

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

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

For the three months ended December 31, 2014 and 2013

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the three months ended December 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,

	December 31, 2014	September 30, 2014
<b>Assets</b>		
Current assets		
Cash	\$ 2,880,948	\$ 3,656,587
Investments at fair value (Note 6)	13,554,838	13,254,476
Accounts receivable	121,161	80,910
GST recoverable	1,147	11,588
Prepaid expenses	10,477	13,250
	<b>\$ 16,568,571</b>	<b>\$ 17,016,811</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 464,171	\$ 441,291
	<b>464,171</b>	<b>441,291</b>
Shareholders' equity		
Share capital (Note 7)	12,415,387	12,467,622
Share-based payment reserve (Note 7)	6,746,687	6,746,687
Accumulated other comprehensive income	56,644	42,042
Deficit	(3,114,318)	(2,680,831)
	<b>16,104,400</b>	<b>16,575,520</b>
	<b>\$ 16,568,571</b>	<b>\$ 17,016,811</b>

Organization and nature of operations (Note 1)

Contingencies (Note 10)

Approved on behalf of the Board on February 27, 2015:

"Michael Cooney"

Michael Cooney - CEO and 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 Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the three months ended December 31,

	2014	2013
<b>Net investment loss</b>		
Interest and other income	\$ 56,100	\$ 33,786
Losses on investments at fair value (Note 6)	(574,945)	(243,292)
	<b>(518,845)</b>	<b>(209,506)</b>
<b>Expenses</b>		
Remuneration and benefits (Note 8)	40,000	53,939
Office	28,430	83,569
Shareholder communication	1,676	1,924
Director's fees (Note 8)	10,000	12,500
Foreign exchange gains	(165,856)	(72,297)
Interest and bank charges	392	1,245
	<b>(85,358)</b>	<b>80,880</b>
<b>Net loss for the period</b>	<b>(433,487)</b>	<b>(290,386)</b>
Translation adjustment	14,602	6,402
<b>Comprehensive loss for the period</b>	<b>\$ (418,885)</b>	<b>\$ (283,984)</b>
<b>Weighted average number of common shares outstanding</b>	<b>16,763,276</b>	<b>16,742,587</b>
<b>Basic loss per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Diluted average number of common shares outstanding</b>	<b>16,763,276</b>	<b>16,742,587</b>
<b>Diluted loss per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>

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 three months ended December 31,

	2014	2013
Cash flows from operating activities:		
Net loss for the period	\$ (433,487)	\$ (290,386)
Items not involving cash:		
Unrealized losses (gains) on investments at fair value	489,002	(214,196)
Unrealized foreign exchange gain on marketable securities	(143,887)	(193,304)
Financing activities charged to operations:		
Purchases of marketable securities	(1,652,373)	(1,654,717)
Proceeds on disposition of marketable securities	795,789	771,919
Losses realized on investments	85,943	457,437
Distributions received	125,164	982,388
Change in non-cash operating working capital:		
Accounts receivable	(40,251)	21,678
GST recoverable	10,441	1,339
Prepaid expenses	2,773	73,661
Accounts payable and accrued liabilities	22,880	12,289
	<b>(738,006)</b>	<b>(31,892)</b>
Cash flows from financing activities:		
Paid on shares repurchased - Normal Course Issuer Bid	(52,235)	(10,000)
	<b>(52,235)</b>	<b>(10,000)</b>
Effect of exchange rate on cash	14,602	6,402
Decrease in cash for the period	(775,639)	(35,490)
Cash, beginning of the period	3,656,587	3,640,015
Cash, end of the period	\$ 2,880,948	\$ 3,604,525
Supplementary information with respect to cash flows:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Cash dividends received	\$ 13,439	\$ -
Cash interest received	\$ 9,934	\$ 8,474

The accompanying notes are an integral part of these condensed interim 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	Accumulated other comprehensive income	Retained earnings (deficit)	Total
		\$	\$	\$	\$	\$
Balance, September 30, 2013	16,747,135	12,462,512	6,652,215	-	(3,112,671)	16,002,056
Normal Course Issuer Bids	(20,000)	(10,000)	-	-	-	(10,000)
Cumulative translation adjustment	-	-	-	6,402	-	6,402
Net loss	-	-	-	-	(290,386)	(290,386)
<b>Balance, December 31, 2013</b>	<b>16,727,135</b>	<b>12,452,512</b>	<b>6,652,215</b>	<b>6,402</b>	<b>(3,403,057)</b>	<b>15,708,072</b>
<b>Balance, September 30, 2014</b>	<b>16,777,635</b>	<b>12,467,622</b>	<b>6,746,687</b>	<b>42,042</b>	<b>(2,680,831)</b>	<b>16,575,520</b>
Normal Course Issuer Bids	(89,000)	(52,235)	-	-	-	(52,235)
Cumulative translation adjustment	-	-	-	14,602	-	14,602
Net income	-	-	-	-	(433,487)	(433,487)
<b>Balance, December 31, 2014</b>	<b>16,688,635</b>	<b>12,415,387</b>	<b>6,746,687</b>	<b>56,644</b>	<b>(3,114,318)</b>	<b>16,104,400</b>

