

**INTERNATIONAL NORTHAIR MINES LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013**

**(Unaudited – Prepared by Management)**

**(Expressed in Canadian Dollars)**

**In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the interim consolidated financial statements for the three months ended May 31, 2013.**

# International Northair Mines Ltd.

## Condensed Interim Consolidated Statements of Financial Position

Unaudited – Prepared by Management

As at

(Expressed in Canadian Dollars)

<b>ASSETS</b>	<b>May 31, 2013</b>	<b>February 28, 2013</b>
<b>Current</b>		
Cash	\$ 185,749	\$ 166,347
Short-term deposits	1,737,000	2,537,000
Receivables	80,881	67,975
Due from related parties	49,791	105,850
Short-term investments	1,010	1,516
Prepaid expenses	43,261	42,619
	<b>2,097,692</b>	<b>2,921,307</b>
<b>Non-current assets</b>		
Taxes receivable	484,447	478,333
Property and equipment	929,261	932,285
Exploration and evaluation assets	9,580,708	9,097,143
	<b>\$ 13,092,108</b>	<b>\$ 13,429,068</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 198,720	\$ 240,722
Due to property vendors	491,000	487,300
	<b>689,720</b>	<b>728,022</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	36,938,758	36,938,758
Reserves	3,265,082	2,897,014
Accumulated other comprehensive income	252	758
Deficit	(27,801,704)	(27,135,484)
	<b>12,402,388</b>	<b>12,701,046</b>
	<b>\$ 13,092,108</b>	<b>\$ 13,429,068</b>

**Commitment** (Note 13)

**Subsequent events** (Note 15)

APPROVED ON BEHALF OF THE BOARD ON July 23, 2013:

"F. G. Hewett", Director

"Brian Irwin", Director

# International Northair Mines Ltd.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

	For the three months ended May 31, 2013	For the three months ended May 31, 2012
<b>General and administrative expenses</b>		
Administrative recoveries	\$ (9,707)	\$ (10,032)
Amortization	8,428	5,965
Office, salaries and general	172,199	170,351
Professional fees and consulting	23,488	36,137
Regulatory compliance and transfer agent fees	130	2,472
Shareholder information and investor relations	102,934	96,081
Share based payments	368,068	43,638
<b>Loss before the undernoted</b>	<b>665,540</b>	344,612
Loss (gain) on foreign exchange	3,967	22,739
Interest income and other	(6,283)	(32,887)
Write-off of exploration costs	2,996	24,978
<b>Net loss for the period</b>	<b>666,220</b>	359,442
<b>Other comprehensive loss</b>		
Unrealized loss on available-for-sale investments	506	253
<b>Comprehensive loss for the period</b>	<b>\$ 666,726</b>	\$ 359,695
<b>Loss per share – basic and diluted</b>	<b>\$ 0.01</b>	\$ 0.01
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>91,663,313</b>	69,558,969

- See accompanying notes to the condensed interim consolidated financial statements -

# International Northair Mines Ltd.

## Condensed Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management  
(Expressed in Canadian Dollars)

<b>Cash provided by (used in):</b>	<b>For the three months ended May 31, 2013</b>		<b>For the three months ended May 31, 2012</b>	
<b>Operating activities</b>				
Net loss for the period	\$	(666,220)	\$	(359,442)
Items not affecting cash:				
Amortization		8,428		5,965
Unrealized foreign exchange loss		3,700		-
Gain on sale of short-term investments		-		-
Stock-based compensation		368,068		43,638
Write-off of exploration costs		2,996		24,978
		<u>(283,028)</u>		<u>(284,861)</u>
Changes in non-cash working capital		<u>(11,093)</u>		<u>(89,562)</u>
		<u>(294,121)</u>		<u>(374,423)</u>
<b>Investing activities</b>				
Mineral property costs		(481,073)		(1,074,995)
Purchase of equipment		(5,404)		(35,356)
Due to joint venture partner		-		48,819
		<u>(486,477)</u>		<u>(1,061,532)</u>
<b>Financing activities</b>				
Redeem/purchase short-term deposits		800,000		1,675,000
		<u>800,000</u>		<u>1,675,000</u>
<b>Change in cash</b>				
Cash – beginning of period		19,402		239,045
		<u>166,347</u>		<u>366,034</u>
<b>Cash – end of period</b>	<b>\$</b>	<b>185,749</b>	<b>\$</b>	<b>605,079</b>

