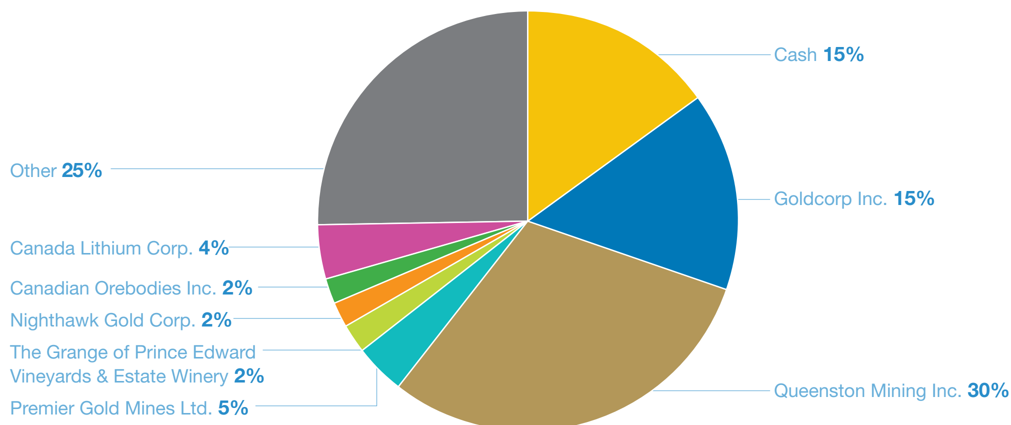
NORTHFIELD
CAPITAL CORPORATION

ANNUAL REPORT | **2011**

Northfield's goal is to enhance the growth and development of its investment partners and to build long-term value for its shareholders. Northfield 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 held cash and cash equivalents and term deposits of $16.8 million representing 15% of its assets. 80% of its non-cash investments were in the gold sector. Northfield's top holdings are Queenston Mining Inc. (30%), Goldcorp Inc. (15%), Canada Lithium Corp. (4%), and Premier Gold Mines Ltd. (5%).

Investment Breakdown (%)



Goldcorp Inc.

www.goldcorp.com	TSX:G

Queenston Mining Inc.

www.queenston.ca	TSX:QMI

Canada Lithium Corp

www.canadalithium.com	TSX: CLQ

Canadian Orebodies Inc.

www.canadianorebodies.com	TSXV: CO

Nighthawk Gold Corp

www.nighthawkgold.com	TSXV: NHK

Premier Gold Mines Ltd.

www.premiergoldmines.com	TSX: PG

The Grange of Prince Edward Vineyards & Estate Winery

www.grangeofprinceedward.com	Private

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Notice to Shareholders

Management's Responsibility for Financial Reporting

The accompanying financial statements of Northfield Capital Corporation ("Northfield") were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to Northfield's circumstances. The significant accounting policies of Northfield are summarized in note 2 to the financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its financial reporting responsibilities. The Board of Directors meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the financial statements and the auditors' report.

An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process, the financial statements and the auditors' report. The Audit Committee also reviews Northfield's Management's Discussion and Analysis to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting Northfield's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Robert D. Cudney
President & Chief Executive Officer

Brent J. Peters
Vice President, Finance & Treasurer

Auditors' Report

To the Shareholders of Northfield Capital Corporation

We have audited the accompanying financial statements of Northfield Capital Corporation, which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of operations, comprehensive earnings (loss), cash flows and changes in equity for the years ended December 31, 2011 and December 31, 2010 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 International Financial Reporting Standards, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 controls. 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 for 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, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants
Chartered Accountants
April 26, 2012

Statements of Financial Position

Expressed in Canadian Dollars

As at	December 31, 2011	December 31, 2010 (Note 20 – Transition to IFRS)	January 1,2010 (Note 20 – Transition to IFRS)
ASSETS			
Cash and cash equivalents	$ 16,869,927	$ 26,531,671	$ 9,024,531
Receivables	268,000	261,515	150,000
Loan receivable (note 4)	1,500,000	–	–
Income taxes receivable	183,758	96,343	894,879
Marketable securities – fair value through profit or loss (note 5)	30,570,198	37,223,805	29,290,044
Marketable securities – available for sale (note 5)	11,332,014	18,573,255	4,181,961
Long-term investments (note 6)	50,995,104	64,246,792	79,867,269
Equity accounted investment (note 7)	1,939,892	2,010,185	2,113,818
Prepaid expenses	7,374	7,374	6,527
Property and equipment	106,780	105,562	107,394
	$ 113,773,047	$ 149,056,502	$ 125,636,423
LIABILITIES			
Accounts payable and accrued liabilities	$ 136,612	$ 225,334	$ 291,478
Due to related party (note 7)	210,993	–	–
Financial guarantee contract (note 8)	586,023	168,490	151,364
Deferred income taxes (note 14)	4,398,826	9,545,978	8,836,305
	5,332,454	9,939,802	9,279,147
SHAREHOLDERS' EQUITY			
Share capital (note 9(b))	4,360,448	4,416,810	4,472,155
Contributed surplus (note 9(b))	42,831	42,831	42,831
Retained earnings	96,441,479	106,650,203	80,871,245
Accumulated other comprehensive income	7,595,835	28,006,856	30,971,045
	108,440,593	139,116,700	116,357,276
	$ 113,773,047	$ 149,056,502	$ 125,636,423

Contingencies and commitments (note 17)

Subsequent event (note 18)

See accompanying notes to financial statements

On behalf of the Board:

