
NEMI Northern Energy & Mining Inc.

Condensed Interim Consolidated Financial Statements

Nine months ended June 30, 2013

(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 interim 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 2013	September 30 2012
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	7,251,957	11,516,054
Investments at fair value - notes 3 and 9	14,979,454	15,898,388
Accounts receivable	35,468	17,369
HST recoverable	12,803	4,441
Prepaid expenses and other	86,247	57,504
	22,365,929	27,493,756
Non-current		
Office furniture, equipment and improvements	2,891	11,564
	22,368,820	27,505,320
LIABILITIES		
Current		
Accounts payable and accrued liabilities - note 6	284,139	254,044
Convertible debentures - note 4	-	323,745
	284,139	577,789
SHAREHOLDERS' EQUITY		
Share capital - note 5	15,816,939	15,720,949
Contributed surplus	6,423,215	6,408,383
Equity portion of convertible debentures - note 4	-	50,822
(Deficit) Retained earnings	(155,473)	4,747,377
	22,084,681	26,927,531
	22,368,820	27,505,320

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

NEMI Northern Energy & Mining Inc.

Condensed Interim Consolidated Statements of (Loss) Income
and Comprehensive (Loss) Income

Periods ended June 30,

(unaudited)

(Expressed in Canadian dollars)

	Three months		Nine months	
	2013	2012	2013	2012
	\$	\$ (note 10)	\$	\$ (note 10)
Net investment income (loss)				
Interest and other income	102,140	57,335	339,113	290,621
(Loss) gains on investments at fair value - note 3	(1,835,731)	5,109,586	(3,799,939)	5,208,634
	(1,733,591)	5,166,921	(3,460,826)	5,499,255
Operating expenses				
Remuneration and benefits - note 6	(66,441)	(61,996)	(258,367)	(185,913)
Professional fees	(39,162)	(87,203)	(158,395)	(210,697)
Office	(31,810)	(41,673)	(86,418)	(94,150)
Shareholder communication	(4,680)	(9,179)	(8,838)	(28,469)
Travel and accommodation	(6,360)	(4,940)	(31,179)	(16,072)
Directors fees - note 6	(12,500)	(17,000)	(37,500)	(44,000)
Stock based compensation - note 5	-	(97,400)	-	(97,400)
Depreciation	(2,891)	(1,369)	(8,673)	(4,106)
	(1,897,435)	4,846,160	(4,050,196)	4,818,447
(Loss) income before the undemoted				
Interest and bank charges	(546)	(12,090)	(2,004)	(19,785)
Interest, accretion and amortization of issue costs on convertible debentures - note 4	-	(11,567)	(18,043)	(455,845)
Premium paid on convertible debenture retirement - note 4	-	-	-	(307,705)
Convertible debenture retirement transaction costs - note 4	-	-	-	(45,675)
	(1,897,981)	4,822,504	(4,070,243)	3,989,438
Net (Loss) Income and Comprehensive (Loss) Income				
	\$ (0.11)	\$ 0.29	\$ (0.24)	\$ 0.14
Loss per share - basic				
Weighted average number of shares outstanding	16,710,831	16,635,520	16,673,956	29,173,580
Earnings per share per share - diluted	n/a	\$ 0.28	n/a	\$ 0.13
Diluted number of shares outstanding	n/a	17,212,737	n/a	29,696,459

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

NEMI Northern Energy & Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

Nine months ended June 30,

(unaudited)

(Expressed in Canadian dollars)

