

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

August 31, 2012 and 2011

INTER-CITIC MINERALS INC.

Suite 501, 60 Columbia Way

Markham, Ontario

CANADA L3R 0C9

October 10, 2012

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)
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(Expressed in Canadian dollars)

	August 31, 2012	November 30, 2011	December 1, 2010
ASSETS			
Current			
Cash and cash equivalents	\$ 408,818	\$ 732,412	\$ 5,820,247
Short-term investments	5,300,000	10,500,000	-
Amounts receivable	170,689	397,481	336,964
Other current assets	32,006	29,691	511,762
	5,911,513	11,659,584	6,668,973
Non-current			
Restricted cash	993,606	7,781,905	5,828,398
Resource properties (Note 6)	65,082,766	62,473,971	49,756,599
Property, plant and equipment	1,563,014	1,848,156	2,300,085
TOTAL ASSETS	\$ 73,550,899	\$ 83,763,616	\$ 64,554,055
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 1,357,642	\$ 8,176,420	\$ 4,843,926
	1,357,642	8,176,420	4,843,926
EQUITY			
Share capital	115,042,838	115,042,838	96,781,039
Share purchase warrants	2,442,989	3,357,471	651,842
Contributed surplus	11,909,016	10,994,534	9,424,016
Deficit	(57,201,586)	(53,807,647)	(47,146,768)
	72,193,257	75,587,196	59,710,129
TOTAL LIABILITIES AND EQUITY	\$ 73,550,899	\$ 83,763,616	\$ 64,554,055

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

COMMITMENTS (Note 6 and 8)

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved by the Board of Directors:

"Mark R. Frederick"

"James J. Moore"

Mark R. Frederick
Director

James J. Moore
Director

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(Expressed in Canadian dollars)

	Common Shares		Share Purchase Warrants	Contributed Surplus	Deficit	Total Equity
	Number	Amount				
Balance as at December 1, 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 stock options	-	-	-	1,963,840	-	1,963,840
Loss and comprehensive loss for the period	-	-	-	-	(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
Fair value of share purchase warrants extended	-	-	262,640	-	(262,640)	-
Issued for cash pursuant to exercise of stock options	29,113	28,240	-	-	-	28,240
Fair value of stock options exercised	-	18,341	-	(18,341)	-	-
Loss and comprehensive loss for the period	-	-	-	-	(1,646,009)	(1,646,009)
Balance as at November 30, 2011	117,573,645	\$ 115,042,838	\$ 3,357,471	\$ 10,994,534	\$ (53,807,647)	\$ 75,587,196
Fair value of share purchase warrants expired	-	-	(914,482)	914,482	-	-
Loss and comprehensive loss for the period	-	-	-	-	(3,393,939)	(3,393,939)
Balance as at August 31, 2012	117,573,645	\$ 115,042,838	\$ 2,442,989	\$ 11,909,016	\$ (57,201,586)	\$ 72,193,257

The accompanying notes are an integral part of these interim consolidated financial statements.

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)
(Expressed in Canadian dollars)

	For the three months ended August 31, 2012	For the three months ended August 31, 2011	For the nine months ended August 31, 2012	For the nine months ended August 31, 2011
Expenses				
Salaries and benefits	\$ 372,268	\$ 314,356	\$ 1,065,565	\$ 1,132,856
Professional fees	488,841	156,970	827,817	383,404
Travel and accomodation	259,326	122,273	531,012	323,504
Office and rent	102,273	193,808	455,513	624,121
Corporate relations	96,147	86,838	424,633	740,550
Depreciation	64,907	3,355	262,984	255,204
Stock-based compensation	-	-	-	1,422,720
Foreign currency exchange	(19,826)	26,841	(75,842)	(74,479)
	1,363,936	904,441	3,491,682	4,807,880
Interest income	(21,392)	(33,390)	(97,743)	(55,650)
Loss and Comprehensive Loss for the period	\$ 1,342,544	\$ 871,051	\$ 3,393,939	\$ 4,752,230
Loss per share - basic and diluted	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.04
Weighted average number of common shares outstanding	117,573,645	113,761,477	117,573,645	108,664,250

The accompanying notes are an integral part of these consolidated interim financial statements.

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

	For the nine months ended August 31, 2012	For the nine months ended August 31, 2011
Cash provided by (used in):		
Operating activities		
Loss for the period	\$ (3,393,939)	\$ (4,752,230)
Adjustments for:		
Depreciation	262,984	255,204
Stock-based compensation	-	1,422,720
	(3,130,955)	(3,074,306)
Amounts receivable	226,792	160,690
Other current assets	(2,315)	481,403
Accounts payable and accrued liabilities	(119,876)	(456,807)
Changes in non-cash working capital balances	104,601	185,286
Total cash and cash equivalents used in operating activities	(3,026,354)	(2,889,020)
Financing activities		
Issuance of shares	-	20,283,226
Total cash and cash equivalents provided by financing activities	-	20,283,226
Investing activities		
Restricted cash	6,788,299	3,863,851
Short-term investments	5,200,000	(17,900,000)
Resource properties	(2,564,851)	(3,299,247)
Disposal of property, plant and equipment	13,669	-
Property, plant and equipment	(35,455)	(34,382)
Change in accounts payable and accrued liabilities	(6,698,902)	(2,992,963)
Total cash and cash equivalents used in investing activities	2,702,760	(20,362,741)
Decrease in cash and cash equivalents for the period	(323,594)	(2,968,535)
Cash and cash equivalents, beginning of period	732,412	5,820,247
Cash and cash equivalents, end of period	\$ 408,818	\$ 2,851,712

The accompanying notes are an integral part of these consolidated interim financial statements.

