INTERNATIONAL NORTHAIR MINES LTD.

(A Development Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 May 2006

(Unaudited – Prepared by Management)

Reader's Note: These interim consolidated financial statements for the three months ended 31 May 2006 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. Statement 1

(A Development Stage Company)

Interim Consolidated Balance Sheet

Canadian Funds – Unaudited – Prepared by Management

ASSETS		31 May 2006		28 February 2006
Current				
Cash and cash equivalents	**$**	**220,202**	$	486,514
Short-term deposits *(Note 11)*		**195,893**		195,893
Accounts receivable		**32,910**		30,171
Due from related parties *(Note 8c)*		**129,565**		90,949
Short-term investments *(Note 4)*		**222,106**		196,106
Prepaid expenses and deposit		**16,778**		1,119
		817,454		1,000,752
Property, Plant and Equipment *(Note 5)*		**81,975**		87,585
Resource Property Costs - *Schedule (Note 6)*		**376,736**		344,718
	$	**1,276,165**	$	1,433,055
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**111,448**	$	123,004
Due to related parties *(Note 8e)*		**-**		87,500
Current portion of capital lease obligation *(Note10b)*		**8,464**		8,464
		119,912		218,968
Capital Lease Obligation *(Note10b)*		**4,484**		8,627
		124,396		227,595
SHAREHOLDERS' EQUITY				
Share Capital *(Note 7a)*		**21,173,251**		21,161,001
Contributed Surplus *(Note 7e)*		**462,081**		461,897
Deficit - *Statement 2*		**(20,483,563)**		(20,417,438)
		1,151,769		1,205,460
	$	**1,276,165**	$	1,433,055

ON BEHALF OF THE BOARD:

"F. G. Hewett", Director

"D. Bruce McLeod", Director

- See Accompanying Notes -

International Northair Mines Ltd. Statement 2

(A Development Stage Company)

Interim Consolidated Statement of Loss and Deficit

For the Three Months Ended

Canadian Funds – Unaudited – Prepared by Management

		31 May 2006		31 May 2005
General and Administrative Expenses				
Office, equipment rental and general	**$**	**44,652**	$	101,722
Shareholder information and investor relations		**13,216**		23,579
Professional fees		**9,534**		9,483
Regulatory compliance and transfer agent fees		**2,617**		10,579
Stock-based compensation		**4,384**		9,544
Amortization		**7,536**		6,325
Administrative recoveries *(Note 8a)*		**(41,846)**		(89,701)
Loss Before the Undernoted		**(40,093)**		(71,531)
Write-off of exploration costs		**(69,758)**		(80,926)
Gain on sale of short-term investments		**412**		-
Gain (loss) on foreign exchange		**(2,324)**		7,047
Write-down of short-term investments		**-**		(4,861)
Gain from property option agreement		**42,134**		33,558
Interest and sundry		**3,504**		6,435
Loss for the Period		**(66,125)**		(110,278)
Deficit - Beginning of period		**(20,417,438)**		(19,821,962)
Deficit - End of Period	**$**	**(20,483,563)**	$	(19,932,240)
Loss per Share - Basic and Diluted	**$**	**(0.01)**	$	(0.01)
Weighted Average Number of Shares Outstanding		**13,087,498**		13,027,172

- See Accompanying Notes -

International Northair Mines Ltd. Statement 3

(A Development Stage Company)

Interim Consolidated Statement of Cash Flows

For the Three Months Ended

Canadian Funds – Unaudited – Prepared by Management

Cash Resources Provided By (Used In)		31 May 2006		31 May 2005
Operating Activities				
Loss for the period	$	(66,125)	$	(110,278)
Items not affecting cash:				
Gain on sale of short-term investments		(412)		-
Write-down of short-term investments		-		4,861
Gain from property option agreement		(42,134)		(33,558)
Stock-based compensation		4,384		9,544
Amortization		7,536		6,325
Write-off of exploration costs		69,758		80,926
		(26,993)		(42,180)
Changes in current assets and liabilities		(153,503)		49,357
		(180,496)		7,177
Investing Activities				
Acquisition of short-term investments		(6,460)		(1,585)
Proceeds from sale of short-term investments		6,872		-
Acquisition of property, plant and equipment		(1,926)		(6,955)
Option payment received		20,000		15,000
Resource property costs, *net*		(112,352)		(81,849)
		(93,866)		(75,389)
Financing Activities				
Issuance of share capital		8,050		-
Net Decrease in Cash and Cash Equivalents		(266,312)		(68,212)
Cash Position - Beginning of period		682,407		989,869
Cash and Cash Equivalents - End of Period	$	416,095	$	921,657
Consists of:				
Cash and cash equivalents	$	220,202	$	855,840
Short-term deposits *(Note 11)*		195,893		65,817
Ending balance – cash and cash equivalents	$	416,095	$	921,657
Schedule of Non-Cash Investing and Financing Transactions				
Shares received pursuant to a property option agreement	$	(26,000)	$	(8,250)
Stock-based compensation	$	4,384	$	9,544
Resource property costs included in accounts payable	$	9,156	$	-

