

Consolidated Financial Statements of

NEMI NORTHERN ENERGY & MINING INC.
(A Development Stage Enterprise)

For the six months ended June 30, 2008

(Expressed in Canadian Dollars)

(Prepared without audit)

NEMI NORTHERN ENERGY & MINING INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Consolidated Balance Sheets

(Prepared without audit)

(incorporated in Alberta)

(Expressed in Canadian dollars)

	As at June 30, 2008	As at September 30, 2007
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 15,572,297	\$ 9,689,389
Accounts receivable	22,616	29,602
Taxes recoverable	6,714	2,574
Prepaid expenses and other	68,392	37,931
	15,670,019	9,759,496
INVESTMENT IN PEACE RIVER COAL LP (Note 3)	53,766,001	43,625,000
PLANT AND EQUIPMENT (Note 5)	14,167	17,942
Total Assets	\$ 69,450,187	\$ 53,402,438
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 42,189	\$ 99,290
CONVERTIBLE DEBENTURES (Note 9)	8,184,065	-
Total Liabilities	8,226,254	99,290
SHAREHOLDERS' EQUITY (Note 10)		
SHARE CAPITAL	54,217,072	54,217,072
CONTRIBUTED SURPLUS	8,390,103	7,650,103
WARRANTS	35,289	-
EQUITY PORTION OF CONVERTIBLE DEBENTURES (Note 9)	3,914,381	-
DEFICIT	(5,332,912)	(8,564,027)
Total Shareholders' Equity	61,223,933	53,303,148
Total Liabilities and Shareholders' Equity	\$ 69,450,187	\$ 53,402,438

NATURE OF OPERATIONS (Note 1)

COMMITMENTS (Note 13)

SUBSEQUENT EVENTS (Note 14)

ON BEHALF OF THE BOARD

(signed) "W. Durand Eppler"

(signed) "Patrick C. Devlin"

The accompanying notes are an integral part of these consolidated financial statements

NEMI NORTHERN ENERGY & MINING INC.
(A Development Stage Enterprise)
Consolidated Statements of Operations,
Comprehensive Earnings and Deficit
(Prepared without audit)

	(Expressed in Canadian dollars)			
			For the three months ended	For the nine months ended
	June 30,	June 30,	June 30,	June 30,
	2008	2007	2008	2007
EXPENSES				
Accretion expense	\$ -	\$ -	\$ -	\$ 14,206
Advertising and public relations	1,407	1,212	21,920	20,018
Amortization	1,258	849	3,775	31,172
Consulting	19,500	14,000	99,500	75,602
Directors' fees	36,000	5,000	46,000	15,000
Insurance	4,188	5,270	22,148	74,055
Management fees	-	-	-	13,950
Office and sundry	10,806	7,748	30,777	25,212
Office rent	19,329	8,384	54,250	62,132
Professional fees	25,353	37,259	65,695	764,562
Regulatory fees	200	195	22,064	25,938
Stock-based compensation	740,000	-	740,000	5,088
Stock transfer fees	6,843	6,366	12,581	10,400
Telecommunications	6,467	6,457	20,831	22,187
Travel and accommodation	6,052	65,738	63,119	119,596
Wages and benefits	246,049	83,380	427,475	394,948
Workers compensation fees	1,177	853	4,124	54,040
Loss before other income (expenses)	(1,124,629)	(242,711)	(1,634,259)	(1,728,106)
Break fee settlement	-	-	-	(1,275,000)
Foreign exchange loss	(297)	(4,067)	1,091	(10,029)
Interest expense and bank charges	(1,118)	(1,071)	(3,237)	(709,771)
Interest on convertible debentures (Note 9)	(491,480)	-	(591,751)	-
Interest and other income	126,141	112,522	318,271	265,016
Loss on disposal of equipment	-	-	-	(3,518)
Production bonus settlement	-	(293,249)	-	(293,249)
Gain on free carry of 2007 capital contributions to Peace River Coal LP (Note 3)	-	-	5,000,000	-
Share of INCOME (loss) of Peace River Coal LP	1,685,000	(583,800)	141,000	(813,000)
NET INCOME (LOSS) FOR THE PERIOD AND COMPREHENSIVE LOSS FOR THE PERIOD	193,617	(1,012,376)	3,231,115	(4,567,657)
DEFICIT, BEGINNING OF THE PERIOD	(5,526,529)	(15,088,471)	(8,564,027)	(11,533,190)
DEFICIT, END OF THE PERIOD	\$ (5,332,912)	\$ (16,100,847)	\$ (5,332,912)	\$ (16,100,847)
Income (loss) per share (Basic and diluted)	\$ 0.00	\$ (0.02)	\$ 0.06	\$ (0.08)
Weighted average number of shares outstanding	56,954,192	56,954,192	56,954,192	56,954,192