Thomas J. Pladsen
Director

Morris D. Prychidny
Director

Statements of Operations

Expressed in Canadian Dollars For the years ended December 31,		2011		2010 (Note 20 – Transition to IFRS)
Revenue (losses) (note 13)	$	(8,545,123)	$	32,503,254
Operating expenses				
Administrative		1,757,580		1,864,348
Amortization		1,877		1,833
Equity loss on equity accounted investment (note 7)		281,286		178,633
Change in fair value of financial guarantee contract (note 8)		417,533		17,126
		2,458,276		2,061,940
Earnings (loss) before income taxes		(11,003,399)		30,441,314
Income tax expense (recovery) (note 14)		(1,940,618)		3,691,561
Net earnings (loss) for the year	$	(9,062,781)	$	26,749,753
Net earnings (loss) per share				
Basic and diluted	$	(3.33)	$	9.77
Weighted average Class A and Class B shares outstanding during the year				
Basic and diluted		2,724,665		2,738,795

See accompanying notes to financial statements

Statements of Comprehensive Earnings (Loss)

Expressed in Canadian Dollars For the years ended December 31,		2011		2010 (Note 20 – Transition to IFRS)
Net earnings (loss) for the year	$	(9,062,781)	$	26,749,753
Other comprehensive income (loss), net of tax				
Available for sale investments				
Unrealized gain (loss)		(21,007,431)		21,027,594
Reclassification of realized loss (gain) to net loss		596,410		(23,991,783)
Other comprehensive loss for the year		(20,411,021)		(2,964,189)
Comprehensive income (loss) for the year	$	(29,473,802)	$	23,785,564

See accompanying notes to financial statements

Statement of Changes in Equity

Expressed in Canadian Dollars

	Class A restricted voting shares	Amount	Class B multiple voting shares	Amount
Balance, January 1, 2010 (note 20 – Transition to IFRS)	2,756,535	$ 4,464,475	3,720	$ 7,680
Shares repurchased for cancellation	(34,160)	(55,345)	–	–
Comprehensive income	–	–	–	–
Balance at December 31, 2010 (note 20 – Transition to IFRS)	2,722,375	4,409,130	3,720	7,680
Shares repurchased for cancellation	(34,800)	(56,362)	–	–
Comprehensive loss	–	–	–	–
Balance at December 31, 2011	2,687,575	$ 4,352,768	3,720	$ 7,680

See accompanying notes to financial statements

Total share capital	Contributed surplus	Retained earnings	Other Comprehensive income	Total shareholders' equity
$ 4,472,155	$ 42,831	$ 80,871,245	$ 30,971,045	$ 116,357,276
(55,345)	–	(970,795)	–	(1,026,140)
–	–	26,749,753	(2,964,189)	23,785,564
4,416,810	42,831	106,650,203	28,006,856	139,116,700
(56,362)	–	(1,145,943)	–	(1,202,305)
–	–	(9,062,781)	(20,411,021)	(29,473,802)
$ 4,360,448	$ 42,831	$ 96,441,479	$ 7,595,835	$ 108,440,593

Statements of Cash Flows

Expressed in Canadian Dollars

For the years ended December 31,	2011	2010 (Note 20 – Transition to IFRS)
Cash provided by (used in)		
Operations		
Net earnings (loss) for the year	$ (9,062,781)	$ 26,749,753
Items not involving current cash flows (note 10(a))	8,193,329	(31,311,972)
Net change in other non-cash balances (note 10(b))	(1,471,629)	745,030
	(2,341,081)	(3,817,189)
Investing		
Purchase of marketable securities	(26,468,772)	(39,622,128)
Proceeds on disposal of marketable securities	15,912,182	34,042,200
Purchase of long-term investments	(1,607,005)	(3,108,833)
Proceeds on disposal of long-term investments	6,259,325	31,239,230
Purchase of equity accounted investments	(210,993)	(200,000)
Purchase of property and equipment	(3,095)	–
	(6,118,358)	22,350,469
Financing		
Shares repurchased for cancellation	(1,202,305)	(1,026,140)
Change in cash and cash equivalents	(9,661,744)	17,507,140
Cash and cash equivalents, beginning of year	26,531,671	9,024,531
Cash and cash equivalents, end of year	$ 16,869,927	$ 26,531,671

Supplementary cash flow information (note 10)

See accompanying notes to financial statements

Notes to Financial Statements

Expressed in Canadian Dollars

For the years ended December 31, 2011 and 2010

1. Nature of Operations

Northfield Capital Corporation ("Northfield") is a publicly traded company incorporated under the laws of the Province of Ontario, with investment interests primarily in the resource sector. Northfield's Class A Restricted Voting Shares are listed on the TSX Venture Exchange under the symbol "NFD.A".

The address of Northfield's registered head office is 141 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 3L5.

The financial statements for the years ended December 31, 2011 and 2010 have been approved for issue by the Board of Directors on April 26, 2012.

2. Significant Accounting Policies

(a) Basis of presentation

Northfield's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). As these financial statements represent Northfield's initial presentation of its results of operations and financial position under IFRS, they were prepared in accordance with IFRS 1, *First-time Adoption of IFRS*. These financial statements have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and have been consistently applied to all the years presented. The principal accounting policies applied in the preparation of these financial statements are set out below.

Northfield's financial statements were previously prepared in accordance with Canadian generally accepted principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Certain information and footnote disclosures which are considered material to the understanding of Northfield's financial statements are provided in note 20 – Transition to IFRS along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and comprehensive income and cash flows.

These financial statements have been prepared on a going concern basis, under the historical cost convention, except for valuation of available for sale ("AFS") and fair value through profit or loss ("FVTPL") financial assets and financial liabilities which are shown at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Northfield classifies its expenses by function.

The statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined using the indirect method. Net income is therefore adjusted for non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables, prepaid expenses, accounts payable and accrued liabilities and income taxes receivable and payable. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. Interest received or paid is classified as operating cash flows. The cash flows from investing and financing activities are determined using the direct method. Northfield's assignment to operating, investing and financing category depends on our business model (management approach).

2. Significant Accounting Policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are entities over which Northfield has control, where control is defined as the power to govern financial and operating policies. Generally, Northfield has a shareholding of more than one half of the voting rights in its subsidiaries. The effect of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to Northfield, and are de-consolidated from the date control ceases. Northfield does not hold any subsidiary investments.

