

# **NEMI Northern Energy & Mining Inc.**

Condensed Interim Consolidated Financial Statements  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

As at and for the six months ended March 31, 2014 and 2013

**NEMI Northern Energy & Mining Inc.**  
(the “Company”)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
As at and for the six months ended March 31, 2014

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Management of the Company is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) for the preparation of condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company’s auditor has not performed a review of these condensed interim financial statements in accordance with the 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 Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

As at,

	March 31, 2014	September 30, 2013
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,928,383	\$ 3,640,015
Investments at fair value (note 5)	14,130,399	12,577,092
Amounts receivable	183,568	28,246
GST/HST recoverable	6,682	5,121
Prepaid expenses	15,000	82,352
<b>Total Assets</b>	<b>\$ 17,264,032</b>	<b>\$ 16,332,826</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 353,153	\$ 330,770
	<b>353,153</b>	<b>330,770</b>
Shareholders' Equity:		
Share capital (note 6)	12,452,512	12,462,512
Share-based payment reserve	6,652,215	6,652,215
Deficit	(2,193,848)	(3,112,671)
	<b>16,910,879</b>	<b>16,002,056</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 17,264,032</b>	<b>\$ 16,332,826</b>

Nature of operations (note 1)

Approved on Behalf of the Board May 27, 2014:

"Michael Cooney"

Michael Cooney - Director

"B. Alex Shaw"

B. Alex Shaw - Director

*The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.*

**NEMI Northern Energy & Mining Inc.**

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	For the three months ended March 31,		For the six months ended March 31,	
	2014	2013	2014	2013
<b>Net investment income (losses)</b>				
Interest and other income	\$ (845,212)	\$ 121,768	\$ 170,911	\$ 236,973
Income (losses) on investments at fair value (note 5)	1,955,252	(1,625,702)	729,623	(2,065,910)
	<b>1,110,040</b>	<b>(1,503,934)</b>	<b>900,534</b>	<b>(1,828,937)</b>
<b>Expenses</b>				
Depreciation	-	2,891	-	5,782
Director's fees (note 7)	10,000	12,500	22,500	25,000
General and administrative	23,546	26,021	107,115	79,427
Professional fees	18,380	43,347	18,380	119,233
Remuneration and benefits	40,919	72,751	94,858	191,926
Shareholder communication	1,721	2,544	3,645	4,158
	<b>94,566</b>	<b>160,054</b>	<b>246,498</b>	<b>425,526</b>
<b>Income (loss) before other items</b>	<b>\$ 1,015,474</b>	<b>\$ (1,663,988)</b>	<b>\$ 654,036</b>	<b>\$ (2,254,463)</b>
<b>Other income (expenses)</b>				
Foreign exchange gain	194,007	101,274	272,706	101,702
Interest on current debt and bank charges	(6,674)	(658)	(7,919)	(1,458)
Premium paid on debenture retirement	-	(7,880)	-	(18,043)
	<b>187,333</b>	<b>92,736</b>	<b>264,787</b>	<b>82,201</b>
<b>Income (loss) and comprehensive income (loss) for the period</b>	<b>\$ 1,202,807</b>	<b>\$ (1,571,252)</b>	<b>\$ 918,823</b>	<b>\$ (2,172,262)</b>
<b>Weighted average number of common shares outstanding</b>	<b>16,737,450</b>	16,652,135	<b>16,737,450</b>	16,652,135
<b>Basic and fully diluted net income (loss) per share</b>	<b>\$ 0.07</b>	<b>\$ (0.09)</b>	<b>\$ 0.05</b>	<b>\$ (0.13)</b>

