INTERNATIONAL NORTHAIR MINES LTD.

(A Development Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2005

(Unaudited – Prepared by Management)

Reader's Note: These interim consolidated financial statements for the six months ended August 31, 2005 of International Northair Mines Ltd. ("Northair" or the "Company") have been prepared by management and have not been subject to review by the Company's auditor.

International Northair Mines Ltd. Statement 1

(A Development Stage Company)

Interim Consolidated Balance Sheet

Canadian Funds – Unaudited - Prepared by Management

ASSETS		August 31, 2005		February 28, 2005
Current				
Cash and cash equivalents	$	**742,790**	$	989,869
Accounts receivable		**20,091**		20,694
Due from related parties *(Note 7)*		**74,095**		187,020
Prepaid expenses and deposit		**6,778**		14,947
		843,754		1,212,530
Investments - Marketable Securities *(Note 3)*		**216,236**		211,262
Property, Plant and Equipment *(Note 4)*		**98,990**		83,423
Resource Property Costs - *Schedule (Note 5)*		**401,508**		384,483
Reclamation Deposits		**7,000**		7,000
	$	**1,567,488**	$	1,898,698
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**128,735**	$	93,597
Due to related parties *(Note 7)*		**-**		13,658
Current portion of capital lease obligation *(Note 9)*		**8,407**		8,407
		137,142		115,662
Capital Lease Obligation *(Note 9)*		**11,910**		16,814
		149,052		132,476
SHAREHOLDERS' EQUITY				
Share Capital *(Note 6)*		**21,161,001**		21,150,501
Contributed Surplus *(Note 6)*		**447,227**		437,683
Deficit - *Statement 2*		**(20,189,792)**		(19,821,962)
		1,418,436		1,766,222
	$	**1,567,488**	$	1,898,698

Subsequent Events *(Note 12)*

ON BEHALF OF THE BOARD:

"F.G. Hewett", Director

"D.B. McLeod", Director

- See Accompanying Notes to the Interim Consolidated Financial Statements -

International Northair Mines Ltd. Statement 2

(A Development Stage Company)

Interim Consolidated Statement of Loss and Deficit

Canadian Funds – Unaudited - Prepared by Management

	Three months Ended August 31		Six months Ended August 31	
	2005	2004	2005	2004
General and Administrative Expenses				
Salaries and benefits	$ 24,336	$ 51,899	$ 78,719	$ 102,186
Stock-based compensation	-	18,102	9,544	18,102
Office, equipment rental and general	56,455	67,735	116,784	135,326
Shareholder information and investor relations	11,166	25,366	28,080	39,536
Foreign exchange loss (gain)	(1,430)	7,066	(8,477)	7,643
Professional fees	23,675	25,222	33,158	41,382
Regulatory compliance and transfer agent fees	17,136	12,631	27,715	13,861
Administrative recoveries	52,709	(83,311)	(36,992)	(173,075)
Loss before the Undernoted	(184,047)	(124,710)	(248,531)	(184,961)
Write-off of exploration costs on outside properties and properties abandoned	(74,848)	(72,627)	(155,774)	(148,528)
Write-down of investments	-	-	(4,861)	-
Gain on sale of investments	-	-	-	65
Gain from resource property option agreement	-	-	33,558	-
Interest and sundry	1,343	4,771	7,778	15,646
Income (Loss) for the period	(257,552)	(192,566)	(367,830)	(317,778)
Deficit – Beginning of period	(19,932,240)	(18,529,167)	(19,821,962)	(18,403,955)
DEFICIT – End of the period	$ (20,189,792)	$ (18,721,733)	$ (20,189,792)	$ (18,721,733)
EARNINGS (LOSS) PER SHARE - Basic and diluted	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.02)
Weighted Average Number of Shares Outstanding			**13,031,520**	13,001,803

- See Accompanying Notes to the Interim Consolidated Financial Statements -

International Northair Mines Ltd. Statement 3

(A Development Stage Company)