	2013	2012
	\$	\$
		(note 10)
Cash flows from (used in):		
Operating Activities		
Net loss for the period	(4,070,243)	3,989,437
Items not affecting cash:		
Accretion and of debenture premium and amortization of deferred financing costs	6,255	237,037
Depreciation	8,673	4,106
Unrealized losses (gains) on investments at fair value	3,427,382	(5,122,347)
Unrealized foreign exchange gains on investments at fair value	(183,799)	-
Stock based compensation	-	97,400
Financing activities charged to operations:		
Premium paid on debenture retirement	-	307,705
Convertible debenture retirement transaction costs	-	45,675
	(811,732)	(440,986)
Net changes in non-cash working capital items:		
Accounts receivable	(18,099)	1,367
HST recoverable	(8,362)	(74,050)
Prepaid expenses and other	(28,743)	2,339
Accounts payable and accrued liabilities	90,095	(587,644)
	(776,841)	(1,098,974)
Financing Activities		
Dividends paid	(832,607)	-
Paid on convertible debenture retirement at maturity	(330,000)	-
Proceeds recived on exercise of stock options	-	43,940
Paid on shares repurchased - Normal Course Issuer Bid	-	(228,900)
Paid on shares repurchased - Substantial Issuer Bid	-	(40,434,359)
Paid on convertible debenture retirement - Substantial Issuer Bid	-	(11,963,833)
	(1,162,607)	(52,583,152)
Investing activities		
Purchase of investments at fair value	(5,627,919)	(6,315,611)
Proceeds on disposition of investments at fair value	2,746,914	447,894
Gains realized on disposition of investments at fair value	556,356	(86,287)
	(2,324,649)	(5,954,004)
(Decrease) in cash	(4,264,097)	(59,636,130)
Cash and equivalents - beginning of period	11,516,054	75,997,850
Cash and equivalents - end of period	7,251,957	16,361,720

Supplemental cash flow information - note 11

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

NEMI Northern Energy & Mining Inc.

Condensed Interim Consolidated Statement of Changes in Equity

Period from September 30, 2011 to June 30, 2013

(unaudited)

(Expressed in Canadian dollars)

	Common shares (Quantity)	Share capital \$	Contributed surplus \$	Equity portion of convertible debentures \$	Retained earnings (deficit) \$	Total \$
Balance, September 30, 2011	54,808,135	52,512,813	10,133,858	1,609,195	854,715	65,110,581
Changes - nine months ended June 30, 2012:						
Shares issued in consideration for:						
Cash on options exercised	84,000	72,185	(28,245)	-	-	43,940
Stock based compensation	-	-	97,400	-	-	97,400
Shares repurchased for cash 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)
Loss and comprehensive loss:						
Nine months ended June 30, 2012	-	-	-	-	3,989,438	3,989,438
Balance, June 30, 2012	16,652,135	15,720,949	6,408,383	50,822	4,844,153	27,024,307
Changes - three months ended, September 30, 2012:						
Income and comprehensive income	-	-	-	-	(96,776)	(96,776)
Balance, September 30, 2012	16,652,135	15,720,949	6,408,383	50,822	4,747,377	26,927,531
Changes - nine months ended June 30, 2013:						
Repayment of convertible debt on maturity	-	-	50,822	(50,822)	-	-
Shares issued in consideration for accounts payable:						
Options exercised	100,000	95,990	(35,990)	-	-	60,000
Loss and comprehensive loss:						
Nine months ended June 30, 2013	-	-	-	-	(4,070,243)	(4,070,243)
Dividends paid	-	-	-	-	(832,607)	(832,607)
Balance, June 30, 2013	16,752,135	15,816,939	6,423,215	-	(155,473)	22,084,681

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

NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended June 30, 2013

(unaudited)

(Expressed in Canadian dollars)

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 investment portfolio. Although NEMI retains the flexibility to make any investments which management determines are in its best interests, NEMI's primary target investments are debt and equity investments in 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 preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* and include the accounts of NEMI's wholly-owned subsidiary, Crossroad Ventures Inc. These unaudited condensed interim consolidated financial statements do not include all the information required in annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2012 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

In the preparation of these unaudited condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as those used in the audited consolidated financial statements for the year ended September 30, 2012.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on August 14, 2013.

3. Investments at fair value

All of the Company's investments at fair value have been classified as fair value through profit or loss. Both realized and unrealized gains or losses are recognized at the end of the accounting period when the carrying values of investments at fair value 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 other securities and loans.

