

NiMin Energy Corp. (TSX: NNN, OTCQX: NEYYF) - Initiating Coverage; Under-developed oil fields with significant in-place resource; Trading with an enterprise value to reserve ratio of just \$2.78/boe

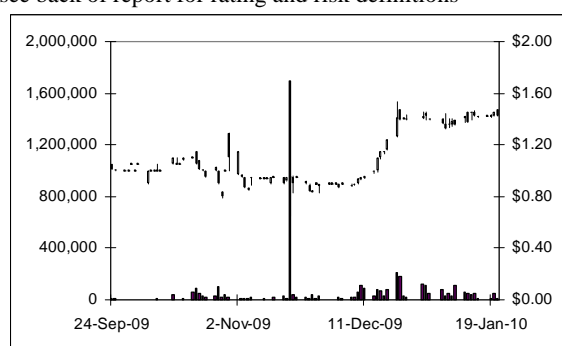
Sector/Industry: Oil and Gas

www.niminenergy.com

Market Data (as of January 28, 2010)

Current Price	C\$1.30
Fair Value	C\$4.16
Rating*	BUY
Risk*	4 (Speculative)
52 Week Range	N/A
Shares O/S	52.38 mm
Market Cap	C\$68.09 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.86
YoY Return	N/A
YoY TSX	29.5%

*see back of report for rating and risk definitions



Note: All the figures are in US\$, unless otherwise specified.

Investment Highlights

- NiMin currently holds projects in the Bighorn Basin in Northwest Wyoming, California (South of Bakersfield), and South Louisiana.
- Current production is 820 boepd gross (620 boepd net).
- Proved plus probable (P+P) reserve estimate is 29.06 mm boe (gross), comprising 94% heavy oil, 2% light-medium oil, and 4% natural gas.
- The net asset value of the company's P+P reserves (according to independent consultants) is \$478 million (before-tax PV@10%); reflecting \$16.47/boe gross. The company's current enterprise value (EV) to reserve ratio is just \$2.78/boe.
- NiMin owns a patent-pending enhanced oil recovery technology called the Combined Miscible Drive (CMD) process. The company believes the technology has the potential to substantially increase flow rates. NiMin initiated its first CMD project on its Pleito Creek Field (in California), and anticipates oil recovery could be enhanced by over 20%.
- Strong management team with extensive experience in the oil and gas industry, and a proven track record of raising capital.

Risks

- Exploration, development and production risks
- The company has to significantly increase production from current levels in order to realize the true potential of its projects.
- We estimate the company has to raise about \$24 million in equity/debt in 2010 (or refinance its current debt) to repay its loan and fund CAPEX.
- The feasibility/efficiency of the CMD technology has yet to be proven.

Key Financial Data

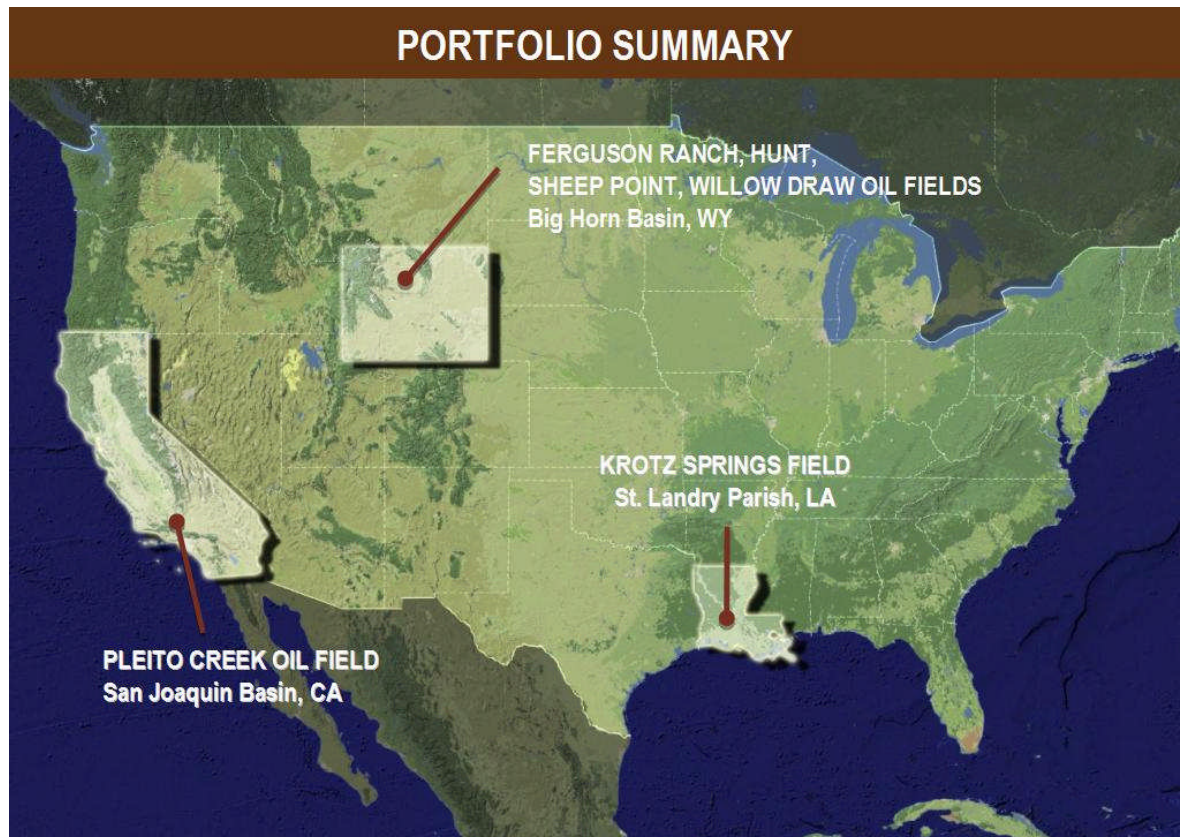
(in US\$)	2009E	2010E
Revenues	\$6,036,613	\$18,338,851
EBITDA	(\$4,075,912)	\$5,798,527
Net Income	(\$10,156,621)	(\$9,610,148)
Cash	\$3,854,914	\$307,744
Working Capital	(\$18,447,349)	\$1,020,781
LT Debt/Capital	-	-
Assets	102,382,413	98,469,292

NiMin Energy currently holds projects in the Bighorn Basin in Northwest Wyoming, California (South of Bakersfield), and South Louisiana. Current production is about 820 boepd gross (620 boepd net). Proved plus probable reserve estimates are about 29.06 mm boe (gross); reflecting an enterprise value to reserve ratio of just \$2.78/boe.

Company Overview

NiMin Energy Corp. is a TSX listed company (trading since September 2009), based in Carpinteria, California, engaged in the acquisition and development of oil and gas properties in the U.S. The company's strategy is to acquire and exploit under-developed oil fields with significant in-place resources that could potentially be developed with conventional and enhanced oil recovery (EOR) technologies.

The company currently holds projects in the Bighorn Basin in Northwest Wyoming, California (South of Bakersfield), and South Louisiana (onshore). The projects in Wyoming and California are primarily heavy oil plays, while those in Louisiana are a combination of gas and oil.



Source: NiMin Energy

The properties are currently producing at 820 boepd gross (620 boepd net). Proved plus probable reserve estimates on the properties are 29.06 mm boe (gross); reflecting an enterprise value to reserve ratio of just \$2.78/boe.

In addition to the oil and gas projects, the company also owns a patent-pending enhanced oil recovery (EOR) technology called the Combined Miscible Drive (CMD) process. NiMin initiated its first CMD Project on its Pleito Creek Field (in California), and anticipates oil recovery could be enhanced by over 20%.

The company's primary objectives in 2010 are:

- Complete a 12 well program on one of their properties in Wyoming. If successful, the

company expects to increase production by 800 boepd (gross) by the end of the year.

