
NEMI Northern Energy & Mining Inc.

Unaudited Interim Consolidated Financial Statements
For the three-month period ended December 31, 2010

(Expressed in Canadian Dollars)

Notice of no Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim Consolidated financial statements of NEMI Northern Energy & Mining Inc. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NEMI Northern Energy & Mining Inc.

Interim Consolidated Statements of Operations and Comprehensive Loss
Three months ended December 31,
(Unaudited)

| | 2010 | 2009 |
|---|--------------------|-------------------|
| | \$ | \$ |
| Corporate operating expenses | | |
| Advertising and public relations | (2,100) | (625) |
| Amortization | (1,162) | (1,525) |
| Consulting - note 8 | (16,000) | (19,500) |
| Directors' fees | (13,500) | (21,000) |
| Insurance | (8,736) | (10,236) |
| Office and sundry | (498) | (2,266) |
| Office rent | (9,845) | (11,600) |
| Professional fees | (42,084) | (11,615) |
| Regulatory fees | (6,089) | (4,180) |
| Stock-based compensation - note 7 | (26,000) | (8,000) |
| Stock transfer fees | (1,947) | (1,233) |
| Telecommunications | (1,118) | (7,187) |
| Travel and accommodation | (3,561) | (2,081) |
| Salaries and benefits | (35,783) | (35,832) |
| Workers' compensation fees | (561) | (643) |
| Loss before other income (expenses) | (168,984) | (137,523) |
| Foreign exchange gain | (940) | (636) |
| Interest on current debt and bank charges | (899) | (928) |
| Interest, accretion and placement expenses on convertible debentures - note 6 | (420,912) | (420,912) |
| Interest and other income | 11,859 | 15,407 |
| Increase in value of investment in Hillsborough - note 4 | - | 20,407 |
| Share of (loss) income of Peace River Coal LP - note 5 | (827,000) | 336,000 |
| Net loss and comprehensive loss for the period | (1,406,876) | (188,185) |
| Loss per share - basic and diluted | (0.03) | (0.00) |
| Weighted average number of shares outstanding | 53,355,285 | 56,475,475 |

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

NEMI Northern Energy & Mining Inc.

Interim Consolidated Statements Cash Flows

Three months ended December 31,

(Unaudited)

| | 2010 | 2009 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Cash Flows From: | | |
| Operating Activities | | |
| Net (loss) for the period | (1,406,876) | (188,185) |
| Items not affecting cash | | |
| Amortization | 1,162 | 1,525 |
| Share of loss (income) of Peace River Coal LP - note 5 | 827,000 | (336,000) |
| Increase in value of investment in Hillsborough - note 4 | - | (20,407) |
| Accretion of debenture and deferred financing costs - note 6 | 180,954 | 180,954 |
| Stock-based compensation - note 7 | 26,000 | 8,000 |
| | (371,760) | (354,113) |
| Net changes in non-cash working capital items | | |
| Accounts receivable | 1,948 | 1,126,422 |
| HST recoverable | (10,599) | (4,275) |
| Prepaid expenses and other | 18,033 | 11,848 |
| Accounts payable and accrued liabilities | (331,679) | (301,706) |
| | (694,057) | 478,176 |
| Financing Activities | | |
| Repurchase common shares | (979,172) | (770,316) |
| | (979,172) | (770,316) |
| Investing Activities | | |
| Capital investment in Peace River Coal LP - note 5 | (1,888,520) | (6,794,480) |
| Capital distribution from Peace River Coal LP - note 5 | - | 3,613,601 |
| | (1,888,520) | (3,180,879) |
| (Decrease) in cash | (3,561,749) | (3,473,019) |
| Cash and equivalents -beginning of period | 7,263,349 | 17,974,011 |
| Cash and equivalents - end of period | 3,701,600 | 14,500,992 |
| Supplemental Cash Flow Information | | |
| Cash interest expense paid | 479,912 | 479,912 |

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

NEMI Northern Energy & Mining Inc.

Interim Consolidated Statement of Changes in Net Equity

Three months ended December 31, 2010

(Unaudited)

| | Number of Common shares | Share Capital | Contributed Surplus | Equity Portion of Convertible Debentures | Deficit | Net Shareholders' Equity |
|---|-------------------------------|-------------------|------------------------|---|---------------------|--------------------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Balance, September 30, 2010 | 54,321,280 | 51,822,705 | 9,966,839 | 1,862,731 | (12,689,098) | 50,963,177 |
| Shares repurchased per Normal Course Issuer Bid | (1,075,200) | (1,025,745) | 46,573 | - | - | (979,172) |
| Stock-based compensation | - | - | 26,000 | - | - | 26,000 |
| Net loss for the period | - | - | - | - | (1,406,876) | (1,406,876) |
| Balance, December 31, 2010 | 53,246,080 | 50,796,960 | 10,039,412 | 1,862,731 | (14,095,974) | 48,603,129 |

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

NEMI Northern Energy & Mining Inc.

