

**INTERNATIONAL NORTHAIR  
MINES LTD.**

**(A Development Stage Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MAY 31, 2005**

**(Unaudited – Prepared by Management)**

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

**Interim Consolidated Balance Sheet**

Canadian Funds – Unaudited - Prepared by Management

<b>ASSETS</b>	<b>May 31, 2005</b>	<b>February 28, 2005</b>
<b>Current</b>		
Cash and cash equivalents	\$ 921,657	\$ 989,869
Accounts receivable	18,909	20,694
Due from related parties (Note 7)	128,963	187,020
Prepaid expenses and deposit	12,844	14,947
	<u>1,082,373</u>	<u>1,212,530</u>
<b>Investments - Marketable Securities</b> (Note 3)	216,236	211,262
<b>Property, Plant and Equipment</b> (Note 4)	84,053	83,423
<b>Resource Property Costs - Schedule</b> (Note 5)	395,714	384,483
<b>Reclamation Deposits</b>	7,000	7,000
	<u>\$ 1,785,376</u>	<u>\$ 1,898,698</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 97,469	\$ 93,597
Due to related parties (Note 7)	-	13,658
Current portion of capital lease obligation (Note 9)	8,407	8,407
	<u>105,876</u>	<u>115,662</u>
<b>Capital Lease Obligation</b> (Note 9)	14,012	16,814
	<u>119,888</u>	<u>132,476</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 6)	21,150,501	21,150,501
<b>Contributed Surplus</b> (Note 6)	447,227	437,683
<b>Deficit - Statement 2</b>	<u>(19,932,240)</u>	<u>(19,821,962)</u>
	<u>1,665,488</u>	<u>1,766,222</u>
	<u>\$ 1,785,376</u>	<u>\$ 1,898,698</u>

ON BEHALF OF THE BOARD:

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

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

- See Accompanying Notes -

**International Northair Mines Ltd.***(A Development Stage Company)*Statement 2**Interim Consolidated Statement of Loss and Deficit****For the Three Months Ended May 31***Canadian Funds – Unaudited - Prepared by Management*

	2005	2004
<b>General and Administrative Expenses</b>		
Salaries and benefits	\$ 54,383	\$ 50,285
Office, equipment rental and general	47,339	60,799
Shareholder information and investor relations	16,914	17,203
Professional fees	9,483	16,160
Regulatory compliance and transfer agent fees	10,579	1,231
Travel and promotion	6,665	-
(Gain) loss on foreign exchange	(7,047)	577
Stock-based compensation	9,544	-
Amortization	6,325	3,758
Administrative recoveries <i>(Note 7)</i>	(89,701)	(89,763)
	<hr/>	<hr/>
<b>Loss Before the Undernoted</b>	(64,484)	(60,250)
Write-off of exploration costs on outside properties and properties abandoned	(80,926)	(75,901)
Gain on sale of investments	-	65
Write-down of investments	(4,861)	-
Gain from resource property option agreement	33,558	-
Interest and sundry	6,435	10,874
	<hr/>	<hr/>
<b>Loss for the Period</b>	(110,278)	(125,212)
Deficit - Beginning of period	(19,821,962)	(18,403,955)
<b>Deficit - End of Period</b>	\$ (19,932,240)	\$ (18,529,167)
	<hr/>	<hr/>
<b>Earnings (Loss) per Share - Basic and Diluted</b>	\$ (0.01)	\$ (0.01)
	<hr/>	<hr/>
<b>Weighted Average Number of Shares Outstanding</b>	13,027,172	12,976,435
	<hr/>	<hr/>

