NORTHFIELD

NORTHFIELD CAPITAL CORPORATION

ANNUAL REPORT 2010

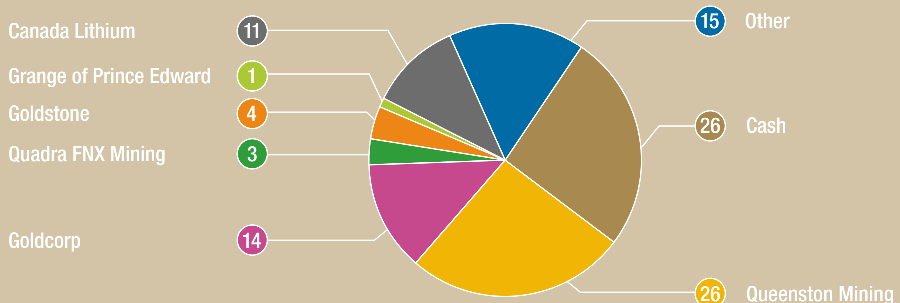

GOLD

Northfield Capital's goal is to enhance the growth and development of its investment partners and to build long-term value for its shareholders. Northfield Capital plays an active role providing both human and capital resources to influence the strategic direction and operating orientation of its strategic investments.

At year's end, Northfield Capital held cash and cash equivalents and term deposit of $38 million representing 26% of its assets. An additional 74% of its investments were in the gold sector. Northfield's top holdings are Queenston Mining Inc. (26%), Goldcorp Inc. (14%), Canada Lithium Corp. (11%), Goldstone Resources Inc. (4%), and Quadra FNX Mining Ltd. (3%).

The Company remains exposed to fluctuations in the commodity prices. As a result, the value of Northfield's investments increased during 2010 as commodities continued to increase in value. The Corporation believes commodity prices will continue to increase and therefore intends to continue investing in companies operating in this sector.

Investment Breakdown (%)



Goldcorp Inc.

www.goldcorp.com

TSX:G
NYSE:GG

Goldcorp is the fastest growing, lowest-cost senior gold producer with operations and development projects in politically stable jurisdictions throughout the Americas. Their strong project pipeline is positioned to drive long-term, sustainable growth.

Queenston Mining Inc.

www.queenston.ca

TSX:QMI

Queenston is a Canadian resource company focused on the exploration and development of gold deposits on "Proven Mine Trends". Queenston is a past producer and is aggressively advancing towards mine feasibility. Agnico-Eagle Mines Ltd. recognizes the quality of their projects and has made a strategic investment. With new discoveries in the Kirkland Lake and Cadillac gold camps Queenston is closer to its goal of returning to producer status.

Quadra FNX Mining Ltd.

www.quadrafnx.com

TSX:QUX

Quadra FNX Mining Ltd. is a leading mid-tier copper mining company with corporate offices in Vancouver, B.C. and Toronto, Ontario. Quadra FNX produces copper, gold and platinum group metals from its operating mines: the Robinson mine in Nevada, the Carlota mine in Arizona, the Franke mine in northern Chile, and the McCreedy West, Levack (which includes the Morrison Deposit) and Podolsky mines in Sudbury, Ontario. The company possesses several advanced development projects, including the Sierra Gorda copper-molybdenum project in Chile, the Victoria project in Sudbury, and the Malmbjerg molybdenum development project in Greenland.

Canada Lithium Corp.

www.canadalithium.com

TSX:CLQ
US-OTC:CLQMF

Canada Lithium Corp., a “clean-tech” mine developer plans to build an open-pit lithium carbonate mine and processing plant near Val d’Or, Quebec to meet the growing needs of the emerging global market for electric and hybrid electric vehicles. Metallurgical tests have produced battery-grade lithium carbonate from deposit samples and it has an agreement with Japanese metals trading firm, Mitsui and Co. Ltd. to market a portion of Canada Lithium Corp’s product in China, Korea and Japan.

Goldstone Resources Inc.

www.goldstoneresourcesinc.com

TSX:GRC

Goldstone Resources Inc. is a major force in gold exploration and development in the Beardmore-Geraldton Camp in Northwestern Ontario, combining significant newly discovered and historic resources with exciting exploration potential.

