



2013

NORTHFIELD CAPITAL CORPORATION
ANNUAL REPORT

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.



*William O. S. Ballard
(1946-2014)*

On March 14, 2014, William Ballard lost his battle with cancer. Bill served as a Director of Northfield for 13 years and also served as a member of the Audit Committee. As a colleague, Bill was enthusiastic and courageous. He was not a man to whine when projects were faced with challenges. He was a great supporter and constant presence throughout the past 13 years as a board member and even more as a friend. He was truly excited about investing and being a part of building mines in Canada. As a friend, he was without equal: completely candid (some would say blunt). His nature was generous to a fault. Bill had a wicked sense of humour, which made the sometimes difficult path of investing easier to negotiate. Every flight to the mining sites was filled with the aroma of his ever-present deli sandwiches. Bill was a unique character in every sense of the word. There will never be another like him. We celebrate his accomplishments and deeply mourn his passing. He will never be forgotten.

RB ENERGY INC.

TSX:RBI

rb-e.com

GOLDCORP INC.

TSX:G

goldcorp.com

NIGHTHAWK GOLD CORP.

TSXV:NHK

nighthawkgold.com

OSISKO MINING CORPORATION

TSX:OSK

osisko.com

TRIMAC TRANSPORTATION LTD.

TSX:TMA

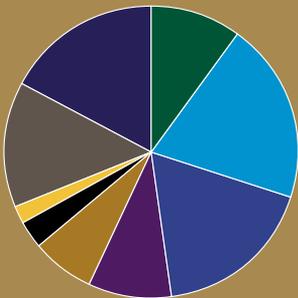
trimac.ca

THE GRANGE OF PRINCE EDWARD
VINEYARDS & ESTATE WINERY

Private

grangeofprinceedward.com

At year's end, Northfield held cash and cash equivalents of \$7.5 million representing 10% of its investments. 66% of its investments were in the resource sector. Northfield's top holdings are RB Energy Inc. (20%), Osisko Mining Corporation (18%), Goldcorp Inc. (9%), and Trimac Transportation Ltd. (7%).



INVESTMENT BREAKDOWN (%)

- 10% CASH
- 20% RB ENERGY INC.
- 18% OSISKO MINING CORPORATION
- 9% GOLDCORP INC.
- 7% TRIMAC TRANSPORTATION LTD.
- 3% NIGHTHAWK GOLD CORP.
- 2% THE GRANGE OF PRINCE EDWARD VINEYARDS & ESTATE WINERY
- 14% OTHER RESOURCE
- 17% OTHER NON-RESOURCE

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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 these 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.

An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management as well as the independent auditors 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, 2013 and December 31, 2012 and the statements of operations, comprehensive earnings (loss), cash flows and changes in equity for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' 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 auditors' 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, 2013 and December 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants
Chartered Accountants
April 23, 2014

Statements of Financial Position

Expressed in Canadian Dollars

As at December 31,	2013	2012
		(restated-note 17)
ASSETS		
Cash and cash equivalents	\$ 7,458,606	\$ 5,463,252
Receivables	203,169	140,232
Loans receivable (note 4)	–	1,679,441
Income taxes receivable	2,239	198,200
Marketable securities – fair value through profit or loss (note 5)	14,634,234	17,987,011
Marketable securities – available for sale (note 5)	17,719,298	18,222,042
Long-term investments (note 6)	36,379,678	65,934,730
Advance to joint venture (note 7)	312,062	–
Investment in joint venture (note 7)	1,738,731	1,780,814
Deferred income taxes (note 14)	618,322	–
Prepaid expenses	7,374	7,374
Property and equipment	103,498	104,898
	\$ 79,177,211	\$ 111,517,994
LIABILITIES		
Accounts payable and accrued liabilities	\$ 109,818	\$ 78,505
Due to related party (note 7)	–	50,000
Financial guarantee contract (note 8)	255,190	345,953
Deferred income taxes (note 14)	–	3,973,825
	365,008	4,448,283
SHAREHOLDERS' EQUITY		
Share capital (note 9(b))	4,286,939	4,316,022
Contributed surplus (note 9(b))	42,831	42,831
Retained earnings	87,719,046	101,233,386
Accumulated other comprehensive income	(13,236,613)	1,477,472
	78,812,203	107,069,711
	\$ 79,177,211	\$ 111,517,994

