Northair Silver Corp.
(formerly International Northair Mines Ltd.)

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MANAGEMENT DISCUSSION AND ANALYSIS

February 28, 2015

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Form 51-102F1
Management Discussion and Analysis
For
Northair Silver Corp.
(formerly 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 June 29, 2015 and is intended to supplement and complement the Company's audited consolidated financial statements for the year ended February 28, 2015. 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 in Mexico. The Company is listed on the TSX Venture Exchange 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").

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

Highlights for the year ended February 28, 2015

- On March 11, 2014, the Company appointed Donald J. Birak to its Advisory Board.

- The Company announced that rock and soil samples taken around newly discovered old workings have identified a new and potentially important silver bearing target west of the Las Carolinas Zone. In addition, soil sampling by crews on a grid basis has identified a new silver/gold in soil anomaly northwest of the new silver zone. A US$4,000,000 Royalty Transaction ("Royalty Transaction" or "NSR") was closed by the Company with Coeur Capital, Inc. ("Coeur") for the La Cigarra Project. Under the terms of the Royalty Agreement, Northair received US$4,000,000 payable for a 2.5% NSR royalty on the La Cigarra silver project. On May 30, 2014 Northair received US$2,250,000 for a 1.25% NSR; and a further US$1,750,000 was paid on September 2, 2014 for an additional 1.25% NSR payable on future production from La Cigarra.

- 7,715,000 stock options at weighted average price of $0.14 were granted to directors, officers, employees and consultants by Northair. All of the options are exercisable for a period of five years from the date of grant.

- The Company reported exploration results from the Ram Zone at the La Cigarra Project. Sampling of an underground adit, contained within and parallel to the north-south striking Ram Zone, returned an average silver grade of 554.8 g/t along 33.50 metres; with grades varying from 87.8 g/t silver to 2,850 g/t silver. In order to better determine the width of mineralization of the new zone, three trenches were excavated perpendicular to and above the sampled adit and within the Ram Zone anomaly. Results from the trenches returned the following silver values:

    - Trench #1 - 35.45 metres of 67.3 g/t silver (including 16.20 metres of 99.6 g/t silver and 4.85 metres of 141.4 g/t silver);
    - Trench #2 - 43.03 metres @ 32.2 g/t silver including two intervals of 13.80 metres @ 23.8 g/t silver and 13.73 metres of 71.3 g/t silver;

    - Trench #3 - 13.60 metres @ 13.6 g/t silver including 2.60 metres of 32.8 g/t silver and 29.70 metres grading 14.2 g/t silver including 13.69 metres of 21.4 g/t silver;

- Further testing of the Ram Zone was reported; where nine 6 metre-long sample pits were excavated approximately 150 metres south of Trench #3 to expose bedrock over a 200 meter-wide zone where previous soil sampling yielded highly anomalous silver values. Sampling of the nine test pits returned silver values varying from 0.7 g/t to 16.7 g/t with the average of all nine pits being 7.84 g/t. Results of the trenching and pit samples further confirm that the Ram Zone is a large, continuous mineralized system, which remains open along strike to the north and south and down dip to the west.

- On July 14, 2014, the Company exercised an option to acquire a 100% interest in the six original mineral concessions at the La Cigarra silver project through Grupo Northair by making the final payment totalling US$200,000.

- Northair announced the retirement of Mr. Fred Hewett as President and CEO and the appointment of Ms. Andrea Zaradic, P.Eng, to the positon of President and CEO. Ms. Zaradic also agreed to join the Board of Directors to fill the opening created by Mr. Hewett's retirement. Mr. Hewett has agreed to maintain an ongoing involvement in the Company in an advisory role. In addition to Ms. Zaradic's appointment as President and CEO, Mr. David Ernst joined the Company as Vice President Exploration and Mr. John Robins, P.Geo. joined the Company's Advisory Board. In conjunction with Ms. Zaradic's appointment to the Board, Mr. Maurice Tagami, P.Eng and Mr. Tony Reda also joined the Company's Board.

- On September 8, 2014, the Company completed a non-brokered private placement with the issuance of 39,995,000 units at a price of $0.10 per unit for gross proceeds of $3,999,500. Each unit consisted of one common share and one warrant. Each warrant will entitle the holder to purchase one common share of the company at a price of $0.18 per common share for a period of 18 months from the closing of the private placement and $0.25 per common share thereafter until the expiry of the warrants three years following closing of the private placement. The warrants are subject to a forced exercise provision whereby, if the closing price for the Company's common shares is $0.55 or greater for a period of 10 consecutive trading days from a date beginning six months following the date of issue, and the Company so elects, the holders of warrants will have 30 days to exercise their warrants, otherwise, the warrants will expire on the 31st day.