(ii) Equity method investees

Equity method investees are entities over which Northfield has significant influence but not control. Generally, Northfield has a shareholding of between 20% and 50% of the voting rights in its equity method investees. Investments in equity method investees are accounted for using the equity method.

The investment in The Grange of Prince Edward Inc. (the "Grange") has been accounted for using the equity method as disclosed in note 7.

(c) Revenue recognition

Northfield recognizes revenues to the extent that is probable that the economic benefits will flow to Northfield and revenues can be reliably measured.

Realized gains and losses on the disposal of investments and unrealized gains and losses on securities classified as FVTPL are reflected in the statement of income on the trade date and are calculated on an average cost basis. Unrealized gains and losses on securities designated as AFS are reflected in other comprehensive income. Upon disposal of an investment, previously recognized unrealized gains or losses are reclassified to revenue (losses) so as to recognize the full realized gain or loss in the period of disposition.

For all financial instruments measured at amortized cost, interest bearing financial assets classified as AFS and financial instruments designated as FVTPL, interest income or expenses is recorded using the effective interest rate method, which is the rate the exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to the impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Other investment income is recognized on the accrual basis and is considered operating income for cash flow purposes.

Dividend income is recognized when Northfield's right to receive the payment is established and is considered cash flow from operations.

(d) Foreign currencies

The financial statements are presented in Canadian dollars, which is Northfield's functional currency. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statements of earnings and comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with brokers, and highly liquid investments with an original maturity at the date of purchase of three months or less.

(f) Financial instruments

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) Financial assets

Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by Northfield. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and Northfield has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

FVTPL

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Investments are initially recognized, and subsequently carried, at fair value, with changes recognized in the statement of earnings. Transaction costs are expensed.

AFS

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in other non-current financial assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. Investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Investments are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

(ii) Financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs and subsequently measured at amortized cost for liabilities that are not hedged, and at fair value for liabilities that are hedged. Non-performance risk, including Northfield's own credit risk for financial liabilities, is considered when determining the fair value of financial assets or liabilities, including derivative liabilities. Northfield derecognizes financial liabilities when, and only when, Northfield's obligations are discharged, cancelled or they expire.

Northfield's financial instruments are comprised of the following:

Financial assets:	Classification:
Cash and cash equivalents	FVTPL
Receivables	Loans and receivables
Loan receivable	Loans and receivables
Marketable securities	FVTPL or AFS
Long-term investments	FVTPL, AFS or loans and receivables
Equity accounted investment	FVTPL

2. Significant Accounting Policies (continued)

(f) Financial instruments (continued)

Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Financial liabilities
Due to related party	Financial liabilities
Financial guarantee contract	FVTPL

(g) Impairment

(i) Financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized. For AFS financial assets that are equity securities, the reversal is recognized in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of Northfield's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is defined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Investments in which Northfield has significant influence but not control, are accounted for by the equity method and are examined for any impairment that is other than temporary at each reporting period.

(h) Financial instruments recorded at fair value

Financial instruments recorded at fair value on the audited statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 statement of financial position date. For options and 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.

Private investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and options and warrants that are linked to and must be settled by delivery of unquoted equity 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 securities are examined for impairment that is other than temporary.

(i) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured at their fair values with the change in fair value recognized in the income statement.

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The carrying amounts of property, plant and equipment (including initial and subsequent capital expenditure) are amortized over the estimated useful lives of the specific assets concerned. Amortization is calculated using the declining balance method at the following rates:

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

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized net within “other income” in profit or loss.

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.

(k) Biological assets

Included in the investment in the Grange is a vineyard which has been recognized and measured as a biological asset in accordance with IAS 41, *Agriculture*. Biological assets are measured at their fair value less costs to sell at the reporting date. Fair value is determined based on market price or, where prices are not available, by reference to sector benchmarks.

Gains and losses arising on the initial recognition of biological assets at fair value less costs to sell and the change in the fair value less costs to sell are charged to the income statement in the period in which they arise.

(l) Per share information

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of Class A Restricted Voting Shares and Class B Multiple Voting Shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(m) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(n) Provisions

A provision is recognized when Northfield has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by Northfield from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Northfield had no material provisions at December 31, 2011, December 31, 2010 and January 1, 2010.

(o) Share based payment transactions

The fair value of share options granted to employees are recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including Directors of Northfield.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(p) Comprehensive income (loss)

Comprehensive income (loss) is the change in Northfield's net assets that results from transactions, events and circumstances from sources other than Northfield's shareholders and includes items that are not included in net earnings such as unrealized gains or losses on AFS investments. Northfield's comprehensive income (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the statements of comprehensive earnings and the statements of changes in equity.

(q) Recent accounting standards

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2011 or later periods. Many are not applicable or do not have a significant impact to Northfield and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on Northfield.

(i) IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 10, Consolidated Financial Statements is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

(iii) IFRS 11, Joint Arrangements ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31, Interests in Joint Ventures and SIC 13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual period beginning on or after January 1, 2013.

(iv) IFRS 12, Disclosure of Interests in Other Entities is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, and requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

(v) IFRS 13, Fair Value Measurement and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, and provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

3. Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. Critical Accounting Estimates and Judgments (continued)

(a) Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) fair value of financial assets and financial liabilities on the statement of financial position that cannot be derived from active markets, are determined using a variety of techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include consideration of model inputs such as volatility, estimated life and discount rates;

(ii) impairment losses of available for sale and equity accounted investments and loans and advances. Northfield reviews debt securities and investments and records an impairment charge when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. Northfield evaluates historical share price movements and the duration and extent to which the fair value of an investment is less than its cost;

(iii) deferred income taxes recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies; and

(iv) impairment losses of the loan receivable. Northfield reviews the collectibility of the loan receivable and records an impairment charge when there is significant doubt that the loan, or a portion of the loan, is determined to be uncollectible, which requires judgment.