*The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.*

**NEMI Northern Energy & Mining Inc.**  
Consolidated Statement of Shareholders' Equity  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	Share Capital Number	Share Capital Amount \$	Share-based Payments Reserve \$	Equity Portion of Convertible Debentures \$	Retained Earnings (Deficit) \$	Total Shareholder's Equity \$
Balance, September 30, 2012	16,652,135	15,720,949	6,408,383	50,822	4,747,377	26,927,531
Repayment of convertible debt on maturity	-	-	50,822	(50,822)	-	-
Dividends paid	-	-	-	-	(832,607)	(832,607)
Loss and comprehensive loss	-	-	-	-	(2,172,262)	(2,172,262)
Balance, March 31, 2013	16,652,135	15,720,949	6,459,205	-	1,742,508	23,922,662
<b>Balance, September 30, 2013</b>	<b>16,747,135</b>	<b>12,462,512</b>	<b>6,652,215</b>	<b>-</b>	<b>(3,112,671)</b>	<b>16,002,056</b>
Shares repurchased per Normal Course Issuer Bids	(21,000)	(10,000)	-	-	-	(10,000)
Income and comprehensive income	-	-	-	-	918,823	918,823
Balance, March 31, 2014	16,726,135	12,452,512	6,652,215	-	(2,193,848)	16,910,879

*The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.*

**NEMI Northern Energy & Mining Inc.**  
Condensed Interim Consolidated Statements of Cash Flows  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	For the six months ended March 31,	
	2014	2013
<b>Cash provided by (used for):</b>		
<b>Operating Activities:</b>		
Net income (loss) for the period	\$ 918,823	\$ (2,172,262)
Items not affecting cash:		
Accretion of debenture and deferred financing costs	-	6,255
Depreciation	-	5,782
Unrealized (gains) losses on investments at fair value	(1,482,409)	2,190,617
Foreign exchange gain	(289,083)	(101,702)
Financing activities charged to operations		
Purchases of marketable securities	(3,261,640)	(4,825,799)
Distributions	1,120,275	-
Proceeds on disposition of marketable securities	1,606,764	943,092
Losses (gains) realized on sale of marketable securities	752,786	(124,707)
	(634,484)	(4,078,724)
Changes in non-cash working capital items:		
Accounts receivable	(155,322)	(36,979)
GST/HST recoverable	(1,561)	(22,364)
Prepaid expenses and other	67,352	(20,972)
Accounts payable and accrued liabilities	22,383	98,362
	(701,632)	(4,060,677)
<b>Financing Activities:</b>		
Dividends paid	-	(832,607)
Paid on convertible debenture retirement at maturity	-	(330,000)
Paid on shares repurchased – Normal Course Issuer Bid	(10,000)	-
	(10,000)	(1,162,607)
<b>Decrease in cash for the period</b>	<b>\$ (711,632)</b>	<b>\$ (5,223,284)</b>
<b>Cash and equivalents, beginning of the period</b>	<b>3,640,015</b>	<b>11,516,054</b>
<b>Cash and equivalents, end of the period</b>	<b>\$ 2,928,383</b>	<b>\$ 6,292,770</b>
<b>Supplemental information:</b>		
	2014	2013
	\$	\$
Interest Paid	-	(11,790)
Interest Received	12,749	208,833

*The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.*

## **NEMI Northern Energy & Mining Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six months ended March 31, 2014

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **1 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. The ultimate objective of these investments is to maximize the Company's return.

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 Company is the ultimate parent.

The address and domicile of the Company's registered office and its principal place of business is 1600 – 609 Granville Street, Vancouver, BC, Canada V7Y 1C3.

NEMI's common shares trade on the Canadian Securities Exchange (“CSE”) under the trading symbol “NNE”.

On October 1, 2013, the Company acquired a 100% interest in ACME Mining Inc. a privately held US based company that had no assets or active business at the date of acquisition. The Company intends to use the Company to enhance its existing diversified investment and merchant banking operations.

The Company earned income and comprehensive income of \$918,823 for the six months ended March 31, 2014 (2013 loss - \$(2,172,262)). As at March 31, 2014, the Company has working capital of \$16,910,879 (September 30, 2013 - \$16,002,056) and a deficit of \$(2,193,848) (September 30, 2013 – \$3,112,671).

### **2 BASIS OF PRESENTATION**

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standard Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, using accounting policies that the Company expects to adopt in its annual consolidated financial statements for the year ended September 30, 2014. These condensed interim consolidated financial statements do not include all of the information required for the annual consolidated financial statements and should be read in conjunction with the Company's most recent audited consolidated financial statements for the year ended September 30, 2013, which are available on [www.sedar.com](http://www.sedar.com).

