INTERNATIONAL NORTHAIR MINES LTD.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

MAY 31, 2009 and 2008

Canadian Funds

Reader's Note:

These unaudited interim consolidated financial statements for the three months ended May 31, 2009 of International Northair Mines Ltd. ("INM" or "the Company") have been prepared by management and have not been reviewed by the Company's auditors.

International Northair Mines Ltd. <u>*Statement 1*</u>

(An Exploration Stage Company)

Interim Consolidated Balance Sheets

Unaudited – Prepared by Management

Canadian Funds

ASSETS		As at May 31, 2009		As at February 28, 2009 *(Audited)*
Current				
Cash and cash equivalents	$	**619,882**	$	408,880
Short-term deposits *(Note 7)*		**467,750**		67,750
Receivables		**51,046**		60,105
Due from related parties		**106,933**		91,734
Short-term investments *(Note 8)*		**13,271**		17,266
Prepaid expenses		**12,997**		16,207
		1,271,879		661,942
Property, plant and equipment *(Note 9)*		**61,456**		66,631
Resource property costs *– Schedule 1 (Note 10)*		**1,160,284**		1,147,303
	$	**2,493,619**	$	1,875,876

LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**96,468**	$	87,690
Future income tax liability		**195,409**		179,372
		291,877		267,062
SHAREHOLDERS' EQUITY				
Share capital *(Note 11) – Statement 5*		**22,913,497**		22,448,486
Warrants *(Note 11) – Statement 5*		**479,295**		266,943
Contributed surplus *(Note 11) - Statement 5*		**634,711**		628,967
Accumulated other comprehensive income - *Statement 5*		**4,638**		8,633
Deficit - *Statement 5*		**(21,830,399)**		(21,744,215)
		2,201,742		1,608,814
	$	**2,493,619**	$	1,875,876

Nature of operations and going concern *(Note 1)*
Commitments *(Note 14)*

ON BEHALF OF THE BOARD:

"F. G. Hewett", Director

"D. Bruce McLeod", Director

International Northair Mines Ltd. *Statement 2*

(An Exploration Stage Company)

Interim Consolidated Statements of Loss

Unaudited – Prepared by Management

Canadian Funds

		For the three months ended May 31, 2009		For the three months ended May 31, 2008
General and administrative expenses				
Administrative recoveries *(Note 12)*	**$**	**(28,660)**	$	(47,450)
Amortization		**5,175**		4,832
Office, salaries and general		**71,797**		103,307
Professional fees		**13,100**		37,482
Regulatory compliance and transfer agent fees		**5,697**		1,539
Shareholder information and investor relations		**16,288**		24,300
Stock-based compensation *(Note 11)*		**5,744**		5,589
Loss before the undernoted		**89,141**		129,599
Gain from property option agreement		**-**		(451)
Loss on disposal of equipment		**-**		12,913
Gain on sale of short-term investments *(Note 8)*		**-**		(189,985)
Loss on foreign exchange		**15,778**		1,513
Option payments received in excess of exploration costs incurred		**(37,171)**		-
Interest income and other		**(493)**		(4,131)
Write-off of exploration costs *(Note 10)*		**22,412**		56,546
Loss before income taxes		**89,667**		6,004
Future income tax recovery		**(3,483)**		-
Net loss for the period	**$**	**86,184**	$	6,004
Loss per share – basic and diluted	**$**	**0.00**	$	0.00
Weighted average number of shares outstanding – basic and diluted		**21,754,143**		19,690,272

International Northair Mines Ltd. *Statement 3*

(An Exploration Stage Company)

Interim Consolidated Statements of Comprehensive Loss

Unaudited – Prepared by Management

Canadian Funds

		For the three months ended May 31, 2009		For the three months ended May 31, 2008
Net loss for the period	**$**	**86,184**	$	6,004
Other comprehensive loss for the period:				
Unrealized loss on available-for-sale investments *(Note 8)*		**3,995**		9,381
Amounts reclassified upon realization *(Note 8)*		**-**		170,076
		3,995		179,457
Comprehensive loss for the period	**$**	**90,179**	$	185,461

International Northair Mines Ltd. *Statement 4*

(An Exploration Stage Company)

Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management

Canadian Funds

Cash provided by (used in):		**For the three months ended May 31, 2009**		For the three months ended May 31, 2008
Operating activities				
Net loss for the period	**$**	**(86,184)**	$	(6,004)
Items not affecting cash:				
Amortization		**5,175**		4,832
Future income tax recovery		**(3,483)**		
Gain from property option agreement		**-**		(451)
Loss on disposal of equipment		**-**		12,913
Gain on sale of short term investments		**-**		(189,985)
Stock-based compensation		**5,744**		5,589
Write-off of exploration costs		**22,412**		56,546
		(56,336)		(116,560)
Changes in non-cash working capital *(Note 15)*		**5,848**		(12,321)
		(50,488)		(128,881)
Investing activities				
Mineral property acquisition costs		**(3,759)**		(10,083)
Mineral property exploration costs		**(109,429)**		(119,130)
Mineral property recoveries		**97,315**		-
Proceeds from sale of short-term investments		**-**		267,223
Property, plant and equipment additions		**-**		(130,081)
		(15,873)		7,929
Financing activities				
Purchase of short-term deposits		**(400,000)**		-
Shares issued for private placement		**653,500**		-
Shares issued pursuant to mineral property agreement *(Note 10)*		**23,863**		-
		277,363		-
Change in cash		**211,002**		(120,952)
Cash – beginning of period		**408,880**		726,651
Cash – end of period	**$**	**619,882**	$	605,699

Supplemental cash flow information *(Note 15)*

International Northair Mines Ltd. <u>*Statement 5*</u>

(An Exploration Stage Company)

Interim Consolidated Statements of Shareholders' Equity

Unaudited – Prepared by Management

Canadian Funds

	Share Capital (Number of Shares)	Share Capital (Amount)	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
February 28, 2007	19,690,272	$ 22,435,777	$ 266,943	$ 530,280	$ -	$ (20,958,789)	$ 2,274,211
Change in accounting policy, net of future income taxes	-	-	-	-	387,406	-	387,406
Stock based compensation	-	-	-	73,371	-	-	73,371
Other comprehensive loss	-	-	-	-	(217,104)	-	(217,104)
Net income for the year	-	-	-	-	-	20,650	20,650
February 29, 2008	19,690,272	22,435,777	266,943	603,651	170,302	(20,938,139)	2,538,534
Shares issued pursuant to property agreement	84,498	12,709	-	-	-	-	12,709
Stock based compensation	-	-	-	25,316	-	-	25,316
Other comprehensive loss	-	-	-	-	(161,669)	-	(161,669)
Net loss for the year	-	-	-	-	-	(806,076)	(806,076)
February 28, 2009	19,774,770	22,448,486	266,943	628,967	8,633	(21,744,215)	1,608,814
Private placement:							
- Units issued for cash	13,070,000	468,747	184,753	-	-	-	653,500
- Fair value of broker units	815,500	29,247	11,528	-	-	-	40,775
Share issuance costs:							
- Broker units	-	(29,247)	(11,528)	-	-	-	(40,775)
- Broker warrants	-	(27,599)	27,599	-	-	-	-
Shares issued pursuant to property agreement	397,714	23,863	-	-	-	-	23,863
Stock-based compensation	-	-	-	5,744	-	-	5,744
Other comprehensive income	-	-	-	-	(3,995)	-	(3,995)
Loss for the period	-	-	-	-	-	(86,184)	(86,184)
May 31, 2009	**34,057,984**	**$ 22,913,497**	**$ 479,295**	**$ 634,711**	**$ 4,638**	$ (21,830,399)	$ 2,201,742

International Northair Mines Ltd. *Schedule 1*

(An Exploration Stage Company)