(b) Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy choice which involves judgments or assessments made by management.

4. Loan Receivable

On April 19, 2011, Northfield entered into a $1,500,000 loan agreement with an arm's length private entity (December 31, 2010 – $nil, January 1, 2010 – $nil). The loan receivable is secured by a first rank in claim on land in Toronto, Ontario. Interest is payable monthly at the greater of 7% or the Royal Bank of Canada posted prime rate, plus 2.5% per annum with the principal payable on April 19, 2012. Subsequent to year end, the maturity date of the loan receivable was extended by 30 days to May 19, 2012 (note 18).

5. Marketable Securities

	December 31, 2011		December 31, 2010		January 1, 2010	
	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost
Term deposits – FVTPL[1]	$ –	$ –	$ 11,483,630	$ 11,483,630	$ 10,997,368	$ 10,994,798
Marketable securities – FVTPL[1]	29,124,578	28,177,224	22,395,990	14,814,490	16,119,365	12,051,678
Warrants – FVTPL[1]	1,445,620	5,000	3,344,185	5,000	2,173,311	–
	30,570,198	28,182,224	37,223,805	26,303,120	29,290,044	23,046,476
Marketable securities – AFS[2]	11,332,014	15,162,467	18,573,255	6,108,643	4,181,961	3,642,755
	$ 41,902,212	$ 43,344,691	$ 55,797,060	$ 32,411,763	$ 33,472,005	$ 26,689,231

(1) Fair Value Through Profit or Loss ("FVTPL")
(2) Available for Sale ("AFS")

6. Long-Term Investments

	December 31, 2011		December 31, 2010		January 1, 2010	
	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost
Aspen Group Resources Corporation	$ 250,000	$ 560,750	$ 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.	17,363,552	17,928,180	20,008,737	20,319,449	18,956,981	21,282,000
Guyana Goldfields Inc.	–	–	–	–	18,613,353	3,932,136
Queenston Mining Inc.	33,381,552	20,389,631	39,087,320	18,782,625	33,269,291	15,388,689
	$ 50,995,104	$ 38,878,561	$ 64,246,792	$ 44,172,313	$ 79,867,269	$ 43,838,134

Long term investments are classified as AFS except for derivative and debt securities.

Included in long-term investments are the fair value of warrants classified as FVTPL which have a cost of $nil and a fair value of $3,218 at December 31, 2011 (December 31, 2010 – cost – $nil and fair value – $157,958, January 1, 2010 – cost – $nil and fair value – $1,148,213).

Also included in long-term investments is the fair value of the conversion option of Northfield's investment in convertible debentures and a loan to Aspen Group Resources Corporation. The conversion option is classified as FVTPL and has a fair value of $nil (December 31, 2010 – $nil, January 1, 2010 – $nil). The debenture portion of the convertible instrument has been classified as loans and receivables and is therefore recorded at amortized cost. During the year ended December 31, 2011, Northfield wrote-down the value of the debenture portion by $310,750 to $250,000 at December 31, 2011 (value of the debenture portion at December 31, 2010 and January 1, 2010 was $560,750 and $1,121,500, respectively).

7. Equity Accounted Investment

As at December 31, 2011, December 31, 2010 and January 1, 2010, Northfield has a 47% ownership and voting power held in The Grange of Prince Edward Inc. The Grange is incorporated under the laws of the Province of Ontario and operates a vineyard and winery in Prince Edward County, Ontario. There are no published price quotations available for common shares of the Grange.

	December 31, 2011	December 31, 2010	January 1, 2010
The Grange of Prince Edward Inc.			
Common shares (47%)	$ 3,665,993	$ 3,380,000	$ 3,380,000
Share of equity loss	(1,726,101)	(1,444,815)	(1,266,182)
Loan receivable	–	75,000	–
	$ 1,939,892	$ 2,010,185	$ 2,113,818

During fiscal 2010, Northfield loaned $75,000 to the Grange. This loan was unsecured. During the year ended December 31, 2011, the loan was repaid by the issuance of 150,000 common shares of the Grange.

At December 31, 2011, Northfield had a subscription payable to the Grange in the amount of $210,993.

The following table summarizes financial information about the Grange's assets, liabilities and net earnings as at and for the years ended December 31, 2011 and 2010 and January 1, 2010. As Northfield only has significant influence, it is unable to obtain reliable information at year-end on a timely basis. Northfield has included in its financial statements, equity accounted information based on the most recent audited annual financial statements or unaudited interim financial statements prepared by the Grange, all within three months of the year-end of Northfield. The amounts presented do not include Northfield's adjustments in applying the equity method of investment accounting. As a result, these amounts cannot be used directly to derive Northfield's equity income and net investment in the Grange.

	December 31, 2011	December 31, 2010	January 1, 2010
Assets	$ 5,258,780	$ 5,636,498	$ 5,734,331
Liabilities	(1,553,606)	(1,641,033)	(1,472,988)
Net assets	3,705,174	3,995,465	4,261,343
Revenues	833,901	1,031,850	
Net loss	(355,831)	(442,908)	

8. Credit Facilities

Northfield has a line of credit available to a maximum of $1,000,000. At December 31, 2011, $nil was drawn (December 31, 2010 – $nil, January 1, 2010 – $nil). 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, 2011 was 4.0% (December 31, 2010 – 4.0%, January 1, 2010 – 3.75%).

Northfield has entered into a financial guarantee contract in which 50% of the long-term debt of the Grange (note 7) has been guaranteed. The total outstanding debt at December 31, 2011 was $1,450,000 (December 31, 2010 – $1,450,000, January 1, 2010 – $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. The fair value of the financial guarantee contract at December 31, 2011 was $586,023 (December 31, 2010 – $168,490, January 1, 2010 – $151,364).

