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MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2012

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

The following management discussion and analysis (the “MD&A”) of the Company has been prepared as of July 26, 2012 and is intended to supplement and complement the Company’s unaudited condensed interim consolidated financial statements for the three months ended May 31, 2012. All financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and all amounts disclosed are Canadian dollars unless otherwise stated.

Nature of Business

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

Highlights for the three months ended May 31, 2012

- The Company announced the appointment of Dr. Frederick T. Graybeal to the Company's Advisory Board;

- The Company announced its fiscal 2013 Exploration Programs for its La Cigarra and Sierra Rosario projects. At La Cigarra Project, the Company outlined its work program to include: a minimum 7,500 metre core drill program; expand the metallurgical study; produce an initial Resource calculation; and compile the information required to initiate a Scoping Study. At its 50% owned Sierra Rosario Project, the Company would include geological mapping, sampling and trenching; IP geophysics with the objective of establishing multiple new drill targets; and drilling;

- The Company signed a binding agreement with Focus Ventures Ltd. ("Focus") whereby Northair will grant Focus and its subsidiary the option to acquire 65% interest in the Company's El Reventon Silver Project (the "Project" or "Property") located in the State of Durango, Mexico. The Agreement allows Focus to earn a 65% interest in a joint venture on El Reventon by incurring a cumulative of US$2,000,000 in exploration expenditures over three years from the Agreement Date. The exploration expenditures include a firm commitment of US$250,000 in the first year and at least 2,000 metres of drilling completed within three years from the Agreement Date. Focus will be required to maintain all underlying obligations and make the following cash payments: US$10,000 on signing and completion of a 10 day due diligence period; US$75,000 on or before 12 months of the Agreement Date; and US$150,000 on or before 24 months of the Agreement Date. Once Focus has earned its 65% interest, the Agreement will allow for either party's interest to be diluted for non-participation in the joint venture. Should either party's interest fall below a 10% threshold, its interest will be converted to a 1% net smelter return ("NSR").

- The Company also announced that it has executed a binding agreement with a private company to acquire an interest in a significant land position in the vicinity of its La Cigarra Project. The agreement allows the Company to acquire up to a 70% interest in a portion of the land position by paying $525,000 in cash, issuing 1.5 million Northair shares and spending $2 million in exploration over a 4 year period. The agreement is subject to the private company acquiring the land position; and there is no assurance that such acquisition will be completed. This agreement is subject to all necessary regulatory approvals, including the approval of the TSX Venture Exchange;

- The Company announced that field work identified a significant geophysical and geochemical anomaly comprising a target measuring approximately 1,400 metres in length at its 50% owned Sierra Rosario Project;

- The Company announced the commencement of a core drill program at its Sierra Rosario Project. The program will total approximately 1,400 metres in six holes and is designed to test a 600 meter length of a coincident Induced Polarization ("IP") geophysical and silver/gold geochemical soil anomaly;

- Drill results on the La Cigarra Property

Hole	**From**	**To**	**Drill Intercept**	**Silver**	**Gold**	**Zone**
	(meters)	**(metres)**	**(metres)**	**g/t**	**g/t**	
CC-12-049	34.20	39.00	**4.80**	**143.7**	**0.099**	San Gregorio
Note 1				**141.0**		
	60.70	88.90	**28.20**	**37.7**	0.058	
Includes	60.70	69.75	**9.05**	**74.3**	0.074	
CC-12-050	51.45	66.00	**14.55**	**72.6**	0.040	San Gregorio
Includes			**9.50**	**91.8**	0.034	
CC-12-051	115.50	174.40	**58.90**	**44.0**	0.037	San Gregorio
Note 1				**31.1**		
Includes	115.50	138.60	**23.10**	**38.5**	0.050	
Note 1				**37.0**		
Includes	157.30	174.40	**17.10**	**94.4**	0.031	
Note 1				**51.9**		
CC-12-052	132.70	158.10	25.40	18.5	0.052	San Gregorio
Includes	152.50	158.10	**5.60**	**35.0**	0.030	
CC-12-053	82.00	108.85	**26.85**	**44.6**	0.036	San Gregorio
Note 1				**42.7**		
Includes	82.00	95.75	**13.75**	**68.1**	0.031	
Note 1				**64.4**		
CC-12-054	95.60	136.55	**40.95**	**42.1**	0.079	Las Carolinas
Includes	123.15	136.55	**13.40**	**77.3**	**0.118**	
CC-12-055	72.00	87.50	15.50	26.2	0.063	Las Carolinas
	104.85	113.70	8.85	18.7	0.048	

