INTERNATIONAL NORTHAIR MINES LTD.

(A Development Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 May 2007

(Unaudited – Prepared by Management)

Canadian Funds

<u>Reader's Note:</u>

These interim consolidated financial statements for the three months ended 31 May 2007 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.
(A Development Stage Company)

Interim Consolidated Balance Sheet

Canadian Funds– Prepared by Management

ASSETS		**As at 31 May 2007** *(Unaudited)*		As at 28 February 2007
Current				
Cash and cash equivalents	**$**	**1,361,543**	$	780,469
Short-term deposits *(Note 5)*		**78,184**		673,167
Receivables		**41,852**		42,632
Due from related parties *(Note 14)*		**116,391**		95,992
Short-term investments *(Note 6)*		**883,570**		216,997
Prepaid expenses		**27,900**		880
		2,509,440		1,810,137
Property, plant and equipment *(Note 7)*		**75,066**		78,668
Resource property costs – *Schedule (Note 8)*		**599,364**		519,338
	$	**3,183,870**	$	2,408,143

LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**167,717**	$	125,119
Capital lease obligation *(Note 9)*		**6,532**		8,813
		174,249		133,932

SHAREHOLDERS' EQUITY				
Share capital *(Note 10)*		**22,435,677**		22,435,777
Warrants *(Note 11)*		**266,943**		266,943
Contributed surplus *(Note 12)*		**533,761**		530,280
Accumulated other comprehensive income *(Note 13)*		**657,098**		-
Deficit		**(20,883,858)**		(20,958,789)
		3,009,621		2,274,211
	$	**3,183,870**	$	2,408,143

Commitments *(Note 17)*

ON BEHALF OF THE BOARD:

"F. G. Hewett", Director

"D. Bruce McLeod", Director

- See Accompanying Notes -

International Northair Mines Ltd.
(A Development Stage Company)

Interim Consolidated Statement of Income (Loss) and Deficit

Canadian Funds – Unaudited – Prepared by Management

		Three months ended 31 May 2007		Three months ended 31 May 2006
General and Administrative Expenses				
Office, equipment rental and general	**$**	**53,308**	$	44,652
Shareholder information and investor relations		**18,865**		13,216
Professional fees		**18,534**		9,534
Regulatory compliance and transfer agent fees		**1,826**		2,617
Stock-based compensation		**3,481**		4,384
Amortization		**5,297**		7,536
Administrative recoveries *(Note 14)*		**(41,526)**		(41,846)
Loss Before the Under-noted		**(59,785)**		(40,093)
Write-off of exploration costs		**(84,585)**		(69,758)
Gain on sale of short-term investments		**141,840**		412
Gain (loss) on foreign exchange		**10,365**		(2,324)
Gain from property option agreement		**50,776**		42,134
Interest and sundry		**16,320**		3,504
Income (loss) for the Period		**74,931**		(66,125)
Deficit - Beginning of period		**(20,958,789)**		(20,417,438)
Deficit - End of Period	**$**	**(20,883,858)**	$	(20,483,563)
Income (Loss) per Share - Basic and Diluted	**$**	0.00	$	(0.01)
Weighted Average Number of Shares Outstanding		**19,690,272**		13,087,498

International Northair Mines Ltd.
(A Development Stage Company)

Consolidated Interim Statement of Comprehensive Income (Loss)

(Canadian Funds - Unaudited – Prepared by Management)

		Three months ended 31 May 2007		Three months ended 31 May2006
Net income (loss) for the period	**$**	**74,931**	$	(66,125)
Other comprehensive income				
Unrealized gains on available-for-sale investments, net of taxes		**269,692**		-
Comprehensive income (loss)	**$**	**344,623**	$	(66,125)

International Northair Mines Ltd.
(A Development Stage Company)

Interim Consolidated Statement of Cash Flows

Canadian Funds – Unaudited – Prepared by Management

Cash Resources Provided By (Used In)		**Three months ended 31 May 2007**		Three months ended 31 May 2006
Operating Activities				
Income (loss) for the period	**$**	**74,931**	$	(66,125)
Items not affecting cash:				
Gain on sale of short-term investments		**(141,840)**		(412)
Gain from property option agreement		**(50,776)**		(42,134)
Stock-based compensation		**3,481**		4,384
Amortization		**5,297**		7,536
Write-off of exploration costs		**84,585**		69,758
		(24,322)		(26,993)
Changes in non-cash working capital *(Note 15)*		**572,101**		(153,503)
		547,779		(180,496)
Investing Activities				
Acquisition of short-term investments		**-**		(6,460)
Proceeds from sale of short-term investments		**158,865**		6,872
Acquisition of property, plant and equipment		**(1,695)**		(1,926)
Option payment received		**-**		20,000
Resource property costs		**(121,494)**		(112,352)
		35,676		(93,866)
Financing Activities				
Capital lease payments		**(2,281)**		-
Share issue costs		**(100)**		-
Issuance of share capital		**-**		8,050
		(2,381)		8,050
Net Increase (Decrease) in Cash		**581,074**		(266,312)
Cash position – beginning of period		**780,469**		682,407
Cash - End of Period	**$**	**1,361,543**	$	416,095

