Consolidated Financial Statements of

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

For the six months ended March 31, 2009

(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 March 31, 2009		As at September 30, 2008
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**16,713,871**	$	10,681,935
Accounts receivable		**3,616**		12,131,057
Taxes recoverable		**16,119**		5,927
Prepaid expenses and other		**35,410**		63,357
		16,769,016		22,882,276
INVESTMENT IN PEACE RIVER COAL LP (Note 3)		**51,192,510**		46,708,040
PLANT AND EQUIPMENT (Note 4)		**30,188**		34,124
Total Assets	**$**	**67,991,714**	$	69,624,440
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**652,161**	$	516,449
CONVERTIBLE DEBENTURES (Note 5)		**9,932,481**		9,574,505
Total Liabilities		**10,584,642**		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		**(7,626,923)**		(5,500,509)
Total Shareholders’ Equity		**57,407,072**		59,533,486
Total Liabilities and Shareholders’ Equity	**$**	**67,991,714**	$	69,624,440

NATURE OF OPERATIONS (Note 1)
COMMITMENTS (Note 11)
SUBSEQUENT EVENTS (Note 12)

ON BEHALF OF THE BOARD

(signed) “Michael Cooney”

(signed) “Lyle Stein”

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 six months ended	
	March 31, 2009	March 31, 2008	**March 31, 2009**	March 31, 2008
EXPENSES				
Advertising and shareholder relations	$ **248,086**	$ 19,063	**$ 252,839**	$ 20,513
Amortization	**1,968**	1,259	**3,936**	2,517
Consulting	**19,500**	15,000	**39,000**	80,000
Directors' fees	**27,000**	5,000	**54,000**	10,000
Insurance	**6,500**	7,876	**13,000**	17,960
Office and sundry	**33,417**	8,884	**47,283**	19,971
Office rent	**14,106**	17,682	**28,085**	34,921
Professional fees (Note 7)	**313,445**	32,212	**702,446**	40,342
Regulatory fees	**14,011**	12,594	**25,134**	21,864
Stock transfer fees	**1,172**	4,403	**2,635**	5,738
Telecommunications	**3,139**	6,837	**10,019**	14,364
Travel and accommodation	**10,549**	49,859	**39,239**	57,067
Wages and benefits	**99,031**	98,664	**193,658**	181,427
Workers compensation fees	**2,102**	1,520	**3,085**	2,947
Loss before other income (expenses)	**(794,026)**	(280,853)	**(1,414,359)**	(509,631)
Break fee settlement (Note 7)	**-**	-	**(1,000,000)**	-
Foreign exchange gain (loss)	**1,549**	1,547	**11,105**	1,389
Interest on current debt and bank charges	**(2,750)**	(894)	**(5,218)**	(2,119)
Interest on convertible debentures	**(411,761)**	(100,271)	**(832,672)**	(100,271)
Interest and other income	**41,668**	82,421	**134,730**	192,130
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	**1,100,000**	(1,377,000)	**980,000**	(1,544,000)
NET INCOME (LOSS) FOR THE PERIOD	**(65,320)**	(1,675,050)	**(2,126,414)**	3,037,498
DEFICIT, BEGINNING OF THE PERIOD	**(7,561,603)**	(3,851,479)	**(5,500,509)**	(8,564,027)
DEFICIT, END OF THE PERIOD	**$ (7,626,923)**	$ (5,526,529)	**$ (7,626,923)**	$ (5,526,529)
Income (loss) per share (Basic and diluted)	**$ (0.00)**	$ (0.03)	**$ (0.04)**	$ 0.05
Weighted average number of shares outstanding	**57,869,745**	56,954,192	**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		For the six months ended	
	March 31, 2009	March 31, 2008	**March 31, 2009**	March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$ **(65,320)**	$ (1,675,050)	$ **(2,126,415)**	$ 3,037,498
Items not affecting cash:				
Amortization	**1,968**	1,259	**3,936**	2,517
Gain on free carry of 2007 capital contributions to Peace River Coal LP	**-**	-	**-**	(5,000,000)
Share of (income) loss of Peace River Coal LP	**(1,100,000)**	1,377,000	**(980,000)**	1,544,000
Accretion of debenture and deferred financing costs	**177,021**	54,467	**357,976**	54,467
	(986,331)	(242,324)	**(2,744,503)**	(361,518)
Net changes in non-cash working capital items				
Accounts receivable	**5,520**	(583)	**4,759**	4,240
Taxes recoverable	**(8,397)**	4,340	**(10,193)**	(3,848)
Prepaid expenses and other	**7,125**	14,171	**27,947**	17,961
Accounts payable and accrued liabilities	**510,957**	(12,393)	**135,714**	(31,789)
Net cash provided by (used in) operating activities	**(471,126)**	(190,985)	**(2,586,276)**	(329,150)
FINANCING ACTIVITIES				
Loan financing	**-**	10,239,116	**-**	10,239,116
Net cash provided by financing activities	**-**	10,239,116	**-**	10,239,116
INVESTING ACTIVITIES				
Capital investment in Peace River Coal	**(5,346,537)**	(2,580,481)	**(10,653,371)**	(4,820,607)
Capital distribution from Peace River Coal	**409,580**	-	**19,271,583**	-
Net cash provided by (used in) investing activities	**(4,936,957)**	(2,580,481)	**8,618,212**	(4,820,607)
(DECREASE) INCREASE IN CASH	**(5,408,083)**	7,467,650	**6,031,936**	5,089,359
CASH AND EQUIVALENTS - BEGINNING OF THE PERIOD	**22,121,954**	7,311,098	**10,681,935**	9,689,389
CASH AND EQUIVALENTS - END OF THE PERIOD	$ **16,713,871**	$ 14,778,748	$ **16,713,871**	$ 14,778,748