As at June 30, 2013, investments at fair value included the following:

NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements (continued)

Nine months ended June 30, 2013 (continued)

(unaudited)

(Expressed in Canadian dollars)

	June 30, 2013		September 30, 2012	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Publicly traded securities	3,411,934	7,058,860	4,808,388	5,216,432
Private equity securities	9,360,000	4,050,000	9,000,000	3,750,000
Loans	2,207,520	2,322,520	2,090,000	1,956,500
	14,979,454	13,431,380	15,898,388	10,922,932

Changes in investments at fair value for the periods ended June 30 were as follows:

	Three Months		Nine months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Investments at cost beginning of period	15,032,048	769,706	10,922,932	-
Purchases	802,119	5,441,609	5,627,919	6,315,611
Proceeds on disposition	(1,803,822)	(322,527)	(2,746,914)	(447,894)
Realized (losses) gains on disposition	(681,063)	65,216	(556,356)	86,287
Foreign exchange gain (loss)	82,098	-	183,799	-
Investments at cost end of period	13,431,380	5,954,004	13,431,380	5,954,004
Unrealized gains to June 30,	1,548,073	5,122,347	1,548,073	5,122,347
Investments at fair value, June 30,	14,979,454	11,076,351	14,979,454	11,076,351

As the Company carries its investments at fair value on the fair value through profit or loss basis, during the three and nine-month periods ended June 30, the Company has recognized gains and losses on its investments portfolio as follows:

	Three Months		Nine months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Balance of unrealized gains as at June 30,	1,548,073	5,122,347	1,548,073	5,122,347
Less: Balance of unrealized gains - beginning of period	2,784,839	77,077	4,975,456	-
Unrealized (losses) gains for the period	(1,236,766)	5,045,270	(3,427,383)	5,122,347
Realized (losses) gains on disposition	(681,064)	64,316	(556,356)	86,287
Foreign exchange gains (losses)	82,098	-	183,799	-
(Loss) gain on investments at fair value - periods ended June 30,	(1,835,731)	5,109,586	(3,799,939)	5,208,634

Publicly traded securities

As at June 30, 2013, the Company's portfolio of publicly traded securities, all of which were purchased on the open market or pursuant to private placement subscriptions had a quoted value of \$3,411,934 and a cost value of \$7,058,860 (September 30, 2012 - \$4,808,388, cost - \$5,216,432). The Company's publicly traded securities can be sold at any time at the Company's discretion subject to market conditions and from time to time hold period restrictions of not more than four months pursuant to the terms of each respective private placement subscription agreement, as well as escrow restrictions, if applicable.

As at June 30, 2013, publicly traded securities included securities subject to an escrow agreement having an estimated fair value of \$86,252 (quoted market value of free trading shares as at June 30, 2013 -

NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements (continued)

Nine months ended June 30, 2013 (continued)

(unaudited)

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\$129,378). The shares are scheduled to be released from escrow as to approximately 27% on December 21, 2013, with the balance of approximately 73% on June 21, 2014. In addition, as at June 30, 2013, publicly traded securities included securities having a quoted market value of \$30,000 that were subject to a hold period that expired on July 20, 2013. When shares in publicly traded securities are subject to hold periods or escrow restrictions ("Trade Restricted Shares"), management recognizes appropriate discounts to currently prevailing market prices as quoted for each respective security. The determination of discounts applied to Trade Restricted Securities includes any other inputs that could have a significant effect on the salability of the shares once the respective trading restriction periods have expired.

Loan to Vangold Resources Ltd.

As at September 30, 2012, the Company had extended a \$500,000, 20 percent one year term loan to Vangold Resources Ltd. (note 9) that was due on July 4, 2013 (the "Vangold Loan"). As at March 31, 2013, although all payments on the loan were current, management believed that it was more likely than not that the borrower would be unable to meet the repayment obligations when they became due. On April 26, 2013, NEMI realized its security on the loan which consisted of 12,690,333 common shares of Coppermoly Limited (ASX:"COY" - the "Coppermoly Shares") having an approximate market value of \$437,500 (AUD\$0.033 each) (the "Vangold Loan Conversion"). On realizing on its security, the Company eliminated the \$500,000 balance from its loan portfolio, recognized a realized loss of \$62,500 and the \$437,500 balance was added to the publicly traded securities. As at June 30, 2013, in addition to the 12,690,333 Coppermoly Shares acquired under the Vangold Loan Conversion, the Company's portfolio of publicly traded securities also included 3,600,000 common shares of COY acquired on the open market at a total cost of approximately \$0.035 each to result in total COY holdings as at June 30, 2013 of 16,290,633 shares at a cost of \$562,989. On July 10, 2013, the Company disposed of its entire COY interests for a total cash consideration of \$698,134 to result in a gain realized on disposition of \$135,145.

