NEMI Northern Energy & Mining Inc.

Condensed Consolidated Financial Statements
Nine months ended June 30, 2012
(Unaudited)

(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 Statement of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

	June 30 2012	September 30 2012
	$	$
ASSETS		
Current		
Cash and cash equivalents	**16,361,720**	75,997,850
Investment in marketable securities - note 5	**2,076,351**	-
Other securities held for trading - note 5	**9,000,000**	-
Accounts receivable	**4,137**	5,504
HST recoverable	**127,111**	53,061
Prepaid expenses and other	**47,288**	41,448
	27,616,607	76,097,863
Plant and equipment	**11,992**	16,098
	27,628,599	76,113,961
LIABILITIES		
Current		
Accounts payable - note 9	**263,602**	851,247
Convertible debentures due within one year - note 7	**340,691**	-
	604,293	851,247
Convertible debentures - note 7	**-**	10,152,133
	604,293	11,003,380
SHAREHOLDERS' EQUITY		
Share capital - note 8	**15,720,949**	52,512,813
Contributed surplus	**6,408,382**	10,133,858
Equity portion of convertible debentures - note 6	**50,822**	1,609,195
Retained earnings	**4,844,153**	854,715
	27,024,306	65,110,581
	27,628,599	76,113,961

Basis of presentation - note 2
Commitments - notes 7, 8 and 10
Subsequent event - note 11

ON BEHALF OF THE BOARD

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

[Signed]: "*Alex Shaw*", Director

These financial statements were approved by the Board of Directors on August 23, 2012.

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

NEMI Northern Energy & Mining Inc.

Consolidated Condensed Statement of Income (Loss) and Comprehensive Income (Loss)
Periods ended June 30,
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Expenses				
Remuneration and benefits - note 9	**(61,996)**	(47,912)	**(185,913)**	(183,841)
Professional fees	**(87,203)**	(52,818)	**(210,697)**	(161,583)
Office	**(41,673)**	(40,858)	**(94,150)**	(106,940)
Shareholder communication	**(9,179)**	(5,439)	**(28,469)**	(14,112)
Directors fees	**(21,940)**	(24,401)	**(60,072)**	(56,423)
Stock-based compensation - note 8	**(97,400)**	(57,000)	**(97,400)**	(93,000)
Depreciation	**(1,369)**	(1,162)	**(4,106)**	(3,487)
Loss before the undernoted	**(320,760)**	(229,590)	**(680,807)**	(619,386)
Interest on current debt and bank charges	**(12,090)**	(271)	**(19,785)**	(4,623)
Interest, accretion and placement charges on convertible debentures - note 7	**(11,567)**	(363,843)	**(380,743)**	(1,168,035)
Premium paid on debenture retirement	**-**	-	**(382,807)**	-
Debt retirement transaction costs	**-**	-	**(45,675)**	-
Interest and other income	**57,335**	9,532	**290,621**	29,362
Share of (loss) from Peace River Coal LP - note 6	**-**	1,819,000	**-**	(13,000)
Gains on marketable securities and other securities held for trading - note 5	**5,109,586**	-	**5,208,634**	-
Net income (loss) and comprehensive income (loss) for the period	**4,822,504**	1,234,828	**3,989,438**	(1,775,682)
Earnings (loss) per share - basic	**$ 0.29**	$ 0.02	**$ 0.14**	$ (0.03)
Weighted average number of shares outstanding	**16,635,520**	54,196,079	**29,173,580**	54,047,634
Earnings per share - diluted	**$ 0.28**	**$ 0.02**	**$ 0.13**	**$ -**
Diluted number of shares outstanding	**17,212,737**	**55,215,616**	**29,696,459**	**-**

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

NEMI Northern Energy & Mining Inc.

Condensed Consolidated Statements of Cash Flows
Nine months ended June 30,
(Unaudited)
(Expressed in Canadian dollars)

