



**NORTHFIELD**  
CAPITAL CORPORATION

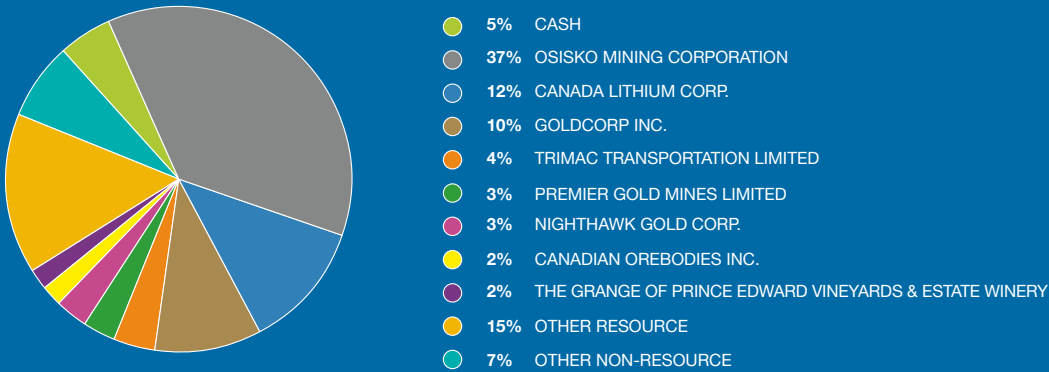




Northfield's goal is to enhance the growth and development of its investment partners and to build long-term value for its shareholders. Northfield plays an active role providing both human and capital resources to influence the strategic direction and operating orientation of its strategic investments.

At year's end, Northfield held cash and cash equivalents of \$5.5 million representing 5% of its assets. 69% of its non-cash investments were in the gold sector. Northfield's top holdings are Osisko Mining Corporation (37%), Canada Lithium Corp. (12%), Goldcorp Inc. (10%), and Trimac Transportation Limited. (4%).

### Investment Breakdown (%)





Osisko Mining Corporation

**TSX:OSK**

[www.osisko.com](http://www.osisko.com)

Canada Lithium Corp.

**TSX:CLQ**

[www.canadalithium.com](http://www.canadalithium.com)

Goldcorp Inc.

**TSX:G**

[www.goldcorp.com](http://www.goldcorp.com)



Trimac Transportation Limited

**TSX:TMA**

[www.trimac.ca](http://www.trimac.ca)

Premier Gold Mines Limited

**TSX:PG**

[www.premiergoldmines.com](http://www.premiergoldmines.com)

Nighthawk Gold Corp.

**TSXV:NHK**

[www.nighthawkgold.com](http://www.nighthawkgold.com)

Canadian Orebodies Inc.