Loan to American Bonanza Gold Corp. ("BZA")

As at September 30, 2012, the Company had extended a US\$1,500,000 loan to BZA (the "BZA Gold Loan"). The significant terms of the underlying loan agreement provided for an interest rate of 12% and a maturity date of November 14, 2013 with repayment due in eight equal monthly installments commencing March 14, 2013. In addition, the terms also provided that the Company could elect to receive any payments on principle otherwise due in the form of 1250 London good delivery gold ounces ("Gold Ounces") at a stated price of US\$1,200 per ounce (the "\$1,200 Call Option"). As at September 30, 2012, in recognition of the \$1,200 Call Option, in the process of reviewing the fair market value of the BZA Gold Loan, management had accorded an unrealized mark to market gain on the value of the loan in the amount \$133,500 and after recognition of prevailing US - Canadian dollar foreign exchange considerations, the loan carried a fair value of \$1,590,500. During the six months ended March 31, 2013, the Company advanced an additional US\$200,000 to BZA.

On April 1, 2013, the Company advanced an additional US\$400,000 in consideration for an Amended and Restated Secured Promissory Note and Guaranty bringing the total advanced to BZA up to US\$2,100,000 (approximately \$2,322,520 - the "Amended BZA Gold Loan"). Among the amended and revised terms and conditions provided under the Amended BZA Gold Loan was a reduction in the stated strike price of the \$1,200 Call Option to US\$1,100 per ounce (the "Amended \$1,100 Call Option"). In addition, the maximum number of Gold Ounces on repayment increased from 1250 ounces to 1,909 ounces to reflect the revised terms of the loan. In addition to 1,500,000 BZA \$0.50 warrants already held by NEMI under the terms of its initial US\$1,500,000 loan, on amending the loan agreement, NEMI secured another 600,000 BZA common share purchase warrants exercisable at a price of \$0.20 each for a period of two years from the date of issuance. Under the terms of the Amended BZA Gold Loan, the maturity date has been extended to August 1, 2014 and the loan is repayable in 12 equal monthly installments commencing on September 1, 2013. Until July 4, 2013 all other terms and security granted under the terms of the Amended BZA Gold Loan remained substantially unchanged from the provisions of the original agreement. On July 4, 2013, NEMI amended the terms and security granted under the

NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements (continued)

Nine months ended June 30, 2013 (continued)

(unaudited)

(Expressed in Canadian dollars)

Amended BZA Gold Loan to allow BZA to enter into an earn-in agreement with a third party for up to a 60% interest on an adjacent property.

As at June 30, 2013, the fair value of the BZA Gold Loan was estimated to equal US\$2,100,000 (approximately \$2,322,520) which amounted to the principle advanced.

4. Convertible debentures

The Company has recognized convertible debentures as follows:

	June 30, 2013		September 30, 2012	
	Liability component	Equity component	Liability component	Equity component
	\$	\$	\$	\$
Debenture	-	-	326,542	205,207
Unamortized deferred financing cost	-	-	(2,797)	(154,385)
	-	-	323,745	50,822

The Company issued a total of \$12,724,000 in 8% convertible debentures on March 12 and April 1, 2008 for cash. The convertible debentures were unsecured and bore interest at a rate of 8% per annum, payable semi-annually in arrears, on June 30 and December 31 of each year commencing June 30, 2008. The convertible debentures matured on March 12, 2013 and were convertible into common shares of the Company at any time up until maturity at a conversion price of \$0.90 per share. On maturity, the convertible debentures were redeemed for cash in full at their stated par value of \$330,000 plus accrued interest. No conversion privileges were exercised at maturity.

On issuing the convertible debentures, the Company paid a commission of \$763,440 and issued 100,000 transferable agent's warrants as consideration for arranging the financing. The warrants were not exercised and expired.

As the convertible debentures were considered compound financial instruments, the liability and equity components were presented separately as determined on the measurement date. The Company valued the separate components of the convertible debenture using the residual method. The liability component was valued using the current market rate for comparable instruments at the time of issuance, which was estimated to be 17%.

