NEMI Northern Energy & Mining Inc.

Unaudited Condensed Consolidated Financial Statements
For the three months ended December 31, 2011

(Expressed in Canadian Dollars)

Notice of no Auditor Review of

Condensed Financial Statements

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

The accompanying unaudited condensed consolidated financial statements of NEMI Northern Energy & Mining Inc. 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.

Condensed Consolidated Statements of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

	December 31 2011	September 30 2011	October 1 2010
		Note 5	Note 5
	$	$	$
ASSETS			
Current			
Cash and cash equivalents	**22,330,408**	75,997,850	7,263,349
Investment in marketable securities - note 6	**447,471**	-	-
Investment in Hillsborough - note 7	**-**	-	680,250
Accounts receivable	**4,517**	5,504	5,105
HST recoverable	**80,350**	53,061	16,855
Prepaid expenses and other	**33,538**	41,448	54,489
	22,896,284	76,097,863	8,020,048
Investment in Peace River Coal LP - note 8	**-**	-	54,924,825
Plant and equipment	**15,140**	16,098	20,542
	22,911,424	76,113,961	62,965,415
LIABILITIES			
Current			
Accounts payable - note 11	**577,999**	851,247	991,897
	577,999	851,247	991,897
Convertible debentures - note 9	**325,683**	10,152,133	11,010,341
	903,682	11,003,380	12,002,238
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital - note 10	**15,648,764**	52,512,813	51,822,705
Reserves	**6,339,227**	10,133,858	9,966,839
Equity portion of convertible debentures - note 9	**50,822**	1,609,195	1,862,731
Deficit	**(31,071)**	854,715	(12,689,098)
	22,007,742	65,110,581	50,963,177
	22,911,424	76,113,961	62,965,415

Basis of presentation - note 2

Commitments - notes 9, 10 and 16

Subsequent events - notes 1 and 17

ON BEHALF OF THE BOARD

[Signed]: "*Michael Cooney*", Director

[Signed]: "*Lyle Stein*", Director

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

NEMI Northern Energy & Mining Inc.

Consolidated Condensed Statements of Loss and Comprehensive Loss
Three months ended December 31,
(Unaudited)
(Expressed in Canadian dollars)

	2011	2010
	$	$
Expenses		
Remuneration and benefits - note 11	**(69,511)**	(52,344)
Professional fees	**(68,787)**	(26,084)
Office	**(43,550)**	(41,581)
Shareholder communication	**(14,318)**	(4,378)
Directors fees	**(22,130)**	(17,435)
Stock based compensation - note 10	**-**	(26,000)
Depreciation	**(958)**	(1,162)
Loss before the undernoted	**(219,254)**	(168,984)
Bank charges	**(3,845)**	(1,839)
Interest, accretion and placement charges on convertible debentures - note 9	**(359,152)**	(420,912)
Premium paid on early debenture retirement - note 9	**(382,807)**	-
Debt retirement transaction costs - note 9	**(45,675)**	-
Interest and other income	**98,277**	11,859
Share of loss income from Peace River Coal LP - note 8	**-**	(827,000)
Holding gains in marketable securities - note 6	**26,670**	-
Net loss and comprehensive loss for the period	**(885,786)**	(1,406,876)
Loss per share - basic	**$ (0.02)**	$ (0.03)
Weighted average number of shares outstanding	**53,362,918**	53,355,285

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

NEMI Northern Energy & Mining Inc.

Condensed Consolidated Statements of Cash Flows
Three months ended December 31,
(Unaudited)
(Expressed in Canadian dollars)