- Study the feasibility/efficiency of its CMD project - Positive production response from the Phase 1 development project at the Pleito Creek Field, we believe, would bring considerable upside potential for the company as it will enable them to implement the technology on several other projects that they have identified.

Our models indicate the company will have to raise about \$24 million in equity/debt, or refinance its current debt in 2010, to repay its \$22 million loan (due in December 2010), and fund its capital budget of \$10.20 million. Although this is one of the key risk factors we have identified at this time, we believe, the management team's extensive experience in the oil and gas industry, and proven track record of raising capital mitigate this risk somewhat.

Corporate History

The company was incorporated in May 2007 as NiMin Capital Corp. NiMin completed its initial public offering (IPO), and started trading on the TSXV Exchange in November 2007. **The company operated as a capital pool company until May 2009, when it acquired Legacy, a private oil and gas company with projects in California and Louisiana, through a reverse take-over transaction.**

Legacy was incorporated in July 2007. Its predecessor, Legacy Energy, LLC, was a limited liability company founded in October 2005. Legacy's average production was 546 boepd gross (63% oil) in 2008, from its properties in California and Louisiana. According to Huddleston & Co., Inc. (independent petroleum and geological engineers in Houston, TX), as of April 2009, the properties had proved plus probable reserves of 14.49 mm boe gross (11.28 mm boe net); comprising 88% heavy oil, 5% light-medium oil, and 7% natural gas. Huddleston's Net Asset Value (NAV) estimates on the properties were \$233 million (before tax PV@10%), and \$147 million (after tax PV@10%).

In addition to its oil and gas properties, Legacy also owned a patent-pending enhanced oil recovery technology called the Combined Miscible Drive (CMD) process. The company has initiated its first CMD Project on its Pleito Creek Field (heavy oil play in California) and anticipates oil recovery could be enhanced by over 20%. We believe the CMD technology has the potential to bring significant upside potential should the concept be proven.

Subsequent to the transaction, Legacy's management team took over the management of NiMin. In September 2009, the company changed its name to NiMin Energy Corp, and shares started trading on the TSX exchange. The company raised \$14.16 million by issuing 11.32 mm units at a unit price of \$1.25. Each unit consists of one share and one warrant (exercise price - \$1.55; expiry date – September 2011).

In December 2009, the company acquired four producing oil fields (heavy oil plays; between 14 and 18 API gravity) in Wyoming, in an all-cash transaction, from a U.S. company (name was not disclosed) for \$27.3 million. Of this, \$22 million was funded by a one year loan (at 1% per month, and secured by all the assets of the company).

The loan, due in December 2010, was syndicated by Ionic Capital Corp. (which is partially owned by a director of NiMin).

The acquired fields in Wyoming are currently producing at about 380 boepd gross. The company has an average 97% Working Interest (WI), and is the operator of all the properties. **According to Huddleston, as of December 2009, the fields had proved plus probable reserves of 14.57 mm boe (gross), with a NAV of \$245 million (before tax PV@10%). This indicates the acquisition price of \$27.3 million was a good bargain for NiMin.** The main reason why the company was able to acquire these fields at such a low valuation is that the current production of 380 boepd gross (which reflects a reserve life index of over 100 years) is too low; production levels have to be significantly higher in order to realize the true value of the fields. NiMin acquired these fields because it believes production levels can be significantly increased from current levels through conventional infill drilling programs (as demonstrated on analogous fields in the area).

The company's plan for 2010 is to drill and complete 12 wells (capital budget - \$10.2 million) on their Ferguson Ranch property in Wyoming. If successful, the company believes it would be able to increase production by 800 boepd (gross) by the end of 2010, and exit 2010 with total production of 1,400 boepd (gross), up from its current production of 820 boepd (gross). NiMin's 2010 exit production forecast does not include the upside potential from the CMD project in California.

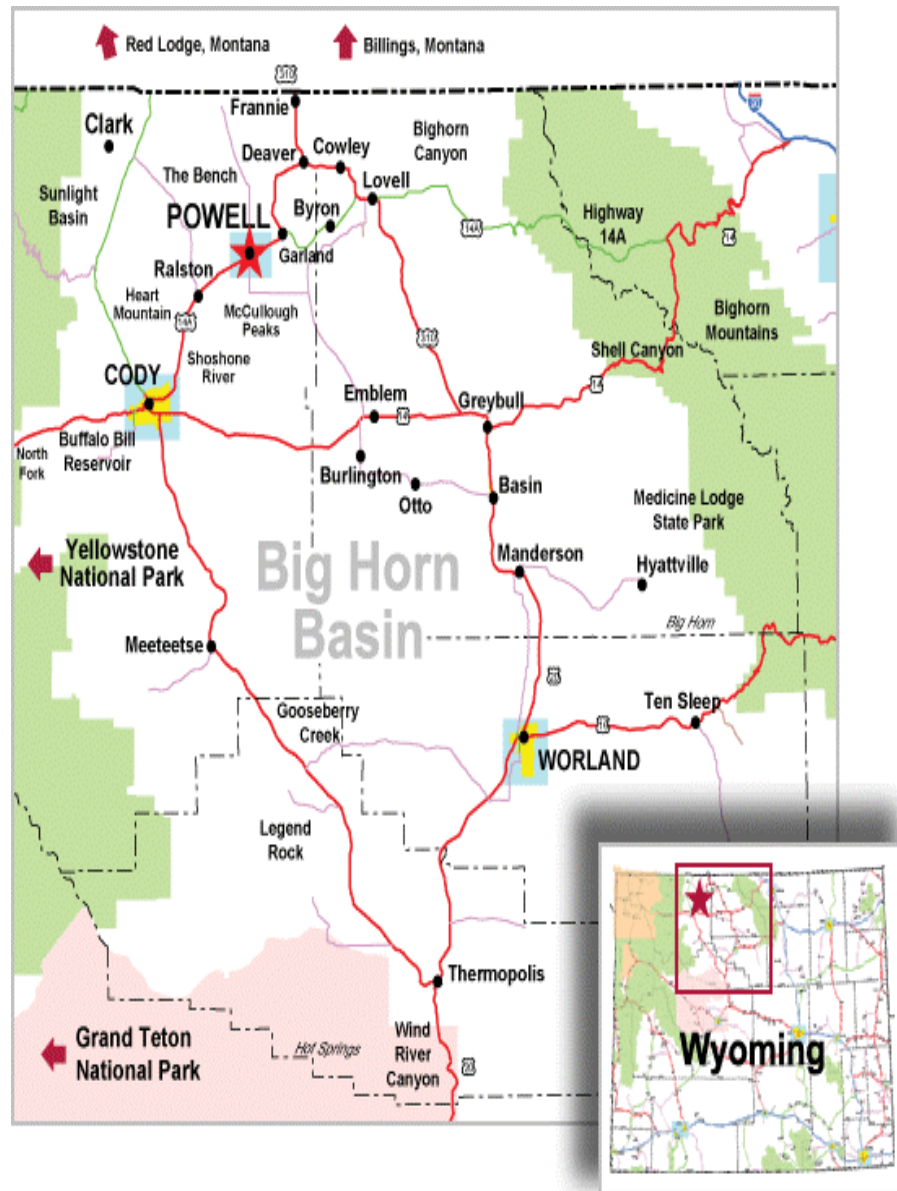
Our models indicate the company will have to raise about \$24 million this year to repay its loan (due in December 2010) and fund its capital expenditures. However, NiMin's management team has a proven track record of raising capital. **At Legacy, the same management team was successful in raising \$73 million during 2006 – 08, to fund CAPEX to drill 27 gross (12.6 net) wells.**

Wyoming

The company's Wyoming properties consist of four producing fields, named Ferguson Ranch, Hunt, Sheep Point, and Willow Draw in the Big Horn Basin in northwest Wyoming. The properties are primarily heavy oil plays with API gravity ranging from 14 to 18. **The four producing fields are currently producing at about 380 bopd (gross), or 300 bopd (net), from 26 wells (average of 15 bopd gross/well).** 55% of the production comes from Ferguson Ranch, 26% from Willow Draw, 11% from Hunt, and 8% from Sheep Point.

