NEMI Northern Energy & Mining Inc.

Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the years ended September 30, 2014 and 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
NEMI Northern Energy & Mining Inc.

We have audited the accompanying consolidated financial statements of NEMI Northern Energy & Mining Inc., which comprise the consolidated statement of financial position as at September 30, 2014 and the consolidated statements of income (loss) and comprehensive income (loss), cash flows, and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NEMI Northern Energy & Mining Inc. as at September 30, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements of NEMI Northern Energy & Mining Inc. for the year ended September 30, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on January 27, 2014.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

January 28, 2015

MANAGEMENT'S REPORT

The management of NEMI Northern Energy & Mining Inc. is responsible for the preparation of all information included in these consolidated financial statements and Management's Discussion & Analysis ("MD&A"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted in Canada. Financial information that is presented in the MD&A is consistent with the consolidated financial statements.

In preparation of the consolidated financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been presented fairly in all material respects.

Management maintains appropriate systems of internal control that provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records provide reliable and accurate information for the presentation of consolidated financial statements.

Davidson and Company LLP, an independent firm of chartered accountants, was appointed by the shareholders to audit the consolidated financial statements of NEMI Northern Energy & Mining Inc. and provide an independent professional opinion. Their report is presented with the consolidated financial statements below.

The Board of Directors, through its Audit Committee, has reviewed the consolidated financial statements including notes thereto with management and Davidson and Company LLP. The Audit Committee is composed of independent directors. The Directors of NEMI Northern Energy & Mining Inc. approved the information contained in the consolidated financial statements based on the recommendation of the Audit Committee.

[signed] *"Michael Cooney"* **[signed]** *"Robert Chisholm"*

Michael Cooney
President and CEO

Robert Chisholm
CFO

Vancouver, British Columbia
January 28, 2015

NEMI Northern Energy & Mining Inc.

Consolidated Statements of Financial Position
As at September 30, 2014
(Expressed in Canadian dollars)

		2014		2013
Assets				
Current assets				
Cash	**$**	**3,656,587**	$	3,640,015
Investments at fair value (Note 7)		**13,254,476**		12,577,092
Accounts receivable		**80,910**		28,246
GST recoverable		**11,588**		5,121
Prepaid expenses		**13,250**		82,352
	$	**17,016,811**	$	16,332,826
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**441,291**	$	330,770
		441,291		330,770
Shareholders' equity				
Share capital (Note 8)		**12,467,622**		12,462,512
Share-based payment reserve (Note 8)		**6,746,687**		6,652,215
Accumulated other comprehensive income		**42,042**		-
Deficit		**(2,680,831)**		(3,112,671)
		16,575,520		16,002,056
	$	**17,016,811**	$	16,332,826

Organization and nature of operations (Note 1)
Contingencies (Note 13)

Approved on behalf of the Board on January 28, 2015:

"Michael Cooney"	*"B. Alex Shaw"*
Michael Cooney - CEO and Director	B. Alex Shaw - Director

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

NEMI Northern Energy & Mining Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
Years ended September 30,
(Expressed in Canadian dollars)

		2014		2013
Net investment income (loss)				
Interest and other income	**$**	**307,724**	$	529,087
Gains (losses) on investments at fair value (Note 7)		**505,371**		(6,701,048)
		813,095		(6,171,961)
Expenses				
Remuneration and benefits (Note 9)		**175,866**		343,783
Professional fees		**109,118**		169,266
Office		**178,894**		145,745
Shareholder communication		**12,419**		16,171
Director's fees (Note 9)		**42,500**		50,000
Share-based payments (Note 8)		**134,672**		229,000
Depreciation		**-**		8,673
Foreign exchange gains		**(289,269)**		(127,524)
Interest and bank charges		**17,055**		2,323
Interest, accretion and placement charges on convertible debentures		**-**		18,043
		381,255		855,480
Net income (loss) for the year		**431,840**		(7,027,441)
Translation adjustment		**42,042**		-
Comprehensive income (loss) for the year	**$**	**473,882**	$	(7,027,441)

Weighted average number of common shares outstanding		**16,770,242**		16,691,505
Basic net income (loss) per share	**$**	**0.03**	$	(0.42)
Diluted average number of common shares outstanding		**17,148,793**		16,691,505
Diluted net income (loss) per share	**$**	**0.03**	$	(0.42)

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

NEMI Northern Energy & Mining Inc.

