

**INTERNATIONAL NORTHAIR  
MINES LTD.**

**(A Development Stage Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**November 30, 2008**

**(Unaudited – Prepared by management)**

**Canadian Funds**

Reader's Note:

These interim consolidated financial statements for the three and nine months ended November 30, 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	November 30, 2008	February 29, 2008
<b>Current</b>		
Cash and cash equivalents	\$ 400,411	\$ 726,651
Short-term deposits (Note 5)	67,750	67,750
Receivables	78,199	89,477
Due from related parties (Note 11)	248,299	489,532
Short-term investments (Note 6)	8,633	301,350
Prepaid expenses	14,193	6,798
	<u>817,485</u>	1,681,558
<b>Property, plant and equipment</b> (Note 7)	72,345	111,589
<b>Resource property costs</b> – Schedule (Note 8)	1,369,036	1,095,127
	<u>\$ 2,258,866</u>	<u>\$ 2,888,274</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 69,846	\$ 225,746
<b>Future income tax liability</b>	172,032	123,994
	<u>241,878</u>	<u>349,740</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	22,450,987	22,435,777
Warrants (Note 9)	266,943	266,943
Contributed surplus	615,856	603,651
Accumulated other comprehensive income	-	170,302
Deficit	(21,316,798)	(20,938,139)
	<u>2,016,988</u>	<u>2,538,534</u>
	<u>\$ 2,258,866</u>	<u>\$ 2,888,274</u>

Commitments (Note 13)

ON BEHALF OF THE BOARD:

\_\_\_\_\_, Director  
"F. G. Hewett"

\_\_\_\_\_, Director  
"D. Bruce McLeod"

- See Accompanying Notes -

**International Northair Mines Ltd.**  
(A Development Stage Company)

**Interim Consolidated Statements of Income (Loss)**

Canadian Funds – Unaudited – Prepared by management

	Three months ended November 30, 2008	Three months ended November 30, 2007	Nine months ended November 30, 2008	Nine months ended November 30, 2007
<b>General and administrative expenses</b>				
Office, salaries and general (Note 11)	\$ 106,382	\$ 85,395	\$ 312,484	\$ 254,858
Shareholder information and investor relations	13,420	18,468	56,268	55,590
Professional fees	9,249	33,039	63,213	92,903
Regulatory compliance and transfer agent fees	4,926	1,785	21,924	21,947
Stock-based compensation (Note 9)	3,574	7,766	12,205	19,072
Administrative recoveries (Note 11)	(44,118)	(38,217)	(139,630)	(120,049)
<b>Loss before the under-noted</b>	<b>(93,433)</b>	<b>(108,236)</b>	<b>(326,464)</b>	<b>(324,321)</b>
Write-off of exploration costs (Note 8)	(103,898)	(80,521)	(223,892)	(207,642)
Gain on sale of short-term investments (Note 6)	-	569,401	189,985	724,063
Write down of short-term investments (Note 6)	(45,177)	-	(45,177)	-
Gain (loss) on foreign exchange	(1,134)	(2,278)	12,279	(703)
Loss on disposal of equipment	-	-	(12,913)	-
Gain (loss) from property option agreement	-	(18,511)	451	32,265
Interest income and other	20,893	9,928	27,072	37,248
<b>Net income (loss)</b>	<b>\$ (222,749)</b>	<b>\$ 369,783</b>	<b>\$ (378,659)</b>	<b>\$ 260,910</b>
<b>Net income (loss) per share – basic and diluted</b>				
	\$ (0.01)	\$ 0.02	\$ (0.02)	\$ 0.01
<b>Weighted average number of shares outstanding</b>				
– basic and diluted	19,774,770	19,690,272	19,734,826	19,690,272