	2011	2010
	$	$
Cash Flows From (Used In):		
Operating Activities		
Net income loss for the period	**(885,786)**	(1,406,876)
Items not affecting cash:		
Depreciation	**958**	1,162
Share of loss of Peace River Coal LP - note 8	**-**	827,000
Holding gains in marketable securities - note 6	**(26,670)**	-
Increase in value of investment in Hillsborough - note 7	**-**	-
Accretion of debenture and deferred financing costs - note 9	**155,108**	180,954
Stock-based compensation - note 10	**-**	26,000
	(756,390)	(371,760)
Net changes in non-cash working capital items		
Accounts receivable	**987**	1,948
HST recoverable	**(27,289)**	(10,599)
Prepaid expenses and other	**7,910**	18,033
Accounts payable and accrued liabilities	**(273,248)**	(331,679)
	(1,048,030)	(694,057)
Financing Activities		
Shares repurchased on NCIB - note 10	**(228,900)**	(979,172)
Shares repurchased on SIB - note 10	**(40,434,360)**	-
Early redemption of convertible debentures on SIB closing - note 9	**(11,535,351)**	-
	(52,198,611)	(979,172)
Investing Activities		
Purchases of marketable securities - note 6	**(421,348)**	-
Proceeds on disposition of marketable securities note 6	**547**	-
Capital investment in Peace River Coal LP - note 8	**-**	(1,888,520)
Capital distribution from Peace River Coal LP - note 8	**-**	-
	(420,801)	(1,888,520)
Decrease in cash and cash equivalents	**(53,667,442)**	(3,561,749)
Cash and equivalents - beginning of period	**75,997,850**	7,263,349
Cash and equivalents - end of period	**22,330,408**	3,701,600
Supplemental Cash Flow Inflow Information:		
Cash interest expense paid	**414,742**	479,912

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

NEMI Northern Energy & Mining Inc.

Condensed Consolidated Statement of Changes in Equity Attributable to Shareholders
Three months ended December 31,
(Unaudited)
(Expressed in Canadian dollars)

	Common Shares	Share capital	Reserves	Equity Portion of Convertible Debentures	Retained earnings (deficit)	Total
	(quantity)	$	$	$	$	$
Balance, October 1, 2010	**54,321,280**	**51,822,705**	**9,966,839**	**1,862,731**	**(12,689,098)**	**50,963,177**
Stock-based payments	-	-	26,000	-	-	26,000
Shares repurchased per NCIB - note 10	(1,075,200)	(1,025,745)	46,573	-	-	(979,172)
Net loss and Comprehensive Loss	-	-	-	-	(1,406,876)	(1,406,876)
Balance, December 31, 2010	**53,246,080**	**50,796,960**	**10,039,412**	**1,862,731**	**(14,095,974)**	**48,603,129**
Balance, September 30, 2011	**54,808,135**	**52,512,813**	**10,133,858**	**1,609,195**	**854,715**	**65,110,581**
Shares repurchased per NCIB - note 10	(240,000)	(229,949)	1,049	-	-	(228,900)
Shares repurchased SIB - note 10	(38,000,000)	(36,634,100)	(3,800,260)	-	-	(40,434,360)
Debenture retirement - note 9	-	-	4,580	(1,558,373)	-	(1,553,793)
Net loss and Comprehensive Loss	-	-	-	-	(885,786)	(885,786)
Balance, December 31, 2011	**16,568,135**	**15,648,764**	**6,339,227**	**50,822**	**(31,071)**	**22,007,742**

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

1. Organization and nature of operations

NEMI Northern Energy & Mining Inc. (the "Company" or "NEMI") was continued under the *Business Corporations Act (British Columbia)* on April 15, 2010. Previously NEMI was incorporated under the *Business Corporations Act of Alberta* and extra-provincially registered under the *Company Act of British Columbia.*

The address and domicile of the Company's registered office and its principal place of business is suite 200,1095 West Pender Street, Vancouver, British Columbia V6E 2M6.

The Company's principal business interest consisted of a 12.184% interest in Peace River Coal Limited Partnership ("PRC") which was sold for net cash consideration of $73,000,000 (the "PRC Disposition") on September 28, 2011. On December 28, 2011, the Company took up and subsequently cancelled 38,000,000 common shares at a cost of $1.06 each and $10,119,000 in principle amount of 8% convertible debentures paying a 17.8% premium plus accrued interest pursuant to the Company's Substantial Issuer Bid commenced November 18, 2011 (the "SIB").

Following the PRC Disposition, the Company had no significant business assets other than cash. Consequently, the Company is unable to meet the continued listing requirements of the Toronto Stock Exchange (the "TSX"). Therefore on February 15, 2012, the Company announced that management had made application to voluntarily delist its shares from the TSX effective March 14, 2012. The Company is seeking a listing on an alternative exchange to provide continued liquidity to shareholders.