The condensed interim consolidated financial statements are presented in Canadian dollars and include the accounts of the Company and its wholly-owned subsidiaries, Crossroad Ventures Inc. (“Crossroad”), having a Canadian functional currency, and commencing October 1, 2013, ACME Mining Inc. (“ACME”), having a US functional currency.

## **NEMI Northern Energy & Mining Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six months ended March 31, 2014

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### **2 BASIS OF PRESENTATION (continued)**

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 27, 2014.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

The Condensed Interim Consolidated Financial Statements of the Company have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for the statements of cash flows.

The accounting policies applied in these Condensed Interim Consolidated Financial Statements are the same as those applied in the Company's most recent audited annual consolidated financial statements as at and for the year ended September 30, 2013 which is available at [www.sedar.com](http://www.sedar.com), except for those new, revised and/or amended standards adopted below, and reflect all the adjustments necessary for fair presentation in accordance with IAS 34. There has been no material impact on these financial statements from changes in accounting standards during the period.

### **4 RECENT ACCOUNTING PRONOUNCEMENTS**

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the period ended March 31, 2014, and have not been applied in preparing these financial statements. None of these is expected to have an effect on the Company's financial statements.

The following new IFRS standard, which becomes effective for annual periods beginning on or after January 1, 2014, has not been applied in preparing these financial statements.

- i. Amended standard IAS 32 Financial Instruments: Presentation  
The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities.

Effective for annual periods beginning on or after January 1, 2015

- ii. New standard IFRA 9 Financial Instruments  
Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement

### **5 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 and 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.



**NEMI Northern Energy & Mining Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six months ended March 31, 2014

(Unaudited – Prepared by Management)

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**5 INVESTMENTS AT FAIR VALUE (continued)**

As at March 31, 2014, investments at fair value included the following:

	March 31, 2014		September 30, 2013	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Publicly traded securities	5,469,059	6,934,312	4,172,622	7,160,884
Private equity securities	6,340,000	4,150,000	6,240,000	4,050,000
Loans	2,321,340	2,436,340	2,164,470	2,279,470
	<b>14,130,399</b>	<b>13,520,652</b>	12,577,092	13,490,354

Changes in the Company's investments at fair value for the six months ended March 31, 2014 were as follows:

	2014	2013
	\$	\$
Opening Balance	12,577,092	15,898,388
Purchases	3,261,640	4,825,799
Distributions	(1,120,275)	-
Proceeds on disposition	(1,606,764)	(943,092)
Realized gains (losses) on disposition	(752,786)	124,707
Foreign exchange gains	289,083	101,702
Unrealized gains (losses)	1,482,409	(2,190,617)
Balance	<b>14,130,399</b>	17,816,887

As the Company carries its investments at fair value on the fair value through profit or loss basis, the above referenced realized and unrealized gains and losses totalling \$729,623 (2013 – (\$2,065,910)) have been recognized in income for the six months ended March 31, 2014.

***Publicly traded securities***

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.

## **NEMI Northern Energy & Mining Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six months ended March 31, 2014

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### **5 INVESTMENTS AT FAIR VALUE (continued)**

#### ***Black Eagle Mining Corporation ("BEM")***

BEM is a private company incorporated under the laws of British Columbia and holds a 100% interest in certain applications forming the Blackstone metallurgical coal project in Alberta purchased pursuant to an agreement between BEM and Rio Tinto Exploration Canada Inc.

On March 16, 2012, NEMI acquired 5 million common shares of 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.

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 year ended September 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) to adjust the fair value of the shares to the most recent arms length transaction.

On March 26, 2013, NEMI acquired an additional 200,000 common shares of BEM for a purchase price of \$1.50 per share.

As at March 31, 2014, the Company held 5.2 million common shares representing 14.6% of the outstanding share capital of BEM. The fair value of these common shares was determined to be \$1.20 per share. This valuation was based on the observable \$1.80 per share price and \$1.50 per share price transactions discounted based on the trading prices of comparable publicly traded companies. Accordingly, the Company's net income for the year-ended September 30, 2013 included an unrealized mark to market loss of \$3,060,000 to adjust the fair value of the shares to \$1.20 per share value.

