

Consolidated Financial Statements of

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

For the three months ended December 31, 2008

(Expressed in Canadian Dollars)

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 December 31, 2008	As at September 30, 2008
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 22,121,954	\$ 10,681,935
Accounts receivable	9,136	12,131,057
Taxes recoverable	7,722	5,927
Prepaid expenses and other	42,535	63,357
	22,181,347	22,882,276
INVESTMENT IN PEACE RIVER COAL LP (Note 3)	45,155,553	46,708,040
PLANT AND EQUIPMENT (Note 4)	32,156	34,124
Total Assets	\$ 67,369,056	\$ 69,624,440
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 141,205	\$ 516,449
CONVERTIBLE DEBENTURES (Note 5)	9,755,459	9,574,505
Total Liabilities	9,896,664	10,090,954
SHAREHOLDERS' EQUITY (Note 6)		
SHARE CAPITAL	54,981,872	54,981,872
CONTRIBUTED SURPLUS	8,154,103	8,154,103
WARRANTS	35,289	35,289
EQUITY PORTION OF CONVERTIBLE DEBENTURES (Note 5)	1,862,731	1,862,731
DEFICIT	(7,561,603)	(5,500,509)
Total Shareholders' Equity	57,472,392	59,533,486
Total Liabilities and Shareholders' Equity	\$ 67,369,056	\$ 69,624,440

NATURE OF OPERATIONS (Note 1)

COMMITMENTS (Note 11)

SUBSEQUENT EVENTS (Note 12)

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	
	December 31, 2008	December 31, 2007
EXPENSES		
Advertising and public relations	\$ 4,753	\$ 1,450
Amortization	1,968	1,258
Consulting	19,500	65,000
Directors' fees	27,000	5,000
Insurance	6,500	10,084
Office and sundry	13,866	11,087
Office rent	13,978	17,239
Professional fees (Note 7)	389,000	8,130
Regulatory fees	11,123	9,270
Stock transfer fees	1,462	1,336
Telecommunications	6,880	7,527
Travel and accommodation	28,690	7,208
Wages and benefits	94,628	82,762
Workers compensation fees	983	1,427
Loss before other income (expenses)	(620,331)	(228,778)
Break fee settlement (Note 7)	(1,000,000)	-
Foreign exchange gain (loss)	9,554	(157)
Interest on current debt and bank charges	(2,468)	(1,226)
Interest on convertible debentures	(420,911)	-
Interest and other income	93,062	109,709
Gain on free carry of 2007 capital contributions to Peace River Coal LP	-	5,000,000
Share of (loss) of Peace River Coal LP	(120,000)	(167,000)
NET EARNINGS (LOSS) AND COMPREHENSIVE		
EARNINGS (LOSS) FOR THE PERIOD	(2,061,094)	4,712,548
DEFICIT, BEGINNING OF THE PERIOD	(5,500,509)	(8,564,027)
DEFICIT, END OF THE PERIOD	\$ (7,561,603)	\$ (3,851,479)
Earnings (loss) per share (Basic and diluted)	\$ (0.04)	\$ (0.08)
Weighted average number of shares outstanding	57,869,745	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	
	December 31, 2008	December 31, 2007
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Net earnings (loss) and comprehensive earnings (loss) for the period	\$ (2,061,094)	\$ 4,712,548
Items not affecting cash:		
Amortization	1,968	1,258
Accretion of debenture and deferred financing costs	180,955	-
Gain on free carry of 2007 capital contributions to Peace River Coal LP	-	(5,000,000)
Share of loss of Peace River Coal LP	120,000	167,000
	<u>(1,758,171)</u>	<u>(119,194)</u>
Net changes in non-cash working capital items		
Accounts receivable	(761)	4,823
Taxes recoverable	(1,796)	(8,188)
Prepaid expenses and other	20,822	3,790
Accounts payable and accrued liabilities	(375,244)	(19,396)
Net cash used in operating activities	<u>(2,115,150)</u>	<u>(138,165)</u>
INVESTING ACTIVITIES		
Capital investment in Peace River Coal	(5,306,834)	(2,240,126)
Capital distribution from Peace River Coal	18,862,003	-
Net cash provided by (used in) investing activities	<u>13,555,169</u>	<u>(2,240,126)</u>
INCREASE (DECREASE) IN CASH	11,440,019	(2,378,291)
CASH AND EQUIVALENTS - BEGINNING OF THE PERIOD	10,681,935	9,689,389
CASH AND EQUIVALENTS - END OF THE PERIOD	\$ 22,121,954	\$ 7,311,098
Cash interest expense paid	\$ 239,956	\$ -