- See Accompanying Notes -

**Consolidated Statements of Cash Flows**

**For the Three Months Ended May 31**

Canadian Funds – Unaudited - Prepared by Management

<b>Cash Resources Provided By (Used In)</b>	<b>2005</b>	<b>2004</b>
<b>Operating Activities</b>		
Loss for the period	\$ (110,278)	\$ (125,212)
Items not affecting cash:		
Gain on sale of investments	-	(65)
Gain from resource property option receipt	(33,558)	-
Stock-based compensation	9,544	-
Amortization	6,325	3,758
Write-down of investments	4,861	-
Write-off of exploration costs on outside properties and properties abandoned	80,926	75,901
	<u>(42,180)</u>	<u>(45,618)</u>
Changes in current assets and liabilities	52,159	(86,254)
	<u>9,979</u>	<u>(131,872)</u>
<b>Investing Activities</b>		
Acquisition of investments	(1,585)	-
Proceeds from sale of investments	-	90
Acquisition of property, plant and equipment	(6,955)	(4,013)
Option payment received	15,000	-
Resource property costs, <i>net</i>	(81,849)	(447,693)
	<u>(75,389)</u>	<u>(451,616)</u>
<b>Financing Activities</b>		
Reduction of obligation under capital lease	(2,802)	-
Issuance of share capital	-	143,495
	<u>(2,802)</u>	<u>143,495</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(68,212)</b>	<b>(439,993)</b>
Cash Position - Beginning of period	989,869	2,023,572
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 921,657</b>	<b>\$ 1,583,579</b>

**Schedule of Non-Cash Investing and Financing Transactions**

Equipment under capital lease	\$ 22,419	\$ -
Option payment received in shares	\$ (8,250)	\$ -
Stock-based compensation	\$ 9,544	\$ -

**Interim Consolidated Schedule of Resource Property Costs**

Canadian Funds – Unaudited - Prepared by Management

	Acquisition Costs	Exploration Costs	As at May 31, 2005	Year Ended February 28, 2005
<b>Direct - Mineral</b>				
<i>Mexico</i>				
Sierra Rosario				
Labour and supervision	\$ -	\$ 2,570	\$ 2,570	\$ 6,524
Field work and travel	-	-	-	1,471
Taxes	-	-	-	683
Recoveries	(9,246)	-	(9,246)	-
- Option payments	(23,250)	-	(23,250)	(20,000)
	(32,496)	2,570	(29,926)	(11,322)
El Tesoro				
Salaries and consulting	-	122	122	161,830
Field work	-	480	480	139,862
Assays	-	-	-	87,375
Road building	-	-	-	40,779
Camp and general	-	-	-	35,078
Travel	-	-	-	21,705
Taxes	-	-	-	7,309
Option payments	-	-	-	1,296
Permits and licenses	-	-	-	245
	-	602	602	495,479
Las Moras				
Option payment	-	-	-	7,827
Claimstaking	-	-	-	5,667
Salaries and consulting	-	4,802	4,802	5,065
Taxes	-	-	-	1,386
Field work and general	-	1,661	1,661	901
Travel	-	535	535	-
Assays	-	-	-	424
	-	6,998	6,998	21,270
La Joya				
Claimstaking	-	-	-	4,464
Salaries and consulting	-	-	-	2,553
Assaying, camp and general	-	-	-	959
	-	-	-	7,976
<b>Balance Carry Forward</b>	\$ (32,496)	\$ 10,170	\$ (22,326)	\$ 513,403

- See Accompanying Notes -

**International Northair Mines Ltd.***(A Development Stage Company)*Schedule**Consolidated Schedule of Resource Property Costs***Canadian Funds – Unaudited - Prepared by Management*

	Acquisition Costs	Exploration Costs	As at May 31, 2005	Year Ended February 28, 2005
<b>Balance Carried Forward</b>	\$ (32,496)	\$ 10,170	\$ (22,326)	\$ 513,403
<b>Direct - Mineral</b>				
General exploration				
Salaries and consulting	-	50,368	<b>50,368</b>	173,076
Field work and travel	-	25,170	<b>25,170</b>	101,409
Assaying, camp and general	-	5,387	<b>5,387</b>	46,515
Claimstaking	-	-	-	5,110
	-	80,925	<b>80,925</b>	326,110
<b>Net Costs for the Period</b>	(32,496)	91,095	<b>58,599</b>	839,513
Balance - Beginning of period	23,426	361,057	<b>384,483</b>	743,353
Gain from resource property option	18,744	14,814	<b>33,558</b>	-
Write-off of exploration costs on outside properties and properties abandoned <i>(Note 5)</i>	-	(80,926)	<b>(80,926)</b>	(177,896)
<b>Balance – End of Period</b>	\$ 9,674	\$ 386,040	\$ <b>395,714</b>	\$ 384,483

