Northair Silver Corp.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months ended November 30, 2014 and 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 nine months ended November 30, 2014.

Northair Silver Corp.
Condensed Interim Consolidated Statements of Financial Position

Unaudited – Prepared by Management
As at November 30, 2014

(Expressed in Canadian Dollars)

ASSETS	**November 30, 2014**	February 28, 2014
Current		
Cash	**$ 311,007**	$ 105,604
Short-term deposits	**4,584,140**	637,000
Receivables	**816,839**	70,012
Due from related parties	**33,607**	37,620
Short-term investments	**758**	758
Prepaid expenses	**69,410**	50,314
	5,815,761	901,308
Non-current assets		
Taxes receivable	**64,035**	388,800
Property and equipment	**889,481**	906,143
Exploration and evaluation assets	**9,151,458**	11,879,230
	$ 15,920,735	$ 14,075,481
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 274,351**	$ 162,283
SHAREHOLDERS' EQUITY		
Capital stock	**43,419,556**	39,493,056
Reserves	**3,775,537**	3,417,929
Deficit	**(31,548,709)**	(28,997,787)
	15,646,384	13,913,198
	$ 15,920,735	$ 14,075,481

Nature of Business (Note 1)
Commitment (Note 13)

APPROVED ON BEHALF OF THE BOARD ON ,:

"Annette Cusworth", Director

"Tony Reda", Director

Northair Silver Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

	For the three months ended November 30, 2014	For the three months ended November 30, 2013	**For the nine months ended November 30, 2014**	For the nine months ended November 30, 2013
General and administrative expenses				
Administrative recoveries	**$ (169,871)**	$ (5,437)	$ (179,258)	$ (21,984)
Amortization	**4,540**	8,464	20,714	25,342
Office, salaries and general	**857,181**	173,086	1,190,310	511,461
Professional fees and consulting	**93,163**	10,612	242,152	137,007
Regulatory compliance and transfer agent fees	**35,691**	18,404	48,867	21,957
Shareholder information and investor relations	**54,638**	64,216	110,142	235,440
Stock-based compensation	**102,451**	38,119	357,608	502,357
Loss before the undernoted	**977,793**	307,464	1,790,535	1,411,580
Loss (gain) on foreign exchange	**(123,388)**	3,294	(105,003)	5,444
Interest income and other	**(168,741)**	(4,690)	(173,620)	(15,518)
Write-off of exploration and evaluation assets	**1,011,131**	(10,265)	1,039,010	16,743
Net (loss) for the period	**(1,696,795)**	(295,803)	(2,550,922)	(1,418,249)
Other comprehensive (loss)				
Unrealized loss on available-for-sale investments	**(505)**	-	-	(758)
Comprehensive (loss) for the period	**$ (1,696,290)**	$ (295,803)	$ (2,550,922)	$ (1,419,007)
Net loss per share – basic and diluted	**$ (0.01)**	$ 0.00	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding – basic and diluted	**147,995,004**	105,103,747	122,816,687	98,163,906

Northair Silver Corp.
Condensed Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

Cash provided by (used in):		**For the nine months ended November 30, 2014**		For the nine months ended November 30, 2013
Operating activities				
Net loss for the period	**$**	**(2,550,922)**	$	(1,418,249)
Items not affecting cash:				
Amortization		**20,714**		25,342
Stock-based compensation		**357,608**		502,357
Write-off of exploration and evaluation assets		**1,039,010**		16,743
		(1,133,590)		(873,807)
Changes in non-cash working capital		**(325,077)**		(19,802)
		(1,458,667)		(893,609)
Investing activities				
Exploration and evaluation assets		**(2,456,126)**		(1,593,150)
Due to property vendors		**-**		(487,300)
Proceeds on sale of net smelter royalty		**4,144,888**		-
Purchase of equipment		**(4,052)**		(6,908)
		1,684,710		(2,087,358)
Financing activities				
Net purchase of short term deposit		**(3,947,140)**		-
Shares issued/subscribed for private placement		**3,999,500**		1,859,315
Shares issued on exercise of stock options		**-**		11,250
Cash issuance costs		**(73,000)**		(119,992)
Redeem/purchase short-term deposits		**-**		1,200,000
		(20,640)		2,950,573
Change in cash		**205,403**		(30,394)
Cash – beginning of period		**105,604**		166,347
Cash – end of period	**$**	**311,007**	**$**	135,953