Hole	From	To	Drill Intercept	Silver	Gold	Zone
	(meters)	(metres)	(metres)	g/t	g/t	
CC-12-056	73.00	95.95	**22.95**	**84.9**	0.031	Las Carolinas
Note 1				**71.6**	0.031	
CC-12-057	93.90	99.65	**5.75**	**40.9**	0.007	Las Carolinas
	121.60	140.00	**18.40**	**47.7**	0.064	
CC-12-058	55.10	105.25	**50.15**	**69.4**	0.054	Las Carolinas
Note 1				**62.4**	0.054	
Includes	55.10	90.10	**35.00**	**91.8**	0.061	
Note 1				**83.2**	0.061	
CC-12-059	83.20	153.50	**70.30**	**34.9**	0.081	Las Carolinas
Includes	83.20	111.00	**27.80**	**63.1**	**0.150**	
CC-12-060	75.75	145.40	69.65	22.5	0.038	Las Carolinas
Includes	75.75	92.75	17.00	29.7	0.046	
Includes	120.50	132.60	**12.10**	**45.7**	0.057	
CC-12-061	72.00	129.90	**57.90**	**38.1**	0.039	Las Carolinas
Includes	72.00	97.30	**25.30**	**63.9**	0.048	
Includes	124.50	129.90	**5.40**	**49.7**	0.043	
CC-12-062	148.20	182.00	33.80	23.1	0.055	Las Carolinas
	219.90	221.65	**1.75**	**122.4**	0.005	
CC-12-063	114.10	118.00	3.90	22.1	0.026	Las Carolinas
	142.50	205.55	**63.05**	**50.3**	**0.136**	
Note 1				**45.0**		
Includes	161.90	179.15	**17.25**	**155.2**	**0.368**	
Note 1				**135.9**		
CC-12-064	84.00	124.80	**40.80**	**52.7**	0.069	Las Carolinas
Includes	106.00	124.80	**18.80**	**98.3**	0.086	
CC-12-065	16.50	36.00	19.50	17.9	0.020	Las Carolinas
	102.00	106.65	4.65	28.9	0.039	
	166.00	180.00	**14.00**	**33.5**	0.019	
CC-12-066	53.90	82.40	28.50	18.3	0.047	Las Carolinas
CC-12-068	68.00	73.50	**5.50**	**67.9**	0.081	Las Carolinas

Note 1: Intervals with silver values greater than 500 g/t reported as 500 g/t.
Note 2: Reported widths may contain intervals with values less than 10g/t silver.
Note 3: True widths estimated +/- 80% of drill intercept.
Note 4: Some sections of mineralization carry appreciable lead and zinc values.

Highlights Subsequent to May 31, 2012

- The Company reported that Focus Ventures Ltd. (TSX.V: FCV) ("Focus") has commenced an exploration program at the Company's El Reventon Property ("El Reventon" or the "Property"), located in the State of Durango, Mexico.

- The Company announced that it had reached an agreement to purchase the surface rights to approximately 1,098 hectares of a property adjoining the La Cigarra Project, located near the city of Parral in the state of Chihuahua, Mexico;

- The Company closed a non-brokered private placement with the issuance of 21,784,344 Units at a price of $0.28 per Unit for gross proceeds of $6,099,616. The financing included participation from Coeur d'Alene Mines Corporation purchasing 10,750,000 Units for gross proceeds of $3,010,000 and International Minerals Corporation purchasing 1,786,000 Units for gross proceeds of $500,080. Each Unit is comprised of one common share and one half share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of Northair at a price of $0.40 for a period of 18 months. The warrants will be subjected to an accelerated exercise provision if the share price of Northair closes at or above $0.85 for 10 or more consecutive trading days;

- The Company announced that it completed the core drill program at its Sierra Rosario silver gold project, which consisted of six core holes, totaling 1,392 metres and was designed to test a 600 meter long portion of a significant induced polarization geophysical and silver / gold geochemical soil anomaly. Northair also reported that a follow up geochemical program was completed at the Property. The additional work extended 3 existing lines towards the northeast and expanded the grid 600 meters to the southeast. Results from both the drill and geochemical program are pending and will be reported when received.