**Interim Consolidated Statements of Comprehensive Income (Loss)**

Canadian Funds – Unaudited – Prepared by management

	Three months ended November 30, 2008	Three months ended November 30, 2007	Nine months ended November 30, 2008	Nine months ended November 30, 2007
Net income (loss)	\$ (222,749)	\$ 369,783	\$ (378,659)	\$ 260,910
Other comprehensive items				
Unrealized gains (loss) on investments	-	235,831	-	828,119
Reclassified upon realization (Note 6)	28,393	(569,401)	(170,302)	(724,063)
	<b>28,393</b>	<b>(333,570)</b>	<b>(170,302)</b>	<b>104,056</b>
<b>Comprehensive income (loss)</b>	<b>\$ (194,356)</b>	<b>\$ 36,213</b>	<b>\$ (548,961)</b>	<b>\$ 364,966</b>

- 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 November 30, 2008	Three months ended November 30, 2007	Nine months ended November 30, 2008	Nine months ended November 30, 2007
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Net income (loss)	\$ (222,749)	\$ 369,783	\$ (378,659)	\$ 260,910
Items not affecting cash:				
Gain on sale of short term investments	-	(569,401)	(189,985)	(724,063)
(Gain) loss from property option agreement	-	18,511	(451)	(32,265)
Loss on disposal of equipment	-	-	12,913	-
Stock-based compensation	3,574	7,766	12,205	19,072
Amortization	4,607	5,878	13,627	16,471
Write-down of investments	45,177	-	45,177	-
Write-off of exploration costs	103,898	80,521	223,892	207,642
	<b>(65,493)</b>	<b>(86,942)</b>	<b>(261,281)</b>	<b>(252,233)</b>
Changes in non-cash working capital (Note 14)	<b>72,674</b>	<b>(72,311)</b>	<b>137,059</b>	<b>392,525</b>
	<b>7,181</b>	<b>(159,253)</b>	<b>(124,222)</b>	<b>140,292</b>
<b>Investing activities</b>				
Proceeds from sale of short-term investments	-	654,745	267,223	836,124
Property, plant and equipment additions	(1,391)	(7,484)	(35,139)	(9,176)
Resource property costs additions	(72,680)	(220,211)	(449,312)	(545,020)
	<b>(74,071)</b>	<b>427,050</b>	<b>(217,228)</b>	<b>281,928</b>
<b>Financing activities</b>				
Capital lease obligation repayments	-	(2,329)	-	(7,031)
Issuance of share capital	-	-	15,210	-
Share issue costs	-	-	-	(100)
	<b>-</b>	<b>(2,329)</b>	<b>15,210</b>	<b>(7,131)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(66,890)</b>	<b>265,468</b>	<b>(326,240)</b>	<b>415,089</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>467,301</b>	<b>930,090</b>	<b>726,651</b>	<b>780,469</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 400,411</b>	<b>\$ 1,195,558</b>	<b>\$ 400,411</b>	<b>\$ 1,195,558</b>

Supplemental cash flow information (Note 14)

- See Accompanying Notes -

**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	\$ 266,943	\$ 530,280	\$ 387,406	\$ (20,958,789)	\$ <b>2,661,617</b>
Stock based compensation	-	-	-	73,371	-	-	<b>73,371</b>
Other comprehensive loss	-	-	-	-	(217,104)	-	<b>(217,104)</b>
Net income	-	-	-	-	-	20,650	<b>20,650</b>
February 29, 2008	19,690,272	22,435,777	266,943	603,651	170,302	(20,938,139)	<b>2,538,534</b>
Shares issued pursuant to property agreement	84,498	15,210	-	-	-	-	<b>15,210</b>
Stock based compensation	-	-	-	12,205	-	-	<b>12,205</b>
Other comprehensive loss	-	-	-	-	(170,302)	-	<b>(170,302)</b>
Net loss	-	-	-	-	-	(378,659)	<b>(378,659)</b>
<b>November 30, 2008</b>	<b>19,774,770</b>	<b>\$22,450,987</b>	<b>\$ 266,943</b>	<b>\$ 615,856</b>	<b>\$ -</b>	<b>\$ (21,316,798)</b>	<b>\$ 2,016,988</b>

