



Management's Discussion and Analysis

NORTHFIELD CAPITAL CORPORATION

For the Year Ended

December 31, 2019



GENERAL

The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited annual consolidated financial statements of Northfield Capital Corporation ("**Northfield**") and notes thereto for the year ended December 31, 2019 which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This management discussion and analysis ("**MD&A**") covers the last completed fiscal quarter and is updated as of June 11, 2020. All amounts in this MD&A are rounded to the nearest 10th of a million Canadian dollars and are approximate figures, except for per share amounts. Market values of investments are based on the closing price of the security which trades on a recognized exchange at the end of the reporting period. Readers are encouraged to read Northfield's public information filings on SEDAR at www.sedar.com. Northfield's Class A Subordinate Voting Shares ("**Class A Shares**") are listed on the TSX Venture Exchange ("**TSX-V**") under the symbol "NFD.A".

NATURE OF ACTIVITIES

Northfield is focused on making strategic investments in, and supporting the management initiatives of, selected businesses. Northfield seeks to participate in businesses which are past the initial development stage and demonstrate the potential for significant appreciation in value. Northfield regards its investees as partners. Northfield also carries on other traditional merchant banking activities, such as short-term investing.

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

Northfield's officers and Directors are its principal shareholders and its most important and unique asset. They include seasoned business entrepreneurs who have founded and built successful companies operating in Canada and internationally. Officers and Directors commit their professional, financial, and business skills as well as their capital to enhance Northfield's investment results. Their extensive contact networks have been a valuable source of investment opportunities for Northfield. Northfield's Officers and Directors understand the challenge of running an entrepreneurial enterprise.

Northfield's Officers and Directors have gained their experience through many different business cycles. Their expertise helps to address significant strategic and operational issues that arise for Northfield's investment partners. This provides added value to investment partners.

Northfield classifies its investments into the following main categories: marketable securities, other investments, equity accounted investment and investment in joint venture. Marketable securities are investments in entities which are considered short-term in nature or are not viewed as a significant holding. Other investments are either investments in entities which management believes are long-term in nature, equity investments (less than 50% but more than 20% ownership) are investments that are required to be long-term under applicable accounting rules. Investment in joint venture is an investment in an entity which Northfield has joint control (50% control).

Subsequent to year-end, there was a global outbreak of COVID-19 ("Coronavirus"), which has had a significant impact on businesses through the restrictions put in place by the Canadian governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the Coronavirus outbreak may have on the Northfield as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Canadian, U.S. and international economies and as such, the Northfield is unable to determine if it will have a material impact to its operations and financial condition.



MARKET RISKS

A substantial amount of Northfield's assets include investments in businesses whose fair values are subject to market risks. The market value of investments is subject to equity price risks based on quoted market prices or management's estimates of fair value as of the balance sheet dates. Market prices are subject to fluctuation and, consequently, the amount realized on the subsequent sale of an investment may significantly differ from the quoted market value. Fluctuations in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized from the sale of a particular security may be affected by the relative quantity of the security being sold.

OVERALL PERFORMANCE

- Northfield's net asset value at December 31, 2019 was \$91.5 million (\$39.83 per basic and diluted share) compared to \$88.1 million (\$36.83 per basic and diluted share) at December 31, 2018).
- Net income and comprehensive income of \$6.4 million (\$2.71 per basic and diluted share) for the year ended December 31, 2019 compared to net loss and comprehensive loss of \$8.0 million (\$3.31 per basic and diluted share) for the year ended December 31, 2018.
- Realized gains on the disposal of other investments of \$5.8 million (30% return on investment ("ROI")) were recognized in net income for the year ended December 31, 2019, as compared to realized gains of \$6.7 million (148% ROI) for the prior year.
- Realized losses on the disposal of marketable securities of \$1.3 million (-14% ROI) were recognized in net income for the year ended December 31, 2019 as compared to gains of \$1.7 million (21% ROI) for prior period.
- Recognized in net income are unrealized gains (mark to market adjustments) on fair value through profit and loss ("FVTPL") of \$2.1 million for the year ended December 31, 2019 as compared to unrealized losses of \$16.0 million for the prior year.
- Recognized in net income was a gain on the acquisition of control of Distillery Network Inc. of \$2.7 million for the year ended December 31, 2019 as compared to nil for the prior year.
- At December 31, 2019, Northfield held:
 - \$82.8 million in cash, cash equivalents and investments as compared to \$87.9 million at December 31, 2018, a 6% decrease;
 - \$3.7 million (or 4.5%) in cash and cash equivalents as compared to \$13.4 million (or 15%) at December 31, 2018, a 72% decrease; and
 - \$79.0 million in investments (not including cash and cash equivalents) as compared to \$74.6 million at December 31, 2018, a 6% increase.