- Drill results on the La Cigarra Property:

Hole	**From**	**To**	**Drill Intercept**	**Silver**	**Gold**	**Zone**
	(metres)	**(Metres)**		**g/t**	**g/t**	
CC-12-069	62.30	88.30	**26.00**	**59.9**	0.060	Las Carolinas
Includes	62.30	75.60	**13.30**	**106.1**	0.094	
CC-12-070	11.40	81.35	**69.95**	**28.7**	0.045	Las Carolinas
Includes	28.50	55.50	**27.00**	**39.4**	0.038	
and	69.00	78.00	**9.00**	**54.6**	0.031	
CC-12-071	67.50	70.80	**3.30**	**35.1**	0.057	Las Carolinas
	86.40	99.50	**13.10**	**33.0**	0.027	
CC-12-072	19.50	72.00	**52.50**	**42.3**	0.033	Las Carolinas
Includes	51.00	72.00	**21.00**	**68.4**	0.035	
CC-12-073	39.00	90.00	**51.00**	**27.5**	0.045	Las Carolinas
Includes	55.35	72.00	**16.65**	**40.7**	0.049	
Hole CC-12-073 bottomed in 74.7 g/t silver						

Hole	From	To	Drill Intercept	Silver	Gold	Zone
	(metres)	(Metres)		g/t	g/t	
CC-12-074	39.00	102.70	**63.70**	**76.2**	0.051	Las Carolinas
Note 1	39.00	102.70	**63.70**	**71.0**		
Includes	39.00	57.75	**18.75**	**78.2**	0.050	
Includes	66.10	79.50	**13.40**	**174.3**	0.050	
Includes	95.10	102.70	**7.60**	**110.9**	0.073	
Note 1	95.10	102.70	**7.60**	**67.6**		
CC-12-075	177.00	185.10	**8.10**	**63.5**	0.035	San Gregorio
CC-12-076	105.50	116.80	**11.30**	**87.7**	0.048	San Gregorio
	164.65	166.55	**1.90**	**60.1**	0.071	
CC-12-077	171.60	187.60	16.00	26.0	0.042	San Gregorio
	247.40	250.30	2.90	22.2	0.035	
CC-12-078	113.50	157.00	**43.50**	**37.2**	0.067	San Gregorio
Note 1	113.50	157.00		**36.1**		
Includes	150.25	157.00	**6.75**	**147.9**	0.041	
Note 1	150.25	157.00		**141.2**		
	219.15	222.15	**3.00**	**91.0**	0.049	
CC-12-079	12.00	24.30	**12.30**	**55.4**	0.051	San Gregorio
	77.25	82.50	5.25	19.9	0.064	
CC-12-080	94.50	146.75	**52.25**	**167.0**	0.077	San Gregorio
Note 1				**113.8**		
Includes	109.50	144.25	**34.75**	**241.2**	0.085	
Note 1				**161.3**		
CC-12-081	11.90	22.50	**10.60**	**30.3**	0.058	San Gregorio
CC-12-082	Hole Lost Due to Heavy Faulting					San Gregorio
CC-12-083	151.50	207.50	**56.00**	**105.7**	0.045	San Gregorio
Note 1				**71.0**		
Includes	161.60	182.50	**20.90**	**241.0**	0.063	
Note 1				**211.4**		
	282.40	288.60	**6.20**	**84.3**	0.011	

Note 1: Intervals with silver values greater than 500 g/t reported as 500 g/t.
Note 2: Reported widths may contain intervals with values less than 10g/t silver.
Note 3: True widths estimated +/- 80% of drill intercept.
Note 4: Some sections of mineralization carry appreciable lead and zinc values.