- See Accompanying Notes -

**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 November 30, 2008
<b>Mexico</b>			
El Reventon			
Opening balance – February 29, 2008	\$ 42,624	\$ 721,444	\$ 764,068
Camp and general	-	42,861	42,861
Field work and travel	-	50,794	50,794
Drilling	-	132,295	132,295
Salaries and consulting	-	39,890	39,890
<b>Ending balance – El Reventon</b>	<b>42,624</b>	<b>987,284</b>	<b>1,029,908</b>
El Tesoro			
Opening balance – February 29, 2008	10,637	229,703	240,340
<b>Ending balance – El Tesoro</b>	<b>10,637</b>	<b>229,703</b>	<b>240,340</b>
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)	-	(31,309)	(31,309)
<b>Ending balance – La India</b>	<b>39,752</b>	<b>46,171</b>	<b>85,923</b>
Sierra Rosario			
Opening balance – February 29, 2008	-	-	-
Field work and travel	-	111,518	111,518
Salaries and consulting	-	39,673	39,673
Recoveries - option payments (cash)	-	(138,777)	(138,777)
Gain – property option agreement	-	451	451
<b>Ending balance – Sierra Rosario</b>	<b>-</b>	<b>12,865</b>	<b>12,865</b>
General exploration			
Opening balance – February 29, 2008	-	-	-
Field work and travel	-	95,862	95,862
Salaries and consulting	-	124,111	124,111
Write-offs	-	(219,973)	(219,973)
<b>Ending balance – general exploration</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Canada</b>			
General exploration			
Opening balance – February 29, 2008	-	-	-
Salaries and consulting	-	3,919	3,919
Write-offs	-	(3,919)	(3,919)
<b>Ending balance – general exploration</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance – resource property costs November 30, 2008</b>	<b>\$ 93,013</b>	<b>\$ 1,276,023</b>	<b>\$ 1,369,036</b>

- See Accompanying Notes -

**International Northair Mines Ltd.**

*(A Development Stage Company)*

**Notes to the Interim Consolidated Financial Statements**

**Three and nine months ended November 30, 2008 and 2007**

*Canadian Funds – Unaudited – Prepared by management*

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**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.

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**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.

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**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.

**International Northair Mines Ltd.**

*(A Development Stage Company)*

**Notes to the Interim Consolidated Financial Statements**

**Three and nine months ended November 30, 2008 and 2007**

*Canadian Funds – Unaudited – Prepared by management*

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**3. Changes in accounting policies - *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.

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**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.



**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****Three and nine months ended November 30, 2008 and 2007***Canadian Funds – Unaudited – Prepared by management***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:

November 30, 2008	Cash and cash equivalents	Receivables	Accounts payable and accrued liabilities
US dollar	\$ 16,440	\$ 19,456	\$ 10,330
Mexican peso	5,737	43,421	-
	<u>\$ 22,177</u>	<u>\$ 62,877</u>	<u>\$ 10,330</u>

  

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
	<u>\$ 40,310</u>	<u>\$ 75,123</u>	<u>\$ 32,181</u>

At November 30, 2008 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by +/- \$2,557.

*Interest rate risk*

The Company is not exposed to significant interest rate risk.

*Liquidity risk*

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 November 30, 2008 with other variables unchanged, a +/-10% change in equity prices would increase/decrease pre-tax earnings by +/- \$863.