Supplemental cash flow information (Note 14)

Northair Silver Corp.
Condensed Interim Consolidated Statement of Changes in Equity

Unaudited – Prepared by Management
(Expressed in Canadian Funds)

	Capital stock (Number of shares)	Capital stock (amount)	Reserves	Accumulated other comprehensive income	Deficit	Total
February 28, 2013	91,663,313	$ 36,938,758	$ 2,897,014	$ 758	$ (27,135,484)	$12,701,046
Stock-based compensation	-	-	502,357	-	-	502,357
Other comprehensive loss	-	-	-	(758)	-	(758)
Shares issued for cash	9,600,000	1,344,000	-	-	-	1,344,000
Shares issued for property	250,000	47,500	-	-	-	47,500
Shares returned to treasury	(140)	-	-	-	-	-
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	-	-	-	-	(1,418,249)	(1,418,249)
November 30, 2013	105,142,069	$ 38,743,056	$ (3,393,146)	$ -	$ (28,553,733)	$ 13,582,469

	Capital stock (Number of shares)	Capital stock (amount)	Reserves	Accumulated other comprehensive income	Deficit	Total
February 28, 2014	**110,142,069**	**$39,493,056**	**$ 3,417,929**	**$ -**	**$ (**28,997,787**)**	$13,913,198
Stock-based compensation	**-**	**-**	**357,608**	**-**	**-**	**357,608**
Shares subscribed	**39,995,000**	**3,926,500**	**-**	**-**	**-**	**3,926,500**
Net loss for the period	**-**	**-**	**-**	**-**	**(2,550,922)**	**(2,550,922)**
November 30, 2014	**150,137,069**	**$ 43,419,556**	**$ 3,775,537**	**$ -**	**$ (31,548,709)**	**$ 15,646,384**

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

1. Nature of business

Northair Silver Corp. (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.

On November 20, 2014, the Company changed its name from International Northair Mines Ltd. to Northair Silver Corp.

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 $31,548,709 at November 30, 2014 and has no current source of operating revenue. During fiscal 2014 and 2015 the Company raised capital to meet its working capital requirements for fiscal 2014 and 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. 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.

2. Basis of presentation

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

Basis of consolidation

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

3. Significant accounting policies

Refer to the audited financial statements for the year ended February 28, 2014 for a summary of significant accounting policies.

3. Significant accounting policies- continued

New accounting pronouncements
Accounting standards issued and effective March 1, 2014

Changes in accounting standards

The IASB has issued a number of new standards of which certain applicable ones are disclosed below. Each of the new standards is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted, except IFRS 7 which becomes effective January 1, 2015 and IFRS 9 which has a tentative effective date of January 1, 2018. 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 adoption of IAS 36 did not result in any change in the financial statements.

- IAS 32 – Financial instruments – presentation
  This standard has been amended to clarify requirements for offsetting of financial assets and financial liabilities. The adoption of IAS 32 did not result in any change in the financial statements.

- 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.

- IFRS 7 – Financial instruments – disclosure
  This standard has been amended to require additional disclosures on transition from IAS 39 to IFRS 9, effective for annual periods beginning on or after January 1, 2018.

Significant accounting estimates and judgments

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

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

3. Significant accounting policies-continued

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

Significant assumptions and critical judgments exercised relate to, but are not limited to, the following:

- The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position;
- Environmental rehabilitation is calculated using available market factors;
- The inputs used in accounting for share-based payment expense which is included in the statement of loss and comprehensive loss. These estimates are derived using the Black-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.

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 subsequent to its current operating period.