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 three months ended December 31, 2014 and 2013  
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## 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 incurred a net loss of (\$433,487) and a comprehensive loss of (\$418,885) for the three months ended December 31, 2014 (2013 – net loss of (\$290,386) and comprehensive loss of (\$283,984)). As at December 31, 2014, the Company has working capital of \$16,104,400 (September 30, 2014 - \$16,575,520) and a deficit of (\$3,114,318) (September 30, 2014 – (\$2,680,831)).

## 2. BASIS OF PREPARATION

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, 2015. 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, 2014, 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 100% wholly-owned subsidiaries, Crossroad Ventures Inc. (“Crossroad”), having a Canadian functional currency, and ACME Mining Inc. (“ACME”), having a US functional currency. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

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

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## **2. BASIS OF PREPARATION (continued)**

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 27, 2015.

## **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, 2014 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. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED**

During the period, the Company adopted the following new accounting policy:

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

The adoption of this standard 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 period ended December 31, 2014, and have not been applied in preparing these condensed interim consolidated financial statements. None of these is expected to have an effect on the Company's financial statements:

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.



## NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 6. 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 December 31, 2014, investments at fair value were as follows:

	December 31, 2014		September 30, 2014	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Publicly traded securities	4,775,058	7,518,247	4,563,106	6,822,291
Private equity securities	6,340,000	4,150,000	6,340,000	4,150,000
Loans	2,439,780	2,573,280	2,351,370	2,479,870
	<b>13,554,838</b>	<b>14,241,527</b>	13,254,476	13,452,161

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

	December 31, 2014	September 30, 2014
	\$	\$
Opening Balance	13,254,476	12,577,092
Purchases	1,652,373	7,822,107
Distributions received	(125,164)	(1,323,904)
Proceeds on disposition	(795,789)	(6,829,021)
Realized losses on disposition	(85,943)	(210,206)
Foreign exchange gains	143,887	502,831
Unrealized gains (losses)	(489,002)	715,577
Balance	<b>13,554,838</b>	13,254,476

As the Company carries its investments at fair value through profit or loss, the above referenced realized and unrealized gains and losses totaling (\$574,945) (September 30, 2014 – \$505,371) have been recognized in income for the three month period ended December 31, 2014.

# NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
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## 6. 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.

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 was 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 were

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## 6. INVESTMENTS AT FAIR VALUE (continued)

### a) Publicly traded securities and loans (continued)

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

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 would 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.

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. NEMI recorded a net gain of \$750,544 based on a closing price for KER of \$0.035 in the fiscal year ended September 30, 2014 as a result of this transaction which was included in the income on investments at fair value on the consolidated statement of income (loss) and comprehensive income (loss).

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

The KER promissory 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. 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 KER at a conversion price of \$0.90 per share on a post consolidated basis.

For the quarter ended December 31, 2014, NEMI recorded an unrealized loss of \$301,514 based on a closing price for KER of \$0.075.

#### ii) Vangold Resources Ltd. ("VAN")

As at December 31, 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.

# NEMI Northern Energy & Mining Inc.

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## 6. INVESTMENTS AT FAIR VALUE (continued)

### 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 December 31, 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.

#### ii) Belhara Security Systems ("Belhara")

As at December 31, 2014, the Company held 132,000 shares in Belhara valued at \$Nil (2013 - \$Nil). The shares were acquired in fiscal 2013 as consideration for a sub-lease agreement and their cost and fair value were written down to \$Nil during the year ended September 30, 2013.