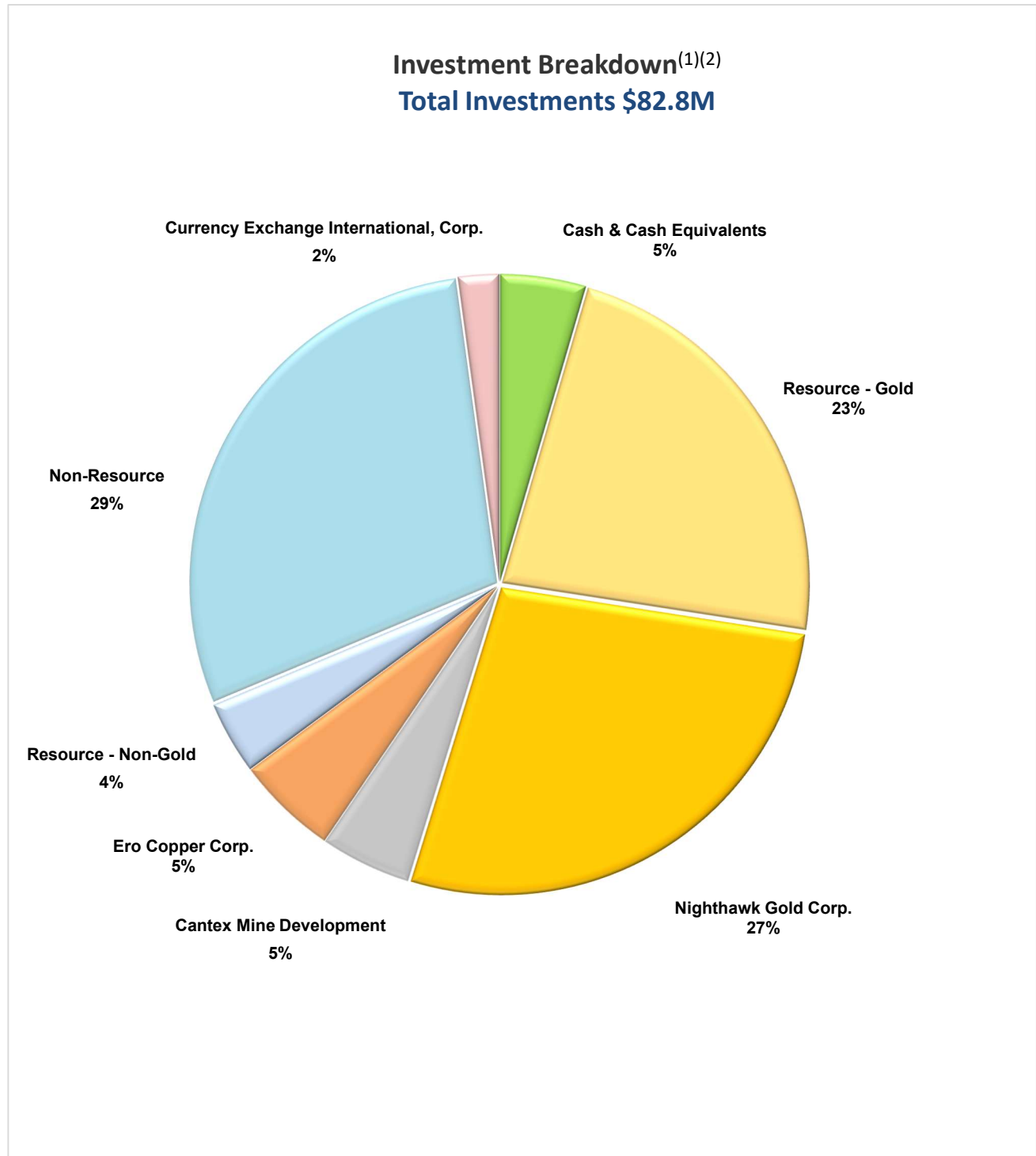
Northfield continues to hold investments in the resource, manufacturing and technology sectors. As at December 31, 2019, 64% (or \$53.1 million) of investments and cash were in resource companies (50% gold resource, 14% non-gold resource) as compared to 49% (or \$43.0 million) as at December 31, 2018 (39% gold resource, 10% non-gold resource).

