INTERNATIONAL NORTHAIR MINES LTD.

(A Development Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008

(Unaudited – Prepared by management)

Canadian Funds

Reader's Note:

These interim consolidated financial statements for the three and six months ended August 31, 2008 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 Sheets

Canadian Funds – Unaudited – Prepared by management

ASSETS	August 31, 2008	February 29, 2008
Current		
Cash and cash equivalents	$ **467,301**	$ 726,651
Short-term deposits *(Note 5)*	**67,750**	67,750
Receivables	**109,449**	89,477
Due from related parties *(Note11)*	**179,903**	489,532
Short-term investments *(Note 6)*	**25,417**	301,350
Prepaid expenses	**17,740**	6,798
	867,560	1,681,558
Property, plant and equipment *(Note 7)*	**232,524**	111,589
Resource property costs – *Schedule (Note 8)*	**1,412,002**	1,095,127
	$ **2,512,086**	$ 2,888,274

LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ **120,536**	$ 225,746
Future income tax liability	**183,780**	123,994
	304,316	349,740
SHAREHOLDERS' EQUITY		
Share capital *(Note 9)*	**22,450,987**	22,435,777
Warrants *(Note 9)*	**266,943**	266,943
Contributed surplus	**612,282**	603,651
Accumulated other comprehensive income (loss)	**(28,393)**	170,302
Deficit	**(21,094,049)**	(20,938,139)
	2,207,770	2,538,534
	$ **2,512,086**	$ 2,888,274

Commitments *(Note 13)*

ON BEHALF OF THE BOARD:

"F. G. Hewett", Director

"D. Bruce McLeod", Director

International Northair Mines Ltd.
(A Development Stage Company)

Interim Consolidated Statements of Loss

Canadian Funds – Unaudited – Prepared by management

		Three months ended August 31, 2008		Three months ended August 31, 2007		Six months ended August 31, 2008		Six months ended August, 2007
General and administrative expenses								
Office, salaries and general *(Note 11)*	**$**	**97,963**	$	110,858	**$**	**206,102**	$	169,462
Shareholder information and investor relations		**18,548**		18,257		**42,848**		37,122
Professional fees		**16,481**		41,329		**53,964**		59,864
Regulatory compliance and transfer agent fees		**15,459**		18,336		**16,997**		20,162
Stock-based compensation *(Note 9)*		**3,041**		7,825		**8,631**		11,305
Administrative recoveries *(Note 11)*		**(48,062)**		(40,306)		**(95,512)**		(81,832)
Loss before the under-noted		**(103,430)**		(156,299)		**(233,030)**		(216,083)
Write-off of exploration costs		**(63,449)**		(42,537)		**(119,995)**		(127,122)
Gain on sale of short-term investments *(Note 6)*		**-**		12,822		**189,985**		154,662
Gain (loss) on foreign exchange		**14,926**		(8,789)		**13,413**		1,575
Loss on disposal of equipment		**-**		-		**(12,913)**		-
Gain from property option agreement		**-**		-		**451**		50,776
Interest income and other		**2,047**		10,999		**6,179**		27,319
Net loss	**$**	**(149,906)**	$	(183,804)	**$**	**(155,910)**	$	(108,873)
Loss per share – basic and diluted	**$**	**(0.01)**	$	(0.01)	**$**	**(0.01)**	$	(0.01)
Weighted average number of shares outstanding – basic and diluted		**19,739,869**		19,690,272		**19,715,071**		19,690,272

Interim Consolidated Statements of Comprehensive Income (Loss)

Canadian Funds – Unaudited – Prepared by management

		Three months ended August 31, 2008		Three months ended August 31, 2007		Six months ended August 31, 2008		Six months ended August, 2007
Net loss	$	**(149,906)**	$	(183,804)	**$**	**(155,910)**	$	(108,873)
Other comprehensive items								
Unrealized gains (loss) on investments *(Note 6)*		**(19,238)**		(232,294)		**(28,619)**		592,288
Reclassified upon realization		**-**		(12,822)		**(170,076)**		(154,662)
		(19,238)		(219,472)		**(198,695)**		437,626
Comprehensive income (loss)	$	**(169,144)**	$	(403,276)	**$**	**(354,605)**	$	328,753

- See Accompanying Notes -

International Northair Mines Ltd.
(A Development Stage Company)