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

1. NATURE OF OPERATIONS

NEMI Northern Energy & Mining Inc. ("NEMI" or the "Company") is a Canadian company incorporated under the Business Corporations Act of Alberta and extra-provincially registered under the Business Corporations 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, as at March 31, 2009, is owned 74.5% by Anglo, 13.4% by Hillsborough, and 12.1% 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.

Recent Accounting Pronouncements

(1) Goodwill and Intangibles – Section 3064

The CICA issued the new Handbook Section 3064, “Goodwill and Intangible Assets”, which will replace Section 3062, “Goodwill and Intangible Assets”. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to the Company’s annual and interim financial statements beginning January 1, 2009. The Company does not expect the adoption of this change to have an impact on its consolidated financial statements.

(2) Sections 1582, Business Combinations, 1601, Consolidations and 1602, Non-controlling Interests

In January 2009, the CICA issued these new sections to replace Section 1581, “Business Combinations” and Section 1600, “consolidated Financial Statements.” Section 1582 will apply to a transaction in which the acquirer obtains control of one or more business (as defined in the Section). Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. A bargain purchase will result in the recognition of a gain. Acquisition costs will be expensed. Any non-controlling interest will be recognized as a separate component of shareholders’ equity and net income will be allocated between the controlling and non-controlling interests. These new standards will apply to fiscal years beginning on or after January 1, 2011. The Company does not believe that these new Sections will have an impact on its financial statements unless the Company enters into a business acquisition subsequent to January 1, 2011.

(3) EIC-173 Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, the emerging Issues Committee (“EIC”) issued EIC-173. In this EIC the Committee reached a consensus that in determining the fair value of financial assets and financial liabilities, an entity should take into account the credit risk of the entity and the counterparty. The EIC is effective for periods ending after the issuance date. The Company is evaluating the effect of EIC-173 and will adopt it prospectively.

(4) EIC-174 Mining Exploration Costs

On March 27, 2009, the EIC issued EIC 174. In this EIC, the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC is effective for periods ending after the issuance date and the Company has adopted the EIC -174.

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 (the "Transaction"). 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 the 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. The Transaction also formed the basis for the Company's CCAA Plan of Arrangement, which was approved by the Court on November 23, 2006.

On November 29, 2006, the Company successfully closed the Transaction, which resulted in the creation of the Peace River Coal LP, initially owned as to 60% by Anglo and 20% by each of the Company and Hillsborough. On the 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 was payable to Western Canadian Coal Corp. ("Western") (subsequently settled by the Company paying $1.275 million to Western), and a free cash carry in the Peace River Coal LP to December 31, 2007 to a maximum of $18 million. In addition, the DIP Loan provided by Anglo during CCAA proceedings was assumed by the Peace River Coal LP and all of the Company's creditors, secured and unsecured, were paid in full, including Anglo and Itochu Corporation. 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.

The Company accounts for its interest in the Peace River Coal LP under the equity method. Upon formation, the net book value of the net assets of the Peace River Coal LP was $173 million and the partnership accounts of Anglo, the Company and Hillsborough were credited with the amounts of $103.8 million (60%), $34.6 million (20%) and $34.6 million (20%), respectively, being the fair values of contributed property interests as determined by a formal valuation process and as agreed by the parties.