Supplemental cash flow information (Note 14)

## International Northair Mines Ltd.

### Condensed Interim Consolidated Statement of Changes in Equity

Unaudited – Prepared by Management

Canadian Funds

	Share Capital (Number of Shares)	Share Capital (Amount)	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
February 29, 2012	69,558,969	\$30,947,101	\$2,237,885	\$ 3,537	\$(24,756,090)	\$8,432,433
Share-based payments	-	-	43,638	-	-	43,638
Other comprehensive loss	-	-	-	(253)	-	(253)
Net loss for the period	-	-	-	-	(359,442)	(359,442)
<b>May 31, 2012</b>	<b>69,558,969</b>	<b>\$ 30,947,101</b>	<b>\$ 2,281,523</b>	<b>\$ 3,284</b>	<b>\$(25,115,532)</b>	<b>\$ 8,116,376</b>
<b>February 28, 2013</b>	<b>91,663,313</b>	<b>\$ 36,938,758</b>	<b>\$ 2,897,014</b>	<b>\$ 758</b>	<b>\$(27,135,484)</b>	<b>\$12,701,046</b>
Share-based payments	-	-	368,068	-	-	368,068
Other comprehensive loss	-	-	-	(506)	-	(506)
Net loss for the period	-	-	-	-	(666,220)	(666,220)
<b>May 31, 2013</b>	<b>91,663,313</b>	<b>\$ 36,938,758</b>	<b>\$ 3,265,082</b>	<b>\$ 252</b>	<b>\$(27,801,704)</b>	<b>\$ 12,402,388</b>

- See accompanying notes to the condensed interim consolidated financial statements -

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

*Unaudited – Prepared by Management  
(Expressed in Canadian Dollars)*

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### 1. Nature of Business

International Northair Mines Ltd. (the “Company” or “Northair”) is incorporated under the laws of the Province of British Columbia, Canada. The Company’s corporate office, registered address and records office is located at 625 Howe Street, Suite 860, Vancouver, British Columbia.

The condensed interim consolidated statements of financial position and statements of comprehensive loss of the Company are presented in Canadian dollars, which is the functional currency of the Company and of its Mexican subsidiary, Grupo Northair de Mexico, S.A. de C.V. (“Grupo Northair”). The Company trades its shares on the TSX Venture Exchange.

The Company is an exploration stage company which is engaged principally in the acquisition and exploration of mineral properties. These financial statements have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. The Company has incurred a deficit of \$27,801,704 at May 31, 2013 and has no current source of revenue. During fiscal 2013 the Company raised capital to meet its working capital requirements for fiscal 2013 and part of 2014. The Company’s continuation as a going concern is dependent on its ability to attain profitable operations and generate funds therefrom and/or raise funds sufficient to meet current and future obligations. There can be no assurances that management’s future plans for the Company will be successful. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

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### 2. Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, these unaudited condensed interim consolidated financial statements do not include all of the information and notes to the financial statements required by IFRS for yearend reporting purposes and should be read in conjunction with the audited annual financial statements of the Company. The accounting policies applied by the Company in these unaudited financial statements are the same as those applied by Northair, as revised, in its most recent annual financial statements.

#### **Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Grupo Northair. All intercompany balances and transactions have been eliminated.

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### 3. Significant accounting policies

#### **New Accounting Pronouncements**

The Company has adopted the following revised standards effective March 1, 2013.

- i. IFRS 9: Financial Instruments to replace IAS 39: Financial Instruments: Recognition and Measurement. The adoption of this standard has no impact on the Company’s condensed interim consolidated financial statements.

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

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### **New Accounting Pronouncements- *Continued***

- ii. IFRS 10: Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard has no impact on the Company's condensed interim consolidated financial statements.
- iii. IFRS 11: Joint Arrangements is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The adoption of this standard has no impact on the Company's condensed interim consolidated financial statements.
- iv. IFRS 12: Disclosure of Interests in Other Entities which combines enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard has no impact on the Company's condensed interim consolidated financial statements.
- v. IFRS 13: Fair Value Measurement which defines fair value, sets out in a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements. The adoption of this standard is prospective and has no material impact on the Company's condensed interim consolidated financial statements.
- vi. IAS 1: Presentation of Financial Statements that require an entity to group items presented in the statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For those items presented before tax, the amendments to IAS 1 also require that the tax related to the two separate groups be presented separately. The adoption of this standard has no impact on the Company's condensed interim consolidated financial statements.