The company is the operator of all the fields, and has an average WI of 97%. The Ferguson Ranch has had cumulative production of 5.27 mm boe, while Willow Draw, Hunt, and Sheep Point have had 2.47 mm boe, 0.95 mm boe, and 0.65 mm boe, respectively.

NiMin decided to acquire these fields primarily because of the significant potential remaining in these fields that could be exploited by conventional infill drilling programs. Such programs have been successfully implemented on analogous fields within the Bighorn Basin which, as of 2006, had produced approximately 2.4 billion bbls of crude oil, and had roughly 0.2 billion bbls of reserves (Advanced Resources International, *Technical Oil Recovery Potential from Residual Oil Zones: Big Horn Basin*, 2006).



Source: www.northwestcollege.edu

Infrastructure: As the properties are already producing, major infrastructure is in place, and the state of Wyoming is serviced by existing pipelines. In addition, TransCanada Pipelines Limited (NYSE: TRP) is currently working on the “Keystone Pipeline” expansion that will significantly increase capacity to southern US refineries that are outfitted for heavy sour crude. This, we believe, would result in higher pricing for the oil produced by NiMin.



Source: www.transcanada.com/keystone

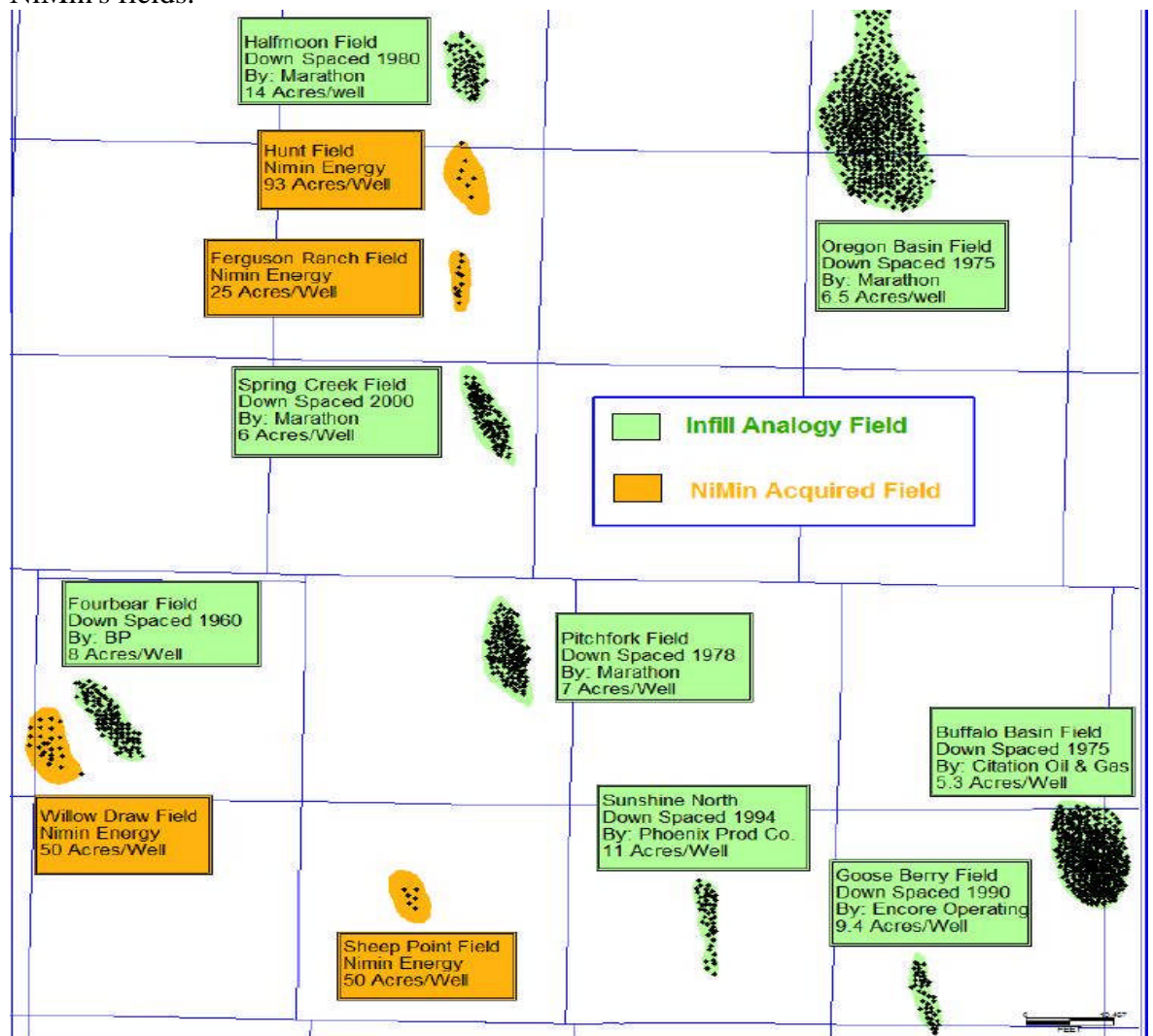
Geological Setting: The Bighorn Basin is an intermontane basin bounded by the Absaroka Range to the west, the Bighorn Mountains on the east, and the Owl Creek Mountains and the Bridger Mountains to the south. The basin is approximately 160 kilometers wide and is filled with sedimentary rocks ranging from Cambrian to Miocene in age. The key producing formations in the basin that the company's properties are producing from are the Tensleep formation, and the Phosphoria formation; with the Tensleep formation being the more important of the two.

The Pennsylvanian Tensleep formation is composed primarily of sandstone and dolomite units with a relatively low permeability of 30 mD, and oil production is largely controlled by fracture connectivity and permeability (Schwartz, Bryan C., Wilson, Thomas H., Smith,

Duane H. *Fracture Pattern Analysis using FMI Logs of the Tensleep Formation, Teapot Dome, Wyoming, 2005*).

The area of the Bighorn Basin, which the company operates in, is situated towards the western edge of the Bighorn Basin near the foot of the Absaroka Range. The company’s properties produce oil from a reservoir recharged by rain water from the eastern boundary of the Absaroka Range. The result is naturally water driven oil production and an associated high water-cut and water-to-oil ratio. Water-cut in the Big Horn Basin is known to increase with well maturity, and the company may have to employ water cut control methods. Gel treatments that preferentially plug higher permeability zones have previously been applied in the Big Horn Basin with success. In addition, the company has all permits required for the discharge of water produced from wells on their property.

Analogous Fields: As shown in the image below, several oilfields in the area have been downspaced by infill drilling over the past 50 years. However, this was not the case for NiMin's fields.