Consolidated Statements of Cash Flows
Years ended September 30,
(Expressed in Canadian dollars)

		2014		2013
Cash flows from operating activities:				
Net income (loss) for the year	$	431,840	$	(7,027,441)
Items not involving cash:				
Accretion of debenture and deferred financing costs		-		6,255
Depreciation		-		8,673
Disposal of depreciable assets		-		2,891
Share-based compensation		134,672		229,000
Unrealized losses (gains) on investments at fair value		(715,577)		5,888,722
Unrealized foreign exchange gain on marketable securities		(502,831)		(74,851)
Financing activities charged to operations:				
Purchases of marketable securities		(7,822,107)		(7,225,747)
Proceeds on disposition of marketable securities		6,829,021		3,920,846
Losses realized on investments		210,206		812,326
Distributions received		1,323,904		-
Change in non-cash operating working capital:				
Accounts receivable		(52,664)		(10,877)
GST recoverable		(6,467)		(680)
Prepaid expenses		69,102		(24,848)
Accounts payable and accrued liabilities		110,521		76,726
		9,620		(3,419,005)
Cash flows from financing activities:				
Dividends paid		-		(832,607)
Return of capital		-		(3,349,427)
Paid on convertible debenture retirement at maturity		-		(330,000)
Proceeds received on exercise of stock options		31,500		60,000
Paid on shares repurchased - Normal Course Issuer Bid		(66,590)		(5,000)
		(35,090)		(4,457,034)
Effect of exchange rate on cash		42,042		-
Increase (decrease) in cash for the year		16,572		(7,876,039)
Cash, beginning of the year		3,640,015		11,516,054
Cash, end of the year	$	3,656,587	$	3,640,015
Supplementary information with respect to cash flows:				
Income taxes paid	$	-	$	-
Interest paid	$	(15,667)	$	(11,790)
Cash dividends received	$	114,772	$	132,271
Cash interest received	$	23,160	$	369,115

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

NEMI Northern Energy & Mining Inc.

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)

	Common shares	Share capital	Share-based payment reserve	Equity portion of convertible debentures	Accumulated other comprehensive income	Retained earnings (deficit)	Total
		$	$	$	$	$	$
Balance, September 30, 2012	16,652,135	15,720,949	6,408,383	50,822	-	4,747,377	26,927,531
Options exercised	100,000	95,990	(35,990)	-	-	-	60,000
Shared-based payments	-	-	229,000	-	-	-	229,000
Normal Course Issuer Bids	(5,000)	(5,000)	-	-	-	-	(5,000)
Repayment of convertible debt on maturity	-	-	50,822	(50,822)	-	-	-
Return of capital	-	(3,349,427)	-	-	-	-	(3,349,427)
Dividends paid	-	-	-	-	-	(832,607)	(832,607)
Net loss	-	-	-	-	-	(7,027,441)	(7,027,441)
Balance, September 30, 2013	16,747,135	12,462,512	6,652,215	-	-	(3,112,671)	16,002,056
Options exercised	**150,000**	**71,700**	**(40,200)**	**-**	**-**	**-**	**31,500**
Share-based payments	**-**	**-**	**134,672**	**-**	**-**	**-**	**134,672**
Cumulative translation adjustment	**-**	**-**	**-**	**-**	**42,042**	**-**	**42,042**
Normal Course Issuer Bids	**(119,500)**	**(66,590)**	**-**	**-**	**-**	**-**	**(66,590)**
Net income	**-**	**-**	**-**	**-**	**-**	**431,840**	**431,840**
Balance, September 30, 2014	**16,777,635**	**12,467,622**	**6,746,687**	**-**	**42,042**	**(2,680,831)**	**16,575,520**

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

1. ORGANIZATION AND NATURE OF OPERATIONS

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

NEMI operates a developed diversified investment and merchant banking operation focused on development of an investment portfolio built on strategic equity and debt investment opportunities in small cap and microcap companies which are perceived to be undervalued. The ultimate objective of these investments is to devise exit strategies that maximize the Company's relative return. The Company operates as one segment.

