prepaid expenses and other	30,359	511,762
	20,958,345	6,668,973
Restricted cash (Note 4)	1,964,547	5,828,398
Resource properties (Note 5)	64,444,617	59,673,599
Property, plant and equipment	1,954,612	2,300,085
	\$ 89,322,121	\$ 74,471,055
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,394,156	\$ 4,843,926
	1,394,156	4,843,926
Future income taxes	10,723,000	9,917,000
	12,117,156	14,760,926
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	114,996,257	96,781,039
Share purchase warrants (Note 8)	3,094,831	651,842
Contributed surplus	11,012,875	9,424,016
Deficit	(51,898,998)	(47,146,768)
	77,204,965	59,710,129
	\$ 89,322,121	\$ 74,471,055

COMMITMENTS (Note 5)

Approved by the Board of Directors:

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

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

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

	Common Shares		Share Purchase Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
	Number	Amount				
Balance as at November 30, 2009	89,278,839	\$ 78,161,312	\$ 767,830	\$ 6,994,878	\$ (40,924,246)	\$ 44,999,774
Issued for cash, net of cash issue costs	16,000,000	18,032,627	-	-	-	18,032,627
Issued for cash pursuant to exercise of share purchase warrants	120,000	90,000	-	-	-	90,000
Fair value of share purchase warrants exercised	-	34,800	(34,800)	-	-	-
Fair value of share purchase warrants expired	-	-	(81,188)	81,188	-	-
Issued for cash pursuant to exercise of stock options	390,000	282,250	-	-	-	282,250
Fair value of stock options exercised	-	180,050	-	(180,050)	-	-
Stock-based compensation on unexercised vested stock options	-	-	-	2,528,000	-	2,528,000
Loss for the year ended November 30, 2010	-	-	-	-	(6,222,522)	(6,222,522)
Balance as at November 30, 2010	105,788,839	\$ 96,781,039	\$ 651,842	\$ 9,424,016	\$ (47,146,768)	\$ 59,710,129
Issued for cash, net of cash issue costs	11,052,632	19,657,703	-	-	-	19,657,703
Fair value of share purchase warrants issued	-	(2,442,989)	2,442,989	-	-	-
Issued for cash pursuant to exercise of stock options	703,061	625,523	-	-	-	625,523
Fair value of stock options exercised	-	374,981	-	(374,981)	-	-
Stock-based compensation on unexercised vested stock options	-	-	-	1,963,840	-	1,963,840
Loss for the period ended August 31, 2011	-	-	-	-	(4,752,230)	(4,752,230)
Balance as at August 31, 2011	117,544,532	\$ 114,996,257	\$ 3,094,831	\$ 11,012,875	\$ (51,898,998)	\$ 77,204,965

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 (UNAUDITED)
(Expressed in Canadian dollars)

	For the three months ended August 31, 2011	For the three months ended August 31, 2010	For the nine months ended August 31, 2011	For the nine months ended August 31, 2010
Expenses				
Stock-based compensation (Note 9)	\$ -	\$ 54,636	\$ 1,422,720	\$ 1,675,600
Salaries and benefits	314,356	289,265	1,132,856	1,340,398
Corporate relations	86,838	83,554	740,550	469,856
Office and rent	193,808	227,523	624,121	617,041
Professional fees	156,970	155,674	383,404	228,017
Travel and accommodation	122,273	109,807	323,504	477,415
Depreciation and amortization	3,355	3,329	255,204	235,049
Foreign currency exchange	26,841	4,623	(74,479)	(81,106)
	904,441	928,411	4,807,880	4,962,270
Other				
Interest and other	(33,390)	(42,756)	(55,650)	(59,734)
Loss and Comprehensive Loss for the period	871,051	885,655	4,752,230	4,902,536
Deficit, beginning of period	51,027,947	44,941,127	47,146,768	40,924,246
Deficit, end of period	\$ 51,898,998	\$ 45,826,782	\$ 51,898,998	\$ 45,826,782
Loss per share - basic and diluted	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.05
Weighted average number of common shares outstanding	113,761,477	105,536,448	108,664,250	97,196,065