Interim Consolidated Statements of Cash Flows

Canadian Funds – Unaudited - Prepared by Management

	Three Months Ended August 31 2005	Three Months Ended August 31 2004	Six Months Ended August 31 2005	Six Months Ended August 31 2004
CASH RESOURCES PROVIDED BY (USED IN)				
Operating activities				
Net income (loss) for the period	$ (257,552)	$ (192,566)	$ (367,830)	$ (317,778)
Items not affecting cash				
Write-off of exploration costs on outside properties and properties abandoned	74,273	72,627	155,199	148,528
Stock-based compensation	-	18,102	9,544	18,102
Write-down of investments	-	-	4,861	-
Amortization	8,366	4,541	14,691	8,299
Gain from resource property option receipt	-	-	(33,558)	-
Gain on sale of investments	-	-	-	(65)
	(174,913)	(97,296)	(217,093)	(142,914)
Changes in non-cash working capital	91,018	(74,188)	143,177	(160,442)
	(83,895)	(171,484)	(73,916)	(303,356)
Investing activities				
Resource property costs	(80,067)	(177,792)	(161,916)	(625,485)
Proceeds from sale of investments	-	-	-	90
Option payment received	-	-	15,000	-
Acquisition of investments	-	-	(1,585)	-
Acquisition of property, plant and equipment	(23,303)	(5,089)	(30,258)	(9,102)
	(103,370)	(182,881)	(178,759)	(634,497)
Financing activities				
Reduction of obligation under capital lease	(2,102)	-	(4,904)	-
Issuance of share capital	10,500	-	10,500	143,495
	8,398	-	5,596	143,495
Net decrease in cash	(178,867)	(354,365)	(247,079)	(794,358)
Cash position – Beginning	921,657	1,583,579	989,869	2,023,572
Cash position – Ending	$ 742,790	$ 1,229,214	$ 742,790	$ 1,229,214

Schedule of Non-Cash Investing and Financing Transactions				
Stock-based compensation	$ -	$ 18,102	$ 9,544	$ 18,102
Equipment under capital lease	$ 20,317	$ -	$ 20,317	$ -
Option payment received in shares	$ -	$ -	$ (8,250)	$ -

- See Accompanying Notes to the Interim Consolidated Financial Statements -

International Northair Mines Ltd. <u>Schedule</u>

(A Development Stage Company)

Interim Consolidated Schedule of Resource Property Costs

Canadian Funds – Unaudited - Prepared by Management

	Acquisition Costs	Exploration Costs	**As at August 31, 2005**	Year Ended February 28, 2005
Direct - Mineral				
Mexico				
Sierra Rosario				
Labour and supervision	$ -	$ 2,570	**$ 2,570**	$ 6,524
Field work and travel	-	-	**-**	1,471
Taxes	302	-	**302**	683
Recoveries	(9,246)	-	**(9,246)**	-
- Option payments	(23,250)	-	**(23,250)**	(20,000)
	(32,194)	2,570	**(29,624)**	(11,322)
El Tesoro				
Salaries and consulting	-	447	**447**	161,830
Field work	-	480	**480**	139,862
Assays	-	-	**-**	87,375
Road building	-	-	**-**	40,779
Camp and general	-	-	**-**	35,078
Travel	-	-	**-**	21,705
Taxes	1,908	-	**1,908**	7,309
Option payments	-	-	**-**	1,296
Permits and licenses	-	-	**-**	245
	1,908	927	**2,835**	495,479
Las Moras				
Option payment	-	-	**-**	7,827
Claimstaking	-	-	**-**	5,667
Salaries and consulting	-	6,118	**6,118**	5,065
Taxes	723	-	**723**	1,386
Field work and general	-	1,896	**1,896**	901
Travel	-	1,519	**1,519**	-
Assays	-	-	**-**	424
	723	9,533	**10,256**	21,270
La Joya				
Claimstaking	-	-	**-**	4,464
Salaries and consulting	-	-	**-**	2,553
Assaying, camp and general	-	-	**-**	959
	-	-	**-**	7,976
Balance Carry Forward	$ (29,563)	$ 13,030	**$ (16,533)**	$ 513,403