Interim Consolidated Statements of Cash Flows

Canadian Funds – Unaudited – Prepared by management

	Three months ended August 31, 2008	Three months ended August 31, 2007	Six months ended August 31, 2008	Six months ended August 31, 2007
Operating activities				
Net loss	$ (149,906)	$ (183,804)	$ (155,910)	$ (108,873)
Items not affecting cash:				
Gain on sale of short term investments	-	(12,822)	(189,985)	(154,662)
Gain from property option agreement	-	-	(451)	(50,776)
Loss on disposal of equipment	-	-	12,913	-
Stock-based compensation	3,042	7,825	8,631	11,305
Amortization	4,188	5,297	9,020	10,594
Write-off of exploration costs	63,449	42,537	119,995	127,122
	(79,227)	(140,967)	(195,787)	(165,290)
Changes in non-cash working capital *(Note 14)*	105,181	(146,118)	170,636	444,824
	25,954	(287,085)	(25,151)	279,534
Investing activities				
Proceeds from sale of short-term investments	-	22,516	267,223	181,379
Property, plant and equipment additions	(6,191)	-	(140,240)	(1,692)
Resource property costs additions	(173,371)	(164,463)	(376,392)	(304,798)
	(179,562)	(141,947)	(249,409)	(125,111)
Financing activities				
Capital lease obligation repayments	-	(2,421)	-	(4,702)
Share issue costs	-	-	-	(100)
Issuance of share capital	15,210	-	15,210	-
	15,210	(2,421)	15,210	(4,802)
Net increase (decrease) in cash and cash equivalents	(138,398)	(431,453)	(259,350)	149,621
Cash and cash equivalents, beginning of period	605,699	1,361,543	726,651	780,469
Cash and cash equivalents, end of period	$ 467,301	$ 930,090	$ 467,301	$ 930,090

Supplemental cash flow information *(Note 14)*

International Northair Mines Ltd.
(A Development Stage Company)

Interim Consolidated Statements of Shareholders' Equity

Canadian Funds – Unaudited – Prepared by management

	Share Capital (Number of Shares)	Share Capital (Amount)	Warrants	Contributed Surplus	Accumulated Other Compre-hensive Income	Deficit	**Total**
February 28, 2007	19,690,272	$22,435,777	$ 266,94	$ 530,280	$ 387,406	$ (20,958,789)	**$ 2,661,617**
Stock based compensation	-	-	-	73,371	-	-	**73,371**
Other comprehensive loss	-	-	-	-	(217,104)	-	**(217,104)**
Net income	-	-	-	-	-	20,650	**20,650**
February 29, 2008	19,690,272	22,435,777	266,94	603,651	170,302	(20,938,139)	**2,538,534**
Shares issued pursuant to property agreement	84,498	15,210	-	-	-	-	**15,210**
Stock based compensation	-	-	-	8,631	-	-	**8,631**
Other comprehensive loss	-	-	-	-	(198,695)	-	**(198,695)**
Net loss	-	-	-	-	-	(155,910)	**(155,910)**
August 31, 2008	**19,774,770**	**$22,450,987**	**$ 266,94**	**$ 612,282**	**$ (28,393)**	**$ (21,094,049)**	**$ 2,207,770**

International Northair Mines Ltd.
(A Development Stage Company)

Interim Consolidated Schedule of Resource Property Costs

Canadian Funds – Unaudited – Prepared by management

	Acquisition Costs	Exploration Costs	**Total August 31, 2008**
Mexico			
El Reventon			
Opening balance – February 29, 2008	$ 42,624	$ 721,444	**$ 764,068**
Camp and general	-	40,795	**40,795**
Field work and travel	-	50,662	**50,662**
Drilling	-	133,607	**133,607**
Salaries and consulting	-	34,708	**34,708**
Ending balance – El Reventon	42,624	981,216	**1,023,840**
El Tesoro			
Opening balance – February 29, 2008	10,637	229,703	**240,340**
Ending balance – El Tesoro	10,637	229,703	**240,340**
La India			
Opening balance – February 29, 2008	22,764	67,955	**90,719**
Acquisition and tenure	16,988	-	**16,988**
General	-	7,605	**7,605**
Salaries and consulting	-	1,920	**1,920**
Recoveries - option payments (cash)	-	(31,620)	**(31,620)**
Ending balance – La India	39,752	45,860	**85,612**
Sierra Rosario			
Opening balance – February 29, 2008	-	-	**-**
Field work and travel	-	122,469	**122,469**
Salaries and consulting	-	38,067	**38,067**
Recoveries - option payments (cash)	-	(98,777)	**(98,777)**
Gain – property option agreement	-	451	**451**
Ending balance – Sierra Rosario	-	62,210	**62,210**
General exploration			
Opening balance – February 29, 2008	-	-	**-**
Field work and travel	-	56,874	**56,874**
Salaries and consulting	-	61,127	**61,127**
Write-offs	-	(118,001)	**(118,001)**
Ending balance – general exploration	-	-	**-**
Canada			
General exploration			
Opening balance – February 29, 2008	-	-	**-**
Salaries and consulting	-	1,994	**1,994**
Write-offs	-	(1,994)	**(1,994)**
Ending balance – general exploration	-	-	**-**
Balance – resource property costs August 31, 2008	**$ 93,013**	**$ 1,318,987**	**$ 1,412,002**

