NEMI Northern Energy & Mining Inc.

Management's Discussion and Analysis of Financial Position and Results of Operations ("MD&A")

For the year ended September 30, 2011

This MD&A has been prepared as of December 7, 2011. It should be read in conjunction with the audited consolidated financial statements of NEMI Energy & Mining Inc. and its wholly-owned subsidiary, Crossroad Ventures Inc. (the "Company" or "NEMI") for the year ended September 30, 2011. The Company's critical accounting estimates, significant accounting policies and risk factors as disclosed in this MD&A have remained substantially unchanged since September 30, 2010 and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars unless otherwise indicated and have been determined in accordance with Canadian generally accepted accounting principles ("CGAAP").

NEMI is a Canadian company originally incorporated under the Business Corporations Act of Alberta. On April 15, 2010, NEMI was continued under the Business Corporations Act of British Columbia. Its common shares are traded on the TSX Stock Exchange (the "TSX" or the "Exchange"). See also "TSX Listing" as disclosed elsewhere herein.

NEMI's principal business asset was a 12.184% interest in the Peace River Coal Limited Partnership ("PRC"), which owns and operates the Trend Mine as well as other substantial metallurgical coal properties in northeastern British Columbia. On September 28, 2011, the Company sold its PRC limited partnership interest to the PRC majority interest owner, Anglo Coal Canada Inc. ("Anglo") for $73 million (the "PRC Disposition").

The Company had owned its PRC interest since November 2006, when it joined with Anglo, an indirectly wholly-owned subsidiary of Anglo American plc ("Anglo American") and Hillsborough Resources Limited ("Hillsborough") to form PRC in order to jointly develop their coal assets, including the Trend Mine. Prior to the PRC Disposition, Anglo held a 74.825% interest, Hillsborough a 12.991% interest, and NEMI a 12.184% interest in PRC.

Substantial Issuer Bid ("SIB Offer")

On September 26, 2011 the PRC Disposition was approved at a special general meeting of shareholders. On September 28, 2011, the Company completed the PRC Disposition for consideration of $73 million cash. On November 18, 2011, the Company filed an issuer bid circular to purchase for cash up to 38 million of its issued and outstanding Class A Common Shares and all of its 8% convertible debentures outstanding having a stated aggregate face value of $10,449,000. The shares would be purchased for $1.06 per share for an aggregate consideration of $40,280,000 and the convertible debentures for $117.78 per hundred dollars in principal amount for an aggregate consideration of $12,306,832 plus any unpaid interest accrued estimated to be $412,500 on the date the offer expires, December 28, 2011.

As at September 30, 2011, the Company had working capital of $75,246,616. As outlined under the terms of the SIB Offer, the Company expects that it will require up to approximately $53 million to complete the SIB Offer if it is fully subscribed. Upon Completion of the SIB Offer, the Company intends to review its options and depending upon various factors, including; the response to the SIB Offer, any business opportunities with which the Company is presented or the Company finds, as well as regulatory and income tax considerations, the Directors will make a decision with respect to the Company's future direction.

TSX Listing

NEMI's Common Shares are currently listed for trading on the TSX. In order to maintain a listing on the TSX, certain qualitative and quantitative requirements must be met. Due to the Company having sold substantially all of its business assets under the PRC Disposition, the TSX has notified NEMI that it will initiate a delisting review. If the Company is unable to meet TSX's original listing requirements by the end of the review period, the Company will seek a listing on the TSX Venture Exchange or such other recognized stock exchange as the Board of Directors determines. The Company is currently contemplating seeking a listing as an investment issuer, subject to a number of conditions including, but not limited to, advice from the Company's legal

and financial advisors, and receipt of regulatory approval including approval of the exchange on which it is listed.

Forward-Looking Statements

This MD&A includes certain statements that constitute "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws ("forward-looking statements" and "forward-looking information" are collectively referred to as "forward-looking statements", unless otherwise stated). These statements appear in a number of places in the MD&A and include statements regarding the Company's intent, or the beliefs or current expectations of the Company's officers and directors. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in the MD&A, words such as "believe", "anticipate", "estimate", "project", "intend", "expect", "may", "will", "plan", "should", "would", "contemplate", "possible", "attempts", "seeks" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements may relate to the Company's future outlook and anticipated events or results and may include statements regarding the Company's future financial position, business strategy, budgets, litigation, projected costs, financial results, taxes, plans and objectives. Management has based these forward-looking statements largely on management's current expectations and projections about future events and financial trends affecting the financial condition of the Company's business.

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of December 7, 2011.

These forward-looking statements were derived utilizing numerous assumptions regarding expected growth, results of operations, performance and business prospects and opportunities that could cause the Company's actual results to differ materially from those in the forward-looking statements. While the Company considers these assumptions to be reasonable and based on information currently available, they may prove to be incorrect. Accordingly, readers are cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results.

To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions.

Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Material risk factors which could cause actual results to differ materially from the forward-looking statements include, but are not limited to: general economic and market conditions; the Company's ability to execute the Company's strategic plans and meet financial obligations; the performance of the Company and the Company's ability to raise additional capital; the Company's ability to create, attract and retain assets under management and assets under administration; risks relating to trading activities and investments; competition faced by the Company; regulation of the Company's businesses; risks associated with the Company's investment holdings in general, including risks associated with mining exploration, development and processing activities, environmental risks, inflation, changes in interest rates, commodity prices and other financial exposures; the ability of the Company to attract and retain key personnel; changes or disruptions in the securities markets or volatility in the market price or liquidity of the Company's Common Shares; and other risk factors including those listed under "Risk Factors" as disclosed elsewhere in this MD&A. Additional risks and uncertainties not presently known to the Company or that NEMI currently believes to be less significant may also adversely affect the Company.

