

**International Northair Mines Ltd.**

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**MANAGEMENT DISCUSSION AND ANALYSIS**

**November 30, 2013**

**Contact Person:**

**Contact's Position**

**Contact's Telephone Number**

**Date of the Report:**

**E-Mail Address:**

**Website:**

**Fred Hewett**

**President & C.E.O.**

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**January 22, 2014**

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**Form 51-102F1**  
**Management Discussion and Analysis**  
**For**  
**International Northair Mines Ltd.**  
**(“Northair” or the “Company”)**

The following management discussion and analysis (the “MD&A”) of the Company has been prepared as of January 22, 2014 and is intended to supplement and complement the Company’s condensed interim consolidated financial statements for the nine months ended November 30, 2013. All financial information has been prepared in accordance with International Financial Reporting Standards and all amounts disclosed are Canadian dollars unless otherwise stated.

**Nature of Business**

Northair is a mineral exploration company actively engaged in the acquisition, exploration and development of strategic mineral properties throughout North America with a particular focus in Mexico. The Company is listed on the TSX Venture Exchange (“TSXV”) and trades under the symbol “INM”. In Mexico, exploration is conducted by its wholly owned subsidiary, Grupo Northair de Mexico, S.A. de C.V. (“Grupo Northair”).

**Highlights for the nine months ended November 30, 2013**

- The Company reported that surface exploration, on the largely unexplored southern 3.5 kilometre portion of the La Cigarra system that lies on trend and immediately south of the Las Carolinas Zone, has led to the discovery of three (3) new zones. Northair refers to these zones as Las Venadas, La Soledad and Las Chinas. Each zone hosts a cluster of historic mine workings evenly spaced along the north-south trending 6 kilometre mineralized system and exhibits geological similarities to the three (3) main La Cigarra showings to the north (La Borracha, San Gregorio and Las Carolinas). Surface sampling within these new zones returned significant silver values and Northair believes that the Las Venadas, La Soledad and Las Chinas zones all have potential for both high grade veins and bulk tonnage surface mineable silver deposits;
- The Company filed a NI 43-101 Technical Report on SEDAR for the maiden resource calculation of its La Cigarra silver project;
- The Company announced that Focus Ventures Ltd. has commenced a drill program totaling 2,000 metres in length at its El Reventon silver-gold property;
- The Company’s announced that its Board of Directors approved an Advance Notice Policy, effective November 30, 2013, to ensure, among other things, that all shareholders are provided with sufficient notice of the proposed alternative nominees well in advance of any vote of the shareholders;
- The Company reported that exploration at its La Cigarra silver project identified a potentially significant mineralized zone known as La Navidad. This new zone appears to represent a mineral trend situated approximately 600 metres to the east and parallel to the main La Cigarra mineralized trend;
- The Company completed a non-brokered private placement for proceeds of C\$1,859,315. Coeur Mining Inc. purchased 9,600,000 common shares at a price of \$0.14 and in connection with this subscription cancelled its outstanding warrants to acquire common shares of the Company. Northair also completed a non-brokered private placement consisting of Units (the “Unit”) at

\$0.145 for gross proceeds of C\$515,315 (the "Additional Placement"). Each Unit of the Additional Placement consisted of one common share and one half warrant. Each full warrant will entitle the holder to acquire one common share of Northair at a price of \$0.25 for a period of 24 months following the closing date;

- The Company announced the voting results of its Annual General and Special Meeting. Shareholders voted in favour of all items of business, including the election of each director nominee;
- The Company executed two agreements that together provide the necessary surface rights to continue the exploration and facilitate the possible development of a mine at its La Cigarra Silver Project;
- The Company announced that Focus Ventures Ltd. ("Focus") terminated its option to acquire an interest in the Company's El Reventon silver-gold property and provided an account of the work completed by Focus on the property. Work by Focus included the re-evaluation of all previous data, surface sampling and diamond drilling of approximately 500 metres in two holes at the Estrella and Chicle zones. Results of the drilling successfully encountered high-grade silver mineralization at depth in both holes. The most significant intersections found within the two holes were 2 metres of 305 g/t silver, which included 0.3 g/t gold from 239.6 metres down-hole at the Chicle Zone and 2 metres of 115 g/t silver from 188 metres down-hole at the Estrella Zone. Northair now holds a 100% interest in the El Reventon silver-gold property, which consists of 3,370 hectares. The property includes a 100% interest in the 60 hectare internal concession containing the Reventon Breccia, which was previously covered by an option agreement.

### Highlights Subsequent to November 30, 2013

- The Company reported the results of a trenching program completed at La Cigarra within the San Gregorio and Las Carolinas zones and announced the discovery of a previously unknown adit within the San Gregorio Zone. Results of the trenching were encouraging and point to the significant potential to expand the resource with further drilling. Sampling highlights of the trenching include: Trench SG 4+00N returning intervals of 34.5 metres of 49.1 g/t silver **including 7.1 metres @ 153.5 g/t silver**, and 36.7 metres of 15.9 g/t silver; Trench SG 3+50N returning intervals of **12 metres of 72.0 g/t silver**, 5.4 metres of 22.8 g/t silver and 4.5 metres of 24.2 g/t silver; Trench SG 2+00N returning **63.1 metres of 49.6 g/t silver including 13.55 metres of 75.5g/t silver** and 5.7 metres of 38.1 g/t silver; Trench SG 1+50S returning **6 metres of 125.8 g/t silver** and 14.4 metres of 29.3 g/t silver. Some of the better sampling of this adit returned intervals of 7.5 metres of 155.4 g/t silver and 16.2 metres of 46.8 g/t silver. Values from the adit occur in the intrusive and highlight the importance of the discovery;
- The Company announced that it has entered into a binding Letter Agreement (the "Agreement") that will significantly expand its interest in a large land position (the "Parral Concessions") totaling approximately 22,000 hectares surrounding its original six La Cigarra Concessions. The Agreement replaces an earlier agreement with DFX Exploration Ltd. ("DFX") and its relevant subsidiaries dated April 5, 2012 and allows Northair to acquire a 100% interest in a portion of the Parral Concessions (the "Adjacent Property") immediately surrounding its 100% owned La Cigarra silver deposit. The Agreement further allows Northair to acquire a 60% interest in the remaining portion of the Parral Concessions comprising 17,874 hectares surrounding the Adjacent Property (the "Outside Property").