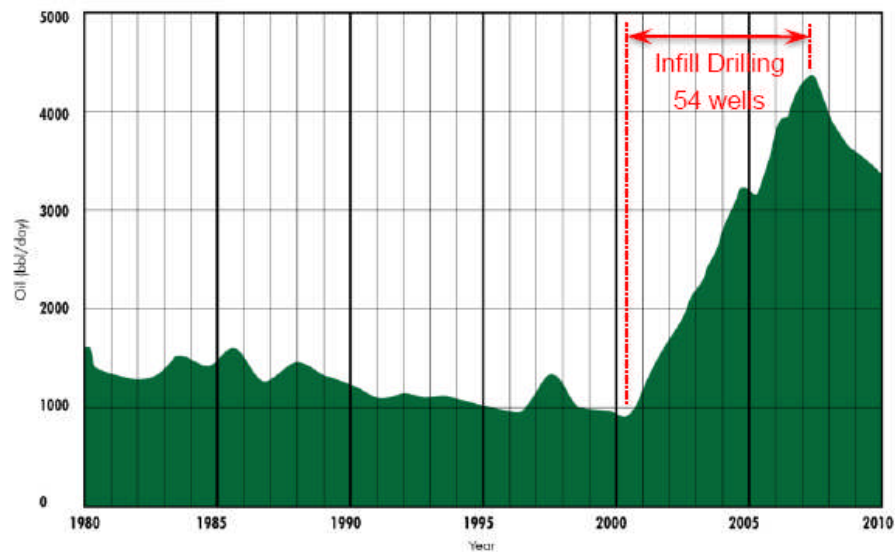


Source: NiMin Energy

For example, an infill drilling program reduced well spacing to 6 acres/well at Spring Creek, with an average recovery of 58% OOIP to date. **However, NiMin's Ferguson ranch has well spacing of 25 acres/well, while the Hunt, Willow Draw and Sheep Point fields have well spacing of 93 acres/well, 50 acres/well and 50 acres/well, respectively, with an average recovery of only 11% of OOIP to date; indicating the significant potential for further development through infill drilling.** The company intends on performing its first infill program at Ferguson Ranch in 2010.

Spring Creek Field

At the Spring Creek field, which is owned and operated by Marathon Oil Corporation (NYSE: MRO), 59 wells were drilled up to the year 2000, having an average of estimated ultimately recoverable (EUR) oil of 0.31 mm bbl per well. From 2000 to 2006, 54 infill holes were drilled which had an average EUR of 0.23 mm bbl per well; translating to 75% of the original wells. The program resulted in a significant increase in overall production from the field (see following chart).

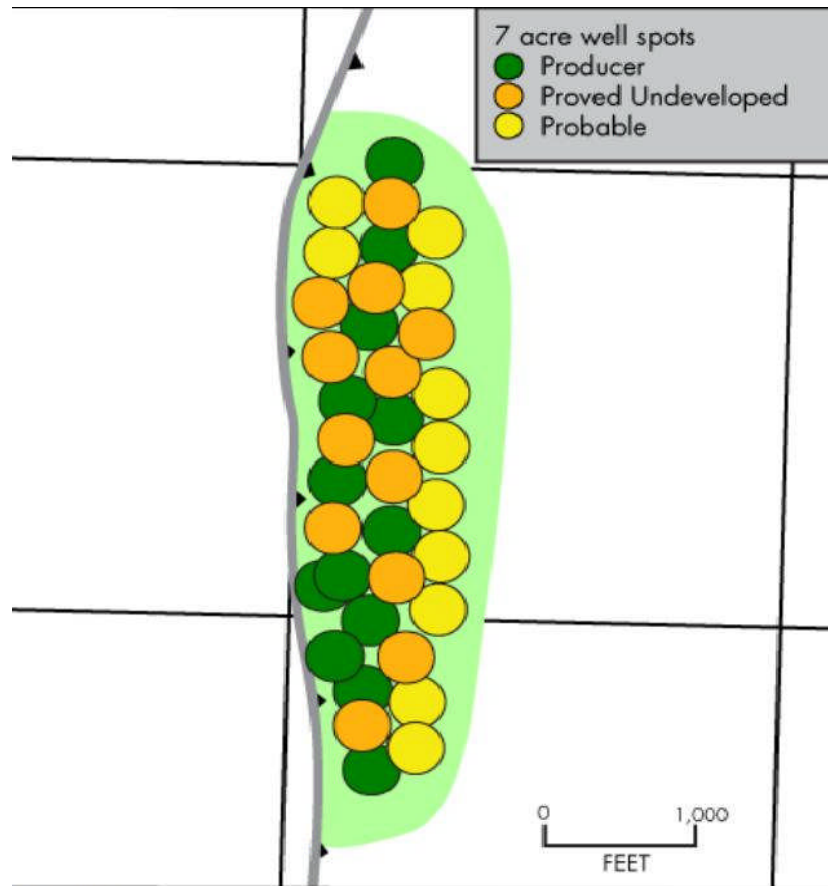


Source: IHS Inc.

NiMin's properties: Current Plan - The most recent well drilled on any of the company's fields was in 1995. The one prior to that was drilled in 1985. Management indicated that their properties have not been subject to an infill drilling program due to low oil prices prior to 2005, and as the previous owner's (a limited liability company) objective was just to generate steady cash flows from existing production, and not to develop the properties through further drilling.

The company is planning on completing 12 wells on the Ferguson Ranch in 2010, with an estimated capital cost of \$0.85 million per well. The average IP of wells in the area is about 100 bopd. Decline rates are about 50% over the first three years, but essentially flattens out for the remainder of the well life. The average well life in the basin is about 30 years.

The following figure shows the location of the proposed infill drill holes in orange. Green circles represent current or past producing wells and yellow circles represent potential future well locations. The 2010 program will effectively cut the well spacing in half.



Source: IHS Inc.

Source: NiMin Energy

If successful, the company expects to add 800 bopd (gross) to the existing production by the end of the 2010 program. The company does not have any immediate plans for the Willow Draw, Hunt and Sheep Point fields.

Reserve and NAV estimates (Wyoming): According to Huddleston, as of December 2009, the company's fields in Wyoming hold 8.92 mm boe (gross) proved, and 5.65 mm boe (gross) probable reserves. Huddleston estimated a NAV estimate of \$245 million (BT PV@10%), or \$17/boe (gross) – 58% of the NAV came from Ferguson Ranch, 25% from Willow Draw, 11% from Hunt, and 6% from Sheep Point.

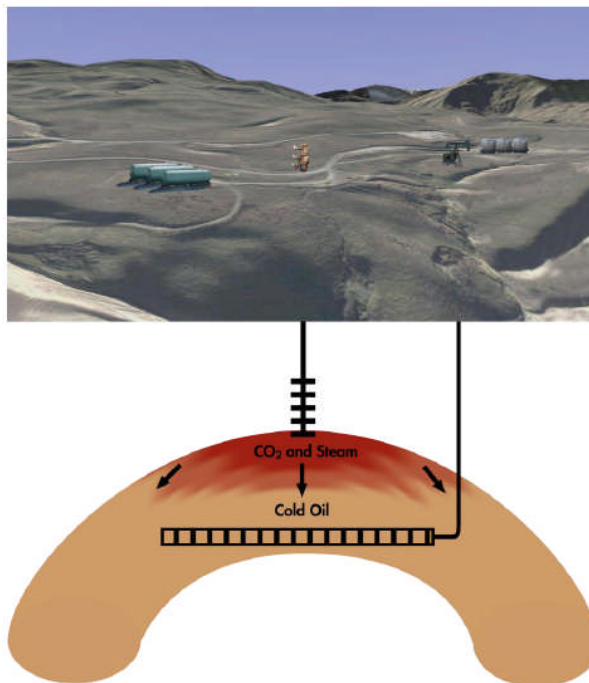
For the analysis, Huddleston used oil prices increasing from \$72/bbl in 2010, to \$99/bbl in 2022; with an average price of \$91/bbl over the life – the price forecasts were based on NYMEX oil prices minus \$10.60/bbl (based on the trailing 12 month average differential) to account for quality, transportation, and marketing costs. Huddleston estimates total development costs of about \$84 million (for the P+P reserves), at about \$0.90 million per well.

One of the company's strategies is to implement its proprietary patent pending Combined Miscible Drive (CMD) technology, which is basically a combination of proven Enhanced Oil Recovery (EOR) techniques, on its heavy oil projects.