### **Significant accounting estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant assumptions and estimates relate to, but are not limited to, the following:

- The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position;
- Environmental rehabilitation is calculated using available market factors;
- The inputs used in accounting for share-based payment expense which is included in the statement of loss and comprehensive loss. These estimates are derived using the Black-sholes option pricing model or are based on the value of comparable goods and services. Inputs are determined using readily available market data.

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

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### Significant accounting estimates and judgments - Continued

- The recognition of deferred tax assets is determined on whether it is more probable than not that these assets will be recovered.
- The determination of the Company's subsidiary's functional currency.

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### 4. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the components of shareholders' equity.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments, selected with regards to the expected timing of expenditures from continuing operations.

The Company may require additional funding to carry out its exploration and development plans and operations through its current operating period.

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### 5. Financial instruments

#### Categories of financial instruments

	May 31, 2013	February 28, 2013
Financial assets		
FVTPL Assets		
Cash	\$ 185,749	\$ 166,347
Short-term deposits	1,737,000	2,537,000
AFS Assets		
Short-term investments	1,010	1,516
Loans and receivables		
Receivables	80,881	67,975
Due from related parties	49,791	105,850
Taxes receivable	484,447	478,333
	<u>\$ 2,538,878</u>	<u>\$ 3,357,021</u>
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 198,720	\$ 240,722
Due to joint venture	491,000	487,300
	<u>\$ 689,720</u>	<u>\$ 728,022</u>



# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

### *Fair value of financial instruments*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's classifications of financial instruments within the fair value hierarchy are summarized below:

	May 31, 2013	February 28, 2013
Level 1		
Cash	\$ 185,749	\$ 166,347
Short-term deposits	1,737,000	2,537,000
Short-term investments	1,010	1,516
Level 2	-	-
Level 3	-	-
Total	<u>\$ 1,923,759</u>	<u>\$ 2,704,863</u>

The carrying value of receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair value because of the short-term nature of these instruments.

### *Financial Risk Management*

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

#### *a) Currency Risk*

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures that are denominated in US dollars and Mexican pesos. Also, the Company is exposed to the impact of currency fluctuations on its monetary assets and liabilities.

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

May 31, 2013	Cash and short-term deposits	Receivables	Accounts payable and accrued liabilities
US dollar	\$ 151,713	\$ -	\$ 23,735
Mexican peso	25,350	495,798	506,434
	<u>\$ 177,063</u>	<u>\$ 495,798</u>	<u>\$ 530,169</u>

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

### 5. Financial instruments – Continued

February 28, 2013	Cash and short-term deposits	Receivables	Accounts payable and accrued liabilities
US dollar	\$ 154,765	\$ -	\$ 64,897
Mexican peso	6,337	489,790	515,879
	\$ 161,102	\$ 489,790	\$ 580,776

At May 31, 2013 with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by \$14,000.

#### a) Interest Rate and Credit Risk

The Company has cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current practice is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Cash and short-term deposits include deposits which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect annual net loss by \$19,000.

Receivables are primarily amounts due from government agencies and are unsecured and non-interest bearing. Amounts due from related parties are recoveries for administrative services provided to companies with certain officers and directors in common, such amounts are based on time spent, unsecured, non-interest bearing and due on demand. Management believes that the credit risk concentration with respect to receivables is limited.

#### b) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at May 31, 2013, the Company had cash and short term deposit balances of \$1,922,749 (February 28, 2013 - \$2,703,347) to settle current liabilities of \$689,720 (February 28, 2013 - \$728,022).

#### c) Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of gold and silver. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

### 6. Short-term deposits

	May 31, 2013	February 28, 2013
Security deposits held as collateral for corporate credit cards	\$ 32,000	\$ 32,000
Security deposits held as other collateral	5,000	5,000
Guaranteed investment certificates	1,700,000	2,500,000
	\$ 1,737,000	\$ 2,537,000

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

### 7. Short-term investments

	May 31, 2013	February 28, 2013
Marketable securities:		
Holdings in companies related by virtue of common directors/officers	\$ 1,010	\$ 1,516

The Company classifies its short-term investments as available for sale, with revaluation gains and losses recognized in accumulated other comprehensive income. As of May 31, 2013, investments were measured at a fair value of \$1,010, after an unrealized loss of \$506 in the three months ended May 31, 2013.

