INTERNATIONAL NORTHAIR MINES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2012

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the interim consolidated financial statements for the three months ended May 31, 2012.

International Northair Mines Ltd.

Condensed Interim Consolidated Statements of Financial Position

Unaudited – Prepared by Management
As at

(Expressed in Canadian Dollars)

ASSETS	**May 31, 2012**	February 29, 2012
Current		
Cash	**$ 605,079**	$ 366,034
Short-term deposits	**1,827,000**	3,502,000
Receivables	**31,995**	108,246
Due from related parties	**118,132**	90,641
Short-term investments	**4,042**	4,295
Prepaid expenses	**60,745**	61,051
	2,646,993	4,132,267
Non-current assets		
Taxes receivable	**280,799**	195,438
Property and equipment	**104,329**	74,938
Exploration and evaluation assets	**5,844,022**	4,538,199
	$ 8,876,143	$ 8,940,842
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 607,505**	$ 404,966
Due to joint venture	**152,262**	103,443
	759,767	508,409
SHAREHOLDERS' EQUITY		
Share capital	**30,947,101**	30,947,101
Reserves	**2,281,523**	2,237,885
Accumulated other comprehensive income	**3,284**	3,537
Deficit	**(25,115,532)**	(24,756,090)
	8,116,376	8,432,433
	$ 8,876,143	$ 8,940,842

Commitment *(Note 13)*
Subsequent events *(Note 15)*

APPROVED ON BEHALF OF THE BOARD ON July 26, 2012:

"F. G. Hewett", Director

"Brian Irwin", Director

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

International Northair Mines Ltd.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

		For the three months ended May 31, 2012		For the three months ended May 31, 2011
General and administrative expenses				
Administrative recoveries	$	(10,032)	$	(25,674)
Amortization		5,965		1,963
Office, salaries and general		170,351		55,316
Professional fees		36,137		19,426
Regulatory compliance and transfer agent fees		2,472		4,214
Shareholder information and investor relations		96,081		50,972
Share based payments		43,638		547,604
Loss before the undernoted		344,612		653,821
Loss (gain) on foreign exchange		22,739		4,681
Interest income and other		(32,887)		(16,388)
Write-off of exploration costs		24,978		14,249
Net loss for the period		359,442		656,363
Other comprehensive loss				
Unrealized loss on available-for-sale investments		253		3,031
Comprehensive loss for the period	$	359,695	$	659,394
Loss per share – basic and diluted	$	0.01	$	0.01
Weighted average number of shares outstanding – basic and diluted		69,558,969		61,262,668

International Northair Mines Ltd.
Condensed Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

Cash provided by (used in):	For the three months ended May 31, 2012	For the three months ended May 31, 2011
Operating activities		
Net loss for the period	$ (359,442)	$ (656,363)
Items not affecting cash:		
Amortization	5,965	1,963
Gain on sale of short-term investments		-
Stock-based compensation	43,638	547,604
Write-off of exploration costs	24,978	14,249
	(284,861)	(92,547)
Changes in non-cash working capital	(89,562)	(116,272)
	(374,423)	(208,819)
Investing activities		
Mineral property costs	(1,074,995)	(552,130)
Purchase of equipment	(35,356)	(1,945)
Due to joint venture partner	48,819	-
	(1,061,532)	(554,075)
Financing activities		
Redeem /purchase short-term deposits	1,675,000	(5,455,120)
Shares issued for private placement	-	5,138,000
Shares issued pursuant to warrants exercised	-	1,694,270
Cash issuance costs	-	(277,493)
	1,675,000	1,099,657
Change in cash	239,045	336,763
Cash – beginning of period	366,034	904,869
Cash – end of period	$ 605,079	$ 1,241,632

Supplemental cash flow information (Note 14)

International Northair Mines Ltd.