The Key Lake property borders on the Hardrock Project, a joint venture with Premier Gold Mines Ltd. in which Goldstone holds a 30% carried interest. Major discoveries were made at the Hardrock Project in 2010 and an ambitious eight-rig program will be carried out in 2011.

The Grange of Prince Edward Vineyards & Estate Winery

www.grangeofprinceedward.com

The Grange of Prince Edward Vineyards & Estate Winery is a family run business established in 2002 on the original Loyalist patented Trumpour farm. Vineyard planting began in 2001 and the vineyards now cover 60 acres of picturesque Prince Edward County farmland. Wine production began with the 2003 vintage which produced Prince Edward County's first Ontario Wine Award winning wine: Trumpour's Mill 2003 Gamay Noir VQA. The Grange is proud of the history of its farm and is dedicated to producing delicious VQA wines of quality.

Financial Statements and Notes to Financial Statements

Auditors' Report

To the Shareholders of Northfield Capital Corporation

We have audited the accompanying financial statements of Northfield Capital Corporation which comprises the balance sheets as at December 31, 2010 and 2009 and the statements of earnings, retained earnings, comprehensive income, accumulated other comprehensive income and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northfield Capital Corporation as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
March 28, 2011

Balance Sheets

As at December 31,	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 26,531,671	$ 9,024,531
Receivables	261,515	150,000
Marketable securities (note 4)	55,797,060	33,472,005
Prepaid expenses	7,374	6,527
Income taxes receivable	96,343	894,879
	82,693,963	43,547,942
Long-term investments (note 5)	64,246,792	79,867,269
Equity accounted investment (note 6)	2,010,185	2,113,818
Property, plant and equipment	105,562	107,394
	$ 149,056,502	$ 125,636,423
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 225,334	$ 291,478
Future income taxes (note 13)	3,871,488	1,458,190
	4,096,822	1,749,668
Future income taxes (note 13)	5,679,565	7,378,115
	9,776,387	9,127,783
SHAREHOLDERS' EQUITY		
Share capital (note 8(b))	4,416,810	4,472,155
Contributed surplus (note 8(b))	42,831	42,831
Retained earnings	116,681,811	80,658,168
Accumulated other comprehensive income	18,138,663	31,335,486
	139,280,115	116,508,640
	$ 149,056,502	$ 125,636,423

Contingencies (note 16)

See accompanying notes to financial statements

On behalf of the Board:

Thomas J. Pladsen
Director

Morris D. Prychidny
Director

Statements of Earnings

Years ended December 31,	2010	2009
Revenue (note 12)	$ 44,673,009	$ 11,739,332
Operating expenses		
Administrative	1,990,432	2,025,723
Amortization	1,833	2,388
Equity loss on equity accounted investment (note 6)	178,633	98,082
	2,170,898	2,126,193
Earnings before income taxes	42,502,111	9,613,139
Income taxes (note 13)	5,507,673	620,299
Net earnings	$ 36,994,438	$ 8,992,840
Net earnings per share		
Basic and diluted	$ 13.51	$ 3.21
Weighted average Class A and Class B shares outstanding during the period		
Basic and diluted	2,738,795	2,800,655

See accompanying notes to financial statements

Statements of Retained Earnings

Years ended December 31,	2010	2009
Retained earnings, beginning of year	$ 80,658,168	$ 72,341,640
Net earnings	36,994,438	8,992,840
Excess of cost over paid-up value of repurchased shares	(970,795)	(676,312)
Retained earnings, end of year	$ 116,681,811	$ 80,658,168

See accompanying notes to financial statements

Statements of Comprehensive Income

Years ended December 31,	2010	2009
Net earnings	$ 36,994,438	$ 8,992,840
Other comprehensive income, net of tax		
Available for sale investments		
Unrealized gain on available for sale investments	10,794,960	30,085,450
Reclassification of realized loss (gain) on available for sale investments to net earnings	(23,991,783)	3,087,168
Other comprehensive income	(13,196,823)	33,172,618
Comprehensive income	$ 23,797,615	$ 42,165,458

See accompanying notes to financial statements

Statements of Accumulated Other Comprehensive Income

Years ended December 31,	2010	2009
Accumulated other comprehensive income, beginning of year	$ 31,335,486	$ (1,837,132)
Other comprehensive income for the year	(13,196,823)	33,172,618
Accumulated other comprehensive income, end of year	$ 18,138,663	$ 31,335,486

