

INTERNATIONAL MINERALS CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)
(Unaudited – Prepared by Management)

**NINE-MONTH PERIOD ENDED
MARCH 31, 2009
and
MARCH 31, 2008**

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended March 31, 2009.

INTERNATIONAL MINERALS CORPORATION

INTERIM CONSOLIDATED BALANCE SHEETS

(Expressed in United States Dollars)

(Unaudited)

ASSETS	<u>3/31/2009</u>	<u>6/30/2008</u>
Current		
Cash and equivalents	\$ 47,018,441	\$ 60,447,985
Short term investments (Note 4)	-	1,560,496
Receivables	225,215	140,275
Due from related parties (Note 14)	247,334	124,681
Prepaid expenses and deposits	21,917	22,889
Securities held for trade (Note 5)	126,123	254,075
	<u>47,639,030</u>	<u>62,550,401</u>
Property and equipment	642,135	444,453
Investments (Note 7)	25,000	25,000
Investment in joint venture company (Note 6)	28,439,973	22,972,335
Resource properties (Note 8)	79,078,685	71,965,109
Environmental bond (Note 9)	68,352	54,819
Deferred finance costs (Note 10)	731,061	988,530
	<u>\$ 156,624,236</u>	<u>\$ 159,000,647</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable	\$ 296,239	\$ 954,051
Accrued severance and payroll costs	1,677,625	1,189,445
Accrued interest payable on convertible debentures	586,854	181,321
Due to equity partner in joint venture company (Note 6)	-	1,870,533
	<u>2,560,718</u>	<u>4,195,350</u>
Long term		
Convertible debentures (Note 15)	29,879,446	36,111,085
	<u>32,440,164</u>	<u>40,306,435</u>
Shareholders' equity		
Capital stock (Note 11)	129,850,285	129,850,285
Treasury stock (Note 11 and 20)	(5,744,968)	-
Contributed surplus (Note 11)	5,780,066	5,101,104
Equity component of convertible debentures (Note 15)	4,945,008	4,945,008
Deficit	(10,646,319)	(21,202,185)
	<u>124,184,072</u>	<u>118,694,212</u>
	<u>\$ 156,624,236</u>	<u>\$ 159,000,647</u>

Contingency (Note 18)**Subsequent Events (Note 21)**

On behalf of the Board

"Stephen J. Kay"

_____, Director
Stephen J. Kay

"W. Michael Smith"

_____, Director
W. Michael Smith

INTERNATIONAL MINERALS CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in United States Dollars)
(Unaudited)

	3-Month	3-Month	9-Month	9-Month
	Period Ended	Period Ended	Period Ended	Period Ended
	3/31/2009	3/31/2008	3/31/2009	3/31/2008
EXPENSES				
Amortization	44,480	4,935	121,659	16,602
General exploration	60,694	888	106,668	16,282
Investor relations	123,774	109,596	242,882	327,432
Office and general	90,499	68,842	243,417	147,431
Professional fees	172,584	311,105	572,696	461,768
Salaries and benefits	206,387	187,172	655,554	602,306
Salary charge-outs (Note 14)	(25,842)	(39,915)	(95,733)	(113,238)
Stock-based compensation (Note 11)	503,404	127,831	678,962	1,737,493
Transfer agent and listing fees	45,562	59,229	101,844	100,996
Interest and financing costs	738,259	897,305	2,374,628	2,667,508
Travel	44,607	25,617	124,847	79,859
	<u>2,004,408</u>	<u>1,752,605</u>	<u>5,127,424</u>	<u>6,044,439</u>
OTHER ITEMS				
Foreign exchange gain (loss)	548,690	1,564,264	6,614,618	(440,558)
Unrealized gain (loss) on securities held for trade (Note 5)	36,219	(33,117)	(116,287)	177,118
Management fee income (Note 14)	31,345	91,538	314,116	283,939
Interest income	110,497	586,347	846,808	2,385,744
Equity gain (loss) on capital contributions in joint venture (Note 6)	(120,272)	-	3,796,400	-
Equity earnings (loss) in joint venture (Note 6)	3,394,272	3,659,400	4,345,185	2,866,958
Write-off of resource properties	-	-	(117,550)	-
	<u>4,000,751</u>	<u>5,868,432</u>	<u>15,683,290</u>	<u>5,273,201</u>
Net income (loss) for the period	1,996,343	4,115,827	10,555,866	(771,238)
Deficit, beginning of period	(12,642,662)	(25,920,487)	(21,202,185)	(21,033,422)
Deficit, end of period	<u>(10,646,319)</u>	<u>(21,804,660)</u>	<u>(10,646,319)</u>	<u>(21,804,660)</u>
Earnings (loss) per common share - basic	\$ 0.02	\$ 0.04	\$ 0.11	(0.01)
Earnings (loss) per common share - diluted	\$ 0.02	\$ 0.04	\$ 0.10	(0.01)
Weighted average number of common shares outstanding	<u>93,944,672</u>	<u>95,858,748</u>	<u>95,345,039</u>	<u>95,551,477</u>

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL MINERALS CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)
(Unaudited)