Notes to Unaudited Interim Consolidated Statements

Three months ended December 31, 2010

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*. Its common shares are publicly traded on the TSX Stock Exchange (the "Exchange").

The Company's principal business interests consist of a 12.184 % interest in Peace River Coal Limited Partnership ("PRC"). The other interest owners in PRC are Anglo Coal Canada Inc. ("Anglo") - as to 74.825%, an indirectly wholly-owned subsidiary of Anglo American plc ("Anglo American") and Hillsborough Resources Limited as to 12.991% ("Hillsborough").

PRC operates the Trend Mine near Tumbler Ridge, British Columbia and holds substantial metallurgical coal assets under exploration and development in northeast British Columbia, including the Roman and Horizon projects, and a 50% interest in the Belcourt Saxon ("Belsax") properties. The Trend Mine has operated as an open-pit excavator-truck operation under a full mine permit since January 2007. In the period since January 2008 when PRC commenced commercial operations, the Trend Mine has produced approximately 2.1 million tonnes of hard coking coal which has been exported to steel mills around the world. Over that period PRC management has sought to improve production facilities in order to achieve a targeted annual production capacity of 1.3 million tonnes. Total coal resources for the PRC properties, including Trend Mine, Roman Mountain and Horizon, all in which PRC holds a 100% interest, are currently estimated to be in excess of 480 million tonnes.

A technical study on the Belsax interests was completed in 2008 and a NI 43-101 Technical Report dated March 2009 was jointly filed on SEDAR by NEMI and Western Coal Corporation, which holds the other 50% interest. The report states coal resources (at 100%) for the Belsax properties in excess of 170 million tonnes. A Scoping study of the Belsax interests suggested a potential to produce approximately 6 million tonnes per year of metallurgical coal over a 15 year period. Further evaluation work is being conducted.

In October 2009, Anglo announced that it was restructuring its global portfolio of assets, a plan that included divestiture of its interest in PRC. Subsequently, Anglo reached an agreement with NEMI and Hillsborough which will allow a prospective purchaser to acquire up to a 100% interest in PRC. The PRC partners believe that a new owner with a 100% interest in PRC will be able to realize the asset potential in a more expeditious and efficient manner than is possible under the current ownership structure. Anglo has advised that the PRC divestment process is progressing. As permitted under the Limited Partnership Agreement, in September 2010, PRC adopted a set-off approach in relation to distributions and cash calls. Accordingly, in order to facilitate the divestment, any cash distributions to which the limited partners might otherwise be entitled are being retained in PRC until the transaction is concluded. To this end, as at December 31, 2010 cash holdings retained in PRC totaled \$18.3 million and working capital amounted to \$57.1 million. Assuming a successful disposition of the PRC interests, Management does not anticipate that additional funding will be required in order to fund PRC operations and capital requirements.

These consolidated financial statements include the accounts and the results of operations for the Company and its wholly-owned subsidiary, Crossroad Ventures Inc., incorporated under the laws of the Province of British Columbia.

NEMI Northern Energy & Mining Inc.

Notes to Unaudited Interim Consolidated Statements (continued)

Three months ended December 31, 2010

2. Basis of presentation

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") applicable to a going concern on a basis consistent with those accounting principles followed in the most recent audited financial statements. However, as unaudited interim financial statements, they do not include all the information and notes required by CGAAP for annual financial statements. Therefore these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2010.

The use of CGAAP applicable to a going concern assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as presented herein. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern or in the event of a successful PRC divestiture. As at December 31, 2010, NEMI operations have never reached a level of sustained profitability and the Company had an accumulated deficit of \$14,095,974 since inception and could expect to incur further losses in the development of its business in the event a divestiture is not completed. At the present time, the Company's plans to continue as a going concern are primarily focused on the sale of its PRC interest.

As at December 31, 2010, the Company had working capital of \$3,788,700. Currently, management expects that the Company has sufficient funds on hand in order to meet its expected obligations in the period through the anticipated PRC divestiture.

The results of operations for the three-month period ended December 31, 2010 are not necessarily indicative of those that could be expected for the entire year ending September 30, 2011.