Interim Consolidated Schedule of Resource Property Costs

Unaudited – Prepared by Management

Canadian Funds

	Acquisition Costs	Exploration Costs	**Total May 31, 2009**
Mexico			
El Reventon			
Balance – beginning of period	$ 173,899	$ 857,180	**$ 1,031,079**
Acquisition and tenure	411	-	**411**
Future income tax	-	121	**121**
Salaries and consulting	-	310	**310**
Ending balance – El Reventon	174,310	857,611	**1,031,921**
La Cigarra			
Balance – beginning of period	-	-	**-**
Acquisition and tenure	2,588	-	**2,588**
Camp and general	-	9,817	**9,817**
Field work and travel	-	7,931	**7,931**
Future income tax	-	19,399	**19,399**
Salaries and consulting	-	30,243	**30,243**
Ending balance – La Cigarra	2,588	67,390	**69,978**
La India			
Balance – beginning of period	76,098	26,696	**102,794**
Acquisition and tenure	259	-	**259**
Salaries and consulting	-	620	**620**
Recovery of exploration costs	-	(17,478)	**(17,478)**
Option payments received	(27,810)	-	**(27,810)**
Ending balance – La India	48,547	9,838	**58,385**
Sierra Rosario			
Balance – beginning of period	2,599	10,831	**13,430**
Acquisition and tenure	501		**501**
Salaries and consulting	-	925	**925**
Joint venture recovery of exploration costs	-	(52,027)	**(52,027)**
Options payments received in excess of exploration costs incurred	(3,100)	40,271	**37,171**
Ending balance – Sierra Rosario	-	-	**-**
General exploration			
Balance – beginning of period	-	-	**-**
Field work and travel	-	6,360	**6,360**
Write-offs	-	(6,360)	**(6,360)**
Ending balance – general exploration	-	-	**-**
Canada			
General exploration			
Balance – beginning of period	-	-	**-**
Field work and travel	-	1,541	1,541
Salaries and consulting	-	14,511	14,511
Write-offs	-	(16,052)	(16,052)
Ending balance – general exploration	-	-	**-**
Balance – May 31, 2009	**$ 253,255**	**$ 907,029**	**$ 1,160,284**

1. Nature of operations and going concern

International Northair Mines Ltd. ("the Company") is an exploration stage company which is engaged principally in the acquisition, exploration and development of mineral properties and in providing administration services to other companies. The recovery of the Company's investment in resource properties and attainment of profitable operations is principally dependent upon financing being arranged by the Company to continue operations, explore and develop the resource properties and the discovery, development and sale of ore reserves. The outcome of these matters cannot presently be determined because they are contingent on future events.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Several adverse conditions cast doubt on the validity of this assumption. The Company has incurred operating losses over the past several fiscal years, has no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its mineral property projects.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete the exploration and development of its mineral projects by issuance of share capital or through joint ventures, and to realize future profitable production or proceeds from the disposition of its mineral interests. During the period ended May 31, 2009, the Company closed a $653,500 non-brokered private placement financing consisting of 13,070,000 units priced at $0.05 per unit *(Note 11)*. However, there can be no assurance that management's future financing actions will be successful.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income and expenses and the balance sheet classifications used, such adjustments could be material.

2. Basis of presentation and consolidation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information using the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended February 28, 2009, except as described in Note 3 below. These unaudited interim consolidated financial statements do not include all the information and note disclosures required by generally accepted accounting principles for annual financial statements of the Company and should be read in conjunction with the audited consolidated financial statements of the Company as at February 28, 2009.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year.

These unaudited interim consolidated financial statements include the accounts of the Company and its wholly owned Mexican subsidiary, Grupo Northair de Mexico, S.A. de C.V. ("Grupo Northair"). Inter-company balances are eliminated upon consolidation.

3. Change in accounting policies

a) Credit Risk and Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC-173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.” This guidance clarified that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company’s consolidated financial statements.

b) Goodwill and Intangible Assets

Effective March 1, 2009, the Company adopted CICA HB Section 3064, Goodwill and Intangible Assets (“Section 3064”), which replaces HB Section 3062, Goodwill and Other Intangible Assets (“Section 3062”) and HB Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. HB Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous HB Section 3062. The Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company’s consolidated financial statements.

c) Mining exploration costs

On March 27, 2009, the CICA approved EIC-174 “Mining Exploration Costs.” This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company’s consolidated financial statements.

4. Recent accounting pronouncements not yet adopted

a) International financial reporting standards

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. In July 2008, the AcSB announced that early adoption will be allowed in 2009 subject to seeking and obtaining exemptive relief. The Company is currently assessing the financial reporting impact of the transition to IFRS and the changeover date.

4. Recent accounting pronouncements not yet adopted - *continued*

b) Business combinations

In October 2008, the CICA issued Handbook Section 1582, Business Combinations, which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company is considering early adoption to coincide with the adoption of International Financial Reporting Standards. This adoption is not expected to have an impact on the Company's financial position, earnings or cash flows.

c) Non-controlling interest

In October 2008, the CICA issued Handbook Section 1602, Non-controlling Interests, to provide guidance on accounting for non-controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after January 2011. This adoption is not expected to have an impact on the Company's financial position, earnings or cash flows.

5. Management of financial risk

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Sensitivity analysis

The Company's financial instruments consist of cash and cash equivalents, short term deposits, receivables, due from related parties, short-term investments, accounts payable and accrued liabilities.