	3-Month Period Ended 3/31/2009	3-Month Period Ended 3/31/2008	9-Month Period Ended 3/31/2009	9-Month Period Ended 3/31/2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the period	\$ 1,996,343	\$ 4,115,827	\$ 10,555,866	\$ (771,238)
Non-cash items				
Amortization	44,480	4,935	121,659	16,602
Stock-based compensation	503,404	127,831	678,962	1,737,493
Unrealized exchange loss (gain)	(700,949)	(1,564,264)	(7,935,583)	440,558
Unrealized loss (gain) on securities held for trade	(36,219)	33,117	116,287	(177,118)
Accrued interest receivable	-	494	-	(6,706)
Write-off of resource properties	-	-	117,188	-
Interest and financing costs	742,242	897,305	2,378,611	1,564,494
Equity loss (earnings) in joint venture	(3,394,272)	(3,659,400)	(4,345,185)	(2,866,958)
Equity loss (gain) on capital contribution in joint venture	120,272	-	(3,796,400)	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(77,322)	(35,015)	(84,940)	(1,073,025)
(Increase) decrease in prepaid expense and deposits	12,342	157	971	(10,100)
Increase (decrease) in accounts payable and accrued liabilities	(746,489)	171,923	(624,615)	(671,868)
Due to / (from) related parties	(66,406)	(24,563)	(122,653)	(55,949)
Net cash provided by (used in) operating activities	<u>(1,602,575)</u>	<u>68,347</u>	<u>(2,939,832)</u>	<u>(1,873,815)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	-	897,855	-	1,067,392
Net cash provided by financing activities	<u>-</u>	<u>897,855</u>	<u>-</u>	<u>1,067,392</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in short term investments	1,270,420	-	1,560,496	55,046,584
Change in long-term investments	-	(1,243,708)	-	(1,243,708)
Resource property expenditures	(1,337,380)	(4,656,063)	(6,687,588)	(15,820,820)
Investments in joint venture	183,407	-	757,853	-
Purchase of property and equipment	-	(11,876)	(361,972)	(16,338)
Environmental bond	-	-	(13,533)	81,599
Share buy back	(1,756,985)	-	(5,744,968)	-
Net cash (used in) provided by investing activities	<u>(1,640,538)</u>	<u>(5,911,647)</u>	<u>(10,489,712)</u>	<u>38,047,317</u>
Change in cash and equivalents for the period	(3,243,113)	(4,945,445)	(13,429,544)	37,240,894
Cash and equivalents, beginning of period	50,261,553	72,076,014	60,447,985	29,889,675
Cash and equivalents, end of period	\$ 47,018,441	\$ 67,130,569	\$ 47,018,441	\$ 67,130,569

Supplemental disclosure with respect to Cash Flows (Note 17)

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL MINERALS CORPORATION

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

AS AT MARCH 31, 2009 (Unaudited)

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries located in the United States and South America.

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements. Certain information and footnote disclosure normally included in the annual audited financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim financial statements should be read together with the annual audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to fairly present the interim financial information set forth herein.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the Business Corporations Act (Yukon Territory) and is in the process of exploring and developing and exploiting its mineral resource properties in South America.

At the 40% owned Pallancata silver property in Peru, on June 30, 2006, the Company entered into a joint venture agreement with affiliated companies of Hochschild Mining plc. ("Hochschild"). In order to acquire and retain a 60% joint venture interest, Hochschild has funded all necessary costs to bring the Pallancata property into production, at no cost to the Company, and without recoupment of Hochschild's capital expenditure, except through their own share of profit distributions. On September 18, 2007, underground production commenced at the mine, with Hochschild's wholly-owned subsidiary, Compañía Minera Ares S.A.C. ("Ares") as the operator. Pallancata mine ore is being toll-processed to produce a flotation concentrate at Hochschild's Selene process plant located near the Pallancata mine. To date cash flow from the mine has been used to fund expansions and other capital expenditures and the Company does not expect to receive cash dividends from operations before the end of calendar 2009 subject to capital cost requirements, production ramp-up schedule and precious metal prices (see Note 6 – "Investment in Joint Venture Company").

At the 100% held Rio Blanco gold/silver project, located in Ecuador, the Company completed a feasibility study in January 2006 on the Alejandra North Vein deposit, which confirmed economically viable mineral reserves based on a gold price of \$475 per ounce. An updated capital and operating cost estimate was completed in February 2009 and shows the project to be economic at a \$750 gold price. Further analysis will be necessary when the Ecuadorian government royalty and windfall revenue tax issues are clarified under the new Mining Law so that their impact can be included in the economic analysis. The Company may be further adversely affected by the mining law regulations and other requirements planned by the government of Ecuador (see Note 19 for additional detail).

Other than the Pallancata and Rio Blanco deposits, the Company has not identified a known body of commercial grade ore on its other properties to date. The ability of the Company to recover the costs it has incurred to date on its other properties is dependent upon the Company being able to identify commercial ore bodies, to finance their development costs and to resolve any environmental, regulatory or other constraints, which may hinder the successful development and exploitation of the properties.

Other than the Pallancata Mine, to date the Company has not earned significant revenues and is considered to be in the development stage at the Rio Blanco and Gaby properties and the exploration stage with its other resource properties.

The Company believes it has adequate funds available to meet its operating and administrative obligations for the next fiscal year.

3. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. The significant accounting policies adopted by the Company are as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Significant accounts that require estimates as the basis for determining the stated amounts include securities held for trading, resource properties, investment in Joint Venture Company, stock-based compensation, valuation allowance of future income tax assets and foreign currency translation.

Principles of consolidation

These unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries located in the United States and South America. All inter-company balances and transactions have been eliminated.

Cash and equivalents

Cash is comprised of cash on hand, demand deposits and money market funds. Cash equivalents include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Short-term investments

Short-term investments have in the past included Canadian and US dollar investments in Auction Rate Securities and money market funds. Auction Rate Securities were municipal and state bonds that had their interest rates determined by auction every 7, 28 and 35 days in a bidding process conducted by securities dealers. These investments were stated at market value, but were discontinued as of January 2009. The money market funds were carried at market value (see Note 4).

Securities held for trade and investments

Securities held for trade which are traded on a recognized securities exchange, are recorded at fair values based on quoted closing bid prices at the balance sheet dates or the closing bid prices on the last day the security traded if there were no trades at the balance sheet dates with both realized and unrealized gains and losses recorded in earnings on the statement of operations.

Investments in securities of private companies that do not have a quoted market price on a recognized securities exchange are recorded at cost.