2. Basis of presentation and adoption of International Financial Reporting Standards ("IFRS")

Statement of compliance and conversion to International Financial Reporting Standards

These condensed consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective with the Company's reporting for the three months ended December 31, 2011 and the 2010 comparative information presented therewith.

Previously, the Company prepared its consolidated interim financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

These condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 and IFRS 1. Subject to certain transition elections as disclosed in note 5, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as at October 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the company's reported financial position, operational performance cash flows and changes in equity attributable to shareholders, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended September 30, 2011. Comparative figures presented for the prior years disclosed in these condensed financial statements have been restated to give effect to these changes.

The policies applied in these condensed consolidated financial statements are based on IFRS as of March 1, 2012, the date the Board of Directors approved these statements. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending September 30, 2012 could result in restatement of these interim consolidated financial statements, including any transition adjustments not currently recognized on change-over to IFRS.

The condensed consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended September 30, 2011. Throughout

these condensed consolidated financial statements, additional disclosures relating to the year ended September 30, 2011 are provided in accordance with IFRS where material to an understanding of these condensed consolidated financial statements.

Basis of presentation

The Company's condensed consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets which are measured at fair value, as explained in the accounting policies set out in note 3. The comparative figures presented in these condensed consolidated financial statements are in accordance with IFRS and any changes from figures previously reported under Canadian GAAP have been disclosed in note 5.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. Significant accounting policies

Basis of consolidation

These condensed consolidated financial statements include the results or financial information of NEMI Northern Energy & Mining Inc. and its inactive subsidiary, Crossroad Ventures Inc., a company incorporated under the laws of British Columbia. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated.

Investment in Peace River Coal LP

The Company follows the equity method of accounting for its investments over which it exercises significant influence but does not control. The Company accounts for its investment in PRC using the equity method. Under this method, consolidated net earnings or loss include the Company's share of PRC's net earnings or losses. In addition to the losses or earnings so recognized in consolidated net earnings of loss, capital contributions to, or distributions including dividends received from PRC are added to or deducted from the reported carrying value of the investment in PRC.

Office equipment and improvements

Equipment is carried at cost less accumulated depreciation and any recognized impairment loss. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Furniture and fixtures	20%
Computer hardware	30%
Computer software	100%
Office equipment	30%
Office leasehold improvements	20%

Cash and equivalents

Cash and cash equivalents include cash and highly liquid investments held in the form of bankers' acceptances, money market investments and certificates of deposit with investment terms of less than three months at acquisition.

Mining claims and deferred exploration costs

The Company defers all exploration and evaluation expenditures related to its mineral properties until such time as the properties are put into commercial production, impaired, sold or abandoned. Mineral property option proceeds, if received, are credited against the deferred expenditures incurred by the Company on the property or properties being optioned. Under this method, the amounts recorded for mining claims and deferred exploration represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If properties are put into commercial production, the deferred expenditures will be depleted using the unit of production basis. If the properties are impaired, sold or abandoned, the deferred expenditures will be charged to operations in the related period.

Each reporting period the Company reviews deferred expenditures on its properties and recognizes impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property. Management's assessment of a property's recorded value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review. The recovery of costs of mining claims and deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

Exploration expenditures that are not attributable to a specific property are charged to operations as reconnaissance expense. Exploration expenditures incurred prior to the Company acquiring the legal rights to a property are charged to operations as reconnaissance expense.

Although the Company takes steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and regulatory requirements.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings and loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are attributable to a significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

The Company has designated its cash and cash equivalents and its trade receivables as loans and receivables, which are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Marketable securities are classified as FVPTL and changes in the prevail market value are charged to operations at the end of each reporting period. At December 31, 2011, the Company had neither available-for-sale nor held-to maturity financial assets.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivates, are also classified as held-for-trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss).

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in earnings or loss in the period in which they arise. The net gain or loss recognized in income or loss excludes any interest paid on the financial liabilities.

Recognition of financial assets and liabilities

Financial assets are no longer recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership. When a financial asset is no longer recognized, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in earnings or loss.

Financial liabilities are no longer recognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability when it is no longer recognized and the consideration paid and payable is recognized in earnings or loss.