The Peace River Coal LP was formed pursuant to and is governed by a limited partnership agreement made as of October 16, 2006, and amended as of November 24, 2006. Under the terms of the limited partnership agreement, the partners are not obliged to fully participate in any of the partnership's programs and budgets, but they are subject to dilution provisions should they elect not to fully participate.

In May 2007, the Peace River Coal LP delivered its 2007 Program and Budget, including capital expenditures and working capital to fund net operating losses through the pre-commercial operation phase, for expenditures amounting to $53 million, of which the Company's 20% share was $10.6 million and was funded by the free cash carry. 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 to 14.1%.

The Peace River Coal LP subsequently approved a 2007 Supplemental Program and Budget for expenditures amounting to $25 million, of which the Company's 20% share was $5 million and was also funded by the free cash carry. The cash calls for the 2007 Programs and Budgets increased the partners' equity, prior to considering results of operations, to $251 million, with the Company's partnership account at $50.2 million representing a 20% interest in the Peace River Coal LP. For the 2007 Programs and Budgets, the Company used $15.6 million of its $18 million free cash carry, leaving $2.4 million unused.

3. INVESTMENT IN PEACE RIVER COAL LP (continued)

The 2008 Program and Budget called for expenditures amounting to $198 million, of which the Company's 20% share was $39.6 million. The Company elected to participate in the amount of $5 million, and as a result it was expected that the Company's interest in the Peace River Coal LP would be diluted, on a provisional basis, to approximately 12% (the "Provisional Interest") as of December 31, 2008. On December 24, 2007, the Peace River Coal LP made an initial $14.1 million cash call in respect of the 2008 Program and Budget, of which the Company's share was $1.7 million based on its Provisional Interest. The Company funded the $1.7 million cash call and took the position that any cash calls until December 31, 2007 should be covered by the free cash carry (of which $2.4 million remained unused). The parties are currently undertaking a resolution process and hope to have the matter determined within the next 90 days. The return of the $1.7 million would be recorded as a gain if received.

During the calendar year ended December 31, 2008, the Peace River Coal LP approved Supplemental Programs and Budgets for the Trend Transition Project and existing operations for aggregate expenditures amounting to $101 million, of which the Company's share was $12.1 million based on its Provisional Interest. The Company elected to fully fund its share of these Supplemental Programs and Budgets. For the calendar year ended December 31, 2008, the partners of the Peace River Coal LP were presented with aggregate Programs and Budgets totaling $299 million, of which the Company elected to fund $17.1 million. Actual cash calls in respect of those Programs and Budgets totaled $289 million, with the Company funding $15.9 million. At year end, the Peace River Coal LP recalculated the Company's and Hillsborough's partnership interest based on actual contributions and distributions, resulting in the Company's partnership interest being reduced to 12.0% and the Company receiving a rectifying cash distribution of $16 million. As a result of the change in the methodology used in accounting for cash calls and distributions, the Company is at this time seeking credit for the entire unused portion of its original free cash carry plus interest, as the Company is of the view that the new methodology, if applied to 2007, would have resulted in the entire free cash carry being used. This matter is being considered as part of the resolution process mentioned above.

The Peace River Coal LP's 2009 Program and Budget calls for expenditures amounting to $225 million, of which the Company's pro rata share is $27 million. The Company has elected to fully fund its share of the 2009 Program and Budget. In the first three months of calendar 2009, the Peace River Coal LP made $40.3 million in cash calls in respect of the 2009 Program and Budget, of which the Company's share was $4.8 million. In addition to funding these cash calls, the Company also paid $0.5 million to fund shortfalls created by Hillsborough's failure to fund its proportion of the January 2009 cash call. As a result of these payments and the penalty imposed on Hillsborough for failing to fund its cash call, as at March 31, 2009, the Company's interest in the Peace River Coal LP increased to 12.1%, Anglo's interest increased to 74.5%, and Hillsborough's interest was reduced to 13.4%. In March 2009, the Peace River Coal LP made a cash distribution of $3.4 million, of which the Company received $0.4 million.

(Expressed in Canadian dollars)

3. INVESTMENT IN PEACE RIVER COAL LP (continued)

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

	As at March 31 2009	As at September 30 2008
Balance – beginning of period	$46,708,040	$43,625,000
Capital contributions paid during the period	10,653,371	9,448,722
Capital distribution allocated during the period	(7,148,901)	(12,122,682)
	50,212,510	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	980,000	757,000
Balance – end of period	$51,192,510	$46,708,040

4. PLANT AND EQUIPMENT

	March 31, 2009		
	Cost	Accumulated Depreciation	Net Book Value
Equipment	$ 27,642	$ 11,017	$ 16,625
Leasehold improvements	16,744	3,181	13,563
	$ 44,386	$ 14,198	$ 30,188

	September 30, 2008		
	Cost	Accumulated Depreciation	Net Book Value
Equipment	$ 27,642	$ 8,588	$ 19,054
Leasehold improvements	16,744	1,674	15,070
	$ 44,386	$ 10,262	$ 34,124

(Expressed in Canadian dollars)

5. CONVERTIBLE DEBENTURES

	Liability Component	Equity Component
Debenture	$ 10,495,975	$ 2,017,116
Deferred financing costs	(563,494)	(154,385)
	$ 9,932,481	$ 1,862,731

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%.