Property and equipment

Property and equipment are recorded at cost and are amortized using the straight line method over the estimated useful lives of the individual assets at the following annual rates.

Automobiles and mining equipment	10% to 33%
Furniture and equipment	10% to 20%
Computer equipment	20%
Computer software	33%
Leasehold improvements	20%

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Investment in Joint Venture companies

Investment in common shares of Joint Venture companies, over which the Company has significant influence, is accounted for by the equity method, whereby the investment is initially recorded at cost and adjusted to recognize the Company's share of earnings or loss in the investment. When the Company is unable to exercise significant influence, cost is deemed to be the carrying value of the investment at that time.

Resource properties

All costs related to the acquisition, exploration and development of resource properties are capitalized by property. If economically recoverable mineral reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written-off to operations. If, after management review, it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated net realizable value.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing and permitting to complete the development of the properties, and future profitable production from the disposition of the metals produced from the properties.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have any significant asset retirement obligations.

Accrued interest costs

Costs for interest are accrued quarterly for semi-annual payments made in arrears at May 31st and November 30th each year.

Deferred finance costs

Deferred financing costs consist of all costs incurred in issuing the convertible debentures and are amortized over the life of these instruments, which is deemed to be five years.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its estimated fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its specific use and eventual disposition.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the six-month vesting period of the stock options.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Earnings (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants, and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For convertible debentures, the weighted average number of outstanding shares is adjusted for the shares to be issued on conversion.

Basic loss per common share is calculated using the weighted-average number of common shares outstanding during the period.

In the nine-month period ended March 31, 2009 under the treasury stock method, the basic and diluted loss per share are the same as the effect of common shares issuable upon the exercise of warrants, stock options, and convertible debentures of the Company would be anti-dilutive.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Foreign currency translation

The Company's subsidiaries in Peru are integrated foreign operations and are translated into United States dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in loss for the period. Ecuador uses the United States dollar as its currency and therefore currency translation for accounting purposes is not required.

Comparative figures

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

Recent accounting pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover year for publicly-listed companies to use IFRS, replacing Canada's own GAAP and affecting interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

INTERNATIONAL MINERALS CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)
AS AT MARCH 31, 2009 (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Change in accounting policy

Effective July 1, 2008, the Company adopted the following accounting standards updates issued by the Canadian Institute of Chartered Accountants ("CICA"):

- (i) Assessing going concern (Section 1400)

The AcSB amended Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern. The adoption of the standard did not have an impact on our financial statements.

- (ii) Capital disclosures (Section 1535)

This new pronouncement establishes standards for disclosing information about an entity's capital and how it is managed. Section 1535 also requires the disclosure of any externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences. (See Note 12)

- (iii) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

These new standards require additional disclosures to enable users to evaluate the significance of financial instruments for an entity's financial position and performance. In addition, qualitative and quantitative disclosures are provided to enable users to evaluate the nature and extent of risks arising from financial instruments (See Note 13).

- (iv) Determining whether a contract is routinely denominated in a single currency

This new standard considers: 1) how the term "routinely denominated" in Section 3855.A34(d) should be interpreted, and 2) what factors can be used to determine whether a contract for the purchase or sale of a non-financial item such as a commodity is routinely denominated in a particular currency in commercial transactions around the world. The adoption of this standard did not have an impact on our financial statements.

Effective July 1, 2009, the Company is required to adopt the following accounting standards update issued by the CICA:

- (i) Goodwill and intangibles assets (Section 3064)

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC 27, "Revenue and Expenditures in the Pre-operating Period", will be withdrawn. The adoption of this standard would not currently have an impact on the Company's consolidated financial statements.

4. SHORT-TERM INVESTMENTS

	March 31 2009	June 30 2008
Auction Rate Securities	\$ -	\$ 1,301,932
Money market funds	-	258,564
Total short-term investments	\$ -	\$ 1,560,496

Auction Rate Securities with a face value of \$1.2 million held by the Company in a money market account as a short-term investment during fiscal year 2008, were settled in full (at face value plus interest) on January 6, 2009 and these funds are currently held in money market funds classified as cash equivalents.

INTERNATIONAL MINERALS CORPORATION
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(Expressed in United States Dollars)
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5. SECURITIES HELD FOR TRADE

Securities held for trade are comprised of 625,000 common shares of Kernow Resources & Developments Ltd (“Kernow”). Kernow has a director in common with the Company. The Company also holds 504,293 common shares of Ventura Gold Corp. (“Ventura”) at a cost of approximately Cdn\$0.03 per share. This investment was reclassified from Long Term Investment to Securities Held for Trade at June 30, 2008. Ventura has directors and officers in common with the Company and the Company provides certain management services to Ventura (Note 14).

The following table sets out the movement of the Company’s securities held for trading.

Company Name	Number of Shares	Issue Price Cdn\$	Cost Value (Cdn\$)	Cost Value	Current Market Price (Cdn\$)	Current Market Value (Cdn\$)	Current Market Value
Kernow Resources	625,000	\$ 0.175	\$ 109,375	\$ 104,446	\$ 0.030	\$ 18,750	\$ 15,005
Ventura Gold Corp.	504,923	\$ -	\$ -	\$ 15,000	\$ 0.275	\$ 138,854	\$ 111,118

6. INVESTMENT IN JOINT VENTURE COMPANY

	March 31 2009	June 30 2008
Balance, beginning	\$ 21,390,653	\$ 6,270,221
Investment in Pallancata	(1,870,533)	1,870,533
Pallancata finders fee non-reimbursable costs	-	2,367,442
Additional non-reimbursable costs	459,434	412,604
Equity gain on capital contributions of Hochschild	3,796,400	6,270,237
Equity gain on earnings in Joint Venture company	<u>4,345,185</u>	<u>4,199,616</u>
Pallancata Investment	<u>28,121,139</u>	<u>21,390,653</u>
Balance, beginning	1,581,682	-
Initial investment in Pacapausa	-	781,682
Additional non-reimbursable costs	298,419	-
Payment received from Hochschild	(1,561,267)	(200,000)
Additional investment in Pacapausa	<u>-</u>	<u>1,000,000</u>
Pacapausa Investment	<u>318,834</u>	<u>1,581,682</u>
Balance, ending	\$ 28,439,973	\$ 22,972,335

On June 30, 2006, the Company entered into a Joint Venture Agreement with affiliated companies of Hochschild PLC (“Hochschild”) to fast-track development, permitting and production of the Company’s Pallancata property in Peru. The Joint Venture company was formed and registered in Peru in August 2006 and acquired the Company’s interest in the Pallancata property. Essential terms of the agreement are as follows.