Condensed Interim Consolidated Statement of Changes in Equity

Unaudited – Prepared by Management
Canadian Funds

	Share Capital (Number of Shares)	Share Capital (Amount)	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
February 28, 2011	43,600,953	$ 24,407,009	$ 1,011,699	$ 10,862	$ (22,706,241)	$ 2,723,329
Units issued for cash	17,126,666	5,138,000	-	-	-	5,138,000
Broker warrants issued as Finder's Fee	-	(119,381)	119,381	-	-	-
Share issuance costs - cash	-	(277,493)	-	-	-	(277,493)
Warrants exercised	8,471,350	1,694,270	-	-	-	1,694,270
Fair value of warrants exercised	-	17,849	(17,849)	-	-	-
Share-based payments	-	-	547,604	-	-	547,604
Other comprehensive loss	-	-	-	(3,031)	-	(3,031)
Net loss for the period	-	-	-	-	(656,363)	(656,363)
May 31, 2011	69,198,969	30,860,254	1,660,835	7,831	(23,362,604)	9,166,316
Share-based payments	-	-	603,297	-	-	603,297
Net loss for the period	-	-	-	-	(1,393,486)	(1,393,486)
Other comprehensive loss	-	-	-	(4,294)	-	(4,294)
Options exercised	360,000	60,600	-	-	-	60,600
Fair value of options exercised	-	26,247	(26,247)	-	-	-
February 29, 2012	69,558,969	30,947,101	2,237,885	3,537	(24,756,090)	8,432,433
Share-based payments	**-**	**-**	**43,638**	**-**	**-**	**43,638**
Other comprehensive loss	**-**	**-**	**-**	**(253)**	**-**	**(253)**
Net loss for the period	**-**	**-**	**-**	**-**	**(359,442)**	**(359,442)**
May 31, 2012	**69,558,969**	**$ 30,947,101**	**$ 2,281,523**	**$ 3,284**	**$(25,115,532)**	**$ 8,116,376**

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

1. Nature of Business

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

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

The Company is an exploration stage company which is engaged principally in the acquisition and exploration of mineral properties. These financial statements have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. The Company has incurred a deficit of $25,115,532 at May 31, 2012 and has no current source of revenue. During fiscal 2012 the Company raised capital to meet its working capital requirements for fiscal 2012 and part of 2013. 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 IFRS for yearend reporting purposes and should be read in conjunction with the audited annual financial statements of the Company. The accounting policies applied by the Company in these unaudited financial statements are the same as those applied by Northair in its most recent annual financial statements.

3. Significant accounting policies

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.

3. Significant Accounting Policies – *Continued*

Significant accounting estimates and judgments - *Continued*

Critical accounting estimates

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

- The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position;
- The future site restoration costs;
- The inputs used in accounting for the valuation of warrants on private placements;
- The inputs used in accounting for share-based compensation expense which is included in the statement of comprehensive loss;
- The future income tax asset valuation allowance.

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 further periods if the review affects both current and future periods.

4. Capital management

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

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

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

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

(Expressed in Canadian Dollars)

5. Financial instruments

Categories of financial instruments

		May 31, 2012		February 29, 2012
Financial assets				
FVTPL Assets				
Cash	**$**	**605,079**	$	366,034
Short-term deposits		**1,827,000**		3,502,000
AFS Assets				
Short-term investments		**4,042**		4,295
Loans and receivables				
Receivables		**31,995**		108,246
Due from related parties		**118,132**		90,641
	$	**2,586,248**	$	4,071,216

		May 31, 2012		February 29, 2012
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	**$**	**607,505**	$	404,966
Due to joint venture		**152,262**		103,443
	$	**759,767**	$	508,409

Fair value of financial instruments

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

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

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

		May 31, 2012		February 29, 2012
Level 1				
Cash	**$**	**605,079**	$	366,034
Short-term deposits		**1,827,000**		3,502,000
Short-term investments		**4,042**		4,295
Level 2		**-**		-
Level 3		**-**		-
Total	**$**	**2,436,121**	**$**	3,872,329

5. Financial instruments – *Continued*

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

Financial Risk Management

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

a) *Currency Risk*

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

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

May 31, 2012		Cash and short-term deposits		Receivables		Accounts payable and accrued liabilities
US dollar	$	475,293	$	-	$	370,717
Mexican peso		40,862		291,627		54,630
	$	**516,155**	$	**291,627**	$	**425,347**

February 29, 2012		Cash and short-term deposits		Receivables		Accounts payable and accrued liabilities
US dollar	$	332,159	$	16,309	$	132,811
Mexican peso		16,024		244,214		166,037
	$	348,183	$	260,523	$	298,848

At May 31, 2012 with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by $38,000.

a) *Interest Rate and Credit Risk*

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

Cash and short-term deposits include deposits which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect annual net loss by $24,000.

(Expressed in Canadian Dollars)

5. Financial instruments – *Continued*

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

b) *Liquidity Risk*

The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at May 31, 2012, the Company had cash and short term deposit balances of $2,432,079 (February 29, 2012 - $3,868,034) to settle current liabilities of $759,767 (February 29, 2012 - $508,409).

c) *Commodity Price Risk*

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

6. Short-term deposits

	May 31, 2012	February 29, 2012
Security deposits held as collateral for corporate credit cards	**$ 32,000**	$ **32,000**
Security deposits held as other collateral	**5,000**	**5,000**
Guaranteed investment certificates	**1,790,000**	**3,465,000**
Treasury bill	**-**	**-**
	$ 1,827,000	$ **3,502,000**

7. Short-term investments

	May 31, 2012	February 29, 2012
Marketable securities:		
Holdings in companies related by virtue of common directors/officers	**$ 4,042**	$ 4,295

The Company classifies its short-term investments as available for sale, with revaluation gains and losses recognized in accumulated other comprehensive income. As of May 31, 2012, investments were measured at a fair value of $4,042, after an unrealized loss of $253 in the three months ended May 31, 2012.