From time to time Northfield may maintain overdraft positions in Northfield's margin accounts with various brokers that are 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%. At December 31, 2011, Northfield had $nil of outstanding margin loans (December 31, 2010 – $nil, January 1, 2010 – $nil) which have been recorded as a reduction to cash and cash equivalents.

9. 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

(b) Issued

Class A Shares	Number of shares	Consideration	Contributed surplus
Balance – January 1, 2010	2,756,535	$ 4,464,475	$ 42,831
Shares repurchased for cancellation	(34,160)	(55,345)	-
Balance – December 31, 2010	2,722,375	4,409,130	42,831
Shares repurchased for cancellation	(34,800)	(56,362)	-
Balance – December 31, 2011	2,687,575	$ 4,352,768	$ 42,831
Class B Shares			
Balance – January 1, 2010, December 31, 2011 and December 31, 2011	3,720	$ 7,680	$ –
Total Class A and Class B Shares	2,691,295	$ 4,360,448	$ 42,831

(c) Options

Northfield 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 the year.

10. Statement of Cash Flows

(a) Items not involving current cash flows:

For the years ended December 31,	2011	2010
Amortization	$ 1,877	$ 1,833
Change in fair value of financial guarantee contract	417,533	17,126
Equity loss	281,286	178,633
Income taxes	(1,788,841)	678,492
(Gain) loss on sale of long-term investments	641,433	(27,311,606)
Gain on sale of marketable securities	(358,166)	(1,182,018)
Write-down of long-term investment classified as loan and receivables	310,750	–
Unrealized (gain) loss on FVTPL investments	8,687,457	(3,694,432)
	$ 8,193,329	$ (31,311,972)

(b) Net change in other non-cash balances:

For the years ended December 31,	2011	2010
Receivables	$ (6,485)	$ (111,515)
Prepaid expenses	–	(847)
Loan receivable	(1,500,000)	–
Accounts payable and accrued liabilities	(88,722)	58,856
Due to related party	210,993	–
Income taxes (receivable) payable	(87,415)	798,536
	$ (1,471,629)	$ 745,030

(c) Supplemental information

For the years ended December 31,	2011	2010
Interest paid	$ 1,348	$ 494
Income taxes paid	–	3,000,000
Non-monetary gain on sale of long-term investments	–	7,773,292
Non-monetary gain on sale of marketable securities	1,424,546	597,664

11. Related Party Transactions

(a) Executive Management Compensation

Executive management's compensation for the years ended December 31, 2011 and 2010 consisted of consulting fees paid in cash of $399,000 and $379,500, respectively.

(b) Executive Management and Director Transactions

At December 31, 2011, Directors of Northfield controlled 69% of the voting rights associated with the issued shares of Northfield.

The aggregate value of transactions and outstanding balances relating to executive management, Directors and entities over which they have control or significant influence were as follows:

		Transaction value for the year ended December 31,		Balance outstanding as at December 31,	
Office Held	Transaction	2011	2010	2011	2010
President, CEO and Director	Consulting fees	$ 233,400	$ 221,700	$ –	$ –
VP Finance & Treasurer	Consulting fees	165,600	157,800	–	–
	Office rent	81,749	84,262	–	–

There were no outstanding balances owing to executive management, Directors and entities over which they have control or significant influence at January 1, 2010.

The remuneration of Directors and key executives is determined by the Compensation Committee having regard to the performance of individuals and market trends.

12. Capital Management

Northfield includes the following in its capital:

	December 31, 2011	December 31, 2010	January 1, 2010
Shareholders' equity comprised of			
Share capital	$ 4,360,448	$ 4,416,810	$ 4,472,155
Contributed surplus	42,831	42,831	42,831
Retained earnings	96,441,479	106,650,203	80,871,245
Other comprehensive income	7,595,835	28,006,856	30,971,045
	$ 108,440,593	$ 139,116,700	$ 116,357,276

There were no changes to Northfield's capital management objectives during the year. Northfield'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.

There were no changes to way Northfield manages its capital structure during the year. Northfield manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk of its underlying assets. Northfield has the ability to maintain or adjust 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.

13. Revenue (Losses)

For the years ended December 31,		2011		2010 (Note 20 - Transition to IFRS)
Gain (loss) on sale of long-term investments	$	(641,433)	$	27,311,606
Gain (loss) on sale of marketable securities		358,166		1,182,018
Write-down of long-term investment classified as loan and receivable		(310,750)		–
Investment and other income		736,351		315,198
Unrealized gain (loss) on FVTPL investments		(8,687,457)		3,694,432
	$	(8,545,123)	$	32,503,254

14. Income Taxes

The temporary differences that gave rise to Northfield's deferred income tax asset (liability) at December 31, 2011, December 31, 2010 and January 1, 2010 were as follows:

		December 31, 2011		December 31, 2010		January 1, 2010
Deferred tax related to marketable securities	$	(503,660)	$	(3,871,224)	$	(1,458,190)
Deferred tax related to long-term investments		(3,895,166)		(5,674,754)		(7,378,115)
	$	(4,398,826)	$	(9,545,978)	$	(8,836,305)

The provision for income taxes differs from the result that would have been obtained by applying the combined federal and provincial statutory Canadian income tax rates of 29.09% (2010 – 31%) to the income (loss) before income taxes. The difference results from the following items:

For the years ended December 31,		2011		2010
Earnings (loss) before income taxes	$	(11,003,399)	$	30,441,314
Expected income tax expense at statutory rates	$	(3,200,889)	$	9,436,807
Increase (decrease) resulting from:				
Non-taxable portion of capital gains (losses)		845,759		(4,870,903)
Unrealized capital losses (gains)		1,308,789		(340,698)
Flow-through share deductions		(605,763)		(441,440)
Equity loss		81,826		55,376
Change in tax rates		(249,896)		(130,565)
Other		(120,444)		(17,016)
	$	(1,940,618)	$	3,691,561