- The Company and Hochschild formed a Peruvian joint venture company, Minera Suyamarca S.A.C. (“Suyamarca”), whose common shares are held 60% by Hochschild and 40% by the Company.
- Hochschild agreed to provide (and has already provided) to Suyamarca 100% of the capital required to develop, permit and construct a mining operation at Pallancata at an initial production level of 500 tonnes per day (“tpd”) which was achieved on September 9, 2007. The Company transferred all of its interest in the Pallancata property to Suyamarca for a

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6. INVESTMENT IN JOINT VENTURE COMPANY (cont'd...)

40% interest in Suyamarca. The Company recorded \$5,481,003 as its initial investment in Suyamarca, which represented costs incurred by the Company at the Pallancata property prior to the transfer to Suyamarca. Hochschild cannot recover any of its capital investment, except through its 60% profit distribution.

- c) Hochschild also agreed to provide to Suyamarca 100% of the capital required to expand the mine production from 500tpd to 750tpd (which has occurred).
- d) A further mine expansion to 1,000 tpd was agreed to by both parties and all capital costs required for the expansion have been paid by Hochschild. The Company recorded an equity gain on capital contributions by Hochschild of \$10,066,637 (representing 40% of Hochschild's capital that funded 100% of such costs for the expansion from 500 tpd to 1000 tpd). The mine expansion in excess of 1,000 tpd is required to be funded 60% by Hochschild and 40% by the Company. In January 2008, the Company announced that Hochschild intended to increase production to approximately 2,000 tpd by the end of 2008. This expansion was achieved on schedule. A further expansion to approximately 3,000 tpd is planned by Hochschild by the end of 2009. To date, the Company has committed all \$8,544,800 of its share of retained earnings to fund capital expenditures for increased production beyond 1,000 tpd.
- e) All Pallancata ore is processed off-site at Hochschild's Selene Mine processing plant and Hochschild charges Suyamarca a toll processing fee based on the plant operating costs. The cost of the additional processing capacity required at the Selene processing plant in order to treat the increase in ore from Pallancata when mining was expanded to approximately 2,000 tpd, was paid 100% by Hochschild and the toll processing cost charged to Suyamarca was adjusted to reflect the additional capital cost incurred by Hochschild. Expansion of mining to 3,000 tpd planned by the end of 2009 will require additional expansion of the processing plant and entail a further increase in the toll processing cost to Suyamarca.
- f) Hochschild is the manager and operator of the project and since the mine start up on September 9, 2007, has been charging Suyamarca a management services fee of 10% of the operating costs incurred by Suyamarca at Pallancata.

The Company will continue to incur certain costs on its own behalf at the Pallancata property in order to monitor and supervise its 40% interest in its investment in the Pallancata joint venture. Such costs are recorded as "Additional non-reimbursable costs" and total \$459,434 for the nine-month period ended March 31, 2009 (2008 - \$203,655).

On November 5, 2007, the Company purchased the 25% interest in the Pacapausa property (adjacent to Pallancata) owned by its joint venture partner IAMGOLD Corp. ("IAMGOLD"), for \$1.0 million, resulting in the Company owning an aggregate 50% interest in the Pacapausa property.

Also on November 5, 2007, the Company agreed with Hochschild to transfer its 50% interest in the Pacapausa property to Suyamarca for a \$1.2 million payment from Hochschild to the Company. Suyamarca also agreed to assume the 0.5% NSR royalty obligation to IAMGOLD. A payment of \$200,000 was received early in 2008 from Hochschild and the remaining \$1.0 million payment was received during the previous period (plus an additional \$190,000 for reimbursement of IVA taxes) together with an additional \$371,000 for reimbursement of exploration costs through December 31, 2008, which had been previously paid by the Company. These amounts were credited to the Company's investment in the Suyamarca joint venture account.

Suyamarca currently holds a 50% interest in the Pacapausa property with Southwestern Resources (the original property owner) holding the remaining 50%. All exploration and other costs associated with advancing the Pacapausa property will be shared as to 50% by Southwestern and 50% by Suyamarca (with Suyamarca's share funded as to 60% by Hochschild and 40% by the Company). As of March 24, 2009, Southwestern Resources has entered into an Arrangement Agreement with Hochschild to be acquired by Hochschild. Completion of this transaction will result in Hochschild owning an 80% interest in the Pacapausa property and the Company owning a 20% interest.

7. INVESTMENTS

Santa Barbara Resources Limited

On October 30, 2007, the Company received 50,000 shares of Santa Barbara Resources Limited ("Santa Barbara") as the initial payment in lieu of a \$25,000 cash payment under the Cañicapa Property Option Agreement in Ecuador. Santa Barbara is a private company that has directors in common with the Company. The Cañicapa Property Option Agreement was terminated by Santa Barbara on March 24, 2009 and the Company will receive additional shares of Santa Barbara as an early termination fee. The Company has terminated the underlying agreement with Nordic Mining and will return the Cañicapa concessions to Nordic Mining as soon as possible, subject to clarification of the timing and conditions of such a transfer under the new Ecuadorian mining law.