EXPLORATION UPDATE

Overview

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

<u>Project Discussion</u>

La Cigarra Project, Chihuahua

The La Cigarra Project is located near the municipality of Parral, in the State of Chihuahua in north central Mexico. La Cigarra consists of 8 concessions, totalling approximately 6,330 hectares and has good road access, topography 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 traced over a 3 kilometre trend of mineralization. The Company defined three potentially significant zones of silver mineralization from its initial sampling.

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

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

In December 2010, Northair commenced a core drill program and to date has drilled over 18,000 meters in meters in 98 core holes. Drilling has mainly focused on two of the three currently known mineralized zones along the three kilometre trend. Results from drilling confirm:

- A strong and potentially surface minable mineralized system comprised of the central (San Gregorio) and south (Las Carolinas) zones with a combined strike length totaling 2.3 kilometres. The mineralization encountered within these two zones remains open along strike in both directions and down dip;

- Strike length of the San Gregorio Zone presently totals 1,100 metres. Drilling has confirmed the mineralized structure to be approximately 125 metres wide and traced to a depth of approximately 250 metres. The zone remains open along strike in both directions, and at depth;

- Strike length of the Las Carolinas Zone totals 1,200 metres and is open in both strike directions and at depth. The mineralized structure in this zone is approximately 100 metres wide and has been traced to a depth of approximately 200 metres;

- Further exploration potential exists to the north (La Borracha Zone) where a further 1.0 kilometres of structure and a coincident silver soil geochemical anomaly has been identified. The Company has completed a total of four reverse circulation and four core holes testing this zone **,** which has confirmed a strike length of 750 metres within this zone and the existence of mineralization 300 metres north and on strike from the northern end of the San Gregorio Zone. The zone remains open in both strike directions and at depth.

Drilling has concentrated on completing infill holes within the San Gregorio and Las Carolinas zones with the intent of completing a NI 43-101 compliant mineral resource by the end of the fourth quarter.

The Company is also conducting phase II metallurgical testing. Preliminary results of the phase II program are consistent with the phase I tests, and suggest that production of a high grade, marketable silver-lead concentrate is likely. The Company expects to receive results from its phase II testing in early Q3 2012.

Grupo Northair, a Mexican subsidiary of Northair, can acquire a 100% ownership in the concessions by making payments over a 5 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.

Sierra Rosario Project, Sinaloa

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

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

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

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

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

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

In 2011, the Company executed an agreement with Sparton Resources Inc. and American Consolidated Metals Corp. (“American Consolidated”) to facilitate the acquisition by American Consolidated of Sparton’s 50% interest in the Sierra Rosario Property. In consideration for Northair waving its right of first refusal to match the American Consolidated offer, Sparton transferred a 1% interest and operatorship in the Sierra Rosario Property to Northair concurrently with the completion of the first payment and share issuance from American Consolidated to Sparton under their agreement in respect of the Acquisition announced May 11, 2011.

In February 2012, an extensive exploration program commenced at Sierra Rosario that focused on the San Rafael Zone target and several other silver and gold prospects that have been identified on the Property. Field work included geological mapping, sampling and trenching and a grid was established as part of an induced polarization ("IP") geophysics program. Results of the IP survey identified an open ended northwest-southeast trending chargeability anomaly measuring 1,400 metres in length, extending from line 4+00S (where it is 100 meters wide) to line 18+00S (where it is over 1,300 meters wide). The anomaly remains open to the south and south east. Coincident with the eastern margin of the chargeability anomaly and a northwest-southeast trending ridge, Northair has outlined a silver-gold-arsenic-lead soil anomaly also measuring 1,400 metres in length, extending from line 4+00S to line 18+00S, where the anomaly remains open to the south and south east. Individual soil sample values range up to 326.0 g/t silver; 0.712 g/t gold; 1320 ppm arsenic and 3470 ppm lead. The highest silver values occur on line 18+00S, the most southern grid line. Based on positive soil samples and coincident IP anomaly, the geochemical sampling grid has been expanded to the east to establish the ultimate size of the potentially mineralized target.

In May 2012, a core drill program totalling approximately 1,400 metres in six holes commenced on the Property to test a 600 meter length of the coincident induced polarization geophysical and silver/gold geochemical soil anomaly. The core drill program has been recently been completed and results will be reported when received and interpreted.