Schedule of Non-Cash Investing and Financing Transactions				
Shares received pursuant to a property option agreement	**$**	**(26,500)**	$	(26,000)
Resource property costs included in accounts payable	**$**	**18,841**	$	9,156

- See Accompanying Notes –

International Northair Mines Ltd. Schedule

(A Development Stage Company)

Interim Consolidated Schedule of Resource Property Costs

Canadian Funds – Unaudited – Prepared by Management

	Acquisition Costs	Exploration Costs	**Total as at 31 May 2007**
Mexico			
El Reventon			
Opening balance – 28 February 2007	$ 31,384	$ 128,745	**$ 160,129**
Camp and general	-	16,619	**16,619**
Field work and travel	-	32,047	**32,047**
Salaries and consulting	-	25,581	**25,581**
Claim staking and acquisition	4,861	-	**4,861**
Ending balance – El Reventon	36,245	202,992	**239,237**
El Tesoro			
Opening balance – 28 February 2007	10,637	310,638	**321,275**
Concession lease payments received	-	(886)	**(886)**
Salaries and consulting	-	-	**-**
Taxes	-	-	**-**
Ending balance – El Tesoro	10,637	309,752	**320,389**
La India			
Opening balance – 28 February 2007	4,851	33,083	**37,934**
Field work and travel	-	379	**379**
Salaries and consulting	-	960	**960**
Taxes and option payments	465	-	**465**
Ending balance – La India	5,316	34,422	**39,738**
Sierra Rosario			
Opening balance – 28 February 2007	-	-	**-**
Field work and travel	-	724	**724**
Recoveries - Option payments (cash)	-	(25,000)	**(25,000)**
Recoveries - Option payments (shares)	-	(26,500)	**(26,500)**
Gain – property option agreement	-	50,776	**50,776**
Ending balance – Sierra Rosario	-	-	**-**
General exploration			
Opening balance – 28 February 2007	-	-	**-**
Assaying, camp and general	-	4,188	**4,188**
Field work and travel	-	19,407	**19,407**
Salaries and consulting	-	60,990	**60,990**
Write-offs	-	(84,585)	**(84,585)**
Ending balance – General Exploration	-	-	**-**
Balance – Resource Property Costs – 31 May 2007	$ 52,198	$ 547,166	**$ 599,364**

- See Accompanying Notes -

1. Nature of Operations

The Company is a development stage company which is engaged principally in the acquisition, exploration and development of mineral properties and in providing administration services to other companies.

2. Basis of Consolidation and Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly owned Mexican subsidiary, Grupo Northair de Mexico, S.A. de C.V. Inter-company balances have been eliminated upon consolidation. These interim financial statements 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 28 February 2007.

3. Change in Accounting Policies

Effective March 1, 2007, the Company prospectively adopted the Canadian Institute of Chartered Accountants (“CICA”) recommendations pertaining to financial instruments (Section 3855), which establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. These recommendations require that fair value be used to measure financial assets that are held for trading or available for sale, financial liabilities that are held for trading and all derivative financial instruments. Other financial assets, such as loans and receivables and investments that are held to maturity and other financial liabilities are measured at their carrying value. The main impact on the Company’s financial statements was the recognition of the fair value of the short term investments which had been carried at the lower of cost or market.

Effective March 1, 2007, the Company prospectively adopted the CICA recommendations pertaining to hedges (Section 3855), which establish standards for the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. The purpose of hedge accounting is to ensure that gains, losses, revenues and expenses from effective hedging relationships are recorded in earnings in the same period. This change in accounting policy had no effect on the consolidated financial statements for the three months ended March 31, 2007 as the Company.

Effective March 1, 2007, the Company prospectively adopted the CICA recommendations regarding the reporting and disclosure of comprehensive income (Section 1530). Comprehensive income consists of changes in the equity of the Company from sources other than the Corporation’s share owners, and includes earnings of the Company, the foreign currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses on changes in fair values of available for sale assets and effective cash flow hedging instruments. Other comprehensive income comprises revenues, expenses and gains and losses that are recognized in comprehensive income but are excluded from earnings for the period. Comprehensive income is required to be disclosed in a separate statement in the consolidated financial statements.