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 (UNAUDITED)
(Expressed in Canadian dollars)

	For the three months ended August 31, 2011	For the three months ended August 31, 2010	For the nine months ended August 31, 2011	For the nine months ended August 31, 2010
Cash provided by (used in):				
Operating activities				
Loss for the period	\$ (871,051)	\$ (885,655)	\$ (4,752,230)	\$ (4,902,536)
Adjustments for:				
Depreciation and amortization	3,355	3,329	255,204	235,049
Stock-based compensation	-	54,636	1,422,720	1,675,600
	(867,696)	(827,690)	(3,074,306)	(2,991,887)
Amounts receivable	166,201	75,354	160,690	(285,196)
Prepaid expenses and other	(1,511)	(137,175)	481,403	(88,989)
Accounts payable and accrued liabilities	(34,898)	10,669	(456,807)	(354,256)
Changes in non-cash working capital balances	129,792	(51,152)	185,286	(728,441)
	(737,904)	(878,842)	(2,889,020)	(3,720,328)
Financing activities				
Issuance of shares (Note 7)	19,677,963	190,000	20,283,226	18,275,127
Investing activities				
Restricted cash	673,273	(6,001,493)	3,863,851	(6,190,614)
Short-term investments	(17,900,000)	-	(17,900,000)	-
Resource properties (Note 5)	(2,393,258)	(4,028,492)	(3,299,247)	(5,107,983)
Property, plant and equipment	(30,431)	(176,786)	(34,382)	(193,654)
Change in accounts payable and accrued liabilities	685,132	2,324,578	(2,992,963)	(1,070,406)
	(18,965,284)	(7,882,193)	(20,362,741)	(12,562,657)
(Decrease)Increase in cash and cash equivalents for the period	(25,225)	(8,571,035)	(2,968,535)	1,992,142
Cash and cash equivalents, beginning of period	2,876,937	17,939,744	5,820,247	7,376,567
Cash and cash equivalents, end of period (Note 3)	\$ 2,851,712	\$ 9,368,709	\$ 2,851,712	\$ 9,368,709

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 (UNAUDITED)
FOR THE THIRD QUARTER ENDED AUGUST 31, 2011 AND 2010
(Expressed in Canadian dollars)

1. Nature of Operations

Inter-Citic Minerals Inc. (the "Company") is a development stage company engaged in the acquisition, exploration and development of exploration stage mineral properties. The Company has entered into an earn-in agreement in respect of an exploration property, the Dachang Gold Project, in the Province of Qinghai in the People's Republic of China ("China").

To date, the Company has not found any proven reserves or engaged in any production on the property, 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 property, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put the property into production, and profitability of future production are not successful, assets may not be realized or liabilities discharged at their carrying values, and these differences could be material.

2. Basis of Presentation

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. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended November 30, 2010. 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.

3. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing investments with initial maturities of three months or less. Cash and cash equivalents comprise the following consolidated balance sheet amounts:

	August 31, 2011	November 30, 2010
Cash on hand and balances with banks	\$ 651,712	\$ 140,247
Interest bearing investments	2,200,000	5,680,000
	<u>\$ 2,851,712</u>	<u>\$ 5,820,247</u>

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

Short-term Investments

Short-term investments represent interest bearing investments, principally in GICs, with initial maturity terms greater than three months but not more than one year. Interest income 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 when facts and circumstances suggest that the carrying value exceeds the estimated net recoverable amount. If capitalized expenditures on individual resource properties exceed the estimated net recoverable amount, the properties are written down to the estimated fair value. Costs related to abandoned resource properties are written off when the decision to abandon is made.

The Company is in the process of exploring and evaluating its resource property interests. Amounts reflected in the consolidated financial statements reflect cost to date and may not represent future value to the Company. No mineral reserves have been determined to exist on the property. Therefore, the recoverability of the amounts reflected is dependent on future successful exploration and development of the resource property.