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

December 31, 2008

(Expressed in Canadian dollars)

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, 2008. These interim financial statements should be read in conjunction with the most recent annual financial statements of the Company.

Convergence with International Financial (IFRS)

In 2006, Canada’s Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be completed by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Canadian GAAP will be converged with IFRS through a combination of two methods: as joint-convergence of the United States’ Financial Accounting Standards Board and the International Accounting Standards Board are agreed upon, they will be adopted by Canada’s Accounting Standards Board and may be introduced in Canada before the complete changeover to IFRS. Also, the United States’ Financial Accounting Standards Board and the International Accounting Standards Board have completed a joint-project on business combinations and non-controlling interests. As the International Accounting Standards Board currently, and expectantly, has projects underway that should result in new pronouncements that continue to evolve IFRS, and as this Canadian convergence initiative is in an early stage as of the date of these consolidated financial statements, it is premature to currently assess the impact of the Canadian initiative on the Company.

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Notes to Consolidated Financial Statements

December 31, 2008

(Expressed in Canadian dollars)

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.

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, 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 5). 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.

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, totalled \$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 20% 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 20% share of which is \$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.

NEMI NORTHERN ENERGY & MINING INC.

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Notes to Consolidated Financial Statements

December 31, 2008

(Expressed in Canadian dollars)

3. INVESTMENT IN PEACE RIVER COAL LP (Continued)

The partners of PRC were 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") as of December 31, 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 should be covered by the free cash carry and is pursuing the return of the \$1.7 million which would be recorded as a gain, if received.

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 are \$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. During the calendar year ended December 31, 2008, the partners of Peace River Coal LP were presented with, and paid, cash calls totaling \$298 million, with the Company funding \$17.1 million.

The partners of PRC have also approved PRC's 2009 Program and Budget for expenditures amounting to \$225 million, the Company's pro rata share of which is \$27 million.

The Company's net investment in Peace River Coal LP is as follows:

	As at December 31, 2008	As at September 30, 2008
Balance – beginning of period	\$ 46,708,040	\$43,625,000
Capital contributions paid during the period to September 30, 2008	5,306,834	9,448,722
Capital distribution allocated during the period	<u>(6,739,321)</u>	<u>(12,122,682)</u>
	45,275,553	40,951,040
Gain on free carry of 2007 Supplemental Program and Budget capital contributions	-	5,000,000
Share of income (loss) for the period	<u>(120,000)</u>	<u>757,000</u>
Balance – end of period	<u>\$ 45,155,553</u>	<u>\$46,708,040</u>

NEMI NORTHERN ENERGY & MINING INC.

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Notes to Consolidated Financial Statements

December 31, 2008

(Expressed in Canadian dollars)

4. PLANT AND EQUIPMENT

	December 31, 2008		
	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 27,642	\$ 9,802	\$ 17,390
Leasehold improvements	16,744	2,428	14,316
	<u>\$ 44,386</u>	<u>\$ 12,230</u>	<u>\$ 32,156</u>

	September 30, 2008		
	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 27,642	\$ 8,558	\$ 19,084
Leasehold improvements	16,744	1,674	15,070
	<u>\$ 44,386</u>	<u>\$ 10,232</u>	<u>\$ 34,154</u>

5. CONVERTIBLE DEBENTURES

	Liability Component	Equity Component
Debenture	<u>\$ 10,365,226</u>	<u>\$ 2,017,116</u>
Deferred financing costs	<u>(609,767)</u>	<u>(154,385)</u>
	<u>\$ 9,755,459</u>	<u>\$ 1,862,731</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 debentures were considered to be compound financial instruments, the liability and equity components are presented separately as determined on the measurement 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 17%.