- See Accompanying Notes to the Interim Consolidated Financial Statements -

International Northair Mines Ltd. <u>Schedule</u>

(A Development Stage Company)

Consolidated Schedule of Resource Property Costs

Canadian Funds – Unaudited - Prepared by Management

	Acquisition Costs	Exploration Costs	**As at August 31, 2005**	Year Ended February 28, 2005
Balance Carried Forward	$ (29,563)	$ 13,030	**$ (16,533)**	$ 513,403
Direct - Mineral				
General exploration				
Salaries and consulting	-	96,102	**96,102**	173,076
Field work and travel	-	45,676	**45,676**	101,409
Assaying, camp and general	-	13,996	**13,996**	46,515
Claimstaking	-	-	**-**	5,110
	-	155,774	**155,774**	326,110
Net Costs for the Period	(29,563)	168,804	**139,241**	839,513
Balance - Beginning of period	23,426	361,057	**384,483**	743,353
Gain from resource property option	18,744	14,814	**33,558**	-
Write-off of exploration costs on outside properties and properties abandoned *(Note 5)*	-	(155,774)	**(155,774)**	(177,896)
Balance – End of Period	$ 12,607	$ 388,901	**$ 401,508**	$ 384,483

- See Accompanying Notes to the Interim Consolidated Financial Statements -

1. Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements of the Company as at February 28, 2005.

2. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and short term deposits, accounts receivable, amounts due from related parties, investments, reclamation deposits, accounts payable and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

3. Investments - Marketable Securities

Details are as follows:

		August 31, 2005 Net Book Value		August 31, 2005 Market Value		February 28, 2005 Net Book Value
Tenajon Resources Corp. * – 1,043,734 (1,043,734) shares	**$**	**52,982**	$	370,526	$	52,982
Troon Ventures Ltd. * – 402,719 (402,719) shares		**78,254**		116,789		78,254
NDT Ventures Ltd. * – 252,600 (237,600) shares		**22,734**		30,312		23,760
Samba Gold Inc. (formerly Kaieteur Resources Ltd.) – 10,000 (10,000) shares		**1,600**		1,900		1,600
Spartan Resources Inc. – 75,000 (Nil) shares		**6,000**		13,500		-
Stornoway Diamond Corporation * – 180,000 (180,000) shares		**54,666**		210,600		54,666
	$	**216,236**	$	743,627	$	211,262

Investments are recorded at the lower of cost or market and represent less than a 10% interest in the respective companies.

* Have certain directors and officers in common with the Company.

4. Property, Plant and Equipment

Details are as follows:

		Cost		Accumulated Amortization		**August 31, 2005 Net Book Value**		February 28, 2005 Net Book Value
Office furniture and equipment	$	136,510	$	60,219	**$**	**76,291**	$	58,202
Equipment under capital lease		25,221		2,522		**22,699**		25,221
	$	161,731	$	62,741	**$**	**98,990**	$	83,423

5. Resource Property Costs

a) Details are as follows:

	Acquisition	Exploration	**August 31, 2005**	February 28, 2005
Mexico Properties				
- Sierra Rosario	$ 303	$ -	**$ 303**	$ (3,632)
- El Tesoro	14,928	332,521	**347,449**	344,615
- Las Moras	25,408	20,372	**45,780**	35,524
- La Joya	4,464	3,512	**7,976**	7,976
	$ 45,103	$ 356,405	**$ 401,508**	$ 384,483

The current period write-off of exploration costs on outside properties and properties abandoned consisted of:

Mexico - General exploration and property examinations	$ 155,774

b) **Sierra Rosario, Mexico**

The Company acquired, by staking, a concession in the state of Sinaloa Mexico, known as Sierra Rosario ("Rosario"). By letter of intent dated March 11, 2004, the Company granted Sparton Resources Inc. ("Sparton") the option to acquire a 51% interest in the property by completing the following:

	Cash	Shares	Exploration Expenditures	
Upon signing the agreement (received)	$ 20,000	-	$ -	
On or before March 11, 2005 (received)	15,000	75,000	-	
On or before August 31, 2005 (completed)	-	-	150,000	*
On or before March 11, 2006	20,000	100,000	150,000	
On or before March 11, 2007	25,000	100,000	200,000	
On or before March 11, 2008	50,000	-	300,000	
	$ 130,000	275,000	$ 800,000	

* $50,000 of the $150,000 is a firm commitment.

By letter agreement dated March 8, 2005, the Company and Sparton agreed to extend the deadline to meet the first year of expenditures from March 11, 2005 to August 31, 2005.

5. Resource Property Costs - *Continued*

c) El Tesoro, Mexico

The Company acquired a large property position located in the State of Durango, Mexico, consisting of four concessions by staking and an additional four concessions by option agreements.

In March 2005, the Company terminated the option agreements relating to the Guadalupe, Dos Hermanos, Santo Niño and La Esperanza mineral concessions. In anticipation of this decision, the Company wrote-off related exploration and acquisition costs of $874,512 during the year ended February 28, 2005.

The Company continues to maintain its interest in four mineral concessions known as La Lajita, Tesoro 1, Tesoro 2 and Tesoro 3, that were acquired by staking. These mineral concessions are located in Pueblo Nuevo Municipality, State of Durango, Mexico.

d) Las Moras, Mexico

By letter of intent dated October 16, 2003, the Company has an option to earn a 100% interest in certain mineral concessions known as Las Moras located in the State of Durango, Mexico. The Company must make payments of US$86,000 (US$9,000 paid) in stages over four years. The Company also staked concessions covering grounds adjacent to the privately held concession.

e) La Joya, Mexico

During the year ended February 28, 2005, the Company acquired, by staking, a concession in the state of Durango, Mexico, known as the La Joya Project.

6. Share Capital

a) Details are as follows:

	Shares		Amount
Authorized:			
Unlimited common shares without par value			
Issued and outstanding:			
Balance – February 29, 2005	13,027,172	$	21,150,501
Exercise of options	50,000		10,500
Balance – August 31, 2005	13,077,172	$	21,161,001

b) Stock Options

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant up to a total of 1,705,992 options to directors, officers, employees or consultants. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the TSX Venture Exchange on the last trading day preceding the grant date. Options vest on the grant date.

6. Share Capital - *Continued*

b) Stock Options - *Continued*

A summary of the Company's outstanding options is as follows:

Opening balance, February 28, 2005	1,200,000
Granted	50,000
Exercised	(50,000)
Ending balance, August 31, 2005	1,200,000

As at August 31, 2005, the Company had the following incentive stock options outstanding:

Number	Exercise Price	Expiry
75,000	$0.15	October 17, 2006
325,000	$0.25	July 17, 2007
5,000	$0.40	June 5, 2008
660,000	$0.69	October 21, 2008
20,000	$1.20	January 8, 2009
65,000	$0.40	June 17, 2009
50,000	$0.35	March 15, 2010
1,200,000		

During the period ended August 31, 2005, the Company granted options to purchase up to 50,000 shares of the Company's stock to an employee at an exercise price of $0.35. A fair value of the options of $9,544 *(Note 6d)* has been recorded in the Company accounts.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	60.1%
Risk free interest rate	3.81%
Expected life of options	5 years

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the company's stock options.

c) Warrants

As at August 31, 2005, the Company has 1,493,931 (February 28, 2005 – 1,493,931) warrants outstanding as follows:

Number	Price per share	Expiry date
1,493,931*	$0.80	September 30, 2005 (subsequently expired)

* Represents the number of common shares to be acquired upon exercise.

d) Contributed Surplus

Balance – February 28, 2005	$	437,683
Fair value of stock-based compensation *(Note 6b)*		9,544
Balance – August 31, 2005	$	447,227