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED AUGUST 31, 2012 AND 2011
(Expressed in Canadian dollars)

1. Nature of operations and Going concern

Inter-Citic Minerals Inc. and its subsidiaries (together the Company or Inter-Citic) 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, People's Republic of China (China). Inter-Citic is incorporated and domiciled in Canada. The Company's corporate and head office is located at 60 Columbia Way, Suite 501, Markham, Ontario, L3R 0C9.

The Company is in the process of exploring and developing the Dachang Gold Project and has not yet determined whether the property contain reserves that are economically recoverable. The recoverability of expenditures on resource properties, including deferred exploration and development related costs, is dependent upon the existence of economically recoverable mineral resources, the ability of the Company to obtain necessary financing to complete the exploration and development of the Dachang Gold Project, and upon future profitable production or proceeds from the sale of the property.

These interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the nine month period ended August 31, 2012, cash used in operations was \$3,026,354 and the Company reported an accumulated deficit of \$57,201,586. Furthermore, the Company has no source of generating revenue from operations and with working capital of \$5,547,477 (including, restricted cash) additional financing will be required in the foreseeable future to carry out the Company's business plan. These circumstances cast significant doubt as to the ability of the Company to continue as a going concern.

On August 27, 2012 the Company announced that it had entered into a definitive agreement pursuant to which Western Mining Group Co., Ltd. would acquire all of the outstanding common shares of Inter-Citic by way of a plan of arrangement (the Arrangement) for \$2.05 per share in cash. The Arrangement will be subject to shareholder approval, certain customary conditions including approval of the Ontario Superior Court of Justice, relevant regulatory approvals including regulatory approvals in China and the absence of any material adverse change with respect to the Company. Notwithstanding the successful completion of the Arrangement, the Company's ability to continue as a going concern is dependent upon it securing additional financing. These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

2. Basis of preparation and adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (IFRS), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in its 2012 interim consolidated financial statements (Interim Financial Statements). In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These financial statements have been prepared in accordance with IFRS applicable to the presentation of interim financial statements, including IAS 34 and IFRS 1. The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at December 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended November 30, 2011.

The policies applied in these financial statements are based on IFRS effective for the year ending November 30, 2012 issued and outstanding as of October 10, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending November 30, 2012 could result in restatement of the Interim Financial Statements, including the transition adjustments recognized on the change-over to IFRS.

These financial statements should be read in conjunction with the company's Canadian GAAP annual financial statements for the year ended November 30, 2011.

3. Significant accounting policies

The significant accounting policies used in the preparation of these financial statements are consistent with those disclosed in the interim consolidated financial statements for the period ended February 29, 2012.

INTER-CITIC MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED AUGUST 31, 2012 AND 2011
(Expressed in Canadian dollars)

4. Management estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, 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. The effect of a change in accounting estimate is recognized prospectively in the period of change.

In preparation of these financial statements, the significant judgements made by management are the same as those applied to the interim consolidated financial statements for the period ended February 29, 2012.

5. Transition to IFRS

The effect of the Company's transition to IFRS, described in Note 2, is summarized in this note as follows:

- (i) Transition elections
- (ii) Reconciliation of equity, loss and comprehensive loss as previously reported under Canadian GAAP to IFRS
- (iii) Adjustments to the statement of cash flows

(i) Transition elections

The Company did not apply any transition exceptions or exemptions to full retrospective application of IFRS.

(ii) Reconciliation of equity, loss and comprehensive loss as previously reported under Canadian GAAP to IFRS

Equity	November 30, 2011	August 31, 2011	December 1, 2010
Equity as reported under Canadian GAAP	\$ 75,587,196	\$ 77,204,956	\$ 59,710,129
IFRS adjustments:			
Decrease to Resource properties (a)	11,706,000	10,723,000	9,917,000
Decrease to Deferred tax liability (a)	(11,706,000)	(10,723,000)	(9,917,000)
Equity as reported under IFRS	<u>\$ 75,587,196</u>	<u>\$ 77,204,956</u>	<u>\$ 59,710,129</u>

- (a) Under Canadian GAAP, for certain exploration and development related payments, the Company had recognized a deferred tax liability and a corresponding adjustment to resource properties. Under IFRS, a deferred tax liability is not recognized to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit. As a result, an adjustment is required to eliminate the deferred tax liability and the corresponding amount from the carrying value of resource properties.

Loss and comprehensive loss

The transition to IFRS had no impact on loss and comprehensive loss as previously reported under Canadian GAAP.