Impairment

At the end of each reporting period the carrying amounts of the Company's non-current assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the earnings or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the lesser of the revised estimate of its recoverable amount or the carrying amount that would have been determined had no impairment loss ever been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in earnings or loss.

Restoration, rehabilitation and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs, commonly referred to as decommissioning costs arises when environmental disturbance is caused by the exploration or asset development including mineral property interests. The liability for estimated restoration, rehabilitation and environmental costs arising from the decommissioning of assets including plant and other site preparation, remediation or stabilization work, are discounted to their net present value and recognized in the liabilities as a restoration provision and capitalized to the carrying amount of the related asset as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors including the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the asset is located or a mine operates.

On recognition of a restoration liability, discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value of the restoration liability. These costs are charged against profit or loss over the economic life of the related asset, through amortization of the asset using the unit-of production method or the basis on which the asset in being amortized. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. The liability so created is discharged over the period that the restoration obligation is fulfilled.

Over the life of the asset, estimated decommissioning costs are subject to review and adjusted for changes in estimates that can arise on changes in applicable legislation or operating assumptions or factors not previously taken into account. Those adjustments are accounted for as a charge to the corresponding capitalized asset value and restoration provision, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for site decommissioning costs. The likelihood of new regulations or changes in the operating assumptions upon which restoration provisions are determined and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligation at this time.

Earnings per share

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted earnings represents the profit for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. As a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted losses per share are anti-dilutive and accordingly, the diluted loss per share are the same as the basic loss per share.

Use of estimates, assumptions and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be

reasonable under the circumstances, but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results will more likely than not differ from these estimates. Estimates and underlying assumptions used in determining asset and liability values are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Critical estimates and assumptions are made in particular with regard to assessment of impairment to the carrying value of any non-current assets and mineral properties, the determination of retirement provisions, the determination of the likelihood that future income tax benefits can be realized, and the assumptions used in calculating the fair value of warrants and share-based payments.

Foreign currencies

The financial statements for the Company and its subsidiary are prepared using their functional currency which is the Canadian dollar. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of loss.

Income tax

Income tax on the earnings or loss for the periods presented comprises current and deferred tax. Income tax is recognized in earnings or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date applicable to the period in which realization or settlement can reasonably be expected.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options or the re-purchase of shares are recognized as a deduction from equity, net of any tax effects.

Share-based payments

The fair value of all stock options granted is recorded as a charge to operations or deferred exploration costs and a credit to contributed surplus under the graded attribution method. The fair value, as adjusted for the expected level of vesting of the options and of stock options which vest immediately is recorded at the date of grant; the fair value, as adjusted for the expected level of vesting of the options and of options which vest in the future is recognized over the vesting period. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to consultants is recognized as share-based payment expense from the date of grant to the reporting date and credited to contributed surplus.

Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes option pricing model.

4. *Accounting standards issued but not yet applied*

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

i) ***IFRS 9, Financial Instruments***, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

ii) ***IFRS 10, Consolidated Financial Statements***, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation—Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

iii) ***IFRS 11, Joint Arrangements***, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

iv) ***IFRS 12, Disclosure of Interests in Other Entities***, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

v) ***IFRS 13, Fair Value Measurement***, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

vi) There have been amendments to existing standards, including ***IAS 27, Separate Financial Statements*** ("IAS27), and ***IAS 28, Investments in Associates and Joint Ventures*** ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

vii) ***IAS 19, Employee Benefits***, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income as they arise, without subsequent recycling to net income. This is consistent with the company's current accounting policy. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period but instead will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short term and other long-term benefits, guidance on the treatment taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures.

viii) ***IAS 1, Presentation of Financial Statements***, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

ix) ***IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine***, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. Stripping activity may create two types of benefit: i) inventory produced and ii) improved access to ore. Stripping costs associated with the former should be accounted for as a current production cost in accordance with IAS 2, Inventories. The latter should be accounted for as an addition to or enhancement of an existing asset.

x) ***IFRS 7, Financial Instruments: Disclosures***, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted.

xi) ***IFRS 1, First-time Adoption of International Financial Reporting Standards***, has been amended for two changes. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to IFRSs'. This eliminates the need for entities adopting IFRS for the first time to restate de-recognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation. The amendment is effective for annual periods beginning on or after July 1, 2011 with earlier application permitted.

xii) ***IAS 12, Income Taxes***, was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale when considering the expected manner of recovery or settlement. SIC 21, Income Taxes - Recovery of Re-valued Non-Depreciable Assets, will no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment is effective for annual periods beginning on or after January 1, 2012 with earlier application permitted.