***Proprietary
Combined
Miscible Drive
Technology***

EOR techniques are used to enhance recovery of oil from mature or depleted oil and gas reservoirs. Common techniques used are gas injection, chemical injection, thermal recovery or a combination thereof. These techniques often aim to achieve one, or both, of two things: increase pressure in the reservoir to push the remaining oil towards the well bore; or, reduce oil viscosity to encourage increased flow rates. Reducing oil viscosity is particularly important when dealing with heavy oil and is addressed by the company's patent pending EOR technology called *Combined Miscible Drive for Heavy Oil Production*.

The process, developed by Michael Fraim, who is currently a senior engineering advisor with the company, combines the effects of CO₂ flood, steam flood, and alkaline flood on a heavy oil field, and therefore, is a technology which is essentially a variation of previously devised EOR technologies. The technology involves the injection of foamed oxygen at the top of a heavy oil reservoir to generate CO₂, heat, and steam, resulting in a rapid and dramatic increase in reservoir pressure. The increased heat and CO₂ cause the oil to become less viscous, and thus flow more easily through a reservoir - this is important as heavy oil has high viscosity and is often found in reservoirs with low permeability. The resulting increase in reservoir pressure, in combination with gravity, forces the oil to flow downward into horizontal production wells.



*Simulated rendition of the company's CMD process
Source: NiMin Energy*

This is a unique process because the benefits of a CO₂ flood, gravity drainage, and a steam flood, are combined to efficiently operate where the oil or depth of the reservoir makes current EOR technologies uneconomic. For example, the CMD process is expected to be applicable to heavy oil deposits that are too deep for conventional steam flooding (i.e. greater than 2,000 foot depth) and where the oil is too heavy for conventional CO₂ flooding (i.e. oil with an API gravity of below 20°). The company anticipates recovery will range from 30 to 60% OOI. **Additionally, the company believes the technology has the capability to precipitate asphaltenes, thus upgrading the oil by approximately four API units (resulting in increased value for produced oil).** The company believes the technology is applicable to improving light oil recoveries as well.

The company has designed, implemented and initiated its first CMD Project on its Pleito Creek Field (see *California Properties* below) and anticipates oil recovery could be enhanced by over 20%. We expect the company to further implement the technology on its other properties (including the Wyoming properties) should the concept be proven.

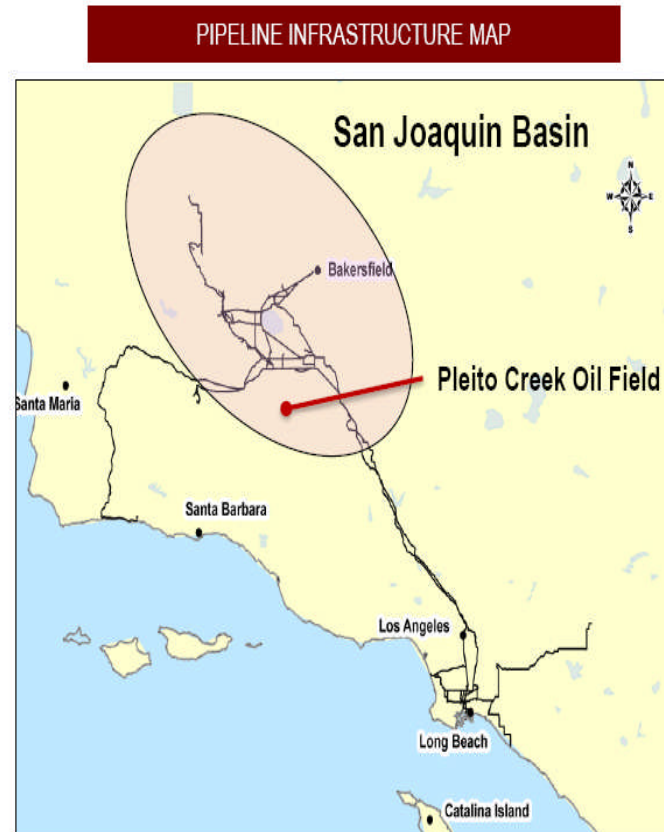
The company filed a patent application in the U.S. in January 2008. The company has also filed patent applications in Canada, Venezuela, Argentina and Ecuador.

California

Overview: In California, the company has interests in 640 acres covering the Pleito Creek Field located along the south side of the San Joaquin Basin, south of Bakersfield. The field is a heavy oil play (16 API – although some areas have shown higher gravity of around 19 API) stratigraphically divided into several reservoirs, with the key formation being the shallow Santa Margarita formation. The deeper prospects are the Olcese Formation (5,000 feet below the surface), and the Deep Stevens Prospect (15,000 feet below the surface).

The company currently owns a 100% working interest from surface to a depth of 6,500 feet. Below 6,500 feet, the company holds a 33% working interest, the remaining 67% of which is held by Vintage Production California LLC (a wholly-owned subsidiary of Occidental Petroleum Corporation; NYSE: OXY).

Infrastructure: A long history of oil production in California, and particularly the San Joaquin basin, has provided the area with well developed petroleum related infrastructure. In addition to the developed pipeline infrastructure depicted in the figure below, the area also includes several active refineries.



*San Joaquin basin/Pleito Creek oil field location and pipeline infrastructure map.
Source: NiMin Energy*

The Santa Margarita Formation, which was discovered in 1951 by Exxon (NYSE: XOM), is a sandstone averaging approximately 28% porosity, and as much as 800mD permeability. **The formation has produced approximately 2 mm boe to date with the company's current Pleito Field production sitting at about 220 bopd gross (100% oil), or 155 bopd (net), from 11 wells.**

Development Timeline: In 2008, the company drilled five horizontal wells with lengths varying between 350 and 1,250 feet. Initial production from the wells averaged approximately 10 bopd per 100 feet of horizontal section.

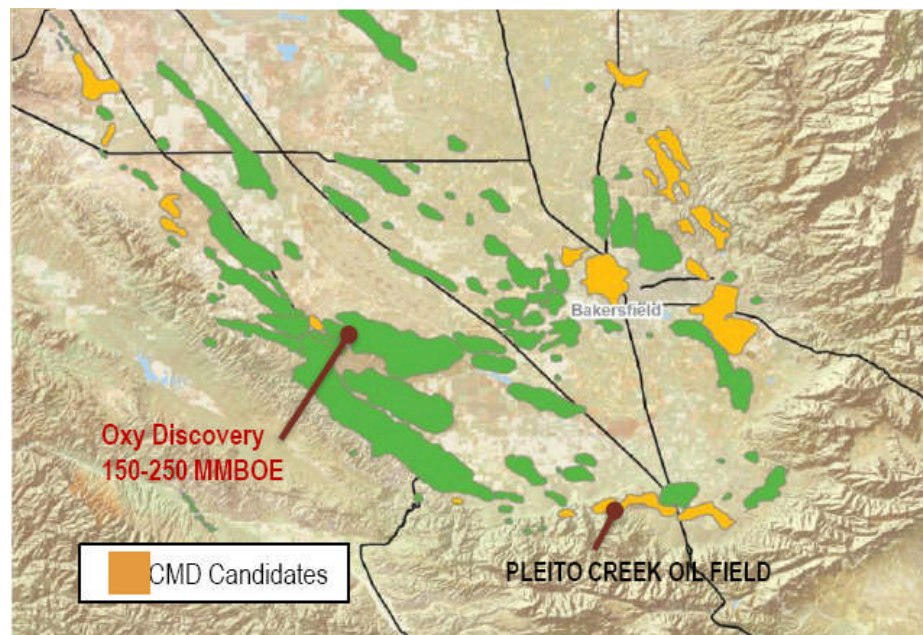
In 2009, the company initiated implementation of their CMD enhanced oil recovery technology in the Santa Margarita Formation at approximately 3,500 feet vertical depth. The project has been designed to enhance recovery of oil in approximately 20% of the Pleito Creek Field, and is to be expanded to full field development after the concept is proven.