See accompanying notes to financial statements

Statements of Cash Flows

Years ended December 31,	2010	2009
Cash provided by (used in)		
Operations		
Net earnings	$ 36,994,438	$ 8,992,840
Items not involving current cash flows (note 9(a))	(41,556,657)	(12,497,065)
Write-down of investments	–	1,590,000
Net change in non-cash working capital (note 9(b))	745,030	304,854
	(3,817,189)	(1,609,371)
Investing		
Purchase of marketable securities	(39,622,126)	(88,329,488)
Proceeds on disposal of marketable securities	34,042,200	85,174,101
Purchase of long-term investments	(3,108,833)	(7,764,843)
Proceeds on disposal of long-term investments	31,239,230	7,986,825
Purchase of equity accounted investments	(200,000)	(250,000)
	22,350,471	(3,183,405)
Financing		
Shares repurchased for cancellation	(1,026,142)	(741,767)
Change in cash and cash equivalents	17,507,140	(5,534,543)
Cash and cash equivalents, beginning of year	9,024,531	14,559,074
Cash and cash equivalents, end of year	$ 26,531,671	$ 9,024,531
Supplementary cash flow information (note 9(c))		

See accompanying notes to financial statements

NORTHFIELD CAPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2010 and 2009

1. Nature of Operations

Northfield Capital Corporation ("Northfield") is a publicly traded investment holding company with investment interests primarily in the resource sector. These financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

2. Significant Accounting Policies

(a) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Significant areas requiring the use of management estimates include assumptions used for the purposes of estimating fair value of investments, and future income taxes. Actual results could differ from these estimates.

(b) Revenue recognition

Realized gains and losses on the disposal of investments and unrealized gains and losses on securities designated as held for trading are reflected in the statements of earnings and are calculated on an average cost basis. Unrealized gains and losses on securities designated as available for sale are reflected in other comprehensive income. Upon disposal of an investment, previously recognized unrealized gains or losses are reclassified so as to recognize the full realized gain or loss in the period of disposition. Other investment income is recognized on the accrual basis.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with brokers, and highly liquid investments with a maturity of three months or less from the date of acquisition.

(d) Investments

Publicly traded marketable securities and long-term investments, including shares, options and warrants are recorded at fair values based on the last quoted bid price at the balance sheet date. For warrants which are not traded on a recognized securities exchange and where there are sufficient and reliable observable market inputs, the Black-Scholes model for valuation is used; if no such market inputs are available, the warrants are valued at their intrinsic value, which is equal to the higher of the closing bid price at the balance sheet date of the underlying security less the exercise price for the warrant, or zero. Privately traded investments are recorded at cost, which is the fair value at the time of acquisition. Thereafter, at each reporting period, the fair values of the privately traded investments are examined for impairment that is other than temporary.

2. Significant Accounting Policies (continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost and are amortized over the estimated useful lives of the assets using the following methods and rates:

Computer equipment	30% declining balance
Equipment, furniture and fixtures	20% declining balance

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If the sum of the undiscounted future cash flows expected from use and residual value is less than carrying amount, the asset is considered impaired. An impairment loss is measured as the amount by which the carrying value of the asset exceeds its fair value.

(f) Per share information

Per share information is computed using the weighted average number of Class A Restricted Voting Shares and Class B Multiple Voting Shares outstanding during the year. Diluted per share information is calculated using the treasury stock method for options. The treasury stock method assumes that any proceeds obtained upon exercise of options would be used to purchase Class A shares at the average market price during the year.

(g) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(h) Stock-based compensation

The Company has a stock-based compensation plan, which is described in note 8(c). The Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted is measured at fair value at the grant date using the Black-Scholes valuation model and recognized over the vesting period of the options granted.

(i) Financial instruments

All financial instruments are classified into one of the following five categories: held for trading assets or liabilities, held to maturity investments, loans and receivables, available for sale financial assets, or other financial liabilities. Held for trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available for sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash and cash equivalents	Held for trading
Marketable securities	Held for trading or available for sale
Accounts receivable	Loans and receivables
Long-term investments	Available for sale
Accounts payable and accrued liabilities	Other financial liabilities

Transaction costs are expensed as incurred for financial instruments. The Company accounts for regular purchases and sales of financial assets using settlement-date accounting.