- In October, 2014, Northair made the final payment totaling $250,000 to DFX Exploration Ltd. ("DFX") in order to acquire a 100% interest in a strategic portion of the Parral Concessions ("Parral 2"), surrounding its 100% owned La Cigarra silver deposit.

- The Company announced exploration results of a new and potentially significant silver and gold occurrence known as La Colorada Zone. This area is defined by a northwest-southeast trending silver and gold soil anomaly measuring 1,400 meters long and 300 to 400 metres wide. Sampling included a 50 by 50 meter soil grid and 143 rock chip samples of which 16 returned greater than 10 g/t silver including a high silver value of 231 g/t. Additionally, 38 rock samples returned greater than 0.10 g/t gold, with 4 samples reporting over 1.0 g/t gold. The highest rock chip sample returned 21.3 g/t gold.

- Northair changed its name from International Northair Mines Ltd. to Northair Silver Corp. and announced results of its 2014 Annual General Meeting whereby Shareholders approved the business items of setting the size of the Board at seven including the election of each director nominee.

- On December 8, 2014, Northair 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 announced the results of its 2014 drilling program (the "Program") at its La Cigarra silver project (the "Property"). The Program consisted of seventeen core holes totaling 4,860 metres.

- Northair and its wholly owned subsidiary Grupo Northair de Mexico, S.A. de C.V. announced that it signed two binding agreements; one with Serengeti Resources Inc. ("Serengeti") to acquire 100% the Los Cuates gold project ("Los Cuates") adjacent to its Cigarra silver deposit, located in the state of Chihuahua, Mexico; and the other with Northern Empire Resources Corp. ("Northern Empire") whereby the Company will assign and transfer the El Reventon silver project ("El Reventon") located in Durango State, Mexico to Northern Empire.

- 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. In consideration of the El Reventon Assignment, subsequent to year end, Northern Empire paid 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 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 Company announced the results its updated resource estimate prepared by Allan Armitage, PhD, P. Geo. and Joe Campbell, B.Sc., P. Geo., of GeoVector Management Inc. for its La Cigarra silver project. The updated resource estimate, constrained by a Whittle pit shell utilizing a $22 per ounce (“oz”) silver price and reported at a 35 g/t silver cut-off grade comprises 51,470,000 ounces of silver (18,540,000 tonnes) in the Measured and Indicated categories grading 86.3 g/t silver and 11,460,000 ounces silver (4,450,000 tonnes) in the Inferred category grading 80.0 g/t silver. The Company also prepared a +/-30% sensitivity analysis at a $17/oz silver price and a $29/oz silver price. Results of the sensitivity analysis included a 20% increase in the average M&I grade at $17/oz silver with no loss of total ounces while the upside comparison using a $29/oz silver saw a 30% increase in total contained silver ounces.

- The start of a third phase metallurgical program on its La Cigarra silver project was announced by Northair. The metallurgical program will be conducted by Base Metallurgical Laboratories Ltd. of Kamloops, BC. Terra Mineralogical Services of Peterborough, ON was selected to conduct further mineralogical assessment of the La Cigarra samples. The metallurgical and mineralogical work will be conducted under the supervision of Mr. Hoe Teh, P.Eng.

- Northair filed its NI 43-101 Technical Report on SEDAR for its updated resource estimate for its La Cigarra silver project and also announced, subject to an assignment agreement dated February 23, 2015, that it has agreed to assign and transfer to Starcore International Mines Ltd. ("Starcore") its right, title and interest (50% interest) in the mineral concessions comprising the Sierra Rosario Project. In consideration of the Sierra Rosario Assignment, Starcore paid Northair the sum of $25,000; made an additional payment of $7,139 associated to the outstanding joint venture costs; and grant Northair a one percent (1%) net smelter royalty from any future production on the

Project. Starcore retains the right to buy-back the full net smelter royalty by paying to Northair $1,000,000.

Highlights Subsequent to February 28, 2015

- The results of mapping and rock chip sampling within the La Borracha and La Colorada zones were announced. The program carried out in La Borracha confirmed a continuation of mineralized outcrops from the limit of the current La Cigarra resource area to the northwest with results potentially increasing the strike length of mineralization an additional 1.1 kilometres. Of the 46 rock samples taken in the area, eight returned grades greater than 100 g/t silver with a high value of 378 g/t silver. Mapping completed by Northair in the La Borracha area suggests that the same mineralized horizon which hosts the current La Cigarra resource continues on the north side of a post mineral fault, which was previously believed that this fault cut-off mineralization to the northwest. The Company's recognition of the potential continuation of the La Cigarra mineralized zone across this fault creates a new mostly untested target area with significant resource expansion potential. In addition, detailed mapping in the area has identified at least two important north-south trending structures believed to control higher grade mineralization. The program carried out in the northern part of the La Colorada Zone measures approximately 300 metres by 120 metres included 51 rock chip samples with three returning over 40 g/t silver including a 1 metre channel sample reporting 59.0 g/t silver. Nine of the samples also contained between 10 g/t and 40 g/t silver. Results of these samples support the presence of important silver mineralization hosted in a northwest-trending, southwest-dipping structural zone(s) occurring on the western flank of the La Cigarra anticline. This portion of the La Colorada zone represents an entirely new target area, which will be included in the next round of planned drilling.