- See Accompanying Notes -

**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****May 31, 2005***Canadian Funds – Unaudited - Prepared by Management***1. Basis of Presentation**

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

**2. Fair Value of Financial Instruments**

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

**3. Investments - Marketable Securities**

Details are as follows:

	<b>May 31, 2005 Net Book Value</b>	May 31, 2005 Market Value	February 28, 2005 Net Book Value
Tenajon Resources Corp. * – 1,043,734 (1,043,734) shares	\$ 52,982	\$ 250,496	\$ 52,982
Troon Ventures Ltd. * – 402,719 (402,719) shares	78,254	90,612	78,254
NDT Ventures Ltd. * – 252,600 (237,600) shares	22,734	22,734	23,760
Samba Gold Inc. (formerly Kaieteur Resources Ltd.) – 10,000 (10,000) shares	1,600	2,900	1,600
Spartan Resources Inc. – 75,000 (Nil) shares	6,000	6,000	-
Stornoway Diamond Corporation * – 180,000 (180,000) shares	54,666	248,400	54,666
	<b>\$ 216,236</b>	<b>\$ 621,142</b>	<b>\$ 211,262</b>

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

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

**4. Property, Plant and Equipment**

Details are as follows:

	Cost	Accumulated Amortization	<b>May 31, 2005 Net Book Value</b>	February 28, 2005 Net Book Value
Office furniture and equipment	\$ 113,207	\$ 53,114	\$ 60,093	\$ 58,202
Equipment under capital lease	25,221	1,261	23,960	25,221
	<b>\$ 138,428</b>	<b>\$ 54,375</b>	<b>\$ 84,053</b>	<b>\$ 83,423</b>

**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****May 31, 2005***Canadian Funds – Unaudited - Prepared by Management***5. Resource Property Costs**

a) Details are as follows:

	Acquisition	Exploration	<b>May 31, 2005</b>	February 28, 2005
Mexico Properties				
- Sierra Rosario	\$ 1	\$ -	\$ 1	\$ (3,632)
- El Tesoro	13,020	332,195	<b>345,215</b>	344,615
- Las Moras	24,685	17,837	<b>42,522</b>	35,524
- La Joya	4,464	3,512	<b>7,976</b>	7,976
	<b>\$ 42,170</b>	<b>\$ 353,544</b>	<b>\$ 395,714</b>	<b>\$ 384,483</b>

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

Mexico - General exploration and property examinations	<u>\$ 80,926</u>
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b) **Sierra Rosario, Mexico**

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

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

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

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



**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****May 31, 2005***Canadian Funds – Unaudited - Prepared by Management***5. Resource Property Costs - Continued****c) El Tesoro, Mexico**

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

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

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

**d) Las Moras, Mexico**

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

**e) La Joya, Mexico**

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

**6. Share Capital****a) Details are as follows:**

	Shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
Balance – February 29, 2004	12,831,347	20,997,506
Exercise of options	30,000	18,500
Exercise of warrants	165,825	124,995
Fair value of stock options exercised	-	9,500
Balance – February 28, 2005 and May 31, 2005	13,027,172	\$ 21,150,501