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

NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements (continued)

Nine months ended June 30, 2013 (continued)

(unaudited)

(Expressed in Canadian dollars)

	June 30 2013	September 30 2012
	\$	\$
Gross proceeds on issue of convertible debentures	12,724,000	12,724,000
Less equity component	<u>(2,146,116)</u>	<u>(2,146,116)</u>
	10,577,884	10,577,884
Accretion of liability component	1,963,575	1,961,203
Retirements at recorded fair value:		
Repaid on maturity (principal value - \$330,000)	(329,979)	-
Retired on SIB (principal value - \$10,119,000)	(10,056,660)	(10,056,660)
Converted at allocated value (principal value - \$2,275,000)	<u>(2,155,885)</u>	<u>(2,155,885)</u>
Liability, end of period	-	326,542
Less: unamortized deferred issuance costs	-	<u>(2,797)</u>
Net liability, end of period	-	323,745

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 \$10,056,660 (face value \$10,119,000). The cost of retirement was recognized as follows:

Cash payout on SIB Closing		SIB cost allocation	
	\$		\$
Face value of retired debt	10,119,000	Debt component	10,056,650
Retirement cost per \$100	<u>117.78</u>	Equity component	1,558,373
Total retirement payout on SIB Closing	11,918,158	Discount on equity component	(4,580)
Add transaction cost	<u>45,675</u>	Premium on debt component	307,705
	11,963,833	Transaction cost	<u>45,675</u>
			<u>11,963,823</u>

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

For the three and six-month periods ended June 30, interest, accretion and amortization of issue costs on the convertible debentures was recognized as follows:

	Three months		Nine months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Interest on convertible debentures @ 8%	-	6,654	11,790	225,683
Accretion on convertible debentures	-	2,641	2,372	123,720
Amortization of deferred financing charges	-	2,272	3,881	106,442
	-	11,567	18,043	455,845

As at June 30, 2013, the unpaid principal balance of the 8% convertible debentures was \$nil (September 30, 2012 - \$330,000).

NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements (continued)

Nine months ended June 30, 2013 (continued)

(unaudited)

(Expressed in Canadian dollars)

5. Shareholders' equity

a) Authorized share capital

An unlimited number of Class A voting Common Shares - 16,752,135 issued and outstanding
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) Substantial Issuer Bid

On December 28, 2011, the Company completed the SIB under which a total of 38 million shares were purchased for cancellation at a cost of \$1.06 each. The total cost of \$40,434,359 included transaction costs of \$154,359.

c) 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. The Board in its sole discretion may determine any vesting provisions for options. Options are equity settled.

On April 19, 2012, the Company granted 350,000 options, which vested immediately, having an exercise price of one dollar each, exercisable at any time up until and including April 19, 2017. The fair value of the options so granted was determined to be \$97,400 using the Black-Scholes option pricing model under the following assumptions: risk-free interest rate - 1.15%; expected life - 5.0 years; expected volatility - 35% and expected dividends - nil. No options have been granted since September 30, 2012.

As at June 30, 2013, outstanding options were as follows

Expiry	Number of options outstanding	Weighted average exercise price per share	Average remaining life (years)
May 27, 2014	150,000	\$ 0.41	0.91
September 30, 2015	75,000	\$ 0.60	2.25
September 30, 2016	250,000	\$ 1.00	3.25
September 30, 2016	125,000	\$ 0.60	3.25
April 19, 2017	350,000	\$ 1.00	3.81
Fully vested and exercisable	950,000	\$ 0.80	3.01

On September 30, 2012, there were 1,050,000 fully vested and exercisable options outstanding. On May 8, 2013, 100,000 of those options having a September 30, 2015 expiry date were exercised at a price of \$0.60 each for a total consideration of \$60,000, the proceeds of which were offset against accounts payable and accrued liabilities that was otherwise due to the optionee.

d) Per share amounts

Basic per share amounts have been calculated using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three and six months ended June 30, 2013 was 16,710,831 (2012 - 16,635,520) and 16,673,956 (2012 - 29,173,580), respectively. As the calculation of diluted losses per share would be anti-dilutive, the calculation of the diluted number of shares in the current year periods is not applicable. In 2012,

NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements (continued)

Nine months ended June 30, 2013 (continued)

(unaudited)