Effective March 1, 2007, the Company prospectively adopted the CICA recommendations regarding the presentation of equity and changes in equity. These recommendations require separate presentation of the components of equity, including retained earnings, accumulated other comprehensive income, contributed surplus, share capital and reserves, and the changes therein.

4. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, short-term deposits, accounts receivable, amounts due from related parties, accounts payable and amounts due to related parties approximates their fair value due to their short-term maturity or capacity of prompt liquidation. 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.

5. Short-term Deposits

Included in short-term deposits of $78,184 (28 February 2007 - $673,167) is $7,000 held for reclamation costs (28 February 2007 - $5,000) and $71,184 (28 February 2007 - $65,893) held as collateral for the corporate credit cards.

6. Short-term Investments

		May 31, 2007	February 28, 2007
Marketable Securities:			
Holdings in companies related by virtue of common directors/officers *Available-for-sale (quoted market value: March 1, 2007 - $562,490)*	$	**772,328**	209,397
Holdings in unrelated companies *Available- for- sale (quoted market value: March 1, 2007 - $41,914)*		**111,242**	7,600
	$	**883,570**	216,997

The Company prospectively adopted the CICA recommendations pertaining to financial instruments, which establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. These recommendations require that fair value be used to measure financial assets that are held for trading or available for sale. In accordance with the new standards, as of March 1, 2007 the Company has classified its investments as available for sale. Accordingly, investments with a book value of $216,997 were measured as of March 1, 2007 at a fair value of $604,404 which resulted in a revaluation gain of $387,406, net of tax. As of May 31, 2007, the investments were measured at a fair value of $883,570 and resulted in a revaluation gain of $269,692, net of tax. The revaluation gains have been recognized in Accumulated Other Comprehensive Income.

7. Property, Plant and Equipment

Details are as follows:

	As at 31 May 2007						As at 28 February 2007					
		Cost		**Accumulated Amortization**		**Net Book Value**		Cost		Accumulated Amortization		Net Book Value
Office furniture and equipment	**$**	**161,449**	**$**	**101,717**	**$**	**59,732**	$	159,754	$	97,227	$	62,527
Equipment under capital lease		**25,221**		**9,887**		**15,334**		25,221		9,080		16,141
	$	**186,670**	**$**	**111,604**	**$**	**75,066**	$	184,975	$	106,307	$	78,668

8. Resource Property Costs

The write-off of exploration costs consisted of:

	For the Three Months Ending 31 May	
	2007	2006
Mexico – General exploration and property examinations	**$ 84,585**	$ 69,758

Sierra Rosario, Mexico

The Company acquired, by staking, a concession in the state of Sinaloa Mexico, known as Sierra Rosario ("Rosario"). The Company has 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 11 March 2005 (received)	15,000	75,000	-
On or before 31 August 2005 (completed)	-	-	150,000
On or before 11 March 2006 (received/completed)	20,000	100,000	150,000
On or before 11 March 2007 (received/completed)	25,000	100,000	200,000
On or before 11 March 2008	50,000	-	300,000
	$ 130,000	275,000	$ 800,000

El Tesoro, Mexico

The Company has a large property position located in Pueblo Nuevo Municipality, State of Durango, Mexico, consisting of four mineral concessions known as La Lajita, Tesoro 1, Tesoro 2 and Tesoro 3, all of which were acquired by staking.

In 2005 the Company's wholly-owned subsidiary, Grupo Northair de Mexico, S.A. de C.V. ("Grupo Northair") entered into an agreement with Compania Minera San Valentin, S.A. de C.V. ("San Valentin") whereby, for up to 15 years, San Valentin may purchase the G Zone for US$200,000 and the remainder of the concessions for a further US$300,000. During the option period San Valentin must pay to Grupo Northair US$3,000 per month. Should San Valentin exercise the purchase option, Grupo Northair will retain a 49% back-in right for the G Zone. San Valentin has encountered mining dilution and ground control problems in their underground excavation on the Company's and adjacent claims. In view of the circumstances, the scheduled dates and amounts of the monthly payments have been modified. As of June 21, the Company has received a total of US$25,350. San Valentin has maintained the current modified payment schedule but it is not clear if they will be able to do so in the future.

8. Resource Property Costs - *Continued*

El Reventon, Mexico

In April 2006 the Company acquired the El Reventon project in Durango, Mexico by staking a 100% interest in certain claims and by concluding in July 2006 an option agreement for an additional concession. Under the terms of the option agreement, the Company may earn a 100% interest in the optioned concession by making payments totalling US$151,000.

La India, Mexico

In August and September 2006 the Company acquired the La India project in Durango, Mexico by staking a 100% interest in certain claims and by concluding in February 2007 an option agreement for an additional concession. Under the terms of the option agreement, the Company may earn a 100% interest in the optioned concession by making payments totalling US$171,000 over a four year period.

