

**INTERNATIONAL NORTHAIR MINES LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 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 six months ended August 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>August 31, 2013</b>	<b>February 28, 2013</b>
<b>Current</b>		
Cash	\$ 359,762	\$ 166,347
Short-term deposits	1,837,000	2,537,000
Receivables	92,399	67,975
Due from related parties	38,451	105,850
Short-term investments	758	1,516
Prepaid expenses	49,184	42,619
	<b>2,377,554</b>	<b>2,921,307</b>
<b>Non-current assets</b>		
Taxes receivable	482,366	478,333
Property and equipment	922,315	932,285
Exploration and evaluation assets	10,197,436	9,097,143
	<b>\$ 13,979,671</b>	<b>\$ 13,429,068</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 187,018	\$ 240,722
Due to property vendors	-	487,300
	<b>187,018</b>	<b>728,022</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	38,695,556	36,938,758
Reserves	3,355,027	2,897,014
Accumulated other comprehensive income	-	758
Deficit	(28,257,930)	(27,135,484)
	<b>13,792,653</b>	<b>12,701,046</b>
	<b>\$ 13,979,671</b>	<b>\$ 13,429,068</b>

### Commitment (Note 13)

APPROVED ON BEHALF OF THE BOARD ON October 28, 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 August 31, 2013	For the three months ended August 31, 2012	For the six months ended August 31, 2013	For the six months ended August 31, 2012
<b>General and administrative expenses</b>				
Administrative recoveries	\$ (6,840)	\$ (10,068)	\$ (16,547)	\$ (20,100)
Amortization	8,450	7,214	16,878	13,179
Office, salaries and general	166,176	147,089	338,375	317,440
Professional fees and consulting	102,907	94,297	126,395	130,434
Regulatory compliance and transfer agent fees	3,423	9,637	3,553	12,109
Shareholder information and investor relations	68,290	122,968	171,224	219,049
Share based payments	96,170	298,867	464,238	342,505
<b>Loss before the undernoted</b>	<b>438,576</b>	<b>670,004</b>	<b>1,104,116</b>	<b>1,014,616</b>
Loss (gain) on foreign exchange	(1,817)	11,792	2,150	34,531
Interest income and other	(4,545)	(23,776)	(10,828)	(56,663)
Write-off of exploration costs	24,012	73,980	27,008	98,958
<b>Net loss for the period</b>	<b>456,226</b>	<b>732,000</b>	<b>1,122,446</b>	<b>1,091,442</b>
<b>Other comprehensive loss</b>				
Unrealized loss on investments	252	1,516	758	1,769
<b>Comprehensive loss for the period</b>	<b>\$ 456,478</b>	<b>\$ 733,516</b>	<b>\$ 1,123,204</b>	<b>\$ 1,093,211</b>
<b>Loss per share – basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>97,446,800</b>	<b>84,713,022</b>	<b>94,555,056</b>	<b>77,177,537</b>

- 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)

	For the six month ended August 31, 2013		For the six months ended August 31, 2012	
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Net loss for the period	\$	(1,122,446)	\$	(1,091,442)
Items not affecting cash:				
Amortization		16,878		13,179
Stock-based compensation		464,238		342,505
Write-off of exploration costs		27,008		98,958
		(614,322)		(636,800)
Changes in non-cash working capital		(9,455)		(355,401)
		(623,777)		(992,201)
<b>Investing activities</b>				
Mineral property costs		(1,139,173)		(2,771,301)
Purchase of equipment		(6,908)		(391,196)
Due to property vendors		(487,300)		-
Due to joint venture partner		-		(94,814)
		(1,633,381)		(3,257,311)
<b>Financing activities</b>				
Redeem/purchase short-term deposits		700,000		(1,775,000)
Shares issued for private placement		1,859,315		6,099,616
Shares issued pursuant to stock options		11,250		-
Cash issuance costs		(119,992)		(148,273)
		2,450,573		4,176,343
<b>Change in cash</b>		193,415		(73,169)
Cash ó beginning of period		166,347		366,034
<b>Cash ó end of period</b>	\$	359,762	\$	292,865