(Expressed in Canadian Dollars)

8. Property and equipment

	Office Equipment	Leasehold Improvements	Vehicle	Total
Cost				
Balance at February 28, 2011	$ 131,851	$ 10,512	$ 36,760	$ 179,123
Additions for the period	16,440	12,928	29,812	59,180
Balance, February 29, 2012	148,291	23,440	66,572	238,303
Additions	9,149	-	26,207	35,356
Balance as at May 31, 2011	**$ 157,440**	**$ 23,440**	**$ 92,779**	**$ 273,659**

	Office Equipment	Leasehold Improvements	Vehicle	Total
Accumulated Depreciation				
Balance at February 28, 2011	$ 103,395	$ 10,512	$33,866	$ 147,773
Depreciation for the period	8,341	775	6,476	15,592
Balance at February 29, 2012	111,736	11,287	40,342	163,365
Depreciation for the period	2,726	775	2,464	5,965
Balance as at May 31, 2012	**$ 114,462**	**$ 12,062**	**$ 42,806**	**$ 169,330**

	Office Equipment	Leasehold Improvements	Vehicle	Total
Carrying amounts				
At February 28, 2011	$28,456	$ -	$ 2,894	$ 31,350
At February 29, 2012	$ 36,555	$ 12,153	$ 26,230	$ 74,938
At May 31, 2012	**$ 42,978**	**$ 11,378**	**$ 49,973**	**$ 104,329**

(Expressed in Canadian Dollars)

9. Exploration and evaluation assets

	La Cigarra, Mexico	El Reventon, Mexico	Sierra Rosario and Other, Mexico	Total
Balance at February 28, 2011	$758,322	$894,252	$ -	$ 1,652,574
Acquisition and tenure	103,109	12,917	7,640	123,666
Camp and general	135,790	4,834	81,257	221,881
Drilling	1,592,183	-	-	1,592,183
Field work and travel	360,890	-	14,735	375,625
Salaries and consulting	635,405	600	69,026	705,031
Contributions from joint-venture partner	-	-	(72,062)	(72,062)
Write-offs	-	-	(60,699)	(60,699)
Balance, February 29, 2012	**3,585,699**	**912,603**	**39,897**	**4,538,199**
Acquisition and tenure	7,581	7,974	1,132	16,687
Camp and general	56,619	-	32,552	89,171
Drilling	723,778	-	60,802	784,580
Field work and travel	151,750	-	84,873	236,623
Consulting and staff	255,123	-	74,501	329,624
Contributions from joint-venture partner	-	-	(125,884)	(125,884)
Write-offs	-	-	(24,978)	(24,978)
Balance, May 31, 2012	**$ 4,780,550**	**$920,577**	**$142,895**	**$5,844,022**

La Cigarra, Mexico

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

Grupo Northair can acquire a 100% ownership in the concessions by making payments over a five year period totalling US$445,000 (US$50,000 paid). Under a separate agreement, the Company was also required to pay US$1,000 per month until October 1, 2010 for surface access to portions of the concessions. It also has a second agreement to allow drilling on portions of the concessions, for a payment of US$2,000 per month. The Company has elected to continue these options and therefore pays US$3,000 per month going forward. The Company also has an agreement to allow drilling to be conducted on land controlled by a local Ejido. 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 the period the Company executed an agreement to acquire up to a 70% interest in a land position in the area of its La Cigarra Project. Under the terms of the agreement the Company can acquire its interest by the payment of US$525,000, the issuance of 1,500,000 shares of the Company and the spending of US$2,000,000 in exploration over a four year period. The agreement is subject to the private company assuring title to the land position.

9. Exploration and evaluation assets- *continued*

El Reventon, Mexico

The El Reventon project in Durango, Mexico was acquired by staking a 100% interest in certain claims and by entering into, on July 2006, an option agreement for an additional concession. Under the terms of the option agreement, the Company may earn a 100% interest in the optioned concession by making payments totalling US$130,500 by December 2014.