9. Capital Lease Obligation

The Company has equipment classified as a capital lease and the applicable cost is included in property, plant and equipment. The lease term expires in November 2007; leaving no future minimum lease payments in excess of one fiscal year.

2008	6,532
Total minimum lease payments	6,532
Less: Current portion	(6,532)
Long-term portion	$ -

10. Share Capital

Details are as follows:

	Shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
Balance - 28 February 2007	19,690,272	$ 22,435,777
Exercise of options	-	-
Fair value of stock options exercised	-	-
Share issue costs	-	(100)
Balance – 31 May 2007	19,690,272	$ 22,435,677

10. Share Capital - *Continued*

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.

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

	Options Outstanding		Weighted Average Exercise Price
Balance – 28 February 2007	1,385,000	$	0.43
Granted	170,000		0.30
Exercised	-		-
Cancelled	-		-
Balance – 31 May 2007	1,555,000	$	0.42

As at 31 May 2007, the stock options are outstanding:

Number	Price per Share	Expiry Date
310,000	$0.25	July 17, 2007
5,000	$0.40	June 5, 2008
500,000	$0.69	October 21, 2008
65,000	$0..40	June 17, 2009
50,000	$0..23	September 14, 2010
20,000	$0.40	April 21, 2011
385,000	$0.30	September 26, 2011
50,000	$0.32	January 24, 2012
170,000	$0.30	April 16, 2012
1,555,000	$0.42	

Stock-based Compensation

During the period ended 31 May 2007, the Company granted options to purchase up to 170,000 shares of the Company's stock to employees and non-employees of the Company at an exercise price of $0.30. A fair value of the options of $3,481 has been recorded in the Company's 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:

	Three Months ended 31 May 2007
Expected dividend yield	Nil
Expected stock price volatility	64.9%
Risk free interest rate	4.12%
Expected life of options	5 years

10. Share Capital - *Continued*

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.

11. Warrants

As at 31 May 2007, there were 3,642,150 warrants outstanding and exercisable at $0.40 per common share until November 24, 2007 and then at $0.50 per common share until November 24, 2008. The warrants had a Black-Scholes fair value of $266,943.

12. Contributed Surplus

Balance – 28 February 2007	$	530,280
Fair value of stock-based compensation		3,481
Fair value of stock options exercised		-
Balance - 31 May 2007	$	533,761

13. Accumulated Other Comprehensive Income

Opening balances on adoption of new accounting standards on March 1, 2007		
Unrealized gains on available for sale investments, net of taxes	$	387,406
Opening balance on adoption of new accounting standards		387,406
Other comprehensive income for the period		269,692
Accumulated other comprehensive income at May 31, 2007	$	657,098

14. Related Party Transactions

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

As at May 31, 2007, $116,391 (28 February 2007 - $95,992) due from related parties was unsecured, non-interest bearing and has no specific repayment terms.

Administrative recoveries of $41,526 (31 May 2006 - $41,846) are primarily recovered from various companies with certain directors in common.

Total salaries of $69,000 (31 May 2006 - $67,500) were paid to two directors of the Company. The Company recovered $77,490 (31 May 2006 - $73,932) based on time spent, from companies with certain directors in common.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by all the related parties.

15. Changes in Non-cash Working Capital

The change in non-cash working capital is comprised of:

	31 May 2007	31 May 2006
(Increase) decrease in:		
Short-term deposits	**$ 594,983**	$ -
Receivable	**780**	(2,739)
Due from related parities	**(20,399)**	(38,616)
Prepaid expenses	**(27,020)**	(15,656)
(Decrease) increase in:		
Accounts payable and accrued liabilities	**23,757**	(8,992)
Due from related parities	**-**	(87,500)
	$ 572,101	$ (153,503)

16. Segmented Information

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

	Canada		Mexico		Total	
	31 May 2007	31 May 2006	**31 May 2007**	31 May 2006	**31 May 2007**	31 May 2006
Income (loss) for the period	**$ 80,514**	$ (45,851)	**$ (5,583)**	$ (20,274)	**$ 74,931**	$ (66,125)
Identifiable assets	**$ 2,575,060**	$ 895,910	**$ 608,810**	$ 380,255	**$ 3,183,870**	$ 1,276,165
Administrative expenses	**$ 35,565**	$ 36,521	**$ 24,220**	$ 3,572	**$ 59,785**	$ 40,093

17. Commitments

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

2008	100,131
2009	142,851
2010	135,044
2011	123,790
Total	501,816

In addition to the basic monthly rent, the Company must also pay a proportionate share of the building's operating costs and property taxes. The Company has a sub-lease agreement with Strongbow Exploration Inc. The Company may recover approximately two-thirds of the minimum annual rent commitment pursuant to this sub-lease agreement.