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	-	-	342,505	-	-	342,505
Other comprehensive loss	-	-	-	(1,769)	-	(1,769)
Units issued for cash	21,784,344	6,099,616	-	-	-	6,099,616
Brokers warrants issued as Finder's Fee	-	(92,907)	92,907	-	-	-
Share issuance costs of cash	-	(148,273)	-	-	-	(148,273)
Net loss for the period	-	-	-	-	(1,091,442)	(1,091,442)
<b>August 31, 2012</b>	<b>91,343,313</b>	<b>\$ 36,805,537</b>	<b>\$ 2,673,297</b>	<b>\$ 1,768</b>	<b>\$(25,847,532)</b>	<b>\$ 13,633,070</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	-	-	464,238	-	-	464,238
Other comprehensive loss	-	-	-	(758)	-	(758)
Shares issued for cash	9,600,000	1,344,000	-	-	-	1,344,000
Units issued for cash	3,553,896	515,315	-	-	-	515,315
Options exercised	75,000	11,250	-	-	-	11,250
Fair value of options exercised	-	6,225	(6,225)	-	-	-
Share issuance costs	-	(119,992)	-	-	-	(119,992)
Net loss for the period	-	-	-	-	(1,122,446)	(1,122,446)
<b>August 31, 2013</b>	<b>104,892,209</b>	<b>\$ 38,695,556</b>	<b>\$ 3,355,027</b>	<b>\$ -</b>	<b>\$( 28,257,930)</b>	<b>\$13,792,653</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 six month period ended August 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 \$28,257,930 at August 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 using accounting policies consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The 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 are intended to provide users with an update in relation to events that are significant to an understanding of the changes in financial position and performance since the end of the last annual reporting period. It is recommended that these financial statements be read in conjunction with the most recent audited annual financial statements of the Company. The accounting policies applied by the Company in these unaudited condensed interim financial statements are consistent with those applied by Northair in its most recent annual financial statements, with the exception of certain amendments to accounting standards which were applicable from January 1, 2013. These amendments did not have a significant impact on the Company's unaudited financial statements.

The Company's interim results are not necessarily indicative of its results for a full year.

#### 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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# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six month period ended August 31, 2013

*Unaudited – Prepared by Management*

*(Expressed in Canadian Dollars)*

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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.
- 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, assumptions 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.

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six month period ended August 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

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### Significant accounting estimates and judgments - Continued

The most significant accounts that require estimates as the basis for determining the stated amounts include the exploration and evaluation assets, the valuation of share based payments and the valuation of deferred tax amounts.

Significant assumptions and critical judgements exercised in applying accounting policies 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;
  - The application of 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-Scholes option pricing model or are based on the value of comparable goods and services. Inputs are determined using readily available market data.
  - 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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# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six month period ended August 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

### 5. Financial instruments

#### *Categories of financial instruments*

	August 31, 2013	February 28, 2013
<b>Financial assets</b>		
FVTPL Assets		
Cash	\$ 359,762	\$ 166,347
Short-term deposits	1,837,000	2,537,000
AFS Assets		
Short-term investments	758	1,516
Loans and receivables		
Receivables	92,399	67,975
Due from related parties	38,451	105,850
Taxes receivable	482,366	478,333
	<u>\$ 2,810,736</u>	<u>\$ 3,357,021</u>
<b>Financial liabilities</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 187,018	\$ 240,722
Due to joint venture	-	487,300
	<u>\$ 187,018</u>	<u>\$ 728,022</u>

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

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six month period ended August 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

### 5. Financial instruments- *Continued*

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

	August 31, 2013	February 28, 2013
Level 1		
Cash	\$ 359,762	\$ 166,347
Short-term deposits	1,837,000	2,537,000
Short-term investments	758	1,516
Level 2	-	-
Level 3	-	-
Total	<u>\$ 2,197,520</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:

August 31, 2013	Cash and short-term deposits		Receivables	Accounts payable and accrued liabilities	
US dollar	\$	147,395	\$ -	\$	29,946
Mexican peso		69,259	496,419		26,696
	\$	<b>216,654</b>	\$ <b>496,419</b>	\$	<b>56,642</b>

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

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six month period ended August 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

### 5. Financial instruments – Continued

At August 31, 2013 with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by \$65,600.

#### 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 \$22,000.

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 August 31, 2013, the Company had cash and short term deposit balances of \$2,196,762 (February 28, 2013 - \$2,703,347) to settle current liabilities of \$187,018 (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

	August 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	1,800,000	2,500,000
	<b>\$ 1,837,000</b>	<b>\$ 2,537,000</b>

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six month period ended August 31, 2013