3. Future changes in accounting and financial reporting

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to adopt IFRS, replacing CGAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011.

The company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial statements under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

NEMI Northern Energy & Mining Inc.

Notes to Unaudited Interim Consolidated Statements (continued)

Three months ended December 31, 2010

4. Investment in Hillsborough

During the year ended September 30, 2009 the Company acquired 1,360,500 common shares of Hillsborough Resources Limited ("Hillsborough") for a total cost of \$392,842 for an average price of \$0.29 per share.

During the quarter ended December 31, 2009, Hillsborough completed a statutory arrangement (the "Arrangement") whereby Vitol Anker International B.V. ("Vitol") acquired all the shares of Hillsborough at a price of \$0.50 per share. As permitted by the terms of the Arrangement, NEMI filed a notice of dissent.

As there is no longer a market price for the Hillsborough shares, NEMI is carrying the shares at a value of \$0.50 per share, representing Vitol's most recent offer to pay which was received January 11, 2010. The carrying value of the shares at December 31, 2010 was \$680,250, resulting in a gain of \$nil (2009 - \$20,407) included in Net Earnings (Loss) and Comprehensive Earnings (Loss) during the period then ended. The price NEMI eventually receives may be more or less than \$0.50, based on the outcome of the dissent process.

5. Investment in Peace River Coal LP

Since September 30, 2010, changes to the investment in PRC have been as follows:

| | Three months ended December 31, 2010 | Year ended September 30, 2010 |
|--|---|--|
| | \$ | \$ |
| Balance, beginning of period | 54,924,825 | 46,116,103 |
| Capital contributions paid during the period | 1,888,520 | 21,829,536 |
| Capital distribution allocated during the period | - | (12,983,814) |
| Share of income (loss) for the period | (827,000) | (37,000) |
| Balance, end of period | 55,986,345 | 54,924,825 |

As permitted under the Limited Partnership Agreement, in September 2010 PRC adopted a set-off approach in relation to distributions and cash calls and, in order to facilitate the divestment process, distributions are being retained in PRC until the transaction is concluded. The Company expects that any cash so retained in PRC will be sufficient to cover any PRC capital requirements pending the divestiture.

6. Convertible debentures

As at December 31, 2010 the debentures were recognized as follows:

| | Liability portion | Equity Portion |
|--------------------------------------|----------------------|-------------------|
| | \$ | \$ |
| Debenture | 11,425,744 | 2,017,116 |
| Unamortized deferred financing costs | (234,448) | (154,385) |
| | 11,191,296 | 1,862,731 |

As at December 31, 2010, the unpaid principal balance of the convertible debentures was \$11,900,000 (September 30, 2009 - \$11,900,000). The convertible debentures mature on March 12, 2013.

NEMI Northern Energy & Mining Inc.

Notes to Unaudited Interim Consolidated Statements (continued)

Three months ended December 31, 2010

6. Convertible debentures (continued)

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

| | \$ |
|---|--------------------------|
| Gross debenture proceeds on issue | 12,724,000 |
| less: equity component | <u>(2,146,116)</u> |
| Liability component | 10,577,884 |
| Accretion of liability component | 1,483,660 |
| Debentures converted to equity at allocated value, (principal value - \$824,0000) | <u>(635,800)</u> |
| Liability - end of period | <u>11,425,744</u> |

Interest expense on the convertible debenture for the current period is comprised of:

| | \$ |
|--|-----------------------|
| Interest on debenture @ 8% | 239,958 |
| Accretion of convertible debenture | 133,654 |
| Amortization of deferred financing charges | <u>47,300</u> |
| | <u>420,912</u> |

Subsequent to December 31, 2010, debenture holders exercised their conversion rights on debentures totaling \$1,131,000 in exchange for 1,256,667 Common Class A shares at a price of \$0.90 each.

7. Share capital

a) Authorized share capital

The authorized share capital of the Company remained unchanged from that as disclosed in the Company's most recently released audited consolidated financial statements for the year ended September 30, 2010.

b) Issued, fully-paid and outstanding

As at December 31, 2010 the balance of Class A common shares issued, fully-paid and outstanding was as follows:

| | Number of common shares |
|---|-------------------------------|
| Issued and fully-paid | 54,030,080 |
| Less: shares repurchased and held in treasury | <u>(784,000)</u> |
| Issued, fully paid and outstanding | <u>53,246,080</u> |

Subsequent to December 31, 2010, the balance of shares repurchased and held in treasury was reduced by 150,000.