NEMI NORTHERN ENERGY & MINING INC.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements
December 31, 2008

(Expressed in Canadian dollars)

5. CONVERTIBLE DEBENTURES (continued)

The proceeds from the issue of the convertible debenture have been allocated based upon the fair value of the liability component with the residual allocated to the equity component:

Proceeds	\$12,724,000
Less equity component	(2,146,116)
Amount recorded as liability component	<u>10,577,884</u>
2008 accretion of liability component	423,142
Conversion of debentures to common shares	<u>(635,800)</u>
	<u><u>\$10,365,226</u></u>

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

Interest on convertible debenture	\$239,956
Accretion of convertible debenture	133,654
Accretion of deferred finance costs	<u>47,301</u>
Debenture interest	<u><u>\$420,911</u></u>

During the year ended September 30, 2008, \$824,000 in debentures were converted into 915,553 shares.

6. SHAREHOLDERS' EQUITY

(a) *Authorized:*

Unlimited number of Class A no par value voting common shares
 Unlimited number of Class B no par value non-voting common shares
 Unlimited number of Class C no par value non-voting common shares
 Unlimited number of Class D no par value non-voting, non-cumulative redeemable
 and retractable preferred shares

(b) *Issued and fully paid:*

	<u>Dec. 31, 2008</u>		<u>Sept. 30, 2008</u>	
	Number of Shares	Amount	Number of Shares	Amount
Class A shares				
Beginning of the year	57,869,745	\$ 54,981,872	56,954,192	\$ 54,217,072
Conversion of debentures	-	-	915,553	764,800
End of the period	<u>57,869,745</u>	<u>\$ 54,981,872</u>	<u>57,869,745</u>	<u>\$ 54,981,872</u>

During the year ended September 30, 2008, debentures with a face value of \$824,000 were converted into 915,553 shares.

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

December 31, 2008

(Expressed in Canadian dollars)

6. SHAREHOLDERS' EQUITY (continued)

(c) *Stock options:*

The Company has adopted a rolling 10% stock option plan ("Plan") which provides that the directors of the Company may grant options to purchase Class A shares of the Company to directors, officers, employees and service providers of the Company, with the number of options being limited to 10% of the issued Class A shares of the Company at the time of granting of options.

The Company's stock options outstanding as at December 31 and September 30, 2008 and the changes for the years then ended are as follows:

	Sept. 30, 2008	Weighted average exercise price	Sept. 30, 2007	Weighted average exercise price
Beginning of the year	1,400,000	\$ 0.90	80,000	\$ 1.75
Options granted	-	-	1,400,000	0.90
Options forfeited/expired	(150,000)	0.90	(80,000)	1.75
End of the year	<u>1,250,000</u>	<u>\$ 0.90</u>	<u>1,400,000</u>	<u>\$ 0.90</u>
Options exercisable	<u>1,250,000</u>	<u>\$ 0.90</u>	<u>1,400,000</u>	<u>\$ 0.90</u>

The Company has not granted any options during the three months ended December 31, 2008. During the year ended September 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 \$504,000 using the Black Scholes model with the following assumptions: risk-free interest rate – 2.64%; expected life - 2 years; expected volatility - 100%; and expected dividends - nil.

(c) *Stock options (continued):*

Options to acquire Class A shares at December 31, 2008 are as follows:

Number Outstanding	Exercise Price	Expiry Date
1,250,000	\$0.90	April 1, 2013

The outstanding options have a weighted average remaining contractual life of 4.25 years.

NEMI NORTHERN ENERGY & MINING INC.