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8. RESOURCE PROPERTY EXPENDITURES

	3-Month Period Ended 3/31/2009	3-Month Period Ended 3/31/2008	Cumulative at 3/31/2009	Cumulative at Year End 6/30/2008
Gaby Property, Ecuador				
Option payments on mining concessions	\$ 40,000	\$ 100,000	\$ 7,208,868	\$ 6,988,868
Drilling contract costs	-	689,325	7,958,803	7,953,982
Field wages, consulting fees and on site costs	305,626	608,831	11,120,355	9,685,627
Feasibility costs	68,448	53,814	2,530,152	2,344,370
Assaying fees	22,573	152,619	1,958,010	1,835,167
Finders fee	-	-	275,000	275,000
Amortization	-	-	158,999	158,999
Acquisition costs	35,676	457,235	555,684	520,008
Other deferred costs	587	16,878	1,024,308	993,899
Total for Gaby	472,910	2,078,702	32,790,179	30,755,920
Rio Blanco Property, Ecuador				
Option payments on mining concessions	-	62,500	2,129,861	2,129,861
Post feasibility drilling contract costs	-	423,435	3,641,690	3,641,690
Field wages, consulting fees and on site costs	1,215,559	1,353,225	20,141,270	16,231,459
Feasibility drilling/assay costs	-	-	4,106,002	4,103,936
Feasibility study/other costs	(5)	(157)	8,871,013	8,870,867
Assaying fees	3,892	51,825	626,086	577,628
Heavy equipment purchase	3,200	-	473,310	462,110
Finder's fee	-	-	16,667	16,667
Acquisition costs	84,426	35,996	1,203,544	1,102,118
Other deferred costs	26,950	53,904	1,968,889	1,940,589
Total for Rio Blanco	1,334,022	1,980,728	43,178,332	39,076,925
Cañicapa Property, Ecuador				
Option payments on mining concessions	-	-	(1,100)	(1,100)
Field wages, consulting fees and on site costs	492	112	50,884	50,392
Other deferred costs	-	-	12,886	12,886
Total for Cañicapa	492	112	62,670	62,178
Aster, Acos and Pacapausa Properties, Peru				
Field wages, consulting fees and on site costs	-	111,054	2,215,136	2,110,662
Write-off (Aster and Acos)	-	-	(1,433,454)	(1,328,980)
Transfer of Pacapausa to Joint Venture	-	-	(781,682)	(781,682)
Total for Aster, Acos and Pacapausa	-	111,054	-	-
Antabamba Property, Peru				
Option payment on mining concession	-	-	39,071	39,071
Field wages, consulting fees and on site costs	-	6,410	2,330,639	2,317,925
Drilling contract costs	-	-	1,099,419	1,099,419
Assaying fees	-	700	48,455	48,455
Write-off	-	-	(3,517,584)	(3,504,870)
Total for Antabamba	-	7,110	-	-
Urbaque Property, Peru				
Field wages, consulting fees and on site costs	95,272	358,914	1,237,976	962,234
Drilling	-	-	333,154	333,154
Assaying fees	532	1,453	100,794	85,763
Other deferred costs	-	-	24,971	24,971
Total for Urbaque	95,804	360,367	1,696,895	1,406,122

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8. RESOURCE PROPERTY EXPENDITURES (cont'd...)

Rubi Property, Peru				
Field wages, consulting fees and on site costs	318,603	-	318,603	-
Total for Rubi	<u>318,603</u>	<u>-</u>	<u>318,603</u>	<u>-</u>
Other Resource Properties, Ecuador and Peru				
Field wages, consulting fees and on site costs	67,889	122,042	1,032,006	663,964
Total for Other Resource Properties	<u>67,889</u>	<u>122,042</u>	<u>1,032,006</u>	<u>663,964</u>
TOTAL RESOURCE PROPERTIES	<u>\$ 2,289,720</u>	<u>4,660,115</u>	<u>\$ 79,078,685</u>	<u>\$71,965,109</u>

9. ENVIRONMENTAL BOND

The Company holds a guaranteed bank certificate in the amount of \$68,352 (2008 - \$54,819) with an Ecuadorian bank as security for any potential environmental issues that might occur on the Rio Blanco property in Ecuador. The bank certificate was required by the Ministry of Energy and Mines in Ecuador. Interest on the bank certificate is paid on an annual basis to the Company.

10. DEFERRED FINANCE COSTS

	March 31, 2009			June 30, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Deferred finance costs	\$ 1,714,892	\$ 983,831	\$ 731,061	\$ 1,714,892	\$ 726,362	\$ 988,530

The deferred financing costs relate to the convertible debentures described in Note 15.

11. CAPITAL STOCK AND CONTRIBUTED SURPLUS

- a) Authorized share capital consists of an unlimited number of common shares without par value. During the nine-month period ended March 31, 2009, changes in issued share capital were as follows:

	Number of Shares	Amount	Contributed Surplus
Balance, June 30, 2008	96,030,001	129,850,285	5,101,104
Purchase of Treasury Stock	-	(5,744,968)	-
Shares cancelled*	(2,261,200)	-	-
Stock-based compensation	-	-	678,962
Balance at March 31, 2009	<u>93,768,801</u>	<u>124,105,317</u>	<u>5,780,066</u>

*See Share Buyback Program – Note 20

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11. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

b) Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Avg. Exercise Price (\$Cdn)
Balance, June 30, 2008	3,231,000	\$ 4.68
Options granted	1,002,500	3.73
Options cancelled	(199,000)	5.50
Options exercised	-	-
Balance, March 31, 2009	4,034,500	\$ 4.41
Number of options currently exercisable	3,032,000	\$ 4.63

The weighted average value of options granted for the period was \$2.96 per option for a total value of \$2,546,196.