Forward-looking statements speak only as of the date those statements are made. Except as required by applicable law, the Company assumes no obligation to update, or to publicly announce the results of any change to, any forward-looking statement contained or incorporated by reference herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. If the Company does update any one or more forward-looking statements, no inference should be drawn that the Company will make additional updates with respect to those or other forward-looking statements. Readers should not place undue importance on forward-looking statements and should not rely upon these statements as of any other date. All forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

Summary of Operational Highlights

In addition to the SIB Offer that was filed on November 18, 2011, significant operational highlights for the year ended 2011 included:

Income for the year ended September 30, 2011 amounted to $13,543,813 or $0.25 per share (2010 - loss of $2,987,698 or $0.05 per share) after reporting a gain on the PRC Disposition of $11,814,074. Aside from the gain on the PRC Disposition, the earnings improvement in 2011 was largely attributable to PRC operations which accounted for a $4,247,000 profit in the year ended September 30, 2011 (2010 - $37,000 loss). As anticipated at the end of the quarter ended March 2011, PRC operations over the last six months of the year ended September 2011 improved significantly as the newly installed wash plant operated at or above designed capacity, the operation experienced milder weather conditions, and mine, rail and shipping operations experienced minimal operational breakdowns compared to the prior quarter when the scheduled plant shutdown to install upgrades and abnormal and extended extreme cold weather combined to negatively impact PRC operations. High coal prices over the last six months further added to the operational results for the year ended September 30, 2011.

Pursuant to the terms of Normal Course Issuer Bids ("NCIB") as filed in April 2010 and April 2011 respectively, during the year ended September 2011 the Company purchased 1,208,700 of its common shares for a total consideration of $1,102,161 (2010 - 2,577,075 shares for a total consideration of $1,186,952).

During the quarter ended March 31, 2011, holders of $1,451,000 worth of 8% convertible debentures exercised their conversion privileges in exchange for a total of 1,612,221 common shares at a price of $0.90 each.

On January 4, 2011, the Company announced that Andrew R. Williams had replaced Matthew Kavanagh as Chief Financial Officer. At the annual meeting of shareholders held on March 31, 2011, Barry A. Shaw Jr. was elected as a director following Tony Hammond's decision not to stand for re-election.

PRC Disposition

As previously disclosed, in October 2009, Anglo announced that it was restructuring its global portfolio of assets, including the proposed divestiture of its interest in PRC. Subsequently, Anglo reached an agreement with NEMI and Hillsborough which allowed for a purchaser to acquire up to a 100% interest in PRC. On May 24, 2011, Anglo advised the Company, that following an internal review, it had decided to retain and grow PRC as a core asset. On August 17, 2011, the Company announced it had entered into an agreement with Anglo pursuant to which the Company had agreed to sell all of the Company's 12.184% interest in PRC for a cash purchase price of $73 million. The sale closed on September 28, 2011. In addition to a gain of $11,814,074 reported on the PRC Disposition, the results of operations as reported in the Company's statement of income and comprehensive income for the year ended, September 30, 2011 include its share of income from Peace River Coal LP for the period from October 1, 2010 through the close of business on September 27, 2011 that amounted to $4,247,000.

PRC Operations

- Peace River Coal LP

Peace River Coal Inc. is the general partner and an affiliate of Anglo as well as the manager of PRC. PRC production is marketed by Anglo Coal Marketing Limited.

PRC operates the Trend Mine near Tumbler Ridge, British Columbia and holds substantial metallurgical coal assets under exploration and development in northeast British Columbia, including the Roman and Horizon projects, and a 50% interest in the Belcourt Saxon Limited Partnership ("Belsax"). PRC's metallurgical coal, which is exported to steel mills around the world, is currently railed to Prince Rupert, British Columbia where it is loaded onto ocean going vessels at the Ridley Terminals Inc. ("RTI") port facility.

In all, approximately $150 million of capital expenditure was invested in the business from 2007 through December 2010 as PRC transitioned from a contractor to an owner-operated mining operation. PRC now has an improved coal washing plant and road and rail logistics chain. A further $25 million has been invested in the wash plant upgrade to increase production capacity, wash plant yields and reliability. The first phase was completed within budget and on schedule in May 2010. The second and third phases were commissioned within budget during February and the first half of March 2011. Since commissioning in the second half of March 2011, hourly feed rates met or exceeded design capacity of approximately 280 tonnes per hour up from an average 220 tonnes per hour.

- Exploration and Development Plans

Major drilling programs were completed on PRC's properties over the last two years which have increased the coal reserves at the Trend Mine and extended the resources at Roman Mountain. The Trend Mine comprised a total resource base of 48.5 million tonnes as at December 31, 2010. Included in the resource base are Proved and Probable Reserves of 20.4 and 2.4 million tonnes respectively. Based on a NI 43-101 statement dated June 2010, Roman Mountain resources comprise a total of 32.0 million tonnes, of which 26.7 million tonnes are Measured and Indicated Resources, and 5.3 million tonnes are Inferred Resources. Further exploration to expand the resource base is currently being carried out. Total coal resources for the PRC properties, including Trend Mine, Roman Mountain and Horizon, all in which PRC holds a 100% interest, are currently estimated to be in excess of 480 million tonnes.

In addition to capital improvements and resource extensions at the Trend Mine, PRC is conducting development work on its other properties.

The Roman Mountain feasibility study is currently focusing on an integrated Trend – Roman mine plan with the objective of achieving 5 million tonnes per year ROM production and approximately 3.5 million tonnes per annum per year clean hard coking coal. Further drilling work commenced in August, which will both improve confidence levels of the Roman Mountain reserves and provide logical extensions to the Roman Mountain coal resources.

With respect to the Horizon property, initial conceptual studies indicate that Horizon would be developed primarily as an underground mine with annual ROM production of approximately 1.7 million tonnes.

A technical study on the Belsax interests was completed in 2008 and a NI 43-101 Technical Report dated March 2009 was jointly filed on SEDAR by NEMI and Western Coal Corporation, which holds the other 50% interest. The report states coal reserves (at 100%) for the Belcourt North and Belcourt South properties contain Proven Reserves of 85.7 million tonnes and Probable Reserves of 0.7 million tonnes included in the coal resource estimate of 166.7 million tonnes of Measured Resources, 4.2 million tonnes of Indicated Resources, and 0.2 million tonnes of Inferred Resources. A scoping study of the Belsax interests suggested a potential to produce approximately 6 million tonnes per year of metallurgical ROM coal over a 15 year period. Further evaluation work is being conducted.

All resources and reserves are stated as at December 31, 2010 unless otherwise indicated.

PRC's coking coal continues to be very well received by steel mills in Asia, Europe, and South America. Demand for its coal remains very strong supporting further production growth.