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

December 31, 2008

(Expressed in Canadian dollars)

6. SHAREHOLDERS' EQUITY (Continued)

(d) *Warrants:*

The Company's share purchase warrants and broker warrants outstanding as at December 31 and September 30, 2008 and the changes for the years then ended are as follows:

	Dec. 31, 2008	Weighted average exercise price	Sept. 30, 2007	Weighted average exercise price
Beginning of the year	100,000	\$ 0.90	-	\$ -
Broker warrants issued	-	-	100,000	0.90
Expired during the year	-	\$ -	-	-
End of the year	<u>100,000</u>	<u>\$ 0.90</u>	<u>100,000</u>	<u>\$ 0.90</u>

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.

(e) *Contributed surplus:*

The changes in contributed surplus are as follows:

	Dec. 31, 2008	Sept. 30, 2008
Contributed surplus – beginning of year	\$ 7,650,103	\$ 7,650,103
Stock-based compensation	<u>504,000</u>	<u>504,000</u>
Contributed surplus – end of year	<u>\$ 8,154,103</u>	<u>\$ 8,154,103</u>

7. AVIVA CORPORATION

The Company and Aviva Corporation entered into a merger implementation agreement (“Agreement”) to combine the businesses of the two companies to create a new growth-oriented international coal and energy group (the “Merger”).

The Merger was expected to be completed by way of an Aviva scheme of arrangement in Australia, with the Company issuing 0.59 shares for each Aviva share held at completion. The merged group would maintain its primary listing on the Toronto Stock Exchange and would apply for a listing on the Australian Securities Exchange and the Botswana Stock Exchange. Existing shareholders of the Company and the former shareholders of Aviva would each hold approximately 50% of the expanded share capital of the merged group at closing on a diluted basis taking into account NEMI's outstanding convertible debentures.

The Company incurred \$324,036 in due diligence costs to September 30, 2008 associated with the Merger. The completion of the Merger was subject to approval from the shareholders of both companies, regulatory authorities in Canada and Australia and the Australian Courts.

The transaction has been cancelled by Aviva due to a material adverse change caused by the Company's interest in PRC being diluted to 12%. Consequently, the Company will pay a break fee of \$1 million to Aviva.

NEMI NORTHERN ENERGY & MINING INC.

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8. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2007, consulting fees of \$19,500 (2007 - \$65,000) were charged in respect of services rendered by companies with common directors or officers. In addition, legal fees totaling \$NIL (2007 - \$4,551) were charged by a legal firm in which a director was a member. Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

9. SEGMENTED INFORMATION

The Company operates in one segment – the acquisition, exploration and development of coal properties, and subsequent production. As at December 31, 2008, all the operations and assets were in Canada.

10. CAPITAL DISCLOSURES

The Company's objectives when managing its capital are to maintain a flexible structure in order to optimize the cost of capital at an acceptable level of risk, balancing the interests of both equity and debt holders while allowing for development of the business.

The Company considers shareholders' equity, long term debt or debentures and short term borrowing to be components, from time to time, of capital under management.

The current activities of the Company are limited, however, the Company may issue new shares or incur debt, as required, in order to meet the objectives above. The Company monitors its capital based upon debt to equity and working capital ratios.

The components of capital and key ratios as of December 31 and September 2008 are as follows:

	<u>Dec. 31, 2008</u>	<u>Sept. 30, 2008</u>
Long-term debt	\$ 9,755,459	\$ 9,574,505
Shareholders' equity	<u>\$ 57,472,392</u>	<u>\$ 59,533,486</u>
Debt to equity	0.17 : 1	0.16 : 1
Current assets	\$ 21,181,347	\$ 22,882,276
Current liabilities	<u>\$ 141,205</u>	<u>\$ 516,449</u>
Working Capital ratio	150 : 1	44 : 1

The Company believes these ratios are within reasonable limits in light of its current business activities and objectives and there have not been any significant changes in the Company's objective from the previous period

NEMI NORTHERN ENERGY & MINING INC.

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Notes to Consolidated Financial Statements

December 31, 2008

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11. 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, 2009	\$180,000
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) During the year ended September 30, 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, 2009	\$42,000
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

12. SUBSEQUENT EVENT

Subsequent to December 31, 2008, the partners of Peace River Coal LP were presented with, and paid, cash calls to fund \$37.3 million of the 2009 Program and Budget for expenditures, with the Company's pro rata share being \$5million.