  Northair contracted MPX Geophysics Ltd. to conduct an airborne survey at La Cigarra. The airborne survey commenced in early April with the flight pattern designed around known mineral orientations and the Company's interpretations of important structural controls at the Property.

- The Company announced that it has submitted a drill permit application to Mexico's Secretariat of Environment and Natural Resources ("SEMARNAT"), for the next phase of drilling at La Cigarra. The proposed program is for up to 8,000 meters of reverse-circulation and/or core drilling and is designed to expand the existing mineral resource.

- Northair has decided to terminate its' Letter Agreement (the "DFX Agreement") with DFX that the Company entered into with DFX in January 2014. A write-off of $338,933 of exploration and evaluation assets related to the outside property ("Parral 1") in anticipation of the subsequent termination of the DFX Agreement. The Company has maintained its 100% interest in the adjacent property ("Parral 2").

<u>Exploration Update</u>

Overview

Northair continues to concentrate its exploration activities at the La Cigarra project in Mexico through Grupo Northair. The technical information below has been reviewed by David Ernst, the Company's Vice President Exploration, and also a Qualified Person under NI 43-101.

<u>Project Discussion</u>

La Cigarra Project, Chihuahua

The La Cigarra Project is located near the city of Parral, in the state of Chihuahua in north central Mexico. La Cigarra consists of mineral concessions totalling approximately 19,000 hectares, which were 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 January 2014, the Company entered into a Letter Agreement that significantly expanded its interest in a large land position (the "Parral Concessions") totaling approximately 22,000 hectares surrounding its original six La Cigarra Concessions. The DFX Agreement replaces an earlier agreement with DFX and its relevant subsidiaries dated April 5, 2012 and allows Northair to acquire a 100% interest in a portion of the Adjacent Property immediately surrounding its 100% owned La Cigarra silver deposit. The DFX 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").

In June 2014, the Company commenced a core drill program at La Cigarra. The program targeted 5,000 metres of drilling and focused on the expansion of the La Cigarra mineral resource by targeting down-dip and on strike projections of mineralization at the north end of the San Gregorio Zone and to the south of the Las Carolinas Zone. The program also included drilling on trend and further to the south where significant soil and rock geochemical anomalies and historic mine workings have been identified at the Las Venadas and Las Chinas zones. These targets are underlain by the same stratigraphy that hosts mineralization at the San Gregorio and the Las Carolinas zones and could potentially extend the La Cigarra mineral trend.

In December 2014, the Company reported the results of its core drill program which consisted of seventeen core holes totaling 4,860 metres. Drilling was distributed over several property wide targets with most work directed at in-filling and expanding the known San Gregorio and Las Carolinas resource area. Highlights of this program included holes CC-14-155, intercepting 138.3 g/t silver over 23.45 metres and CC-14-156 intercepting 137.4 g/t silver over 4.60 metres, as well as an interval of 1.65 metres grading 122.1 g/t silver, 2.31% lead and 5.80% zinc; representing some of the highest lead and zinc grades reported on the property to date. These results, combined with previous drilling in the area, support the possibilities to expand the resource to the southeast.

In January 2015, Northair announced the results of an updated NI 43-101 Resource Estimate completed by Allan Armitage, PhD, P. Geo. and Joe Campbell, B.Sc., P. Geo., of GeoVector Management Inc.

The resource estimate was calculated based on results from 156 of 171 holes totaling 30,443 metres within the potentially surface minable mineralized area comprised of the San Gregorio and Las Carolinas mineralized zones, which combine to form a total strike length of 2.4 kilometres. The resource estimate was constrained by a WhittleTM pit shell utilizing a $22/oz silver price, an economic cutoff grade of 35 g/t of silver and metallurgical recoveries of 84% silver. Highlights of the mineral resource estimate are as follows:

- Measured and indicated mineral resources of 51,470,000 ounces of silver within 18,540,000 tonnes at an average grade of 86.3 g/t silver, representing a 14% increase in grade from the 2013 Resource Estimate;
- Inferred mineral resource of 11,460,000 ounces silver within 4,450,000 tonnes at an average grade of 80.0 g/t silver, representing a 31% increase in grade from the 2013 Resource Estimate;
- An increase of 17% in total ounces from the 2013 Resource Estimate;
- Higher than average grade is found in outcrop, which could improve project economics in the early years with significant by-products including gold, lead and zinc;
- The deposit remains open along the 6 kilometer strike and at depth with potential to also expand near surface mineralization along the outer perimeter of the deposit.