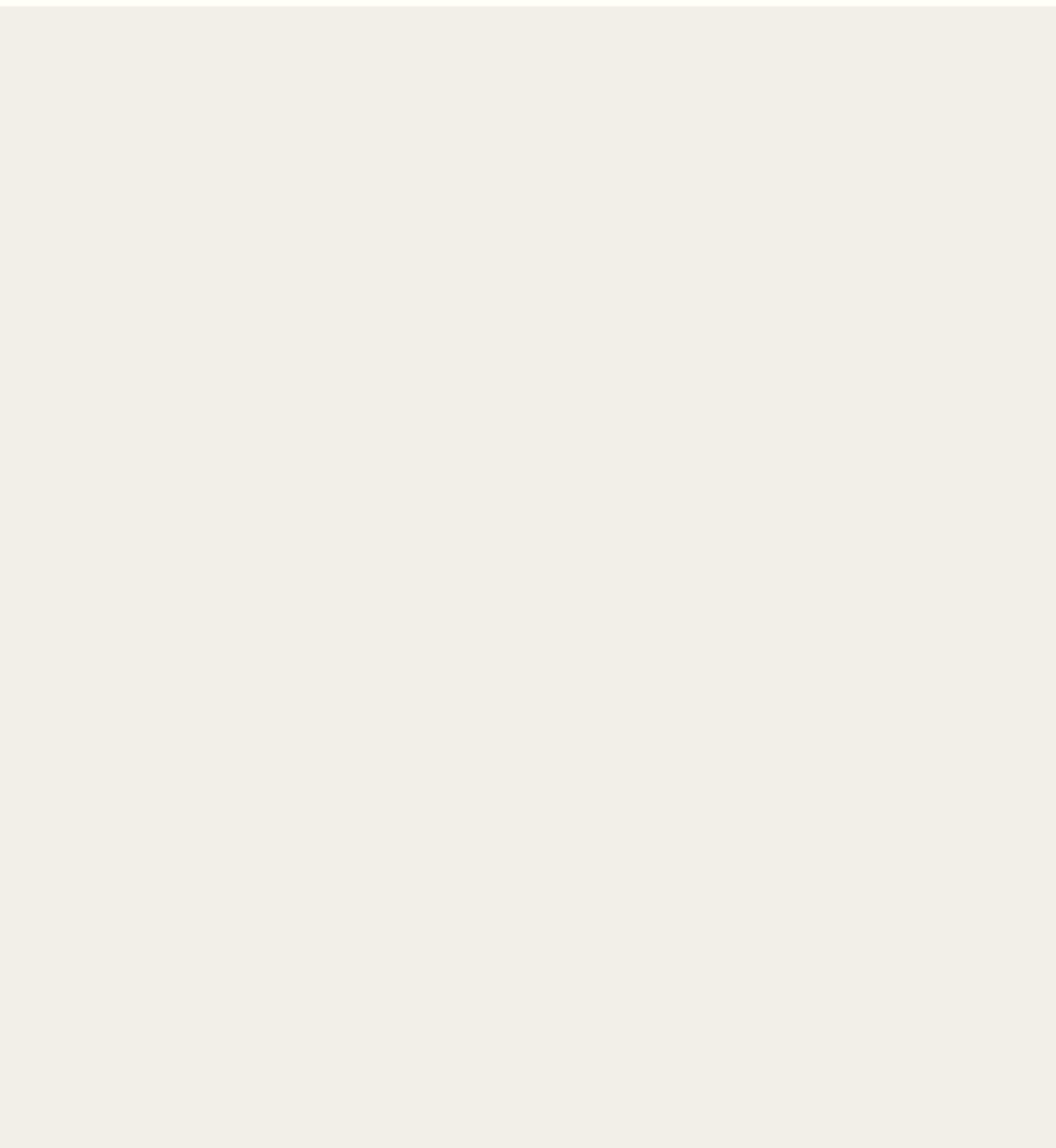
**TSXV:CO**

[www.canadianorebodies.com](http://www.canadianorebodies.com)

The Grange of Prince Edward Vineyards  
& Estate Winery

**Private**

[www.grangeofprinceedward.com](http://www.grangeofprinceedward.com)



# Financial Statements and Notes to Financial Statements

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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  
Chief Executive Officer



Brent J. Peters  
Vice President, Finance

# Independent 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, 2012 and December 31, 2011 and the statements of operations, comprehensive earnings (loss), cash flows and changes in equity for the years ended December 31, 2012 and December 31, 2011 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, 2012 and December 31, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

*Collins Barrow Toronto LLP*

Collins Barrow Toronto LLP  
Licensed Public Accountants  
Chartered Accountants  
April 8, 2013

## Statements of Financial Position

Expressed in Canadian Dollars

As at December 31,	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,463,252	\$ 16,869,927
Receivables	140,232	268,000
Loan receivable (note 4)	1,679,441	1,500,000
Income taxes receivable	198,200	183,758
Marketable securities – fair value through profit or loss (note 5)	17,987,011	30,570,198
Marketable securities – available for sale (note 5)	18,222,042	6,532,709
Long-term investments (note 6)	65,934,730	55,794,409
Equity accounted investment (note 7)	1,780,814	1,939,892
Prepaid expenses	7,374	7,374
Property and equipment	104,898	106,780
	<u>\$ 111,517,994</u>	<u>\$ 113,773,047</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 78,505	\$ 136,612
Due to related party (note 7)	50,000	210,993
Financial guarantee contract (note 8)	345,953	586,023
Deferred income taxes (note 14)	3,973,525	4,398,826
	<u>4,447,983</u>	<u>5,332,454</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 9(b))	4,316,022	4,360,448
Contributed surplus (note 9(b))	42,831	42,831
Retained earnings	108,679,783	96,441,479
Accumulated other comprehensive income	(5,968,625)	7,595,835
	<u>107,070,011</u>	<u>108,440,593</u>
	<u>\$ 111,517,994</u>	<u>\$ 113,773,047</u>
Contingencies and commitments (note 16)		
Subsequent event (note 17)		