Contingencies and commitments (note 16)

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,	2013	2012
		(restated—note 17)
Revenue (losses) (note 13)	\$ (13,791,381)	\$ 7,519,739
Operating expenses		
Administrative	1,591,386	1,620,721
Amortization	1,400	1,882
Equity loss on equity accounted investment (note 7)	117,083	298,085
Change in fair value of financial guarantee contract (note 8)	(90,763)	(240,070)
	1,619,106	1,680,618
Income (loss) before income taxes	(15,410,487)	5,839,121
Income tax provision (recovery) (note 14)	(2,310,502)	253,418
Net income (loss) for the year	\$ (13,099,985)	\$ 5,585,703
Net income (loss) per share		
Basic and diluted	\$ (4.92)	\$ 2.09
Weighted average Class A and Class B Shares outstanding during the year		
Basic and diluted	2,660,361	2,675,694

See accompanying notes to financial statements

Statements of Comprehensive Loss

Expressed in Canadian Dollars		
For the years ended December 31,	2013	2012
		(restated—note 17)
Net income (loss) for the year	\$ (13,099,985)	\$ 5,585,703
Item that will be reclassified subsequently to net income		
Available for sale investments		
Unrealized gain (loss)	(19,048,571)	4,051,999
Reclassification of realized loss (gain) and impairment to net income	4,334,486	(10,170,362)
Other comprehensive loss for the year, net of tax	(14,714,085)	(6,118,363)
Comprehensive loss for the year	\$ (27,814,070)	\$ (532,660)

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, 2011	2,687,575	\$ 4,352,768	3,720	\$ 7,680
Shares repurchased for cancellation	(27,420)	(44,426)	–	–
Comprehensive loss ⁽¹⁾	–	–	–	–
Balance at December 31, 2012 ⁽¹⁾	2,660,155	\$ 4,308,342	3,720	\$ 7,680
Shares repurchased for cancellation	(17,950)	(29,083)	–	–
Comprehensive loss	–	–	–	–
Balance at December 31, 2013	2,642,205	\$ 4,279,259	3,720	\$ 7,680

(1) Restated — note 17

See accompanying notes to financial statements

Total share capital	Contributed surplus	Retained earnings	Other comprehensive income	Total shareholders' equity
\$ 4,360,448	\$ 42,831	\$ 96,441,479	\$ 7,595,835	\$ 108,440,593
(44,426)	–	(793,796)	–	(838,222)
–	–	5,585,703	(6,118,363)	(532,660)
\$ 4,316,022	\$ 42,831	\$ 101,233,386	\$ 1,477,472	\$ 107,069,711
(29,083)	–	(414,355)	–	(443,438)
–	–	(13,099,985)	(14,714,085)	(27,814,070)
\$ 4,286,939	\$ 42,831	\$ 87,719,046	\$ (13,236,613)	\$ 78,812,203

Statements of Cash Flows

Expressed in Canadian Dollars

For the years ended December 31,	2013	2012
		(restated—note 17)
Cash provided by (used in)		
Operations		
Net income (loss) for the year	\$ (13,099,985)	\$ 5,585,703
Items not involving current cash flows (note 10(a))	12,803,317	(6,283,698)
Net change in other non-cash balances (note 10(b))	114,337	(153,542)
	(182,331)	(851,537)
Investing		
Purchase of marketable securities	(13,670,379)	(19,843,601)
Proceeds on disposal of marketable securities	16,000,721	18,046,184
Purchase of long-term investments	(11,958,669)	(11,124,227)
Proceeds on disposal of long-term investments	12,636,512	3,343,735
Advance to joint venture	(312,062)	—
Purchase of investment in joint venture	(75,000)	(139,007)
Advance of loans receivable (note 4)	—	(1,500,000)
Repayment of loans receivable (note 4)	—	1,500,000
	2,621,123	(9,716,916)
Financing		
Shares repurchased for cancellation	(443,438)	(838,222)
Change in cash and cash equivalents	1,995,354	(11,406,675)
Cash and cash equivalents, beginning of year	5,463,252	16,869,927
Cash and cash equivalents, end of year	\$ 7,458,606	\$ 5,463,252
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, 2013 and 2012

1. Nature of Operations

Northfield Capital Corporation (“Northfield” or the “Company”) 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, 2013 and 2012 have been approved for issue by the Board of Directors on April 23, 2014.