- Results of PRC Operations

The following table and discussion pertains to the operations of PRC on a 100% basis as opposed to the Company's 12.184% interest. Also for purposes of this discussion, all references to dollars are in terms of Canadian dollars unless otherwise expressly disclosed. The following analysis generally excludes comparison with the prior year operations because management assesses performance on the basis of the mine plan and related projections and budgets which are prepared on a calendar year basis, based on the currently prevailing market environment rather than on the basis of achievements in the prior year.

Selected Quarterly PRC Operating Data

	Unit of measure	**September 2011**	June 2011	March 2011	December 2010	September 2010	June 2010	March 2010	December 2009
INVESTMENT									
Working capital	*C$000's*	**90,533**	65,797	46,240	56,346	45,334	51,169	11,132	2,227
Non-current assets	*C$000's*	**410,363**	400,853	405,630	403,951	408,759	408,049	405,625	407,080
Retirement obligations	*C$000's*	**(14,857)**	(14,018)	(13,280)	(12,974)	(15,196)	(14,710)	(14,209)	(13,707)
Net equity[1]	*C$000's*	**486,039**	452,631	438,591	447,324	438,897	444,508	402,548	395,600
REVENUES									
Sales	*C$000's*	**72,297**	71,350	55,364	41,675	31,278	40,319	36,730	20,523
Tonnes sold	*tonnes*	**237,825**	248,250	267,011	202,733	167,827	193,424	216,230	125,404
Average sales price per tonne	*C$/tonne*	**304**	287	207	205	186	208	169	164
CAPITAL EXPENDITURES									
Exploration and pre-feasibility	*C$000's*	**2,750**	175	94	1,125	1,082	628	363	1,448
Equipment and development	*C$000's*	**22,539**	1,813	6,296	8,055	3,785	7,172	1,756	13,664
PRODUCTION									
Production	*tonnes*	**265,674**	306,698	108,396	240,218	226,435	206,731	194,654	149,870
Port side inventory	*tonnes*	**66,426**	68,640	3,689	129,816	80,499	83,077	64,383	94,867
Share of PRC Income (Loss) Reported by NEMI[1]	*C$000's*	**4,260[2]**	*1,819*	*(1,005)*	*(827)*	*(138)*	*132*	*(367)*	*336*

1. The share of income reported by NEMI is not equal to the 12.184% of the income reported by PRC because accounting policies applied by NEMI in the determination of income are not consistent with those of PRC. Accordingly income figures reported by PRC would not be meaningful. Similarly, the reported carrying value of NEMI's investment in PRC will not be equal to 12.184% of the PRC net equity presented above.

2. Information presented above for the quarter ended September 2011 covers the period from July 1, 2011 through September 30, 2011. Determination of the share of PRC income for the quarter ended has been prorated to reflect the PRC Disposition on September 28, 2011.

-PRC Sales

PRC coal is marketed by Anglo in conjunction with their worldwide sales effort.

In the quarter ended March 2011, the average selling price per tonne was $207. In the quarters ended June 2011 and September 2011, average selling prices were $287 and $304 respectively.

-PRC Production

In the quarter ended June 2011, PRC experienced a significant operating improvement with the completion of the third and final phase of the processing plant upgrades and more favorable weather conditions. Production for the quarter ended June 2011 totaled 306,698 tonnes compared with 265,674 in the quarter ended September 2011 when production declined as operations were moved to a new mining face.

-PRC Financial Results

Completion of the processing plant combined with higher selling prices in the quarters ended June 2011 and September 2011 were the two main factors that resulted in PRC achieving net operating income before taxes on the order of $31.9 million for the 12 months ended September 2011 compared with total losses before income taxes in the quarters ended December 2010 and March 2011 exceeding $14.3

million. As contractual sales prices are quoted in US dollars per tonne, operating profits in the quarter ended September 2011 were unfavorably affected to the extent of approximately $1 per tonne by the strengthening US dollar which averaged C$0.9784 per US$ in the quarter ended September 2011 compared to C$0.9832 per US$ in the quarter end June 2011.

-PRC Capital Expenditures and Liquidity

As at September 30, 2011, PRC working capital amounted to $90.5 million including cash of $48.2 million. Approved authorities for expenditure on capital projects outstanding on closing the PRC Disposition exceeded $100 million.

NEMI Northern Energy & Mining Corporate Operations

Selected Annual Audited Financial Information

	2011	2010	2009
	$	$	$
Balance Sheet			
Net current assets	**75,246,616**	7,028,151	19,122,944
Non-current assets	**16,098**	54,945,367	46,142,747
	75,262,714	61,973,518	65,265,691
Non-current Debt	**(10,152,133)**	(11,010,341)	(10,292,424)
Net Equity	**65,110,581**	50,963,177	54,973,267
Statement of Income (Loss) and Comprehensive income (Loss)			
Revenues	**-**	-	-
Share of income (loss) From Peace River LP	**4,247,000**	(37,000)	285,000
Gains on sale of assets	**11,814,074**	-	-
Mark-to-market adjustments on asset carrying values	**-**	20,272	267,001
All other operating expenses	**(2,517,261)**	(2,970,970)	(4,752,892)
Net Income (loss) and Comprehensive income (loss)	**13,543,813**	(2,987,698)	(4,200,891)
Income (loss) per share	**0.25**	(0.05)	(0.07)
Cash flows from (used in)			
Operating activities	**(1,920,654)**	(684,549)	(3,810,515)
Financing activities	**(1,058,494)**	(1,180,391)	(370,328)
Investing activities	**71,713,649**	(8,845,722)	11,480,919
Net Increase (decrease) in cash	**68,734,501**	(10,710,662)	7,300,076

In the period since 2009, changes in non-current assets generally reflect cash requirements to fund the PRC investment culminating in the PRC disposition in September 2011 when non-current assets declined to $16,098 and the Company recorded an $11,817,074 gain on the PRC Disposition on recorded net cash proceeds of $71,713,649. The share of Income (loss) from the Peace River Coal LP has generally improved since 2009 with the completion of capital improvements to the operations and particularly in the six months ended when coal prices approached historic highs. Since 2009, the decline in all other operating costs is consistent with the changes in management structure following the appointment of the current executive management team and directors in March of 2009.