See accompanying notes to financial statements

On behalf of the Board:



Thomas J. Pladsen  
Director



Morris J. Prychidny  
Director



## Statements of Operations

Expressed in Canadian Dollars		
For the years ended December 31,	2012	2011
Revenue (losses) (note 13)	\$ 16,103,136	\$ (8,545,123)
Operating expenses		
Administrative	1,620,721	1,757,580
Amortization	1,882	1,877
Equity loss on equity accounted investment (note 7)	298,085	281,286
Change in fair value of financial guarantee contract (note 8)	(240,070)	417,533
	1,680,618	2,458,276
Income (loss) before income taxes	14,422,518	(11,003,399)
Income tax provision (recovery) (note 14)	1,390,418	(1,940,618)
Net income (loss) for the year	\$ 13,032,100	\$ (9,062,781)
Net income (loss) per share		
Basic and diluted	\$ 4.87	\$ (3.33)
Weighted average Class A and Class B shares outstanding during the year		
Basic and diluted	2,675,694	2,724,665

See accompanying notes to financial statements

## Statements of Comprehensive Loss

Expressed in Canadian Dollars		
For the years ended December 31,	2012	2011
Net income (loss) for the year	\$ 13,032,100	\$ (9,062,781)
Other comprehensive loss, net of tax		
Available for sale investments		
Unrealized gain (loss)	4,051,999	(21,007,431)
Reclassification of realized loss (gain) to net loss	(17,616,459)	596,410
Other comprehensive loss for the year	(13,564,460)	(20,411,021)
Comprehensive loss for the year	\$ (532,360)	\$ (29,473,802)

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 at December 31, 2010	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
Shares repurchased for cancellation	(27,420)	(44,426)	–	–
Comprehensive loss	–	–	–	–
Balance at December 31, 2012	2,660,155	\$ 4,308,342	3,720	\$ 7,680

See accompanying notes to financial statements

<u>Total share capital</u>	<u>Contributed surplus</u>	<u>Retained earnings</u>	<u>Other Comprehensive income</u>	<u>Total shareholders' equity</u>
\$ 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
(44,426)	–	(793,796)	–	(838,222)
–	–	13,032,100	(13,564,460)	(532,360)
\$ 4,316,022	\$ 42,831	\$ 108,679,783	\$ (5,968,625)	\$ 107,070,011

## Statements of Cash Flows

Expressed in Canadian Dollars		
For the years ended December 31,	2012	2011
Cash provided by (used in)		
Operations		
Net earnings (loss) for the year	\$ 13,032,100	\$ (9,062,781)
Items not involving current cash flows (note 10(a))	(13,730,095)	8,193,329
Net change in other non-cash balances (note 10(b))	(153,542)	28,371
	(851,537)	(841,081)
Investing		
Purchase of marketable securities	(19,843,601)	(26,468,772)
Proceeds on disposal of marketable securities	18,046,184	15,912,182
Purchase of long-term investments	(11,124,227)	(1,607,005)
Proceeds on disposal of long-term investments	3,343,735	6,259,325
Purchase of equity accounted investments	(139,007)	(210,993)
Advance of loans receivable (note 4)	(1,500,000)	(1,500,000)
Repayment of loans receivable (note 4)	1,500,000	–
Purchase of property and equipment	–	(3,095)
	(9,716,916)	(7,618,358)
Financing		
Shares repurchased for cancellation	(838,222)	(1,202,305)
Change in cash and cash equivalents	(11,406,675)	(9,661,744)
Cash and cash equivalents, beginning of year	16,869,927	26,531,671
Cash and cash equivalents, end of year	\$ 5,463,252	\$ 16,869,927

See accompanying notes to financial statements

# Notes to Financial Statements

## Expressed in Canadian Dollars

### For the years ended December 31, 2012 and 2011

## 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 as at and for the years ended December 31, 2012 and 2011 have been approved for issue by the Board of Directors on March 27, 2013.

## 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”). 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.

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 the business model (management approach).