	2012	2011
	$	$
Cash Flows From (Used In):		
Operating Activities		
Net income (loss) for the period	3,989,437	(1,775,682)
Items not affecting cash:		
Depreciation	4,106	3,487
Share of (income) loss of Peace River Coal LP - note 6	-	13,000
Holding gains (losses) in marketable securities - note 5	(5,208,634)	-
Accretion of debenture and deferred financing costs - note 7	160,111	501,710
Stock-based compensation - note 8	97,400	93,000
	(957,580)	(1,164,485)
Net changes in non-cash working capital items		
Accounts receivable	1,367	2,535
HST recoverable	(74,050)	(3,185)
Prepaid expenses and other	(5,840)	4,912
Accounts payable and accrued liabilities	(587,644)	(644,716)
	(1,623,746)	(1,804,939)
Financing Activities		
Proceeds received on exercise of stock options - note 8	43,939	43,667
Paid on shares repurchased - Normal Course Issuer Bid - note 8	(228,900)	(979,172)
Paid on shares repurchased - Substantial Issuer Bid - note 8	(40,434,360)	-
Paid on Convertible debentures repurchased - Substantial Issuer Bid - note 7	(11,525,346)	-
	(52,144,666)	(935,505)
Investing Activities		
Purchases of marketable securities - note 5	(2,565,611)	-
Purchase of other securities held for trading - note 5	(3,750,000)	-
Proceeds on disposition of marketable securities - note 5	447,894	-
Capital investment in Peace River Coal LP - note 6	-	(1,888,520)
	(5,867,717)	(1,888,520)
(Decrease) in cash	(59,636,130)	(4,628,964)
Cash and equivalents - beginning of period	75,997,850	7,263,349
Cash and equivalents - end of period	16,361,720	2,634,385
Supplemental Cash Flow Inflow Information:		
Cash interest expense paid convertible debentures - note 7	427,870	906,279

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
Nine months ended June 30
(Unaudited)
(Expressed in Canadian dollars)

	Common shares	Share capital	Contributed surplus	Equity portion of convertible debentures	Retained earnings (deficit)	Total
	(Quantity)	$	$	$	$	$
Balance, September 30, 2010	54,321,280	51,822,705	9,966,839	1,862,731	(12,689,098)	50,963,177
Shares issued in consideration for:						
Cash on options exercised	83,334	70,142	(26,475)	-	-	43,667
Conversion of debentures	1,612,221	1,773,621	-	(253,536)	-	1,520,085
Stock-based compensation	-	-	93,000	-	-	93,000
Shares repurchased per Normal Course Issuer Bids	(1,075,200)	(1,025,745)	46,573	-	-	(979,172)
Net loss and Comprehensive Loss	-	-	-	-	(1,775,682)	(1,775,682)
Balance, June 30, 2011	54,941,635	52,640,723	10,079,937	1,609,195	(14,464,780)	49,865,075
Balance, September 30, 2011	54,808,135	52,512,813	10,133,858	1,609,195	854,715	65,110,581
Shares issued in consideration for:						
Options exercised	84,000	72,185	(28,246)	-	-	43,939
Stock-based compensation	-	-	97,400	-	-	97,400
Shares repurchased per:						
Normal Course Issuer Bid	(240,000)	(229,949)	1,049	-	-	(228,900)
Substantial Issuer Bid	(38,000,000)	(36,634,100)	(3,800,259)	-	-	(40,434,359)
Debenture retirement	-	-	4,580	(1,558,373)	-	(1,553,793)
Net loss and Comprehensive Loss	-	-	-	-	3,989,438	3,989,438
Balance, June 30, 2012	**16,652,135**	**15,720,949**	**6,408,382**	**50,822**	**4,844,153**	**27,024,306**

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”) is a specialized merchant bank whose principal activity is the development of its asset and equity portfolio. Although NEMI retains the flexibility to make any investments which management determines are in its best interests, NEMI's primary target investments are shares of small-cap and micro-cap public companies which NEMI's management believes are undervalued.

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.

Prior to 2012, the Company’s principal business interest consisted of a 12% interest in Peace River Coal Limited Partnership ("PRC") which was sold for net cash consideration of $73 million (the "PRC Disposition") on September 28, 2011. On December 28, 2011, the Company took up and subsequently cancelled 38 million common shares at a cost of $1.06 each and $10.1 million in principal amount of 8% convertible debentures paying an 18% premium plus accrued interest pursuant to the terms of the Company's substantial issuer bid dated November 18, 2011 (the "SIB").

The Company's common shares are listed for trading on the Canadian National Stock Exchange ("CNSX") under the trading symbol NNE.

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

The Company prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (the "Handbook"). In 2010, the Handbook was revised to incorporate International Reporting Financial Reporting Standards ("IFRS"). This revision required publicly reporting enterprises to apply such standards for the first fiscal year commencing after December 31, 2010. Accordingly, the Company commenced reporting under IFRS standards in its condensed consolidated financial statements for any fiscal period commencing after September 30, 2011.

In these unaudited condensed consolidated financial statements, the term Canadian GAAP refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including *International Accounting Standard* 34 ("IAS 34") and *IFRS 1, First Time Adoption of International Financial Reporting Standards* ("IFRS1"). The accounting policies followed in these interim financial statements are the same as those applied in the Company's unaudited condensed consolidated financial statements for the three months ended December 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented as if these policies had always been in effect. As disclosed in note 4, the transition to IFRS had no significant impact on the Company's: reported equity as at June 30, 2011; the statement of income (loss) and comprehensive income (loss) for the interim periods ended June 30, 2011; or the net equity as reported in the Company's audited financial statements for the year ended September 30, 2010.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS as of August 23, 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 unaudited condensed consolidated financial statements, any comparative disclosures relating to the year ended September 30, 2011 are presented in accordance with IFRS applicable to interim financial statements.