The accompanying notes are an integral part of these consolidated financial statements

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Consolidated Statements of Cash Flows

(Prepared without audit)

(Expressed in Canadian dollars)

	For the three months ended		For the nine months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) and comprehensive loss for the period	\$ 193,617	\$ (1,012,376)	\$ 3,231,115	\$ (4,567,657)
Items not affecting cash:				
Amortization	1,258	849	3,775	31,172
Accretion expense	-	-	-	14,206
Gain on free carry of 2007 capital contributions to Peace River Coal LP (Note 3)	-	-	(5,000,000)	-
Share of income (loss) of Peace River Coal LP	(1,685,000)	583,800	(141,000)	813,000
Accretion of debenture and deferred financing costs	235,286	-	289,753	-
Loss on disposal of equipment	-	-	-	3,518
Stock-based compensation	740,000	-	740,000	5,088
	(514,839)	(427,727)	(876,357)	(3,700,673)
Net changes in non-cash working capital items				
Accounts receivable	2,746	10,733	6,986	208,858
Taxes recoverable	(292)	(4,914)	(4,140)	167,134
Prepaid expenses and other	(48,422)	(22,869)	(30,461)	101,752
Accounts payable and accrued liabilities	(25,311)	316,557	(57,100)	(9,683,013)
Interest payable	(45,804)	-	-	-
Net cash used in operating activities	(631,922)	(128,220)	(961,072)	(12,905,942)
FINANCING ACTIVITIES				
Repayments on capital lease obligations	-	-	-	(14,827)
Loan financing	1,604,865	-	11,843,981	17,900,000
Net cash provided by financing activities	1,604,865	-	11,843,981	17,885,173
INVESTING ACTIVITIES				
Net cash received on transfer of assets to Peace River Coal LP	-	-	-	9,918,687
Investment in Peace River Coal	(179,394)	-	(5,000,001)	-
Proceeds on disposal of equipment	-	-	-	53,500
Acquisition of plant and equipment	-	(500)	-	(1,563,644)
Deferred expenditures, net of pre-commercial revenue	-	-	-	(5,467,865)
Net cash provided by (used in) investing activities	(179,394)	(500)	(5,000,001)	2,940,678
(DECREASE) INCREASE IN CASH	793,549	(128,720)	5,882,908	7,919,909
CASH AND EQUIVALENTS - BEGINNING OF THE PERIOD	14,778,748	10,223,036	9,689,389	2,174,407
CASH AND EQUIVALENTS - END OF THE PERIOD	\$ 15,572,297	\$ 10,094,316	\$ 15,572,297	\$ 10,094,316
SUPPLEMENTARY CASH FLOW INFORMATION				
Transfer of assets to Peace River Coal LP	\$ -	\$ -	\$ -	\$ 116,609,567
Transfer of liabilities to Peace River Coal LP	-	-	-	(69,948,105)

The accompanying notes are an integral part of these consolidated financial statement

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

For the nine months ended June 30, 2008

(Prepared without audit)

1. NATURE OF OPERATIONS

NEMI Northern Energy & Mining Inc. (“NEMI” or the “Company”) is a development stage Canadian company incorporated under the Business Corporations Act of Alberta and extra-provincially registered under the Company Act of British Columbia.

On November 29, 2006, the Company concluded an agreement with Hillsborough Resources Limited (“Hillsborough”) and Anglo Coal Canada Limited (“Anglo”), indirectly a wholly-owned subsidiary of Anglo American plc, wherein the north-eastern British Columbia metallurgical coal assets of the Company, Hillsborough and Anglo have been consolidated into a new entity, Peace River Coal Limited Partnership (“Peace River Coal LP”) which is owned 65.9% by Anglo, 14.1% by Hillsborough, and 20% by NEMI. The assets transferred to Peace River Coal LP by the Company include the Trend mine and related facilities, and NEMI’s 50% interest in the Belcourt Saxon Coal Limited Partnership (“Belcourt Saxon Coal LP”).