# NEMI Northern Energy & Mining Inc.

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## 6. INVESTMENTS AT FAIR VALUE (continued)

### b) Private equity securities

#### iii) Unlout Enterprises Inc. (“Unlout”)

As at December 31, 2014, the Company held 2,000,000 shares in Unlout valued at \$100,000 (2013 - \$Nil). The shares were acquired in fiscal 2014 for cash in the amount of \$100,000. In fiscal 2014, the Company purchased a \$90,000 loan owed by Unlout to a third party for \$45,000. As at September 30, 2014, the Company had received \$30,000 from Unlout toward the balance of this debt. During the three months ended December 31, 2014, Unlout issued a Promissory Note (“Note”) for \$60,000 to the Company to cover the remaining amount of the debt; the Note has been recorded at cost (\$15,000) and included in accounts receivable. Subsequent to the period end, the Company subscribed to 175,000 shares of Unlout at \$0.20 per share. The subscription cost was offset against the outstanding balance of the Note.

## 7. SHARE CAPITAL

### a) Authorized share capital

An unlimited number of Class A voting Common Shares – 16,688,635 (2013 –16,727,135) 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.

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### 7. 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, 2013	1,250,000	\$ 0.60
Forfeited	(100,000)	0.80
Exercised	(150,000)	0.21
Granted	300,000	0.60
Balance, September 30, 2014	1,300,000	\$ 0.61
Forfeited	-	-
Exercised	-	-
Granted	-	-
<b>Balance, December 31, 2014</b>	<b>1,300,000</b>	<b>\$0.61</b>

As at December 31, 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	0.75
September 30, 2016	200,000	\$ 0.80	1.75
September 30, 2016	125,000	\$ 0.40	1.75
April 19, 2017	300,000	\$ 0.80	2.30
August 30, 2018	300,000	\$ 0.45	3.67
August 25, 2019	300,000	\$ 0.60	4.65
<b>Fully vested and exercisable</b>	<b>1,300,000</b>	<b>\$ 0.61</b>	<b>2.93</b>

#### c) 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 period ended December 31, 2014 was 16,763,276 (2013 – 16,742,587) As the calculation of diluted losses per share would be anti-dilutive, the calculation of the diluted number of shares in the current period is not applicable.

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## 7. 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 period ended December 31, 2014, 89,000 shares had been repurchased and cancelled 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.

## 8. 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 condensed interim consolidated statement of loss and comprehensive loss and included in reported expenses for the period ended December 31, 2014 and 2013 as follows:

	For the three months ended December 31, 2014	For the three months ended December 31, 2013
	\$	\$
Wages and benefits	40,000	50,000
Directors fees and expenses	10,000	12,500
	<u>50,000</u>	<u>62,500</u>

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# NEMI Northern Energy & Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
As at and for the three months ended December 31, 2014 and 2013  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

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## 8. RELATED PARTIES (continued)

### a) Key management compensation (continued)

Included in accounts payable and accrued liabilities as at December 31, 2014 is \$421,513 (September 30, 2014 - \$394,798) 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.

The \$15,000 cost of a \$60,000 Note issued from Unloot during the three month period ended December 31, 2014 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 December 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.

As at December 31, 2014, the Company's investments at fair value include 3,527,000 shares of Vangold Resources Ltd. ("VAN") valued at \$17,635 which amounts to a 14.6% interest in VAN. NEMI's CEO has been a director of VAN since April 3, 2014.

As at December 31, 2014, the Company's investments at fair value include 2,000,000 shares of Unloot valued at \$100,000 which amounts to a 13.3% interest in that company. The founder and Chairman of Unloot is a director of NEMI and NEMI's CEO is currently a director of Unloot. In fiscal 2014, the Company purchased a \$90,000 loan owed by Unloot to a third party for \$45,000. As at September 30, 2014, the Company had received \$30,000 from Unloot toward the balance of this debt. During the three months ended December 31, 2014, Unloot issued a Note for \$60,000 to the Company to cover the remaining amount of the debt; the Note has been recorded at cost (\$15,000) and included in accounts receivable. Subsequent to the period end, the Company subscribed to 175,000 shares of Unloot at \$0.20 per share. The subscription cost was offset against the outstanding balance of the Note.

### c) Agreements

As at December 31, 2014, the Company has a management services agreement with a private company with which the Company's CFO exercises significant influence. During the three month period ended December 31, 2014, the Company paid \$18,750 (2013 - \$18,750) to this private company.



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

Notes to the Condensed Interim Consolidated Financial Statements  
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## **9. 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.

## **10. 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.

## **11. COMPARATIVE FIGURES**

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

## **12. SUBSEQUENT EVENT**

On February 24, 2015 the Company subscribed to 175,000 shares of Unlout (See Note 6) at \$0.20 per share. The subscription cost was offset against the balance of the outstanding Note valued at \$60,000 issued on November 8, 2014.