Stock-based Compensation Plan

The Company has one stock-based compensation plan, which is described in **Note 9**. 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 option pricing model and is recognized over the vesting period of the stock options granted under the stock option plan. Amounts recognized are expensed or capitalized, and credited to contributed surplus. Consideration received on exercise of stock options is credited to share capital.

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THIRD QUARTER ENDED AUGUST 31, 2011 AND 2010
(Expressed in Canadian dollars)

Per Share Amounts

Loss per share has been computed by dividing 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 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 consolidated 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 consolidated financial statements and the reported amount of expenses and other income during the reporting period. Actual results could differ from those estimates.

4. Restricted Cash

Restricted cash relates to advances held in China, primarily in Canadian dollars, and committed to continuing exploration of the Dachang Gold Project (**Note 5**).

5. Resource Properties

The Company is involved in exploration in China through an earn-in agreement, whereby it provides 100% of the funding in order to earn a controlling interest in the project.

Dachang Gold Project

On November 14, 2003, the Company entered into an earn-in agreement with the Qinghai Geological Survey Institute regarding the Dachang Gold Project in China. On November 24, 2009, the Chinese party to the agreement was changed to the No. 5 Geology and Mineral Exploration Institute, a company that shares the same parent company as that of the Qinghai Geological Survey Institute. Under the terms of this agreement, the Company can earn an 83% interest in the project by contributing the equivalent of approximately \$22,517,300 (renminbi 150,000,000) for exploration (all of which was advanced as at August 31, 2011), completion of metallurgical and pre-feasibility reports, and making a cash payment of the equivalent of approximately \$1,533,000 (renminbi 10,000,000) on the issuance of all applicable licences, permits and approvals 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 a pre-feasibility report, for a total interest of 90%. The No. 5 Geology and Mineral Exploration 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 No. 5 Geology and Mineral Exploration Institute seeks foreign investment.

The Company has incurred exploration and evaluation costs in respect of Dachang as follows:

	Balance as at November 30, 2009	Additions During the Year	Balance as at November 30, 2010	Additions During the Period	Balance as at August 31, 2011
Acquisition costs:	\$ 282,729	\$ -	\$ 282,729	\$ -	282,729
Exploration and evaluation costs:					
Drilling	17,694,372	4,821,877	22,516,249	867,743	23,383,992
Consulting	5,205,975	1,847,452	7,053,427	905,315	7,958,742
Camp	3,634,907	1,259,645	4,894,552	245,502	5,140,054
Assays and metallurgy	2,902,756	692,799	3,595,555	365,808	3,961,363
Administrative and other	1,518,456	623,222	2,141,678	413,461	2,555,139
Trenching	1,980,692	239,516	2,220,208	206,052	2,426,260
Travel and accommodation	1,443,495	326,091	1,769,586	216,020	1,985,606
Geological	1,605,040	121,005	1,726,045	20,507	1,746,552
Stock-based compensation	377,000	751,750	1,128,750	541,120	1,669,870
Depreciation	1,059,627	319,234	1,378,861	124,651	1,503,512
Mapping	446,252	136,168	582,420	7,250	589,670
Professional fees	363,281	103,258	466,539	51,589	518,128
	38,231,853	11,242,017	49,473,870	3,965,018	53,438,888
Future income tax liability	6,109,000	3,808,000	9,917,000	806,000	10,723,000
	\$ 44,623,582	\$ 15,050,017	\$ 59,673,599	\$ 4,771,018	\$ 64,444,617

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THIRD QUARTER ENDED AUGUST 31, 2011 AND 2010
(Expressed in Canadian dollars)

6. Related Party Transactions

The Company paid or accrued \$126,560 in salaries, director fees and other cash compensation to three directors during the three month period ended August 31, 2011 (2010 - \$158,735 to six directors) and \$432,799 to three directors during the nine month period ended August 31, 2011 (2010 - \$660,444 to six 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.

7. Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares, without par value. As at August 31, 2011 there were 117,544,532 common shares issued and outstanding.