(Expressed in Canadian Dollars)

5. Financial instruments

Categories of financial instruments

		November 30, 2014		February 28, 2014
Financial assets				
FVTPL assets				
Cash	$	311,007	$	105,604
Short-term deposits		4,584,140		637,000
AFS Assets				
Short-term investments		758		758
Loans and receivables				
Receivables		816,839		70,012
Due from related parties		33,607		37,620
Taxes receivable		64,035		388,800
	$	5,815,761	$	1,239,794

		November 30, 2014		February 28, 2014
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	$	274,351	$	162,284
	$	274,351	$	162,284

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:

		November 30, 2014		February 28, 2014
Level 1				
Cash	$	311,007	$	105,604
Short-term deposits		4,584,140		637,000
Short-term investments		758		758
Level 2		-		-
Level 3		-		-
Total	$	4,895,905	$	743,362

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

5. Financial instruments-continued

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, 2014		**Cash and short-term deposits**		**Receivables**		**Accounts payable and accrued liabilities**
US dollar	**$**	**1,903,201**	**$**	**-**	**$**	**107**
Mexican peso		**132,566**		**9,774**		**89,321**
	$	**2,035,767**	$	**9,774**	$	**89,428**

February 28, 2014		Cash and short-term deposits		Receivables		Accounts payable and accrued liabilities
US dollar	$	36,892	$	-	$	20,970
Mexican peso		14,664		397,258		17,087
	$	51,556	$	397,258	$	38,057

At November 30, 2014, with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by $216,500.

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 $48,855.

Receivables include amounts due from government agencies and are unsecured and non-interest bearing. Amounts due from related parties include 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.

(Expressed in Canadian Dollars)

5. Financial instruments-continued

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, 2014, the Company had cash and short term deposit balances of $4,895,147 (February 28, 2014 - $742,604) to settle current liabilities of $274,351 (February 28, 2014 - $162,283).

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.

6. Short-term deposits

		November 30, 2014		February 28, 2014
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		**4,547,140**		600,000
	$	**4,584,140**	$	637,000

7. Short-term investments

		November 30, 2014		February 28, 2014
Marketable securities:				
Holdings in companies related by virtue of common directors/officers	**$**	**758**	$	758

The Company classifies its short-term investments as available-for-sale, with revaluation gains and losses recognized in accumulated other comprehensive income. As at November 30, 2014, investments were measured at a fair value of $758.

(Expressed in Canadian Dollars)

8. Property and equipment

	Office equipment	Leasehold improvements	Vehicle	Property	Total
Cost					
Balance, February 28, 2013	$ 173,385	$ 23,440	$ 92,779	$ 835,371	$ 1,124,975
Additions	6,909	-	-	-	6,909
Balance, February 28, 2014	**180,294**	**23,440**	**92,779**	**835,371**	**1,131,884**
Additions	**2,501**	**-**	**1,551**	**-**	**4,052**
Balance, November 30, 2014	**$ 182,795**	**$ 23,440**	**$ 94,330**	**$ 835,371**	**$ 1,135,936**
Accumulated amortization					
Balance, February 28, 2013	$ 124,825	$ 14,390	$ 53,475	$ -	$192,690
Additions	15,671	3,103	14,277	-	33,051
Balance, February 28, 2014	**140,496**	**17,493**	**67,752**	**-**	**225,741**
Additions	**8,574**	**1,540**	**10,600**		**20,714**
Balance, November 30, 2014	**$ 149,070**	**$ 19,033**	**$ 78,352**	**$ -**	**$ 246,455**
Carrying amounts					
February 28, 2014	$ 39,798	$5,947	$ 25,027	$ 835,371	$ 906,143
November 30, 2014	**$ 33,725**	**$ 4,407**	**$ 15,978**	**$ 835,371**	**$ 889,481**

(Expressed in Canadian Dollars)

9. Exploration and evaluation assets

	Parral 1, Mexico	La Cigarra, Mexico	El Reventon, Mexico	Sierra Rosario and other	Total
February 28, 2013	$ 552,383	$ 7,338,329	$ 932,137	$ 274,294	$ 9,097,143
Acquisition and tenure	1,083,665	229,024	21,201	6,671	1,340,561
Camp and general	35,510	151,312	-	38,732	225,554
Drilling and data collection	86,781	145,160	-	-	231,941
Field work and travel	5,475	38,939	518	-	44,932
Salaries and consulting	144,651	828,547	3,796	502	977,496
Write-offs	-	-	-	(38,397)	(38,397)
February 28, 2014	**1,908,465**	**8,731,311**	**957,652**	**281,802**	**11,879,230**
Acquisition and tenure	**214,571**	**287,530**	**21,484**	**6,906**	**530,491**
Camp and general	**82,676**	**62,271**	**-**	**27,879**	**172,826**
Drilling and data collection	**243,705**	**915,513**	**-**	**-**	**1,159,218**
Field work and travel	**3,321**	**17,956**	**-**	**-**	**21,277**
Salaries, consulting and fees	**92,230**	**480,084**	**-**	**-**	**572,314**
Proceeds on sale of royalty	**-**	**(4,144,888)**	**-**	**-**	**(4,144,888)**
Write-offs	**(61,995)**	**-**	**(949,136)**	**(27,879)**	**(1,039,010)**
November 30, 2014	**$ 2,482,973**	**$ 6,349,777**	**$ 30,000**	**$ 288,708**	**$ 9,151,458**