Subsequent to December 31, 2010, the number of issued, fully-paid and voting shares outstanding increased by 1,256,667 common shares upon the conversion of \$1,131,000 worth of debentures at a price of \$0.90 per share (note 6).

NEMI Northern Energy & Mining Inc.

Notes to Unaudited Interim Consolidated Statements (continued)

Three months ended December 31, 2010

7. Share capital (continued)

c) Options

Changes in the outstanding balance of stock options to acquire Class A shares were as follows:

| | Three months ended December 31, 2010 | | Year ended September 30, 2010 | |
|---------------------|---|--|----------------------------------|--|
| | | Weighted average exercise price | Number of Options | weighted average exercise price |
| Beginning of period | 784,000 | \$0.60 | 400,000 | \$0.59 |
| Options granted | - | - | 400,000 | \$0.60 |
| exercised | - | - | (16,000) | \$0.41 |
| | 784,000 | \$0.60 | 784,000 | \$0.60 |
| Unvested | (145,833) | \$0.49 | (345,833) | \$0.55 |
| | 638,167 | \$0.63 | 438,167 | \$0.64 |

Options to acquire Class A common shares as at December 31, 2101 were as follows:

| Expiry | Number of options outstanding | Exercise price per share | Average remaining life (years) |
|-------------------------------------|-------------------------------------|--------------------------------|---|
| April 1, 2013 | 150,000 | \$0.90 | 2.25 |
| May 27, 2014 | 234,000 | \$0.41 | 2.41 |
| September 30, 2015 | 275,000 | \$0.60 | 4.75 |
| September 30, 20016 | 125,000 | \$0.60 | 5.75 |
| | 784,000 | \$0.60 | 3.73 |
| Not vested | (145,833) | \$0.49 | 4.41 |
| Exercisable as at December 31, 2010 | 638,167 | \$0.63 | 3.94 |

Subsequent to December 31, 2010, 150,000 options having an exercise price of \$0.90 per share that were to expire April 1, 2013 were forfeited at which time 150,000 shares held in treasury against exercisable stock options were cancelled.

During the three-month period ended December 31, 2010, the Company recognized \$26,000 in stock-based compensation with respect to unvested options.

8. Related party transactions

During the three months ended December 2010, the Company paid consulting fees for CFO services totaling \$16,000 (2009 - \$19,500) to a company owned by the former CFO.

These transactions were measured by the exchange amount, which is agreed upon by the transacting parties. As at December 31, 2010, accounts payable and accrued liabilities did not include any amounts due to related parties (September 30, 2010 - \$nil). Amounts due on this account; if any are unsecured, non-interest bearing, with no fixed terms of repayment.

NEMI Northern Energy & Mining Inc.

Notes to Unaudited Interim Consolidated Statements (continued)

Three months ended December 31, 2010

9. Segmented information

The Company operates in one segment – the acquisition, exploration and development of coal properties, and subsequent production. During the years ended September 30, 2010 and 2009 and as at December 31, 2010, all the operations and assets were in Canada.

10. Financial instruments and capital disclosures

The Company's financial instruments consist of cash, investment in Hillsborough, amounts receivable, investments, accounts payable and accrued liabilities. For cash and current receivables and accounts payable and accrued liabilities, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. The fair value of other financial assets represents the market value of quoted investments.

Cash and investment in Hillsborough are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded on the statement of operations.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, foreign exchange, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will not discharge its obligations, resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to credit risk. Company management evaluate credit risk on an ongoing basis, including evaluation of counterparty credit rating, monitoring activities related to trade and other receivables and counterparty concentrations measured by amount and percentage.

The primary sources of credit risk for the Company arise from the following financial assets: (1) cash and cash equivalents held with major Canadian financial institutions; (2) marketable securities; and (3) amounts receivable. The Company has not had any credit losses in the past, nor does it expect to have any credit losses in the future. At September 30, the Company has no financial assets that are past due or impaired due to credit risk defaults.

The Company's maximum exposure to credit risk at the reporting date is as follows:

| | December 31, 2010 | September 30, 2010 |
|----------------------------|----------------------|-----------------------|
| | \$ | \$ |
| Cash | 3,701,600 | 7,263,349 |
| Investment in Hillsborough | 680,250 | 680,250 |
| Accounts receivable | 3,157 | 5,105 |
| | <u>4,385,007</u> | <u>7,948,704</u> |

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities are comprised of accounts and interest payable and accrued liabilities. The Company frequently assesses its

NEMI Northern Energy & Mining Inc.