On October 1, 2013, the Company acquired a 100% interest in ACME Mining Inc. ("ACME") a privately held US based company incorporated by the CEO of the Company for a nominal amount. ACME had no assets or liabilities, nor an active business at the date of acquisition. The Company intends to use ACME to enhance its existing diversified investment and merchant banking operations.

The Company earned net income of $431,840, and comprehensive income of $473,882 for the year ended September 30, 2014 (2013 - net and comprehensive loss of ($7,027,441)). As at September 30, 2014, the Company has working capital of $16,575,520 (2013 - $16,002,056) and a deficit of ($2,680,831) (2013 – ($3,112,671)).

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements were approved by the board of directors on January 28, 2015.

2. BASIS OF PREPARATION (continued)

b) Basis of consolidation

These consolidated financial statements include the results and financial information of NEMI and its 100% wholly-owned subsidiaries Crossroad Ventures Inc., a company incorporated under the laws of British Columbia and ACME Mining Inc. a privately held US-based company. The results of the subsidiaries will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiaries ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated.

c) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances, but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

Estimates and underlying assumptions used in determining asset and liability values are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is as follows:

(i) Valuation of investments at fair value

The Company recognizes its investments at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models. The inputs to these models, such as discount rates and gold curve prices, are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair values.

There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

2. BASIS OF PREPARATION (continued)

(ii) Share-based payments

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

(iii) Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

The information about significant areas of judgment considered by management in preparing the consolidated financial statements is as follows:

(iv) Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern as discussed in Note 1, and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, these consolidated financial statements continue to be prepared on a going concern basis.

(v) Valuation of private company equity securities

The valuation of private company equity securities involves uncertainties and determinations based on the Company’s judgment and any value estimated from these techniques may not be realized or realizable.

3. SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of NEMI and Crossroad Ventures Inc., is the Canadian dollar, and the functional currency of ACME is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are determined in foreign amounts are translated at the rate of exchange at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income (loss).

The Company's presentation currency is in the Canadian dollar.

The results and statements of financial position of the Company's subsidiary with a functional currency that is different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities of entities with a functional currency other than the Canadian Dollar are translated at the period end rates of exchange, the results of their operations are translated at average rates of exchange for the period, and items of equity are translated at historical rates. The resulting changes are recognized in accumulated other comprehensive income ("AOCI") in equity as a translation adjustment.

Financial Instruments

(i) Investments at fair value

All investments at fair value are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in profit or loss. The Company has met the requirements of *IAS 39, Financial Instruments: Recognition and Measurement* ("IAS 39") to designate investments at fair value through profit and loss as the investments at fair value constitute a group of financial assets which is managed and its performance is evaluated on a fair value basis in accordance with a documented investment strategy. Information about the fair value of the portfolio is provided internally to the Company's key management personnel.

Investments at fair value through profit and loss are initially recognized at fair value where reliable basis for determination exists. Transaction costs are expensed as incurred. Investments are no longer recognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial assets and the transfer qualifies for discontinuation of recognition in accordance with IAS 39.

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss are presented as gains and losses on investments at fair value in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

(ii) Financial assets other than investments at fair value

Financial assets other than investments at fair value include cash, accounts receivable, and GST recoverable. These financial assets are classified as loans and receivables and recognized initially at fair value and subsequently measured at amortized cost.

Financial assets at amortized cost are measured at initial cost plus interest calculated using the effective interest rate method less cumulative repayments and cumulative impairment losses.

A financial asset is no longer recognized when the rights to receive cash flows from the asset have expired or the company has transferred substantially all of the risks and rewards of the asset. At each reporting date, an assessment is made as to whether there is any objective evidence that a financial asset is impaired. For amounts deemed to be impaired, the impairment provision is based upon the expected loss.

(iii) Financial liabilities

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

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The Company's accounts payable and accrued liabilities is classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Investment purchases and sales are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are included in the determination of income or loss for the reporting period.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are immediately expensed and included in the determination of income for the reporting period in which they are incurred. Dividend income is recorded when received. Interest income and other income are recorded on an accrual basis.