Parral 1, Mexico

Effective March 24, 2014, the Company entered into an agreement with DFX, amending the original agreement in order to acquire a 100% interest in the adjacent property and a 60% interest in the outside property, subject to a 1% net smelter royalty payable to the original property vendor. To acquire the 100% interest in the adjacent property the Company must pay DFX $450,000 ($200,000 paid prior to August 31, 2014 and $250,000 paid subsequent to August 31, 2014) in cash and issue 5,000,000 common shares (issued with a fair value of $750,000). Subsequent to earning its interest in the adjacent property, the Company will be required to issue an additional 3,000,000 common shares to DFX if it completes 20,000 meters of diamond drilling on the property, commences commercial production on the property or if the Company 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 the Company to exercise the option and acquire a 60% 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.

9. Exploration and evaluation assets- continued

La Cigarra, Mexico

Effective May 21, 2014, the Company entered into an Agreement to sell a 2.5% Net Smelter Royalty ("NSR") on the La Cigarra Project for gross proceeds of US$4,000,000. Under the terms of the Agreement the Company received gross proceeds of US$2,250,000 for an initial 1.25% NSR with a further US$1,750,000 (received during the quarter) to be paid for an additional 1.25%. A finder's fee of US$80,000 was paid in connection with the closing of the transactions.

El Reventon, Mexico

For the period ended, a write off of $ 949,136 of exploration and evaluation assets was incurred in anticipation of the subsequent Assignment Agreement of the property. Subsequent to period end, subject to an Assignment Agreement dated December 19, 2014, the Company agreed to assign and transfer to Northern Empire Resources Corp. ("Northern Empire") its 100% interest in three mineral concessions comprising the El Reventon Project. In consideration of the El Reventon Assignment, Northern Empire has agreed to pay the Company the sum of $10,000; issue to the Company 200,000 common shares in the capital of Northern Empire; and grant the Company a one percent (1%) net smelter royalty from any future production on the Project. Northern Empire shall be entitled at any time to buy-back the full net smelter royalty by paying to the Company $1,000,000. The closing of the El Reventon Agreement shall be subject to receipt of all necessary regulatory approvals.

Brandywine, Canada

The Company has maintained the Brandywine claim near Whistler, B.C. Although the nine unit claim is in good standing until August 3, 2015, the Company chose to abandon the Brandywine claim on October 20th, 2014.

10. Capital stock and reserves

Authorized capital stock

Unlimited number of common shares without par value
Unlimited number of preferred shares with rights and restrictions to be determined on issuance

Shares issued

a) During the year ended February 28, 2014, 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. Finders' fees and costs totalling $119,992 were payable in conjunction with the financing.

b) The Company completed a 39,995,000 unit non-brokered private placement at a price of $0.10 per unit for gross proceeds of $3,999,500. Each unit consisted of one share and one three year share purchase warrant. Each warrant shall enable the holder to purchase a share in the Company at a price of $0.18 for a period of eighteen months and $0.25 thereafter. The warrants are subject to a forced exercise provision whereby, if the closing price of the shares is at or above $0.55 for 10 or more consecutive days beginning six months from the day of issue and the Company so elects, the holder will have 30 days to exercise their warrants, otherwise they will expire on the 31st day. Finders' fees totaling $73,000 were paid on a portion of the financing.