NEMI Corporate Operations

Since the formation of PRC in November 2006 when the Company acquired its PRC limited partnership interest and ceased operations as an active coal exploration company, NEMI's operations have been in transition to the point where operations consisted of managing the investment in PRC and administrative

management of the corporate entity. As such management has largely focused on ensuring that the Company had sufficient resources to meet PRC cash calls, addressing legacy issues carried over from operations prior to April 2009, and corporate administration. Over that time management has sought to minimize corporate operating expenses and protect Company assets as it sought to conserve financial resources and increase shareholder value.

As such, the Company has maintained a small corporate office in Vancouver. The management complement consists of a full-time CEO, a part-time office assistant along with a contracted CFO who is retained on a per diem basis. In addition, accounting services are provided by an outside accounting service with whom the CFO is associated. The corporate operating cost structure is comparatively simple and consists principally of remuneration and benefits paid to the management complement, professional fees that cover legal and audit costs, expenditures required to sustain the Company's status as reporting publicly listed entity, office expenses and fees paid to outside directors that include their out-of-pocket expenses.

In the quarter ended September 30, compared to the previous three quarters, operating expenses were generally higher as the Company incurred additional expenses pertaining to the PRC Disposition and the board approved a $150,000 bonus payable to the CEO. In the quarter ending December 2011, operating expenses can be expected to remain at higher levels as the Company completes the SIB Offer for which the Company has estimated costs to completion on the order of $340,000.

The following discussion of the results of corporate operations for the three and twelve-month periods ended September 30, 2011 are presented below in this context. The PRC operations are discussed elsewhere in this MD&A.

Results of Corporate Operations - Three Months Ended September 30, 2011

For the three-month period ended September 30, 2011, corporate operating expenses including the CEO bonus totaled $390,764 (2010 - $537,510). Aside from the $150,000 bonus, current year remuneration and benefits declined from $178,416 to $59,816. Remuneration and benefits in the current year are generally lower following a management team restructuring that occurred at the end of December 2010 and the elimination of legacy issues pertaining to employee termination settlements. The current expense is consistent with previous disclosure that going forward, under the current cost structure, excluding bonuses, management expects that remuneration and benefits expense will be in the order of $50,000 per quarter. In the quarter ended September 30, 2011, professional fees consisting of legal and income tax advice pertaining to the PRC Disposition as well as recurring audit fees amounted to $96,936 compared to $196,304 in the prior year. Prior year expenses included legal costs pertaining to legacy employee settlements as well as cost incurred in connection with the claim against Hillsborough. Going forward, after completion of the SIB Offer, management expects that legal expense will generally trend downwards, although legal expenses can be expected to fluctuate depending on prevailing business issues.

In the current period the Company recognized Stock based compensation of $49,000 (2010 - $116,000) on options that vested during the period. As at October 1, 2011, all of the outstanding options have vested.

In addition to the administrative expenses as discussed above, the only other significant operating expense that the Company can be expected to incur on a recurring basis is interest expense on the convertible debentures that includes amortization of deferred placement charges and accretion of the equity portion of the loan which until the quarter ended December 2010 remained in the $410,000 range. In the current quarter, this expense declined to $363,844 as a result of the debt reduction that arose on the conversion of $1,451,000 worth of debentures during the quarter ended March 31, 2011. Going forward, given the current level of debt, quarterly interest charges including amortization of deferred placement charges and accretion of the equity portion of the loan can be expected to remain at approximately $364,000.

Results of Corporate Operations - Twelve Months Ended September 30, 2011

For the twelve-month period ended September 30, 2011, corporate operating expenses totaled $1,010,150 (2010 - $1,349,634). In the current year, including a bonus of $150,000 that was recorded in each of the last two years, remuneration and benefits declined $133,317 from $526,975 to $393,658. This decline is consistent with the discussion as presented for the quarter ended September, 2011. In the twelve months ended September 30, 2011, professional fees consisting of legal and audit expenses amounted to $258,518 compared to $413,171 in the prior year. The decline in professional fees for the year ended September 2011 compared with 2011 is consistent with the discussion as outlined for the quarter ended September 2011. The decline in office expense from $139,298 in the twelve months ended 2010 to $113,798 for 2011 is consistent with management's effort to hold administrative costs down.

Subject to the response from convertible debenture holders to the SIB Offer, in addition to the administrative expenses as discussed above, the only other major operating expense that the Company can be expected to incur on a recurring basis is interest expense on the convertible debentures that includes amortization of deferred placement charges and accretion of the equity portion of the loan which for the twelve-month periods in the prior two years has remained in the order of $1,675,000. In the current year, this expense declined to $1,538,899 as a result of the debt reduction that arose on the conversion of $1,451,000 worth of debentures during the quarter ended March 31, 2011. Going forward, given the current level of debt, annual interest charges including amortization of deferred placement charges and accretion of the equity portion of the loan can be expected to decline to approximately $1,500,000 million compared to the $1,539,899 million recorded for the year ended September 2001. With the conversion of $1,451,000 worth of debentures, the cash requirement to meet the bi-annual interest payment will decline by approximately $58,000.

Summary of NEMI's Quarterly Results (unaudited)

	September 2011	June 2011	March 2011	December 2010	September 2010	June 2010	March 2010	December 2009
	$	$	$	$	$	$	$	$
Total revenues	**nil**	nil	nil	nil	nil	nil	nil	nil
Net income) (loss)	**15,319,496**	1,234,827	(1,603,634)	(1,406,876)	(1,084,529)	(744,458)	(970,526)	(188,185)
Share of (loss) income of Peace River Coal LP	**4,260,000**	1,819,000	(1,005,000)	(827,000)	(138,000)	132,000	(367,000)	336,000
Income (loss) per share (basic)	**0.28**	0.02	(0.03)	(0.03)	(0.02)	(0.01)	(0.02)	(0.00)
Investment in Peace River Coal LP [1]	**nil**	56,800,345	54,981,345	55,986,345	54,924,825	55,819,3360	50,719,795	49,632,982
Total assets	**76,113,961**	60,204,221	58,936,420	60,454,643	62,965,415	63,612,356	64,307,012	64,893,475

1. In the quarter ended, September 2011, the balance in Investment in Peace River Coal LP reflects the PRC Disposition which occurred on September 28, 2011.