(Expressed in Canadian dollars)

diluted per share amounts were calculated using the diluted number of common shares outstanding. The diluted number of common shares outstanding for the three and six months ended June 30, 2012 equaled 17,212,737 and 29,585,459 common shares respectively.

e) Shareholders' Rights Plan

As at September 30, 2012, the Company had a shareholder rights plan designed to encourage the fair treatment of shareholders in connection with any take-over offer for NEMI (the "Shareholders Rights Plan"). The plan was similar to plans adopted by many other Canadian companies that was next subject to shareholder ratification at the May 28, 2013 Annual General Meeting ("AGM") and every three years thereafter. Management of the Company believed the Shareholder's Rights Plan was no longer required to protect the interests of the Shareholders at this time. Accordingly, the Company did not seek re-approval of the Shareholder's Rights Plan and it expired at the termination of the AGM.

f) Normal course issuer bid ("NCIB")

On July 12, 2013, NEMI announced that it would conduct an NCIB under which the Company may purchase up to 837,606 of its common shares or 5% of the total outstanding at any time on the open market commencing July 18, 2013 at prevailing market prices at the time of acquisition. The bid will expire on July 17, 2014 or such earlier date as the Company may complete its purchases. All common shares acquired by the Company under the provisions of the NCIB, if any, will be canceled.

6. Key management compensation

The retention of certain key management personnel is subject to a management agreement, the terms of which are on a month-to-month basis with no fixed expiry date. Upon resignation at the Company's request or in the event of a change of control, in addition to termination benefits equal to one month's severance, these agreements provide for termination benefits that can include unpaid bonuses that currently includes a conditional general performance and retention bonus of \$90,000 (September 30, 2012 - \$150,000) which is only payable if, as, and to the extent that the CEO exercises certain options. The full amount of this bonus was accrued in the audited consolidated financial statements for the year ended September 30, 2010.

Some key management personnel, or their related parties, may hold positions in other entities whose services are retained by the Company. In such instances, these appointments result in the Company's key management personnel representing those related parties in which they hold control or significant influence over the financial or operating policies of these entities. Details of transactions with these related parties can be found in note 9.

Key management includes current and former senior officers and directors (executive and non-executive) of the Company. The cost for services and short term benefits provided to the Company by key management has been recorded on the consolidated statement of loss and comprehensive loss and included in reported expenses for the periods ended June 30 are as follows:

	Three months		Nine months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Remuneration and benefits	66,500	174,288	244,250	185,913
Directors fees	12,500	17,000	37,500	44,000
	79,000	191,288	281,750	229,913

The amounts charged were the exchange amounts, which was the amount of consideration established and agreed upon by the parties.

NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements (continued)

Nine months ended June 30, 2013 (continued)

(unaudited)

(Expressed in Canadian dollars)

Included in accounts payable and accrued liabilities as at June 30, 2013 is \$196,500 (September 30, 2012 - \$165,000) due to the key management in consideration for unpaid remuneration and benefits and / or out-of-pocket expenses incurred in the course of fulfilling their responsibilities. The amounts owing were unsecured, non-interest bearing and due on demand.

7. 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.

8. Commitment

The annual estimated commitment under the Company's office lease including annual rent and estimated operating expense for the period ending September 30, 2013 totals approximately \$10,000 (September 30, 2012 - \$43,000). The Company does not have any other on-going commitments.

9. Related parties

As at June 30, 2013, the Company's investments at fair value include private company equity securities of \$9,360,000 which amounts to a 14.0% interest in Back Eagle Mining Corp, ("BEM"). In addition, during the nine months ended June 30, 2013, the Company has recorded \$62,500 in realized losses on converting the Vangold Loan into Coppermoly Shares (note 3) and an equity interest consisting of 3,527,000 Vangold common shares having a market value of \$210,915 (cost \$418,446) which amounts to a 17% equity interest in Vangold.

BEM and Vangold are related parties to NEMI because they share two directors in common.

10. Comparative information

Presentation of prior year comparative information has been revised to conform with the presentation adopted in the current period.

11. Supplemental cash flow information

For the nine months ended June 30 supplemental cash flow was as follows:

	2013	2012
	\$	\$
Cash interest received	261,637	209,902
Cash interest expense paid	(11,790)	(414,742)