### (b) 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.

## 2. Significant Accounting Policies (continued)

### (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 expense is recorded using the effective interest rate method, which is the rate that 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 operations. 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 marketable securities – AFS. 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 statement of operations. The fair value of AFS equity instruments that do not have a quoted market price in an active market is not reliably measurable and, as such, they are recorded at cost.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 (see Note 5)
Long-term investments	AFS or loans and receivables (see Note 6)
Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Financial liabilities
Due to related party	Financial liabilities
Financial guarantee contract	FVTPL

## 2. Significant Accounting Policies (continued)

### (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 receivables is reduced through the use of an allowance account. When a 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 considered to be a significant or prolonged decline in fair value below cost.



## (h) Financial instruments recorded at fair value

Financial instruments recorded at fair value on the 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 considered to be a significant or prolonged decline.

## (i) Financial guarantee contract liabilities

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

## (j) Property, plant and equipment

Property 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 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.

## (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.

## 2. Significant Accounting Policies (continued)

### (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, 2012, and 2011.

### (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, net of tax.

### (q) Recent accounting standards

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2012 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) IAS 1, Presentation of Financial Statements was amended and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment is effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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 or any other observable data indicating impairment. 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. Estimates are used 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 loans receivable and records an impairment charge when there is significant doubt that a loan, or a portion of a loan, is determined to be uncollectible, which requires the use of estimates.

#### (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. The loan receivable was secured by a first rank in claim on land in Toronto, Ontario. Interest was 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. In April 2012, the maturity date of the loan receivable was extended on a 30 day basis. Interest continued to be paid monthly until the loan was repaid. In November 2012, the loan was repaid in full.

On January 20, 2012, Northfield entered into a \$1,500,000 loan agreement with Nighthawk Gold Corp. ("Nighthawk"), an arm's length public entity. The loan receivable is secured by a general security agreement on the real property of Nighthawk, which includes land and mineral leases/claims. Interest is calculated at a rate of 12% per annum, compounded monthly, with the principal and interest payable on July 20, 2013. Any portion of the principal and interest may be paid prior to maturity at the option of Nighthawk. Northfield also received 642,857 warrants of Nighthawk with an exercise price of \$0.35 and expiry date of July 20, 2013. At December 31, 2012, the outstanding balance of the loan and interest was \$1,679,441. Subsequent to year end on March 8, 2013, the outstanding balance of the loan and interest of \$1,716,895 was repaid in full by the issuance of 14,307,459 common shares of Nighthawk at a price of \$0.12 per share (note 17).

## 5. Marketable Securities

	December 31, 2012		December 31, 2011	
	Fair Value	Cost	Fair Value	Cost
Marketable securities – FVTPL <sup>(1)</sup>	\$ 17,421,484	\$ 22,918,362	\$ 29,124,578	\$ 28,177,224
Warrants – FVTPL <sup>(1)</sup>	565,527	5,000	1,445,620	5,000
	17,987,011	22,923,362	30,570,198	28,182,224
Marketable securities – AFS <sup>(2)(3)</sup>	18,222,042	17,777,848	6,532,709	9,615,671
	\$ 36,209,053	\$ 40,701,210	\$ 37,102,907	\$ 37,797,895

(1) Fair Value Through Profit or Loss (“FVTPL”)

(2) Available for Sale (“AFS”)

(3) Includes \$1,731,500 of equity instruments recorded at cost (2011 – \$1,551,500)

## 6. Long-Term Investments

	December 31, 2012		December 31, 2011	
	Fair Value	Cost	Fair Value	Cost
Aspen Group Resources Corporation	\$ 90,000	\$ 575,750	\$ 250,000	\$ 560,750
Canada Lithium Corp. <sup>(1)</sup>	13,819,000	9,947,211	4,799,305	5,546,796
Goldcorp Inc.	11,432,997	14,566,002	17,363,552	17,928,180
Osisko Mining Corporation	40,592,733	48,612,322	–	–
Queenston Mining Inc.	–	–	33,381,552	20,389,631
	\$ 65,934,730	\$ 73,701,285	\$ 55,794,409	\$ 44,425,357

(1) During the year ended December 31, 2012, Northfield’s investment in Canada Lithium Corp. was reclassified from Marketable Securities – AFS to Long-term Investments due to management’s intention to hold the investment for the long term. Accordingly, comparative figures for Marketable Securities – AFS and Long-term Investments have been reclassified to conform with the current year’s financial statement presentation.