5. First-time adoption of IFRS

First-time adoption exemptions applied

The Company adopted IFRS on October 1, 2011 with the transition date of October 1, 2010 (the "Transition Date"). Under IFRS 1 "First-time Adoption of International Financial Reporting Standards", the IFRS are applied retrospectively at the Transition Date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit unless certain exemptions are applied. The Company has elected to apply the following exemptions:

- not restate previous business combinations that occurred prior to the Transition Date and the accounting thereof;
- IFRS 1 permits the application of IFRS 2 Share Based Payments only to equity instruments granted after November 7, 2002 that had not vested by the date of transition to IFRS. The Company has applied this exemption and will apply IFRS 2 for equity instruments granted after November 7, 2002 that had not vested by October 1, 2010; and,
- not restate the accounting for any compound financial instruments issued and settled by the Company prior to the Transition Date.

The adoption of IFRS has not resulted in changes to the Company's reported financial position and results of operations for any period previously reported. The Company's adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. There was no impact on the Company's statement of financial position as of the date of transition to IFRS (October 1, 2010) or for the comparative period (September 30, 2011).

6. Investment in marketable securities

Changes in the Company's investment in marketable securities were as follows:

	Three months ended December 31	
	2011	**2010**
	$	**$**
Balance, beginning of period	-	-
Purchases	421,348	-
Proceeds on disposal	(547)	-
Holding gains (losses)	26,670	-
Balance, end of period	**447,471**	-

The adoption of IFRS has not resulted in changes to the Company's reported financial position and results of operations for any period previously reported. The Company's adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. There was no impact on the Company's statement of financial position as of the date of transition to IFRS (October 1, 2010) or for the comparative period (September 30, 2011).

7. Investment in Hillsborough and disposition

During the year ended September 30, 2009 the Company acquired 1,360,500 common shares of Hillsborough Resources Limited ("Hillsborough") for a total cost of $392,842 for an average price of $0.29 per share. On acquisition, NEMI classified the shares as "FVTPL". Accordingly the carrying value was subject to periodic mark to market adjustments including $nil in 2011 ($20,408 in 2010). During the quarter ended December 31, 2009, Hillsborough completed a statutory arrangement whereby Vitol Anker International B.V. ("Vitol") acquired all the shares of Hillsborough at a price of $0.50 per share. As there was no longer a market price for the Hillsborough shares, NEMI held the shares at a value of $0.50 per share, representing Vitol's most recent offer to pay which was received January 11, 2010. On August 26, 2011, as a condition precedent to completing the PRC Disposition, the Company sold its Investment in Hillsborough for a net cash consideration equal to the $680,250 carrying value (the "Hillsborough Disposition").

8. Investment in Peace River Coal LP and PRC disposition

On September 28, 2011, NEMI completed the sale of its investment in the PRC Coal LP for a total cash consideration of $73 million (the "PRC Disposition"). Concurrently NEMI also completed the Hillsborough Disposition that was contingent to closing the PRC Disposition.

Changes to the investment in PRC over the three month periods ended December 31 were as follows:

	Three months ended December 31	One year ended September 30
	2011	2011
	$	$
Balance, beginning of period	**-**	54,924,825
Cash call contributions	**-**	1,888,520
Capital distributions	**-**	-
	-	56,813,345
Share of Income (loss) allocated until PRC disposition, September 28, 2011	**-**	4,247,000
	-	61,060,345
Proceeds on disposition, net of disposal costs - $125,581	**-**	(72,874,419)
Gain on PRC disposition	**-**	11,814,074
Balance, end of period	-	**-**

9. Convertible debentures

The Company has recognized convertible debentures as follows:

	December 31, 2011		September 30, 2011	
	Liability Component	**Equity Component**	Liability Component	Equity Component
	$	**$**	$	$
Debenture	**393,826**	**205,207**	10,260,500	1,763,580
Unamortized deferred financing costs	**(68,143)**	**(154,385)**	(108,367)	(154,385)
	325,683	**50,822**	10,152,133	1,609,195