Impairment of non-financial assets

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

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

Earnings per share

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share (continued)

	2014	2013
Net income (loss) for the year	$ 431,840	$ (7,027,441)
Basic weighted average number of common shares outstanding	16,770,242	16,691,505
Effect of dilutive securities		
Stock options	378,551	-
Diluted weighted average number of common shares outstanding	17,148,793	16,691,505

Share-based payments

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based payment reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model which takes into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

Share capital

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

4. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

The following standards and amendments to existing standards have been adopted by the Company effective October 1, 2013:

IFRS 7 – (Amendment) Financial Instruments: Disclosures
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 1 – (Amendment) Presentation of Financial Statements
IAS 27 – Separate Financial Statements
IAS 28 – Associates and Joint Ventures

The adoption of these standards did not have an impact on the financial statements.

5. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have an effect on the Company's financial statements:

IAS 32 (Amendment) - Financial instruments: Presentation, effective for annual periods beginning on or after January 1, 2015.

IFRS 7 (Amended) - Financial instruments: Disclosures, effective for annual periods beginning on or after January 1, 2015.

IFRS 9 - New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

IFRS 10 - Investment Entities, effective for annual periods beginning on or after January 1, 2014.

IFRIC 21 - Levies, effective for annual periods beginning on or after January 1, 2014.

6. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The determination of fair value requires judgment based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below. Such valuation changes are reflected in the consolidated financial statements.

A fair value hierarchy is summarized in note 11 that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments. The hierarchy contains the following levels: Level 1 uses quoted (unadjusted) prices in active markets for identical assets and liabilities; Level 2 uses other techniques for which all inputs having a significant effect on the recorded value are observable, either directly or indirectly; and, Level 3 uses techniques with inputs that have a significant effect on the recorded value that are not based on observable market data.

a) Investments at fair value

i) Publicly traded securities

The fair value of securities that are traded in active markets, such as on a recognized securities exchange is determined by reference to quoted closing market prices or dealer price quotations (bid price for long positions and ask price for short positions) on the reporting date, without any deduction for transaction costs. Certain of the securities that have been acquired through private placement subscriptions may be subject to four-month holding periods as disclosed. Further, in accordance with IFRS, no provision is taken to recognize any possible premium or discount that may be applicable on relatively large board lots in a given prevailing market.

6. DETERMINATION OF FAIR VALUES (continued)

a) Investments at fair value (continued)

ii) Purchase rights to publicly traded securities

In those instances where the Company has secured additional purchase rights to securities such as warrants attached to shares for which it has subscribed or been granted under the terms of a loan agreement and for which there is no recognized trading value, the Company does not record any value to such purchase rights. When there are sufficient and reliable observable market inputs, a valuation technique is applied.

iii) Private company equity securities

The Company's investments at fair value include equity issued by private companies. The determinations of fair value of such investments at other than initial cost are subject to certain limitations. Financial information for private companies with whom the Company has made investments may not be available and, even if available, that information may be limited and/or unreliable.

For private company equity securities not traded in an active market, all investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting date, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm’s length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

iv) Loans

Investments at fair value include loans to corporations for which there is no quoted market value but for which comparable empirical data exists on which the Company has based its valuations. In these instances, fair value is determined using valuation techniques.

b) Stock options

The fair value of employee stock options is measured using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

(Expressed in Canadian dollars)

7. 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 each period end 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 fair value as determined by management in the case of private company securities and loans.

As at September 30, 2014, investments at fair value were as follows:

	September 30, 2014		September 30, 2013	
	Fair value	**Cost**	Fair value	Cost
	$	**$**	$	$
Publicly traded securities	**4,563,106**	**6,822,291**	4,172,622	7,160,884
Private equity securities	**6,340,000**	**4,150,000**	6,240,000	4,050,000
Loans	**2,351,370**	**2,479,870**	2,164,470	2,279,470
	13,254,476	**13,452,161**	12,577,092	13,490,354

Changes in the Company's investments at fair value were as follows:

	September 30, 2014	September 30, 2013
	$	$
Opening Balance	**12,577,092**	15,898,388
Purchases	**7,822,107**	7,225,747
Distributions received	**(1,323,904)**	-
Proceeds on disposition	**(6,829,021)**	(3,920,846)
Realized losses on disposition	**(210,206)**	(812,326)
Unrealized foreign exchange gains (losses)	**502,831**	74,851
Unrealized gains (losses)	**715,577**	(5,888,722)
Balance	**13,254,476**	12,577,092

As the Company carries its investments at fair value through profit or loss, the above referenced realized and unrealized gains and losses totaling $505,371 (2013 – ($6,701,048)) have been recognized in income for the year ended September 30, 2014.