El Reventon Project, Durango

The El Reventon Project is comprised of approximately 3,400 hectares acquired by staking and a further 60 hectares which is the subject of an option agreement. The Company may acquire a 100% interest from the optionor by making payments totalling US$130,500 by December 27, 2014 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 intruded by numerous dykes and stocks. The property’s initial exploration focus has been on the Reventon Breccia which contains silver and base metal mineralization in an intensely altered andesite porphyry.

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

In 2006, a total of 51 samples taken from the breccia averaged 103.9 g/t silver, 0.74% lead and 0.79% zinc. Company geologists believe that the Reventon Breccia could be larger than currently exposed, due to extensive cover by Quaternary deposits and altered post mineral volcanics.
In addition to the Reventon Breccia, the Company has identified other mineral occurrences on the property – the most noteworthy being the Los Alisos, La Estrella and the El Portrero Zones. The Los Alisos Zone occurs approximately 500 metres to the south of the Reventon Breccia. The Los Alisos and Reventon Breccia zones appear to be geologically similar in that they have a comparable geochemical signature and both occur in diorite porphyry. The area between the two zones is covered by post-mineral volcanics and agglomerate; however the Los Alisos Zone may be open to the north and the east.

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

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

In the fall of 2007, the Company completed a successful initial core drill test of the Reventon Breccia that totalled 660 metres in six NQ holes, in which all holes intercepted significant zones of mineralized breccia. Results for the drill program included 33.5 metres of 179 g/t silver, 22.8 metres of 94.7 g/t silver and 56.4 metres g/t silver, with associated lead and zinc values.

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

In April 2012 the Company entered into an agreement whereby it has granted Focus Ventures Ltd. ("Focus") the option to acquire a 65% interest in the it's 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.

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

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

OVERALL PERFORMANCE

During the three months ended May 31, 2012, the Company continued funding its exploration programs in Mexico, spending almost $730,000 drilling its' La Cigarra property with a goal of preparing a NI 43-101 technical report, including a resource estimate, during fiscal 2013.

At May 31, 2012, the Company's financial position was as follows:

	May 31, 2012	February 29, 2012	May 31, 2011
Current assets	**$ 2,646,993**	$ 4,132,267	$ 7,162,360
Non-current assets	**$ 6,229,150**	4,808,575	2,115,226
Liabilities	**$ (759,767)**	(508,409)	(111,270)
Shareholders' equity	**$ 8,116,376**	$ 8,432,433	$ 9,166,316

RESULTS OF OPERATIONS

The Company's net loss for the three months ended May 31, 2012 ("the current quarter")was $359,442 or $0.01 per share compared with a net loss of $656,363 or $0.01 per share for the comparative period ended May 31, 2011 (the "comparative quarter"). The primary reason for the decrease in the loss for current quarter compared to the loss in the comparative quarter was the reduction in share based payments for the three months ended May 31, 2012.

During the current quarter, general and administrative expenses were $344,612 (comparative quarter- $653,821) a decrease of $309,209 from the comparative quarter. The reduction in administrative expenses was largely attributable to a $503,966 reduction in charges for share based payments - $43,638 (comparative quarter- $547,604) offset by increases to shareholder communication costs $96,081 (comparative quarter- $50,972) and increased office, salaries and general expenses $170,351 (comparative quarter- $55,316). The reduction in share based payments was due to a reduced number of options being granted during the current quarter and the increases in shareholder communication and office, salaries and general expenses was due to increased activities as the Company expanded work in Mexico.

During the current quarter, the Company recognized increased interest and other income of $32,887 compared to $16,388 in the comparative period due to interest earned on cash and short-term deposit balances and the recovery of amounts that had been written off in prior years.

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

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

At May 31, 2012 the Company's expenditures on exploration and evaluation assets consisted of the following:

	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 fiscal 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.

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.

FINANCIAL CONDITION – May 31, 2012 compared to February 29, 2012

At May 31, 2012, the Company had working capital of $1,887,226 that included cash and short-term deposits of $2,432,079 compared to working capital of $3,623,858 at February 29, 2012. The reduction in the working capital position was a result of the Company's exploration work in Mexico as the Company continued its work to complete a NI 43-101 resource estimate by the end of the fourth quarter. Subsequent to May 31, 2012 the Company raised $6,099,616 by the issuance of shares through a non-brokered private placement for working capital and the continuation its' exploration programs.