Northfield's financial performance has been, and is expected to continue to be, closely linked to the overall market performance and demand for and prices of the key resource sectors and commodities in which Northfield invests, including gold and other precious metals, copper, lithium, zinc, and other base metals, and oil and natural gas. 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.



INVESTMENTS

Below is a chart representing a breakdown of the \$82.8 million value of investments and cash and cash equivalents held by Northfield as at December 31, 2019.



⁽¹⁾ Percentages calculated based on December 31, 2019 values of cash and cash equivalents, marketable securities, other investments and loan to joint venture (total \$82.8 million).

⁽²⁾ Cash includes cash and cash equivalents of \$3.7 million.



SELECTED ANNUAL INFORMATION

The following table provides selected financial information that should be read in conjunction with the audited annual consolidated financial statements of Northfield, for the applicable years, all of which have been prepared in accordance with IFRS, in millions of dollars, except for basic and diluted per share information.

SELECTED ANNUAL INFORMATION	Year Ended December 31		
	2019	2018	2017
Cash and cash equivalents	\$3.7	\$13.4	\$21.4
Receivables & prepaid deposits	1.2	0.9	0.9
Loan to joint venture ⁽²⁾	1.2	1.1	1.0
Marketable securities			
Market value	21.0	18.6	46.5
Cost	18.0	20.0	33.6
Unrealized gain (loss) (net of tax) ⁽¹⁾	2.6	(1.3)	11.2
Other investments			
Market value	56.8	49.9	26.2
Cost	49.3	39.9	14.6
Unrealized gain (net of tax) ⁽¹⁾	6.5	8.7	10.1
Equity accounted investment	-	2.7	4.1
Goodwill & intangibles	13.1	-	-
Property & equipment	4.3	0.1	0.1
Right of use asset	1.0	-	-
Other assets	0.5	-	0.1
Total assets	\$102.9	\$88.9	\$100.3
Accounts payable & accrued liabilities	1.1	0.1	0.3
Financial guarantee contract	0.4	0.4	0.6
Deferred tax liabilities	1.1	0.3	2.1
Lease Liability	1.1	-	-
Non-controlling interest ⁽³⁾	7.6	-	-
Net asset value ⁽⁴⁾	\$91.5	\$88.1	\$97.3
Net asset value per share ⁽⁴⁾	\$39.83	\$36.83	\$40.01
Total revenue (losses)	\$9.0	(\$7.6)	\$17.6
Operating expenses	2.3	2.2	3.7
Income (loss) before taxes	6.7	(9.8)	13.9
Income tax recovery (provision)	(0.3)	1.8	(2.0)
Non-controlling interest in net loss	-	-	0.9
Net income (loss)	\$6.4	(\$8.0)	\$12.8
Net income (loss) per share ⁽⁵⁾⁽⁷⁾	\$2.71	(\$3.31)	\$5.20
Unrealized income on available for sale investments	\$ -	\$ -	\$7.2
Reclassification of realized loss (gains) and impairment on available for sale investments to net income	-	-	(4.5)
Other comprehensive income	-	-	2.7
Comprehensive income (loss) ⁽⁶⁾	\$6.4	(\$8.0)	\$15.5
Comprehensive income (loss) per share ⁽⁵⁾⁽⁷⁾	\$2.71	(\$3.31)	\$6.29