During the three months ended May 31, 2012, the Company entered into an agreement whereby it has granted Focus Ventures Ltd. ("Focus") the option to acquire a 65% interest in its' El Reventon Silver Project located in the state of Durango, Mexico. Under the terms of the agreement, Focus can earn its interest by the payment of US$235,000 to the Company over 24 months and incurring US$2,000,000 of exploration expenditures on the property over a three year period.

Sierra Rosario, Mexico

During the three months ended May 31, 2012, the Company received $125,884 in joint venture cash recoveries for exploration expenditures and recorded as a liability an additional $48,819 received in excess of exploration costs incurred.

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

Brandywine, Canada

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

10. Share Capital and Reserves

Authorized share capital

Unlimited number of common shares without par value

Shares Issued

a) During the year ended February 29, 2012, the Company completed a private placement by issuing 17,126,666 units at a price of $0.30 per unit for total proceeds of $5,138,000. Each unit was comprised of one common share and one half share purchase warrant, with each warrant entitling the holder to acquire a further common share at a price of $0.50 per share for 12 months. A total of 834,833 finders' fee warrants were issued in conjunction with this private placement having the same characteristics as the warrants issued in the private placement. The finders' fee warrants have been valued at $119,381. The finders' fee warrants were valued based upon the Black Scholes model utilizing the following assumptions:

(Expressed in Canadian Dollars)

10. Share Capital and Reserves – *Continued*

Risk-free interest rate	1.69%
Expected dividend yield	Nil
Expected stock price volatility	159%
Expected life (in years)	0.76

The Company also paid $277,493 share issuance costs associated with the private placement.

b) *Stock options*

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant up to a total of 13,839,793 options to directors, officers, employees or consultants. The vesting period of options outstanding range from the grant date to one year and expire 5 years from the grant date.

Movements in share options during the year:

The changes in share options during the three months ended May 31, 2012 and the year ended February 29, 2012 were as follows:

	Options outstanding	Weighted Average exercise price
Balance, February 28, 2011	1,455,000	$0.19
Granted	2,660,000	$0.56
Exercised	(360,000)	$0.17
Forfeited/Expired	(515,000)	$0.49
Balance, February 29, 2012	3,240,000	$0.46
Forfeited/Expired	(30,000)	$0.28
Balance, May 31, 2012	**3,210,000**	**$0.45**

Fair value of share options granted:

During the year ended February 29, 2012, the Company granted options to directors, officers and employees to purchase up to 2,660,000 common shares of the Company at a weighted average exercise price of $0.56 per share. The estimated fair value of the stock options granted during the year ended February 29, 2012 was $1,260,241 using the Black Scholes option pricing model.

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

Risk-free interest rate	**0.99% - 2.34%**
Expected dividend yield	**Nil**
Expected stock price volatility	**112% - 234%**
Expected life (in years)	**3.0 - 3.5**
Expected forfeiture rate	**0%**

During the three months ended May 31, 2012 a total value of $43,638 (2011 - $547,604) 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. Share Capital and Reserves – *Continued*

A summary of the Company's options outstanding as at May 31, 2012 is as follows:

Options outstanding	Options exercisable	Price per share	Remaining contractual life (years)	Expiry date
120,000	120,000	$0.21	0.67	January 4, 2013
10,000	10,000	$0.22	0.75	February 28, 2013
80,000	80,000	$0.15	1.08	June 13, 2013
280,000	280,000	$0.15	1.67	February 9, 2014
15,000	15,000	$0.15	2.42	October 30, 2014
150,000	150,000	$0.15	2.75	March 11, 2015
150,000	150,000	$0.15	2.90	April 21, 2015
1,150,000	1,150,000	$0.71	3.16	May 19, 2016
750,000	600,000	$0.495	3.50	July 18, 2016
50,000	50,000	$0.305	3.67	Sept. 20, 2016
175,000	175,000	$0.25	3,.67	Sept. 28, 2016
280,000	180,000	$0.24	4.55	Dec. 15, 2016
3,210,000	2,960,000			

The weighted average exercise price of the options exercisable at May 31, 2012 is $0.45.

c) Warrants

Movements in warrants during the year:

The changes in share warrants during the three months ended May 31, 2012 and year ended February 29, 2012 were as follows:

	Warrants outstanding	Weighted average exercise price
Balance –February 28, 2011	8,471,350	$0.20
Issued	9,398,166	$0.50
Exercised	(8,471,350)	$0.20
Balance –February 29, 2012	9,398,166	$0.50
Expired	(9,398,166)	$0.50
Balance, May 31, 2012	-	-

d) Shareholder Rights Plan

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

(Expressed in Canadian Dollars)