#### ***American Bonanza Gold Corp ("BZA")***

On September 14, 2012, the Company extended a US\$1,500,000 loan to American Bonanza Gold Corporation ("BZA"), a publicly traded resource company. 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 1,250 London good delivery gold ounces ("Gold Ounces") at a stated price of US\$1,200 per ounce (the "Gold Call Option"). In addition, NEMI secured 1,500,000 BZA common share purchase warrants exercisable at a price of \$0.50 each for a period of two years from the date of issuance. As at September 30, 2012, in recognition of the Gold 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.

## **NEMI Northern Energy & Mining Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six months ended March 31, 2014

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(Expressed in Canadian dollars)

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### **5 INVESTMENTS AT FAIR VALUE (continued)**

#### ***American Bonanza Gold Corp ("BZA") (continued)***

During the six months ended March 31, 2013, the Company advanced an additional US\$200,000 to BZA and on April 1, 2013, advanced an additional US\$400,000 in consideration for an Amended and Restated Secured Promissory Note and Guarantee bringing the total advanced to BZA up to US\$2,100,000 (the "Amended BZA Gold Loan"). Among the amended and revised terms and conditions provided was a reduction in the strike price of the Gold Call Option from the original US\$1,200 to US\$1,100 per ounce meaning the potential number of Gold Ounces to be delivered increased from 1,250 ounces to 1,909 ounces. In addition, 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. 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.

In November 2013, BZA, NEMI and the other Gold Loan lenders subsequently amended and restated the secured US\$8,601,000 promissory note (NEMI has lent US\$2,100,000). The amended promissory note has been restructured to be repaid commencing January 1, 2014 in twelve equal principal monthly installments completing on December 1, 2014. The strike price of the Gold Call Option was reduced to US\$900 per ounce which if exercised would result in the delivery of 9,557 gold ounces (2,333 gold ounces to NEMI) or equivalent cash, at the option of the lender. Interest payments due on November 1, 2013 and December 1, 2013 have been deferred to January 1, 2014. On January 3, 2014 NEMI sent BZA a notice of default after not receiving the agreed upon payments.

Should BZA file for, or be petitioned into, bankruptcy, per the terms and security granted under the Amended BZA Gold Loan agreement, the Company is a secured creditor and the collateral to the loan was determined to be sufficient to collect the total face value of the loan.

Accordingly, as at March 31, 2014, the fair value of the BZA Gold Loan was estimated to equal US\$2,100,000 (approximately \$2,233,560) which amounted to the principle advanced.

On April 14, 2014 BZA announced it had entered into a definitive agreement with Kerr Mines Inc ("KER"), an arm's length company, for a merger of the two companies' operations pursuant to which BZA shareholders will receive 0.53 common shares of KER in exchange for each BZA share held. The agreement is subject to a number of conditions including regulatory approval and BZA shareholder approval at the meeting scheduled for June 20, 2014.

On May 1, 2014, NEMI, BZA and KER entered into an agreement pursuant to which NEMI has agreed, subject to regulatory approval, to settle the full amount of the NEMI's gold loan to BZA, plus all accrued interest thereon in consideration of BZA issuing 48,762,489 common shares of BZA to NEMI and KER issuing a secured promissory note from KER in the principal amount of US\$2,100,000 to NEMI. The KER promissory note will bear interest at a rate of 6% per annum, with six semi-annual payments of principal and interest commencing on June 20, 2015, and will be convertible into

## NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six months ended March 31, 2014

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### 5 INVESTMENTS AT FAIR VALUE (continued)

#### *American Bonanza Gold Corp ("BZA") (continued)*

common shares of KER at a price of \$0.06 per share. The note will be secured by a pledge of the assets and share capital of Bonanza Explorations Inc., an operating subsidiary of BZA, which will become an operating subsidiary of KER upon completion of the arrangement transaction between BZA and KER announced on April 14, 2014.