Stock options

The Company has an incentive stock option plan in place under the rules of the Toronto Stock Exchange ("TSX") pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 8,500,000 common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant of the option. The options can be granted for a maximum term of 10 years and vest over a period of 6 months from the date granted.

c) As at March 31, 2009, stock options to purchase common shares were outstanding as follows:

Type	Number	Price (Cdn\$)	Total Value (Cdn\$)	Expiry Date
Options	150,000 @	0.90	135,000	June 9, 2009
Options	275,000 @	1.00	275,000	Aug. 14, 2011
Options	50,000 @	1.80	90,000	May 22, 2013
Options	250,000 @	4.58	1,145,000	Feb. 11, 2014
Options	342,000 @	4.00	1,368,000	Feb. 1, 2015
Options	50,000 @	4.48	224,000	Dec. 6, 2015
Options	50,000 @	4.70	235,000	Oct 4, 2016
Options	300,000 @	5.25	1,575,000	Nov 6, 2016
Options	1,070,000 @	5.78	6,184,600	Feb 26, 2017
Options	120,000 @	5.70	684,000	July 10, 2017
Options	250,000 @	5.84	1,460,000	Aug 6, 2017
Options	25,000 @	5.62	140,500	Nov. 2, 2017
Options	100,000 @	5.22	522,000	June 2, 2018
Options	1,002,500 @	3.73	3,739,325	Feb. 23, 2019
TOTAL OPTIONS	<u>4,034,500</u>		<u>\$ 17,777,425</u>	

The Company has no share purchase warrants outstanding.

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11. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock-based compensation

The total stock-based compensation recognized under the fair value method for options granted during the nine-month period ended March 31, 2009, was \$2,546,196 (2008 - \$837,434), using the Black-Scholes option-pricing model. Together with amortization of options awarded in previous periods, the Company expensed \$678,962 (2008 - \$1,737,493) in the period, leaving an unamortized balance of \$1,897,258 (2008 - \$56,937) to be amortized to operations.

Stock-based compensation for the options granted during the three-month period ended March 31, 2009, was \$2,546,196 (2008 - \$127,831) as new options were granted. Amortization expense for the same period totaled \$509,239 (2008 - \$103,945).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2008	2007
Risk-free interest rate	4.30%	4.04%
Expected life of options	6 years	6 years
Annualized volatility	23.98%	29.95%
Dividend	0%	0%

12. CAPITAL RISK MANAGEMENT

The objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to meet the Company's exploration and development plans to ensure the on-going growth of the business .

The Company considers the items in the shareholders equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares through private placements, repurchase shares, sell assets, incur debt, or return capital to shareholders. As of March 31, 2009 the Company has debt in the form of convertible debentures (See Note 15), but is not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Liquidity risk

Liquidity risk is managed by the Company by maintaining sufficient cash balances to meet current working capital requirements. The Company is in production in Peru but may require additional funding in order to continue other exploration and development programs in the future. Despite previous success in acquiring this funding, there is no guarantee of obtaining future funding. The Company's cash and cash equivalents are invested in business accounts with quality financial institutions primarily in Canada and the U.S. and are available on demand for the Company's programs. Long term investments are held as an interest in a joint venture company managed by an established public mining company in Peru. The Company is not invested in any asset-backed commercial paper but did receive on January 6, 2009 full settlement (at face value plus interest) for the \$1.2 million in Auction Rate Securities the Company had been carrying as a short term investment. These funds are currently held in money market funds (cash equivalents).

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13. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (cont'd...)

(ii) Credit risk

The Company's credit risk is primarily attributable to its liquid financial assets and would arise from the non-performance by counterparties of contractual financial obligations. The Company limits its exposure to credit risk on liquid assets by maintaining its cash, cash equivalents and environmental reclamation bond with high-credit quality financial institutions. Receivable are minimal at this time and are not considered a material credit risk. Securities held for trading currently include only two quality junior exploration companies, but the securities remain subject to market fluctuations and changing market values.

(iii) Currency risk

While the Company's funds are held in both US and Canadian dollars, its operations are in the United States, Ecuador and Peru. Foreign exchange or currency risk results from multiple currency transactions and the Company's financial statements which are reported in US dollars. The largest risk involves the Company's convertible debentures and the required biannual interest payments which are transacted in Canadian dollars. The Company does not use derivative instruments to reduce its currency risk. Ecuador is a US dollar based economy and accordingly there is limited currency risk.

(iv) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash, cash equivalents and short term investments. Cash has been invested in short-term investments to maintain liquidity and achieve a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of the decrease in the fair value of any banker's acceptance notes, GIC's, money market funds or term deposit included in cash equivalents as they are held with large high-quality credit financial institutions primarily in Canada.

Financial Assets

The following table sets out the movement of the Company's financial asset instruments, which are accounted for as "held for trading" as defined by CICA 3855, Financial Instruments – Recognition and Measurement.

	Securities Held for Trading
At June 30, 2008	\$ 254,075
Change in Fair Value	<u>(127,952)</u>
At March 31, 2009	\$ 126,123

The fair value of securities held for trading is based on the market values of the quoted investments.