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) Investment in joint venture

Joint arrangements are classified as either joint operations or joint ventures. The determination of whether an arrangement is a joint operation or joint venture is based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. Joint arrangements that provide a company with the rights to the individual assets and obligations arising from the arrangement are classified as joint operations and joint arrangements that provide an entity with rights to the net assets of the arrangement are classified as joint ventures. The interests in joint arrangements that are classified as joint ventures are accounted for using the equity method and presented as an investment on the balance sheet.

When Northfield transacts with its joint venture entities, the unrealized profit and losses are eliminated to the extent of the Company’s interest in the joint venture.

The financial statements of joint venture entities are prepared for the same reporting period as the Company and where necessary, adjustments are made to bring its accounting policies in line with the Company.

2. Significant Accounting Policies (continued)

(c) Revenue recognition

Northfield recognizes revenues to the extent that it 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 operations on the settlement 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 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 operations 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, based on the value as of the trade date. 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 net of 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
Loans receivable	Loans and receivables
Marketable securities	FVTPL or AFS (see note 5)
Long-term investments and advance to joint venture	AFS, loans and receivables, or FVTPL (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 FVTPL, 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.

For equity instruments classified as AFS, Northfield follows the guidance of IAS 39, Financial Instruments: Recognition and Measurement to determine when an AFS investment is impaired. This determination requires significant judgment. In making this judgment, Northfield evaluates, among other factors, whether there is a significant or prolonged decline in the fair value of the investment. Significant or prolonged decline is defined respectively as an unrealized loss of at least 50% and a decline under its cost for over two consecutive fiscal periods. Financial health of short-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow are considered as well by Northfield in its evaluation.

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.

Investments in which Northfield has joint 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.

(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.

(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); and
- 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 close price, within the bid-ask spread, 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) Convertible debentures receivable

When the Company holds debentures that are convertible into the issuer's equity shares at the Company's option, the equity conversion feature represents an embedded option written by the issuer on its equity shares. The embedded derivative is not closely related to the host contract (the debentures) from the Company's perspective. Such conversion feature is classified as FVTPL, with the debentures being classified as loans and receivable.

The embedded derivative's fair value (the conversion feature) is calculated first, and the carrying value of the debenture is assigned the residual amount after deducting from the consideration paid to acquire the hybrid instrument, the amount separately determined for the embedded derivative.

(j) 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.

(k) Property 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.

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, 2013, and 2012.

(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 or loss and the statements of changes in equity, net of tax.

(q) Changes in accounting policies

Effective January 1, 2013, Northfield has adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions.

- (i) IFRS 7, *Financial Instruments: Disclosures*, amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statements of financial position or that are subject to enforceable master netting similar arrangements. Northfield has assessed and determined that the amendments to IFRS 7 did not result in any change in its disclosures for financial instruments.
- (ii) IFRS 10, *Consolidated Financial Statements*, requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. Northfield has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.
- (iii) IFRS 11, *Joint Arrangements*, supersedes IAS 31, *Interests in Joint Ventures*, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, *Investments in Associates and Joint Ventures* (amended in 2011). The other amendments to IAS 28 did not affect Northfield. Northfield has concluded that the adoption of IFRS 11 did not result in any changes in the accounting.
- (iv) IFRS 12, *Disclosure of Interest in Other Entities*, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with an entity's interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Northfield has assessed and determined that the adoption of IFRS 12 did not result in any change in its disclosures of interests in other entities, other than as disclosed in note 7.
- (v) IFRS 13, *Fair Value Measurement*, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

Northfield has fair valued its investments in publicly-traded investments (securities of issuers that are public companies) based on the closing trade price, within the bid-ask spread, at the statement of financial position date or the closing trade price on the last day the security traded if there were no trades at the statement of financial position date. Management views that this policy provides a more indicative fair value price to sell its publicly-traded investments in an orderly transaction in the principal market at the statement of financial position date. In prior periods, publicly-traded investments were fair valued based on quoted closing bid prices at the statement of financial position date or the closing bid price on the last day the security traded if there were no trades at the statement of financial position date. As permitted under the transitional provision, IFRS 13 was applied on a prospective basis and, accordingly, the adoption of the new policy had no effect on prior years. For current year disclosures, refer to note 15.