**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****May 31, 2005***Canadian Funds – Unaudited - Prepared by Management***6. Share Capital - Continued**

b) During the year ended February 29, 2004, the Company issued 3,636,363 units for gross proceeds of \$2,000,000 by way of a Short Form Offering. Each unit consisted of one common share and one share purchase warrant. Two warrants entitled the holder to purchase one additional share at \$0.80 per share until September 30, 2004 (subsequently extended to September 30, 2005). The agent was paid a cash commission of \$160,000 and was issued 436,364 agent's warrants. Each agent's warrant entitled the agent to purchase one common share at \$0.60 per share until September 30, 2004 (a total of 343,791 agent's warrants expired without exercise). The agent was paid an administration fee of \$5,000 and issued 65,000 units as a corporate finance fee. Each corporate finance unit consisted of one common share and one corporate finance warrant. Two corporate finance warrants entitled the agent to purchase one common share at \$0.60 per share until September 30, 2004 (a total of 21,125 warrants issued as a corporate finance fee expired without exercise).

**c) Stock Options**

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

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

Opening balance, February 28, 2005	1,200,000
Granted	50,000
Ending balance, May 31, 2005	<u>1,250,000</u>

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

Number	Exercise Price	Expiry
50,000	\$0.21	August 15, 2005
75,000	\$0.15	October 17, 2006
325,000	\$0.25	July 17, 2007
5,000	\$0.40	June 5, 2008
660,000	\$0.69	October 21, 2008
20,000	\$1.20	January 8, 2009
65,000	\$0.40	June 17, 2009
50,000	\$0.35	March 15, 2010
<u>1,250,000</u>		

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

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

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

**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****May 31, 2005***Canadian Funds – Unaudited - Prepared by Management***6. Share Capital - Continued****c) Stock Options - Continued**

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

**d) Warrants**

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

Number	Price per share	Expiry date
1,493,931*	\$0.80	September 30, 2005

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

**e) Contributed Surplus**

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

**7. Related Party Transactions**

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

- Administrative recoveries of \$89,701 (May 31, 2004 - \$89,763) are primarily recovered from various companies with certain directors in common.
- Total salaries of \$64,500 (May 31, 2004 - \$64,500) were paid to two directors of the Company. The Company recovered \$51,665 (May 31, 2004 - \$40,997) based on time spent, from companies with certain directors in common.
- The amounts due from (to) related parties are for expense reimbursements and are receivable from (payable to) various companies with directors in common. The amounts are non-interest bearing and are receivable (payable) within the following year, and therefore, have been classified as current.
- Troon Ventures Ltd., Tenajon Resources Ltd., Stornoway Diamond Corp. (formerly Northern Empire Minerals Ltd.), Sherwood Mining Corporation and NDT Ventures Ltd. have certain directors and officers in common with the Company.
- During the period, directors and officers acquired Nil (2005 – 30,000) shares of the Company for proceeds of \$Nil (2005 – \$18,500).

**International Northair Mines Ltd.***(A Development Stage Company)***Notes to the Interim Consolidated Financial Statements****May 31, 2005***Canadian Funds – Unaudited - Prepared by Management***8. Segmented Information**

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

	Canada		Mexico		Total	
	2005	2004	2005	2004	2005	2004
Loss for the period	\$ (102,569)	\$ (123,679)	\$ (7,709)	\$ (1,533)	\$ (110,278)	\$ (125,212)
Identifiable assets	\$ 1,388,103	\$ 2,902,533	\$ 397,273	\$ 210,802	\$ 1,785,376	\$ 3,113,335
Administrative expenses	\$ 57,492	\$ 148,480	\$ 6,992	\$ 1,533	\$ 64,484	\$ 150,013

**9. Lease Obligations**

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

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

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

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

2006	\$ 5,605
2007	8,407
2008	8,407
Total minimum lease payments	22,419
Less: Current portion	(8,407)
Long-term portion	\$ 14,012

**International Northair Mines Ltd.**

*(A Development Stage Company)*

**Notes to the Interim Consolidated Financial Statements**

**May 31, 2005**

*Canadian Funds – Unaudited - Prepared by Management*

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**10. Income Taxes**

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

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

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

2011	\$	34,000
2015	\$	213,000
	\$	<u>247,000</u>

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

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**11. Comparative Figures**

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

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