Private Placement

During the quarter the Company completed a non-brokered private placement for gross proceeds of \$21,000,000 consisting of 11,052,632 units of the Company at a price of \$1.90 per unit. The first tranche for \$12,600,000 (6,631,579 units) was completed on June 27, 2011 and the second tranche for \$8,400,000 (4,421,053 units) was completed on July 8, 2011. Each unit consisted of one common share and one half of one share purchase warrant with no partial share purchase warrant issued. Each whole share purchase warrant entitles the holder to acquire one common share of the Company at a price of \$2.00 for a two year period from the date of issue. As part of this financing, the Company paid finder's fees of \$1,260,000 in cash and issued an additional 442,105 in share purchase warrants (Finder's Warrants). Each Finder's Warrant entitles the holder to acquire one additional common share at \$2.66 for a two year period from the date of issue.

The fair values of share purchase warrants, including the Finder Warrants, were determined using the Black-Scholes option pricing model with the following assumptions:

	<u>June 27, 2011</u>	<u>July 8, 2011</u>
Expected life:	2 years	2 years
Expected volatility:	67.29%	65.52%
Risk-free interest rate:	1.40%	1.51%
Dividend rate:	0%	0%

After cash issuance costs of \$82,297 and cash finder's fees, the net proceeds were allocated \$17,214,714 to the common shares and \$2,442,989 to the share purchase warrants (including the Finder's Warrants), respectively.

8. Share Purchase Warrants

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

	<u>Number</u>	<u>Value</u>	<u>Weighted Average Exercise Price</u>
Balance, November 30, 2010	3,333,000	\$ 651,842	\$ 1.45
Issued	5,968,420	2,442,989	2.05
Balance, August 31, 2011	<u>9,301,420</u>	<u>\$ 3,094,831</u>	\$ 1.83

The outstanding share purchase warrants have a weighted average remaining life of 1.23 years.

9. Stock-based Compensation Plan

The Company has one 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's ceasing to be employed by or associated with the Company.

The Company did not recognize stock-based compensation for the three month period ended August 31, 2011 (2010 - \$185,780). For the nine month period ended August 31, 2011, the Company recognized and included in contributed surplus stock-based compensation of \$1,963,840 (2010 - \$2,181,208). Of these amounts, \$541,120 was capitalized to resource properties in the nine month period ended August 31, 2011 (2010 - \$505,608).

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THIRD QUARTER ENDED AUGUST 31, 2011 AND 2010
(Expressed in Canadian dollars)

The following is a summary of the Company's outstanding options:

	August 31, 2011		November 30, 2010	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of period	7,905,000	\$ 0.98	5,170,000	\$ 0.92
Granted	1,615,000	1.88	3,650,000	1.07
Exercised	(703,061)	0.89	(390,000)	0.72
Expired	-	-	(525,000)	1.26
Outstanding, end of period	8,816,939	\$ 1.15	7,905,000	\$ 0.98
Exercisable, end of period	8,816,939	\$ 1.15	7,905,000	\$ 0.98

The following table summarizes information about options outstanding and exercisable as at August 31, 2011:

	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
Price range per option			
Less than \$0.61	2,195,000	2.86	\$ 0.50
From \$0.81 to \$1.00	2,981,939	3.29	0.96
From \$1.21 to \$1.40	710,000	3.68	1.31
From \$1.41 to \$1.60	400,000	0.62	1.45
From \$1.61 to \$1.80	815,000	2.22	1.76
Higher than \$1.80	1,715,000	4.35	1.88
	8,816,939	3.20	\$ 1.15

10. Segmented Information

The Company's activities are in one reportable operating segment, being the acquisition of exploration stage mineral resource properties and exploration and development of those properties. Resource properties and property, plant and equipment by geographic region are as follows:

Resource Properties and Property, Plant and Equipment by Geographic Region

	August 31, 2011	November 30, 2010
China	\$ 66,386,192	\$ 61,957,129
Canada	13,037	16,555
	\$ 66,399,229	\$ 61,973,684