(Expressed in Canadian Dollars)

10. Capital stock and reserves- continued

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 28, 2013	7,000,000	$0.37
Granted	3,030,000	0.22
Exercised	(75,000)	(0.15)
Forfeited/Expired/Cancelled	(1,366,666)	(0.32)
Balance, February 28, 2014	8,588,334	0.33
Granted	5,615,000	0.16
Forfeited/Expired/Cancelled	(1,123,334)	(0.29)
Balance, November 30, 2014	**13,080,000**	**$0.26**

b) Fair value of share options granted

During the nine months ended November 30, 2014, the Company granted options to directors, officers, employees and consultants to purchase up to 5,615,000 common shares of the Company at a weighted average exercise price of $0.16 per share. The estimated fair value of the stock options granted during the nine months ended November 30, 2014 was $370,590 using the Black Scholes option pricing model.

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

	For the nine months ended November 30, 2014	Nine months ended November 30, 2013
Risk-free interest rate	**1.1%**	1.1%
Expected dividend yield	**Nil**	Nil
Expected stock price volatility	**137%**	127.0%
Expected life (in years)	**5.0**	3.0
Expected forfeiture rate	**0%**	7%

During the nine months ended November 30, 2014 a total value of $357,608 (2013 - $502,357)) 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.

(Expressed in Canadian Dollars)

10. Capital stock and reserves- continued

c) Share options outstanding

A summary of the Company's options outstanding as at November 30, 2014 is as follows:

Options outstanding	Options exercisable	Price per share	Remaining contractual life (years)	Expiry date
125,000	125,000	$0.15	0.28	March 11, 2015
150,000	150,000	$0.15	0.39	April 21, 2015
225,000	225,000	$0.25	0.65	July 24, 2015
1,050,000	1,050,000	$0.71	1.47	May 19, 2016
450,000	450,000	$0.495	1.63	July 18, 2016
175,000	175,000	$0.25	1.83	September 28, 2016
255,000	255,000	$0.24	2.04	December 15, 2016
2,225,000	2,225,000	$0.28	2.54	June 13, 2017
420,000	420,000	$0.29	3.12	January 10, 2018
2,540,000	2,540,000	$0.22	3.26	March 4, 2018
2,465,000	1,215,000	$0.15	4.50	May 30, 2019
3,000,000	750,000	$0.165	4.78	September 8, 2019
13,080,000	9,580,000			

Subsequent to November 30, 2014, the Company granted directors, officers, employees and consultants options to acquire 1,000,000 shares at an exercise price of $0.08 per share for a period of 5 years.

Warrants

a) Movements in warrants during the year

The changes in share warrants during the nine months ended November 30, 2014 and the year ended February 28, 2014 were as follows:

	Warrants outstanding	Weighted average exercise price
Balance, February 28, 2013	11,239,372	$0.40
Issued	1,776,947	$0.25
Cancelled/Expired	(11,239,372)	$0.40
Balance, February 28, 2014	1,776,947	$0.25
Issued	39,995,000	$0.18
Balance, November 30, 2014	**41,771,947**	**$0.18**

b) Warrants outstanding

A summary of the Company's warrants outstanding as at November 30, 2014 is as follows:

Number	Exercise price	Expiry Date
1,776,947	$0.25	July 22, 2015
39,995,000	$0.18	September 5, 2017

(Expressed in Canadian Dollars)

10. Capital stock and reserves- continued

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 expired at the annual general meeting of shareholders of the Company to held in 2014. The term for the Rights Plan was extended to 2017 at the Company's annual general meeting of shareholders on November 20, 2014. The Rights Plan may be extended beyond 2017 by resolution of shareholders at such meeting. Under the terms of the Rights Plan, should a transaction or event occur, holders will be entitled to acquire common shares at a 50% discount to the market price. Certain persons or groups may be exempt from the dilutive effects of the Rights Plan. The Rights Plan has received the approval of the TSX Venture Exchange.

11. Related party transactions

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

a) Related party transactions

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

	Nature of transactions
New Dimension Resources Ltd.	Administrative and salary recoveries
Mercator Minerals Ltd. (formerly Creston Moly Corp.)	Administrative recoveries
Condire Investors LLC.	Consulting
North Arrow Minerals Inc.	Administrative recoveries
Grenville Strategic Royalty Corp. (formerly Troon Ventures Ltd.)	Administrative recoveries

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

			For the nine months ended November 30, 2014		For the nine months ended, November 30, 2013
Administrative recoveries		**$**	**(13,445)**	$	(18,015)
Consulting and financing costs		**$**	**109,017**	$	123,999
Salary recoveries	**(i)**	**$**	**(130,724)**	$	(158,607)

(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.