The Company’s principal assets are accordingly the interests it holds in Peace River Coal LP.

Significant risk factors affecting the development of Peace River Coal LP’s properties include the determination of coal resource to support mine operations; the successful execution of mine plans; the long term strength of metallurgical coal markets; and the ability to secure permits should commercial production from properties be demonstrated to be feasible. It is expected that the capital requirements to develop the various properties now held within Peace River Coal LP over the coming years will be significant. Accordingly, the Company’s investment in Peace River Coal LP is subject to financing and dilution risk.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods as per the annual financial statements for the year ended September 30, 2007. These interim financial statements should be read in conjunction with the most recent annual financial statements of the Company.

3. INVESTMENT IN PEACE RIVER COAL LP

On October 13, 2006, the Company signed an asset transfer agreement among the Company, Anglo, and Hillsborough whereby the three parties agreed to combine their respective northeast British Columbia metallurgical coal assets and interests. In addition, the Company voluntarily sought and obtained protection under the *Companies’ Creditors Arrangement Act* (“CCAA”) pursuant to an Order of the Supreme Court of British Columbia (the “Court”). The purpose of obtaining the Order was to afford the Company an opportunity to preserve the going concern value of its assets pending completion of this transaction.

Under the Order, the Company was authorized to obtain debtor-in-possession financing comprised of a \$20 million credit facility to be provided by Anglo (the “DIP Loan”). The DIP Loan was secured by a first-priority charge on the Company’s assets.

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

For the nine months ended June 30, 2008

(Prepared without audit)

3. INVESTMENT IN PEACE RIVER COAL LP (Continued)

On November 29, 2006, the Company successfully closed the asset combination transaction (the "Transaction") with Anglo and Hillsborough. The Transaction formed the basis for the Company's CCAA Plan of Arrangement (the "Plan") which was approved by the British Columbia Supreme Court on November 23, 2006. The Transaction resulted in the creation of the Peace River Coal LP ("PRC"), initially owned as to 20% by each of the Company and Hillsborough, and 60% by Anglo.

On closing of the Transaction, the Company received a \$10 million cash payment, including \$3.5 million held in trust pending resolution of whether a break fee would be payable to Western Canadian Coal Corp. ("Western") (Note 11). In addition, the Company received as consideration a free cash carry in Peace River Coal LP to December 31, 2007 to a maximum of \$18 million. The DIP Loan provided by Anglo during CCAA proceedings was assumed by Peace River Coal LP and all of the Company's creditors, secured and unsecured, were paid in full, including Itochu Corporation ("Itochu") and Anglo (Note 7).

Following the closing of the Transaction, the Company filed with the Court a closing certificate which resulted in the Company's full emergence from CCAA protection.

Upon formation, the partnership accounts of Anglo, Hillsborough and NEMI were credited with the amounts of \$103.8 million, \$34.6 million and \$34.6 million, respectively, being the fair values of contributed property interests as determined by a formal valuation process and as agreed by the parties.

In May 2007, Peace River Coal LP provided to the partners its detailed operating and development program for 2007. Cash requirements for 2007 under the 2007 Program and Budget, including capital expenditures and working capital to fund net operating losses through the pre-commercial operation phase, totaled \$53 million. The Company's share, amounting to \$10.6 million, was funded by the free cash carry received pursuant to the Transaction. Hillsborough elected not to participate in either the 2007 Program and Budget or its share of NEMI's carry, allowing its interest in the partnership to be diluted. As at September 30, 2007, Anglo's interest in the partnership is 65.9%, Hillsborough's interest is 14.1%, and the Company's interest remains at 20%.

NEMI accounts for its interest in Peace River Coal LP under the equity method. The net book value of the net assets of Peace River Coal LP at the time of formation was \$173 million, of which the Company's share was \$34.6 million. The 2007 cash call increased the partners' equity, prior to considering results of operations, to \$226 million, the Company's share of which was \$45.2 million.

The partners of PRC were presented with a 2007 Supplemental Program and Budget for expenditures amounting to \$25 million, with the Company's pro rata share of this cash call amounting to \$5 million. The Company elected to contribute its pro rata share which was funded by the Company's free cash carry, resulting in a gain to the Company of \$5 million.