Long-term investments are classified as AFS except for debt securities, which are classified as loans and receivables (2012 – \$90,000, 2011 – \$250,000).

Included in long-term investments is 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, 2011 – \$nil) and the debenture portion of the convertible instrument has been classified as loans and receivables and is recorded at amortized cost. During the year ended December 31, 2012, Northfield wrote-down the value of the debenture portion by \$175,000 to \$90,000. On May 16, 2012, Northfield, along with other secured parties, filed a notice of intention to enforce the security.

## 7. Equity Accounted Investment

As at December 31, 2012 and December 31, 2011, Northfield has a 47% ownership and voting power in The Grange of Prince Edward Inc. (the “Grange”). 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.

As at December 31,	2012	2011
The Grange of Prince Edward Inc.		
Common shares (47%)	\$ 3,805,000	\$ 3,665,993
Share of equity loss	(2,024,186)	(1,726,101)
	\$ 1,780,814	\$ 1,939,892

At December 31, 2012, Northfield had a subscription payable to the Grange in the amount of \$50,000 (December 31, 2011 – \$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, 2012 and 2011. As Northfield only has significant influence, it is unable to obtain reliable financial information at period-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 the unaudited interim financial statements prepared by the Grange, all within three months of the period-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.

As at December 31,	2012	2011
Assets	\$ 5,480,479	\$ 5,258,780
Liabilities	(1,619,669)	(1,553,606)
Net assets	3,860,810	3,705,174
For the years ended December 31,	2012	2011
Revenues	\$ 665,921	833,901
Net loss	(634,224)	(355,831)

## 8. Credit Facilities

Northfield has a line of credit available to a maximum of \$1,000,000. At December 31, 2012, \$nil was drawn (December 31, 2011 – \$nil). The line of credit is subject to certain financial covenants. Interest is calculated at the bank’s prime rate of interest plus 1.25%. The effective rate at December 31, 2012 was 4.25% (December 31, 2011 – 4.0%).

Northfield has entered into a financial guarantee contract in which 50% of the long-term debt and operating line of credit of the Grange (note 7) has been guaranteed. The total outstanding debt under the financial guarantee at December 31, 2012 was \$1,330,000 (December 31, 2011 – \$1,450,000). The nature of the guarantee is such that 50% of this debt will be payable by Northfield on demand by the debtor. The fair value of the financial guarantee contract at December 31, 2012 was \$345,953 (December 31, 2011 – \$586,023).

From time to time Northfield may maintain overdraft positions, in 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, 2012, Northfield had \$523,150 of outstanding margin loans (2011 – \$8,492).

## 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 – 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
Shares repurchased for cancellation	(27,420)	(44,426)	–
Balance – December 31, 2012	2,660,155	\$ 4,308,342	\$ 42,831
<b>Class B Shares</b>			
Balance – December 31, 2011 and December 31, 2012	3,720	\$ 7,680	\$ –
<b>Total Class A and Class B Shares</b>	<b>2,663,875</b>	<b>\$ 4,316,022</b>	<b>\$ 42,831</b>

### (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 2012 or 2011.

## 10. Statement of Cash Flows

### (a) Items not involving current cash flows:

For the years ended December 31,	2012	2011
Amortization	\$ 1,882	\$ 1,877
Change in fair value of financial guarantee contract	(240,070)	417,533
Equity loss	298,085	281,286
Deferred income tax	1,437,135	(1,788,841)
(Gain) loss on sale of long-term investments	(21,495,438)	641,433
Gain on sale of marketable securities	(1,102,553)	(358,166)
Accrued interest income	(189,673)	–
Bad debt expense	58,000	–
Write-down of long-term investment classified as loans and receivable (note 6)	175,000	310,750
Unrealized loss on FVTPL investments	7,327,537	8,687,457
	<u>\$ (13,730,095)</u>	<u>\$ 8,193,329</u>

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

For the years ended December 31,	2012	2011
Receivables	\$ 80,000	\$ (6,485)
Accounts payable and accrued liabilities	(58,107)	(88,722)
Due to related party	(160,993)	210,993
Income taxes (receivable) payable	(14,442)	(87,415)
	<u>\$ (153,542)</u>	<u>\$ 28,371<sup>(1)</sup></u>

(1) In 2011, loan receivable was included in other non-cash balances. This has been reclassified to investing activities (\$1,500,000).