2. Significant Accounting Policies (continued)

(q) Changes in accounting policies (continued)

- (vi) IAS 27, *Separate Financial Statements*, as a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirement for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. Northfield does not prepare separate financial statements; therefore, IAS 27 does not impact Northfield.
- (vii) IAS 28, *Investments in Associates and Joint Ventures*, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. There is no impact on Northfield as a result of these amendments.
- (viii) IAS 32, *Financial Instruments, Presentation*, was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. Northfield has early adopted IAS 32 effective on January 1, 2013 and determined that there was no significant impact on the financial statements.

(r) Recent accounting standards

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2013 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 has not yet been adopted and is being evaluated to determine the impact on Northfield:

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. The effective date for the application of IFRS 9 is to be determined.

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.

(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 AFS 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 collectability 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. Loans 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 was secured by a general security agreement on the real property of Nighthawk, which included land and mineral leases/claims. Interest was payable at a rate of 12% per annum, compounded monthly, with the principal and interest payable on July 20, 2013. At December 31, 2012, the outstanding balance of the loan and interest was \$1,679,441. In March 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. The value of the common shares of Nighthawk on the date of the debt settlement was \$1,859,970, therefore Northfield has recognized a gain on debt settlement of \$143,075 for the year ended December 31, 2013.

5. Marketable Securities

	December 31, 2013		December 31, 2012	
	Fair Value	Cost	Fair Value	Cost
Marketable securities – FVTPL	\$ 14,431,952	\$ 22,351,852	\$ 17,421,484	\$ 22,918,362
Warrants – FVTPL	202,282	–	565,527	5,000
	14,634,234	22,351,852	17,987,011	22,923,362
Marketable securities – AFS ⁽¹⁾	17,719,298	13,426,159	18,222,042	17,777,848
	\$ 32,353,532	\$ 35,778,011	\$ 36,209,053	\$ 40,701,210

(1) Includes \$1,271,000 of equity instruments recorded at cost (2012—\$1,731,500)

6. Long-Term Investments

	December 31, 2013		December 31, 2012	
	Fair Value	Cost	Fair Value	Cost
Goldcorp Inc.	\$ 6,869,745	\$ 13,720,852	\$ 11,432,997	\$ 14,566,002
Osisko Mining Corporation	14,187,829	23,264,263	40,592,733	40,028,926
RB Energy Inc. ⁽¹⁾	15,097,443	18,674,398	13,819,000	9,947,211
Warrants – FVTPL	224,661	–	–	–
Aspen Group Resources Corporation	–	–	90,000	575,750
	\$ 36,379,678	\$ 55,659,513	\$ 65,934,730	\$ 65,117,889

(1) Subsequent to year end in January 2014, Canada Lithium Corp. changed its name to RB Energy Inc.

Long-term investments are classified as AFS except for debt securities, which are classified as loans and receivables (2013—\$2,933,728, 2012—\$90,000).

Included in long-term investments for the year ended December 31, 2012 is Northfield's investment in convertible debentures and a loan to Aspen Group Resources Corporation. The conversion option was classified as FVTPL and had a fair value of \$nil on December 31, 2012 and the debenture portion of the convertible instrument had been classified as loans and receivables and was 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. During the year ended December 31, 2013, Northfield settled the outstanding debenture for \$76,107 and therefore recorded a loss on debt settlement of \$13,893, which has been recorded for the year ended December 31, 2013.

In May 2013, Northfield entered into a \$7,000,000 unsecured convertible subordinated debenture agreement (the "Convertible Debentures") with RB Energy Inc. ("RB Energy"), which was previously known as Canada Lithium Corp., an arm's length public entity. The Convertible Debentures are included in long-term investments, mature on June 30, 2018, and pay a coupon of 11% per annum, payable semi-annually. The Convertible Debentures are convertible at Northfield's option into common shares of RB Energy at any time prior to June 30, 2018. After June 30, 2016, RB Energy may, under certain target share price conditions, fix an early redemption date for the Convertible Debentures. The Convertible Debentures are convertible at a conversion price of \$0.72 per common share and rank subordinate in right of payment of principal and interest to all senior obligations of RB Energy.