## **EXPLORATION UPDATE**

### ***Overview***

International Northair Mines Ltd. continues to concentrate its exploration activities in Mexico through its wholly owned subsidiary, Grupo Northair de Mexico, S.A. de C.V. The exploration programs described below were conducted under the direction of Fred Hewett, the Company's President and CEO, and a Qualified Person under NI 43-101. Mr. Hewett has reviewed the technical summaries.

### **Project Discussion**

#### ***La Cigarra Project, Chihuahua***

The La Cigarra Project is located adjacent to the municipality of Parral, in the State of Chihuahua in north central Mexico. La Cigarra consists of mineral concessions totalling approximately 32,000 hectares, which was acquired by the Company through option agreements, staking and purchase. Local topography is gentle and the property has good road access and infrastructure.

La Cigarra was identified as an acquisition target by exploration staff late in 2008, as part of the Company's generative exploration program. Reconnaissance and initial sampling results completed by Northair confirmed numerous silver occurrences along a 3 kilometre trend of mineralization. The Company defined three potentially significant zones of silver mineralization from its initial sampling.

In 2009 the Company completed a program of geological mapping and surface sampling over the 3 kilometre trend concentrating on the three areas known as: the Las Carolinas, San Gregorio and La Borracha zones.

In July 2010, the Company completed an initial drill program totalling 1,455 metres in 15 reverse circulation drill holes. The program was successful in testing the three known mineralized targets on the property and intercepted significant widths of altered and mineralized sediments and volcanics.

In December 2010, Northair commenced its initial core drill program and to date has completed 24,202 meters of core drilling in 139 HQ sized core holes.

In February 2013, Northair announced the results of the maiden NI 43-101 Resource Estimate completed by Arseneau Consulting Services (ACS) in conjunction with JDS Energy and Mining Inc. (JDS).

The resource estimate was calculated based on results from 143 of 154 holes totaling 25,657 metres drilled along the open ended La Cigarra mineralized system which has a drilled strike length of at least three (3) kilometres. The 143 holes included in this initial resource estimate were positioned within a potentially surface minable mineralized area comprised of the San Gregorio and Las Carolinas mineralized zones, which combined form a total strike length of 2.1 kilometres within the known three (3) kilometres. The resource estimate was constrained by a Whittle™ pit shell at an economic cutoff grade of 30 g/t of silver. Highlights of the mineral resource estimate are as follows:

- Measured and Indicated mineral resources of 50,494,000 ounces of silver within 20,755,700 tonnes at an average grade of 76 g/t silver;
- Inferred mineral resource of 3,515,900 ounces silver within 1,780,000 tonnes at an average grade of 61 g/t silver;

- Significant by-products include 40,100 ounces of gold in the measured and indicated categories as well as appreciable lead and zinc values, as provided in mineral resource estimate tables.

Category	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag Oz	Au Oz	Pb Lbs	Zn lbs
Measured	6,235,000	65	0.06	0.10	0.16	13,090,800	12,100	13,161,500	21,706,600
Indicated	14,520,700	80	0.06	0.10	0.14	37,402,800	28,100	32,924,700	45,983,100
<b>M + I</b>	<b>20,755,700</b>	<b>76</b>	<b>0.06</b>	<b>0.10</b>	<b>0.15</b>	<b>50,494,000</b>	<b>40,100</b>	<b>46,086,200</b>	<b>67,689,700</b>
Inferred	1,780,150	61	0.05	0.10	0.12	3,515,900	3,000	3,959,300	4,865,700

*The mineral resource was calculated at cut-off value of 30 g/t silver. It is constrained within a Whittle pit shell and was calculated using metal prices of \$29.20 silver, \$1.00 lead, \$0.95 zinc and parameters that are considered appropriate for potential open pit operations in this location.*

The Company believes that resource expansion is possible as immediate exploration potential exists within and adjacent to the current NI 43-101 resource area (between sections 6+00S in Las Carolinas and 3+50N in San Gregorio) at a 30 g/t silver cut-off as presented in the table below. The potential silver quantity and grade is conceptual in nature as there has been insufficient exploration to define a mineral resource and it is uncertain that further exploration will result in the target being delineated as a mineral resource.

#### **Immediate Exploration Potential adjacent and within the San Gregorio/Las Carolinas Zones**

Category	Tonnes (000)	Potential In-Situ Grade				Potential Contained Metal
		Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (oz)
<b>Exploration Potential</b>	3,000 to 4,500	65 to 75	~0.06	0.09 to 0.1	0.13 to 0.14	6,000,000 to 10,000,000

Northair's technical team continues to conduct geological mapping, soil, rock and stream sediment sampling on a number of target locations within the enlarged La Cigarra concession package and this work has demonstrated that further resource exploration potential exists along the open continuous six (6) kilometre long La Cigarra mineralized system. This potential is in part supported by soil sampling along trend of the system, comprising the La Borracha Zone to the north (where nine (9) drill holes have intercepted silver mineralization) and the Las Venadas Zone to the south.

The Las Venadas Zone, located 500 metres south of Las Carolinas has returned strong silver values from surface sampling over an area of approximately 230 metres by 90 metres, including a rock chip sample returning 2.5 metres of 233.0 g/t silver. In March 2013, Northair reported additional results from the mapping and sampling program, which identified two other zones located within this southern extension known as La Soledad and Las Chinas.

La Soledad, situated approximately 500 meters south of Las Venadas, contains a number of large mine dumps and historic mine workings that exploited a series of silver bearing quartz veins. Although sampling here reported only moderate silver values, the scope of the historic mine workings are comparable to those found within the Las Carolinas Zone. Much of the area is covered, but soil sampling

has defined a broad lead anomaly, supporting the possibility that the mineralized system does underlie the covered area.

Las Chinas is located approximately 1,000 meters south of La Soledad and is comprised of a number of historic mine workings that likely exploited silver bearing quartz-calcacite veins. Northair has thus far mapped and sampled 600 metres of this structure. Sampling yielded relatively low silver values with the exception of three significantly anomalous samples, with a high of 458 g/t over 0.90 metres. This area is defined by a strong lead-zinc soil anomaly and anomalous gold values. The Company plans further sampling and mapping here with the objective of defining drill targets.

The work done to date in the southern extension of the La Cigarra structure has demonstrated a robust mineralized system with multiple drill targets. The permissive geology and attractive surface sampling results present a clear opportunity to expand the known resource. The Company is presently prioritizing target areas for a future drilling program.