Comprehensive income consists of net earnings and other comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with GAAP, are recognized in comprehensive income but excluded from net earnings. Amounts included in accumulated other comprehensive income are reclassified to net earnings when realized.

Unrealized gains and losses on financial instruments that are classified as available for sale are recognized in other comprehensive income and accumulated other comprehensive income, net of tax.

3. New Accounting Policies and Future Accounting Pronouncements

(a) New accounting policies

The Company has not adopted any new accounting standards during the current year.

(b) Future accounting pronouncements

The CICA issued the following new accounting standards which will become effective for fiscal years beginning January 1, 2011:

Sections 1582—Business Combinations, 1601—Consolidated Financial Statements, and 1602—Non-Controlling Interest

In January 2009, the CICA issued Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests. These sections replace the former Section 1581, Business Combinations, and Section 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests to be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new standards are harmonized with international standards and apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. All three sections must be adopted concurrently. The Company does not expect the adoption of these sections to have a material impact on its financial statements.

3. New Accounting Policies and Future Accounting Pronouncements (continued)

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including Northfield, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, Northfield will apply accounting policies consistent with IFRS beginning with the interim financial statements for the quarter ending March 31, 2011. The Company's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to reflect any changes in accounting policies resulting from the adoption of IFRS.

4. Marketable Securities

	2010		2009	
	Quoted Market value	Cost	Quoted Market value	Cost
Term deposits	$ 11,483,630	$ 11,483,630	$ 10,997,368	$ 10,994,560
Marketable securities—held for trading	35,414,390	16,205,579	17,111,255	13,480,019
Marketable securities—available for sale	5,554,855	4,717,554	3,190,071	2,214,409
Warrants—held for trading	3,344,185	5,000	2,173,311	5,000
	$ 55,797,060	$ 32,411,763	$ 33,472,005	$ 26,693,988

5. Long-Term Investments

	2010		2009	
	Quoted Market value	Cost	Quoted Market value	Cost
Aspen Group Resources Corporation	$ 560,750	$ 560,750	$ 1,421,500	$ 1,421,500
Quadra FNX Mining Ltd.	4,589,985	4,509,489	7,606,144	1,813,809
Goldcorp Inc.	20,008,737	20,319,449	18,956,981	21,282,000
Guyana Goldfields Inc.	–	–	18,613,353	3,932,136
Queenston Mining Inc.	39,087,320	18,782,625	33,269,291	15,388,689
	$ 64,246,792	$ 44,172,313	$ 79,867,269	$ 43,838,134

Included in long-term investments is the fair value of warrants classified as held for trading which have a cost of $nil and a fair value of $157,958 (2009 cost—$nil and fair value —$1,148,213).

Included in long-term investments is Northfield's investment in Aspen Group Resources Corporation, which includes an investment in convertible debentures and a loan. The debenture portion of the convertible instrument has been recorded at amortized cost in the amount of $560,750 (2009—$1,121,500). At December 31, 2010, Northfield's outstanding loan receivable from Aspen Group Resources Corporation was $nil (2009—$300,000). The fair value of the conversion option of Northfield's investment in convertible debentures and the loan is classified as held for trading and at December 31, 2010 has a fair value of $nil (2009—$nil).

6. Equity Accounted Investments

	2010	2009
The Grange of Prince Edward Inc.		
Common shares (47%)	3,380,000	3,380,000
Share of equity loss	(1,444,815)	(1,266,182)
Loan receivable	75,000	–
	$ 2,010,185	$ 2,113,818

During the year, Northfield loaned $75,000 to The Grange of Prince Edward. This loan is unsecured.

7. Credit Facilities

The Company has a line of credit available to a maximum of $1,000,000. The available line as at December 31, 2010 was $1,000,000 of which $nil was drawn and outstanding. The line of credit is subject to certain financial covenants. Interest is calculated at the bank's prime rate of interest plus 1.0%. The effective rate at December 31, 2010 was 4.0%.

The Company has guaranteed 50% of the long-term debt of The Grange of Prince Edward Inc. (note 6). The total outstanding debt at December 31, 2010 was $1,450,000 (December 31, 2009—$1,500,000). The nature of the guarantee is such that 50% of the total debt will be payable by Northfield on demand by the debtor.

From time to time Northfield may maintain overdraft positions in Northfield's margin accounts with various brokers that is secured by certain marketable securities. The maximum amount available is dependent on the securities held in the account. Interest is calculated at the brokers' prime rate of interest plus 1.5% to 2%.