### (c) Supplemental information

For the years ended December 31,	2012	2011
Interest income received	\$ 432,142	\$ 402,320
Interest paid	\$ 21,133	\$ 1,348
Non-monetary gain on sale of long-term investments	\$ 21,918,416	\$ –
Non-monetary gain on sale of marketable securities	\$ –	\$ 1,424,546



## 11. Related Party Transactions

### (a) Executive Management Compensation

Executive management's compensation consisted of consulting fees paid in cash of \$360,000 for the year ended December 31, 2012 (2011 – \$360,000).

### (b) Executive Management

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

Office Held	Transaction	Transaction value for the year ended December 31,		Balance outstanding as at December 31,	
		2012	2011	2012	2011
President, CEO and Director	Consulting fees	\$ 210,000	\$ 210,000	\$ –	\$ –
VP Finance	Consulting fees	\$ 150,000	\$ 150,000	\$ –	\$ –
	Office rent	\$ 67,965	\$ 66,374	\$ –	\$ –

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

These transactions have been recorded at the exchange amount, which is the consideration paid as established and agreed to by the related parties.

## 12. Capital Management

Northfield includes the following in its capital:

	2012	2011
Shareholders' equity comprised of		
Share capital	\$ 4,316,022	\$ 4,360,448
Contributed surplus	42,831	42,831
Retained earnings	108,679,783	96,441,479
Other comprehensive income	(5,968,625)	7,595,835
	<u>\$ 107,070,011</u>	<u>\$ 108,440,593</u>

There were no changes to Northfield's capital management objectives during the period. Northfield's objectives when managing capital are:

- to ensure that Northfield maintains the level of capital necessary to meet the requirements of its brokers and bank;
- to allow Northfield to respond to changes in economic and/or marketplace conditions by maintaining Northfield's ability to purchase new investments;
- to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

There were no changes to the way Northfield manages its capital structure during the period. 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:

- realizing proceeds from the disposition of its investments;
- 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;
- raising capital through equity financings; and
- purchasing Northfield's own shares for cancellation pursuant to its normal course issuer bid.

## 13. Revenue (Losses)

For the years ended December 31,	2012	2011
Gain (loss) on sale of long-term investments	\$ 21,495,438	\$ (641,433)
Gain on sale of marketable securities	1,102,553	358,166
Investment and other income	1,007,682	736,351
Write-down of long-term investment classified as loans and receivable (note 6)	(175,000)	(310,750)
Unrealized loss on FVTPL investments	(7,327,537)	(8,687,457)
	<u>\$ 16,103,136</u>	<u>\$ (8,545,123)</u>

## 14. Income Taxes

The temporary differences that gave rise to Northfield's deferred income tax asset (liability) at December 31, 2012 and 2011 were as follows:

	2012	2011
Deferred tax related to marketable securities	\$ (28,232)	\$ (503,660)
Deferred tax related to long-term investments	(3,945,293)	(3,895,166)
	<u>\$ (3,973,525)</u>	<u>\$ (4,398,826)</u>

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 26.5% (2011 – 29.09%) to the income (loss) before income taxes. The difference results from the following items:

For the years ended December 31,	2012	2011
Income (loss) before income taxes	\$ 14,422,518	\$ (11,003,399)
Expected income tax expense (recovery) at statutory rates	\$ 3,821,967	\$ (3,200,889)
Increase (decrease) resulting from:		
Non-taxable portion of capital losses (gains)	(5,180,800)	845,759
Unrealized capital losses	994,086	1,308,789
Flow-through share deductions	(583,016)	(605,763)
Equity loss	78,993	81,826
Reclassification of realized gains (losses) from OCI to net income	2,690,698	(101,513)
Change in tax rates	(384,389)	(148,383)
Other	(47,121)	(120,444)
	<u>\$ 1,390,418</u>	<u>\$ (1,940,618)</u>

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

For the years ended December 31,	2012	2011
Current tax provision (recovery)	\$ (46,717)	\$ (151,777)
Deferred tax provision (recovery)	1,437,135	(1,788,841)
	<u>\$ 1,390,418</u>	<u>\$ (1,940,618)</u>