The partners of PRC were been presented with PRC's 2008 Program and Budget for expenditures amounting to \$198 million, the Company's pro rata share of which is \$39.6 million. Under the terms of the limited partnership agreement, the partners are not obliged to fully participate in any program and budget that may be proposed by the partnership, but they are subject to dilution provisions should they not elect to participate fully. The Company has elected to provide funding of \$5 million in respect of this budget, and accordingly, it is expected that the Company's interest in PRC will be diluted, on a provisional basis, to approximately 12% (the "Provisional Interest") in 2008.

On December 24, 2007, the partners of PRC were presented with a cash call to fund \$14.1 million of the 2008 Program and Budget for expenditures, with the Company's pro rata share being \$1.7 million. Despite funding the \$1.7 million cash call, the Company has taken the position that any cash calls until December 31, 2007 could be covered by the free cash carry.

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

For the nine months ended June 30, 2008

(Prepared without audit)

3. INVESTMENT IN PEACE RIVER COAL LP (Continued)

The following assets and liabilities were transferred to or assumed or repaid by PRC and accordingly are no longer included in NEMI's consolidated balance sheet. The Company's net investment in PRC is determined as follows:

Assets transferred to Peace River Coal LP	
Coal properties	\$ 733,937
Deferred expenditures	70,460,763
Plant and equipment	33,337,146
Inventory	9,354,928
Other assets	2,804,104
	<hr/>
	116,690,878
Consideration paid to the Company	
Net debts assumed or repaid	69,948,103
Cash payment on closing	10,000,000
	<hr/>
	79,948,103
Net book value of assets transferred	36,742,775
Gain on transfer of assets	8,457,225
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NEMI's share of partners' contributions	45,200,000
Accumulated share of losses to September 30, 2007	(1,575,000)
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Balance – September 30, 2007	43,625,000
Capital contribution	5,000,001
	<hr/>
	48,625,001
Gain on free carry of 2007 Supplemental Program and Budget capital contributions	5,000,000
Share of income for October 1 to June 30, 2008	141,000
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Balance – June 30, 2008	<u>\$ 53,766,001</u>

In the first half of 2008, the partners of Peace River Coal LP were presented with, and paid, cash calls to fund \$52.6 million of the 2008 Program and Budget for expenditures, with the Company funding its elected amount of \$5 million. In April and May of 2008, the partners of PRC approved Supplemental Programs and Budgets for Phase One and Two of the Trend Transition Project, respectively. The total amount budgeted for these phases is \$51 million of which NEMI's share is \$6.1 million based on its Provisional Interest. NEMI has elected to fund its full share of these Supplemental Programs and Budgets Project, respectively

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

For the nine months ended June 30, 2008

(Prepared without audit)

4. INVESTMENT IN BELCOURT SAXON COAL LP

In 2005, the Company acquired a 50% interest in the Belcourt Saxon Coal Limited Partnership (“Belcourt Saxon Coal LP”), a partnership with Western Canadian Coal Corp. (“Western”) formed for the exploration and development of the Company’s Saxon property and Western’s Belcourt property located in British Columbia. Under royalty agreements applicable to certain properties within the partnership, the partnership is obligated to make royalty payments to various third parties based on the selling price upon delivery of all coal sales relating to those properties, ranging from 0.75% to 1.00%. In addition, the partners are entitled to a royalty equal to US\$0.50 per tonne of coal produced from that partner’s contributed property.

On November 29, 2006, the Company’s interest in the Belcourt Saxon Coal LP, including the royalty commitments, was transferred to Peace River Coal LP (Note 3).

The Company’s 50% share of the results from the partnership is as follows:

	Nine months Ended June 30, 2008	Nine months Ended June 30, 2007
Interest and other income	\$ -	\$ -
Expenses	-	(28,733)
Net loss	\$ -	\$ (28,733)

	Nine months Ended June 30, 2008	Nine months Ended June 30, 2007
CASH PROVIDED BY (USED FOR)		
Operating activities	\$ -	\$ 165,671
Financing activities	-	-
Investing activities	-	(332,856)
	\$ -	\$ (167,185)

5. PLANT AND EQUIPMENT

	June 30, 2008	Sept. 30, 2007
Equipment	\$ 21,034	\$ 21,034
Accumulated depreciation	(6,867)	(3,092)
	\$ 14,167	\$ 17,942