(iii) Adjustments to the statement of cash flows

The transition to IFRS had no impact on cash flows generated by the Company as previously reported under Canadian GAAP.

INTER-CITIC MINERALS INC.
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED AUGUST 31, 2012 AND 2011
(Expressed in Canadian dollars)

6. 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. On November 24, 2009, the Chinese party to the agreement was changed to the No. 5 Geology and Mineral Exploration Institute (No. 5 Institute), a company that shares the same parent company as that of the Qinghai Geological Survey Institute. Under the terms of this agreement, Inter-Citic can earn an 83% interest in the project by contributing 100% of the funds for exploration and development of the project (approximately \$28,975,000 or renminbi 190,000,000 to date), completion of metallurgical and pre-feasibility reports, and making a cash payment of the equivalent of approximately \$1,563,000 (renminbi 10,000,000) on the issuance of all applicable licenses, 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 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 Institute seeks foreign investment.

The Company has incurred exploration and development costs in respect of the Dachang Gold Project as follows:

	Balance as at December 1, 2010	Additions during the year	Balance as at November 30, 2011	Additions during the period	Balance as at August 31, 2012
Acquisition costs:	\$ 282,729	\$ -	\$ 282,729	\$ -	\$ 282,729
Exploration and development costs:					
Drilling	22,516,249	5,612,567	28,128,816	57,741	28,186,557
Consulting	7,053,427	2,573,509	9,626,936	1,252,898	10,879,834
Camp	4,894,552	914,438	5,808,990	367,627	6,176,617
Assays and metallurgy	3,595,555	962,253	4,557,808	187,216	4,745,024
Administrative and other	2,141,678	782,510	2,924,188	440,953	3,365,141
Trenching	2,220,208	398,301	2,618,509	-	2,618,509
Travel and accommodation	1,769,586	364,850	2,134,436	212,913	2,347,349
Geological	1,726,045	20,507	1,746,552	-	1,746,552
Depreciation	1,378,861	251,471	1,630,332	43,944	1,674,276
Stock-based compensation	1,128,750	541,120	1,669,870	-	1,669,870
Mapping	582,420	229,947	812,367	19,150	831,517
Professional fees	466,539	65,899	532,438	26,353	558,791
	49,473,870	12,717,372	62,191,242	2,608,795	64,800,037
	\$ 49,756,599	\$ 12,717,372	\$ 62,473,971	\$ 2,608,795	\$ 65,082,766

During the three month period ended August 31, 2012, there were no exploration and development related costs incurred and payable to the No. 5 Institute (August 31, 2011 - approximately \$825,000). As at August 31, 2012, amounts owing to the No. 5 Institute were approximately \$274,000 (November 30, 2011 - approximately \$5.9 million).

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED AUGUST 31, 2012 AND 2011
(Expressed in Canadian dollars)

7. Related parties

The Company's transactions with related parties include key management personnel, their close family members and enterprises which are controlled by these individuals. Key management include the directors of Inter-Citic Minerals Inc., the Chief Executive Officer and the Chief Financial Officer. Remuneration awarded to key management consisted of the following:

	For the nine months ended August 31, 2012	For the nine months ended August 31, 2011
Salaries and short-term employee benefits	\$ 460,372	\$ 475,713
Consulting arrangements	164,093	141,595
Directors' fees	96,500	11,275
Share-based compensation	-	1,513,920
	<u>\$ 720,965</u>	<u>\$ 2,142,503</u>

Of these amounts \$141,158 was capitalized to resource properties in the nine month period ended August 31, 2012 (August 31, 2011 - \$384,795). Except for share-based payments, compensation to key management is in the normal course of operations and is measured at the amount of consideration established and agreed to by the parties.

8. Commitments

In 2011, the Company entered into various development related contracts that are expected to be completed in 2012. As at August 31, 2012 approximately \$100,000 remains committed in respect of these contracts.

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

2012	\$ 36,878
2013	\$ 103,789
2014	\$ 22,303

9. Segmented information

The Company has one operating segment: the acquisition, exploration and development of mineral resource properties in China.

Information by geographical area

	August 31, 2012	November 30, 2011	December 1, 2010
China			
Restricted cash	\$ 993,606	\$ 7,781,905	\$ 5,828,398
Resource properties	65,082,766	62,473,971	49,756,599
Property, plant and equipment	1,551,324	1,835,685	2,283,530
Non-current assets	<u>\$ 67,627,696</u>	<u>\$ 72,091,561</u>	<u>\$ 57,868,527</u>
Accounts payable and accrued liabilities	<u>\$ 609,686</u>	<u>\$ 6,710,058</u>	<u>\$ 3,516,403</u>
Canada			
Restricted cash	\$ -	\$ -	\$ -
Resource properties	-	-	-
Property, plant and equipment	11,690	12,471	16,555
Non-current assets	<u>\$ 11,690</u>	<u>\$ 12,471</u>	<u>\$ 16,555</u>
Accounts payable and accrued liabilities	<u>\$ 747,956</u>	<u>\$ 1,466,362</u>	<u>\$ 1,327,523</u>