8. Share Capital

(a) Authorized capital

Unlimited number of:

Class A Shares - Restricted Voting

Class B Shares - Multiple Voting—having 500 votes per share, convertible into one Class A Share; ownership is restricted to the original promoters of Northfield

200,000 Preference Shares - Voting

8. Share Capital (continued)

(b) Capital issued and contributed surplus

	Number of Shares	Consideration	Contributed Surplus
Class A shares			
Balance - December 31, 2008	2,796,935	$ 4,529,930	$ 42,831
Shares repurchased for cancellation	(40,400)	(65,454)	–
Balance - December 31, 2009	2,756,535	4,464,476	42,831
Shares repurchased for cancellation	(34,160)	(55,346)	–
Balance - December 31, 2010	2,722,375	$ 4,409,130	$ 42,831
Class B shares			
Balance - December 31, 2008, 2009 and 2010	3,720	$ 7,680	$ –
Total Class A and Class B shares	2,726,095	$ 4,416,810	$ 42,831

(c) Options

The Company has a stock option plan (the "Plan") in place under which the board of directors may grant options to acquire up to 490,000 Class A Shares of Northfield to qualified directors, officers, employees and other ongoing service providers. The exercise price of options issued may not be less than the fair market value of the Class A shares at the time the option is granted. The options are non-assignable and may be granted for a term not exceeding five years. Options issued under the Plan may vest at the discretion of the board of directors and must vest over a period of at least 18 months and must be released in equal stages on a quarterly basis. The number of Class A shares reserved for issuance to any one person upon the exercise of options may not exceed 5% of the issued and outstanding Class A shares at the date of such grant.

No options were granted, expired, exercised or outstanding during 2010 or 2009.

9. Statement of Cash Flows

(a) Items not involving current cash flows

	2010	2009
Amortization	$ 1,833	$ 2,388
Equity loss	178,633	98,082
Future income taxes	2,620,688	408,266
Loss (gain) on sale of long-term investments	(27,417,594)	1,987,010
Gain on sale of marketable securities	(1,182,018)	(7,525,180)
Unrealized gain on held-for-trading investments	(15,758,199)	(7,467,631)
	$ (41,556,657)	$ (12,497,065)

(b) Net change in non-cash working capital balances

	2010	2009
Receivables	$ (111,515)	$ (128,707)
Prepaid expenses	(847)	(1,355)
Accounts payable and accrued liabilities	58,856	131,747
Income taxes (receivable) payable	798,536	303,169
	$ 745,030	$ 304,854

(c) Supplemental information

	2010	2009
Interest paid	$ 494	$ 3,046
Income taxes paid	$ 3,000,000	$ 1,000,000
Non-monetary gain on sale of long-term investments	$ 7,773,292	$ –
Non-monetary gain on sale of marketable securities	$ 597,664	$ –

10. Related Party Transactions

During the year, Northfield paid consulting fees of $221,700 (2009—$210,000) to a company controlled by an officer and paid rent of $84,262 (2009—$68,127) and consulting fees of $157,800 (2009—$150,000) to a company controlled by another officer. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

11. Capital Management

The Company includes the following in its capital:

	2010	2009
Shareholders' equity comprised of:		
Share capital	$ 4,416,810	$ 4,472,155
Contributed surplus	42,831	42,831
Retained earnings	116,681,811	80,658,168
Accumulated other comprehensive income	18,138,663	31,335,486
	$ 139,280,115	$ 116,508,640

The Company's objectives when managing capital are:

(i) to ensure that Northfield maintains the level of capital necessary to meet the requirements of its brokers and bank;

(ii) to allow Northfield to respond to changes in economic and/or marketplace conditions by maintaining Northfield's ability to purchase new investments;

(iii) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and

(iv) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

11. Capital Management (continued)

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

(i) realizing proceeds from the disposition of its investments;

(ii) utilizing leverage in the form of margin (due to brokers), Northfield's bank credit line (bank indebtedness), long-term debt from financial lenders and financial guarantees;

(iii) raising capital through equity financings; and

(iv) purchasing Northfield's own shares for cancellation pursuant to its normal course issuer bid.