### 6 SHARE CAPITAL

#### a. Authorized

An unlimited number of Class A voting Common Shares - 16,726,135 issued and outstanding as at March 31, 2014.

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. Stock Options and Warrants

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.

As at March 31, 2014, outstanding options were as follows:

<b>Expiry</b>	<b>Number of options outstanding</b>	<b>Weighted average exercise price per share</b>	<b>Average remaining life (years)</b>
May 27, 2014	150,000	\$ 0.21	0.16
September 30, 2015	75,000	\$ 0.40	1.50
September 30, 2016	200,000	\$ 0.80	2.50
September 30, 2016	125,000	\$ 0.40	2.50
April 19, 2017	300,000	\$ 0.80	3.05
August 30, 2018	300,000	\$ 0.45	4.42
<b>Fully vested and exercisable</b>	<b>1,150,000</b>	<b>\$ 0.58</b>	<b>2.78</b>

## **NEMI Northern Energy & Mining Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six months ended March 31, 2014

(Unaudited – Prepared by Management)

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### **6 SHARE CAPITAL (continued)**

#### **b. Stock Options and Warrants (continued)**

During the six month period ended March 31, 2014 100,000 stock options granted to the former CFO were cancelled.

#### **c. 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 period ended March 31, 2014 was 16,737,450 (2012 – 16,652,135) 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.

#### **d. 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. For the six month period ended March 31, 2014, 21,000 shares had been repurchased.

### **7 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 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

## NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six months ended March 31, 2014

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### 7 KEY MANAGEMENT COMPENSATION (continued)

key management has been recorded on the consolidated statement of income (loss) and comprehensive income (loss) and included in reported expenses for the three and six month period ended March 31 as follows:

For the six months ended March 31, 2014, the Company was involved in the following related party transactions:

	For the three months ended March 31,		For the six months ended March 31,	
	2014	2013	2014	2013
Remuneration and benefits	\$ 40,000	\$ 81,575	\$ 90,000	\$ 172,750
Directors Fees and expenses	12,740	12,500	32,094	25,000
General and administrative	18,750	-	37,500	-
	<b>\$ 71,490</b>	<b>\$ 94,075</b>	<b>\$ 159,594</b>	<b>\$ 197,750</b>

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

Included in accounts payable and accrued liabilities as at March 31, 2014 is \$314,944 (September 30, 2013 - \$237,420) 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.

### 8 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 condensed interim consolidated financial condition or future results of the Company.

### 9 RELATED PARTIES

As at March 31, 2014, the Company's investments at fair value include private company equity securities of \$6,240,000 which amounts to a 14.6% interest in BEM. NEMI and BEM have two directors in common.

## **NEMI Northern Energy & Mining Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six months ended March 31, 2014

(Unaudited – Prepared by Management)

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### **9 RELATED PARTIES (continued)**

As at March 31, 2014, the Company has a management services agreement with a private company with which the Company's CFO exercises significant influence.

### **10 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

### **11 SUBSEQUENT EVENT**

On April 14, 2014 BZA announced it had entered into a definitive agreement with Kerr Mines Inc ("KER"), an arm's length company, for a merger of the two companies' operations pursuant to which BZA shareholders will receive 0.53 common shares of KER in exchange for each BZA share held. The agreement is subject to a number of conditions including regulatory approval and BZA shareholder approval at the meeting scheduled for June 20, 2014.

On May 1, 2014, NEMI, BZA and KER entered into an agreement pursuant to which NEMI has agreed, subject to regulatory approval, to settle the full amount of the NEMI's gold loan to BZA, plus all accrued interest thereon in consideration of BZA issuing 48,762,489 common shares of BZA to NEMI and KER issuing a secured promissory note from KER in the principal amount of US\$2,100,000 to NEMI. The KER promissory note will bear interest at a rate of 6% per annum, with six semi-annual payments of principal and interest commencing on June 20, 2015, and will be convertible into common shares of KER at a price of \$0.06 per share. The note will be secured by a pledge of the assets and share capital of Bonanza Explorations Inc., an operating subsidiary of BZA, which will become an operating subsidiary of KER upon completion of the arrangement transaction between BZA and KER announced on April 14, 2014.