Financing Activities

- Options exercised

In the year ended September 30, 2011, financing activities that involved the receipt or payment of a cash consideration amounted to $43,667 received on the exercise of options on 83,334 shares at a weighted average price of $0.52 each.

- 8% debentures converted

In the period April 1, 2008 until December 31, 2010 the Company had convertible debentures outstanding of $11,900,000 million. During the quarter ended March 31, 2011, the balance of unconverted debentures outstanding declined to $10,449,000 following conversion of $1,451,000 worth of debentures in consideration for 1,612,221 common shares at the conversion price of $0.90 per share. 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 since June 30th, 2008. The debentures mature on March 12, 2013 and are convertible at the holder's option into common shares of the Company at any time up until maturity at a conversion price of $0.90 per share. Under certain circumstances, the Company may redeem the convertible debentures by issuing shares, in which case, the number of Class A common shares issuable on a conversion of the convertible debentures will depend on the weighted average trading price of the Company's shares on the Toronto stock Exchange for the 20 day trading period prior to the date fixed for redemption or at maturity.

Under the provisions of the SIB Offer, the Company has offered to purchase all of the $10,449,000 convertible debentures outstanding as at December 7, 2011 at a price of $117.78 per $100 in principal outstanding for an aggregate maximum consideration of $12,306,832 plus any unpaid interest accrued estimated in the order of $412,500 on the date the offer expires, December 28, 2011.

- Normal Course Issuer Bids

In each of the last three years, the Company filed a notice with regulatory authorities to conduct a normal course issuer bid ("NCIB") pursuant to the rules of the TSX under each of which the Company was authorized to purchase up to 5% of the common shares outstanding on the date such notice was filed over the 12-month period following each date of filing. Accordingly, in the period since September 30, 2009, the Company has purchased and cancelled or retained in treasury Class A Common Shares as follows:

Date granted	Number of shares authorized	Number of shares purchased	Total cost	Purchase price range (per share)
			$	
April 2009	2,893,487	1,906,097	770,317	$0.37 - $0.41
May 2010	2,748,813	1,746,178	1,395,806	$0.58 - $0.95
May 2011	2,747,082	133,500	122,988	$0.58 - $0.95
		3,785,775	**2,289,111**	

With respect to the NCIB's referenced above, during the year ended September 2011, the Company cancelled and returned a total of 1,208,700 Class A Common Shares (2010 - 2,577,075 shares) to treasury. Total cost of the shares for 2011 was $1,102,161 (2010 - $1,186,952) which was charged against share capital in 2011 as to $1,153,655 (2010 - $2,372,567) with the difference for 2011 attributed to contributed surplus in the amount of $51,494 (2010 - $1,185,615).

In the period following September 30, 2011 until the announcement of the SIB Offer on October 21, 2011 when the provisions of the May 2011 NCIB were suspended, the Company purchased an additional 240,000 shares for a total cost of $228,900 for an average price of $0.95 per share under the provisions of the May 2011 NCIB.

All purchases made pursuant to the NCIBs were made in accordance with the rules of the TSX at the market price of the common shares at the time of the acquisition. NEMI made no purchases of common shares other than open market purchases.

- Substantial Issuer Bid

On November 18 , 2011, the Company filed an issuer bid circular under which it offered to purchase for cancellation up to 38,000,000 shares from holders of Class A Common Shares at a price of $1.06 each for an aggregate consideration of $40,280,000, and all of the convertible debentures from holders of the 8% convertible debentures having a principal amount of $10,449,000 at a price of $117.78 per $100 of principal amount for an aggregate consideration of $12,306,832 plus accrued interest to the date of closing estimated to be in the order of $412,500 (the "SIB Offer"). The expiry date for the SIB Offer is December 28, 2011, but can be extended under certain circumstances. The NCIB will be suspended until the completion of the SIB Offer.

If the SIB Offer is fully subscribed, the total estimated cash requirement to close will be in the order of $53 million plus estimated total costs to complete the SIB Offer in the order of $340,000.

Capital Expenditures and Investments

For the three months ended September 30, 2011, the Company neither paid nor received any cash in connection with PRC operations compared to net cash received from PRC amounting to $756,511 net of $2,753,584 paid to PRC in the quarter ended September 2010. For the year ended September 30, 2011, net cash advanced to PRC totaled $1,888,520 with no cash receipts from PRC. For the year ended September 30, 2010 net cash advanced to PRC amounted to $8,845,722 net of $12,983,814 received from PRC. In September 2010, as permitted under the Limited Partnership Agreement, PRC adopted a set-off approach with regard to cash calls and cash distributions. Accordingly the Company received no capital distributions in the period since that time.

During the quarter ended September 2011, investing activities included the sale of the investment in Hillsborough for consideration of $680,250 being the carrying value of the investment which had been subject to mark-to-market adjustments since the original acquisition at a cost of $392,842. Accordingly, as the difference between the original acquisition cost and the market value had already been recognized and included in income for prior periods, the Company did not record any loss or gain following receipt of cash proceeds totaling $680,250 on the Hillsborough disposition during the quarter ended September 2011.

During the quarter ended to September 2011 the Company realized a gain of $11,814,074 on the PRC Disposition. Gross proceeds on disposal amounted to $73 million against which the Company recognized disposition costs of $125,581 to result in net proceeds on disposal of $72,874,419.

As a result of the investing activities, completed during the quarter ended September 2011, cash on hand totaled $75,997,850. Following a review of the Company's cash position and the alternatives at hand, after careful consideration and consulting with third-party advisers, the Directors decided that it would be in the best interests of shareholders and the Company to initiate the SIB Offer which was announced on October 21, 2011 and filed on November 18, 2011 following completion of a share valuation opinion by independent advisors to the board (the "Valuation Opinion") which informed the terms of the SIB Offer. The Board of Directors determined that the range in fair market value of the Common Shares in the Valuation Opinion related primarily to a potential tax liability arising in connection with the PRC Disposition, and the Board did not believe it would be appropriate to expose the remaining shareholders of the Company to 100% of this potential tax liability following the SIB Offer. As such, the Board unanimously agreed that an offer price of $1.06 per Common Share provided a sufficient tax reserve for any such liability. In deciding the number of Common Shares to be purchased under the Offer, the Board of Directors also considered a further issue concerning whether, upon completion of the Offer, the Board of Directors could, for Canadian tax purposes, be regarded as a group which owns or controls Common Shares representing more than 50% of the total number of Common Shares then issued and outstanding. If the income tax authorities were to take the view that an acquisition of control occurred, NEMI's ability to utilize any existing tax-loss carry forward balances may be limited. Following further discussions of the benefits and possible terms of an issuer bid, including various other business factors and with the advice

of its financial and legal advisors, the Board of Directors unanimously determined the size and terms of the offer.