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	10,577,884
Accretion of liability component	553,891
Conversion of debentures to common shares	(635,800)
	$10,495,975

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

Interest on convertible debenture	$474,698
Accretion of convertible debenture	264,402
Accretion of deferred finance costs	93,572
Debenture interest	$832,672

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

(Expressed in Canadian dollars)

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:*

	March. 31, 2009			Sept. 30, 2008		
Class A shares	Number of Shares		Amount	Number of Shares		Amount
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	57,869,745	$	54,981,872	57,869,745	$	54,981,872

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

(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 March 31, 2009 and September 30, 2008 and the changes for the six months and year then ended are as follows:

	Six Months Ended March 31, 2009		Weighted average exercise price	Year Ended Sept. 30, 2008		Weighted average exercise price
Beginning of the period	1,400,000	$	0.90	80,000	$	1.75
Options granted	-		-	1,400,000		0.90
Options forfeited/expired	(150,000)			(80,000)		1.75
End of the period	1,250,000	$	0.90	1,400,000	$	0.90
Options exercisable	1,250,000	$	0.90	1,400,000	$	0.90

The Company has not granted any options during the six months ended March 31, 2009. 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 exerciseable 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.

(Expressed in Canadian dollars)

6. SHAREHOLDERS' EQUITY (continued)

(c) Stock options (continued):

Options to acquire Class A shares at March 31, 2009 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 years. Options to acquire 600,000 Class A shares were cancelled subsequent to March 31, 2009.

(d) Warrants:

The Company's share purchase warrants and broker warrants outstanding as at March 31, 2009 and September 30, 2008 and the changes for the six months and year then ended are as follows:

	Six Months Ended March 31, 2009		Weighted average exercise price	Year Ended Sept. 30, 2008		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	100,000	$	0.90	100,000	$	0.90

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:

		March 31, 2009		Sept. 30, 2008
Contributed surplus – beginning of year	$	7,650,103	$	7,650,103
Stock-based compensation		504,000		504,000
Contributed surplus – end of year	$	8,154,103	$	8,154,103

7. AVIVA CORPORATION

In October 2008, the Company and Aviva Corporation entered into a merger implementation agreement ("Agreement") to combine the businesses of the two companies to create a new 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. Upon closing, it was expected that the existing shareholders of the Company and the former shareholders of Aviva would each hold approximately 50% of the share capital of the merged group on a diluted basis taking into account NEMI's outstanding convertible debentures. The completion of the Merger was subject to the approval of the shareholders of both companies, regulatory authorities in Canada and Australia, and the Australian Courts.

In December 2008, Aviva cancelled the transaction, citing a material adverse change in the affairs of the Company caused by the Company's interest in PRC being diluted to 12%. Consequently, the Company paid a break fee of $1 million to Aviva. The Company incurred $324,000 in due diligence costs to September 30, 2008 and a further $360,000 in costs during the six months ended March 31, 2009 associated with the Merger.

8. RELATED PARTY TRANSACTIONS

During the six months ended March 31, 2009, consulting fees of $39,000 (2008 - $80,000) were charged in respect of services rendered by companies with common officers. Legal fees totaling $nil (2008 - $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 March 31, 2009, 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.

(Expressed in Canadian dollars)

10. CAPITAL DISCLOSURES (continued)

The components of capital and key ratios as of March 31, 2009 and September 2008 are as follows:

	March 31, 2009	Sept. 30, 2008
Long-term debt	$ 9,932,481	$ 9,574,505
Shareholders' equity	$ 57,407,072	$ 59,533,486
Debt to equity	0.17 : 1	0.16 : 1
Current assets	$ 16,769,016	$ 22,882,276
Current liabilities	$ 652,161	$ 516,449
Working Capital ratio	25 : 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.

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	$128,000
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	$28,000
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 EVENTS

In April 2009, The Company commenced a normal course issuer bid through the facilities of the Toronto Stock Exchange. The Company bought 386,500 of its Class A shares for a total cost of $144,798 in April 2009.