- See Accompanying Notes –

International Northair Mines Ltd. <u>Schedule</u>

(A Development Stage Company)

Interim Consolidated Schedule of Resource Property Costs

Canadian Funds – Unaudited – Prepared by Management

	Acquisition Costs	Exploration Costs	**Total as at 31 May 2006**
Direct – Mineral			
Mexico			
El Reventon			
Opening balance – 28 February 2006	$ -	$ -	$ **-**
Camp and general	-	2,267	**2,267**
Field work and travel	-	15,461	**15,461**
Salaries and consulting	-	6,096	**6,096**
Taxes	1,447	-	**1,447**
Claimstaking and acquisition	5,336	-	**5,336**
Ending balance – El Reventon	6,783	23,824	**30,607**
El Tesoro			
Opening balance – 28 February 2006	10,512	334,206	**344,718**
Camp and general	-	-	**-**
Salaries and consulting	-	1,280	**1,280**
Taxes	131	-	**131**
Ending balance – El Tesoro	10,643	335,486	**346,129**
Sierra Rosario			
Opening balance – 28 February 2006	-	-	**-**
Field work and travel	-	666	**666**
Salaries and consulting	-	3,200	**3,200**
Taxes	-	-	**-**
Recoveries	-	-	**-**
- Option payments (cash)	-	(20,000)	**(20,000)**
- Option payments (shares)	-	(26,000)	**(26,000)**
Gain – property option agreement	-	42,134	**42,134**
Ending balance – Sierra Rosario	-	-	**-**
General exploration			
Opening balance – 28 February 2006	-	-	**-**
Assaying, camp and general	-	3,801	**3,801**
Field work and travel	-	18,993	**18,993**
Salaries and consulting	-	46,530	**46,530**
Claimstaking and acquisition	434	-	**434**
Write-offs	(434)	(69,324)	**(69,758)**
Ending balance – General Exploration	-	-	**-**
Balance – Resource Property Costs – 31 May 2006	$ 17,426	$ 359,310	$ **376,736**

- See Accompanying Notes -

Notes to the Interim Consolidated Financial Statements

1. Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business, rather than through a process of forced liquidation. These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements of the Company as at 28 February 2006.

The Company's continuing operations are dependent upon its ability to either secure additional equity capital or generate cash flow from operations in the future. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term deposits, accounts receivable, amounts due from related parties, short-term investments, 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. Comparative Figures

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

4. Short-term Investments

The Company's short-term investments consist of common shares in several Canadian listed companies. All short-term investments held by the Company are recorded at the lower-of-cost or market value and represent less than a 5% interest in the respective companies.

	31 May 2006 Net Book Value	**31 May 2006 Market Value**	28 February 2006 Net Book Value	28 February 2005 Market Value
Holdings in companies related by virtue of common directors/officers *(Note 8c)*	**$ 188,506**	$ **731,984**	$ 188,506	$ 642,828
Holdings in unrelated companies	**33,600**	**37,000**	7,600	20,050
	$ 222,106	$ **768,984**	$ 196,106	$ 662,878

5. Property, Plant and Equipment

Details are as follows:

	As at 31 May 2006			As at 28 February 2006		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Office furniture and equipment	**$ 139,522**	**$ 76,211**	**$ 63,311**	$ 137,596	$ 70,188	$ 67,408
Equipment under capital lease	**25,221**	**6,557**	**18,664**	25,221	5,044	20,177
	$ 164,743	**$ 82,768**	**$ 81,975**	$ 162,817	$ 75,232	$ 87,585

6. Resource Property Costs

a) The write-off of exploration costs consisted of:

	For the Three Months Ending 31 May **2006**	2005
Mexico – General exploration and property examinations	**$ 69,758**	$ 80,926

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 11 March 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 11 March 2005 (received)	15,000	75,000	-	
On or before 31 August 2005 (completed)	-	-	150,000	
On or before 11 March 2006* (received)	20,000	100,000	150,000	*
On or before 11 March 2007	25,000	100,000	200,000	
On or before 11 March 2008	50,000	-	300,000	
	$ 130,000	275,000	$ 800,000	

* Pursuant to a letter dated 4 May 2006, the date to complete the required expenditures was extended to 31 August 2006.

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 $861,548 during the year ended 28 February 2005.

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

6. Resource Property Costs - *Continued*

c) El Tesoro, Mexico - *Continued*

In September 2005, the Company's wholly-owned subsidiary, Grupo Northair de Mexico, S.A. de C.V. ("Grupo Northair") entered into a Letter of Intent with Compania Minera San Valentin, S.A. de C.V. ("San Valentin") whereby San Valentin may lease Grupo Northair's El Tesoro concessions for up to 15 years by paying Grupo Northair US$2,000 per month to explore and mine the G Zone and an additional US$3,000 per month for the rights to the rest of the concessions. San Valentin has the option to purchase the G Zone for US$200,000 and the remainder of the concessions for a further US$300,000. Should San Valentin exercise the purchase option, Grupo Northair will retain a 49% back-in right for the G Zone. Pursuant to a letter of amendment dated 27 April 2006, the option agreement for the period between May and September 2006 was changed so that San Valentin will make lease payments totalling US$15,000 over the five-month period and no mining will take place on the G Zone until September 2006, at which time the original terms of the agreement will take effect.

d) El Reventon

In April 2006, the Company acquired the El Reventon project in Durango, Mexico by staking a 100% interest in certain claims and by concluding 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$150,000 over a four year period.