- See Accompanying Notes -

1. Nature of operations

International Northair Mines Ltd. ("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. ("Grupo Northair"). 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 February 29, 2008.

3. Change in accounting policies

Accounting policies implemented effective March 1, 2008

On March 1, 2008, the Company adopted Section 3862, Financial Instruments – Disclosures ("Section 3862") and Section 3863, Financial Instruments – Presentation ("Section 3863"). Section 3862 requires disclosure of detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These sections have been adopted effective March 1, 2008. See note 4 for additional details.

On March 1, 2008, the Company adopted Section 1535, Capital Disclosures. This section establishes standards for disclosing information about an entity's objectives, policies, and processes for managing capital. This section has been adopted effective March 1, 2008. See note 10 for additional details.

On March 1, 2008, the Company adopted Section 3031, Inventories, which provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new section had no material change to the Company's financial position or results of operation.

3. Changes in accounting polices - *continued*

Accounting policies to be implemented effective March 1, 2009

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets ("Section 3064"), which replaces Section 3062, Goodwill and Other Intangible Assets ("Section 3062") and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. 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 Section 3062. The new section will be applicable to the Company's financial statements for its fiscal year beginning March 1, 2009. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

4. Financial instruments

Financial instruments carrying value and fair value

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

Cash and short-term deposits are designated as "held-for-trading" and are measured at fair value. Receivables and due from related parties are designated as "loans and receivables". Short term investments are designated as "available for sale". Accounts payable and accrued liabilities are designated as "other financial liabilities".

The carrying value of the cash, short term deposits, receivables, and accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity. Short-term investments are recorded at fair value based on quoted market prices at the balance sheet date.

Credit risk

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.

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.

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.

4. Financial instruments - *continued*

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

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

August 31, 2008	Cash and cash equivalents	Receivables	Accounts payable and accrued liabilities
US dollar	$ 38,750	$ 15,980	$ 465
Mexican peso	11,977	50,901	641
	$ 50,727	$ 66,881	$ 1,106

February 29, 2008	Cash and cash equivalents	Receivables	Accounts payable and accrued liabilities
US dollar	$ 33,421	$ 38,631	$ 31,751
Mexican peso	6,889	36,492	430
	$ 40,310	$ 75,123	$ 32,181

At August 31, 2008 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by +/- $11,869.

Interest rate risk

The Company is not exposed to significant interest rate risk.

Liquidity risk

All financial liabilities are current.

The Company has no recent history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, from the exercise of convertible securities and from the sale of investments. There can be no such assurance that it will be able to obtain adequate financing in the future or that the terms of any financing will be favourable. Many factors influence the Company's ability to raise funds, including the state of the resource market and commodities prices, the climate for mineral exploration, the Company's track record and the experience and calibre of its management.

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 August 31, 2008 with other variables unchanged, a +/-10% change in equity prices would increase/decrease pre-tax earnings by +/- $2,542.

5. Short-term deposits

Included in short-term deposits of $67,750 (February 29, 2008 - $67,750) is $55,750 (February 29, 2008 - $55,750) held as collateral for corporate credit cards, $5,000 (February 29, 2008 - $5,000) held as other collateral, and $7,000 (February 29, 2008 - $7,000) held as other investments.

6. Short-term investments

	August 31, 2008	February 29, 2008
Marketable securities:		
Holdings in companies related by virtue of common directors/officers	$ **4,042**	$ 256,350
Holdings in unrelated companies	**21,375**	45,000
	$ **25,417**	$ 301,350

The Company classifies its investments as available for sale, with revaluation gains and losses recognized in accumulated other comprehensive income. As of August 31, 2008, investments were measured at a fair value of $25,417 and resulted in an unrealized loss of $28,619. During the period short term investments were sold for a realized gain of $189,985, accordingly $170,076 has been reclassified from other comprehensive income.