In conjunction with the SIB offering on December 28, 2011, the Company completed the early retirement of convertible debentures having an allocated value on retirement of $9,981,558 (face value $10,119,000). The cost of retirement was recognized as follows:

Cash payout on retirement:		**Early redemption cost allocation:**	
	$		$
Face value of retired debt	10,119,000	Debt portion	9,981,558
Retirement cost per $100	117.78	Equity portion	1,558,373
Total retirement payout	11,918,158	Discount on equity portion	(4,580)
Add: Transaction cost	45,675	Premium on debt portion	382,807
		Transaction cost	45,675
	11,963,833		**11,963,833**

The above premium paid on the debt portion of the debenture and transactions costs were charged to operating expenses in full on the date the early retirement was completed.

As at December 31, 2011, the unpaid principal balance of the 8% convertible debentures was $330,000 (September 30, 2011 - $10,449,000). The convertible debentures mature on March 12, 2013. Interest is payable semi-annually on June 30 and December 31.

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:

	December 31 2011	September 30 2011
	$	$
Gross debenture proceeds on issue	**12,724,000**	12,724,000
less: equity component	**(2,146,116)**	(2,146,116)
Liability component	**10,577,884**	10,577,884
Accretion of liability component	**1,953,385**	1,838,501
Early retirement at allocated value - (principal value - $10,124,000)	**(9,981,558)**	-
Debentures converted to equity at allocated value - (principal value - $2,275,000)	**(2,155,885)**	(2,155,885)
	393,826	10,260,500

Convertible debenture interest expense was as follows:

	Three months ended December 31	
	2011	2010
	$	$
Interest on debenture @ 8%	**204,044**	239,958
Accretion of convertible debenture	**114,886**	133,654
Amortization of deferred financing charges	**40,222**	47,300
	359,152	420,912

10. Shareholders' equity

a) Authorized share 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

b) Issued, fully-paid and outstanding and SIB closing

The number of Class A common shares voting and outstanding was as follows:

	December 31 2011	September 30 2011
	(common shares)	**(common shares)**
Issued and fully-paid	**54,568,135**	55,492,301
Less: share cancellations pending on registrar's distribution of SIB proceeds	**(38,000,000)**	-
Less: shares repurchased and held in treasury	**-**	(684,166)
Issued, fully paid, outstanding and voting	**16,568,135**	54,808,135

As at the close of business on December 28, 2011, the corporate registrar was in receipt of 38,000,000 common shares tendered in response to the Company's SIB. As of December 31, 2011 in accordance with the provisions of the SIB settlement, the Company had fulfilled all obligations pursuant to and delivered all funds to the corporate registrar due on settlement of the SIB. Following payment of the SIB settlement to shareholders from the registrar on January 4, 2012, 38,000,000 common shares were duly cancelled and the number of common shares, fully paid and outstanding was reduced to 16,658,135 shares.

c) 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. Accordingly, in the period since March 31, 2009, the Company has purchased and cancelled 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	2,893,487	1,148,645	$0.33 - $0.44
May 2010	2,748,813	1,746,178	1,395,806	$0.58 - $0.95
May 2011	2,747,082	373,500	351,888	$0.88 - $0.95
		5,013,165	**2,896,339**	

The NCIB dated May 2011 was suspended upon announcement of the SIB. Subject to regulatory approval and compliance with applicable securities laws, the Company may recommence the NCIB once the Company has secured a listing on an alternative exchange.

d) 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 common shares of the Company to directors,

officers, employees and service providers, with the number of options being limited to 10% of the issued Class A shares at the time of granting of options.

As of October 1, 2011 when 212,500 options vested, all of the outstanding options had vested. Since September 30, 2011 no options have been granted and none have been exercised. As at December 31, 2011, outstanding options were as follows:

Expiry	Number of options outstanding		Weighted average exercise price per share	Average remainng life (years)
May 27, 2014	184,000	$	0.41	2.41
September 30, 2015	225,000	$	0.60	3.75
September 30, 2016	125,000	$	0.60	4.75
September 30, 2016	300,000	$	1.00	4.75
Fully vested and exercisable	**834,000**	**$**	**0.70**	**3.96**

11. Related party transactions

For the three months ended December 30, 2011, remuneration and benefits included fees the Company incurred for CFO and non-audit accounting services totaling $32,964 (2010 - $16,500) respectively. These fees were paid to companies owned by the former CFO or in which the current CFO has significant influence.