A summary of the mineral resource estimate contained within a resource pit shell utilizing a $22 per ounce ("oz") silver price and reported at a 35 g/t silver cut-off grade is tabulated below:

Resource Category*	**Tonnes**	**In-Situ Grade**				**Contained Metal**			
		Ag (g/t)	**Au (g/t)**	**Pb (%)**	**Zn (%)**	**Ag (oz)**	**Au (oz)**	**Pb (lbs)**	**Zn (lbs)**
Measured	3,620,000	88.9	0.074	0.14	0.19	10,340,000	9,000	10,920,000	15,510,000
Indicated	14,930,000	85.7	0.068	0.13	0.18	41,130,000	33,000	42,950,000	59,260,000
Meas + Ind	**18,540,000**	**86.3**	**0.069**	**0.13**	**0.18**	**51,470,000**	**41,000**	**53,870,000**	**74,770,000**
Inferred	**4,450,000**	**80.0**	**0.058**	**0.13**	**0.16**	**11,460,000**	**8,000**	**12,680,000**	**15,610,000**

Note: Mineral resources are reported in relation to a conceptual pit shell at a 35 g/t silver cut-off grade and a $22/oz silver price. Mineral resources that are not mineral reserves do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and numbers may not add up due to rounding.*

Northair has recently submitted an application for permits to conduct the next round of resource expansion drilling at La Cigarra. In addition, the Company is conducting further metallurgical testing to confirm the process flow sheet and metallurgical performance with samples to be collected representing material from both the San Gregorio and Las Carolinas zones. Furthermore, Northair is processing and interpreting the results of an airborne survey, which is expected to support the results from ongoing exploration work and assist in identifying and drill-testing additional targets within the large La Cigarra project area.

Sierra Rosario Project, Sinaloa

In April of 2002, the Company staked the Sierra Rosario silver/gold project which is located in the state of Sinaloa, Mexico. The project is located approximately 25 linear kilometers northwest of Choix, Sinaloa; and 40 kilometers east of Alamos, Sonora. The property can be reached by road from Choix, and has good local infrastructure

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.

During the year ended February 28, 2015, the Company agreed to assign and transfer to Starcore International Mines Ltd. (“Starcore”) its right, title and interest (50% interest) in the mineral concessions comprising the Sierra Rosario Project. As consideration, Starcore has agreed to pay Northair the sum of $25,000 (received); make an additional payment of $7,139 (received) associated to the outstanding joint venture costs; and grant Northair a one percent (1%) net smelter royalty from any future production on the Project. Starcore retains the right to buy-back the full net smelter royalty by paying to Northair $1,000,000. As a result, the Company recorded a loss on assignment of $311,638.

El Reventon Project, Durango

The El Reventon Project is comprised of approximately 3,400 hectares acquired by staking and a further 60 hectares which was the subject of an option agreement. The Company has acquired a 100% interest in the 60 hectare concession from the option 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.

On December 22, 2014, the Company announced that it has agreed to assign and transfer to Northern Empire its 100% interest in three mineral concessions comprising the El Reventon Project. Please see the “Highlights for year ended February 28, 2015” section for details.

Financial Condition, Liquidity, Capital Resources, Operations and Financial Results

Overall Performance

During the year ended February 28, 2015, the Company initiated its 2014 drilling program, and continued its sampling programs in Mexico. In addition, the Company completed the acquisition of the La Cigarra concessions, made the initial payment to acquire ownership of the DFX Exploration Ltd. concessions adjacent to La Cigarra and raised proceeds by a net smelter royalty (“NSR”) sale to fund ongoing work.

The Company completed the acquisition of the DFX adjacent concessions, raised $3,995,000 by way of a private placement and received the US$4,000,000 payment from Coeur Capital Inc. on the sale of a 2.5% NSR on the La Cigarra property.

At February 28, 2015, the Company’s financial position was as follows:

	February 28, 2015	February 28, 2014	February 28, 2013
Current assets	**$ 4,429,920**	$ 901,308	$ 2,921,307
Non-current assets	**10,470,145**	13,174,173	10,507,761
Liabilities	**(66,036)**	(162,283)	(728,022)
Shareholders’ equity	**$ 14,834,029**	$ 13,913,198	$ 12,701,046

Financial Condition – February 28, 2015 compared to February 28, 2014

At February 28, 2015, the Company had working capital of $4,363,884 that included cash and short-term deposits of $4,219,127, amounts receivable of $152,485, other current assets of $58,308 and current liabilities of $66,036. This is compared to working capital of $739,025 at February 28, 2014, that included cash and short-term deposits of $742,604, amounts receivable of $107,632, other current assets of $51,072 and current liabilities of $162,283. During the year ended February 28, 2015, the Company spent $2,978,668 on its Mexican exploration and evaluation assets, incurred a $3,258,576 loss from operations and raised $4,270,000 as part of the royalty transaction with Coeur.