In implementing the CMD project, the company has been able to utilize four of the horizontal wells drilled in 2008, convert two vertical wells into monitoring wells, and convert one vertical well into an injection well. The company has also drilled an additional injection well and completed construction of the injection facility. **Injection**

was initiated in March 2009, with initial combustion in May 2009. The company expects to see production response in the first half of 2010. Current recovery in the Pleito field sits at about 7% OOIP. The company believes this number can be increased to approximately 12% with additional conventional horizontal drilling, but is targeting recovery of about 36% OOIP with the CMD project.

Future development wells are likely to be needed to fully develop the reservoir, and management believes large fracture simulations will yield increased production rates. The company plans on drilling seven additional horizontal producing wells, and nine vertical producing wells.

Additional Targets: The company owns a proprietary database of 1,300 U.S. oil and gas fields allowing for the identification of a number of under developed targets that could be exploited using both conventional and EOR technologies. As depicted in the figure below, the company has identified numerous other targets in the San Joaquin Basin in addition to the Pleito Creek oil field that are prospective targets for the application of their CMD technology.



San Joaquin Basin (California)

Source: NiMin Energy

According to the company, they have identified 22 fields, with 4 billion boe OOIP (with a mean recovery of less than 7%) close to existing operations (based on data from IHS Inc.)

In addition to the Pleito Creek field, the company has a 66.67% working interest and is the operator of the 1,343 acre (gross) South West Cymric Project, located 40 miles west of Bakersfield.

Louisiana

The company holds a 48.25% working interest in 3,000 acres within the Krotz Springs Field located in St. Landry Parish, Louisiana. In addition, the company has non-operated production, leased acreage, and multiple drill-ready prospects in several fields located along the Southern Louisiana Gulf Coast. **To date, the Krotz Springs Field has produced over one tcf of natural gas, and 20 mm boe of oil and condensate (as reported by HIS Inc.). The field is operated by an independent oil and natural gas company headquartered in Houston, Texas.**

In all of South Louisiana, the company's interest includes eight producing wells with current production of approximately 218 boepd gross (approximately 25% oil and 75% gas), or 165 boepd net.

The field contains numerous pay zones between 6,400 feet and 11,000 feet with oil and natural gas production coming from numerous fault blocks on a large deep-seated structure. The most important pay zones are the Sparta sands where the company has participated in three productive wells to date. Initial production rates from individual sand completions have exceeded 400 boepd.

As a result of recent drilling, production tests, and incorporation of geophysical data, management believes that there are at least four additional development well opportunities in the portion of the Krotz Springs Field with underlying Sparta sands. The company, however, does not have any immediate plans for its Louisiana properties, as it wants to put all its resources on its Wyoming properties in 2010.

Reserve and NAV estimates - California and Louisiana: As of April 2009, Huddleston estimated proved reserves of 3.64 mm boe gross (2.82 mm boe net), and probable reserves of 10.85 mm boe gross (8.45 mm boe net). P+P reserves include 88% heavy oil, 5% light oil, and 7% gas.

Huddleston's NAV (AT PV@10%) was \$233 million (or \$16/boe gross), and NAV (AT PV@10%) was \$147 million (or \$10/boe gross).

For the NAV analysis on the Pleito Creek Field (CA), Huddleston used oil prices increasing from \$43/bbl in 2010, to \$85/bbl in 2013, and increasing at 2.13% thereafter. With regard to the company's Louisiana projects, Huddleston used oil prices increasing from \$53/bbl in 2010, to \$95/bbl in 2013, and increasing at 2.13% thereafter. The price forecasts for the Pleita Creek Field were based on NYMEX oil prices minus \$12/bbl, and for the Louisiana properties were based on NYMEX oil prices minus \$1.5/bbl, adjusted to account for quality, transportation, and marketing costs.

Management

The company currently has 17 employees (including field personnel). As of September 2009, management and directors owned 15% of the outstanding shares. The company's senior management team has extensive experience in the oil and gas industry (including experience with oil and gas majors) with a proven track record of raising capital. Biographies of the management team, as provided by the company, follow.

Clancy Cottman – Chairman and CEO

Mr. Clancy Cottman has over twenty-seven years experience in the oil and gas industry with a focus on joint ventures, acquisitions and project development. Clancy is Chairman and Chief Executive Officer and Founder of NiMin Energy Corp. He also serves on the board of Etrion Corporation (TSX: ETX; formerly PetroFalcon Corporation), and is on the Advisory Board to Nanes Balkany Partners, a hedge fund investor in small publically traded energy companies. Clancy has held various senior management positions at Sun E&P, Benton Oil & Gas, and PetroFalcon. He has negotiated numerous oil and gas contracts and arranged multiple energy financings in both North America and internationally. He holds a BA from Rochester Institute of Technology and an MBA from the University of Rhode Island. Clancy is a CPL and frequent presenter at industry conferences and seminars.

Sven Hagen, Ph. D – President

Dr. Sven Hagen is the President and Founder of NiMin Energy Corp. He graduated from the University of California at Santa Barbara in 1979 with a Bachelors in Geology, and in 1985 he earned a Doctorate in Geology from the University of Wyoming. He has over 26 years experience in the oil and gas industry with a focus on domestic and international field development, new venture acquisitions, and exploration. In 1985, Sven worked with Standard Oil Production Company and later Shell Oil Company (Pecten) as an Exploration Geologist. From 1990 to 2001, he served in a variety of positions with Benton Oil and Gas Company including Senior VP of Exploration and Production for worldwide operations. During this time, he presided over an international team that developed over 200 million barrels of oil in Venezuela and a 6 TCF gas field in Russia. He often led or managed new venture evaluations for projects in over 40 countries resulting in the acquisition of six major oil and gas development projects. In addition, Dr. Hagen also worked in a senior management position for PetroFalcon Corporation from 2001 to 2005.

Rick McGee – Chief Operating Officer

Mr. Rick McGee graduated from Mississippi State University in 1978 with a BS in Petroleum Engineering. He began his career with Chevron in New Orleans where he worked in production and drilling. From 1981 until 1993 Rick worked with Graham Resources in Covington Louisiana. He worked in operations for seven years and in acquisitions for six years. As a team leader Rick directed successful acquisitions totalling over \$500 million. His responsibilities included prospect screening, reserves evaluation and identification of upside potential via workover, recompletion and infill drilling opportunities. In 1993 he joined Benton Oil and Gas Company as Operations Manager. He directed a start-up operation in Venezuela that took production from zero to over 50,000 BOPD. Under his direction, over 100 wells were drilled and completed including over 50 horizontal gravel pack completions (the first to be done in Venezuela) and a new 60,000 BOPD production facility was designed and constructed. Rick was also intimately involved in negotiating service and sales contracts with both international and local suppliers. In 1998 he joined Pacific Petroleum, LLC as their Operations Manager. He

participated in the evaluation and acquisition of the East and West Falcon Blocks in western Venezuela. In addition, he participated in evaluations of properties in Argentina, Brazil, Chile, Colombia, Russia and the USA. Currently, Rick is Chief Operating Officer and Founder of NiMin Energy Corp.

Jonathan Wimbish, CFO – Chief Financial Officer

Prior to joining NiMin Energy Corp. in 2007, Jon was a Portfolio Manager, Managing Director and Co-Founder of Marketus, LLC, an equity-based hedge fund management company. He managed all energy investments from its founding in 2002. Jon was also a Managing Director and Portfolio Manager at ING Furman Selz Asset Management and Analyst with Husic Capital. He began his career at MasterCard International and held roles of increasing responsibility including; Internal Auditor and Manager of Strategic Planning. Jon holds a BA in Economics from UCLA, an MBA from Columbia Business School and is a CFA Charterholder.

Board of Directors

Clancy Cottman – Chairman & CEO

Sven Hagen, Ph. D - President & Director

W.A. (Alf) Peneycad - Independent Board Member

Currently serves as Of Counsel to Macleod Dixon LLP, former Chief Compliance Officer, Vice-President and General Counsel of Petro-Canada where he worked for over 20 years.