7. INVESTMENTS AT FAIR VALUE (continued)

a) Publicly traded securities and loans

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.

i) American Bonanza Gold Corp ("BZA") and Kerr Mines Inc. ("KER")

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.

During 2013 fiscal year, 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 was extended to August 1, 2014 and the loan was 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.

7. INVESTMENTS AT FAIR VALUE (continued)

a) Publicly traded securities and loans (continued)

i) American Bonanza Gold Corp ("BZA") and Kerr Mines Inc. ("KER") (continued)

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 had 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 had been deferred to January 1, 2014. On January 3, 2014 NEMI sent BZA a notice of default after not receiving the agreed upon payments.

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 was approved by BZA shareholders at BZA's annual general meeting held on June 20, 2014 and by the Supreme Court of British Columbia on June 25, 2014.

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

The note is secured under a General Security Agreement by a pledge of the assets and share capital of Bonanza Explorations Inc., an operating subsidiary of BZA, which became an operating subsidiary of KER upon completion of the arrangement transaction between BZA and KER announced on April 14, 2014. This transaction was approved by BZA shareholders at BZA's annual general meeting held on June 20, 2014. NEMI recorded a gain of $750,544 as a result of this transaction which is included in the income on investments at fair value on the consolidated statement of income (loss) and comprehensive income (loss). The Company has the right, at its option, at any time commencing on June 20, 2015, to convert the whole or any part of the loan into common shares of Kerr at a conversion price of $0.06 per share.

7. INVESTMENTS AT FAIR VALUE (continued)

a) Publicly traded securities and loans (continued)

i) American Bonanza Gold Corp ("BZA") and Kerr Mines Inc. ("KER") (continued)

On June 27, 2014 the 48,762,489 common shares of BZA were converted into 25,844,120 shares of KER per the arrangement transaction between BZA and KER. On July 25, 2014 KER filed articles of amendment giving effect to the consolidation of its issued and outstanding common shares on a one (1) for fifteen (15) basis. As a result of this consolidation, the Company received 1,722,939 shares of KER.

ii) Vangold Resources Ltd. ("VAN")

As at September 30, 2014, the Company holds 675,000 warrants in VAN valued at $Nil (2013 - $Nil). The warrants were valued using the residual value approach; 250,000 are due to expire in fiscal 2016 and 425,000 are due to expire in fiscal 2017.

b) Private equity securities

i) 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 September 30, 2014, the Company held 5,200,000 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.

7. INVESTMENTS AT FAIR VALUE (continued)

b) Private equity securities (continued)

ii) Belhara Security Systems ("Belhara")

As at September 30, 2014, the Company held 132,000 shares in Belhara valued at $Nil (2013 - $Nil). The shares were acquired in fiscal 2013 and their cost and fair value were written down to $Nil during the year ended September 30, 2013.

iii) Unloot Enterprises Inc. ("Unloot")

As at September 30, 2014, the Company held 2,000,000 shares in Unloot valued at $100,000 (2013 - $Nil). The shares were acquired in fiscal 2014 for cash in the amount of $100,000.

8. SHARE CAPITAL

a) Authorized share capital

An unlimited number of Class A voting Common Shares – 16,777,635 (2013 –16,747,135) 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) 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. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the provisions of the Plan. The expiry date for an option shall not be more than ten years from the grant date.

On August 25, 2014, the Company granted 300,000 options, which vested immediately, having an exercise price of $0.60 each, exercisable at any time up until and including August 25, 2019. The fair value of the options so granted was determined to be $134,672 using the Black-Scholes option pricing model under the following assumptions: risk-free interest rate - 1.44%; expected life - 4.5 years; expected volatility - 101% and expected dividends - nil.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

b) Options (continued)

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2012	1,050,000	$ 0.60
Exercised	(100,000)	0.60
Granted	300,000	0.45
Balance, September 30, 2013	1,250,000	$ 0.58
Forfeited	(100,000)	0.80
Exercised	(150,000)	0.21
Granted	300,000	0.60
Balance, September 30, 2014	**1,300,000**	**$0.61**

As at September 30, 2014, outstanding options were as follows:

Expiry	Number of options outstanding		Weighted average exercise price per share	Average remaining life (years)
September 30, 2015	75,000	$	0.40	1.00
September 30, 2016	200,000	$	0.80	2.00
September 30, 2016	125,000	$	0.40	2.00
April 19, 2017	300,000	$	0.80	2.55
August 30, 2018	300,000	$	0.45	3.92
August 25, 2019	300,000	$	0.60	4.90
Fully vested and exercisable	**1,300,000**	**$**	**0.61**	**3.18**

During the year ended September 30, 2014 100,000 stock options granted to the former CFO were forfeited and 150,000 options were exercised.

c) Income (loss) per share

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 year ended September 30, 2014 was 16,770,242 (basic) and 17,148,793 (diluted) (2013 – 16,691,505 basic and diluted)

8. SHARE CAPITAL (continued)

d) Normal course issuer bid ("NCIB")

On July 22, 2014, NEMI announced that it would conduct an NCIB under which the Company may purchase up to 841,031 of its common shares or 5% of the total outstanding at any time on the open market commencing July 22, 2014 at prevailing market prices at the time of acquisition. The bid will expire on July 21, 2015 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 cancelled. For the year ended September 30, 2014, 76,500 shares had been repurchased under the now expired 2013 NCIB and 43,000 shares have been repurchased and cancelled under the current 2014 NCIB. Subsequent to September 30, 2014, the Company repurchased and cancelled a total of 89,000 common shares under the current 2014 NCIB.

e) Return of capital

On September 10, 2013, the Company announced that it would complete a return of capital in the amount of $0.20 per common share to the shareholders of record at the close of business on September 16, 2013. The Company made a cash payment of $3,349,427 to its shareholders on September 19, 2013. This return of capital was authorized by the Supreme Court of British Columbia on September 9, 2013.

9. RELATED PARTIES

a) 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 during the year ended September 30, 2010.

Key management includes 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 income (loss) and comprehensive income (loss) and included in reported expenses for the year September 30, 2014 and 2013 as follows:

(Expressed in Canadian dollars)

9. RELATED PARTIES (continued)

a) Key management compensation (continued)

	2014	2013
	$	$
Wages and benefits	**170,000**	281,050
Directors fees and expenses	**42,500**	50,000
Share-based payments	**134,672**	229,000
	347,172	560,050

Included in accounts payable and accrued liabilities as at September 30, 2014 is $394,798 (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.

As at September 30, 2014, $15,000 was owed from Unloot and is recorded in accounts receivable.

b) Investments

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 are as follows:

As at September 30, 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.

As at September 30, 2014, the Company's investments at fair value include 3,527,000 shares of Vangold Resources Ltd. (“VAN”) valued at $70,540 which amounts to a 14.6% interest in VAN. NEMI’s CEO has been a director of VAN since April 3, 2014.

As at September 30, 2014, the Company's investments at fair value include 2,000,000 shares of Unloot valued at $100,000 which amounts to a 24% interest in Unloot. The founder and Chairman of Unloot is a director of NEMI and NEMI’s CEO is currently a director of Unloot.

c) Agreements

As at September 30, 2014, the Company has a management services agreement with a private company with which the Company’s CFO exercises significant influence. During the year ended September 30, 2014, the Company paid $75,000 (2013 - $Nil) to this private company.

(Expressed in Canadian dollars)

10. INCOME TAXES

a) Deferred tax asset recognition

Deferred taxes arising from temporary differences in unused tax losses are summarized as:

i) Deferred tax assets - recognized

	September 30, 2014	September 30, 2013
	$	$
Non-capital losses	-	-
Investment in securities	-	-
Net recognized deferred tax assets	-	-

ii) Deferred tax assets - not recognized

	September 30, 2014	September 30, 2013
	$	$
Non-capital losses	2,837,000	2,806,009
Resource pools	2,317,000	2,317,077
Capital losses	365,000	239,828
Capital assets	64,000	64,151
Investment in securities	24,000	278,483
Unrecognized deferred tax assets	5,607,000	5,705,548

As at September 30, 2014, the Company and its subsidiary have losses carried forward of approximately $10,912,000 (2013 - $10,792,340) that are available to reduce income taxes in future years that expire as follows:

Year of Expiry	Non-Capital Tax Losses
	$
2028	4,700,127
2029	2,090,762
2030	2,441,205
2032	497,809
2033	907,281
2034	275,182