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

		2011		2010
Current tax provision (recovery)	$	(151,777)	$	2,886,985
Deferred tax provision (recovery)		(1,788,841)		804,576
	$	(1,940,618)	$	3,691,561

A continuity of the deferred income tax asset (liability) is detailed in the following tables:

	Balance January 1, 2010	Recognized in profit or loss	Recognized in equity	Balance December 31, 2010
Marketable securities	$ (1,458,190)	$ (632,576)	$ (1,780,458)	$ (3,871,224)
Long-term investments	(7,378,115)	(172,000)	1,875,361	(5,674,754)
	$ (8,836,305)	$ (804,576)	$ 94,903	$ (9,545,978)

	Balance January 1, 2011	Recognized in profit or loss	Recognized in equity	Balance December 31, 2011
Marketable securities	$ (3,871,224)	$ 940,997	$ 2,426,567	$ (503,660)
Long-term investments	(5,674,754)	847,844	931,744	(3,895,166)
	$ (9,545,978)	$ 1,788,841	$ 3,358,311	$ (4,398,826)

15. 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. Northfield'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. Northfield 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. Northfield 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, 2011 are due within one year.

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 pre-maturely 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).

Northfield 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, 2011, based on typical margin requirements Northfield had available margin of approximately $34,100,000 from its brokers of which Northfield was using $nil. Northfield manages this risk by not over extending the use of margin. As at December 31, 2011 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 $30,650,000.

15. Financial Instruments (continued)

(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. Northfield is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

Northfield 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 comprehensive income (loss) for the year ended December 31, 2011 from a change in closing bid price of Northfield's investments with all other variables held constant as at December 31, 2011:

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 FVTPL		
5%	$ 1,306,326	$ (1,306,326)
10%	2,612,651	(2,612,651)
Investments AFS		
5%	$ 2,637,509	$ (2,637,509)
10%	5,275,018	(5,275,018)

(c) Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on Northfield's earning and liabilities. As at December 31, 2011, 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, and at December 31, 2011 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.

Northfield 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, 2011 mature within one year.

(d) Credit risk

Credit risk is the risk of financial loss to Northfield if a counter party to a financial instrument fails to meet its payment obligations. Northfield is exposed to credit risk with respect to its cash and cash equivalents, receivables and loan receivable.

Northfield's credit risk is primarily attributable to cash and cash equivalents and its loan receivable. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote as it maintains accounts with highly-rated financial institutions and brokerage firms. Management believes that the credit risk of the loan receivable *(note 4)* is remote as the loan is secured by a first rank in claim on land in Toronto, Ontario.

(e) 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. Northfield believes it is not significantly exposed to currency risk as these investments comprise less than 5% of Northfield's total investments.

(f) Fair value

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

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

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

(iii) Fair value of the financial guarantee contract is determined by present valuing the probability of default over the subsequent five years.

(g) Fair value hierarchy

Northfield 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.

	December 31, 2011	December 31, 2010	January 1, 2010
Level 1	$ 104,816,905	$ 128,095,500	$ 105,452,413
Level 2	1,448,838	14,985,773	14,318,892
Level 3	3,501,500	3,494,250	2,592,500
	$ 109,767,243	$ 146,575,523	$ 122,363,805

During the year ended December 31, 2011, $2,000,000 (December 31, 2010 – $135,000) was transferred from Level 3 to Level 1. No other investments were transferred between Level 1, Level 2 or Level 3 during the period.

During the years ended December 31, 2011 and 2010, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance – January 1, 2010	$ 2,592,500
Purchases	2,000,000
Sales	(560,750)
Transfers in (out) of Level 3	(135,000)
Change in unrealized gains (losses)	(402,500)
Balance – December 31, 2010	3,494,250
Purchases	2,318,000
Transfers in (out) of Level 3	(2,000,000)
Change in unrealized gains (losses)	(310,750)
Balance – December 31, 2011	$ 3,501,500

15. Financial Instruments (continued)

(h) Categories of financial instruments

The carrying amounts of each of Northfield's categories of financial instruments are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
FVTPL	$ 48,797,212	$ 65,755,129	$ 41,425,242
AFS	62,073,900	82,101,339	81,779,517
Loans and receivables	2,018,000	822,265	1,275,000
Financial liabilities	347,605	225,334	291,478
	$ 113,236,717	$ 148,904,067	$ 124,771,237

16. Segmented Information

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

17. 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.

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

2012	$ 191,360
2013	177,591
2014	177,591
2015	177,591
2016	88,795
	$ 812,928

18. Subsequent Event

Subsequent to year end, the maturity date of the loan receivable *(note 4)* was extended by 30 days to May 19, 2012.

19. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

20. Transition to IFRS

(a) Basis of transition to IFRS

Application of IFRS 1 – *First time Adoption of International Financial Reporting Standards*

For all periods up to and including the year ended December 31, 2010, Northfield prepared its financial statements in accordance with Canadian GAAP. The financial statements as at and for the year ended December 31, 2011 are the first audited financial statements which Northfield has prepared in accordance with IFRS.

In preparing these financial statements, the opening consolidated statement of financial position was prepared as at January 1, 2010, Northfield's transition date.

This note explains the principal adjustments made in restating the previous Canadian GAAP balance sheet as at January 1, 2010 and its previously published Canadian GAAP financial statements as at and for the year ended December 31, 2010.

In preparing these financial statements in accordance with IFRS 1, Northfield followed relevant mandatory exceptions and has elected certain optional exemptions from full retrospective application of IFRS.

Exceptions from full retrospective application – followed by Northfield

(i) Estimates exception: Estimates under IFRS at the date of transition, are consistent with estimates made for the same date under Canadian GAAP; and

(ii) Derecognition of financial assets and financial liabilities: The derecognition requirements of IAS 39 *Financial Instruments: Recognition and Measurement* are applied prospectively for transactions occurring on or after January 1, 2004.

All other mandatory exceptions in IFRS 1 were not applicable because there are no significant differences in management's application of Canadian GAAP in these areas.