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 Income (Loss)	Basic Earnings (Loss) per share
May 31, 2012	Nil	(359,442)	(0.01)
February 29, 2012	Nil	(545,650)	(0.01)
November 30, 2011	Nil	(344,382)	(0.00)
August 31, 2011	Nil	(503,454)	(0.01)
May 31, 2011	Nil	(656,363)	(0.01)
February 28, 2011	Nil	(128,290)	(0.00)
November 30, 2010	Nil	(92,659)	(0.00)
August 31, 2010	Nil	(96,475)	(0.00)

The Company's quarterly results can be affected by many factors such as seasonal fluctuations, variations in capital markets, the write-off of capitalized amounts, stock-based compensation costs, tax recoveries/costs and legal matters.

The Company's exploration activities in Mexico can be seasonal, with less work conducted in Mexico during certain summer months due to the rainy season. During fiscal 2012 and 2013, the Company has been active in exploring in Mexico and the exploration and other expenditures for the year reflect this activity. In addition, the Company's quarterly results from operations are also affected by the market for securities. The Company's primary source of funding is through the issuance of share capital. When the capital markets are depressed, the Company's activity level normally declines accordingly. As capital markets strengthen and the Company is able to secure equity financing with favorable terms, the Company's activity levels and the size and scope of planned exploration projects will also increase.

LIQUIDITY

During the first three months of fiscal 2013, the Company used $374,423 (comparative quarter- $208,819) of cash in operating activities after adjusting for changes in non-cash items such as amortization of $5,965 (comparative quarter - $1,963), share-based payments $43,638 (comparative quarter - $547,604), write-downs of $24,978 (comparative quarter - $14,249) and other items requiring cash totaling $89,562 (comparative quarter - $116,272).

Investing activities used $1,061,532 (comparative quarter-$554,075) during the three months ended May 31, 2012. The Company used $35,356 (comparative quarter -$1,945) to purchase equipment and $1,074,995 (comparative quarter- $552,130) for work on its' exploration and evaluation assets less $48,819 (comparative quarter - $nil) which was the unspent portion of the Sierra Rosario's partner's contribution for the period. The funds for exploration and evaluation assets were used to advance the work on the La Cigarra and Sierra Rosario properties and for general exploration activity in Mexico.

Financing activities provided cash of $1,675,000 (comparative quarter - $1,099,657) during the three months ended May 31, 2012, consisting of $nil (comparative quarter -$6,554,777) from the net proceeds of shares issued and stock options and shares purchase warrants exercised and the amount of $1,675,000 (comparative quarter -$5,422,120 invested) that was redeemed from short-term deposits.

Risks and Uncertainties

Industry

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

Exploration, Development and Mining Risks

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of base/precious metals, any of which could result in work stoppages, damage to property, and possible environmental damage. If any of the Company's exploration programs are successful, there is a degree of uncertainty attributable to the calculation of ore resources and corresponding grades being mined or dedicated to future production. Until ore is actually mined and processed, quantity of reserves and grade must be considered as estimates only. In addition, the quantity of reserves may vary depending on metal prices. Any material change in quantity of reserves, grade or recovery ratio, may affect the economic viability of the Company's properties. In addition, there can be no assurance that metal reserves in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. The Company closely monitors its activities and those factors, which could impact them, and employs experienced consulting, engineering, and legal advisors to assist in its risk management reviews.

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

Foreign Operation Risks

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

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

Insurance

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

Environmental Risks

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

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

Prices, Markets and Marketing of Base/Precious Metals

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

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

Substantial Capital Requirements; Liquidity

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

Loss of Key Management

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

COMMITMENTS

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

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

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

CAPITAL RESOURCES

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

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, from the exercise of convertible securities and, in the past, from the sale of investments. Although the Company has had past success in obtaining financing, there can be no such assurance that it will be able to obtain adequate financing in the future or that the terms of any financing will be favourable. Many factors influence the Company's ability to raise funds, including the state of the resource market and commodities prices, the climate for mineral exploration, the Company's track record and the experience and caliber of its management.