Northair is also preparing for further metallurgical testing to confirm the process flow sheet and metallurgical performance of material from both the San Gregorio and Las Carolinas zones. During the most recent testing, announced in October of 2012, the Company collected samples from the San Gregorio Zone and classified the material as either sulphide or oxide. A flotation and cyanide leaching flow sheet was developed in order to achieve optimum recovery of silver and base metals.

For sulphide material, silver was primarily recovered in a lead flotation concentrate. Initial recoveries of up to 73% of the silver and 70% of the lead were achieved at a primary grind size of 75 microns from material containing 68 g/t silver and 0.15% lead. In a separate test, about 85% of the silver in the lead cleaner tailings was extracted in a 96-hour carbon-in-leach process after regrinding to 11 microns. Based on these results, there is potential to recover approximately 85% of the total silver from material in a combined flotation-leaching flow sheet. This will be investigated further in future metallurgical programs. Preliminary assessment of the lead concentrate containing 48% lead and 22,600 g/t silver indicates that it would be marketable to smelters.

For oxide material, the silver is more amenable to whole ore leaching than flotation. Approximately 90% of the silver was extracted from material containing 57 g/t silver in 48 hours of whole ore cyanidation at a grind size of 94 microns.

These results indicate that a combined flotation-leaching flow sheet would achieve maximum silver recovery and could apply to both the sulphide and oxide ores.

In June 2013, the Company reported that exploration at La Cigarra identified a potentially significant mineralized zone known as La Navidad. This new zone represents a mineral trend situated approximately 600 metres to the east and parallel to the main La Cigarra resource area. Geology related to La Navidad appears identical to that hosting silver mineralization at San Gregorio, with easterly dipping altered sedimentary rocks intruded by dikes and sills and cut by faulting. Rock sampling comprising chip, channel and grab samples in the area has defined an anomalous silver bearing zone approximately 470 metres in length and over 200 metres in width paralleling San Gregorio. Twenty four rock samples were taken here with values ranging from 0.1 g/t to 63.7 g/t silver; with eleven samples returning greater than 5 g/t silver.

Systematic soil sampling on a 50 metre by 50 metre grid has defined a strong silver-in-soil anomaly measuring 700 metres in length and 50 to 250 metres wide that is largely coincident with anomalous rock-chip samples. The central core of the soil anomaly, as defined by a 5 ppm silver contour, is comprised of 25 soil samples with a low of 5 ppm silver and a high of 21.7ppm silver. Scattered but anomalous gold

values up to 727 ppb occur within the anomaly. Northair is currently conducting studies to define and prioritize targets for possible drilling.

In September 2013, the Company's wholly-owned subsidiary, Grupo Northair de Mexico S.A. de C.V. ("Grupo Northair"), signed a twenty (20) year lease agreement (the "Agreement") with the Ejido La Estanzuela ("Ejido") that allows full surface access to the Ejido land that covers significant portions of the mineral resource and the surrounding exploration potential. The Ejido La Estanzuela's land totals 5,064 hectares. The Agreement allows the Company to conduct surface exploration and road construction. The Agreement also reserves a 471 hectare portion of the land for future construction, mining, and processing.

In December 2013, Northair reported the results of a trenching program completed at La Cigarra within the San Gregorio and Las Carolinas zones and announced the discovery of a previously unknown adit within the San Gregorio Zone. Results of the trenching were encouraging and point to the significant potential to expand the resource with further drilling. Sampling highlights of the trenching include: Trench SG 4+00N returning intervals of 34.5 metres of 49.1 g/t silver **including 7.1 metres @ 153.5 g/t silver**, and 36.7 metres of 15.9 g/t silver; Trench SG 3+50N returning intervals of **12 metres of 72.0 g/t silver**, 5.4 metres of 22.8 g/t silver and 4.5 metres of 24.2 g/t silver; Trench SG 2+00N returning **63.1 metres of 49.6 g/t silver including 13.55 metres of 75.5g/t silver** and 5.7 metres of 38.1 g/t silver; Trench SG 1+50S returning **6 metres of 125.8 g/t silver** and 14.4 metres of 29.3 g/t silver. Some of the better sampling of the adit returned intervals of 7.5 metres of 155.4 g/t silver and 16.2 metres of 46.8 g/t silver. Values occur in the intrusive and highlight the importance of the discovery.

In January 2014, the Company announced that it had entered into a binding Letter Agreement (the "Agreement") that will significantly expand its interest in a large land position (the "Parral Concessions") totaling approximately 22,000 hectares surrounding its original six La Cigarra Concessions. The Agreement replaces an earlier agreement with DFX Exploration Ltd. ("DFX") and its relevant subsidiaries dated April 5, 2012 and allows Northair to acquire a 100% interest in a portion of the Parral Concessions (the "Adjacent Property") immediately surrounding its 100% owned La Cigarra silver deposit. The Agreement further allows Northair to acquire a 60% interest in the remaining portion of the Parral Concessions comprising 17,874 hectares surrounding the Adjacent Property (the "Outside Property").

### ***Sierra Rosario Project, Sinaloa***

In April of 2002, the Company staked the Sierra Rosario concession along the western flanks of the Sierra Madre Occidental geological province, approximately 40 kilometres east of Alamos, Sonora.

Sierra Rosario contains granodiorite rocks overlain by weakly metamorphosed andesites. Intrusive rocks consisting of intermediate porphyry dikes and large intensely altered rhyolite porphyry are exposed at the San Rafael Zone. Northair's exploration staff discovered multiple zones of gold and silver mineralization during their initial exploration programs with some of these zones showing small scale old mine workings.

Northair's field programs concentrated primarily in the San Rafael Zone, located in the northern portion of the property, which contains epithermal silver with gold mineralization having a surface expression of approximately 200 by 70 metres. First phase mapping and sampling by Northair within the San Rafael Zone returned an average of 181 g/t silver and 0.321 g/t gold from 23 chip channel samples.

In 2004 the project was optioned to Sparton Resources Inc. Sparton earned a 51% interest in the project by paying Northair \$130,000 in cash, issuing 275,000 common shares and incurring \$800,000 in exploration expenditures and a joint venture was formed.