The Company has classified its cash and cash equivalents as held-for-trading, and are measured at fair value. Receivables and due from related parties are designated as "loans and receivables" and are measured at amortized cost. Short term investments are designated as available for sale and are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

As at May 31, 2009, the carrying amount of accounts receivable and payable equals fair market value. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- Cash and cash equivalents include deposits which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by $6,254
- Price risk is remote since the Company is currently not a producing entity.

Foreign currency risk

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures that are denominated in US dollars and Mexican pesos. Also, the Company is exposed to the impact of currency fluctuations on its monetary assets and liabilities.

5. Management of financial risk - *continued*

The operating results and the financial position of the Company are reported in Canadian dollars. Fluctuations in the US/Canadian dollar exchange rate will, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

The Company currently does not enter into financial instruments to manage foreign exchange risk.

Interest rate and credit risk

The Company has significant cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

The Company is exposed to credit risk in the amount of its receivables and amounts due from related parties. Receivables are primarily amounts due from government agencies and are unsecured and non-interest bearing. Amounts due from related parties are recoveries for administrative services provided to companies with certain officers and directors in common, such amounts are based on time spent, unsecured, non-interest bearing and due on demand. Management believes that the credit risk concentration with respect to receivables is remote.

The Company is exposed to foreign currency risk through the following financial assets and liabilities denominated in currencies other than Canadian dollars:

May 31, 2009	Cash and cash equivalents	Receivables	Accounts payable and accrued liabilities
US dollar	$ 193,006	$ 10,968	$ 7,025
Mexican peso	43,685	34,303	2,331
	$ 236,691	$ 45,271	$ 9,356

February 28, 2009	Cash and cash equivalents	Receivables	Accounts payable and accrued liabilities
US dollar	$ 29,475	$ -	$ 13,356
Mexican peso	6,143	38,232	99
	$ 35,618	$ 38,232	$ 13,455

At May 31, 2009 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by +/- $29,132

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at May 31, 2009, the Company had cash and short term deposits balances of $1,087,632 (February 28, 2009 - $476,630) to settle current liabilities of $96,468 (February 28, 2009 - $87,690).

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5. Management of financial risk - *continued*

Commodity Price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of gold and silver. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Equity market risk

The Company is exposed to equity price risk arising from marketable securities. Marketable securities are classified as available for sale. The Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. At May 31, 2009 with other variables unchanged, a +/- 10% change in equity prices would increase/decrease pre-tax earnings by +/- $1,327.

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6. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents, receivables, short term investments and investment tax credit receivable balances.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period.

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7. Short-term deposits

Included in short-term deposits of $467,750 (February 28, 2009 - $67,750) is $55,750 (February 28, 2009 - $55,750) held as collateral for corporate credit cards, $5,000 (February 28, 2009 - $5,000) held as other collateral, and $407,000 (February 28, 2009 - $7,000) held as other investments.

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8. Short-term investments

		May 31, 2009		February 28, 2009
Marketable securities:				
Holdings in companies related by virtue of common directors/officers	$	**2,021**	$	1,516
Holdings in unrelated companies		**11,250**		15,750
	$	**13,271**	$	17,266

The Company classifies its short-term investments as available for sale, with revaluation gains and losses recognized in accumulated other comprehensive income. As of May 31, 2009, investments were measured at a fair value of $13,271, after an unrealized loss of $3,995. During the year ended February 28, 2009, short-term investments were sold for a realized gain of $189,985 and accordingly $170,076 was reclassified from other comprehensive income.

9. Property, plant and equipment

	May 31, 2009			February 28, 2009		
	Cost	**Accumulated Amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Office furniture and equipment	**$ 131,851**	**$ 83,944**	**$ 47,907**	$ 131,851	$ 80,424	$ 51,427
Leasehold improvements	**10,512**	**2,425**	**8,087**	10,512	1,212	9,300
Vehicle	**36,760**	**31,298**	**5,462**	36,760	30,856	5,904
	$ 179,123	**$ 117,667**	**$ 61,456**	$ 179,123	$ 112,492	$ 66,631

10. Resource property costs

El Reventon, Mexico

The El Reventon project in Durango, Mexico was acquired by staking a 100% interest in certain claims and by entering into, on 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 Cigarra, Mexico

During the period ended May 31, 2009, the Company entered into an option agreement, through its wholly owned subsidiary Grupo Northair to acquire a 100% interest in the La Cigarra Project located in the State of Chihuahua, Mexico.

Grupo Northair can acquire a 100% ownership in the concessions by making payments over a 5 year period totaling US$445,000.