### 8. Property and equipment

	Office Equipment	Leasehold Improvements	Vehicle	Property	Total
<b>Cost</b>					
Balance, February 29, 2012	\$ 148,291	\$ 23,440	\$66,572	\$-	\$ 238,303
Additions for the year	25,094	-	26,207	835,371	886,672
<b>Balance, February 28, 2013</b>	<b>173,385</b>	<b>23,440</b>	<b>92,779</b>	<b>835,371</b>	<b>1,124,975</b>
<b>Additions</b>	<b>5,404</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,404</b>
<b>Balance, May 31, 2013</b>	<b>178,789</b>	<b>23,440</b>	<b>92,779</b>	<b>835,371</b>	<b>1,130,379</b>
<b>Accumulated Amortization</b>					
Balance, February 29, 2012	111,736	11,287	40,342	-	163,365
Amortization for the year	13,089	3,103	13,133	-	29,325
<b>Balance, February 28, 2013</b>	<b>124,825</b>	<b>14,390</b>	<b>53,475</b>	<b>-</b>	<b>192,690</b>
<b>Additions</b>	<b>3,840</b>	<b>775</b>	<b>3,813</b>	<b>-</b>	<b>8,428</b>
<b>Balance, May 31, 2013</b>	<b>128,665</b>	<b>15,165</b>	<b>57,288</b>	<b>-</b>	<b>201,118</b>
<b>Carrying amounts</b>					
<b>February 28, 2013</b>	<b>\$ 48,560</b>	<b>\$ 9,050</b>	<b>\$ 39,304</b>	<b>\$ 835,371</b>	<b>\$ 932,285</b>
<b>May 31, 2013</b>	<b>\$ 50,124</b>	<b>\$ 8,275</b>	<b>\$ 35,491</b>	<b>\$ 835,371</b>	<b>\$ 929,261</b>

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

### 9. Exploration and evaluation assets

	Parral 1	La Cigarra, Mexico	El Reventon, Mexico	Sierra Rosario and Other	Total
February 29, 2012	\$ -	\$3,585,699	\$912,603	\$39,897	\$4,538,199
Acquisition and tenure	273,895	107,418	19,015	29,142	429,470
Camp and general	1,859	204,963	-	162,885	369,707
Drilling and data collection	183,348	2,385,291	-	353,370	2,922,009
Field work and travel	39,164	239,435	-	57,088	335,687
Salaries and consulting	54,117	815,523	519	82,307	952,466
Contributions from joint-venture partner	-	-	-	(289,497)	(289,497)
Write-offs	-	-	-	(160,898)	(160,898)
<b>February 28, 2013</b>	<b>552,383</b>	<b>7,338,329</b>	<b>932,137</b>	<b>274,294</b>	<b>9,097,143</b>
Acquisition and tenure	-	19,465	1,555	-	21,020
Camp and general	-	50,322	-	3,493	53,815
Drilling and data collection	40,669	14,492	-	-	55,161
Field work and travel	3,485	18,471	-	-	21,956
Salaries and consulting	56,769	277,840	-	-	334,609
Write-offs	-	-	-	(2,996)	(2,996)
<b>May 31, 2013</b>	<b>\$653,306</b>	<b>\$7,718,919</b>	<b>\$933,692</b>	<b>\$274,791</b>	<b>\$9,580,708</b>

#### *La Cigarra, Mexico*

During fiscal 2010, the Company entered into an option agreement, through its wholly owned subsidiary Grupo Northair to acquire a 100% interest in the La Cigarra Project located in the State of Chihuahua, Mexico.

Grupo Northair can acquire a 100% ownership in the concessions by making payments over a five year period totalling US\$445,000 (US\$95,000 paid). The Company also has an agreement to allow drilling to be conducted on land controlled by a local Ejido. During fiscal 2012, the Company expanded the project to include the La Borracha concession at a cost of US\$35,000.

#### *Parral 1, Mexico*

During the year ended February 28, 2013, the Company executed an agreement to acquire up to a 70% interest in a land position in the area of its La Cigarra Project (Parral 1). Under the terms of the agreement the Company can acquire its interest by the payment of US\$525,000 (\$100,000 paid), the issuance of 1,500,000 shares of the Company (200,000 issued with a fair value of \$54,000) and the spending of US\$2,000,000 in exploration over a four year period. In addition, the Company has agreed to subscribe for 1,000,000 common shares in the vending company at a price of \$0.25 per share. As at May 31, 2013, the Company had subscribed for 400,000 shares at a value of \$100,000 and has recorded the share purchase as an acquisition cost.