11. Related party transactions

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

a) *Related party transactions*

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

	Nature of transactions
Avisar Chartered Accountants	Accounting fees
New Dimension Resources Ltd.	Administrative and salary recoveries
Mercator Minerals Ltd. (formerly Creston Moly Corp.)	Administrative recoveries
Capstone Mining Corp.	Administrative recoveries
Troon Ventures Ltd.	Administrative recoveries

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

			For the three months ended May 31, 2012		For the three months ended May 31, 2011
Accounting fees		**$**	**-**	$	5,500
Administrative recoveries		**$**	**(10,032)**	$	(25,674)
Salary recoveries	**(i)**	**$**	**(113,643)**	$	(119,144)

(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:

		May 31, 2012	February 28 , 2012
Mercator Minerals Ltd.	**$**	**13,871**	$ 20,628
New Dimension Resources Ltd.		**57,293**	35,322
Troon Ventures Ltd.		**7,496**	(4,773)
JDS Energy and Mining		**24,300**	21,321
Strongbow Exploration Inc.		**-**	11,892
Stornoway Diamonds Corp.		**-**	2,985
North Arrow Minerals		**15,222**	-
Other		**(50)**	3,266
	$	**118,132**	$ 90,641

(Expressed in Canadian Dollars)

11. Related party transactions - *Continued*

c) *Compensation of key management personnel*

		For the three months ended May 31, 2012	For the three months ended May 31, 2011
Management fees, directors' fees, salaries		**90,800**	31,800
Stock-based compensation	(i)	**10,064**	517,869

(i) Stock-based compensation represents the expense for the three months ended May 31, 2012 and 2011.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months ended May 31, 2012 and 2011.

d) *Employment contract*

During the year, the Company entered into an employment agreement requiring minimum annual payments totalling $180,000. In addition, the agreement contains clauses which could provide for payments of up to 36 months on the termination of the contract.

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

12. Segmented information

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

Total Assets		May 31, 2012		February 29, 2012
Canada	$	**2,539,531**	$	4,017,308
Mexico		**6,336,612**		4,923,534
Total	$	**8,876,143**	$	8,940,842

Total Non-current Assets		May 31, 2012	February 29, 2012
Canada	$	**47,217**	$ 45,466
Mexico		**6,181,933**	4,763,109
Total	$	**6,229,150**	$ 4,808,575

(Expressed in Canadian Dollars)

12.Segmented information- *continued*

Net Loss (Income)		**Three Months May 31, 2012**	Three Months May 31, 2011
Canada	**$**	**316,411**	$ 649,124
Mexico		**43,031**	7,239
Total	**$**	**359,442**	$ 656,363

13. Commitment

As at May 31, 2012, the commitment for rental of the Company's office space is as follows:

Year ending		
February 28, 2013	$	202,328
February 28, 2014	$	269,771
February 28, 2015	$	269,771
February 29, 2016	$	247,290

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

14. Supplemental cash flow information

Changes in non-cash working capital:		**For the three months ended May 31, 2012**		For the three months ended, May 31, 2011
(Increase) decrease in:				
Receivables	**$**	**76,251**	$	(100,135)
Taxes receivable		**(85,361)**		-
Due from related parties		**(27,491)**		(22,464)
Prepaid expenses		**306**		2,769
(Decrease) increase in:				
Accounts payable and accrued liabilities		**(53,267)**		3,558
	$	**(89,562)**	$	(116,272)

(Expressed in Canadian Dollars)

14. Supplemental cash flow information - *continued*

Schedule of non-cash investing and financing transactions:		For the three months ended May 31, 2012		For the three months ended, May 31, 2011
Fair value of broker warrants issued	**$**	**-**	$	119,381
Change in resource property costs included in accounts payable	**$**	**255,806**	$	106,561
Fair value of warrants exercised	**$**	**-**	$	166,474
Unrealized loss on marketable securities	**$**	**253**	$	3,031

Supplementary disclosure of cash flow information:		For the three months ended May 31, 2012		For the three months ended, May 31, 2011
Cash paid for interest	**$**	**Nil**	$	Nil
Cash paid for income taxes	**$**	**Nil**	$	Nil

15. Subsequent Events

Subsequent to May 31, 2012:

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

b) The Company reached agreement to acquire surface rights to land adjoining and overlying the La Cigarra Project at a cost of US$825,000 over a two year period. In addition, a US$200,000 amount will be payable should the Company announce development of a mine on the La Cigarra Project.

c) The Company granted directors, officers, employees and consultants options to purchase 2,765,000 shares at a price of $0.28 per share for a period of five years.

d) The Company entered into an agreement with a related party for planning and advisory services at a fee of $24,000 per month. Under the terms of the agreement the contract may be cancelled with 30 days written notice.