- (1) Unrealized gains (losses) (net of tax) is a measure of the difference in market value of investments over cost. Northfield calculates the term by market value of investments less cost less any tax effect [tax effect = (market value – cost) x ½ x income tax rate]. A tax rate of 26.5% (2018 – 26.5%, 2017 – 26.5%) is used for marketable securities and 26.5% (2018 – 26.5%, 2017 – 26.5%) for other investments. It is not a defined term under IFRS and is, therefore, unlikely to be compared to similar measures presented by other companies. Management believes this non-IFRS term is useful to investors as it provides another measure by which investors may determine the market value of Northfield's assets;
- (2) Loan to joint venture includes Northfield's advance and investment in The Grange Prince Edward Inc. (the "Grange");
- (3) Non-controlling interest represents the minority interest in net assets of Distillery Network Inc. ("DNI"), which were acquired on December 31, 2019 (58%). During the years 2017, 2018 and up to December 31, 2019, DNI was an equity accounted investment (38% ownership);
- (4) See Section Use of Non-IFRS Measures;
- (5) Net income (loss) per share and comprehensive income (loss) per share represent both a basic and diluted per share calculation;
- (6) Comprehensive income (loss) is calculated as the sum of net income (loss) and other comprehensive income (loss); and
- (7) Net income (loss) per share and comprehensive income (loss) per share – basic and diluted is calculated as net loss or comprehensive loss divided by basic and diluted weighted average shares outstanding (2019 – 2,346,003, 2018 – 2,423,418, 2017 – 2,463,846).

RESULTS OF OPERATIONS

Operations	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenues (losses)	(\$8.2)	\$1.0	\$9.0	(\$7.6)
Operating expenses	0.6	0.8	2.3	2.2
Income (loss) before income taxes	(8.8)	0.2	6.7	(9.8)
Income tax recovery (provision)	1.2	(0.4)	(0.3)	1.8
Net income (loss) and comprehensive income (loss) for the period	(\$7.6)	(\$0.2)	\$6.4	(\$8.0)
Net income (loss) and comprehensive income (loss) per share ⁽¹⁾⁽²⁾	(\$3.32)	\$0.29	\$2.71	(\$3.31)

(1) Net income (loss) per share represent both a basic and diluted per share calculation.

(2) Net income (loss) per share – basic and diluted is calculated as net income (loss) divided by basic and diluted weighted average shares outstanding (2019 – 2,346,004, 2018 – 2,423,418).

Year Ended December 31, 2019

Northfield's cash and cash equivalents decreased to \$3.7 million at December 31, 2019 from \$13.4 million at December 31, 2018. The decrease in cash and cash equivalents of \$9.7 million was primarily attributable to:

- Cash outflows from operations of \$1.6 million, which was primarily comprised of outflows of \$2.3 million for operating expenditures relating to Northfield and offset by cash inflows from investment and other income received of \$1.2 million;
- Cash outflows from investing activities of \$5.6 million, which was primarily attributable to purchase of other investments and marketable securities of \$24.7 million and \$7.4 million, respectively, and the issuance of a loan to Distillery Network Inc. ("DNI") of \$2.8 million offset by the proceeds on the disposal of other investments and marketable securities of \$21.2 million and \$8.1 million, respectively; and
- \$3.0 million of cash outflows for the repurchase of shares pursuant to the issuer bid, offset by cash inflows from non-controlling interest in DNI of \$0.5 million;

Overall, the market value of Northfield's investments (excluding cash and cash equivalents) increased to \$79.0 million at December 31, 2019 from \$74.6 million at December 31, 2018. Approximately 67% of Northfield's investments (excluding cash and cash equivalents) included investments in companies carrying on business primarily in the resource sector as at December 31, 2019, including 53% invested in the gold sector. In previous years, Northfield has benefited from increases to commodity prices and successful results of its investee companies. Northfield intends to continue investing in marketable securities of companies operating in this sector.



Northfield's net asset value at December 31, 2019 was \$91.5 million (or \$39.83 per basic and diluted share) compared to \$88.1 million (or \$36.83 per basic and diluted share) at December 31, 2018. The increase in net asset value was primarily a result of net income and comprehensive income for the year ended December 31, 2019 of \$6.4 million (or \$2.71 per basic and diluted share) and a charge to retained earnings of \$2.8 million (or \$1.20 per basic and diluted share) for the excess of cost over paid-up value of Northfield shares repurchased pursuant to Northfield's normal course issuer bid (see section "Normal Course Issuer Bid"). Northfield continues to repurchase shares for cancellation as management continues to believe that the trading value of Northfield's shares is at a discount to its net asset value.

Net income and comprehensive income increased by \$14.4 million to income of \$6.4 million (or \$2.71 per basic and diluted share) for the year ended December 31, 2019 compared to a net loss of \$8.0 million (or \$3.31 per basic and diluted share) for the prior year. The change in net income primarily resulted from an increase in revenues of \$16.1 million offset by a decrease in the income tax provision of \$1.9 million.