The Company also reached an agreement to acquire surface rights to land adjoining and overlying the La Cigarra Project at a cost of US\$825,000 (US\$350,000 paid) with the remaining US \$475,000 accrued as due to property vendors. Subsequent to May 31, 2013, the Company completed the acquisition of the surface rights

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

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### 9. Exploration and evaluation assets - *Continued*

by the payment of the remaining US\$475,000. In addition, a US\$200,000 amount will be payable should the Company announce development of a mine on the La Cigarra Project. These rights are capitalized to property and equipment.

#### *El Reventon, Mexico*

The El Reventon project in Durango, Mexico was acquired by staking a 100% interest in certain claims and by entering into, on July 2006, an option agreement for an additional concession. Under the terms of the option agreement, the Company would earn a 100% interest in the optioned concession by making payments totalling US\$151,000 (paid) over a seventy-seven month period expiring no later than December 27, 2012.

During the year ended February 28, 2013, the Company entered into an agreement whereby it has granted Focus Ventures Ltd. (“Focus”) the option to acquire a 65% interest in its’ El Reventon Silver Project located in the state of Durango, Mexico. Under the terms of the agreement, Focus can earn its interest by the payment of US\$235,000 (US\$10,000 received) to the Company over 24 months, incurring US\$2,000,000 of exploration expenditures on the property over a three year period and the maintenance of the underlying option agreement and costs. Focus can earn an additional 15% by preparing a feasibility study and the payment of \$100,000 to the Company.

#### *Sierra Rosario, Mexico*

During the year ended February 29 2012, the Company executed an agreement with Sparton Resources Inc. (“Sparton”) and American Consolidated Metals Corp. (“American Consolidated”) to facilitate the acquisition by American Consolidated of Sparton’s 50% interest in the Sierra Rosario Property located in the state of Sinaloa, Mexico. Sparton held a 51% interest in Sierra Rosario under a Joint Venture Agreement with Northair. In consideration for Northair waving its right of first refusal to match the American Consolidated offer, Sparton transferred a 1% interest and operatorship in the Sierra Rosario Property to Northair concurrently with the completion of the first payment and share issuance from American Consolidated to Sparton under their agreement.

#### *Brandywine, Canada*

The Company maintains the Brandywine claim near Whistler, B.C. The nine unit claim is in good standing until August 3, 2015.

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### 10. Share Capital and Reserves

Authorized - Unlimited number of common shares without par value

Shares Issued

- a) During the year ended February 28, 2013, the Company completed a 21,784,344 unit non-brokered private placement at a price of \$0.28 per unit for gross proceeds of \$6,099,616. Each unit consisted of one share and one half share purchase warrant. Each full warrant shall enable the holder to purchase a share in the Company at a price of \$0.40 for a period of eighteen months. The warrants are subject to an accelerated exercise provision if the shares of Northair trade at or above \$0.85 for 10 or more consecutive days. Finders’ fees consisting of \$117,216 and 347,200 Finders’ Warrants were payable on a portion of the financings. The Finders’ Warrants have the same terms and conditions as the warrants forming the units of the financings and were valued at \$53,285 based on the Black Scholes model using the following assumptions:

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

### 10. Share Capital and Reserves - Continued

Risk-free interest rate	.99%
Expected dividend yield	Nil
Expected stock price volatility	142%
Expected life (in years)	1.5

The Company also paid \$31,057 share issuance costs associated with the private placement.

#### 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 13,839,793 options to directors, officers, employees or consultants. The vesting period of options outstanding range from the grant date to one year and expire 5 years from the grant date.

#### a) Movements in share options during the year

The changes in share options were as follows:

	Options outstanding	Weighted Average exercise price
Balance, February 29, 2012	3,240,000	\$0.45
Granted	3,920,000	\$0.30
Exercised	(120,000)	\$0.21
Forfeited/Expired	(40,000)	\$0.24
<b>Balance, February 28, 2013</b>	<b>7,000,000</b>	<b>\$0.37</b>
Granted	2,805,000	\$0.22
Exercised	-	-
Forfeited/Expired	-	-
Balance, May 31, 2013	9,805,000	\$0.33

#### b) Fair value of share options granted

During the three months ended May 31, 2013 the Company granted options to directors, officers and employees to purchase up to 2,805,000 common shares of the Company at a weighted average exercise price of \$0.22 per share. The estimated fair value of the stock options granted during the three months ended May 31, 2013 was \$453,653 using the Black Scholes option pricing model.