La India, Mexico

The Company acquired the La India project in Durango, Mexico by staking a 100% interest in certain claims and by entering into, 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.

In June 2008 the Company finalized an agreement with Fresnillo PLC ("Fresnillo"), a subsidiary of Industrias Penoles, SA de CV, ("Penoles") to form a joint venture on the Company's La India project. Fresnillo can earn a 60% interest in the project by completing exploration expenditures on the La India project of US$1,750,000, paying the Company US$210,000 and purchasing shares of the Company from treasury valued at US$210,000 (a 20% premium to market at the time of the purchase) over a four year period. Fresnillo can increase its interest in the project to 80% by preparing a scoping study on any resource found. If the Company elects not to participate in additional funding of the project, it will retain a 1% NSR interest.

During the period ended May 31, 2009, Fresnillo purchased 397,714 shares of the Company for cash proceeds of $23,863 and received $27,810 (US$25,000) in option payments in conjunction with the terms of the joint venture agreement. The Company also received $17,478 in cash recoveries from exploration expenditures.

Sierra Rosario, Mexico

The Company acquired, by staking, two concessions in the state of Sinaloa Mexico, known as Sierra Rosario ("Rosario"). On March 11, 2004 the Company signed a joint venture agreement with Sparton Resources Inc. ("Sparton") where Sparton can earn a 51% interest in the property by making cash payments totalling $130,000 (paid), issuing 275,000 shares (issued), and incurring exploration expenditures totalling $800,000 (incurred).

During the period ended May 31, 2009, the Company received $52,027 in joint venture cash recoveries for exploration expenditures and recognized $37,171 (net) as income from option payments received in excess of exploration costs incurred.

10. Resource property costs - *continued*

Brandywine, Canada

The Company maintains the Brandywine claim near Whistler, B.C. The nine unit claim is in good standing until August 3, 2010.

Exploration costs written-off

		May 31, 2009		May 31, 2008
Canada – general exploration	**$**	**16,052**	$	-
Mexico –general exploration and property examinations		**6,360**		56,546
	$	**22,412**	$	56,546

11. Shareholders' equity

Authorized share capital

Unlimited number of common shares without par value

During the year ended February 28, 2009, the Company issued 84,499 shares to Fresnillo for total cash proceeds of $12,709 in conjunction with the terms of the La India joint venture agreement. *(See Note 10)*

During the period ended May 31, 2009, the Company closed a non-brokered private placement with the issuance of 13,070,000 units at a price of $0.05 per unit for gross proceeds of $653,500. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company for 24 months from the closing date at a price of $0.10 for the 12 months immediately following the closing date and $0.20 thereafter. The Company allocated $468,747 to the common shares and $184,753 to the share purchase warrants based upon the relative fair values.

The warrants will be subject to an accelerated exercise provision if the share price of the Company trades at or above $0.35 for 10 or more consecutive trading days. Net proceeds of this private placement will be used to further the Company's exploration projects, fund possible new acquisitions and for general working capital.

The Company issued 815,500 brokers units and 815,500 broker warrants, with similar terms as the private placement, as finder's fees. The Company allocated $29,247 to the common shares and $11,528 to the share purchase warrants based upon the warrants relative fair values. The broker's warrants had a fair value of $16,071.

The common shares issued and the common shares underlying the warrants are subject to a four month hold period that expires on September 20, 2009

11. Shareholders' equity - *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 3,938,054 options to directors, officers, employees or consultants. The vesting period of options outstanding range from the grant date to one year and expire 5 years from the grant date.

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

	Options outstanding	Weighted Average exercise price
Balance – February 28, 2007	1,385,000	$0.43
Granted	530,000	$0.24
Cancelled	(425,000)	$0.29
Balance – February 29, 2008	1,490,000	$0.41
Granted	640,000	$0.15
Cancelled	(785,000)	$0.53
Balance – February 28, 2009 and May 31, 2009	1,345,000	$0.21

As at May 31, 2009, the following stock options are outstanding:

Number	Price per share	Expiry date	Options exercisable	
50,000	$0.23	September 14, 2010	50,000	$0.23
270,000	$0.30	September 26, 2011	270,000	$0.30
50,000	$0.32	January 24, 2012	50,000	$0.32
35,000	$0.30	April 16, 2012	35,000	$0.30
10,000	$0.28	June 6, 2012	10,000	$0.28
305,000	$0.21	January 4, 2013	305,000	$0.21
10,000	$0.22	February 28, 2013	10,000	$0.22
110,000	$0.15	June 13, 2013	110,000	$0.15
20,000	$0.12	July 31, 2013	13,333	$0.12
485,000	$0.15	February 9, 2014	315,000	$0.15
1,345,000	$0.21		1,168,333	$0.22

Stock-based compensation

During the period ended May 31, 2009 a total value of $5,744 (May 31, 2008 - $5,589) has been recorded to contributed surplus and to stock-based compensation expense. The portion of stock-based compensation recorded is based on the vesting schedule of the options.