These transactions were measured at the exchange amount, which is agreed upon by the transacting parties. As at December 31, 2011, accounts payable and accrued liabilities included $29,322 due to related parties (September 30, 2011 - $25,952). Amounts due on these accounts, if any, are unsecured, non-interest bearing, and have no fixed terms of repayment.

Key management includes the Chief Executive Officer and the Chief Financial Officer. Compensation paid or payable to key management for services provided during the three months ended December 31, 2011 and 2010 was as follows:

	Three months ended December 31	
	2011	2010
	$	$
Management remuneration and benefits	**57,875**	49,500
Share-based payments	**-**	7,200
	57,875	56,700

12. Financial instruments

a) Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, receivables and accounts payable and accrued liabilities. Cash equivalents consist of cash balances on account with banks or brokerage companies, bankers' acceptances, or Government of Canada treasury bills and term deposits, the investment terms of which are less than three months at the time of acquisition. The Company has no asset backed commercial paper. Cash and cash equivalents are measured at fair value. Receivables, marketable securities, and accounts payable and accrued

liabilities are measured at their amortized cost which approximates their fair value due to their short-term nature.

The Company classifies fair values of financial instruments within a three-level hierarchy that prioritizes the inputs to fair value measurement and reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The Company's cash and cash equivalents and marketable securities have been classified as "Level 2" and "Level 1" financial instruments respectively.

b) Currency risk

A portion of the Company's financial assets and liabilities is denominated in foreign currencies giving rise to risks from changes in foreign exchange rates. The Company is exposed to currency exchange rate risks to the extent of its marketable securities investment activities in Canada. The Company's currency risk is presently limited to approximately US$106,332 of financial assets and liabilities denominated in United States dollars. Based on this exposure, as at December 31, 2011, a 1% change in exchange rates would give rise to a change in net loss and comprehensive loss of approximately $1,100. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

As at December 31, 2011, except for marketable securities having a market value of $108,321 (US$106,332) (September 30, 2011 - $nil) all of the Company's financial instruments are held in Canadian dollars. At current levels of foreign investment, management does not believe changes in exchange rates would have a significant effect on the Company's business, financial condition and results of operations.

c) Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its commercial obligations.

The majority of the Company's cash is held through a Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered to be limited. From time-to time, cash equivalents may also consist of guaranteed investment certificates or Government of Canada treasury bills acceptances which have an original maturity of three months or less from the date of purchase and which are readily convertible into a known amount of cash.

d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short term investments included in cash and cash equivalents is limited because these instruments, although available for sale, are generally held to maturity and the interest rate is fixed. The Company manages its cash according to its operational needs and any investment commitments that may arise.

e) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are all current.

13. Management of Capital

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 were as follows:

	December 31, 2011		**September 30, 2011**	
	$	**ratio**	$	ratio
Debt to equity				
Long-term debt	**326,683**		10,152,133	
Shareholders' equity	**22,007,742**	**-**	65,110,581	-
Current asset to current liabilities				
Current assets	**22,896,284**		76,097,863	
Current liabilities	**577,999**	**40 : 1**	851,247	89 : 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.

14. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing financial statements, the Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

a) the determination of estimated accruals and related assets and liabilities;
b) the assumptions used in calculating the fair value of warrants and share based payments;
c) the debt and equity components attributed to the 8% convertible debentures outstanding; and
d) the allocation of the premium paid on the early debenture retirement as to the premium recorded on the debt portion and discount attributed to the equity portion.

15. Contingencies

The Company could be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Company.

16. Commitment

The annual estimated commitment under the Company's office lease including annual rent and estimated operating expense is as follows:

year ending September 30, 2012	$44,000
year ending September 30, 2013	$58,000

17. Subsequent events

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 following the PRC Disposition, the TSX has notified NEMI that it intended to initiate a delisting review. On February 15, 2012, the Company announced that management had made application to voluntarily delist its shares from the TSX effective March 14, 2012. The Company is seeking a listing on an alternative stock exchange in order to maintain continued liquidity for shareholders.