7. Property, plant and equipment

	August 31, 2008			February 29, 2008		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Office furniture and equipment	$ **158,654**	$ **72,580**	$ **86,074**	$ 132,445	$ 77,253	$ 55,192
Leasehold improvements	**139,281**	**-**	**139,281**	70,689	22,727	47,962
Vehicle	**36,760**	**29,591**	**7,169**	36,760	28,325	8,435
	$ **334,695**	$ **102,171**	$ **232,524**	$ 239,894	$ 128,305	$ 111,589

8. Resource property costs

Sierra Rosario, Mexico

The Company acquired, by staking, a concession in the state of Sinaloa Mexico, known as Sierra Rosario ("Rosario"). Sparton Resources Inc. has earned a 51% interest in the property by making/completing cash payments totalling $130,000, issued 275,000 shares, and made exploration expenditures totalling $800,000. Exploration to date indicates the area is prospective for gold and silver.

El Tesoro, Mexico

The Company has a 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. Surface trenching has indicated the area is prospective for gold and silver.

In 2005 the Company's wholly-owned subsidiary, 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 October 2008, the Company has received a total of US$25,350. It is not clear if San Valentin will be able to maintain their lease. During the year ended February 29, 2008 capitalized exploration costs relating to the San Valentin's activities on the El Tesoro property were written off.

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. The property's initial exploration focus has been on the Reventon Breccia which contains silver and base metal mineralization.

8. Resource property costs - *continued*

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. Exploration drilling indicates the area is prospective for gold.

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.

Exploration costs write-off

	Three months ended August 31, 2008	Three months ended August 31, 2007	**Six months ended August 31, 2008**	Six months ended August, 2007
Canada				
General exploration and property examinations	**$ -**	$ 4,480	**$ 1,994**	$ 13,440
Mexico				
General exploration and property examinations	**63,449**	38,057	**118,001**	113,682
	$ 63,449	$ 42,537	**$ 119,995**	$ 127,122

9. Shareholders' equity

Authorized share capital

Unlimited number of common shares without par value

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 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	155,000	$	0.14
Cancelled	(75,000)	$	0.26
Balance – August 31, 2008	1,570,000	$	0.38

As at August 31, 2008, the following stock options are outstanding:

Number	Price per share	Expiry date	Options exercisable	
485,000	$0.69	October 21, 2008	485,000	$0.69
50,000	$0.23	September 14, 2010	50,000	$0.23
345,000	$0.30	September 26, 2011	345,000	$0.30
50,000	$0.32	January 24, 2012	50,000	$0.32
145,000	$0.30	April 16, 2012	145,000	$0.30
10,000	$0.28	June 6, 2012	10,000	$0.28
320,000	$0.21	January 4, 2013	313,333	$0.21
10,000	$0.22	February 28, 2013	3,333	$0.22
110,000	$0.15	June 13, 2013	-	$0.21
45,000	$0.12	July 31, 2013	-	$0.22
1,570,000	$0.38		1,401,666	$0.41

9. Shareholders' equity *- continued*

During the three months ended August 31, 2008, options granted had a total fair value of $11,943 (August 31, 2007 - $1,605) and a weighted average grant-date fair value of $0.08 (August 31, 2007 - $0.16). During the six months ended August 31, 2008, options granted had a total fair value of $11,943 (August 31, 2007 - $31,149) and a weighted average grant-date fair value of $0.08 (August 31, 2007 - $0.17). The fair value of options granted was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions:

Expected dividend yield	Nil
Expected stock price volatility	62.15%
Risk free interest rate	3.17%
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.

Stock-based compensation

For the three months ended August 31, 2008 a total value of $3,041 (August 31, 2007 - $7,825) has been expensed as stock-based compensation. For the six months ended August 31, 2008 a total value of $8,631 (August 31, 2007 - $11,305) has been expensed as stock-based compensation. The portion of stock-based compensation recorded is based on the vesting schedule of the options.

Warrants

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

	Warrants outstanding		Weighted average exercise price
Balance – February 28, 2007	3,642,150	$	0.40
Issued	-	$	-
Exercised/Cancelled	-	$	-
Balance – February 29, 2008	3,642,150	$	0.50*
Issued	-	$	-
Exercised/Cancelled	-	$	-
Balance – August 31, 2008	3,642,150	$	0.50*

*After November 24, 2007 the exercise price increased to $0.50 per share.