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for the investment in marketable securities and other securities held for trading which are measured at fair value. 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. *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.

4. 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 (June 30, 2011).

5. Investments in marketable securities and other securities held for trading

In the nine months ended June 30, 2012 the Company invested in a portfolio of publicly traded marketable securities having a quoted market value of $2,076,351 as at June 30, 2012. As at June 30, 2012, marketable securities include investments having a market value of $327,750, the sale of which are subject to escrow restrictions that expire on October 8, 2012 and securities having a market value of $36,000, the sale of which is subject to escrow restrictions that expire on September 4, 2012.

In addition, on March 16, 2012, the Company acquired a 17.4% interest or 5 million common shares of Black Eagle Mining Corporation ("BEM") in a private placement for a total cash consideration of $3,750,000 or $0.75 per share. On completion of the acquisition NEMI's CEO was appointed to the BEM board of directors.

BEM is a private company incorporated under the laws of British Columbia and holds the sole and exclusive right to acquire a 100% interest in certain applications forming the Blackstone metallurgical coal project in Alberta pursuant to an agreement between BEM and Rio Tinto Exploration Canada Inc. ("Rio") under which Rio has retained a 51% back-in option. Management has classified the BEM investment as other securities held-for-trading.

(Expressed in Canadian dollars)

All of the Company's securities investments have been classified as held for trading. Both realized and unrealized gains or losses are recognized at the end of the accounting period when the carrying values of marketable securities and other securities held for trading are adjusted to the quoted market value in the case of publicly traded securities and the estimated market value as determined by management in the case of privately held securities.

On June 1, 2012, BEM closed a $12.5 million private placement at a price of $1.80 per share. Accordingly, the Company's net income for the periods ended June 30, 2012 included an unrealized mark to market gain in the carrying value of its BEM shares of $5,250,000 ($1.05 per share). Upon completion of the June private placement, NEMI owned 14.1% of BEM.

In the nine months ended June 30, 2012, as detailed below, the Company recognized income totalling $5,208,634 including net realized gains in the amount of $86,287 and net unrealized gains in the amount of $5,122,347.

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

	Marketable Securities	**Other securities held for Trading**	**Total**
	$	$	$
Balance September 30, 2011	-	-	-
purchases	2,565,611	3,750,000	6,315,611
Proceeds on disposition	(447,894)	-	(447,894)
Gains realized on disposition	86,287	-	86,287
Unrealized (losses) gains	(127,653)	5,250,000	5,122,347
Net long position at market value, June 30, 2012	**2,076,351**	**9,000,000**	**11,076,351**

6. Investment in Peace River Coal LP and PRC disposition

On September 28, 2011, NEMI completed the sale of its investment in PRC for a total cash consideration of $73,000,000. Changes to the investment in PRC were as follows:

	Nine months Ended June 30	One year ended September 30
	2012	2011
	$	$
Balance, beginning of period	**-**	54,924,825
Cash call contributions	**-**	1,888,520
	-	56,813,345
Share of income 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	**-**	-

(Expressed in Canadian dollars)

7. Convertible debentures

The Company has recognized convertible debentures as follows:

	June 30, 2012		September 30, 2011	
	Liability component	**Equity component**	Liability component	Equity component
	$	**$**	$	$
Debenture	**404,495**	**205,207**	10,260,500	1,763,580
Unamortized deferred financing cost	**(63,804)**	**(154,385)**	(108,367)	(154,385)
	340,691	**50,822**	10,152,133	1,609,195

In conjunction with the SIB 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. After charging transaction costs and the premium paid on retirement to operating expense, net cash paid on the retirement was $11,535,351.

As at June 30, 2012, the unpaid principal balance of the 8% convertible debentures was $330,000 (September 30, 2011 - $10,449,000). The convertible debentures that remain outstanding mature on March 12, 2013 and can be converted at the holder's option at any time into 366,666 common shares. Interest is payable semi-annually on June 30 and December 31.