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

TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiary have been eliminated on consolidation and accordingly, are not disclosed below. 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

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.

OUTSTANDING SHARE DATA

The table below presents the Company's common share data as of July 26, 2012.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			91,343,313
Securities convertible into common shares			
Warrants	$0.40	December 28, 2013	11,239,372
Options			
	$0.21	January 4, 2013	120,000
	$0.22	February 28, 2013	10,000
	$0.15	June 13, 2013	80,000
	$0.15	February 9, 2014	280,000
	$0.15	October 30, 2014	15,000
	$0.15	March 11, 2015	150,000
	$0.15	April 21, 2015	150,000
	$0.71	May 19, 2016	1,150,000
	$0.495	July 18, 2016	750,000
	$0.305	Sept. 20, 2016	50,000
	$0.25	Sept. 28, 2016	175,000
	$0.24	Dec. 15, 2016	280,000
	$0.28	June 13, 2017	2,765,000
			108,557,685

Shareholder Rights Plan

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

Stock options

During the three months ended May 31, 2012, the Company granted nil (comparative quarter- 1,385,000) stock options having a total fair value of $nil (comparative quarter-$893,852). The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model.

During the three months ended May 31, 2012, 30,000 (comparative quarter-nil) stock options were either forfeited or expired due to the resignation of certain employees or expired without exercise.

Subsequent to the period end, the Company granted 2,765,000 stock options at $0.28 to directors, employees, officers and consultants. All of the options are exercisable for a period of 5 years from the date of grant.

CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Nature of Business

The Company is an exploration stage company which is engaged principally in the acquisition and exploration of mineral properties. The May 31, 2012 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. The Company's continuation as a going concern is dependent on its' ability to attain profitable operations and generate funds therefrom and/or raise funds sufficient to meet current and future obligations. There can be no assurances that management's future plans for the Company will be successful. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The May 31, 2012 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.

Significant accounting estimates and judgments

The May 31, 2012 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, the unaudited condensed interim consolidated financial statements do not include all of the information and notes to the financial statements required by IFRS for yearend reporting purposes and 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.

Critical Accounting Estimates/Judgments

Critical accounting estimates

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.

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;
- Future site restoration costs;
- The inputs used in accounting for share-based payment expense which is included in the statement of 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 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.

Recent Accounting Pronouncements Not Yet Adopted

Accounting Standards Issued But Not Yet Effective

i. IFRS 9: Financial Instruments to replace IAS 39: Financial Instruments: Recognition and Measurement.

ii. IFRS 10: Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 supersedes IAS 27: Consolidated and Separate Financial Statements and SIC-12 Consolidation **-** Special Purpose Entities.

iii. IFRS 11: Joint Arrangements is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31, Interests in Joint Ventures and SIC 13, Jointly Controlled Entities Non-monetary Contributions by Ventures.

iv. IFRS 12: Disclosure of Interests in Other Entities which combines enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

v. IFRS 13: Fair Value Measurement which defines fair value, sets out in a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements.

vi. IAS 1: *Presentation of Financial Statements* that require an entity to group items presented in the statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For those items presented before tax, the amendments to IAS 1 also require that the tax related to the two separate groups be presented separately. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012, with earlier application permitted.

vii. IAS 27 Separate Financial Statements (as amended in 2011) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. In completing IFRS 10, the IASB removed from IAS 27 all requirements relating to consolidated financial statements.

viii. IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Company is currently assessing the impact that these new accounting standards will have on the financial statements.

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.

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

The carrying value of receivables, accounts payable and accrued liabilities, and due to related parties approximated 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 significant 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.

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.

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 expects that it will require additional funding by way of equity financing to carry its planned exploration activities through the current operating year (see subsequent events). 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.

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.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Northair's general and administrative expenses and resource property costs is provided in the Company's Consolidated Statement of Loss and Deficit and the Consolidated Schedule of Resource Property Costs contained in its unaudited Consolidated Financial Statements for May 31, 2012 that is available on Northair's website at www.internationalnorthair.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 interim MD&A. A copy of this interim MD&A will be provided to anyone who requests it.

ADDITIONAL INFORMATION

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