Investment in Hillsborough

During the year ended September 30, 2009 the Company acquired 1,360,500 common shares of Hillsborough for a purchase price of $392,842 for an average cost of $0.29 per share. The shares were purchased for investment purposes.

On December 21, 2009, Hillsborough completed a statutory arrangement (the "Arrangement") whereby Vitol Anker International B.V. ("Vitol") acquired all the shares of Hillsborough not owned by Vitol at a price of $0.50 per share. As permitted by the terms of the Arrangement, NEMI filed a notice of dissent with respect to the price it would receive for its Hillsborough shares.

As part of the terms of the Hillsborough Disposition agreement and the PRC Disposition Agreement, the dissent was dropped. During the quarter ended September 2011, that Company sold all of its shares in Hillsborough for a cash consideration of $680,250.

Hillsborough Claim

NEMI issued a letter to Hillsborough setting out NEMI's claim for compensation in respect of Hillsborough's failure to provide proper notice of an indirect transfer resulting from the Arrangement as required under the provisions of the PRC limited partnership agreement. The PRC limited partnership agreement provides for disputes to be resolved by arbitration in British Columbia. As announced by NEMI on June 18, 2010, NEMI commenced arbitration proceedings for its claim for monetary compensation in respect of the acquisition of Hillsborough by Vitol. NEMI's claim against Hillsborough was solely for damages and did not encumber the transfer of the partnership assets or interests. In the interests of the sale process, NEMI had agreed to defer the arbitration until after the sale of PRC. Until completion of the PRC Disposition, the arbitration claim against Hillsborough remained in suspension. As part of the terms of the Hillsborough Disposition agreement and the PRC Disposition Agreement, the claim against Hillsborough was dropped.

Liquidity and Capital Resources

As at September 30, 2011, the Company had working capital of $75,246,616. As outlined under the terms of the SIB Offer filed on November 18, 2011, as described elsewhere herein, the Company expects that it will require up to approximately $53 million to complete the SIB Offer if it is fully subscribed.

Contractual Obligations

The Company's annual estimated operating commitments over the next two years ending September 2013 consist of obligations pursuant to Company's office lease including annual rent and estimated operating expense that total approximately $116,000 of which $58,000 is due in each of the years ending September 30, 2012 and 2013 respectively.

Transactions with Related Parties

For the three and twelve-month periods ended September 30, 2011, remuneration and benefits included fees the Company paid for CFO and non-audit accounting services totaling $23,004 (2010 - $19,500) and for the twelve months ended September 2011 - $61,724 (2010 - $78,000) paid to companies owned by the former CFO or in which the current CFO has significant influence.

These transactions were measured by the exchange amount, which is agreed upon by the transacting parties. As at September 30, 2011, accounts payable and accrued liabilities include $29,952 due to related parties (September 30, 2010 - $nil). Amounts due on these accounts, if any, are unsecured, non-interest bearing, and have no fixed terms of repayment.

Critical Accounting Estimates

In the preparation of the Company's consolidated financial statements in accordance with CGAAP and Company Accounting Policies, management has relied on the use of estimates and assumptions that have a significant impact in certain values presented in the consolidated financial statements. The Company's accounting policies are described in note 2 to the audited consolidated financial statements for the year ended September 30, 2011. The accounting estimates considered to be significant to the Company include the review of the carrying value of the Company's investment in PRC, the determination of interest accretion and placement expenses on convertible debt and the computation of stock-based compensation expense. Until completion of the PRC Disposition in September 2011, Management reviewed the carrying value attributed to its investment in PRC on at least an annual basis. No write-down was taken during the period prior to completion of the PRC Disposition.

Similarly with respect to the determination of PRC income, expense, assets and liabilities, PRC management relied on the use of estimates and assumptions in the determination of accounts receivable inventory, sales, cost of sales, depletion and amortization expense, provisions for asset retirement obligations and related accretion expenses in addition to the calculation and determination of resources and reserves upon which PRC relies for purposes of calculating depletion expense and future development plans and related capital expenditure decisions.

Off-Balance Sheet Arrangements

Neither the Company nor PRC have entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Financial instruments and capital disclosures

The Company's financial instruments consist of cash, investment in Hillsborough, amounts receivable, investments, accounts payable, accrued liabilities and convertible debentures. For cash, current receivables, accounts payable, and accrued liabilities, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. The fair value of other financial assets represents the market value of quoted investments. The fair value of the convertible debentures represents the estimated fair value of the liability component with the residual allocated to the equity component.

Cash and investment in Hillsborough are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded on the statement of operations.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

- ***Credit risk***

Credit risk is the risk that a counterparty to a financial instrument will not discharge its obligations, resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to credit risk. Company management evaluates credit risk on an ongoing basis, including evaluation of counterparty credit rating, monitoring activities related to trade and other receivables and counterparty concentrations measured by amount and percentage.

The primary sources of credit risk for the Company arise from the following financial assets: (1) cash and cash equivalents held with major Canadian financial institutions or the Government of Canada in the form of 30-day treasury bills; (2) marketable securities; and (3) amounts receivable. The Company has not had any credit losses in the past, nor does it expect to have any credit losses in the future. At September 30, 2011, the Company has no financial assets that are past due or impaired due to credit risk defaults.

The Company's maximum exposure to credit risk at the reporting date is as follows:

	September 30 2011	September 30 2010
	$	$
Cash	**75,997,850**	7,263,349
Investment in Hillsborough	**-**	680,250
Accounts receivable	**5,504**	5,105
	76,003,354	7,948,704

- Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities are comprised of accounts and interest payable and accrued liabilities. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and the Company's current cash flow position to meet its obligations. The Company manages its liquidity risk by maintaining sufficient cash and cash equivalents and short-term investment balances to meet its anticipated operational needs.