11. Shareholders' equity - *continued*

Warrants

A summary of the Company's share purchase warrants is as follows:

	Warrants outstanding		Weighted average exercise price
Balance – February 29, 2008	3,642,150	$	0.50
Issued	-	$	-
Expired	(3,642,150)	$	0.50
Balance – February 28, 2009	-	$	-
Issued	14,701,000	$	0.10
Expired	-	$	-
Balance – May 31, 2009	14,701,000	$	0.10

As at May 31, 2009, the following warrants were outstanding:

Number	Exercise price	Expiry Date
14,701,000	$0.10	May 19, 2011

The warrants issued during the period ended May 31, 2009, have been allocated a total fair value of $216,895 with a weighted-average grant-date fair value of $0.01. The allocation of fair value was estimated on the issue date using the Black-Scholes option pricing model, with the following weighted average assumptions:

Risk-free interest rate	1.04%
Expected dividend yield	NIL
Expected stock price volatility	101%
Expected life in years	2 years

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

12. Related party transactions

The Company paid or accrued $4,500 (May 31, 2008 - $Nil) in accounting fees to a firm in which an officer of the Company is a partner.

Administrative recoveries during the period ended May 31, 2009 of $28,660 (May 31, 2008 - $47,450) are primarily recovered from various companies with certain officers and directors in common.

Based on time spent, the Company recovered salaries during the period ended May 31, 2009 of $169,664 (May 31, 2008 - $242,736) from companies with certain officers and directors in common. These amounts have been recorded against office, salaries and general expense.

During the period ended May 31, 2009 salaries of $67,500 (May 31, 2008 - $69,000) were paid to two directors of the Company. Included in accounts payable and accrued liabilities is $Nil (May 31, 2008 - $Nil) due to directors, officers, and companies with directors or officers 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. Amounts due from related parties are unsecured, non-interest bearing and due on demand.

13. Segmented information

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

	Canada		Mexico		Total	
	May 31, 2009	February 28, 2009	**May 31, 2009**	February 28, 2009	**May 31, 2009**	February 2[illegible]
Capital assets	**$ 53,021**	$ 58,196	**$ 1,168,719**	$ 1,155,738	**$ 1,221,740**	$ 1,213,934
Total assets	**$ 1,255,347**	$ 684,209	**$ 1,238,272**	$ 1,191,667	**$ 2,493,619**	$ 1,875,876
Net loss (income)	**$ 185,361**	$ 101,888	**$ (99,177)**	$ 704,188	**$ 86,184**	$ 806,076

14. Commitments

As at May 31, 2009, the twelve month commitments for rental of the Company's office space are as follows:

June 1, 2009 – February 28, 2010	$ 272,555
March 1, 2010 – January 31, 2011	333,124
Total	$ 605,679

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 sub-lease agreements which allow it to recover a portion of the minimum annual rental commitments.

15. Supplemental cash flow information

Changes in non-cash working capital:		**May 31, 2009**		May 31, 2008
(Increase) decrease in:				
Receivables	**$**	**9,059**	$	(35,979)
Due from related parties		**(15,199)**		107,763
Prepaid expenses		**3,210**		3,566
(Decrease) increase in:				
Accounts payable and accrued liabilities		**8,778**		(87,671)
	$	**5,848**	$	(12,321)

Schedule of non-cash investing and financing transactions		**May 31, 2009**		May 31, 20
Fair value of warrants issued	**$**	**196,281**	$	-
Fair value of broker units issued	**$**	**40,775**	$	-
Future income tax capitalized to mineral property costs	**$**	**19,250**	$	57,137
Property and equipment include in accounts payable	**$**	**-**	$	3,968
Resource property costs included in accounts payable	**$**	**-**	$	73,808

Supplementary disclosure of cash flow information:		**May 31, 2009**		May 31, 2008
Cash paid for interest	$	Nil	$	Nil
Cash paid for income taxes	$	Nil	$	Nil

16. Comparative figures

Certain comparative amounts have been reclassified to conform to the current period's presentation.