As at August 31, 2008, the following share purchase warrants are outstanding:

Number	Price per share	Expiry date
3,642,150	$0.50	November 24, 2008

10. Capital management

The capital of the Company consists of the items included in shareholders' equity. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

The Company's objectives of capital management are intended to safeguard the entity's ability to continue the Company's development and exploration of its mineral properties and support any expansionary plans.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its development and exploration objectives.

11. Related party transactions

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

Administrative recoveries during the three months ended August 31, 2008 of $48,062 (August 31, 2007 - $40,306) and six months ended August 31, 2008 of $95,512 (August 31, 2007 - $81,832), are primarily recovered from various companies with certain officers and directors in common.

Based on time spent, the Company recovered salaries during the three months ended August 31, 2008 of $236,971 (August 31, 2007 - $236,289) and for the six months ended August 31, 2008 $479,707 (August 31, 2007 - $515,762) from companies with certain officers and directors in common. These amounts have been recorded against office, salaries and general expense.

During the three months ended August 31, 2008 salaries of $69,000 (August 31, 2007 - $69,000), were paid to two directors of the Company. During the six months ended August 31, 2008 salaries of $138,000 (August 31, 2007 - $138,000), were paid to two directors of the Company.

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.

12. Segmented Information

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

	Canada		Mexico		Total	
	August 31, 2008	February 29, 2008	August 31, 2008	February 29, 2008	August 31, 2008	February 29, 2008
Capital assets	$ 224,089	$ 103,154	$ 1,420,437	$ 1,103,562	$ 1,644,527	$ 1,206,716
Total assets	$ 1,037,206	$ 1,749,765	$ 1,474,881	$ 1,138,509	$ 2,512,087	$ 2,888,274

	Canada		Mexico		Total	
Three months ended:	August 31, 2008	August 31, 2007	August 31, 2008	August 31, 2007	August 31, 2008	August 31, 2007
Net loss	$ (56,031)	$ (86,612)	$ (93,875)	$ (97,192)	$ (149,906)	$ (183,804)
Six months ended:	August 31, 2008	August 31, 2007	August 31, 2008	August 31, 2007	August 31, 2008	August 31, 2007
Net loss	$ (5,258)	$ (6,098)	$ (150,652)	$ (102,775)	$ (155,910)	$ (108,873)

13. Commitments

As at August 31, 2008, the twelve month commitments for rental of the Company's office space are as follows:

September 1, 2008 – August 31, 2009	$ 172,304
September 1, 2009 – August 31, 2010	172,304
September 1, 2010 – January 31, 2011	71,793
Total	$ 416,401

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 which allows it to recover a portion of the minimum annual rental commitments.

Notes to the Interim Consolidated Financial Statements

Three and six months ended August 31, 2008 and 2007

Canadian Funds – Unaudited – Prepared by management

14. Supplemental cash flow information

Changes in non-cash working capital	**Three months ended August 31, 2008**	Three months ended August 31, 2007	**Six months ended August 31, 2008**	Six months ended August, 2007
(Increase) decrease in:				
Short-term deposits	**$ -**	$ -	**$ -**	$ 594,983
Receivable	**16,007**	(45,321)	**(19,972)**	(44,541)
Due from related parties	**201,866**	(110,629)	**309,629**	(131,028)
Prepaid expenses	**(14,508)**	6,829	**(10,942)**	(20,191)
(Decrease) increase in:				
Accounts payable and accrued liabilities	**(98,184)**	3,003	**(108,079)**	45,601
	$ 105,181	$ (146,118)	**$ 170,636**	$ 444,824

Schedule of non-cash investing and financing transactions	**Three months ended August 31, 2008**	Three months ended August 31, 2007	**Six months ended August 31, 2008**	Six months ended August, 2007
Shares received pursuant to a property option agreement	**$ -**	$ -	**$ -**	$ 26,500
Future income tax capitalized to mineral property costs	**$ 2,649**	$ -	**$ 59,786**	$ -
Property, plant & equipment included in accounts payable	**$ 2,628**	$ -	**$ 2,628**	$ -
Resource property costs included in accounts payable	**$ 241**	$ 20,012	**$ 241**	$ 20,012

Cash and cash equivalents consists of:	**August 31, 2008**	February 29, 2008
Cash deposits	**$ 268,138**	$ 726,651
Short term money market investments	**199,163**	-
Total cash and cash equivalents	**$ 467,301**	$ 726,651