**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****Three and nine months ended November 30, 2008 and 2007***Canadian Funds – Unaudited – Prepared by management***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**

	<b>November 30, 2008</b>	February 29, 2008
Marketable securities:		
Holdings in companies related by virtue of common directors/officers	\$ 758	\$ 256,350
Holdings in unrelated companies	<b>7,875</b>	45,000
	<b>\$ 8,633</b>	\$ 301,350

The Company classifies its investments as available for sale, with revaluation gains and losses recognized in accumulated other comprehensive income. As of November 30, 2008, investments were measured at a fair value of \$8,633 and a realized loss of \$45,177 was charged against these short term investments to reflect an other than temporary decline in their fair market value. During the nine months ended November 30, 2008 short term investments were sold for a realized gain of \$189,985, accordingly \$170,302 was reclassified from other comprehensive income.

**7. Property, plant and equipment**

	<b>November 30, 2008</b>			February 29, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 131,851	\$ 76,555	\$ 55,296	\$ 132,445	\$ 77,253	\$ 55,192
Leasehold improvements	10,512	-	10,512	70,689	22,727	47,962
Vehicle	36,760	30,223	6,537	36,760	28,325	8,435
	<b>\$ 179,123</b>	<b>\$ 106,778</b>	<b>\$ 72,345</b>	\$ 239,894	\$ 128,305	\$ 111,589

**International Northair Mines Ltd.**

*(A Development Stage Company)*

**Notes to the Interim Consolidated Financial Statements**

**Three and nine months ended November 30, 2008 and 2007**

*Canadian Funds – Unaudited – Prepared by management*

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**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. The joint venture is currently assessing its plans for the project.

*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. The Company has received total payments 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. The Company is currently assessing its plans for the property.

**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****Three and nine months ended November 30, 2008 and 2007***Canadian Funds – Unaudited – Prepared by management***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. Surface exploration 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***

	<b>Three months ended November 30, 2008</b>	Three months ended November 30, 2007	<b>Nine months ended November 30, 2008</b>	Nine months ended November 30, 2007
<i>Canada</i>				
General exploration and property examinations	\$ 1,925	\$ 2,880	\$ 3,919	\$ 16,320
<i>Mexico</i>				
General exploration and property examinations	<b>101,973</b>	77,641	<b>219,973</b>	191,322
	<b>\$ 103,898</b>	\$ 80,521	<b>\$ 223,892</b>	\$ 207,642

**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****Three and nine months ended November 30, 2008 and 2007***Canadian Funds – Unaudited – Prepared by management***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	(635,000)	\$	0.59
Balance – November 30, 2008	1,010,000	\$	0.24

As at November 30, 2008, 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
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	316,667	\$0.21
10,000	\$0.22	February 28, 2013	6,667	\$0.22
110,000	\$0.15	June 13, 2013	36,666	\$0.15
45,000	\$0.12	July 31, 2013	15,000	\$0.12
1,010,000	\$0.24		900,000	\$0.26

**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****Three and nine months ended November 30, 2008 and 2007***Canadian Funds – Unaudited – Prepared by management***9. Shareholders' equity - continued**

During the three months ended November 30, 2008, no options were granted (November 30, 2007 - nil). During the nine months ended November 30, 2008, options granted had a total fair value of \$11,943 (November 30, 2007 - \$31,149) and a weighted average grant-date fair value of \$0.08 (November 30, 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 November 30, 2008 a total value of \$3,574 (November 30, 2007 - \$7,766) has been expensed as stock-based compensation. For the nine months ended November 30, 2008 a total value of \$12,205 (November 30, 2007 - \$19,072) 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	-	\$	-
Expired	(3,642,150)	\$	0.50*
Balance – November 30, 2008	-	\$	-

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

As at November 30, 2008, there are no share purchase warrants outstanding:

**International Northair Mines Ltd.**

*(A Development Stage Company)*

**Notes to the Interim Consolidated Financial Statements**

**Three and nine months ended November 30, 2008 and 2007**

*Canadian Funds – Unaudited – Prepared by management*

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**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.