(Expressed in Canadian dollars)

10. INCOME TAXES (continued)

a) Deferred tax asset recognition (continued)

ii) Deferred tax assets - not recognized (continued)

The Company's resource pools, capital losses, capital assets, and investment in securities may be carried forward indefinitely.

b) Income tax expense

The provision for income tax differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 26.00% (2013 – 25.50%) as follows:

	September 30, 2014	September 30, 2013
	$	$
Net income (loss) and comprehensive income (loss) before tax	431,840	(7,027,441)
Canadian statutory income tax rate	26.00%	25.50%
Expected tax recovery (expense)	(112,000)	1,791,997
Share-based payments and other permanent items	81,000	(58,296)
Effect of rate differences and other	(27,000)	180,693
Change in unrecognized deductible temporary differences	58,000	(1,914,394)
Income tax expense recognized in determination of net income	-	-

The change in the statutory tax rate from 2013 is as a result of legislative tax changes in the federal and provincial income tax rates.

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS

a) Fair value risk

When participating in investment activities, the Company may incur losses if it is unable to resell the securities it has purchased or if it is forced to liquidate its holdings at less than their respective carrying values. The Company is also exposed to fair value risk as a result of its principal trading activities in publicly traded securities. All of the Company's investments at fair value through profit or loss are carried on a fair value through profit or loss basis and recorded at their fair value. As such, changes in fair value affect earnings as they occur.

The fair value of cash, GST recoverable, accounts receivable and accounts payable at September 30, 2014 and 2013 approximate their carrying values due to their short term to maturity.

The following table summarizes the effect on net income as a result of fair value changes in publicly traded securities at fair value through profit or loss as at September 30, 2014. This analysis assumes all other variables remain constant in accordance with the company's established accounting policies:

		September 30, 2014	
	Reported carrying value	**Effect of a 10% change in value on net income**	
		Increase	**(Decrease)**
	$	**$**	**$**
Investments at fair value	13,254,476	1,325,448	(1,325,448)

		September 30, 2013	
	Reported carrying value	**Effect of a 10% change in value on net income**	
		Increase	**(Decrease)**
	$	**$**	**$**
Investments at fair value	12,577,092	1,257,709	(1,257,709)

As all investments at fair value are carried on a fair value through profit or loss basis, changes in the market value are included in income for the year and have no potential effect on other comprehensive income.

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS (continued)

a) Fair value risk (continued)

As of September 30, 2014, the determination of estimated fair value as discussed in Note 6 of the Company's investment in publicly traded securities and private equity securities was as follows:

		Estimated fair values		
	September 30, 2014	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Publicly traded securities	4,563,106	4,540,432	-	22,674
Private equity securities	6,340,000	-	-	6,340,000
Loans	2,351,370	-	-	2,351,370
	13,254,476	4,540,432	-	8,714,044

		Estimated fair values		
	September 30, 2013	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Publicly traded securities	4,172,622	3,537,195	-	635,427
Private equity securities	6,240,000	-	-	6,240,000
Loans	2,164,470	-	-	2,164,470
	12,577,092	3,537,195	-	9,039,897

The Company's movement in Level 3 fair value through profit or loss securities consists of the following :

	2014	2013
	$	$
Opening Balance, September 30, 2013	**9,039,897**	2,090,000
Advances/purchases for investments	**2,367,500**	913,800
Disposal of investments (net)	**(2,456,650)**	-
Market value adjustments (net)	**(628,677)**	(3,193,500)
Foreign exchange adjustments	**391,974**	94,170
Settlement of loan	**-**	(500,000)
Transfer in from Level 1 – shares under liquidation	**-**	635,427
Transfer in from Level 2 – private company equity	**-**	9,000,000
Balance, September 30, 2014	**8,714,044**	9,039,897

11. FINANCIAL INSTRUMENTS (continued)

a) Fair value risk (continued)

During the year ended September 30, 2013, a significant investment of the Company, First Bank of Delaware ("FBOD") commenced a liquidation process and its shares were delisted. The Company's broker assessed the fair value of zero related to these shares. However, in November 2013 the Company received a statement from FBOD's liquidator with a value per share of USD$1.67 based on the net assets of FBOD. Accordingly, the Company adjusted the fair value of these shares to reflect the USD$1.67 per share valuation. Subsequent to this valuation, FBOD paid two distributions totaling $731,250 reducing the estimated market value of the shares to USD$0.045 per share. Given that the shares were not publicly traded in the active market as at September 30, 2014, the fair value of these shares are categorized as Level 3.