Notes to Unaudited Interim Consolidated Statements (continued)

Three months ended December 31, 2010

10. Financial instruments and capital disclosures (continued)

b) Liquidity risk (continued)

liquidity position by reviewing the timing of amounts due and the Company's current cash flow position to meet its obligations. The Company manages its liquidity risk by maintaining sufficient cash and cash equivalents and short-term investment balances to meet its anticipated operational needs.

The Company's financial liabilities, consisting of accounts and interest payable and accrued liabilities, arose as a result of corporate expenses and interest on the convertible debentures. Payment terms on these liabilities are typically 30 to 60 days from receipt of invoice and do not generally bear interest. Interest on the convertible debentures is paid semi-annually on June 30 and December 31.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

| | December 31, 2010 | September 30, 2010 |
|--|----------------------|-----------------------|
| | \$ | \$ |
| Accounts payable and accrued liabilities | 660,218 | 991,897 |
| | 660,218 | 991,897 |

Typical repayment terms for the Company do not exceed 90 days.

c) Market risk

Market risk is the risk that the fair value for assets classified as held-for-trading and available-for-sale or future cash flows for assets or liabilities considered to be held-to maturity, other financial liabilities, and loans or receivables of a financial instrument will fluctuate because of changes in market conditions. The Company evaluates market risk on an ongoing basis. The Company's exposure to interest rate risk is limited as its convertible debentures carry a fixed rate of interest and the Company has sufficient funds available for their repayment.

d) Foreign currency risk

PRC coal sales are conducted in US currency and thus PRC sales and income will fluctuate due to changes in the prevailing US - Canadian dollar exchange rate. For every 1% change in the exchange rate, PRC income will fluctuate by \$1 million for every USD\$100 million of PRC sales to result in an impact of \$121,840 on NEMI's equity share of loss or income from PRC.

e) Capital disclosure

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

The Company considers shareholders' equity, long term debt or debentures and short term borrowing to be components, from time to time, of capital under management.

NEMI Northern Energy & Mining Inc.

Notes to Unaudited Interim Consolidated Statements (continued)

Three months ended December 31, 2010

10. Financial instruments and capital disclosures (continued)

e) Capital disclosure (continued)

The current activities of the Company are limited, however, the Company may issue 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 working capital ratios.

The components of capital and key ratios as of September 30, 2010 and September 2009 are as follows:

| | December 31, 2010 | | September 30, 2010 | |
|------------------------------|-------------------|-------|--------------------|-------|
| | \$ | ratio | \$ | ratio |
| Debt to equity | | | | |
| Long-term debt | 11,191,296 | | 11,010,341 | |
| Shareholders' equity | 48,603,129 | 0.2:1 | 50,963,177 | 0.2:1 |
| Working capital ratio | | | | |
| Current assets | 4,448,918 | | 8,020,048 | |
| Current liabilities | 660,218 | 6.7:1 | 991,897 | 8.1:1 |

The Company believes these ratios are within reasonable limits in light of its current business activities and objectives and there have not been any significant changes in the Company's objectives from the previous period.

11. Contingencies and commitments

a) On May 12, 2009, the Company's former CEO, commenced an action in the Supreme Court of British Columbia against the Company alleging wrongful dismissal from his employment with Company, or alternatively, that the Company's actions constituted constructive dismissal or a repudiation of a contract of employment between the Company and the former CEO. The former CEO claimed liquidated damages in the amount of \$800,000, or alternatively, damages for wrongful or constructive dismissal and/or breach of contract, special damages, interest and special costs as well as a claim for punitive damages.

On Dec 17, 2010 the Company received the Reasons For Judgment in the case. The court decided that the former CEO was terminated or dismissed on March 30, 2009 and is entitled to 18 months salary from that date, less the six weeks already paid him, plus prejudgment interest, but is not entitled to a bonus or punitive damages. The Company has accrued \$420,000 with respect to the former CEO's claim for wrongful dismissal.

Settlement of the matter after judgment is pending.

b) The Company is committed under the terms of an office lease agreement for previous premises for the following estimated annual rent and operating costs:

year ending September 30, 2011 \$123,000

The Company has sublet this office space at its cost to PRC.

NEMI Northern Energy & Mining Inc.

Notes to Unaudited Interim Consolidated Statements (continued)

Three months ended December 31, 2010

11. Contingencies and commitments (continued)

c) During the year ended September 30, 2008, the Company entered into an office lease agreement for its current premises for the following estimated annual rent and operating costs:

| | |
|--------------------------------|----------|
| year ending September 30, 2011 | \$43,000 |
| year ending September 30, 2012 | \$58,000 |
| year ending September 30, 2013 | \$53,000 |