Brian Bayley - Independent Board Member

President & CEO of Quest Capital Corp. and former President & CEO of Quest Oil & Gas and Torque Energy, Inc. Currently sits on the board of a number of public companies.

Robert Redfearn - Independent Board Member

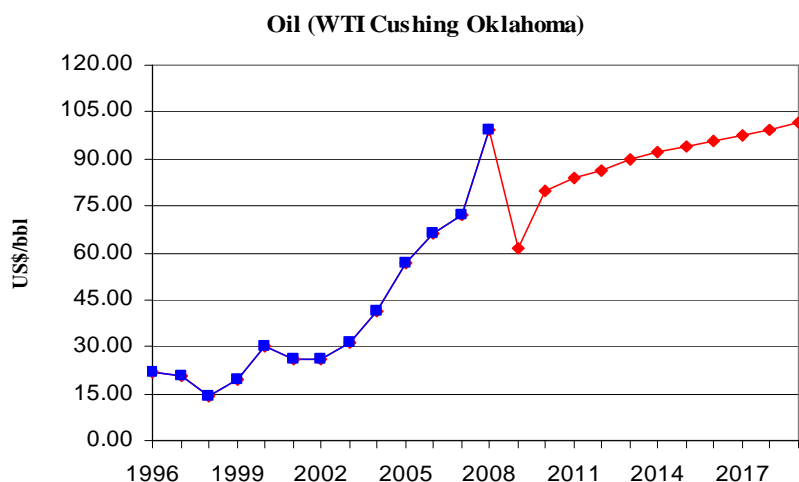
Founding Partner of Simon, Peragine, Smith & Redfearn, L.L.P., and formerly with Deutsch, Kerrigan and Stiles and Humble Oil & Refining Company (now Exxon Corporation).

Oil Price Outlook Crude oil prices are impacted by the worldwide supply and demand of oil. Prices worldwide tend to move in tandem because of the ability to transport oil more readily than natural gas. According to the EIA, world oil production is expected to grow at 1.13% per annum, during the period 2009 – 2030, compared to consumption growth of 1.14% during the same period. As the supply of oil is forecasted to meet demand (shown below), no deficit is predicted for the forecast period.

Oil Supply and Demand (in mm barrels/d)	2009	2010	2015	2020	2025	2030	CAGR 2009-30
World Production	84.2	86.3	90.6	95.9	101.1	106.6	1.13%
World Consumption	84.1	86.3	90.6	95.9	101.1	106.6	1.14%
Deficit	0.1	-	-	-	-	-	

Source: EIA

The following chart shows historic oil prices, along with projections through 2019. The consensus forecasts for WTI are \$80/bbl, and \$83/bbl, in 2010, and 2011, respectively. Over the long-term, we expect increasing global consumption, and rising finding and development costs to support prices above historical averages.



Source: Sproule & GLJ

Financials

The following is a summary of Legacy's operating performance from 2006 to 2008.

Legacy	2006	2007	2008
Revenues	\$434,020	\$4,712,485	\$10,356,662
EBITDA	(\$826,317)	\$1,110,436	\$1,757,007
Net Income ¹	(\$561,806)	(\$566,220)	(\$37,602,011)
Cash Flow from Operations	\$509,902	\$1,206,673	\$4,716,656
CAPEX	(\$8,418,742)	(\$19,721,861)	(\$40,220,824)
Cash Flow from Financings	\$16,627,896	\$40,221,219	\$14,786,577
Cash		\$31,313,269	\$10,535,218
Working Capital		\$27,218,575	\$14,059,318
LT DEBT		617,767	-
Daily Production ²	71	220	456
% Oil	51%	52%	67%
California	6	15	196
Louisiana	65	205	260

1. 2008 Net income includes a \$35.87 million writeoff

2. Net to Legacy's revenue interest

Production in the first nine months of FY2009 (ended September 2009) was 457 boepd net, up from 415 boepd net in the same period during the previous year. Q3 production dropped YOY from 477 boepd net, to 407 boepd net, primarily due to natural production declines. Although production increased YOY for the nine month period, revenues dropped significantly (from \$8.28 million, to \$4.32 million) due to the drop in commodity prices.

The following table shows netbacks during Q3, and the first nine months in FY2008, and FY2009.

	Q3-2008	Q3-2009	2008 (9 mo)	2009 (9 mo)
Production - boepd (net)	477	407	415	457
%Oil	67%	67%	66%	68%
Production Revenue	\$70.76	\$42.68	\$72.90	\$34.56
Operating Costs	(\$14.95)	(\$28.53)	(\$15.07)	(\$25.79)
Operating Netback	\$55.81	\$14.15	\$57.83	\$8.78
General & Admin Costs	(\$16.61)	(\$24.61)	(\$17.62)	(\$20.76)
Capex - \$ mm	(\$14.19)	(\$0.14)	(\$27.43)	(\$7.44)

Operating netbacks for the first nine months of FY2009 were \$8.78/boe, versus \$57.83/boe in the comparable period in the previous year. The significant drop in netbacks was due to - a) a drop in commodity prices, and b) higher operating costs due to the initiation of CO₂ and oxygen injection for the CMD Project in the Pleito Creek Field.

Our production forecast for Q4 is 371 boepd (net), and for FY2010 is 800 boepd (net). The following table shows our netback forecasts for FY2009 and FY2010.

	2009E	2010E
Production - boepd (net)	435	800
%Oil	68%	86%
Production Revenue	\$38.00	\$62.84
Operating Costs	(\$26.37)	(\$19.50)
Operating Netback	\$11.63	\$43.34
General & Admin Costs	(\$21.78)	(\$14.82)
Capex - \$ mm	\$9.92	\$10.20

The following table shows a summary of the company's cash flows for the first nine months of FY2009, along with our forecasts:

Cash Flow Summary (in US\$)	2008 (9 mo)	2009 (9 mo)	2009E	2010E
CFO	\$659,199	(\$2,573,504)	(\$2,445,491)	\$4,652,831
CFI	(\$27,502,219)	(\$7,440,111)	(\$37,220,148)	(\$10,200,000)
CFF	\$18,343,142	\$11,138,884	\$32,985,335	\$2,000,000
Change in Cash	(\$8,499,878)	\$1,125,269	(\$6,680,304)	(\$3,547,169)
Free Cash Flows	(\$26,774,623)	(\$10,013,615)	(\$39,665,639)	(\$5,547,169)
Fund Flows from Operations(FFO)	\$4,467,645	(\$1,629,893)	(\$1,482,002)	\$5,707,982
FFO/Share	\$0.12	(\$0.03)	(\$0.03)	\$0.11

At the end of Q3-2009, the company had \$11.66 million in cash. Working capital and the current ratio were \$11.15 million, and 5.4x, respectively. We expect the company to end up with \$3.85 million in cash, and a working capital deficit of \$18.45 million at the end of FY2009. The working capital deficit is due to the \$22 million loan, which is due December 2010.

	2008	Q3-2009	2009E	2010E
Cash	\$10,535,218	\$11,660,487	\$3,854,914	\$307,744
Working Capital	\$14,059,318	\$11,152,143	(\$18,447,349)	\$1,020,781
Current Ratio	5.30	5.38	0.24	1.29
Total Debt	-	-	\$22,000,000	-
Total LT Debt	-	-	-	-
Total Equity	\$74,259,289	\$79,268,090	\$77,552,711	\$94,468,888
Capital	\$74,259,289	\$79,268,090	\$99,552,711	\$94,468,888
Debt/Capital	-	-	22%	-
LT Debt/Capital	-	-	-	-

Our models indicate the company will have to raise about \$24 million in equity/debt (or refinance the current debt) in 2010 to repay the \$22 million loan, and fund its capital budget of \$10.20 million.