The work completed by Sparton was concentrated on the southern portion of the property and involved geological mapping, sampling and electrical and magnetic geophysical surveys as well as detailed soil sampling. Sparton completed an approximate 775 meter diamond drill program in 2006 to test the La Josca Zone. The seven holes tested a 500-metre-long portion of the 1.1-kilometre-long La Josca structure with modest results.

The San Rafael Zone remains the principal target area on the property. Continual work has defined a magnetic anomaly associated with the San Rafael rhyolite porphyry body and also located a similar anomaly which is covered by upper volcanic series tuffs and may represent a buried intrusion. Both skarn and structurally controlled mineralization containing barite, copper, gold, and silver are present in the area. Values of up to 7.28% copper and 13 g/t gold were also obtained from samples taken from boulders below a historic mine dump. Base/precious metal mineralization is located in a shear fracture zone east of the main rhyolite intrusive as well as in fault zones associated with rhyolite dykes in limestone on the east side of the property where there is a large multi element soil anomaly.

In 2011, the Company executed an agreement with Sparton Resources Inc. and American Consolidated Metals Corp. ("American Consolidated") to facilitate the acquisition by American Consolidated of Sparton's 50% interest in the Sierra Rosario Property. 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 in respect of the Acquisition announced May 11, 2011.

In February 2012, an extensive exploration program commenced at Sierra Rosario that focused on the San Rafael Zone target and several other silver and gold prospects that have been identified on the property. Field work included geological mapping, sampling and trenching and a grid was established as part of an induced polarization ("IP") geophysics program. Results of the IP survey identified an open ended northwest-southeast trending chargeability anomaly measuring 1,400 metres in length, extending from line 4+00S (where it is 100 meters wide) to line 18+00S (where it is over 1,300 meters wide). The anomaly remains open to the south and south east. Coincident with the eastern margin of the chargeability anomaly and a northwest-southeast trending ridge, Northair has outlined a silver-gold-arsenic-lead soil anomaly also measuring 1,400 metres in length, extending from line 4+00S to line 18+00S, where the anomaly remains open to the south and south east. Individual soil sample values range up to 326.0 g/t silver; 0.712 g/t gold; 1,320 ppm arsenic and 3,470 ppm lead. The highest silver values occur on line 18+00S, the most southern grid line. Based on positive soil samples and coincident IP anomaly, the geochemical sampling grid was expanded to the east to establish the ultimate size of the potentially mineralized target.

In June 2012, a core drill program totalling approximately 1,400 metres in six holes was completed on the property to test a 600 meter length of the coincident induced polarization geophysical and silver/gold geochemical soil anomaly.

In August 2012, Northair reported the results of the drill program. The most significant drill results were obtained in Hole SR-003 where a 7.5 meter interval returned 179.3 g/t silver and 0.287 g/t gold and a 4.9 meter interval assayed 66.7 g/t silver and 0.614 g/t gold. In Hole SR-005, located approximately 400 metres to the southeast of Hole SR-003, a 3.35 meter interval returned 84.1 g/t silver, 0.102 g/t gold and 1.59% lead. The Company also reported that a follow up geochemical program was completed at the property. This additional work extended 3 existing lines towards the northeast and expanded the grid 600 meters to the southeast. Northair and its joint venture partner are reviewing the possibilities for further exploration on the property.



### ***El Reventon Project, Durango***

The El Reventon Project is comprised of approximately 3,400 hectares acquired by staking and a further 60 hectares which is the subject of an option agreement. The Company has acquired a 100% interest in the 60 hectare concession from the optionor by making payments totalling US\$151,000 under an amended agreement.

El Reventon is located in the municipality of Otaez, Durango and is approximately 170 kilometres northwest of the capital city of Durango. The project lies within the Sierra Madre Occidental geological province and a highly prospective mineral belt that includes the mines and districts of Bacis, Montoros, Metates, La Cienega and Topia. The property covers a series of occurrences aligned along a northeast trending belt consisting of low grade metasedimentary rocks overlain by andesite and rhyolite volcanics locally intruded by numerous dykes and stocks. The property's initial exploration focus has been on the Reventon Breccia which contains silver and base metal mineralization in an intensely altered andesite porphyry.

Within the Reventon Breccia, outcrops of the porphyry display intense hydrothermal brecciation, with micro and macro breccia textures. The entire exposed zone has epithermal silica flooding and replacement within the matrix and breccia fragments. Mineralization occurs as disseminations, veining, stockworking, and aggregates of coarse pyrite, galena and sphalerite, contained within the intrusive as well as the adjacent volcanics. On surface the exposed intrusive and mineralized breccia measures approximately 70 by 70 metres.

In 2006, a total of 51 samples taken from the breccia averaged 103.9 g/t silver, 0.74% lead and 0.79% zinc. The Company believes that the Reventon Breccia could be much larger than currently exposed, due to extensive post mineral cover.

In addition to the Reventon Breccia, the Company has identified other mineral occurrences on the property – the most noteworthy being the Los Alisos, La Estrella and the El Portrero Zones. The Los Alisos Zone occurs approximately 500 metres to the south of the Reventon Breccia. The Los Alisos and Reventon Breccia zones appear to be geologically similar in that they have a comparable geochemical signature and both occur in diorite porphyry. The area between the two zones is covered by post-mineral volcanics and agglomerate; however the Los Alisos Zone may be open to the north and the east.

The La Estrella Zone is a high grade silver-gold polymetallic vein system, located two kilometres southwest of the Reventon Breccia. 24 samples taken from the zone average 0.825 g/t gold and 385 g/t silver over sample widths from .85 to 5 metres. A system of veins and stockworks ranging from approximately 1 to 15 metres in width is exposed in historic underground workings and within surface outcrop over a defined strike length of approximately 180 metres. The zone remains open in both strike directions. Geologic mapping indicates that La Estrella sits in a north westerly striking belt of mineralization that contains numerous old workings and occurs over a distance of 2.3 kilometres.

A third mineralized zone, the El Portrero Zone is located approximately one kilometre northeast of the Reventon Breccia, and contains dozens of prospects and small mine workings over an area of approximately 150 by 225 metres. The zone is postulated as a potential bulk mineable silver target with vein, stockwork and disseminated mineralization occurring in silicified diorite porphyry. A total of 61 samples taken from the zone average 23 g/t silver over widths ranging from 1.5 to 7 metres. The Portrero East Zone lies about 200 metres to the east of the main Portrero Zone, and contains high-level epithermal quartz stockwork and silica replacement in diorite porphyry exposed over an area of approximately 75 by 115 metres. Ten panel samples from this zone average 28 g/t silver.