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

For the nine months ended June 30, 2008

(Prepared without audit)

6. ABANDONED TRANSACTION WITH WESTERN AND CONTINGENCY

On May 19, 2006, the Company and Western Canadian Coal Corp. (“Western”) entered into an agreement relating to a business combination whereby the Company would become a wholly-owned subsidiary of Western. The agreement provided for the business combination to occur by way of a plan of arrangement (the “Arrangement”) to be approved at a special meeting of the Company’s shareholders. Under the terms of the agreement, and subject to certain conditions, Western agreed to issue one Western common share for every 1.8 common shares of the Company. Under the agreement, Western would be entitled to a break fee of \$3.5 million in certain circumstances.

In July 2006, Western advised the Company that it was not prepared to complete the Arrangement on the basis of the existing exchange ratio, and the board of directors of the Company determined that an adjustment to the ratio was not in the best interests of the Company’s shareholders. On November 10, 2006, the Company signed an agreement with Anglo, Hillsborough and Western pursuant to which Western consented to the transfer of the Company’s interest in the Belcourt Saxon Coal LP to the Partnership to be formed by the Company, Anglo and Hillsborough. This agreement also provided a mechanism to resolve the issue of whether a \$3.5 million break fee would be payable by the Company in connection with the termination of the previously-announced merger transaction between the Company and Western. During the year ended September 30, 2007, the Company reached a settlement with Western and paid to Western an amount of \$1.275 million in full settlement of the break fee.

7. DUE TO ANGLO COAL CANADA LIMITED

	<u>June 30, 2008</u>	<u>Sept. 30, 2007</u>
Due to Anglo Coal Canada Limited	\$ -	\$ -

In connection with the asset combination transaction with Anglo and Hillsborough (Note 3), the Company had entered into a loan agreement with Anglo which provided for loans by Anglo to the Company of up to \$31.5 million. The loans bore interest at a floating rate of LIBOR for Canadian dollars plus 2.5% per annum, and were to mature in four months, subject to Anglo's discretion to extend the maturity date by up to a further three months. As security for the loans, the Company had granted to Anglo a general security agreement charging all of its presently owned and after-acquired property, with the exception of the Company’s investment in Belcourt Saxon Coal LP. These loans were repaid in connection with the asset combination transaction. Anglo claims that \$161,285 in interest owed up until the CCAA application date remains unpaid but it is the Company’s contention that any interest owed was to be paid out of the DIP loan which was assumed by Peace River Coal LP.

8. ASSET RETIREMENT OBLIGATION

The Company’s asset retirement obligations related to the restoration and closure of the Trend Small Mine. These obligations have been assumed by Peace River Coal LP (Note 3).

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

For the nine months ended June 30, 2008

(Prepared without audit)

9. CONVERTIBLE DEBENTURES

	Liability Component	Equity Component
Debt	\$ 9,022,819	\$ 3,937,756
Deferred financing costs	(838,754)	(23,375)
	<u>\$ 8,184,065</u>	<u>\$ 3,914,381</u>

The Company issued a total of \$12,724,000 in 8% Convertible Debentures, on March 12 and April 1, 2008, for cash. The Debentures are unsecured and bear interest at a rate of 8% per annum, payable semi-annually in arrears, on June 30th and December 31st each year commencing June 30th, 2008. The Debentures mature on March 12, 2013 and are convertible into common shares of the Company at any time up until maturity at a conversion price of \$0.90 per share. After March 12, 2010, the Company has the right, under certain circumstances, to redeem the debentures in whole or in part. In addition, the Company has the right to repay the principal amount of the Debentures in common shares at a price equal to 95% of the weighted average trading price of the Company's shares on the Toronto Stock Exchange for the 20 trading day period ending 5 trading days prior to the date fixed for redemption or at maturity.

The Company paid a cash commission of \$763,440 and issued 100,000 non-transferable agent's warrants to the Agent as consideration for arranging the financing. Each warrant entitles the Agent to acquire one common share of the Company at a price of \$0.90 per share at any time until March 12, 2010.

As the convertible debenture were considered to be compound financial instruments, the liability and equity components are presented separately as determined on the issue date. The Company valued the separate components of the convertible debenture using the proportionate method. The liability component was valued using the current market rate for comparable instruments at the time of issuance which was estimated to be 14%. The equity component was valued using the Black Scholes model with the following assumptions: risk-free interest rate – 4.67% ; expected life - 2 years; expected volatility - 142%; and expected dividends - nil.