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

### 7. Short-term investments

	August 31, 2013	February 28, 2013
Marketable securities:		
Holdings in companies related by virtue of common directors/officers	\$ 758	\$ 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 August 31, 2013, investments were measured at a fair value of \$758, after an unrealized loss of \$758 in the six months ended August 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
Balance, February 28, 2013	173,385	23,440	92,779	835,371	1,124,975
<b>Additions</b>	<b>6,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,908</b>
<b>Balance, August 31, 2013</b>	<b>180,293</b>	<b>23,440</b>	<b>92,779</b>	<b>835,371</b>	<b>1,131,883</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
Balance, February 28, 2013	124,825	14,390	53,475	-	192,690
<b>Additions</b>	<b>7,701</b>	<b>1,550</b>	<b>7,627</b>	<b>-</b>	<b>16,878</b>
<b>Balance, August 31, 2013</b>	<b>132,526</b>	<b>15,940</b>	<b>61,102</b>	<b>-</b>	<b>209,568</b>
<b>Carrying amounts</b>					
February 28, 2013	\$ 48,560	\$ 9,050	\$ 39,304	\$ 835,371	\$ 932,285
<b>August 31, 2013</b>	<b>\$ 47,767</b>	<b>\$ 7,500</b>	<b>\$ 31,677</b>	<b>\$ 835,371</b>	<b>\$ 922,315</b>

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six month period ended August 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)
February 28, 2013	552,383	7,338,329	932,137	274,294	9,097,143
Acquisition and tenure	171,045	117,171	83	6,568	294,867
Camp and general	26,163	68,437	-	27,670	122,270
Drilling and data collection	70,711	38,587	-	-	109,298
Field work and travel	3,622	31,536	518	-	35,676
Salaries and consulting	98,978	462,759	3,175	278	565,190
Write-offs	-	-	-	(27,008)	(27,008)
<b>August 31, 2013</b>	<b>\$922,902</b>	<b>\$8,056,819</b>	<b>\$935,913</b>	<b>\$281,802</b>	<b>\$10,197,436</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\$145,000 paid). During fiscal 2012, the Company expanded the project to include the La Borracha concession at a cost of US\$35,000. The Company also has an agreement with a local Ejido to allow access and conduct exploration on the Ejido's land and reserves a 471 hectare portion of the land for future construction, mining and processing.

#### *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 (\$175,000 paid, which includes US\$75,000 paid subsequent to August 31, 2013), the issuance of 1,500,000 shares of the Company (450,000 issued, which includes 250,000 issued subsequent to August 31, 2013) and the spending of US\$2,000,000 in exploration over a four year period. In addition, the Company has subscribed for 1,000,000 common shares in the vending company at a price of \$0.25 per share and has recorded the share purchase as an acquisition cost.

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six month period ended August 31, 2013

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### 9. Exploration and evaluation assets- Continued

The Company also acquired surface rights to land adjoining and overlying the La Cigarra Project at a cost of US\$825,000 (paid). 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 granted Focus Ventures Ltd. (Focus) the option to acquire up to 80% 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. Subsequent to August 31, 2013, Focus terminated its option agreement with 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 six months ended August 31, 2013, the Company completed a non-brokered private placement consisting of 9,600,000 shares at a price of \$0.14 per share and a second non-brokered private placement consisting of 3,553,896 units at a price of \$0.145 per unit for gross proceeds of \$1,859,315. Under the terms of the second private placement 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 \$0.25 per share for a period of two years. In connection with completing the 9,600,000 share financing, 5,375,000 share purchase warrants were cancelled. Finders' fees and costs totalling \$119,992 were payable in conjunction with the financing.

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

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Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

### 10. Share Capital and Reserves- continued

Shares Issued- continued

- b) 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. Findersø fees consisting of \$117,216 and 347,200 Findersø Warrants were payable on a portion of the financings. 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 18,332,662 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 period

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	3,030,000	\$0.22
Exercised	(75,000)	(0.15)
Expired	(5,000)	(0.15)
Balance, August 31, 2013	9,950,000	\$0.33

- b) Fair value of share options granted

During the six months ended August 31, 2013 the Company granted options to directors, officers and employees to purchase up to 3,030,000 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 six months ended August 31, 2013 was \$474,280 using the Black Scholes option pricing model.

# International Northair Mines Ltd.

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### 10. Share Capital and Reserves- continued

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

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

	Six months ended August 31, 2013	Six months ended August 31, 2012
Risk-free interest rate	1.1%	0.99- 2.34%
Expected dividend yield	Nil	Nil
Expected stock price volatility	112% - 127%	97% - 234%
Expected life (in years)	2.0 - 3.0	3.0 - 3.5
Expected forfeiture rate	0 - 7%	0 - 7%

During the six months ended August 31, 2013 a total value of \$464,238 (2012 - \$342,505) 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 August 31, 2013 is as follows:

Options outstanding	Options exercisable	Price per share	Remaining contractual life (years)	Expiry date
280,000	280,000	\$0.15	0.42	February 9, 2014
15,000	15,000	\$0.15	1.17	October 30, 2014
150,000	150,000	\$0.15	1.50	March 11, 2015
150,000	150,000	\$0.15	1.67	April 21, 2015
1,150,000	1,150,000	\$0.71	1.75	May 19, 2016
750,000	750,000	\$0.495	1.95	July 18, 2016
50,000	50,000	\$0.305	2.05	Sept. 20, 2016
175,000	175,000	\$0.25	2.05	Sept. 28, 2016
280,000	280,000	\$0.24	2.20	Dec. 15, 2016
2,765,000	2,765,000	\$0.28	2.70	June 13, 2017
530,000	250,000	\$0.29	3.38	January 10, 2018
625,000	625,000	\$0.40	0.33	December 28, 2013
2,805,000	2,001,666	\$0.22	4.50	March 4, 2018
225,000	225,000	\$0.25	1.92	July 24, 2015
9,950,000	8,866,666			

The weighted average exercise price of the options exercisable at August 31, 2013 is \$0.21.



# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six month period ended August 31, 2013

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### 10. Share Capital and Reserves *6 Continued*

#### Warrants

- a) Movements in warrants during the period

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
Balance, February 28, 2013	11,239,372	\$0.40
<b>Issued</b>	<b>1,776,947</b>	<b>\$0.25</b>
<b>Cancelled</b>	<b>(5,375,000)</b>	<b>\$0.40</b>
<b>Balance, August 31, 2013</b>	<b>7,641,319</b>	<b>\$0.37</b>

- b) Warrants outstanding

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

Number	Exercise price	Expiry Date
5,864,372	\$0.40	December 28, 2013
1,776,947	\$0.25	July 22, 2015
7,641,319		

- 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.

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 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*

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.

		<b>For the six months ended August 31, 2013</b>		For the six months ended August 31, 2012
Administrative recoveries	\$	<b>(12,973)</b>	\$	(17,254)
Consulting fees	\$	<b>54,488</b>	\$	72,202
Financing costs	\$	<b>69,511</b>	\$	-
Salary recoveries	<b>(i)</b> \$	<b>(100,729)</b>	\$	(107,369)

(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*

		<b>For the six months ended August 31, 2013</b>		For the six months ended August 31, 2012
Management fees, directors' fees, salaries		<b>192,750</b>		181,600
Stock-based compensation	<b>(i)</b>	<b>304,968</b>		243,132

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

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

#### c) *Employment contract*

During the prior year, the Company entered into 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.

d) During the period the Company entered into agreements with Condire Investors LLC. (Condire), a party related by a director, under which the Company paid Condire \$38,711 for planning and advisory services for a period of six months, a due diligence fee of \$15,777, financing costs of \$69,511 and issued 225,000 stock options.

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.

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six month period ended August 31, 2013

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### 12. Segmented information

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

Total Non-current Assets	August 31, 2013	February 28, 2013
Canada	\$ 47,373	\$ 49,029
Mexico	11,554,744	10,458,732
Total	\$ 11,602,117	\$ 10,507,761

Net Loss (Income)	Six Months August 31, 2013	Six Months August 31, 2012
Canada	\$ 1,071,976	\$ 964,213
Mexico	50,470	127,229
Total	\$ 1,122,446	\$ 1,091,442

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### 13. Commitment

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

Year ending	
February 28, 2014	\$ 134,885
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.

# International Northair Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 14. Supplemental cash flow information

	For the six months ended August 31, 2013	For the six months ended, August 31, 2012
<b>Changes in non-cash working capital:</b>		
<i>(Increase) decrease in:</i>		
Receivables	\$ (24,424)	\$ 24,451
Taxes receivable	(4,033)	(316,671)
Due from related parties	67,399	(46,974)
Prepaid expenses	(6,565)	(36,210)
<i>(Decrease) increase in:</i>		
Accounts payable and accrued liabilities	(41,832)	20,003
	\$ (9,455)	\$ (355,401)

	For the six months ended August 31, 2013	For the six months ended, August 31, 2012
<b>Schedule of non-cash investing and financing transactions:</b>		
Fair value of options exercised	\$ 6,225	\$ -
Change in resource property costs included in accounts payable	\$ 11,872	\$ 104,102
Fair value of broker warrants exercised	\$ -	\$ 92,907

	For the six months ended August 31, 2013	For the six months ended, August 31, 2012
<b>Supplementary disclosure of cash flow information:</b>		
Cash paid for interest	\$ Nil	\$ Nil
Cash paid for income taxes	\$ Nil	\$ Nil