In the fall of 2007, the Company completed an initial core drill test of the Reventon Breccia that totalled 660 metres in six NQ holes. All holes intercepted significant zones of mineralized breccia including 33.5 metres of 179 g/t silver, 22.8 metres of 94.7 g/t silver and 56.4 metres g/t silver, with associated lead and zinc values.

To follow-up these results, in March 2008, the Company conducted reverse circulation drill program totalling 2,170 metres in 17 holes at the Reventon Breccia and Los Alisos Zone. The program was successful in increasing the size of the Reventon Breccia with highlights including 91.4 metres of 87 g/t silver containing an intercept of 19.8 metres of 176.4 g/t silver; and 80.8 metres of 71.9 g/t silver containing an intercept of 7.6 metres of 234.5 g/t silver.

During fiscal 2013, the Company entered into agreements whereby it granted Focus Ventures Ltd. ("Focus") the option to acquire a 80% interest in the it's El Reventon Silver Project. Under the terms of the agreements, Focus could earn its interest by the payment of US\$235,000 (\$10,000 received) to the Company over 24 months and incurring US\$2,000,000 of exploration expenditures on the property over a three year period.

During the first part of 2012, work carried out by Focus concentrated on the La Estrella Zone, where a total of 62 samples, taken from old underground workings along a 400 kilometre strike, returned significant grades in silver and associated gold, lead and zinc values. Focus then commenced a detailed soil survey over a 6 x 8 kilometre grid at El Reventon to geochemically map and better define targets such as the Estrella Zone, and generate new targets for follow-up exploration.

In October 2012, Focus reported that the 930-sample grid-based soil survey undertaken over El Reventon had identified multiple silver targets. The largest of the targets is a >10 g/t silver-in-soil anomaly over 1,300 x 500metres located in the southern part of the claims, approximately 2 kilometres southwest of the drilled Reventon Breccia. The coincident gold and silver anomaly is accompanied by strongly anomalous lead, zinc, arsenic and antimony values. A number of soil samples returned fire assay results over 100 g/t silver, to a maximum of 384 g/t silver and 0.59 g/t gold. Samples were taken at 40m sample spacing on lines 200m apart.

In 2013, Focus's field work included a review and re-evaluation of all previous data, surface sampling and diamond drill program. Although Focus had originally planned to carry out a 2,000 metre diamond drill program on the property to test several targets, due to mechanical problems with the contracted drill equipment, only approximately 500 metres in two holes were completed at the Estrella and Chicle zones. Results of Focus' drilling did successfully encounter high-grade silver mineralization at depth in both holes. The most significant intersections found within the two holes were 2 metres of 305 g/t silver, which included 0.3 g/t gold from 239.6 metres down-hole at the Chicle Zone and 2 metres of 115 g/t silver from 188 metres down-hole at the Estrella Zone.

Subsequent to the drill program, Focus terminated its option to acquire an interest in El Reventon. Northair now holds a 100% interest in the 3,370 hectare property, including a 100% interest in the 60 hectare internal concession covering the Reventon Breccia, which was previously covered by an option agreement. The Company is presently evaluating future plans for the property.

## FINANCIAL CONDITION, LIQUIDITY, CAPITAL RESOURCES, OPERATIONS AND FINANCIAL RESULTS

### OVERALL PERFORMANCE

During the nine months ended November 30, 2013, the Company has continued its' work in Mexico and filed a NI 43-101 technical report, including a resource estimate, on the La Cigarra property. In addition, the Company completed the acquisition of surface rights of land adjoining the La Cigarra concessions, entered into an agreement with a local Ejido to provide full access to the La Cigarra land area and completed a \$1.8 million dollar financing to fund ongoing work.

At November 30, 2013, the Company's financial position was as follows:

	<u>November 30, 2013</u>	<u>February 28, 2013</u>
<b>Current assets</b>	<b>\$ 1,663,928</b>	\$ 2,921,307
<b>Non-current assets</b>	<b>12,039,790</b>	10,507,761
<b>Liabilities</b>	<b>(121,249)</b>	(728,022)
	<hr/>	<hr/>
<b>Shareholders' equity</b>	<b>\$ 13,582,469</b>	\$ 12,701,046

### Financing/Use of Proceeds

In fiscal 2014, Northair completed private placements for gross proceeds of \$1,859,315, for funding its ongoing administration and exploration activities.

### RESULTS OF OPERATIONS

During the three and nine month periods ended November 30, 2013, (the "current quarter and current period") the Company incurred losses of \$295,803 or \$0.00 per share and \$1,418,249 or \$0.01 per share respectively compared to losses of \$479,366 or \$0.01 per share and \$1,570,808 or \$0.02 per share for the comparative quarter and comparative period. The \$183,563 reduction in the loss for the current quarter compared to the comparative quarter is largely a result of reductions in share based compensation charges for the quarter, shareholder information costs and exploration costs written off.

During the current quarter general and administrative expenses were \$307,464, a decrease of \$180,903 from the comparative quarter. The reduction in expenses from the comparative quarter was attributable to a reductions in share based payments \$38,119 (comparative quarter- \$90,589), shareholder information costs \$64,216 (comparative quarter- \$137,886), office \$173,086 (comparative quarter- \$177,185) and professional and consulting fees \$10,612 (comparative quarter- \$75,369). These reductions in costs were incurred as a result of cutbacks necessitated by the difficulties exploration companies face in the current junior resource market.

During the current period the Company's general and administration costs were \$1,411,580, a reduction of \$91,403 from the comparative period. The reduction was attributable to reductions in professional and consulting \$137,007 (comparative period- \$206,073) and shareholder information costs \$235,440 (comparative period- \$356,935) offset by increased share based payments of \$502,357 (comparative period- \$433,094) and office, salaries and general costs \$511,461 (comparative period- \$494,625). These reductions in costs reflect the Company's cutting back of costs as a result of difficulties raising funds in the current exploration market.

Exploration costs written-off during the current quarter and current period totaled a recovery of \$10,265 and net write-offs of \$16,743 respectively compared with write-offs of \$5,602 and \$104,560 in the comparative quarter and comparative period. The amounts written off were incurred as a result of general activities undertaken by the Company in its operations in Mexico and the amount recovered represented funds received on a property optioned in prior years.