At February 28, 2015, the Company had a potential value added tax receivable of $653,255 after deducting provisions taken in prior years as a result of the Mexican government's delays in payment.

Financing/Use of Proceeds

For the year ended February 28, 2015, the Company completed a private placement for $3,999,500. These proceeds are used for funding its ongoing administration and exploration activities. During the year ended February 28, 2015, the Company negotiated the sale of an NSR on its La Cigarra Project to provide $4,270,000 for working capital, the acquisition of mineral rights and continued exploration.

Results of Operations

The Company's net losses for the year ended February 28, 2015, were $3,258,576 or $0.03 per share compared with a net loss of $1,863,061 or $0.02 per share for the comparative year ended February 28, 2014. The primary reason for the increased loss for fiscal 2015 was the exploration costs write-off on Parral 1, El Reventon and Sierra Rosario.

During fiscal 2015, general and administrative expenses were $2,083,042 (2014 - $1,716,657) an increase of $366,385 from the prior year. The increase in the expenses for the year was largely attributable to the increased salaries expense which includes the previous CEO's retirement payment.

Exploration costs written-off during the current year totaled $1,342,252 compared with $38,397 in the comparative year. The increase in the amounts written off was a result of the Assignment Agreement of El Reventon in December 2014 and the anticipation of the subsequent termination of the DFX Agreement and Assignment Agreement of Sierra Rosario.

During the current year, the Company realized interest and other income of $25,905 compared to $17,467 in the comparative year.

Geographical Segments

The Company's business consists of mineral exploration and development and is focused on the advancement of its flagship La Cigarra silver project. Details on its geographical segments are as follows:

Total Assets		**February 28, 2015**		February 28, 2014
Canada	**$**	**4,405,959**	**$**	877,030
Mexico		**10,494,106**		13,198,451
Total	**$**	**14,900,065**	**$**	14,075,481

Total Non-current Assets		**February 28, 2015**		February 28, 2014
Canada	$	**37,253**	**$**	**39,926**
Mexico		**10,432,892**		**13,134,247**
Total	$	**10,470,145**	**$**	**13,174,173**

Net Loss		**Year ended February 28, 2015**		Year ended February 28, 2014
Canada	**$**	**1,664,729**	$	1,687,858
Mexico		**1,593,847**		174,445
Total	**$**	**3,258,576**	$	1,862,303

Exploration and Evaluation Assets

At February 28, 2015, the Company's expenditures on exploration and evaluation assets consisted of the following:

		La Cigarra, Mexico		**El Reventon, Mexico**		**Sierra Rosario and Other**		**Total**
February 28, 2013	$	7,890,712	$	932,137	$	274,294	$	9,097,143
Acquisition and tenure		1,312,689		21,201		6,671		1,340,561
Camp and general		186,822		-		38,732		225,554
Drilling and data collection		231,941		-		-		231,941
Field work and travel		44,414		518		-		44,932
Salaries, consulting and fees		973,198		3,796		502		977,496
Write-offs		-		-		(38,397)		(38,397)
February 28, 2014		**10,639,776**		**957,652**		**281,802**		**11,879,230**
Acquisition and tenure		842,216		63,317		17,563		923,096
Camp and general		13,144		-		-		13,144
Drilling and data collection		928,605		-		-		928,605
Field work and travel		174,207		-		-		174,207
Salaries, consulting and fees		913,218		12,350		14,048		939,616
Proceeds on sale of royalty		(4,270,000)		-		-		(4,270,000)
Loss on assignment		-		-		(311,638)		(311,638)
Write-offs		(338,933)		(1,003,319)		-		(1,342,252)
February 28, 2015	**$**	**8,902,233**	**$**	**30,000**	**$**	**1,775**	**$**	**8,934,008**

La Cigarra, Mexico

During the year ended February 28, 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 acquired a 100% ownership in the concessions by making payments over a five year period totalling US$445,000.

During the year ended February 29, 2012, the Company expanded the project to include the La Borracha concession at a cost of US$35,000.

During fiscal 2013, 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.