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

	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)
	<u>\$ (9,545,978)</u>	<u>\$ 1,788,841</u>	<u>\$ 3,358,311</u>	<u>\$ (4,398,826)</u>

	Balance January 1, 2012	Recognized in profit or loss	Recognized in equity	Balance December 31, 2012
Marketable securities	\$ (503,660)	\$ 1,091,865	\$ (616,437)	\$ (28,232)
Long-term investments	(3,895,166)	(2,529,000)	2,478,873	(3,945,293)
	<u>\$ (4,398,826)</u>	<u>\$ (1,437,135)</u>	<u>\$ 1,862,436</u>	<u>\$ (3,973,525)</u>

## 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 financial liabilities as at December 31, 2012 are due within one year except for the financial guarantee contract (note 8).

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, 2012, based on typical margin requirements Northfield had available margin of approximately \$42,016,459 from its brokers, of which Northfield was using \$523,150 (2011 – \$8,492). Northfield manages this risk by not over extending the use of margin. As at December 31, 2012 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 \$38,280,151.

## 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, 2012 from a change in closing bid price of Northfield's investments with all other variables held constant as at December 31, 2012:

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
<b>Investments FVTPL</b>		
5%	\$ 661,023	\$ (661,023)
10%	\$ 1,322,045	\$ (1,322,045)
<b>Investments AFS</b>		
5%	\$ 3,092,761	\$ (3,092,761)
10%	\$ 6,185,523	\$ (6,185,523)

### (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, 2012, 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, 2012 the amount outstanding was \$523,150. The interest bearing 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, 2012 are redeemable upon demand.

### (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 loans receivable is remote as the loans are secured as described in note 4.

### (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. The fair value of securities that do not have a quoted market price in an active market (private company investments) cannot be reliably measured due to the significant variability in the range of reasonable fair values for these instruments and the inability to assign probabilities to a range of fair value estimates. The market for these financial instruments is a private equity market. The entity intends to dispose of these financial instruments by way of transfer of ownership, if possible.
- (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 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.

As at December 31,	2012	2011
Level 1	\$ 105,261,241	\$ 106,576,674
Level 2	524,293	1,389,069
Level 3	(345,953)	(586,023)
	<u>\$ 105,439,581</u>	<u>\$ 107,379,720</u>

No investments were transferred between Level 1, Level 2 or Level 3 during the years ended December 31, 2012 and 2011.

During the year ended December 31, 2012, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance – December 31, 2010	\$ (168,490)
Change financial guarantee contract	(417,533)
Balance – December 31, 2011	\$ (586,023)
Change financial guarantee contract	240,070
Balance – December 31, 2012	<u>\$ (345,953)</u>

## 15. Financial Instruments (continued)

### (h) Categories of financial instruments

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

As at December 31,	2012		2011	
FVTPL	\$	23,104,310	\$	46,857,320
AFS – Fair value	\$	82,335,272	\$	60,522,400
AFS – Cost	\$	1,731,500	\$	1,551,500
Loans and receivables	\$	1,909,673	\$	2,018,000
Financial liabilities	\$	128,505	\$	347,605

## 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.

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

2013	\$	201,915
2014		189,753
2015		177,591
2016		88,795
	\$	658,054

## 17. Subsequent Event

Subsequent to year end on March 8, 2013, the outstanding balance of the loan and interest of \$1,716,895 receivable from Nighthawk (note 4) was repaid in full by the issuance of 14,307,459 common shares of Nighthawk at a price of \$0.12 per share.

# CORPORATE INFORMATION

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John D. McBride  
Toronto, Ontario

Thomas J. Pladsen  
Toronto, Ontario

Morris J. Prychidny  
Toronto, Ontario

## OFFICERS

Robert D. Cudney  
President & Chief Executive Officer

Brent J. Peters  
Vice President Finance & Treasurer

Michael G. Leskovec  
Financial Control Officer

## AUDITORS

Collins Barrow Toronto LLP

## COUNSEL

Cassels, Brock & Blackwell LLP

## TRANSFER AGENT

TMX Equity Transfer Services

## STOCK EXCHANGE LISTING

TSX Venture Exchange

Toronto, Ontario

Symbol: NFD.A

Shares outstanding:

(December 31, 2012) 2,663,875



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