Exemptions from full retrospective application – elected by Northfield

(i) Designation of previously recognized financial instruments: Northfield elected to designate certain marketable securities as AFS at the date of transition;

(ii) IFRS 3 *Business Combinations* has not been applied to acquisition of subsidiaries or of interest in associates and joint ventures that occurred before January 1, 2010;

(iii) IFRS 2 *Share-based Payment* has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010. For cash settled share based payments arrangements, Northfield has not applied IFRS 2 to liabilities that were settled before January 1, 2010; and

(iv) Northfield has applied the transitional provision in IFRIC 4 *Determining Whether an Arrangement Contains a Lease* and has assessed all arrangements as at January 1, 2010.

(v) Northfield has applied the exemption under IFRS 1 for associates who become a first-time adopter later than its parent. The exemption provides assets and liabilities of associates to be measured at the carrying amounts that would be included in Northfield's financial statements, based on Northfield's date of transition to IFRS, if no adjustments were made for consolidation.

(b) Reconciliations between IFRS and Canadian GAAP

The following reconciliations provide a quantification of the effect of the transition to IFRS:

(i) reconciliation of the statement of financial position as at January 1, 2010;

(ii) reconciliation of the statement of financial position as at December 31, 2010;

(iii) reconciliation of shareholders' equity at January 1 and December 31, 2010; and

(iv) reconciliation of the statement of comprehensive income for the year ended December 31, 2010.

No reconciliation is required for the statement of cash flows as there are no significant differences.

20. Transition to IFRS (continued)

(i) The following is a reconciliation of the statement of financial position and equity as at January 1, 2010:

ASSETS	Sub Note	Canadian GAAP	IFRS Adjustments	IFRS
Cash and cash equivalents		$ 9,024,531	$ –	$ 9,024,531
Receivables		150,000	–	150,000
Marketable securities	1	33,472,005	–	33,472,005
Prepaid expenses		6,527	–	6,527
Income taxes receivable		894,879	–	894,879
Long-term investments		79,867,269	–	79,867,269
Equity accounted investment	2	2,113,818	–	2,113,818
Property, plant and equipment		107,394	–	107,394
		$ 125,636,423	$ –	$ 125,636,423
LIABILITIES				
Accounts payable and accrued liabilities	4	$ 291,478	$ –	$ 291,478
Financial guarantee contract	3,4	–	151,364	151,364
Deferred income taxes	6	8,836,305	–	8,836,305
		$ 9,127,783	$ 151,364	$ 9,279,147
SHAREHOLDERS' EQUITY				
Share capital		$ 4,472,155	$ –	$ 4,472,155
Contributed surplus		42,831	–	42,831
Retained earnings	1,3	80,658,168	213,077	80,871,245
Other comprehensive income	1	31,335,486	(364,441)	30,971,045
		$ 116,508,640	$ (151,364)	$ 116,357,276

(b) Reconciliations between IFRS and Canadian GAAP (continued)

(ii) The following is a reconciliation of the statement of financial position and equity as at December 31, 2010:

ASSETS	Sub Note	Canadian GAAP	IFRS Adjustments	IFRS
Cash and cash equivalents		$ 26,531,671	$ –	$ 26,531,671
Receivables		261,515	–	261,515
Marketable securities	1	55,797,060	–	55,797,060
Prepaid expenses		7,374	–	7,374
Income taxes receivable		96,343	–	96,343
Long-term investments		64,246,792	–	64,246,792
Equity accounted investment	2	2,010,185	–	2,010,185
Property, plant and equipment		105,562	–	105,562
		$ 149,056,502	$ –	$ 149,056,502
LIABILITIES				
Accounts payable and accrued liabilities		$ 225,334	$ –	$ 225,334
Financial guarantee contract	3	–	168,490	168,490
Deferred income taxes	6	9,551,053	(5,075)	9,545,978
		$ 9,776,387	$ 163,415	$ 9,939,802
SHAREHOLDERS' EQUITY				
Share capital		$ 4,416,810	$ –	$ 4,416,810
Contributed surplus		42,831	–	42,831
Retained earnings	1,3,5	116,681,811	(10,031,608)	106,650,203
Other comprehensive income	1,5	18,138,663	9,868,193	28,006,856
		$ 139,280,115	$ (163,415)	$ 139,116,700

(iii) The following is a reconciliation of shareholders' equity at January 1, 2010 and December 31, 2010:

	Sub Note	January 1, 2010	December 31, 2010
Total shareholders' equity reported under Canadian GAAP		$ 116,508,640	$ 139,280,115
Financial instrument classification adjustment to retained earnings	1	364,441	(10,247,655)
Financial instrument classification adjustment to other comprehensive income	1	(364,441)	10,247,655
Fair value adjustment for financial guarantee contract	3	(151,364)	(168,490)
Transaction costs	5	–	5,075
Total IFRS adjustments		(151,364)	(163,415)
Total shareholders' equity reported under IFRS		$ 116,357,276	$ 139,116,700

20. Transition to IFRS (continued)

(iv) The following is a reconciliation of the statement of comprehensive income for the year ended December 31, 2010:

	Sub Note	Canadian GAAP	IFRS Adjustments	IFRS
Net investment gains (losses)				
Gain on sale of long-term investments	5	$ 27,417,594	$ (105,988)	$ 27,311,606
Gain on sale of marketable securities		1,182,018	–	1,182,018
Investment and other income		315,198	–	315,198
Unrealized gain on investments FVTPL	1	15,758,199	(12,063,767)	3,694,432
		44,673,009	(12,169,755)	32,503,254
Operating expenses				
Administrative	5	1,990,432	(126,084)	1,864,348
Amortization		1,833	–	1,833
Equity loss on equity accounted investment		178,633	–	178,633
Change in fair value of financial guarantee contract	3	–	17,126	17,126
		2,170,898	(108,958)	2,061,940
Earnings before income taxes		42,502,111	(12,060,797)	30,441,314
Income tax expense	1	5,507,673	(1,816,112)	3,691,561
Net earnings		36,994,438	(10,244,685)	26,749,753
Other comprehensive income (loss), net of tax				
AFS investments				
Unrealized gain	1,5	10,794,960	10,232,634	21,027,594
Reclassification of realized gains to net earnings		(23,991,783)	–	(23,991,783)
Other comprehensive loss, net of tax		(13,196,823)	10,232,634	(2,964,189)
Comprehensive income		$ 23,797,615	$ (12,051)	$ 23,785,564
Net earnings per share				
Basic and fully diluted		$ 13.51		$ 9.77
Weighted average Class A and Class B shares outstanding				
Basic and fully diluted		2,738,795		2,738,795

(b) Reconciliations between IFRS and Canadian GAAP (continued)

Notes to reconciliations

1. Classification of financial instruments

Canadian GAAP – A financial instrument can be designated as held-for-trading (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing it in the near term.

IFRS – If a financial asset or liability does not meet one of the criteria of held-for-trading, it may not be designated as FVTPL (called "held for trading" under Canadian GAAP) unless doing so results in more relevant information. Criteria of held for trading:

(i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(iii) a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Northfield elected to designate certain marketable securities as AFS at the date of transition. Other marketable securities have been designated as FVTPL because they meet the definition of held for trading under IFRS. Unrealized fair value adjustments of financial instruments classified as FVTPL are recorded through the statement of earnings while unrealized fair value adjustments of financial instruments classified as AFS are recorded through other comprehensive income.

The classification adjustments on the statements of financial position results in an increase (decrease) in marketable securities – held for trading of $(991,890) at January 1, 2010 and $(13,018,400) at December 31, 2010 and an increase (decrease) of marketable securities – AFS of $991,890 at January 1, 2010 and $13,018,400 at December 31, 2010.

At the date of transition to IFRS on January 1, 2010, the result of the classification adjustments resulted in an increase in retained earnings of $364,441 and a decrease to accumulated other comprehensive income of $364,441. Classification adjustments on the statement of earnings and other comprehensive income for the year ended December 31, 2010 resulted in changes as follows

(i) unrealized gain on investments FVTPL decreased by $12,063,767 and income tax expense decreased by $1,816,112, resulting in a decrease of net earnings of $10,247,655; and
(ii) unrealized loss on investments AFS decreased by $10,247,655 resulting in an increase of other comprehensive income of the same amount.

2. Investment in associates

Northfield has a 47% interest in the common shares of the Grange, an equity accounted investment. The Grange operates a vineyard and a winery in Prince Edward County, Ontario. Under Canadian GAAP, uniform accounting policies between an associate and an investor is not required and guidance on consistency of reporting periods is not provided. Under IFRS, an associates accounting policy must be consistent with the investor and the reporting dates may not differ by more than three months.

The accounting for biological assets was identified as a potential significant difference between IFRS and Canadian GAAP between Northfield and the Grange.

Biological Asset

Canadian GAAP – There is no specific guidance on accounting for biological assets. Changes in the fair value of biological assets are not recognized in profit or loss until the assets are sold and no specific guidance on determining the cost of agricultural produce harvested from a biological asset.

IFRS – Biological assets are measured at fair value less costs to sell unless it is not possible to measure fair value reliably, in which case they are measured at cost. All gains and losses from changes in fair value are recognized in profit and loss. Agricultural produce harvested from a biological asset is measure at fair value.

The recognition of a biological asset did not result in a change in the equity accounted investment at January 1, 2010 or at December 31, 2010.

20. Transition to IFRS (continued)

3. Financial guarantees

Northfield has guaranteed 50% of the long-term debt of the Grange. The total outstanding debt at January 1, 2010 and December 31, 2010 was $1,500,000 and $1,450,000, respectively.

Canadian GAAP – Certain guarantees are excluded from the scope of financial instruments standards.

IFRS – A financial guarantee contract is a contract that requires the issuer make specified payment to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Otherwise the contract may be a derivative that has to be fair valued through profit or loss. Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as FVTPL, are subsequently measured at the higher of:

(i) the amounts of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and;

(ii) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with revenue recognition policies.

Upon transition to IFRS on January 1, 2010, Northfield recorded the fair value of the financial guarantee contract as liability of $151,364 with a corresponding decrease in retained earnings. On December 31, 2010, the fair value of the financial guarantee contract was increased to $168,490 by recording an expense of $17,126 in net earnings for the year then ended.

4. Accounts payable, accrued liabilities and provisions

Canadian GAAP – Accounts payable, accrued and provisions are disclosed on the statements of financial position as a single line item.

IFRS – A provision is a liability of uncertain time or amount. Provisions are disclosed separately from liabilities and accrued liabilities and require additional disclosures.

The adoption of this IFRS standard did not result in any significant changes.

5. Transaction costs

Canadian GAAP – Transaction costs are expensed as incurred for financial instruments.

IFRS – Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition.

The capitalization of transaction costs on initial recognition resulted in a decrease of the gain on sale of long-term investments, operating expenses and other comprehensive income, net of tax of $105,988, $126,086 and $15,021 for the year ended December 31, 2010. This adjustment also resulted in the decrease of deferred income taxes of $5,075 at December 31, 2010.

6. Deferred income taxes

Canadian GAAP – Deferred tax assets and liabilities are either classified as current or non-current based on the classification of the related non-tax asset or liability for financial reporting.

IFRS – Deferred tax assets and liabilities are classified net as non-current on the statement of financial position, with supplemental note disclosure for (1) the components of the temporary differences, and (2) the amounts expected to be recovered within 12 months of the statement of financial position date and 12 months from the statement of financial position date.

The adoption of this IFRS standard resulted in the disclosure of all of Northfield's deferred tax liabilities as non-current items on the statement of financial position.

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Stock Exchange Listing

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