The Company has used the following assumptions in its option pricing model:

	Three months ended May 31, 2013	Three months ended May 31, 2012
Risk-free interest rate	1.1%	0.99 - 2.34%
Expected dividend yield	Nil	Nil
Expected stock price volatility	127%	112% - 234%
Expected life (in years)	3.0	3.0 - 3.5
Expected forfeiture rate	7%	0%

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

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### 10. Share Capital and Reserves – Continued

During the three months ended May 31, 2013 a total value of \$368,068 (2012 - \$43,638) has been recorded to reserves and to share-based payments. The portion of share-based payments recorded is based on the vesting schedule of the options.

#### c) Share options outstanding

A summary of the Company's options outstanding as at May 31, 2013 is as follows:

Options outstanding	Options exercisable	Price per share	Remaining contractual life (years)	Expiry date
80,000	80,000	\$0.15	0.04	*June 13, 2013
280,000	280,000	\$0.15	0.67	February 9, 2014
15,000	15,000	\$0.15	1.42	October 30, 2014
150,000	150,000	\$0.15	1.75	March 11, 2015
150,000	150,000	\$0.15	1.92	April 21, 2015
1,150,000	1,150,000	\$0.71	2.00	May 19, 2016
750,000	750,000	\$0.495	2.20	July 18, 2016
50,000	50,000	\$0.305	2.30	Sept. 20, 2016
175,000	175,000	\$0.25	2.30	Sept. 28, 2016
280,000	280,000	\$0.24	2.45	Dec. 15, 2016
2,765,000	2,451,667	\$0.28	2.95	June 13, 2017
530,000	250,000	\$0.29	3.63	January 10, 2018
625,000	625,000	\$0.40	0.58	December 28, 2013
2,805,000	1,600,000	\$0.22	4.75	March 4, 2018
9,805,000	8,006,667			

\*Subsequent to May 31, 2013, 75,000 shares exercisable at a price of \$0.15 per share were exercised and 5,000 expired unexercised.

The weighted average exercise price of the options exercisable at May 31, 2013 is \$0.35.

#### Warrants

#### a) Movements in warrants during the year

The changes in share warrants were as follows:

	Warrants outstanding	Weighted average exercise price
Balance, February 29, 2012	9,398,166	\$0.50
Issued	11,239,372	\$0.40
Exercised/Expired	(9,398,166)	\$0.50
<b>Balance, May 31, 2013 and February 28, 2013</b>	<b>11,239,372</b>	<b>\$0.40</b>

#### b) Warrants outstanding

A summary of the Company's warrants outstanding as at May 31, 2013 is as follows:

Number	Exercise price	Expiry Date
11,239,372	\$0.40	December 28, 2013

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

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### 10. Share Capital and Reserves – Continued

#### c) Shareholder Rights Plan

The Company's board of directors approved the adoption of a Shareholder Rights Plan (the "Rights Plan"). Shareholder approval of the Rights Plan was obtained at the Company's annual general meeting of shareholders held on August 16, 2011. The Rights Plan has an initial term which expires at the annual general meeting of shareholders of the Company to be held in 2014, unless terminated earlier. The Rights Plan may be extended beyond 2014 by resolution of shareholders at such meeting. Under the terms of the Rights Plan, should a transaction or event occur, holders will be entitled to acquire common shares at a 50% discount to the market price. Certain persons or groups may be exempt from the dilutive effects of the Rights Plan. The Rights Plan has received the approval of the TSX Venture Exchange.

### 11. Related party transactions

Balances and transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

#### a) Related party transactions

Certain companies which have an officer and/or director in common or which have a partner who is an officer of the Company render services or are charged for certain services as follows:

	Nature of transactions
New Dimension Resources Ltd.	Administrative and salary recoveries
Mercator Minerals Ltd. (formerly Creston Moly Corp.)	Administrative recoveries
North Arrow Minerals Inc.	Administrative and salary recoveries
Troon Ventures Ltd.	Administrative recoveries

The Company incurred the following transactions in the normal course of operations in connection with companies which have an officer and/or director in common or with a company in which an officer of the Company is a partner.