12. Revenue

		2010		2009
Gain (loss) on sale of long-term investments	$	27,417,594	$	(1,987,010)
Gain on sale of marketable securities		1,182,018		7,525,180
Write-down of marketable securities		–		(1,590,000)
Investment and other income		315,198		323,531
Unrealized gain on investments held for trading		15,758,199		7,467,631
	$	44,673,009	$	11,739,332

13. Income Taxes

The future income tax asset (liability) is comprised of the following temporary differences:

		2010		2009
Other assets (liabilities)	$	(340,000)	$	(150,000)
Unrealized gain (loss) on investments classified as held for trading		(3,531,488)		(1,308,190)
	$	(3,871,488)	$	(1,458,190)
Future tax related to long-term investments	$	(5,679,565)	$	(7,378,115)

The major factors that cause variations from Northfield's combined federal and provincial statutory Canadian income tax rates of 31% (2009—33%) were the following:

	2010	2009
Earnings before income taxes	$ 42,502,111	$ 9,613,139
Expected income tax expense at statutory rates	$ 13,175,654	$ 3,172,336
Increase (decrease) resulting from:		
Non-taxable portion of capital gains	(4,289,942)	822,040
Unrealized capital gains (loss)	(3,288,427)	(1,237,361)
Flow-through share deductions	(427,200)	(1,434,576)
Equity loss	53,590	32,367
Write-down of long-term investment	–	(651,448)
Change in tax rates	159,663	(274,950)
Other	124,335	191,891
	$ 5,507,673	$ 620,299

The details of the provision for income taxes are as follows:

	2010	2009
Current provision	$ 2,886,985	$ 212,033
Future provision	2,620,688	408,266
	$ 5,507,673	$ 620,299

The Company presents its statement of comprehensive income on a net of tax basis. Accumulated other comprehensive income consists of unrealized gains (losses) on available for sale investments which have been presented net of tax of $2,811,493 (2009—$5,221,157).

14. Financial Instruments

The investment operations of Northfield's business involve the purchase and sale of securities and, accordingly, the majority of Northfield's assets are currently comprised of financial instruments. The use of financial instruments can expose Northfield to several risks, including liquidity, market and interest risks. A discussion of Northfield's use of financial instruments and their associated risks is provided below.

(a) Liquidity risk

Liquidity risk is the risk that Northfield will have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if Northfield's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to Northfield, or if the value of Northfield's investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions. All outstanding obligations as at December 31, 2010 are due within one year.

14. Financial Instruments (continued)

(a) Liquidity risk (continued)

From time to time Northfield uses financial leverage (or "margin") when purchasing investments. Trading on margin allows Northfield to borrow part of the purchase price of the investments (using marginable investments as collateral), rather than pay for them in full. Buying on margin allows Northfield to increase its portfolio size by increasing the number and amount of investment through leverage. However, if the market moves against Northfield's positions and Northfield's investments decline in value, Northfield may be required to provide additional funds to its brokers, which could be substantial. Given the nature of Northfield's business, Northfield may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments prematurely and/or at a loss, in order to generate funds needed to satisfy Northfield's obligations. Furthermore, if Northfield is unable to provide the necessary funds within the time required, Northfield's marginable investments may still be liquidated at a loss by its brokers to meet the obligations (and Northfield may still be required to make up any additional shortfall in funds thereafter).

The Company has at times borrowed funds from other sources to meet its obligations, but there can be no assurances that such funds will be available in the future, or available on reasonable terms, and the absence of available funding and/or the sale of Northfield's investments in order to meet margin calls could have a materially adverse impact on Northfield's operating results.

As at December 31, 2010, based on typical margin requirements Northfield had available margin of approximately $45,450,000 from its brokers of which Northfield was using $nil. The Company manages this risk by not over extending the use of margin. As at December 31, 2010 the estimated sensitivity of Northfield's available margin from a 10% decrease in the closing bid price of Northfield's investments with all other variables held constant would reduce the available margin to $42,060,000.

(b) Market risk

Market risk is the risk that the fair value of, or future cash flows from Northfield's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer. Northfield's investment activities are currently across different sectors in the natural resource industry, with a focus primarily on precious metals.