The conversion option of the Convertible Debentures has been classified as FVTPL and had a fair value of \$4,265,532 at the time of acquisition on May 15, 2013. As at December 31, 2013, the value of the conversion option was valued at \$1,684,565, and the decrease of \$2,580,967 has been included in unrealized loss on FVTPL investment on the statement of operations. The conversion option was valued at the following dates using the Black-Scholes option pricing model parameters listed below (in each case with no dividends and a nil forfeiture rate):

	Number of shares	Conversion price	Stock price on value date	Black-Scholes option pricing parameters		
				Risk-free interest rate	Expected life (years)	Volatility factor ⁽¹⁾
May 15, 2013	9,722,222	\$0.72	\$0.57	1.41%	5.1	110%
Dec. 31, 2013	9,722,222	\$0.72	\$0.37	1.51%	4.5	80%

(1) Northfield has determined the volatility of RB Energy based on their historical share price.

On May 15, 2013, the present value of the debenture portion of the Convertible Debentures was valued at \$2,734,468, being the difference between the principal and the value of the conversion option, and has been classified as loans and receivable. The discount of the debenture portion is to be amortized, using the effective interest method, at a rate of 44% per annum, compounded monthly. For the year ended December 31, 2013, total interest income recognized on the Convertible Debentures was \$681,301, of which \$482,041 represented the coupon interest received and \$199,260 related to the non-cash accretion of the discount on the debenture portion.

7. Investment in Joint Venture

As at December 31, 2013, Northfield had 48% ownership (2012—47%) and voting power in The Grange of Prince Edward Inc. (the “Grange”); however, under the terms of the shareholder agreement, Northfield had joint control of the board of directors. 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 for common shares of the Grange.

As at December 31,	2013	2012
The Grange of Prince Edward Inc.		
Common shares (48%)	\$ 3,880,000	\$ 3,805,000
Share of equity loss	(2,141,269)	(2,024,186)
	<u>\$ 1,738,731</u>	<u>\$ 1,780,814</u>

During fiscal 2013, Northfield loaned \$300,000 (2012—nil) to the Grange at an interest rate of 10% per annum. The loan and interest of \$312,062 was unsecured, payable on demand and has been disclosed as an advance to joint venture on the statement of financial position. At December 31, 2012, Northfield had a subscription payable to the Grange in the amount of \$50,000 which was disclosed as a due to related party on the statement of financial position.

7. Investment in Joint Venture (continued)

The following table summarizes financial information about the Grange's assets, liabilities and net earnings as at and for the years ended December 31, 2013 and 2012. Northfield has included in its financial statements equity accounted information based on the most recent audited annual financial statements prepared by the Grange. 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.

Selected information as at	December 31, 2013	December 31, 2012
Cash and cash equivalents	\$ 600	\$ 600
Current assets	\$ 1,840,395	\$ 1,755,635
Non-current assets	\$ 3,756,814	\$ 3,831,892
Current liabilities	\$ 519,702	\$ 516,841
Current financial liabilities	\$ 370,328	\$ 264,427
Non-current liabilities	\$ 975,041	\$ 1,079,142
Non-current financial liabilities	\$ 975,041	\$ 1,079,142
Selected information for the years ended December 31,	2013	2012
Revenues	\$ 604,200	\$ 665,921
Interest revenue	—	—
Interest expense	54,832	57,018
Amortization	35,050	35,586
Income tax expense	—	—
Net loss and total comprehensive loss	\$ (244,688)	\$ (634,224)

8. Credit Facilities

Northfield has a line of credit available to a maximum of \$1,000,000. At December 31, 2013, \$nil was drawn (December 31, 2012—\$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, 2013 was 4.25% (2012—4.25%).

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, 2013 was \$1,230,000 (2012—\$1,330,000). 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, 2013 was \$255,190 (2012—\$345,953).

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, 2013, Northfield had \$nil of outstanding margin loans (2012—\$523,150).

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, 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
Shares repurchased for cancellation	(17,950)	(29,083)	–
Balance – December 31, 2013	2,642,205	\$ 4,279,259	\$ 42,831
Class B Shares			
Balance – December 31, 2012 and December 31, 2013	3,720	\$ 7,680	\$ –
Total Class A and Class B Shares	2,645,925	\$ 4,286,939	\$ 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 2013 or 2012.