The proceeds from the issue of the convertible debenture have been allocated proportionately based upon the separate value of each component, resulting in the following values:

Proceeds	\$12,724,000
Less equity component	<u>(3,937,756)</u>
Amount recorded as liability component	8,786,244
2008 accretion of liability component	<u>236,575</u>
	<u>\$9,022,819</u>

Interest expense on the convertible debenture for the current periods is comprised of:

Interest on convertible debenture	\$ 301,998
Accretion of convertible debenture	236,575
Accretion of deferred finance costs	<u>53,178</u>
Debt interest	<u>\$ 591,751</u>

\$824,000 in debentures were converted into 915,553 shares subsequent to June 30, 2008.

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

For the nine months ended June 30, 2008

(Prepared without audit)

10. SHARE CAPITAL

	Class A Shares	Amount
Balance at September 30, 2007 and June 30, 2008	56,954,192	\$ 54,217,072

Stock options:

The Company's stock options outstanding as at March 31, 2008 and the changes for the six months then ended are as follows:

	Number	Weighted average price
Balance – September 30, 2007	80,000	\$ 1.75
Granted	1,400,000	0.90
Options expired	(80,000)	1.75
Balance – June 30, 2008	1,400,000	\$ 0.90

During the nine months ended June 30, 2008, the Company granted options to acquire 1,400,000 shares of the Company at a price of \$0.90 per share exercisable at any time until April 1, 2013. The fair value of the options was determined to be \$740,000 using the Black Scholes model with the following assumptions: risk-free interest rate – 4.67%; expected life - 2 years; expected volatility - 141%; and expected dividends - nil. \$5,088 was expensed during the nine months ended June 30, 2007 in connection with the vesting of options granted in previous years.

Options to acquire Class A shares at June 30, 2008 are as follows:

<u>Number</u> <u>Outstanding</u>	<u>Exercise</u> <u>Price</u>	<u>Expiry Date</u>
1,400,000	\$0.90	April 1, 2013

Warrants:

The Company granted 100,000 non-transferable agent's warrants in connection with the closing of the Debenture financing. Each warrant entitles the agent to acquire one common share of the Company at a price of \$0.90 per share at any time until March 12, 2010. The fair value of the warrants was determined to be \$35,289 using the Black Scholes model with the following assumptions: risk-free interest rate – 4.67%; expected life - 2 years; expected volatility - 141%; and expected dividends - nil.

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

For the nine months ended June 30, 2008

(Prepared without audit)

10. SHARE CAPITAL (continued)

Contributed surplus:

Balance – September 30, 2006	\$ 3,792,327
Stock-based compensation	5,088
Book value of expired warrants	<u>3,852,688</u>
Balance – September 30, 2007	7,650,103
Stock-based compensation	<u>740,000</u>
Balance – June 30, 2008	<u>\$ 8,390,103</u>

11. RELATED PARTY TRANSACTIONS

During the nine months ended June 30, 2008, consulting fees of \$99,500 (2007 - \$67,000) were charged in respect of services rendered by directors or officers or by companies with common directors or officers. In addition, legal fees totaling \$4,551 (2007 - \$13,392) were charged by a legal firm in which a director was a member. Included in accounts payable and accrued liabilities related to these services at June 30, 2008 was \$Nil (September 30, 2007 - \$8,097) payable to related parties. Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

12. SEGMENTED INFORMATION

The Company operates in one segment – the acquisition, exploration and development of coal properties, and subsequent production. As at June 30, 2008, all the operations and assets were in Canada.

13. COMMITMENTS

- a) The Company is committed under the terms of an office lease agreement for the following annual rent and estimated operating costs:

year ending September 30, 2008	\$ 57,000
year ending September 30, 2009	\$237,000
year ending September 30, 2010	\$244,000
year ending September 30, 2011	\$123,000

The Company has sublet this office space at its cost to Peace River Coal LP.

- b) In June 2008, the Company entered into an office lease agreement for its current premises for the following annual rent and estimated operating costs:

year ending September 30, 2008	\$14,000
year ending September 30, 2009	\$56,000
year ending September 30, 2010	\$56,000
year ending September 30, 2011	\$58,000
year ending September 30, 2012	\$58,000
year ending September 30, 2013	\$53,000