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 property (renamed as "Parral 2") and the outside property (renamed as "Parral 1"). Under the terms of the agreement the Company paid $175,000 and issued 450,000 shares, valued at $101,500, during the past two years. In addition, the Company has purchased 1,000,000 common shares in DFX at a price of $0.25 per share and has recorded the share purchase as an acquisition cost. Effective March 24, 2014, the Company entered into an agreement with DFX (the "DFX Agreement"), amending the original agreement in order to acquire a 100% interest in Parral 2 and a 60% interest in Parral 1, subject to a 1% net smelter royalty payable to the original property vendor. To acquire the 100% interest in Parral 2 the Company paid DFX $450,000 in cash and issue 5,000,000 common shares (issued with a fair value of $750,000). Subsequent to earning its interest in Parral 2, 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 Parral 2 in a NI 43-101 technical report prepared by the Company. If silver equivalent ounces are produced from Parral 2, 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 Parral 1, 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.

During the year ended February 28, 2014, the Company reached an agreement to allow access and conduct exploration on a portion of the land for future construction, mining and processing.

During the year ended February 28, 2015, 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 and a further US$1,750,000 for an additional 1.25%. A finder's fee of US$80,000 was paid in connection with the closing of the transactions.

Subsequent to the year ended February 28, 2015, the Company terminated the DFX Agreement and wrote off capitalized costs of $338,933 related to Parral 1. The Company has maintained its 100% interest in Parral 2.

El Reventon, Mexico

During the year ended February 28, 2015, 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 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. As a result, the Company wrote off capitalized costs of $1,003,319 to reflect the fair value of the property at $30,000. Subsequent to the year end, the Company has received a payment of $10,000 from Northern Empire.

Sierra Rosario, Mexico

During the year ended February 28, 2015, the Company agreed to assign and transfer to Starcore International Mines Ltd. ("Starcore") its right, title and interest (50% interest) in the mineral concessions comprising the Sierra Rosario Project. As consideration, Starcore has agreed to pay Northair the sum of $25,000 (received); make an additional payment of $7,139 (received) associated to the outstanding joint venture costs; and grant Northair a one percent (1%) net smelter royalty from any future production on the Project. Starcore retains the right to buy-back the full net smelter royalty by paying to Northair $1,000,000. As a result, the Company recorded a loss on assignment of $311,638.

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 during the year ended February 28, 2015

Los Cuates, Mexico

The Company has also acquired additional claims known as the Los Cuates property for US$1,533 and a 1% NSR, which can be repurchased for US$1,000,000.

Selected Annual Information

A summary of selected annual financial information for the last three fiscal years is as follows:

	As at February 28, 2015	**As at February 28, 2014**	**As at February 28, 2013**
Total revenues	$ Nil	$ Nil	$ Nil
Net loss	3,258,576	1,862,303	2,379,394
Net loss per share	0.03	0.02	0.03
Total assets	14,900,065	14,075,481	13,429,068
Total liabilities	66,036	162,283	728,022

The loss for the year ended February 28, 2015 was mainly the result of write-off of exploration and evaluation assets of $1,342,252, office, salaries and general of $1,073,839, stock-based compensation of $274,470 and professional fees of $412,450. These expenditures were offset by a gain on foreign exchange in the amount of $452,451. The loss for the year ended February 28, 2014 was mainly the result of office, salaries and general expenses of $695,353, professional fees of $186,068, stock-based compensation of $527,140 and the write-off of taxes receivable of $125,574. The loss for the year ended February 28, 2013 was mainly the result of office, salaries and general expenses of $730,732, professional fees of $260,482, stock-based compensation of $620,244 and the write-off of taxes receivable of $195,438.

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.

Quarter Ended	Revenues	Net Loss	Basic Loss per share
February 28, 2015	$ Nil	$707,654	$ 0.00
November 30, 2014	$ Nil	$1,696,795	$ 0.00
August 31, 2014	$ Nil	$363,020	$ 0.00
May 31, 2014	$ Nil	$491,107	$ 0.01
February 28, 2014	$ Nil	$440,054	$ 0.00
November 30, 2013	$ Nil	$295,803	$ 0.00
August 31, 2013	$ Nil	$456,226	$ 0.00
May 31, 2013	$ Nil	$666,220	$ 0.01

Variations of 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, the write-off of amounts receivable, stock-based compensation costs, tax recoveries/costs and legal matters. The Company's exploration activities in Mexico can be seasonal, with less work conducted during certain months due to the rainy season.

During fiscal 2014 and 2015, the Company has continued to be active in exploring in Mexico and its exploration expenditures for the periods reflect this activity.

During the fourth quarter of year ended February 28, 2015, the Company incurred stock-based compensation of $145,985 and a write-down of exploration cost of $338,933 on Parral 1 resulting in a loss of $707,654 for the quarter.

During the third quarter of fiscal 2015, the Company incurred stock-based payments of $102,451 (2013- $38,119) and office, salaries and general costs of $857,181 resulting in a loss of $1,696,795 for the quarter. The loss for the third quarter was higher than the comparative quarter largely as a result of increased salaries due to the previous CEO's retirement payment and the write-off of exploration and evaluation assets related to El Reventon.