During the current quarter and current period, the Company realized interest and other income of \$4,690 and \$15,518 respectively compared to \$13,000 and \$69,663 in the comparative quarter and comparative period. The reduction in other income was largely due to reduced recoveries of amounts that had been written off in prior years.

## GEOGRAPHICAL SEGMENTS

The Company's business consists of mineral exploration and development and is focused on the advancement of its Mexican properties. Details on its geographical segments are as follows:

Non-current Assets	<b>November 30, 2013</b>	February 28, 2013
Canada	\$ 43,790	\$ 49,029
Mexico	<b>11,996,000</b>	10,458,732
Total	<b>\$ 12,039,790</b>	\$ 10,507,761
	<b>Nine Months November 30, 2013</b>	Nine Months November 30, 2012
Net Loss (Income)		
Canada	\$ 1,370,541	\$ 1,422,392
Mexico	<b>47,708</b>	148,416
Total	<b>\$ 1,418,249</b>	\$ 1,570,808

## EXPLORATION AND EVALUATION ASSETS

At November 30, 2013 the Company's expenditures on exploration and evaluation assets consisted of the following:

	<b>Parral 1, Mexico</b>	<b>La Cigarra, Mexico</b>	<b>El Reventon, Mexico</b>	<b>Sierra Rosario and Other</b>	<b>Total</b>
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	308,373	117,171	83	6,568	432,195
Camp and general	30,852	92,387	-	17,405	140,644
Drilling and data collection	87,638	73,785	-	-	161,423
Field work and travel	5,468	38,920	518	-	44,906
Salaries and consulting	103,425	694,974	3,175	278	801,852
Write-offs	-	-	-	(16,743)	(16,743)
<b>November 30, 2013</b>	<b>\$1,088,139</b>	<b>\$8,355,566</b>	<b>\$935,913</b>	<b>\$281,802</b>	<b>\$10,661,420</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 prior to November 30, 2013 and an additional US\$100,000 paid subsequently). 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.

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.

### *Parral 1, Mexico*

During the year ended February 28, 2013, the Company executed an agreement with DFX Exploration Ltd. ("DFX") to acquire up to a 70% interest in a land position in the area of its La Cigarra Project, consisting of the adjacent and outside properties. Under the terms of the agreement the Company can acquire its interest by the payment of US\$525,000 (\$175,000 paid), the issuance of 1,500,000 shares of

the Company (450,000 issued) 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. Subsequent to November 30, 2013, the Company entered into an agreement with DFX to acquire a 100% interest in the adjacent property and a 60% interest in the outside property. To acquire the 100% interest in the adjacent property the Company must pay DFX \$450,000 in cash and issue five million common shares. Subsequent to earning its interest in the adjacent property, Northair will be required to issue an additional three million common shares to DFX if it completes 20,000 meters of diamond drilling on the property, commences commercial production on the property or if Northair is acquired by another company. In addition, DFX will be paid an upfront bonus of \$0.10 per silver ounce equivalent up to a maximum of 50 million ounces if prior to September 30, 2016, at least 50 million silver equivalent ounces are estimated to exist on the adjacent property in a NI 43-101 technical report prepared by the Company. If silver equivalent ounces are produced from the adjacent property, DFX will be paid \$0.10 per silver equivalent ounce from production to a maximum of (i) 135 million ounces, in the event that DFX received the upfront bonus or (ii) 185 million ounces if the upfront bonus was not applicable.

In order for Northair to exercise the option and acquire a 60 percent interest in the outside property, the Company must incur an aggregate of \$500,000 in exploration expenses on the property, after which a joint venture will be formed with all exploration costs paid on a pro rata basis.

The agreement is subject to acceptance by the TSX Venture Exchange.

#### ***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 earned a 100% interest in the optioned concession by making payments totalling US\$151,000 (paid).

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. During the period ended November 30, 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.

## FINANCIAL CONDITION – November 30, 2013 compared to February 28, 2013

At November 30, 2013 the Company had working capital of \$1,542,679 that included cash and short-term deposits of \$1,472,953, amounts receivable of \$138,639, other current assets of \$52,336 and current liabilities of \$121,249. This is compared to working capital of \$2,193,285 at February 28, 2013, that included cash and short-term deposits of \$2,703,347, amounts receivable of \$173,825, other current assets of \$44,135 and current liabilities of \$728,022. During the nine months ended November 30, 2013, the Company has used funds to finance a loss from operations of \$1,418,249, spent \$1,564,277 on exploring its Mexican property interests, completed the US\$825,000 purchase of surface rights adjoining the La Cigarra concessions by the payment of the final US\$475,000 due to the property vendors and raised net proceeds of \$1,750,573 from the issuance of shares.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of Northair and is derived from unaudited quarterly financial statements prepared by management.

<u>Quarter Ended</u>	<u>Revenues</u>	<u>Net Income (Loss)</u>	<u>Basic Earnings (Loss) per share</u>
November 30, 2013	\$ Nil	\$(295,803)	\$ (0.00)
August 31, 2013	\$ Nil	\$(456,226)	\$ (0.00)
May 31, 2013	\$ Nil	\$(666,220)	\$ (0.01)
February 28, 2013	\$ Nil	\$(808,586)	\$(0.01)
November 30, 2012	\$ Nil	\$(479,366)	\$(0.01)
August 31, 2012	\$ Nil	\$(732,000)	\$(0.01)
May 31, 2012	\$ Nil	\$(359,442)	\$(0.01)
February 28, 2012	\$ Nil	\$(545,650)	\$(0.01)

## VARIATIONS IN QUARTERLY RESULTS

The Company's quarterly results can be affected by many factors such as seasonal fluctuations, variations in capital markets, the write-off of capitalized amounts, stock-based compensation costs, tax recoveries/costs and legal matters. The Company's exploration activities in Mexico can be seasonal, with less work conducted in Mexico during certain months due to the rainy season.

During the first nine months of fiscal 2014, the Company has been active in exploring in Mexico and the exploration and administrative expenditures for the periods reflect this activity. Additionally, during the current period the Company has incurred share based payments of \$502,357, of which \$368,068 was expensed in the first quarter. Share based payments are non-cash charges to operations created on the granting/vesting of options to directors, officers, consultants and employees.

The loss for the fourth quarter of fiscal 2013 reflects the increased activity level of the Company, the write-off of exploration and evaluation assets and a \$195,438 write-down of value added taxes due to delays in the collection of the tax from Mexican authorities.