The Company's financial liabilities, consisting of accounts and interest payable and accrued liabilities, arose as a result of corporate expenses and interest on the convertible debentures. Payment terms on these liabilities are typically 30 to 60 days from receipt of invoice and do not generally bear interest. Interest on the convertible debentures is paid semi-annually on June 30 and December 31.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities as at September 30:

	2011	2010
	$	$
Accounts payable and accrued liabilities	**851,247**	991,897

Typical repayment terms for the Company do not exceed 90 days.

- Market risk

Market risk is the risk that the fair value for assets classified as held-for-trading and available-for-sale or future cash flows for assets or liabilities considered to be held-to maturity, other financial liabilities, and loans or receivables of a financial instrument will fluctuate because of changes in market conditions. The Company evaluates market risk on an ongoing basis. The Company's exposure to interest rate risk is limited as its convertible debentures carry a fixed rate of interest and the Company has sufficient funds available for the interest payments.

- *Capital disclosure*

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 current asset to current liability ratios.

The components of capital and key ratios as of September 30, were as follows:

	2011		2010	
	$	**ratio**	$	ratio
Debt to equity				
Long-term debt	**10,152,133**		11,010,341	
Shareholders' equity	**65,110,581**	**0.2:1**	50,963,177	0.2:1
Current asset to current liabilities				
Current assets	**76,097,863**		8,020,048	
Current liabilities	**851,247**	**89.4:1**	991,897	8.1:1

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 objectives from the previous period.

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators. The Company expects its first consolidated financial statements to be presented in accordance with IFRS will be those for the three-month period ending December 31, 2011, which includes presentation of its comparative results for fiscal 2011 under IFRS. In order to prepare for the changeover to IFRS, the Company has developed an IFRS conversion plan comprised of three phases:

PHASE	DESCRIPTION AND STATUS
PRELIMINARY PLANNING AND SCOPING	This phase involved development of the IFRS conversion plan and has been completed. The IFRS conversion plan includes consideration of the impacts of IFRS on the Company's consolidated financial statements, internal control over financial reporting, information systems and business activities such as compensation metrics, and personnel and training requirements. Based on Management's review of IFRS and current Company processes, minimal impact is expected on information systems and compensation metrics. The IFRS conversion plan includes a high level impact assessment of IFRS effective in 2010, as relevant to the Company. This initial assessment identified stock-based compensation, convertible debentures and the investment in Peace River Coal LP as potential matters high or medium priority to the Company, based on a number of factors. The International Accounting Standards Board has activities currently underway which may, or will, change the standards effective upon the Company's adoption of IFRS, and therefore may impact this initial high level assessment. The Company will assess any such change as a component of its Detailed Impact Assessment phase and update its IFRS conversion plan as appropriate. No significant changes were made to the IFRS conversion plan to date in 2011.
DETAILED IMPACT ASSESSMENT	This phase involves detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that will result in accounting and/or disclosure differences in the Company's consolidated financial statements, along with quantification of impact on key line items and disclosures. The phase requires conclusive identification, evaluation and selection of accounting policies necessary for the Company's

	conversion to IFRS and evaluation of the impact on outstanding operational elements. The Company will work with the auditors to complete this assessment over the three months ending December 2011.
IMPLEMENTATION	This phase will embed the required changes for conversion to IFRS into the underlying financial close and reporting process and business processes. This will include finalization and approval of accounting policy changes, collection of financial information necessary to prepare IFRS compliant consolidated financial statements, implementation of additional internal controls, and preparation and approval of completed IFRS consolidated financial statements. The IFRS changeover is expected to impact the presentation and/or valuations of balances and transactions in the Company's quarterly and annual consolidated financial statements and related notes effective October 1, 2010. This requirement contemplates that prior year comparative information provided in the 2012 interim financial statements will be presented on an IFRS basis. The Company will be preparing a preliminary balance sheet as at October 1, 2010 using IFRS accounting policies which will be submitted to the auditors for preliminary comment. At the present time, the Company has not identified any significant adjustments to the balance sheet on conversion to IFRS from Canadian GAAP. In completing this work, the Company has evaluated significant areas of potential impact including, stock-based compensation, convertible debt and the Investment in Peace River Coal LP. By the end of December 2012, the Company expects to have comparative draft 2011 financial information for presentation in the 2012 first and second quarter unaudited interim financial statements that are compliant with IFRS. Thereafter the Company will draft IFRS compliant note disclosures to accompany those financial statements that will serve as a basis for preparing IRFS compliant unaudited interim financial statements for the quarter ending December 2011 that must be filed by not later than 75 days after December 31, 2011. The Company's management and audit committee have sufficient training and experience to assess the IFRS conversion impacts discussed above and have reviewed the IFRS accounting policy selection documentation.

Outstanding Share Data

As at December 7, 2011, the Company's authorized, issued, fully paid and voting shares were as follows:

Authorized Capital:

An unlimited number of Class A voting Common Shares
An unlimited number of Preferred Shares issuable in one or more series with rights and quantity subject to the discretion of the directors - none issued

	Number of Shares
Issued Fully-paid and Outstanding	
Class A Common shares	54,568,135
Options Outstanding	
Common class A shares, having a weighted average exercise price of $0.70 each	834,000
Convertible Debentures [1]	
Maximum number of Class A common shares issuable on conversion of $10,449,000 in convertible debentures, if converted at the holder's option at the rate of $0.90 per share	11,610,000

[1] Under certain circumstances, the Company may redeem the convertible debentures by issuing shares, in which case, the number of Class A common shares issuable on a conversion of the convertible debentures will depend on the weighted average trading price of the Company's shares on the Toronto stock Exchange for the 20 day trading period prior to the date fixed for redemption or at maturity.

Risks and Uncertainties

Investment in the common shares of the Company involves a high degree of risk, and investors should not invest unless they can afford to lose their entire investment. In addition to the other information contained in this MD&A, investors should consider carefully the following risk factors with regard to an investment in the common shares of the Company:

- no on-going active business operations

Currently the Company has minimal assets other than cash and is unlikely to generate any earnings or pay dividends until at least after a new business interest is secured. Further, no assurance can be provided that such new business interests can be secured or that any business interest that may be secured can be operated profitably or that the Company's activities will generate positive cash flow, or that any future dividends could or would ever be paid.