During the second quarter of fiscal 2015, the Company incurred stock-based compensation of $97,240 (2013- $96,170) and office, salaries and general costs of $190,523(2013- $192,776) resulting in a loss of $363,020 for the quarter. The loss for the second quarter was less than comparative quarter largely as a result of reduced professional and consulting fees. Professional and consulting costs incurred in the comparative quarter were greater as a result of the Company's need to secure additional funds which resulted in increased fees.

During the first quarter of fiscal 2015, the Company incurred stock-based compensation of $157,917 and professional and consulting fees of $128,507 resulting in a loss of $491,107 for the quarter. In addition, the Company entered into an agreement for the sale of a NSR on its La Cigarra Property.

During the fourth quarter of the year ended February 28, 2014, the Company incurred stock-based compensation of $24,783 and wrote-down its Mexican value added tax by $125,574 resulting in a loss of $440,054 for that quarter.

During the third quarter of fiscal 2014, the Company had stock-based compensation of $38,119, shareholder information costs of $64,216 and office, salaries and general of $173,086 resulting in a loss of $295,803 for that quarter.

During the second quarter of fiscal 2014, the Company had stock-based compensation of $96,170, professional and consulting fees of $102,907 and office, salaries and general of $166,176 resulting in a loss of $456,226 for the period.

During the first quarter of fiscal 2014, the Company had stock-based compensation of $368,068, shareholder information costs of $102,934 and office, salaries and general of $172,199 resulting in a loss for the quarter of $666,220.

Stock-based compensation are non-cash charges to operations created on the granting/vesting of options and can have a significant impact on reported earnings/losses as a result of fluctuations in the price of the Company’s shares.

Liquidity

During the year ended February 28, 2015, the Company’s cash position was reduced by $20,741 (comparative period - $60,743) as a result of its operating, investing and financing activities.

Operating activities

The Company’s operating activities used cash of $2,013,409 (2014 - $1,134,683) during the year ended February 28, 2015 as a result of funding a net loss of $3,258,576 (2014 - $1,862,303) adjusted for the changes in non-cash expenditures such as amortization of $34,894 (2014 - $33,051), stock-based compensation of $274,470 (2014 - $527,140), write-offs of $1,342,252 (2014 - $38,397), loss on assignment of $311,638 (2014 – nil), unrealized gain on foreign exchange of $311,835 (2014 – nil) and a decrease in non-cash working capital of $386,252 (2014 – an increase of $3,458).

Investing activities

The Company’s investing activities generated cash of $1,253,160 (2014 - use of cash of $2,576,633) during the year ended February 28, 2015. The Company used $3,037,346 (2014 - $2,082,424) for work on its exploration and evaluation assets, used cash of $11,633 (2014 - $494,209) for purchase of equipment, generated proceeds of $32,139 (2014 - $nil) on assignment agreement on Sierra Rosario and generated proceeds of $4,270,000 (2014 - $nil) on the sale of an NSR on its La Cigarra Project.

Financing activities

Financing activities generated cash of $739,508 (2014 $3,650,573) during year ended February 28, 2015 resulting from the net private placement proceeds of $3,904,937 (2014 - $1,739,323) offset by the acquisition of $3,165,429 (2014 – redemption of $1,900,000) in short term deposits and $nil (2014 - $11,250) in shares issued pursuant to stock options exercised.

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 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. These risks and uncertainties also include the rights of others, including local Ejido communities, to control the surface of the Company’s concessions.

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 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.

Commitments

As at February 28, 2015, the commitment for rental of the Company's office space is as follows:

Year ending	
February 28, 2016	$ 277,316

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.

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.

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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 as follows:

		Nature of transactions
New Dimension Resources Ltd.	Chris Curran	Administrative and salary recoveries
Mercator Minerals Ltd.	Mike Wang	Administrative recoveries
Condire Investors LLC.	Ryan Schedler	Consulting
North Arrow Minerals Inc.	Brenda Nowak	Administrative recoveries
Grenville Strategic Royalty Corp.	Andrea Zaradic	Administrative recoveries
Corex Management	Robert Scott	Accounting
Mortimer Mining Services	Fred Hewett	Consulting

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.