Revenues increased by \$16.6 million to \$9.0 million for the year ended December 31, 2019 compared to losses of \$7.6 million for the prior period. The increase in revenues is primarily attributable to the following:

- Unrealized gains on investments classified as FVTPL of \$2.1 million for the year ended December 31, 2019 compared to losses of \$16.0 million for the prior period, resulting in an increase in revenues of \$18.2 million. Unrealized losses/gains are recognized in accordance with the mark-to-market accounting rules for FVTPL investments;
- Realized gains on the sale of other investments of \$5.8 million for year ended December 31, 2019 compared to \$6.7 million for the prior period, resulting in a decrease in revenues of \$1.0 million; and
- Realized losses on the sale of marketable securities of \$1.3 million for year ended December 31, 2019 compared to gains of \$1.7 million for the prior period, resulting in a decrease in revenues of \$3.0 million;
- Unrealized gain on the acquisition of control of Distillery Network Inc. of \$2.7 million for the year ended December 31, 2019 as compared to nil for the prior year.

Operating expenses were \$2.3 million for the year ended December 31, 2019 compared to \$2.2 million for the prior year. Included therein are administrative expenses, which are broken down as follows:

Administrative Expenses

For the year ended December 31,	2019	2018
Salaries, Director and consulting fees	\$1.2	\$1.5
Regulatory and commission	0.3	0.2
Donations	0.3	0.1
Office	0.3	0.3
Professional	0.2	0.1
	\$2.3	\$2.2

Three Months Ended December 31, 2019

Net income and comprehensive income decreased by \$8.3 million to a loss of \$7.6 million (or \$3.32 per basic and diluted share) for the three months ended December 31, 2019 compared to net income of \$0.8 million (or \$0.29 per basic and diluted share) for the prior period. The change in net income primarily resulted from a decrease in revenues of \$9.2 million offset by an increase in the income tax recovery of \$1.6 million.

Revenues decreased by \$9.2 million to losses of \$8.2 million for the three months ended December 31, 2019 compared to revenue of \$1.0 million for the prior period. The decrease in revenues is primarily attributable to the following:



- Unrealized losses on investments classified as FVTPL of \$12.6 million for the three months ended December 31, 2019 compared to nil for the prior period, resulting in a decrease in revenues of \$12.5 million. Unrealized losses/gains are recognized in accordance with the mark-to-market accounting rules for FVTPL investments;
- Realized gains on the sale of marketable securities of \$0.6 million for the three months ended December 31, 2019 compared to gains of \$0.1 million for the prior period, resulting in an increase in revenues of \$0.5 million; and
- Unrealized gain on the acquisition of control of Distillery Network Inc. of \$2.7 million for the three months ended December 31, 2019.

Operating expenses were \$0.6 million for the three months ended December 31, 2019 and remained consistent with the \$0.6 million incurred for the same period in prior year. Included therein are administrative expenses, which are broken down as follows:

Administrative Expenses

For the three months ended December 31,	2019	2018
Salaries, Director and consulting fees	\$0.4	\$0.6
Office & professional	0.1	0.1
Regulatory and commission	0.1	-
Change in fair value of financial guarantee	-	(0.1)
	\$0.6	\$0.6

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eight completed quarters are set forth below, in millions:

SELECTED QUARTERLY INFORMATION	Three Months Ended			
	Mar. 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019
Revenues (losses)	\$11.7	\$12.8	(\$7.3)	(\$8.2)
Expenses	0.4	0.5	0.7	0.6
Income (loss) before income taxes	8.2	12.3	(8.0)	(8.8)
Income tax recovery (provision)	(1.4)	(1.9)	1.8	1.2
Net income (loss) and comprehensive income (loss)	\$9.9	\$10.4	(\$6.4)	(\$7.6)
Net income (loss) per share ⁽¹⁾	\$4.17	\$4.42	(\$2.67)	(\$3.32)
	Mar. 31, 2018	Jun. 30, 2018	Sep. 30, 2018	Dec. 31, 2018
Revenues (losses)	(\$0.7)	(\$8.9)	\$1.0	\$1.0
Expenses	0.6	0.5	0.5	0.6
Income (loss) before income taxes	(1.3)	(9.4)	0.5	0.4
Income tax provision (recovery)	0.2	1.2	-	0.4
Net income (loss)	(1.1)	(8.2)	0.5	0.8
Net income (loss) per share ⁽¹⁾	(\$0.47)	(\$3.35)	\$0.22	\$0.29
Comprehensive income (loss) ⁽²⁾	(\$1.1)	(\$8.2)	\$0.5	\$0.8
Comprehensive income (loss) per share ⁽¹⁾⁽³⁾	(\$0.47)	(\$3.35)	\$0.22	\$0.29

⁽¹⁾ Net income (loss) per share and comprehensive income per share represent both a basic and diluted per share calculation.