10. Statement Of Cash Flows

(a) Items not involving current cash flows:

For the years ended December 31,	2013	2012
Accrued interest income	\$ (233,821)	\$ (189,673)
Amortization	1,400	1,882
Bad debt expense	–	58,000
Change in fair value of financial guarantee contract	(90,763)	(240,070)
Deferred income tax	(2,344,751)	300,135
Equity loss	117,083	298,085
Gain on debt settlement	(129,182)	–
Loss (gain) on sale of long-term investments	5,899,181	(12,912,041)
Loss (gain) on sale of marketable securities	2,020,461	(1,102,553)
Unrealized loss on FVTPL investments	5,077,671	7,327,537
Write-down of marketable securities classified as AFS	2,486,038	–
Write-down of long-term investment classified as loans and receivable (note 6)	–	175,000
	<u>\$ 12,803,317</u>	<u>\$ (6,283,698)</u>

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

For the years ended December 31,	2013	2012
Receivables	\$ (62,937)	\$ 80,000
Accounts payable and accrued liabilities	31,313	(58,107)
Due to related party	(50,000)	(160,993)
Income taxes (receivable) payable	195,961	(14,442)
	<u>\$ 114,337</u>	<u>\$ (153,542)</u>

(c) Supplemental information

For the years ended December 31,	2013	2012
Interest income received	\$ 656,760	\$ 432,142
Interest paid	\$ 3,202	\$ 21,133
Non-cash debt settlement (note 4)	\$ 1,716,895	\$ –
Non-monetary gain on sale of long-term investments	\$ –	\$ 13,335,031
Income tax recovery received	\$ 161,711	\$ –

11. Related Party Transactions

(a) Executive Management Compensation

Executive management's compensation consisted of consulting fees paid in cash of \$465,000 for the year ended December 31, 2013 (2012—\$465,000).

(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	Note	Transaction value for the years ended December 31,		Balance outstanding as at December 31,	
			2013	2012	2013	2012
President, CEO and Director	Consulting fees	(1)	\$ 210,000	\$ 210,000	\$ –	\$ –
VP Finance	Consulting fees	(2)	\$ 150,000	\$ 150,000	\$ –	\$ –
	Office rent	(2)	\$ 67,965	\$ 67,965	\$ –	\$ –
Financial Control Officer	Consulting fees	(3)	\$ 105,000	\$ 105,000	\$ –	\$ –

- (1) During the year ended December 31, 2013, Northfield paid consulting fees of \$210,000 (2012—\$210,000) to RDC Resource Investments Inc., a company controlled by Robert Cudney, the President, Chief Executive Officer and a Director of Northfield. At December 31, 2013, the balance owed was \$nil (2012—\$nil).
- (2) During the year ended December 31, 2013, Northfield paid consulting fees and rent of \$150,000 (2012—\$150,000) and \$67,965 (2012—\$67,965), respectively, to 1249687 Ontario Ltd., a company controlled by Brent Peters, the VP Finance of Northfield. At December 31, 2013, the balance owed was \$nil (2012—\$nil).
- (3) During the year ended December 31, 2013, Northfield paid consulting fees of \$105,000 (2012—\$105,000) to 2245448 Ontario Inc., a company controlled by Michael Leskovec, the Financial Control Officer of Northfield. At December 31, 2013, the balance owed was \$nil (2012—\$nil).

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:

As at December 31,	2013	2012
Shareholders' equity comprised of		
Share capital	\$ 4,286,939	\$ 4,316,022
Contributed surplus	42,831	42,831
Retained earnings	87,719,046	101,233,386
Other comprehensive income	(13,236,613)	1,477,472
	\$ 78,812,203	\$ 107,069,711

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

- (a) to ensure that Northfield maintains the level of capital necessary to meet the requirements of its brokers and bank;
- (b) to allow Northfield to respond to changes in economic and/or marketplace conditions by maintaining Northfield's ability to purchase new investments;
- (c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (d) 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:

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

13. Revenue (Losses)

	2013	2012
Investment and other income	\$ 1,562,788	\$ 1,007,682
Gain on debt settlement (notes 4 and 6)	129,182	-
Write-down of long-term investment classified as loans and receivable (note 6)	-	(175,000)
Gain (loss) on sale of marketable securities	(2,020,461)	1,102,553
Write-down of marketable securities classified as AFS	(2,486,038)	-
Unrealized loss on FVTPL investments	(5,077,671)	(7,327,537)
Gain (loss) on sale of long-term investments	(5,899,181)	12,912,041
	\$ (13,791,381)	\$ 7,519,739

14. Income Taxes

The temporary differences that gave rise to Northfield's deferred income tax asset (liability) at December 31, 2013 and 2012 were as follows:

As at December 31,	2013	2012
Deferred tax related to marketable securities	\$ 423,976	\$ (28,232)
Deferred tax related to long-term investments	194,346	(3,945,593)
	\$ 618,322	\$ (3,973,825)

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% (2012—26.5%) to the income (loss) before income taxes. The difference results from the following items:

For the years ended December 31,	2013	2012
Income (loss) before income taxes	\$ (15,410,487)	\$ 5,839,121
Expected income tax expense (recovery) at statutory rates	\$ (4,083,779)	\$ 1,547,367
Increase (decrease) resulting from:		
Non-taxable portion of capital losses (gains)	2,098,705	(2,906,200)
Unrealized capital losses (gains)	(1,002,192)	994,086
Flow-through share deductions	—	(583,016)
Equity loss	31,027	78,993
Reclassification of realized gains (losses) from OCI to net income	1,110,396	1,553,698
Change in tax rates	—	(384,389)
Other	(464,659)	(47,121)
	\$ (2,310,502)	\$ 253,418

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

For the years ended December 31,	2013	2012
Current tax provision (recovery)	\$ 34,249	\$ (46,717)
Deferred tax provision (recovery)	(2,344,751)	300,135
	\$ (2,310,502)	\$ 253,418

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

	Balance December 31, 2011	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)	(1,392,000)	1,341,573	(3,945,593)
	\$ (4,398,826)	\$ (300,135)	\$ 725,136	\$ (3,973,825)
	Balance December 31, 2012	Recognized in profit or loss	Recognized in equity	Balance December 31, 2013
Marketable securities	\$ (28,232)	\$ 961,751	\$ (509,543)	\$ 423,976
Long-term investments	(3,945,593)	1,383,000	2,756,939	194,346
	\$ (3,973,825)	\$ 2,344,751	\$ 2,247,396	\$ 618,322

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, 2013 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 prematurely and/or at a loss, in order to generate funds needed to satisfy Northfield's obligations. Furthermore, if Northfield is unable to provide the necessary funds within the time required, Northfield's marginable investments may still be liquidated at a loss by its brokers to meet the obligations (and Northfield may still be required to make up any additional shortfall in funds thereafter).

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, 2013, based on typical margin requirements Northfield had available margin of approximately \$24,374,000 from its brokers, of which Northfield was using \$nil (2012—\$523,150). Northfield manages this risk by not over extending the use of margin. As at December 31, 2013 the estimated sensitivity of Northfield's available margin from a 10% decrease in the closing price of Northfield's investments with all other variables held constant would reduce the available margin to \$22,043,000.

(b) Market risk

Market risk is the risk that the fair value of, or future cash flows from, Northfield's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, equity and commodity prices. 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, 2013 from a change in closing price of Northfield's investments with all other variables held constant as at December 31, 2013:

Percentage of change in closing prices	Change in comprehensive income (net of tax) from % increase in closing price	Change in comprehensive income (net of tax) from % decrease in closing price
Investments FVTPL		
5%	\$ 578,299	\$ (578,299)
10%	\$ 1,156,596	\$ (1,156,596)
Investments AFS		
5%	\$ 2,147,044	\$ (2,147,044)
10%	\$ 4,228,394	\$ (4,228,394)

(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, 2013, 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, 2013 the amount outstanding was \$nil (2012—\$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, 2013 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, loan receivable and advance to joint venture.

Northfield's credit risk is primarily attributable to cash and cash equivalents, receivables 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, loan receivable, advance to joint venture, 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. 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.

Level 3 – inputs for assets and liabilities not based upon observable market data.