b) Market risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

i) Currency risk

A portion of the Company's financial assets and liabilities is denominated in foreign currencies giving rise to risks from changes in foreign exchange rates. For every 1% change in the US-Canadian exchange rate, as at September 30, 2014, the Company is exposed to currency fluctuations as follows:

	Reported fair value	Effect of a 1% change in exchange rates	
		Increase	(Decrease)
	$	$	$
US$ investment in: (in CDN$)			
Quoted marketable equities	1,474,871	14,749	(14,749)
Loans	2,351,370	23,514	(23,514)
	3,826,241	38,263	(38,263)

As at September 30, 2014, except for USD denominated investments at fair value having a market value of approximately $3,826,241 (USD$3,417,178) (September 30, 2013 $3,361,040 (USD$3,260,972) all of the Company's financial instruments are held in Canadian dollars. At current levels of foreign investment, management does not believe a change of 1% in exchange rates would have a significant effect on the Company's business, financial condition and results of operations.

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS (continued)

b) Market risk (continued)

ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Company. The Company incurs interest rate risk on its cash balances as well as with respect to the loan held. The Company attempts to minimize and monitor its exposure to interest rate risk by fixing rates of interest on its loans that are well in excess of normal market rates. The Company does not engage in the trading of futures in order to mitigate interest rate risk.

The following table provides the effect on net income (loss) for the years ended September 30, 2014 and 2013 if interest rates had increased or decreased by 1% applied to the reported balances as of those respective dates. This sensitivity analysis assumes all other variables are constant. The methodology used to calculate the interest rate sensitivity in each of the two years presented is consistent.

		September 30, 2014	
Financial instrument	**Reported carrying value**	**Effect of a 1% change in interest rates**	
		Increase	**(Decrease)**
	$	**$**	**$**
Cash	3,656,587	36,566	(36,566)
Loan	2,351,370	23,514	(23,514)
	6,007,957	60,080	(60,080)

		September 30, 2013	
Financial instrument	**Reported carrying value**	**Effect of a 1% change in interest rates**	
		Increase	**(Decrease)**
	$	**$**	**$**
Cash	3,640,015	36,400	(36,400)
Loan	2,164,470	21,645	(21,645)
	5,804,485	58,045	(58,045)

iii) Price rate risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

11. FINANCIAL INSTRUMENTS (continued)

c) Credit risk

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

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

As at September 30, 2014, the Company was carrying a loan to a third party in the amount of approximately $2,351,370 (2013-$2,164,470). This loan has been extended under circumstances that carry considerable risk. In recognition of these risks, the Company has sought collateral over the assets of the lender under a General Security Agreement. In addition, management has negotiated terms and restrictions on the operations of the borrower in an effort to mitigate against the possibility of a sudden impairment of the underlying assets. Nonetheless, there can be no assurance that these procedures will not result in the foreclosure on the loan, and in the event of foreclosure, that liquidation proceeds will be sufficient to recover the full amount of the loan value and any related costs incurred in the process of completing such a foreclosure.

d) Liquidity risk

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

12. MANAGEMENT OF CAPITAL

The Company’s objectives when managing its capital are to maintain a flexible structure in order to optimize the cost of and return on capital at an acceptable level of risk, balancing the interests of both equity and debt holders while allowing for development of the business.

In addition to its cash holdings and investments at fair value, the Company considers shareholders’ equity, to be components, from time to time, of capital under management. The Company does not currently have any short term credit facilities in place.

Current investment activity as it pertains to the management of investments at fair value is ultimately limited to the extent of the Company's ability to liquidate existing investments on a timely and profitable basis and by the Company's ability to secure new financing through the issuance of new shares or incur debt, as required, in order to meet the objectives above. The Company monitors its capital based upon debt to equity and current asset to current liability ratios. The Company is not subject to externally imposed capital requirements.

13. 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.

14. SUBSEQUENT EVENTS

Subsequent to September 30, 2014, the Company repurchased and cancelled a total of 89,000 common shares under the current 2014 NCIB.