⁽²⁾ Comprehensive income (loss) is calculated as the sum of net income (loss) and other comprehensive income (loss).

The major variances in revenues and net income (loss) are mainly a result of fluctuations in unrealized gains or losses on Northfield's investments classified as FVTPL as well as write-downs on investments classified as



available for sale. The major variances in other comprehensive income are mainly a result of fluctuations in unrealized gains on Northfield's investments classified as available for sale.

FINANCIAL CONDITION

	December 31, 2019	December 31, 2018	Variance
Cash and cash equivalents	\$3.7	\$13.4	(\$9.7)
Receivables & deposits	\$1.2	\$0.9	\$0.3
Inventory	\$0.5	-	-
Loan to equity accounted investment	-	\$2.2	(\$2.2)
Loan to joint venture	\$1.2	\$1.1	\$0.1
Marketable securities			
Market value	\$21.0	\$18.6	\$2.5
Cost	\$18.0	\$20.0	(\$2.0)
Unrealized gain (loss) (net of tax) ⁽¹⁾	\$2.6	(\$1.3)	\$3.9
Other investments			
Market value	\$56.8	\$49.9	\$6.8
Cost	\$49.3	\$39.9	\$9.3
Unrealized gain (net of tax) ⁽¹⁾	\$6.5	\$8.7	(\$2.2)
Accounts payable, accruals, income taxes payable	\$1.5	\$0.1	\$1.4
Financial guarantee contract	\$0.4	\$0.4	\$0.0

⁽¹⁾ Unrealized gains (net of tax) is a measure of the difference in market value of investments over cost. Northfield calculates the term by market value of investments less cost, less any tax effect [tax effect = (market value – cost) x ½ x income tax rate]. A tax rate of 26.5% (2018 – 26.5%) is used for marketable securities and other investments. It is not a defined term under IFRS and is, therefore, unlikely to be compared to similar measures presented by other companies. Management believes this non-IFRS term is useful to investors as it provides another measure by which investors may determine the market value of Northfield's assets.

During the year ended December 31, 2019, Northfield's cash and cash equivalents position decreased to \$3.7 million, a decrease of \$9.7 million from December 31, 2018. The decrease in cash and cash equivalents was primarily attributable to cash outflows of \$1.6 million from operations, \$5.6 million of cash outflows for investing activities as well as \$3.0 million of cash outflows for the repurchase of shares pursuant to the issuer bid offset by cash inflows from non-controlling interest of 0.5 million.

As at December 31, 2019, Northfield had 49% ownership in the Grange (December 31, 2018 - 49% ownership), however, under the terms of the shareholder agreement, Northfield has the right to appoint Directors to the board. The Grange is a private company incorporated under the laws of the Province of Ontario and operates a vineyard and winery in Prince Edward County, Ontario. Subsequent to year end on May 8, 2020, Northfield acquired additional shares of the Grange. As a result of this acquisition, Northfield's ownership increased from 49% to 55%. The new shares were acquired through a shareholder settlement of minutes whereby Northfield converted its loan to joint venture into common shares. Northfield also obtained the right to appoint three of the five directors which comprise the board.

As at year ended December 31, 2019, the total of loans to the Grange and interest thereon is \$1.2 million (December 31, 2018 - \$1.1 million). The loans are unsecured, bear interest at 10%, are payable upon demand and have been disclosed as a loan to joint venture on the statement of financial position as at December 31, 2019. During the year ended December 31, 2015, management made a determination to cease its financial support and funding of the ongoing operations of the Grange and filed a statement of claim in order to recover the amount of its loan. Management determined that it is unlikely to be able to recover the carrying amount of its equity investment and as a result wrote it off at December 31, 2015. The carrying value of the loan has not been impaired, as management expects to recover the amount owing in full.