	For the three months ended May 31, 2013	For the three months ended May 31, 2012
Administrative recoveries	\$ (7,883)	\$ (10,032)
Salary recoveries	(i) \$ (54,023)	\$ (113,643)

(i) The Company recovered salaries from companies with certain officers and directors in common. These amounts have been recorded against office, salaries and general expense.

#### b) Compensation of key management personnel

	For the three months ended May 31, 2013	For the three months ended May 31, 2012
Management fees, directors' fees, salaries	104,375	90,800
Stock-based compensation	(i) 278,880	10,064

(i) Stock-based compensation represents the expense for the three months ended May 31, 2013 and 2012.



# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

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### 11. Related party transactions - Continued

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months ended May 31, 2013 and 2011.

#### c) *Employment contract*

During the prior year, the Company entered into an employment agreements with certain senior employees and officers requiring minimum annual payments totalling \$495,500. In addition, the agreements contain clauses which could provide for payments to be made to these employees or officers upon the conclusion of a change in control or similar transaction. On the event of such a transaction the Company could become liable for the payment of either \$875,000 before January 1, 2014 or \$1,181,000 thereafter.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by all the related parties. Amounts due from related parties are unsecured, non-interest bearing and due on demand.

### 12. Segmented information

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

Total Assets	May 31, 2013	February 28, 2013
Canada	\$ 2,043,871	\$ 2,742,984
Mexico	11,048,237	10,686,084
Total	\$ 13,092,108	\$ 13,429,068

  

Total Non-current Assets	May 31, 2013	February 28, 2013
Canada	\$ 50,955	\$ 49,029
Mexico	10,943,461	10,458,732
Total	\$ 10,994,416	\$ 10,507,761

  

Net Loss (Income)	Three Months May 31, 2013	Three Months May 31, 2012
Canada	\$ 636,342	\$ 316,411
Mexico	29,878	43,031
Total	\$ 666,220	\$ 359,442

### 13. Commitment

As at May 31, 2013, the commitment for rental of the Company's office space is as follows:

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three month period ended May 31, 2013

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### 13. Commitment - Continued

Year ending		
February 28, 2014	\$	202,328
February 28, 2015	\$	269,771
February 29, 2016	\$	247,290

The rental cost includes the basic monthly rent as well as a proportionate share of the building's operating costs and property taxes. The Company has sub-lease agreements which allow it to recover a portion of the minimum annual rental commitments.

### 14. Supplemental cash flow information

	For the three months ended May 31, 2013	For the three months ended, May 31, 2012
<b>Changes in non-cash working capital:</b>		
<i>(Increase) decrease in:</i>		
Receivables	\$ (12,906)	\$ 76,251
Taxes receivable	(6,114)	(85,361)
Due from related parties	56,059	(27,491)
Prepaid expenses	(642)	306
<i>(Decrease) increase in:</i>		
Accounts payable and accrued liabilities	(47,490)	(53,267)
	<u>\$ (11,093)</u>	<u>\$ (89,562)</u>
<b>Schedule of non-cash investing and financing transactions:</b>		
Fair value of broker warrants issued	\$ -	\$ -
Change in resource property costs included in accounts payable	\$ 5,488	\$ 255,806
Fair value of warrants exercised	\$ -	\$ -
Unrealized loss on marketable securities	\$ 506	\$ 253
<b>Supplementary disclosure of cash flow information:</b>		
Cash paid for interest	\$ Nil	\$ Nil
Cash paid for income taxes	\$ Nil	\$ Nil

### 15. Subsequent Events

Subsequent to May 31, 2013:

- The Company completed two non-brokered private placements for gross proceeds of \$1,859,315. Under the terms of one of the placements Coeur Mining, Inc. purchased 9,600,000 shares at a price of \$0.14 and cancelled all warrants it held under a previous private placement. Under the term of the second placement, subscribers purchased units at a price of \$0.145 per unit. Each unit consisted of one share and one half share

# **International Northair Mines Ltd.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three month period ended May 31, 2013**

*Unaudited – Prepared by Management  
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### **15. Subsequent Events - Continued**

purchase warrant. Each full warrant entitles the holder to purchase a share in the Company at a price of \$0.25 to July 22, 2015. Cash finders' fees of \$39,950 were payable on a portion of the financings.

- b) The Company entered into an agreement with a related party for planning and advisory services at a fee of \$8,000 per month. Under the terms of the agreement the contract may be cancelled with 60 days written notice.