The estimated fair value of cash and cash equivalents, environmental bonds and receivables is equal to their carrying values. The exposure of the Company's financial assets to interest rate and currency risk at March 31, 2009 is as follows:

Stated in US Dollars	Canadian Dollar	US Dollar	Peruvian Soles	Total
Floating rate financial assets	\$ 7,602,366	\$ 38,792,359	\$ 623,716	\$ 47,018,441
Fixed rate financial assets	-	-	-	-
Subtotal	7,602,366	38,792,359	623,716	47,018,441
Weighted average effective interest rate	2.60%	0.88%	-	-
Weighted average period for which the rate is fixed in years	-	-	-	-
Equity investments – Joint Venture	2,367,442	6,564,331	19,508,200	28,439,973
Investments	-	25,000	-	25,000
Receivables	96,060	63,073	66,082	225,215
Total	\$ 10,065,868	\$ 45,444,763	\$ 20,197,998	\$ 75,708,629

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Financial Liabilities

The estimated fair value of financial liabilities is equal to their carrying values. The weighted average effective interest rate for the Company's convertible debentures issued in May 2006 was calculated by the fair value method using the Black-Scholes model. The conversion feature of the debentures derives an additional ascribed 3.35% interest rate which when added to the actual stated interest rate of 5.5% equates to a total effective rate of 8.85% as shown below. The exposure of the Company's financial liabilities to interest rate and currency risk at March 31, 2009, is as follows:

Stated in US Dollars	Canadian Dollar	US Dollar	Peruvian Soles	Total
Fixed rate debt – Convertible Debentures	\$ 29,879,446	\$ -	\$ -	\$ 29,879,446
Weighted average effective interest rate	8.85%	-	-	-
Weighted average period for which the rate is fixed in years	3.13	-	-	-
Weighted average period until maturity in years	2.13	-	-	-
Accounts Payable	19,809	1,821,451	132,605	1,973,865
Payable to Equity partner	-	-	-	-
Total	\$ 29,899,255	\$ 1,821,451	\$ 132,605	\$ 31,853,311

14. RELATED PARTY TRANSACTIONS

During the nine-month period ended March 31, 2009, the Company entered into the following transactions with related parties:

- Paid or accrued legal and other fees of \$164,450 rendered by firms in which two directors of the Company are partners or principals (2008-\$151,257). As at March 31, 2009, the amounts payable to these firms totaled \$27,843 (2008 - \$21,460).
- Charged salaries of \$95,733; management fees of \$314,116; and administrative and other exploration costs of \$86,486 for a total of \$496,334 (2008 total for all categories is \$417,544) to Ventura, a related company with common officers and directors, pursuant to administrative and exploration management services agreements. The total amount due from Ventura at March 31, 2009, was \$275,176 (2008 - \$71,277).
- Held 504,923 (2008 – 504,923) common shares of Ventura and 50,000 (2008 – Nil) common shares of Santa Barbara, both companies having common directors with the Company, as described in Notes 5 and 7.

During the three-month period ended March 31, 2009, the Company entered into the following transactions with related parties:

- Paid or accrued legal and other fees of \$74,323 rendered by firms in which two directors of the Company are partners or principals (2008 - \$27,392).
- Charged salaries of \$25,842; management fees of \$32,342 and administrative and other exploration costs of \$16,043 for a total of \$74,226 (2008 total for all categories is \$145,376) to Ventura, a related company with common officers and directors, pursuant to administrative and exploration management services agreements.
- Held 504,923 (2008 – 504,923) common shares of Ventura and 50,000 (2008 – Nil) common shares of Santa Barbara as described in Notes 5 and 7.

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14. RELATED PARTY TRANSACTIONS (cont'd...)

The summary of accounts payable to / from related parties is as follows:

	Period Ended 03/31/09	Period Ended 6/30/08
Amounts payable to related parties for fees	\$ (27,842)	\$ (14,743)
Amounts due from related parties (Ventura)	275,176	139,424
Due (to) from related parties	<u>\$ 247,334</u>	<u>\$ 124,681</u>

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties. The amounts due to related parties are non-interest bearing, with no fixed terms of repayment. The fair value of the amounts due to or from related parties cannot be determined as there are no specific terms of repayment.

15. CONVERTIBLE DEBENTURES

On May 19, 2006, the Company issued and sold pursuant to a public offering Cdn\$40,000,000 principal amount of convertible unsecured subordinated debentures ("Debentures"). The Company paid underwriters' fees of Cdn\$1,600,000 (\$1,428,444) in cash and incurred debenture issuance costs of \$286,448 which have been recorded as deferred finance costs (see Note 10). The Debentures bear interest at an annual rate of 5.50%, payable semi-annually on May 31 and November 30 of each year, commencing November 30, 2006 and mature on May 19, 2012. The Debentures are convertible into common shares of the Company at a conversion price of Cdn\$6.88 per common share.

The Debentures may not be redeemed by the Company prior to May 31, 2009. On or after May 31, 2009 and prior to May 31, 2011, the Debentures may be redeemed by the Company, in whole or in part, at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, provided the market price of the Company's common shares on the Toronto Stock Exchange ("TSX") equals or exceeds 125% of the conversion price for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is given. On or after May 31, 2011, the Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest to the date of redemption. The Company may, at its option and subject to compliance with all legal and regulatory requirements, repay all or a portion of the principal amount of the Debentures on redemption or at maturity, through the issuance of common shares that are freely tradeable in Canada.

Using acceptable pricing models, the Debentures have been segregated based on the respective fair values of their debt and equity components on the date the Debentures were issued. The Debentures were segregated into a debt component of \$30,766,089 and an equity component of \$4,945,008.

The debt component, representing the value allocated to the liability at inception, is recorded as a long-term liability. The remaining component, representing the value ascribed to the holders' option to convert the principal amount into common shares, is classified in shareholders' equity as "equity component of convertible debentures". Over the term of the debt obligation (which is deemed to be five years), the debt component will be accreted to the face value of the Debentures by the recording of additional interest expense.