	Note		**Year ended February 28, 2015**		Year ended February 28, 2014
Accounting		**$**	**23,306**	$	-
Administrative recoveries		**$**	**(18,037)**	$	(22,652)
Salary recoveries	**(i)**	**$**	**(163,439)**	$	(211,210)
Financing costs		**$**	**-**	$	79,558
Consulting		**$**	**102,100**	$	44,441

(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) Related party balances

The Company is owed the following amounts from related parties primarily for reimbursements of shared office costs:

		February 28, 2015		February 28, 2014
Mercator Minerals Ltd.	**$**	**-**	$	4,070
New Dimension Resources Ltd.		**29,476**		7,844
Grenville Strategic Royalty Corp.		**204**		7,634
North Arrow Minerals Inc.		**15,113**		17,898
Other		**41,923**		174
	$	**86,716**	$	37,620

c) Compensation of key management personnel

	Year ended February 28, 2015	Year ended February 28, 2014
Management fees, directors' fees, salaries	**$ 718,723**	$ 318,000
Stock-based compensation	**$ 140,196**	$ 314,210

- For the year ended February 28, 2015, management fees, directors' fees, salaries includes the retirement payment of $477,914 to Fred Hewett.
- Stock-based compensation represents the expense for the years ended February 28, 2015 and February 28, 2014.

d) Consulting contract

During the year end February 28, 2014, the Company entered into agreements with Condire Investors LLC., a party related by a director, under which the Company paid Condire $44,441 for planning, advisory and due diligence services, financing costs of $79,558 and granted 225,000 stock options.

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

Outstanding Share Data

The table below presents the Company's common share data as of June 29, 2015.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			150,137,069
Securities convertible into common shares			
Warrants	$0.25	July 22, 2015	1,776,947
	$0.18	September 5, 2017	39,995,000
Options			
	$0.25	July 24, 2015	225,000
	$0.71	May 19, 2016	1,000,000
	$0.495	July 18, 2016	300,000
	$0.25	September 28, 2016	175,000
	$0.24	December 15, 2016	175,000
	$0.28	June 13, 2017	1,755,000
	$0.29	January 10, 2018	245,000
	$0.22	March 4, 2018	2,065,000
	$0.15	May 30, 2019	1,930,000
	$0.165	September 8, 2019	3,000,000
	$0.08	December 17,2019	1,000,000
	$0.08	January 26,2019	1,100,000
			204,879,016

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

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 had an initial term which expired at the annual general meeting of shareholders of the Company 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.

Basis of Presentation

Statement of Compliance to International Financial Reporting Standards

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Consolidation

The Company's consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Grupo Northair. Subsidiaries are entities controlled by the Company. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All intercompany balances and transactions have been eliminated.

Significant Accounting Policies

Refer to the audited financial statements for the year ended February 28, 2015 for a summary of significant accounting policies, Note 3.

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 for annual periods beginning on or after 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 this standard had no material impact on the Company's consolidated 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.

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 stock-based compensation expense which is included in the statement of loss and comprehensive loss. These estimates are derived using the Black-Sholes option pricing model or are based on the value of comparable goods and services. Inputs are determined using readily available market data.
- 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

		February 28, 2015		February 28, 2014
Financial assets				
FVTPL Assets				
Cash	**$**	**84,863**	$	105,604
Short-term deposits		**4,134,264**		637,000
AFS Assets				
Short-term investments		**758**		758
Loans and receivables				
Receivables		**65,769**		70,012
Due from related parties		**86,716**		37,620
Taxes receivable		**653,255**		388,800
	$	**5,025,625**	$	1,239,794
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	**$**	**66,036**	$	162,283
	$	**66,036**	$	162,283

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:

		February 28, 2015		February 28, 2014
Level 1				
Cash	**$**	**84,863**	$	105,604
Short-term deposits		**4,134,264**		637,000
Short-term investments		**758**		758
Level 2		**-**		-
Level 3		**-**		-
Total	**$**	**4,219,885**	**$**	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.

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:

February 28, 2015		**Cash and short-term deposits**		**Receivables**		**Accounts payable and accrued liabilities**
US dollar	**$**	**1,690,814**	**$**	**-**	**$**	**-**
Mexican peso		**41,246**		**-**		**6,392**
	$	**1,732,060**	$	**-**	$	**6,392**

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 February 28, 2015 with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by $15,000.

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 $39,000.

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.

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 February 28, 2015, the Company had cash and short term deposit balances of $4,219,127 (February 28, 2014 - $742,604) to settle current liabilities of $66,036 (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.

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 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 its exploration and development plans and operations through its current operating period.

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. 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 Comprehensive Loss and the Consolidated Schedule of Exploration and Evaluation Assets contained in its Audited Consolidated Financial Statements for February 28, 2015 that is available on Northair's website at www.northairsilver.com or on its SEDAR Page Site accessed through 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. Until September 8, 2014 the exploration programs described were conducted under the direction of Mr. Fred Hewett, the Company's former President and CEO, and thereafter under the direction of David Ernst, Vice President of Exploration, both of whom are Qualified Persons under NI 43-101.

Additional Information

Additional information relating to Northair is on SEDAR at www.sedar.com.