(Expressed in Canadian Dollars)

11. Related party transactions-continued

b) Compensation of key management personnel

		For the nine months ended November 30, 2014	For the nine months ended, November 30, 2013
Management fees, directors' fees, salaries		**$ 740,755**	$ 289,125
Stock-based compensation	(i)	**$ 357,608**	$ 335,183

(i) Stock-based compensation represents the expense for the nine months ended November 30, 2014 and 2013.

c) Employment agreements

i) During the year ended February 28, 2013, the Company entered into employment agreements with certain senior employees and officers requiring minimum annual payments totalling $308,500. 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 salaries of $617,000.

ii) In September, 2014, the Company entered into a retirement agreement with the chief executive officer which provided for the cancellation of his previous agreement for the consideration of a retirement payment of $438,976. In addition, the Company entered into an agreement for a one year term with a company related to the former chief executive officer for advisory services at a cost of $196,000 per year.

iii) In September, 2014, the Company entered into employment agreements with two senior officers requiring minimum annual payments of $200,000 and US$175,000. In addition, the agreements contain clauses which could provide for payments to these senior officers on the termination of these contracts of up to $400,000 and US$262,500 respectively.

iv) During the quarter ended November 30, 2014, the Company entered into a $50,000 loan agreement with a senior officer of the Company. The loan is repayable over a period of two years and was for the purchase of shares of the Company from treasury.

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 and non-interest bearing.

(Expressed in Canadian Dollars)

12. Segmented information

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

Total Non-current assets		**November 30, 2014**		February 28, 2014
Canada	**$**	**36,992**	$	39,926
Mexico		**10,067,982**		13,134,247
Total	**$**	**10,104,974**	$	13,174,173

Net Loss		**For the nine months ended November 30, 2014**	For the nine months ended, November 30, 2013
Canada	**$**	**1,631,171**	$ 1,370,541
Mexico		**919,751**	47,708
Total	**$**	**2,550,922**	$ 1,418,249

13. Commitment

As at November 30, 2014, the commitment for rental of the Company's office space is as follows:

Year ending		
February 28, 2015	$	67,443
February 29, 2016	$	247,290

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

14. Supplemental cash flow information

Changes in non-cash working capital:		**For the nine months ended November 30, 2014**		For the nine months ended, November, 2013
(Increase) decrease in:				
Receivables	**$**	**(743,961)**	$	(7,937)
Taxes receivable		**324,765**		13,814
Due from related parties		**1,147**		43,123
Prepaid expenses		**(19,096)**		(8,959)
(Decrease) increase in:				
Accounts payable and accrued liabilities		**112,068**		(59,843)
	$	**(325,077)**	$	(19,802)

(Expressed in Canadian Dollars)

14.Supplemental cash flow information-continued

Schedule of non-cash investing and financing transactions:		**For the nine months ended November 30, 2014**		For the nine months ended, November 30, 2013
Change in resource property costs included in accounts payable	**$**	**7,298**	$	59,630
Fair value of options exercised	**$**	**-**	$	6,225

Supplementary disclosure of cash flow information:		**For the nine months ended November 30, 2014**		For the six months ended, August 31, 2013
Cash paid for interest	**$**	**Nil**	$	Nil
Cash paid for income taxes	**$**	**Nil**	$	Nil

15. Comparative numbers

Certain of the comparative numbers have been restated to conform with the current period's presentation.

16. Subsequent events

Subsequently to period end, subject to an Assignment Agreement dated December 19, 2014, the Company agreed to assign and transfer to Northern Empire its 100% interest in three mineral concessions comprising the El Reventon Project (Note 9).

The Company announced the appointment of Mr. Robert J. Scott CA, CFA as Chief Financial Officer (CFO) to replace outgoing CFO Mr. Wayne Johnstone and the appointment of Ms. Annette Cusworth to the Company's Board of Directors. The Company also granted an aggregate of 1,000,000 common shares of the Company exercisable at a price of CDN $0.080 per common shares to a director and an officer. The options will vest annually in equal tranches, with the first 25% of the options vesting on the grant date.