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**11. Related party transactions**

Administrative recoveries during the three months ended November 30, 2008 of \$44,118 (November 30, 2007 - \$38,217) and nine months ended November 30, 2008 of \$139,630 (November 30, 2007 - \$120,049), 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 November 30, 2008 of \$217,407 (November 30, 2007 - \$223,158) and for the nine months ended November 30, 2008 \$697,114 (November 30, 2007 - \$738,920) 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 November 30, 2008 salaries of \$69,000 (November 30, 2007 - \$69,000), were paid to two directors of the Company. During the nine months ended November 30, 2008 salaries of \$207,000 (November 30, 2007 - \$207,000), 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.

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**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****Three and nine months ended November 30, 2008 and 2007***Canadian Funds – Unaudited – Prepared by management***12. Segmented Information**

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

	Canada		Mexico		Total	
	November 30, 2008	February 29, 2008	November 30, 2008	February 29, 2008	November 30, 2008	February 29, 2008
Capital assets	\$ 63,910	\$ 103,154	\$ 1,377,471	\$ 1,103,562	\$ 1,441,381	\$ 1,206,716
Total assets	\$ 840,673	\$ 1,749,765	\$ 1,418,193	\$ 1,138,509	\$ 2,258,866	\$ 2,888,274

	Canada		Mexico		Total	
	November 30, 2008	November 30, 2007	November 30, 2008	November 30, 2007	November 30, 2008	November 30, 2007
<i>Three months ended:</i>						
Net loss	\$ (3,098)	\$ 480,375	\$ (219,643)	\$ (110,592)	\$ (222,741)	\$ 369,783
<i>Nine months ended:</i>						
Net loss	\$ (8,356)	\$ 474,277	\$ (370,303)	\$ (213,367)	\$ (378,659)	\$ 260,910

**13. Commitments**

As at November 30, 2008, the twelve month commitments for rental of the Company's office space are as follows:

December 1, 2008 – November 30, 2009	\$ 172,304
December 1, 2009 – November 30, 2010	172,304
December 1, 2010 – January 31, 2011	28,717
Total	<u>\$ 373,325</u>

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 with Strongbow Exploration Inc and Capstone Mining Corp which allow it to recover a portion of the minimum annual rental commitments.



## Notes to the Interim Consolidated Financial Statements

Three and nine months ended November 30, 2008 and 2007

Canadian Funds – Unaudited – Prepared by management

### 14. Supplemental cash flow information

<b>Changes in non-cash working capital</b>	<b>Three months ended November 30, 2008</b>	<b>Three months ended November 30, 2007</b>	<b>Nine months ended November 30, 2008</b>	<b>Nine months ended November 30, 2007</b>
(Increase) decrease in:				
Short-term deposits	\$ -	\$ 10,000	\$ -	\$ 604,983
Receivable	31,250	17,546	11,278	(26,995)
Due from related parties	88,567	(74,202)	289,076	(205,230)
Prepaid expenses	3,547	11,425	(7,395)	(8,766)
(Decrease) increase in:				
Accounts payable and accrued liabilities	(50,690)	(37,080)	(155,900)	28,533
	<b>\$ 72,674</b>	<b>\$ (72,311)</b>	<b>\$ 137,059</b>	<b>\$ 392,525</b>

<b>Schedule of non-cash investing and financing transactions</b>	<b>Three months ended November 30, 2008</b>	<b>Three months ended November 30, 2007</b>	<b>Nine months ended November 30, 2008</b>	<b>Nine months ended November 30, 2007</b>
Shares received pursuant to a property option agreement	\$ -	\$ -	\$ -	\$ 26,500
Future income tax capitalized to mineral property costs	11,748	-	48,038	-
Resource property costs included in accounts payable	-	42,885	-	42,885

<b>Cash and cash equivalents consists of:</b>	<b>November 30, 2008</b>	<b>February 29, 2008</b>
Cash deposits	\$ 191,471	\$ 726,651
Short term money market investments	208,940	-
<b>Total cash and cash equivalents</b>	<b>\$ 400,411</b>	<b>\$ 726,651</b>