The following table shows the estimated sensitivity of Northfield's after-tax net income (loss) for the year ended December 31, 2010 from a change in closing bid price of Northfield's investments with all other variables held constant as at December 31, 2010:

Percentage of Change in Closing Bid Prices	Change in Comprehensive Income (Net of Tax) From % Increase in Closing Bid Price	Change in Comprehensive Income (Net of Tax) From % Decrease in Closing Bid Price
Investments held for trading		
5%	2,114,916	(2,114,916)
10%	2,897,017	(2,897,017)
Investments available for sale		
5%	4,229,832	(4,229,832)
10%	5,794,033	(5,794,033)

(c) Interest rate risk

Interest risk is the impact that changes in interest rates could have on Northfield's earning and liabilities. As at December 31, 2010, Northfield had access to credit facilities comprised of due to brokers and bank indebtedness (collectively "interest risk liabilities"), which bore interest at rates fluctuating with the prime rate or overnight lending rate. From time to time Northfield uses these facilities, but at December 31, 2010 the amount outstanding was $nil. The interest risk liabilities can be repaid by Northfield at any time without notice or penalty, which provides Northfield with some ability to manage and mitigate its interest risk.

The company invests in fixed income securities which bear interest at fixed rates of interest, and as such, are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. To minimize this risk, all fixed income securities held by Northfield as at December 31, 2010 mature within one year.

(d) Currency risk

Currency risk is the risk that the fair value of, or future cash flows from Northfield's financial instruments will fluctuate because of changes in foreign exchange rates. Some of Northfield's investments are denominated in foreign currencies and are therefore exposed to foreign exchange fluctuations. The Company believes it is not significantly exposed to currency risk as these investments comprise less than 5% of Northfield's total investments.

(e) Fair value

The Company has determined the fair value of its financial instruments as follows:

(i) The carrying values of cash and cash equivalents, other receivables, due to brokers, bank indebtedness, accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these investments.

(ii) Investments are carried at amounts in accordance with Northfield's accounting policies, except certain available for sale investments for which there is no active market, which are carried at cost unless there is an investment which management considers impaired.

14. Financial Instruments (continued)

(f) Fair value hierarchy

The Company adopted the amendments to the accounting standards associated with Financial Instruments resulting in a three-tier categorization as a framework for disclosing fair value based upon inputs used to value Northfield's investments. The hierarchy is summarized as:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
- Level 3 – inputs for assets and liabilities not based upon observable market data

	2010	2009
Level 1	$ 128,095,500	$ 105,917,413
Level 2	14,985,773	14,318,892
Level 3	3,494,250	2,127,500
	$ 146,575,523	$ 122,363,805

For the years ended December 31, 2010 and 2009, no investments were transferred between Level 1, Level 2 or Level 3.

15. Segmented Information

Management has determined that all the operations of Northfield operate in a single business segment in Canada.

16. Contingencies and Commitments

In the normal course of operations, certain contingencies may arise relating to legal actions undertaken against Northfield. In the opinion of management, the outcome of such potential legal actions will not have a material adverse effect on Northfield's results of operations, liquidity or its financial position.

The Company is committed to and contingently liable for annual rental payments for premises, equipment and other commitments as follows:

2011	$ 138,948
2012	191,360
2013	177,591
2014	177,591
2015	177,591
2016	88,795
	$ 951,876

Corporate Information

Head Office

Northfield Capital Corporation
141 Adelaide Street West, Suite 301
Toronto, ON
M5H 3L5
Tel: 416·628·5901
Fax: 416·628·5911
www.northfieldcapital.com

Board of Directors

William O. Ballard
Toronto, Ontario

Robert D. Cudney
Toronto, Ontario

John D. McBride
Toronto, Ontario

Thomas J. Pladsen
Toronto, Ontario

Morris Prychidny
Toronto, Ontario

Officers

Robert D. Cudney
President and C.E.O.

Brent J. Peters
V.P. Finance & Treasurer

Auditors

Collins Barrow Toronto LLP

Counsel

Cassels, Brock & Blackwell LLP

Transfer Agent

Equity Transfer & Trust Company

Stock Exchange Listing

TSX Venture Exchange
Toronto, Ontario
Symbol: NFD.A
Shares outstanding:
(December 31, 2010) 2,726,095

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NORTHFIELD
NORTHFIELD CAPITAL CORPORATION

Northfield Capital Corporation
141 Adelaide Street West, Suite 301
Toronto, ON
M5H 3L5

Tel: 416-628-5901
Fax: 416-628-5911

www.northfieldcapital.com