7. Related Party Transactions

Except as disclosed elsewhere in the financial statements, related party transactions are as follows:

a) Administrative recoveries of $36,992 (August 31, 2004 - $173,075) are primarily recovered from various companies with certain directors in common.

b) Total salaries of $135,000 (August 31, 2004 - $129,000) were paid to two directors of the Company. The Company recovered $97,920 (August 31, 2004 - $76,327) based on time spent for these two directors, from companies with certain directors in common.

c) The amounts due from (to) related parties are for expense reimbursements and are receivable from (payable to) various companies with directors in common. The amounts are non-interest bearing and are receivable (payable) within the following year, and therefore, have been classified as current.

d) Troon Ventures Ltd., Tenajon Resources Ltd., Stornoway Diamond Corp. (formerly Northern Empire Minerals Ltd.), Sherwood Mining Corporation and NDT Ventures Ltd. have certain directors and officers in common with the Company.

e) During the period, directors and officers acquired 50,000 (2005 – 30,000) shares of the Company for proceeds to the Company of $10,500 (2005 – $18,500).

8. Segmented Information

The Company's business consists of mineral exploration and development. Details on geographic segments are as follows:

	Canada		Mexico		Total	
	2005	2004	**2005**	2004	**2005**	2004
Income (loss) for the period	**$ (383,383)**	$ (170,955)	**$ 15,553**	$ (146,823)	**$ (367,830)**	$ (317,778)
Identifiable assets	**$ 1,148,691**	$ 1,766,465	**$ 418,797**	$ 1,220,310	**$ 1,567,488**	$ 2,986,775
Administrative expenses	**$ 287,267**	$ 356,052	**$ (1,744)**	$ 1,984	**$ 285,523**	$ 358,036

9. Lease Obligations

a) The Company has a lease agreement for its office space. The minimum annual commitments for rental expenses are as follows:

2007	$	115,752
2008	$	115,752
2009	$	135,031
2010	$	135,031

The Company has a sub-lease agreement with Strongbow Exploration Inc., a company with a certain officer in common. The Company may recover approximately two-thirds of the annual rent commitment.

9. Lease Obligations - *Continued*

b) The Company has an asset classified as a capital lease and the applicable cost is included in property, plant and equipment *(Note 4)*. Future minimum lease payments with remaining terms in excess of one year are as follows:

2006	$	3,503
2007		8,407
2008		8,407
Total minimum lease payments		20,317
Less: Current portion		(8,407)
Long-term portion	$	11,910

10. Income Taxes

The Company has incurred certain resource related expenditures of approximately $5,521,000 which may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

The Company has allowable capital losses for tax purposes of approximately $978,000 which may be carried forward indefinitely. These losses may be used to reduce taxable capital gains in future years.

The Company has allowable non-capital losses for tax purposes of approximately $247,000 as follows:

2011	$	34,000
2015	$	213,000
	$	247,000

The potential future tax benefits of these resource related expenditures and income tax losses have not been recognized in the accounts of the Company.

11. Comparative Figures

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

12. Subsequent Events

a) In September 2005, the Company's wholly-owned subsidiary, Grupo Northair de Mexico, S.A. de C.V. ("Grupo Northair") entered into a Letter of Intent with Compania Minera San Valentin, S.A. de C.V. ("San Valentin") whereby San Valentin may lease Grupo Northair's El Tesoro concessions for up to 15 years by paying Grupo Northair US$2,000 per month to explore and mine the G Zone and an additional US$3,000 per month for the rights to the rest of the concessions. San Valentin has the option to purchase the G Zone for US$200,000 and the remainder of the concessions for a further US$300,000. Should San Valentin exercise the purchase option, Grupo Northair will retain a 49% back-in right for the G Zone. The agreement is subject to board and regulatory approvals.

b) In September 2005, the Company granted 120,000 stock options to employees and directors. The stock options are exercisable at a price of $0.23 per share until September 14, 2010.