7. Share Capital

a) Details are as follows:

	Shares		Amount
Authorized:			
Unlimited common shares without par value			
Issued and outstanding:			
Balance - 29 February 2006	13,077,172	$	21,161,001
Exercise of options	35,000		8,050
Fair value of stock options exercised *(Note 7c)*	-		4,200
Balance – 31 May 2006	13,112,172	$	21,173,251

b) 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 typically vest on the grant date.

7. Share Capital - *Continued*

b) Stock Options - *Continued*

As at 31 May 2006, the Company had 1,260,000 incentive stock options outstanding as follows:

Opening Balance	Granted	Exercised/ Cancelled	Ending Balance	Exercise Price	Expiry
75,000	-	-	75,000	$0.15	17 October 2006
325,000	-	-	325,000	$0.25	17 July 2007
5,000	-	-	5,000	$0.40	5 June 2008
635,000	-	-	635,000	$0.69	21 October 2008
20,000	-	(20,000)	-	$1.20	8 January 2009
65,000	-	-	65,000	$0.40	17 June 2009
50,000	-	-	50,000	$0.35	15 March 2010
120,000	-	(35,000)	85,000	$0.23	14 September 2010
-	20,000	-	20,000	$0.40	21 April 2011
1,295,000	20,000	(55,000)	1,260,000		

As at 31 May 2006, all of the 1,260,000 stock options outstanding have vested.

c) Stock-based Compensation

During the period ended 31 May 2006, the Company granted options to purchase up to 20,000 (28 February 2006 – 170,000) shares of the Company's stock to employees and non-employees of the Company at an exercise price of $0.40 (28 February 2006 - $0.23 to $0.35 per share). A fair value of the options of $4,384 ($24,214) has been recorded in the Company's accounts.

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

	Three Months ended 31 May 2006	Year ended 28 February 2006
Expected dividend yield	**0.00%**	0.00%
Expected stock price volatility	**59.6%**	58.4% ~ 60.1%
Risk free interest rate	**4.3%**	3.6% ~ 3.8%
Expected life of options	**5 years**	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.

d) Warrants

As at 31 May 2006, the Company had no warrants outstanding.

7. Share Capital - *Continued*

e) **Contributed Surplus**

		31 May 2006		28 February 2006
Balance - Beginning of the period	**$**	**461,897**	$	437,683
Fair value of stock-based compensation *(Note7c)*		**4,384**		24,214
Fair value of stock options exercised – transferred to share capital		**(4,200)**		-
Balance - End of the period	**$**	**462,081**	$	461,897

8. Related Party Transactions

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

a) Administrative recoveries of $41,846 (31 May 2005 - $89,701) are primarily recovered from various companies with certain directors in common.

b) Total salaries of $67,500 (31 May 2005 - $64,500) were paid to two directors of the Company. The Company recovered $73,932 (31 May 2005 - $51,665) based on time spent, from companies with certain directors in common.

c) 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.

d) Troon Ventures Ltd., Tenajon Resources Ltd., Stornoway Diamond Corp., Sherwood Copper Corporation (formerly Sherwood Mining Corporation) and New Dimension Resources Ltd. (formerly NDT Ventures Ltd.) have certain directors and officers in common with the Company.

e) The amount of $Nil (28 February 2006 - $87,500) is due to a company with a director and officer in common for the exercise of a stock option.

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.

9. Segmented Information

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

	Canada				Mexico				Total			
		31 May 2006		31 May 2005		**31 May 2006**		31 May 2005		**31 May 2006**		31 May 2005
Loss for the period	**$**	**(45,851)**	$	(102,569)	**$**	**(20,274)**	$	(7,709)	**$**	**(66,125)**	$	(110,278)
Identifiable assets	**$**	**895,910**	$	1,388,103	**$**	**380,255**	$	397,273	**$**	**1,276,165**	$	1,785,376
Administrative expenses	**$**	**36,521**	$	64,539	**$**	**3,572**	$	6,992	**$**	**40,093**	$	71,531

10. Lease Obligations

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

2007	$	131,365
2008		132,973
2009		142,851
2010		135,044
2011		135,044
Total	$	677,277

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., a company with an officer in common. The Company may recover approximately two-thirds of the minimum annual rent commitment pursuant to this sub-lease agreement.

b) The Company has certain equipment classified as a capital lease and the applicable cost is included in property, plant and equipment *(Note 5)*. Future minimum lease payments with remaining terms in excess of one year are as follows:

2007	$	8,464
2008		4,484
Total minimum lease payments		12,948
Less: Current portion		(8,464)
Long-term portion	$	4,484

11. Short-term Deposits

Included in short-term deposits of $195,893 (28 February 2006 - $195,893) is $5,000 held for reclamation costs (28 February 2006 - $5,000) and $65,893 (28 February 2006 - $65,893) held as collateral for the corporate credit cards.