	March 31, 2009				June 30, 2008			
	Principal Amount	Effect of Foreign Exchange Rate	Unamortized Accreted Amount	Net Carrying Amount	Principal Amount	Effect of Foreign Exchange Rate	Unamortized Accreted Amount	Net Carrying Amount
Convertible Debentures	\$35,711,097	\$ (3,454,503)	(2,377,148)	29,879,446	\$35,711,097	\$ 3,514,069	\$ (3,114,081)	\$36,111,085

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16. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration, development and exploitation of resource properties located in South America. Geographic information is as follows:

	Total Assets	Property and Equipment	Resource Properties	Other Assets
March 31, 2009				
USA	8,381,390	376,489	-	8,004,901
Canada	39,599,309	-	-	39,599,309
Ecuador	76,462,346	265,646	76,031,181	165,519
Peru	32,181,191	-	3,047,504	29,133,687
	\$ 156,624,236	\$ 642,135	\$ 79,078,685	\$ 76,903,416
June 30, 2008				
USA	\$ 4,475,191	\$ 133,317	\$ -	\$ 4,341,874
Canada	58,428,799	-	-	58,428,799
Ecuador	70,490,807	311,136	69,895,023	284,648
Peru	25,605,850	-	2,070,086	23,535,764
	\$ 159,000,647	\$ 444,453	\$ 71,965,109	\$ 86,591,085

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Cash and equivalents in the consolidated statements of cash flows

	March 31, 2009	March 31, 2008
Cash	\$ 8,467,392	\$ 724,323
Equivalents	<u>38,551,049</u>	<u>66,406,246</u>
	\$ 47,018,441	\$ 67,130,569
	March 31, 2009	March 31, 2008
Cash paid during the period for income taxes	\$ -	\$ -
Cash paid during the period for interest	\$ 945,098	\$ 1,075,059

Significant non-cash transactions for the Company for the nine-month period ended March 31, 2009, were as follows:

- Included in investment in the joint venture company are the following: \$14,044 which relates to accounts payable and accrued liabilities; an equity gain on capital contributions of \$3,796,400 and an equity gain in joint venture of \$4,345,185 pertaining to the Pallancata property.
- Included in resource properties are the following amounts: \$42,631 (2008-\$64,506) which relates to amortization of property and equipment; \$1,851,516 which relates to accounts payable and accrued liabilities; and \$15,348 which relates to due to related parties.

Significant non-cash transactions for the Company for the nine-month period ending March 31, 2008, were as follows:

- Included in investment in the joint venture company are the following: \$333,647 which relates to the transfer of costs from resource properties to record the Company's investment in the Pacapausa project; \$628,822 which relates to shares issued as finders fees for the acquisition of Pallancata; and \$2,866,958 for equity gain for Pallancata operations.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

Cash and equivalents in the consolidated statements of cash flows (cont'd...)

- (b) Included in resource properties are the following amounts: \$64,506 which relates to amortization of property and equipment; \$1,164,529 which relates to accounts payable and accrued liabilities; and \$14,142 which relates to due to related parties.
- (c) The Company allocated \$460,623 for stock options exercised during the period and \$473,989 for finders fee shares issued to capital stock from contributed surplus.

18. CONTINGENCY

On June 10, 2008, the Company filed a complaint against UBS Financial Services Inc. ("UBS") of Delaware and certain UBS current or former employees, relating to UBS' misrepresentation and mismanagement of certain investment instruments that were not in compliance with the Company's conservative investment guidelines as provided to UBS by the Company. The investments in question were discontinued in September 2007. This legal action by the Company against UBS has no significant effect on the current financial position or results of operations of the Company as at March 31, 2009. Commercial arbitration procedures are pending to resolve this dispute. The Company seeks in the complaint an amount not less than Cdn\$ 4.1 million (\$3.9 million) in compensatory damages plus consequential and punitive damages. The prospects for any recovery of any amount(s) remain, at this point, uncertain.

19. ECUADOR MINING MANDATE AND NEW MINING LAW

On April 18th, 2008, Ecuador's Constituent Assembly adopted a Mining Mandate. The Mining Mandate invoked an immediate 180-business day suspension of activities on virtually all mining concessions in Ecuador while a new Mining Law was being drafted and adopted. As required in the Mandate, the Company suspended drilling and other exploration operations in Ecuador. An extensive staff reduction occurred in Ecuador in December 2008, which included substantial employee severance payments, as project activity was not expected to begin again before late 2009.

On January 29th, 2009, Ecuador's President approved the new Mining Law. The mining regulations required to complete the new law's legal framework are to be issued by the end of May 2009.

The Company may be further adversely affected by the mining law regulations and other requirements planned by the Government of Ecuador, including the possibility of increased government participation in the mining sector, increased royalties, windfall revenue taxes, and possible expropriation or changes in the way concessions are held. These may adversely affect the investment and may result in the impairment or loss of all or part of the Company's investment in mineral properties and deferred exploration and development. Management has assessed the impact of these developments and does not consider that any impairment has resulted at this time.

20. SHARE BUYBACK PROGRAM

On October 17, 2008, the Company commenced a normal course issuer bid or share repurchase program to purchase through the market on the Toronto Stock Exchange 5.0 million of its common shares ("Shares"), representing 5.21% of the Company's 96,030,001 issued and outstanding Shares, as at October 8, 2008. Following the end of each quarter, all Shares repurchased will be cancelled.

Share repurchases for the second quarter ended December 31, 2008 totaled 2,261,200 shares at an average price of Cdn \$2.16 per share for a total value of Cdn\$4,876,506 (\$3,978,721). These shares were cancelled January 8, 2009. This quarter ended March 31, 2009, total share repurchases were 756,800 shares at an average price of Cdn\$2.88 per share for Cdn\$2,178,132 (\$1,766,247). These shares were cancelled April 3, 2009 (see Subsequent Events – Note 21). Total shares repurchased were 3,018,000 at an average price of Cdn\$2.34 per share or Cdn\$7,054,638 (\$5,744,968).

21. SUBSEQUENT EVENTS

The following events occurred subsequent to the nine-month period ending March 31, 2009:

- a) The 756,800 repurchased shares acquired during the quarter from January 1, 2009 to March 31, 2009 were cancelled as of April 3, 2009 (see Note 20 for detail). Additional repurchased shares from April 1, 2009 through May 15, 2009, totaled 180,000 at an average price of Cdn\$3.18 for a total cost of Cdn\$571,800 (\$464,389). These shares will be cancelled following the end of the fourth quarter (June 30, 2009).