The loss for the second quarter of fiscal 2013 reflects the Company's activities and a \$298,867 charge for stock options granted/vested to directors, officers and employees.

## **LIQUIDITY**

During the nine months ended November 30, 2013, the Company's cash position was reduced by \$30,394 (comparative period- \$136,862) as a result of its operating, investing and financing activities.

### **Operating activities**

The Company's operating activities used cash of \$893,609 (comparative period - \$1,289,698) during the nine months ended November 30, 2013 as a result of funding a net loss of \$1,418,249 (comparative period - \$1,570,808) adjusted for the adding back of changes in non-cash expenditures such as amortization of \$25,342 (comparative period - \$21,207), share-based payments \$502,357 (comparative period-\$433,094), write-downs \$16,743 (comparative period - \$104,560) and reduced by the amounts required to fund changes in other non-cash working capital items of \$19,802 (comparative period - \$277,751) on changes in taxes receivable, prepaid expenses and accounts payable.

### **Investing activities**

The Company's investing activities used cash of \$2,087,358 (comparative period -\$4,373,107) during the nine months ended November 30, 2013. The Company used \$6,908 (comparative period - \$403,073) to purchase property and equipment, \$487,300 (comparative period - \$nil) to pay the final instalment due to property vendors and \$1,593,150 (comparative period - \$3,872,185) for work on its exploration and evaluation assets. During the comparative period the Company was conducting a significant drill program on the La Cigarra property resulting in expenditures that were higher than the current period.

### **Financing activities**

Financing activities provided cash of \$2,950,573 (comparative period - \$5,525,943) during the nine months ended November 30, 2013, as a result of \$1,200,000 (comparative period- \$425,400 invested) redeemed from short-term deposits and net proceeds of \$1,750,573 (comparative period - \$\$5,951,343) raised from the issuance of shares.

## **Risks and Uncertainties**

### *Industry*

An investment in natural resource companies involves a significant degree of risk. The degree of risk increases substantially where the Company's properties are in the exploration as opposed to the development stage. Investment in the securities of the Company should be considered as highly speculative due to the nature of the Company's business. The following additional risk factors should be given special consideration.

### *Exploration, Development and Mining Risks*

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of base/precious metals, any of which could result in work stoppages, damage to property, and possible environmental damage. If any of the Company's exploration programs are successful, there is a degree of uncertainty



attributable to the calculation of ore resources and corresponding grades being mined or dedicated to future production. Until ore is actually mined and processed, quantity of reserves and grade must be considered as estimates only. In addition, the quantity of reserves may vary depending on metal prices. Any material change in quantity of reserves, grade or recovery ratio, may affect the economic viability of the Company's properties. In addition, there can be no assurance that metal reserves in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. The Company closely monitors its activities and those factors, which could impact them, and employs experienced consulting, engineering, and legal advisors to assist in its risk management reviews.

The Company's properties are currently being assessed for exploration and as a result, the Company has no source of operating cash flow. Failure to obtain additional financing could result in a delay or indefinite postponement of further exploration. Development of the Company's mineral properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract the metal from the resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

#### *Foreign Operation Risks*

The Company's operations are affected in varying degrees by Mexican government regulations (both state and federal), including those with respect to restrictions on foreign investment, production, price controls, export controls, income taxes, and expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is frequently in a state of change and new laws, regulations and requirements may be retroactive in their effect and implementation. Northair's operations may also be affected in varying degrees by political and economic instability, economic and other sanctions imposed by other nations on Canada or Mexico, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

To mitigate some of these factors, the Company maintains its head office in Vancouver, Canada. With the exception of short term operational requirements for Grupo Northair, funds are maintained and controlled in Vancouver, both in Canadian and U.S. dollars. The Company hires consultants as necessary to provide geological and other services. Overhead costs in Mexico compare favorably with Canada and the political and economic climate is considered by the Company to be stable.

#### *Insurance*

The Company's involvement in the exploration for mineral properties may result in the Company becoming subject to liability for pollution, property damage, personal injury or other hazards. Although the Company has insurance to address many risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of

such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

### *Environmental Risks*

All phases of the mineral exploration and development business present environmental risks and hazards and are subject to environmental legislation. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances used and or produced in association with mining exploration and mining operations. The legislation also requires that facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

The current or future operations of the Company, including development activities and commencement of production on its properties require permits from the applicable governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development or operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduced levels of production at producing properties or require abandonment or delays in development of new mining properties.

### *Prices, Markets and Marketing of Base/Precious Metals*

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of base/precious metals or interests related thereto. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of base/precious metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as the proximity and capacity of milling facilities, mineral markets and processing equipment and governmental regulations including regulations relating to royalties, allowable production and importing and exporting of minerals.

#### *Substantial Capital Requirements; Liquidity*

The Company anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of its mineral properties in the future. The Company currently has no revenue and may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

#### *Loss of Key Management*

During the year the Company continued to retain Mr. David Mehner as Senior Consulting Geologist to oversee its exploration program and to acquire further projects for Northair and assist in the development of its existing properties. Mr. Mehner has over 30 years experience throughout Mexico, North America and Asia, and provides valuable direction to Northair as it moves forward. Fred G. Hewett, President and Chief Executive Officer, devotes 75% of his time to the Company's affairs. The loss of the services of any of its management could have a material adverse effect on the Company. To date, the Company has not engaged in succession planning.

### **COMMITMENTS**

As at November 30, 2013, the commitment for rental of the Company's office space is as follows:

<u>Year ending</u>		<u>Amount</u>
February 28, 2014	\$	67,443
February 28, 2015	\$	269,771
February 29, 2016	\$	247,290

These amounts include the basic monthly rent, as well as the Company's 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.

### **CAPITAL RESOURCES**

The Company has no operations that generate cash flow and its long-term financial success is dependent on management's ability to discover and develop economically viable mineral deposits. Exploration is a lengthy process that can take many years and is subject to factors that are beyond the Company's control.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, from the exercise of convertible securities and, in the past, from the sale of investments. Although the Company has had past success in obtaining financing, there can be no such assurance that it will be able to obtain adequate financing in the future or that the terms of any financing will be favourable. Many factors influence the Company's ability to raise

funds, including the state of the resource market and commodities prices, the climate for mineral exploration, the Company's track record and the experience and caliber of its management.

Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activity and foreign exchange fluctuations. The Company intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

## TRANSACTIONS WITH RELATED PARTIES

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.

	<b>For the nine months ended November 30, 2013</b>	For the nine months ended November 30, 2012
Administrative recoveries	\$ (18,015)	\$ (25,536)
Consulting fees	\$ 54,488	\$ 144,177
Financing costs	\$ 69,511	\$ -
Salary recoveries (i)	\$ (158,607)	\$ (158,175)

(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 nine months ended November 30, 2013</b>	For the nine months ended November 30, 2012
Management fees, directors' fees, salaries	\$ 289,125	\$ 272,400
Stock-based compensation (i)	\$ 335,183	\$ 253,010

(i) Stock-based compensation represents the expense for the nine months ended November 30, 2013 and 2012.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the nine months ended November 30, 2013 and 2012.

### 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 nine months, 225,000 stock options, a due diligence fee of \$15,777 and financing costs of \$69,511.

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.

## OUTSTANDING SHARE DATA

The table below presents the Company’s common share data as of January 22, 2014.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			105,142,069
Securities convertible into common shares			
Warrants	\$0.25	July 22, 2015	1,776,947
Options			
	\$0.15	February 9, 2014	250,000
	\$0.15	October 30, 2014	15,000
	\$0.15	March 11, 2015	125,000
	\$0.15	April 21, 2015	150,000
	\$0.71	May 19, 2016	1,075,000
	\$0.495	July 18, 2016	750,000
	\$0.305	September 20, 2016	50,000
	\$0.25	September 28, 2016	175,000
	\$0.24	December 15, 2016	255,000
	\$0.28	June 13, 2017	2,725,000
	\$0.29	January 10, 2018	495,000
	\$0.22	March 4, 2018	2,740,000
	\$0.25	July 24, 2015	225,000
			<b>115,949,016</b>

### Shares issuance

During the nine months ended November 30, 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.

#### 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.

#### Shareholder Rights Plan

During the year the Company's board of directors approved the adoption of a Shareholder Rights Plan (the "Rights Plan") that the shareholder approved 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.

### **CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

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 Company's 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. The Company's 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 \$28,553,733 at November 30, 2013 and has no current source of revenue. During fiscal 2014 the Company raised capital to meet its working capital requirements for fiscal 2014 and part of fiscal 2015. 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. The Company's 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.

#### Basis of Presentation

The Company's 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 the interim financial statements of the Company be read in conjunction with the most recent audited annual financial statements of the Company. The accounting policies applied by the Company in the 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

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

#### Significant accounting policies

##### *New Accounting Pronouncements/Revisions*

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

- i. 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.
- ii. 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. 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.
- iii. 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.
- iv. 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.

- v. 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.

The International Accounting Standards Board has also issued several new standards which have not yet been adopted by the Company. Each of the new standards is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted, except for IFRS 9 and IFRS 7 which becomes effective January 1, 2015. The following is a brief summary of the new standards

- *IAS 36 – Impairment of assets – disclosure*  
This standard has limited scope amendments to disclosure requirements in IAS 36, Impairment of Assets. The extent of the impact of adoption of IAS 36 has not yet been determined by the Company.
- *IAS 32 – Financial instruments – presentation*  
This standard has been amended to clarify requirements for offsetting of financial assets and financial liabilities. The extent of the impact of adoption of IAS 32 has not yet been determined by the Company.
- *IFRS 9 - Financial Instruments – classification and measurement*  
This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and derecognition of financial instruments. This standard is effective for years beginning on or after January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.
- *IFRS 7 – Financial instruments – disclosure*  
This standard has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. The extent of the impact of adoption of IFRS 7 has not yet been determined

#### 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.



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.

## FINANCIAL INSTRUMENTS

### *Categories of financial instruments*

	November 30, 2013	February 28, 2013
<b>Financial assets</b>		
FVTPL Assets		
Cash	\$ 135,953	\$ 166,347
Short-term deposits	1,337,000	2,537,000
AFS Assets		
Short-term investments	758	1,516
Loans and receivables		
Receivables	75,912	67,975
Due from related parties	62,727	105,850
Taxes receivable	464,519	478,333
	<b>\$ 2,076,869</b>	<b>\$ 3,357,021</b>
<b>Financial liabilities</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 121,249	\$ 240,722
Due to property vendors	-	487,300
	<b>\$ 121,249</b>	<b>\$ 728,022</b>

### *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:

	<b>November 30, 2013</b>	February 28, 2013
Level 1		
Cash	\$ 135,953	\$ 166,347
Short-term deposits	1,337,000	2,537,000
Short-term investments	758	1,516
Level 2	-	-
Level 3	-	-
<b>Total</b>	<b>\$ 1,473,711</b>	<b>\$ 2,704,863</b>

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:

November 30, 2013	Cash and short- term deposits	Receivables	Accounts payable and accrued liabilities
US dollar	\$ 87,100	\$ -	\$ 24,048
Mexican peso	16,757	474,879	5,269
	<b>\$ 103,857</b>	<b>\$ 474,879</b>	<b>\$ 29,317</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
	<b>\$ 161,102</b>	<b>\$ 489,790</b>	<b>\$ 580,776</b>

At November 30, 2013 with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by \$55,000.

*b) 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 \$15,000.

Receivables include 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.

*c) 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 November 30, 2013, the Company had cash and short term deposit balances of \$1,472,953 (February 28, 2013 - \$2,703,347) to settle current liabilities of \$121,249 (February 28, 2013 - \$728,022).

*d) 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.

## **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 beyond its current operating period that ends February 28, 2014

## **FORWARD-LOOKING INFORMATION**

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

## **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning Northair's general and administrative expenses and resource property costs is provided in the Company's Consolidated Statement of Loss and Deficit and the Consolidated Schedule of Exploration and Evaluation Assets contained in its Consolidated Financial Statements for November 30, 2013 that is available on Northair's website at [www.internationalnorthair.com](http://www.internationalnorthair.com) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com)

## **APPROVAL**

The Board of Directors of Northair has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it. The exploration programs described were conducted under the direction of Mr. Fred Hewett, the Company's President and CEO, and a Qualified Person under NI 43-101. Mr. Hewett has reviewed the technical summaries.

## **ADDITIONAL INFORMATION**

Additional information relating to Northair is on SEDAR at [www.sedar.com](http://www.sedar.com).