



Dear fellow shareholders,

The fiscal year ended September 30, 2009 marked a transition year for NEMI, as we shareholders successfully elected a new board of directors at the halfway mark, after a contested proxy battle at the annual general meeting held in March 2009.

The first half of the fiscal year under prior management was dismal. Expenses for the first 6 months were rampant, at \$1.4 million. On top of that was the cancelled Aviva merger, which in my view should never have been proposed, and which cost us a \$1 million break fee. Billed and structured as a merger of equals, I never doubted that NEMI was far stronger than Aviva – and 18 months later our share price has increased by 14%, while Aviva's has gone down about 80%, from the prices used to calculate the merger exchange ratios.

After the proxy battle and being appointed Chairman of the Board, my first step to rebuilding shareholder value was to "right size" executive compensation and corporate expenses. To that end, executive and director compensation for the second half of the year (excluding the former CEO's remaining salary payments and a \$300,000 reserve in the financial statements for his claim of constructive dismissal) have been cut over 50% from prior levels. Various other expenses (professional fees, advertising, travel and accommodation) have been reduced by over 75%. Our expected burn rate for general and administrative expenses is now a more reasonable \$1 million annually, freeing up capital to be used for participation in the Peace River Coal Limited Partnership ("PRC"), a producer of metallurgical coal for the seaborne market, and for our stock buyback program.

We finished the year with \$46 million invested in PRC, representing a 12% interest in PRC and 84% of our shareholder equity. In 2009, PRC managed to increase production slightly as it continued in its development phase, but actual financial results were disappointing as PRC dealt with constraints on production volume and a coal price that was down 60% from 2008 levels – NEMI's share of PRC's earnings amounted to only \$0.3 million in the fiscal year. But I remain optimistic. I believe PRC will be more productive in 2010 under the leadership of Glen Koropchuk, who arrived last year. The metallurgical coal market is also looking increasingly positive in 2010, and PRC will benefit from the expected higher prices in the 2010 coal contract to commence April 1.

In October, PRC managing and majority partner Anglo American announced that they would sell their stake in PRC. As you can imagine, NEMI is intensely interested in the upcoming process and I am committed to doing what is in the best interests of NEMI's shareholders. NEMI has several options. If the price was right, we could sell alongside Anglo subject to approval from the shareholders. In certain

circumstances, we could even exercise our "right of first refusal" and buy Anglo's stake in cooperation with a third party that provides financing. I expect that the Anglo sales process will get started in earnest this month and I expect there will be widespread interest.

Let me describe my reasons for making my own investment in NEMI late in 2008. In NEMI's stake in PRC, I saw world class metallurgical coal assets trading at a substantial discount to prices paid by knowledgeable parties for comparable coal properties. I believe the same condition exists today with the added benefits of NEMI's reduced cost structure, a near term catalyst in the Anglo announcement, and management with skin in the game in the form of its substantial share ownership.

I look forward to chairing my first shareholder meeting of the Company, on March 30th in Vancouver, and hope to see many of you there.

Michael Cooney
Chairman of the Board

March 1, 2010