Financing charges recorded on the convertible debentures for the three and six month periods ended June 30, consisted of the following:

	Three months ended		Nine months ended	
	2012	2011	**2012**	2011
	$	$	**$**	$
Interest on debentures @ 8%	**6,564**	208,408	**210,626**	666,325
Accretion of convertible debenture	**3,693**	114,806	**125,554**	369,862
Amortization of deferred financing charges	**1,310**	40,629	**44,563**	131,848
	11,567	363,843	**380,743**	1,168,035

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 as follows:

(Expressed in Canadian dollars)

	June 30 2012	September 30 2011
	$	$
Gross debenture proceeds on issue	**12,724,000**	12,724,000
less equity component	**(2,146,116)**	(2,146,116)
	10,577,884	10,577,884
Accretion of liability component	**1,964,054**	1,838,499
Early retirement at allocated value - (principal value - $10,119,000)	**(9,981,558)**	-
Debentures converted at allocated value - (principal value - $2,275,000)	**(2,155,885)**	(2,155,885)
Liability - end of period	**404,495**	10,260,498

Debenture holders have the right to convert into Class A common shares at the rate of $0.90 per share. Therefore, the maximum dilution upon conversion of $330,000 in face value of debentures is 366,666 additional common shares. 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 for the 20 day trading period prior to the date fixed for redemption or at maturity.

8. 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.

As at June 30, 2012, there were 16,652,135 common shares issued, fully paid, outstanding and voting.

b) Substantial issuer bid

On December 28, 2011, the Company completed the SIB buying back 38 million common shares for cancellation at a cost of $1.06 each. The total cost of $40,434,360 included transaction costs of $154,360.

c) Options

The Company has adopted a rolling 10% stock option 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.

On April 19, 2012, the Company granted 350,000 options having an exercise price of $1.00 each exercisable at anytime up until and including April 19, 2017. The fair value of the options was determined to be $97,400 using the Black Scholes option pricing model with the following assumptions: risk-free interest rate - 1.15%; expected life - 2.5 years; expected volatility - 35%; and expected dividends - nil.

As at June 30, 2012, outstanding options were as follows:

(Expressed in Canadian dollars)

Expiry	Number of options outstanding	Weighted average exercise price per share	Average remaining life (years)
May 27, 2014	150,000	$ 0.41	1.91
September 30, 2015	175,000	$ 0.60	3.25
September 30, 2016	250,000	$ 1.00	4.25
September 30, 2016	125,000	$ 0.60	4.25
April 19, 2017	350,000	$ 1.00	4.81
Fully vested and exercisable	1,050,000	$ 0.80	2.33

On April 18, 2012, 34,000 options having an exercise price of $0.41 and an expiry date of May 27, 2014 and 50,000 options having an exercise price of $0.60 and an expiry date of September 30, 2015 were exercised.

On May 16, 2012, 50,000 options that were to expire September 30, 2016 exercisable at a price of $1.00 were forfeited.

d) 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	Weighted Average Purchase price (per share)
			$	$
April 2009	2,893,487	2,893,487	1,148,645	0.40
May 2010	2,748,813	1,746,178	1,395,806	0.80
May 2011	2,747,082	373,500	351,888	0.94

The NCIB dated May 2011 was suspended upon announcement of the SIB.

9. Related party transactions and key management compensation

The Company incurs fees for CFO and accounting services to a firm in which the current CFO is an associate or with respect to the prior year, in which the former CFO was a principal. The Company pays legal fees to a law firm in which a current director is a partner. For the three and nine-month periods ended June 30, remuneration and benefits and professional fees paid to related parties were as follows:

	Three months ended		Nine months ended	
	2012	2011	**2012**	2011
	$	$	**$**	$
Remuneration and benefits	**19,975**	12,740	**83,198**	38,720
Professional fees	**23,080**	-	**23,080**	-

(Expressed in Canadian dollars)

As at June 30, 2012, accounts payable and accrued liabilities included $46,643 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 periods ended June 30 was as follows:

	Three months ended		**Nine months ended**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Management remuneration and benefits	**51,125**	41,725	**162,750**	132,450
Share-based payments	**41,743**	28,500	**41,743**	42,500
	92,868	70,225	**204,493**	174,950

10. 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	$14,500
year ending September 30, 2013	$58,000

11. Subsequent event

On July 4, 2012 the Company advanced $500,000 as a one year term loan to Vangold Resources Ltd. ("Vangold") that bears simple interest at a rate of 20% per annum (the "Vangold Loan") payable monthly. The outstanding principal will be due and payable on July 4, 2013.

In addition, the Company shall receive a bonus consisting of up to 2,000,000 Vangold common shares (the "Vangold Share Bonus").

The Vangold Share Bonus is payable within the earlier of the completion of a proposed Vangold share consolidation and 120 days after July 4, 2012. The issue price for the Vangold Bonus Shares shall be the greater of $0.05 and the discounted market price as defined in the loan agreement. The Vangold Loan is secured by: a general security agreement ("GSA") against all Vangold present and after acquired assets; and, an executed pledge consisting of duly executed powers of attorney against 90.9% of the shares and related share certificates of Pacific Kanon Gold Corp., a wholly-owned Vangold Subsidiary. For reporting purposes, the Vangold Loan will be classified as a current asset on the balance sheet and recorded in other investments held-for-trading.