As at December 31,	2013	2012
Level 1	\$ 71,994,316	\$ 105,261,241
Level 2	426,943	524,293
Level 3	2,244,367	(345,953)
	<u>\$ 74,665,626</u>	<u>\$ 105,439,581</u>

No investments were transferred between Level 1, Level 2 or Level 3 during the years ended December 31, 2013 and 2012.

The fair value of the financial guarantee contract (refer to note 8) included in Level 3 is estimated using a present value technique. The fair value is estimated by probability weighting the estimated future cash outflows, adjusting for risk and discounting at 3.75%. The probability weighted cash outflows before discounting are \$276,470 and reflect management's estimate of a five year escalating probability of 25% in year one, up to 65% in year five. An increase of 20% in each year of the five year escalating probability weighted cash outflows would increase the fair value of the financial guarantee contract by \$115,000.

During the years ended December 31, 2012 and 2013, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance – December 31, 2011		\$ (586,023)
Change in financial guarantee contract		240,070
Balance – December 31, 2012		(345,953)
Fair value of conversion option on convertible debt		2,499,557
Change in financial guarantee contract		90,763
Balance – December 31, 2013		<u>\$ 2,244,367</u>

(h) Categories of financial instruments

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

As at December 31,	2013	2012
FVTPL	\$ 23,462,405	\$ 23,104,310
AFS – Fair value	\$ 47,985,022	\$ 82,335,271
AFS – Cost	\$ 1,271,000	\$ 1,731,500
Loans and receivables	\$ 3,421,368	\$ 1,909,673
Financial liabilities and guarantee	\$ 109,818	\$ 128,505

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:

2014	\$ 197,663
2015	177,591
2016	88,795
	<hr/>
	\$ 464,049

17. Restatement of Prior Years' Comparative Financial Statements

Statement of financial position

The Company made an adjustment to its statement of financial position at December 31, 2012 due to an adjustment in the accounting for a share-for-share exchange transaction that took place in 2012. The transaction has been recorded using the fair values of the respective shares on December 28, 2012. Previously, the Company had used the 15-day average prior to the date of announcement on November 12, 2012. The adjustment impacts the gain realized on the sale of a long-term AFS investment resulting from the share-for-share exchange, as well as retained earnings, income tax provision, and accumulated other comprehensive income. The Company is restating amounts to recognize a lower gain on the sale of long-term AFS investments and an increase in accumulated other comprehensive income. There was no impact on the statement of financial position as at January 1, 2012, as the transaction occurred during 2012 and, accordingly, the statement of financial position as at January 1, 2012 has not been presented.

The resulting adjustments to the comparative statements are as follows:

Statement of financial position	December 31, 2012 Increase (Decrease)
Retained earnings	\$ (7,446,097)
Accumulated other comprehensive income	\$ 7,446,097

Statement of operations

As described above, the Company made adjustments to the gain on the sale of long-term investments (included in revenue on the statement of operations). As a result, the Company has restated revenue and the income tax provision on the statement of operations.

	December 31, 2012 Increase (Decrease)
Revenue	\$ (8,583,397)
Income tax provision	\$ 1,137,300

A decrease of \$2.78 to the basic and diluted income per share for the year ended December 31, 2012 resulted from the restatement.

Statement of comprehensive loss

	December 31, 2012 Increase (Decrease)
Reclassification of realized loss (gain) to net income	\$ 7,446,097

The Company has adjusted the reclassification of realized loss (gain) to net income on the statement of comprehensive loss to reflect the reduced realized gain reclassified to net income.

Statement of changes in equity

	December 31, 2012 Increase (Decrease)
Other comprehensive income	\$ 7,446,097
Retained earnings	\$ (7,446,097)

The effect of the above restatement on the statement of changes in equity is an increase in other comprehensive income offset by a decrease in retained earnings.

Corporate Information

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BOARD OF DIRECTORS

Robert D. Cudney

John D. McBride

Brent J. Peters

Thomas J. Pladsen

Morris J. Prychidny

STOCK EXCHANGE LISTING

TSX Venture Exchange

Toronto, Ontario

Symbol: NFD.A

Shares outstanding:

(December 31, 2013) 2,645,925

OFFICERS

Robert D. Cudney

President & Chief Executive Officer

Brent J. Peters

Vice President Finance & Treasurer

Michael G. Leskovec

Financial Control Officer



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