- adverse income tax assessments

In the process of recognizing the income earned on the PRC Disposition the Company has not recognized any resulting income tax liability. Although the Company has relied on the advice of expert advisors in its determination and treatment of the gain on disposal, no assurance can be provided that the Company will not be subject to adverse income tax assessments and/or penalties on assessment and while management believes that it has retained sufficient resources on hand to address such a contingency, no assurance can be provided that the amount so retained will be sufficient.

- stock illiquidity

Following the PRC Disposition, the Company has no active business operations and no assurance can be provided that an active and liquid market for the Company's common shares will be sustained. Investors may find it difficult to resell their shares.

- highly speculative

Until the Company secures a business, the Company shares are highly speculative in its present stage of development.

- dependence on key personnel

The Company is dependent upon its current executive management team. Although the Company has entered into contractual arrangements with the aim of securing the services of these personnel on a longer-term basis, the retention of their services cannot be guaranteed. The loss of any key executive of

the Company may have an adverse effect on the future of the Company's business. The Company competes with numerous other companies for the recruitment and retention of qualified employees and contractors.

- limited resources

The company has only a set amount of money and management resources with which to identify and acquire potential business opportunities and there can be no assurance that the Company will be able to identify a suitable business opportunity. Further, even if such a opportunity is identified, there can be no assurance that the company will be able to successfully complete the transaction and implement a profitable business plan.

While the Company currently has sufficient working capital available to it, the Company's ability to secure or operate any new business opportunity may require additional financing. The Company may not be able to secure financing on terms acceptable to it, if at all. Failure of the Company to secure sufficient financing could result in delays or prohibit the Company from securing a proposed business opportunity or proposed operations and could result in the Company going out of business.

- potential for interest dilution

A transaction for a new business opportunity may be financed in all or in part by the issuance of additional securities by the Company and this may result in further dilution to a shareholder, which dilution may be significant and which may also result in a change of control of the Company.

- ability to secure prerequisite approvals

In the event that a suitable business opportunity is identified, the transaction may be subject to approvals by regulatory authorities and, in the case of a non-arms length transaction, approval by the majority of any minority shareholders.

- shareholder rights

Unless a shareholder has a right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed business opportunity for which a majority of minority shareholders have given approval, will have no rights of dissent and no entitlement to payment by the Company of fair value for the common shares.

- ability to retain a listing on a recognized stock exchange and possibility of trading halts or suspensions

NEMI's Common Shares are currently listed for trading on the TSX. In order to maintain a listing on the TSX, certain qualitative and quantitative requirements must be met. Due to the Company having sold substantially all of its business assets under the PRC Disposition, the TSX has notified NEMI that it will initiate a delisting review. There can be no assurance that the Company will be able to maintain its current listing or will qualify for listing on any alternate stock exchange.

In addition, trading in the common shares of the Company may be halted or suspended at other times for other reasons, including for failure by the Company to submit documents to the applicable regulatory authorities within required time periods.

- foreign operations and management residency

In the event that management of the Company resides outside of Canada or the Company identifies a foreign business opportunity, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce any judgments obtained in Canadian courts against such persons or businesses.

- conflicts of interest

There are potential conflicts of interest to which some or all of the directors, officers, or insiders of the Company could be subject in connection with the operations of the Company. The directors and officers of the Company will not be devoting all of their time to the affairs of the Company. Some of the directors and officers of the Company are directors and officers of other companies. Some of the other companies are engaged in or could be engaged in the search for properties or business prospects that may be suitable business ventures or opportunities that could be of interest to the Company. Accordingly, situations may arise where some or all of the directors, officers or insiders of the Company could be in direct competition with the Company. The directors and officers of the Company are required by law to act in the best interest of the Company. They have the same obligations to other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to other companies, and in certain circumstances, this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflict in legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives. Conflicts will be subject to the procedures and remedies as provided under the British Columbia Business Corporations Act.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

- Disclosure controls and procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material items requiring disclosure by the Company are identified and reported in a timely manner.

Based on current securities legislation in Canada, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company have evaluated the design and effectiveness of the Company's disclosure controls and procedures as of September 30, 2011, and have concluded that such disclosure controls and procedures were operating effectively at that date.

There were no significant changes to the Company's disclosure controls process during the year ended September 30, 2011.

It should be noted that, while the Company's CEO and CFO believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures can prevent all errors or mistakes. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

- Internal controls over financial reporting

Management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with GAAP.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and annual financial statements.

There are inherent limitations in the effectiveness of internal controls over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of internal controls can change with circumstances. The Company has paid particular attention to segregation of duties and matters surrounding its internal controls over financial reporting as the Company has only limited staff resources at the present time such that "ideal" segregation of duties is not feasible. This risk is dealt with by management and any identified

compensating controls such as Board or senior management review are implemented where appropriate. At the present time, the Company does not anticipate hiring additional accounting or administrative staff as this is not considered necessary or practical and accordingly, will continue to rely on review procedures to detect potential misstatements in reporting of material to the public.

The CEO and the CFO have evaluated the design and effectiveness of internal controls over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, as at September 30, 2011, the Company believes that its internal controls over financial reporting were designed and operating effectively to provide reasonable, but not absolute, assurance that the objectives of the control system are met.

The Company's management, including the CEO and CFO, believe that any internal controls over financial reporting, including those systems determined to be effective and no matter how well conceived and operated, have inherent limitations and can provide only reasonable, not absolute, assurance that the objectives of the control system are met with respect to financial statement preparation and presentation. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in internal controls over financial reporting

The Company continues to review and assess its internal controls over financial reporting. There were no significant changes made to internal controls over financial reporting during the year ended September 30, 2011.

Outlook

As at September 30, 2011, with over $75 million in working capital, the Company has sufficient liquidity to meet its estimated maximum payout commitment of approximately $53 million pursuant to the SIB Offer.

Management is considering opportunities to use or invest its remaining working capital on favorable terms.

Other Information

Additional information related to the Company, including its Annual Information Form, is available for viewing on SEDAR at www.sedar.com.