Stock options and warrants: At the end of Q3-2009, the company had 7.42 million stock options (weighted average exercise price of C\$1.25), and 13.67 million warrants (weighted average exercise price of C\$1.72) outstanding. All the options, and 0.03 million warrants, are currently in the money. The company has the potential to raise up to C\$9.27 million if all the 'in-the-money' options and warrants are exercised.

Valuation

Our NAV estimate (after tax PV@10%) on the company's projects is \$225 million. Our fair value estimate on NiMin, based on our NAV estimate on its projects, is \$209 million, or C\$4.16 per share.

Net Asset Value					
	0%	5%	10%	15%	20%
NPV (after tax) of P+P Reserves	\$785,001,714	\$396,711,015	\$224,823,071	\$139,646,037	\$93,103,044
PV @ 10% (US\$)	\$224,823,071				
Working Capital - LT Debt (US\$)	(\$15,874,308)				
Net Asset Value (US\$)	\$208,948,763				
No of outstanding shares (dil)	52,697,908				
NAV / Share (C\$)	\$4.16				

* C\$/US\$ - 1.05

The following table shows a comparables evaluation of NiMin.

(in C\$)	EV / boepd		EV / boe
1 AXL	\$25,734	1 TBE	\$5.70
2 TBE	\$26,285	2 AXL	\$6.29
3 ONR	\$28,509	3 ONR	\$6.50
4 ITX	\$31,238	4 ITX	\$8.53
5 ZCO	\$34,243	5 OEX	\$8.80
6 CNH	\$34,721	6 MOX	\$10.71
7 DEE	\$37,211	7 GPX	\$11.20
8 OEX	\$41,164	8 ZCO	\$11.48
9 GPX	\$42,773	9 DEE	\$12.76
10 RE	\$43,393	10 RE	\$14.25
11 MOX	\$48,363	11 CNH	\$15.46
12 WTL	\$54,789	12 WTL	\$18.26
13 BEN	\$79,903	13 BEN	\$28.96
Average	\$40,640	Average	\$12.22
Average (discounted by 25%)	\$30,480	Average (discounted by 25%)	\$9.17
NNN (based on 2010 production est.)	\$105,953	NNN	\$2.92

As shown in the table, the industry average ratios of enterprise value (EV) to P+P reserves (boe), and EV to daily production (boepd) of companies producing a combination of light/medium oil, and gas, are C\$12.22/boe, and C\$40,640 per boepd, respectively. As 94% of NiMin's current P+P reserves are comprised of heavy oil, we discounted the industry average ratios in order to make them comparables to NiMin's EV/boe, and EV/boepd. Our research indicates that the NAV/boe of heavy oil plays tend to be 25% lower than the NAV/boe of projects producing a combination of light/medium oil and gas. Applying a 25% discount, we arrived at an industry average EV/boe, and EV/boepd, of C\$9.17, and C\$30,480, respectively, versus NiMin's C\$2.92, and C\$105,953.

NiMin's EV/boe of C\$2.92 suggests that its shares are significantly undervalued. The company's high EV/boepd ratio is inline with the company's strategy of acquiring and exploiting under-developed oil fields (which indicates relatively low production) with significant in-place resources. We expect NiMin's EV/boepd to drop as production from its properties increases.

Rating

Based on our review of the company's projects, and our valuation models, we initiate coverage on NiMin Energy with a BUY rating and a fair value of C\$4.16 per share.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- Volatility of Commodity Prices – Revenue and profitability of the company depends heavily on future natural gas and oil prices

- Exploration, Development and Production Risk –The ability to grow depends heavily on the ability to acquire and develop suitable producing properties.
- The company has to significantly increase production from current levels in order to realize the true potential of its projects.
- Near-term capital requirement - We estimate the company has to raise about \$24 million in equity/debt in 2010 to repay its \$22 million loan, and fund its capital budget of \$10.20 million.
- The feasibility/efficiency of the CMD technology has yet to be proven.
- Access to capital and share dilution; any equity financing conducted below our fair value estimate will result in a drop in our fair value per share estimate.

We rate the shares Risk 4 (Speculative).

APPENDIX**Consolidated Statements of Income (Loss)****YE - December 31 (US\$)**

	2009E	2010E
Production Revenues (net of royalties)	6,036,613	18,338,851
Operating Costs	4,188,972	5,690,441
Gross Profit	1,847,641	12,648,409
Loss (gain) on crude oil derivative contract	243,666	-
General and administrative	3,458,845	4,323,557
Stock-based compensation	2,464,708	2,526,325
EBITDA	(4,075,912)	5,798,527
Depreciation, depletion, amortization, and accretion	6,209,911	12,791,805
EBIT	(10,285,823)	(6,993,278)
Interest Expense	(69,353)	2,616,871
EBT	(10,216,470)	(9,610,148)
Foreign exchange gain	206,635	
Other	(146,786)	
Income tax expense	-	-
Net Income (loss) for the period	(10,156,621)	(9,610,148)
EPS, Basic	(0.20)	(0.18)

Consolidated Balance Sheets**YE - December 31 (US\$)**

	2008	2009E	2010E
Current assets			
Cash and cash equivalents	10,535,218	3,854,914	307,744
Accounts receivable	952,460	1,207,323	2,750,828
Prepaid expenses	5,134,809	181,098	550,166
Inventory	703,083	603,661	916,943
Total Current Assets	17,325,570	5,846,996	4,525,680
Restricted cash	120,000	120,000	120,000
Equipment	396,204	211,277	158,458
Crude oil and natural gas properties	60,192,379	96,143,289	93,604,303
Other assets	66,597	60,851	60,851
Total Assets	78,100,750	102,382,413	98,469,292
Current liabilities			
Accounts payable and accrued liabilities	3,266,252	2,294,345	3,504,899
Fair value of commodity derivative instrument	-	-	-
Loan	-	22,000,000	-
Total Current Liabilities	3,266,252	24,294,345	3,504,899
Provision for asset retirement obligation	575,209	535,357	495,505
Total liabilities	3,841,461	24,829,702	4,000,404
Shareholders' Equity			
Share Capital	72,861,988	83,847,323	107,847,323
Contributed surplus	4,199,192	6,663,900	9,190,225
Deficit	(2,801,891)	(12,958,512)	(22,568,660)
Total Shareholders' Equity	74,259,289	77,552,711	94,468,888
Total Liabilities and Shareholders Equity	78,100,750	102,382,413	98,469,292

Consolidated Statements of Cash Flows
YE - December 31 (US\$)

	2009E	2010E
Operating Activities		
Net Income (Loss)	(10,156,621)	(9,610,148)
<i>Adjustments :</i>		
Depreciation, depletion, amortization, and accreti	6,209,911	12,791,805
Deferred income taxes		
Stock-based compensation	2,464,708	2,526,325
Funds Flow from Operations	(1,482,002)	5,707,982
<i>Change in Working Capital</i>		
Accounts receivable	(254,863)	(1,543,505)
Prepaid expenses	203,711	(369,067)
Inventory	99,422	(313,281)
Other		
Accounts payable and accrued liabilities	(971,907)	1,210,554
Provision for asset retirement obligation	(39,852)	(39,852)
Net cash provided by operating activities	(2,445,491)	4,652,831
Investing Activities		
Crude oil and natural gas properties	(9,920,148)	(10,200,000)
Acquisition	(27,300,000)	
Equipment	-	-
Increase in restricted cash	-	-
Net cash used in investing activities	(37,220,148)	(10,200,000)
Financing activities		
Debt	22,000,000	(22,000,000)
Common shares and warrants	10,985,335	24,000,000
Fair value of commodity derivative instrument		
Net cash provided by financing activities	32,985,335	2,000,000
Increase (decrease) in cash	(6,680,304)	(3,547,169)
Cash, beginning of period	10,535,218	3,854,914
Cash, end of period	3,854,914	307,744

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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