As at December 31, 2019 Northfield acquired an additional interest in Distillery Network Inc. ("DNI"), a company incorporated in 2015 which is currently in the growth and development stage of spirit distilling in Toronto,



Ontario, bringing its ownership up to 57.6% (previously 38% at September 30, 2019). As Northfield obtained control of DNI on December 31, 2019 Northfield consolidated the investment on its Statement of Financial Position as at that date.

Northfield's net asset value at December 31, 2019 was \$91.5 million (or \$39.83 per basic and diluted share) compared to \$88.1 million (or \$36.83 per basic and diluted share) at December 31, 2018. The increase in net asset value was primarily a result of net income and comprehensive income for the year ended December 31, 2019 of \$6.4 million (or \$2.71 per basic and diluted share).

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2019, Northfield had working capital of \$82.2 million, which decreased from \$85.6 million at December 31, 2018 due to the decrease in cash and cash equivalents of \$9.7 million. On average, Northfield anticipates working capital requirements of approximately \$0.2 million per month to cover operating expenses for Northfield on a go-forward basis. Also see "Credit Facilities" below.

Northfield frequently invests in small market capitalization (or junior) companies. Due to the somewhat limited size of the public float of such companies and/or any substantial decline in the price of the securities thereof, which can persist for a significant period of time, the liquidity of such securities could be impaired from time to time.

CREDIT FACILITIES

Northfield has a bank line of credit available to a maximum of \$1.0 million. The available line as at December 31, 2019 was \$1.0 million as Northfield had not drawn on this facility. 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 interest rate at December 31, 2019 was 5.20%.

Northfield has guaranteed 50% of the long-term debt and operating line of credit of the Grange, its equity accounted investment. The total outstanding debt under the financial guarantee at December 31, 2019 was \$0.8 million (December 31, 2018 - \$1.0 million). The nature of the guarantee is such that 50% of this debt will be payable by Northfield on demand by the debtor.

From time to time, Northfield uses financial leverage (or margin) when purchasing investments. Northfield has margin arrangements with brokerage houses. From time to time Northfield may maintain overdraft positions in Northfield's margin accounts with various brokers that is secured by certain marketable securities. The maximum amount available is dependent on the value of the securities held in the account with each brokerage house. Interest is calculated at the brokers' prime rate of interest plus 1.5% to 2%. At December 31, 2019, Northfield outstanding margin loans of \$nil (December 31, 2018 - \$392,559).

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, Northfield paid consulting fees of \$292,000 to RDC Resource Investments Inc., a company controlled by Robert Cudney, the Chief Executive Officer of Northfield (year ended December 31, 2018 - \$252,000). At December 31, 2019, the balance owed was \$nil (December 31, 2018 - \$nil).

During the year ended December 31, 2016, Northfield entered into a secured receivable with Mr. Cudney in the amount of \$820,000. The receivable bears interest at prime plus 0.5%, which is payable monthly, and is secured by real property. Interest received during the year ended December 31, 2019 was \$36,490 (year ended December 31, 2018 - \$33,244). At December 31, 2019, the balance owed was \$820,000 (December 31, 2018 - \$820,000) and is disclosed in receivables on the statement of financial position.

During the year ended December 31, 2019, Northfield paid consulting fees and rent of \$232,000 and \$124,400, respectively, to 1249687 Ontario Ltd., a company controlled by Brent Peters, the VP Finance of Northfield (year



December 31, 2018 - \$232,000 and \$110,100, respectively). At December 31, 2019, the balance owed was \$nil (December 31, 2018 - \$nil).

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

SIGNIFICANT ACCOUNTING POLICIES

Northfield's audited annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These annual audited consolidated financial statements have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that were in effect at December 31, 2019 and have been consistently applied to all the years presented in these audited annual consolidated financial statements.

Changes in Accounting Policies

Northfield has adopted the following standard during the year ended December 31, 2019:

In January 2016, the IASB issued a new IFRS on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers.

Northfield's adoption of IFRS 16 did not have a material financial impact upon the audited annual consolidated financial statements.

Critical Accounting Estimates and Judgments

The preparation of the annual audited consolidated 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. The annual audited consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the annual audited consolidated 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.

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 statements of financial position that cannot be derived from active markets, are determined using a variety of techniques. 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. For options and warrants which are not traded on a recognized securities exchange, an option pricing model is used where judgments include consideration of model inputs such as volatility, estimated life and discount rates. Privately held investments are initially recorded at the transaction price being the fair value at the time of acquisition. Thereafter, the fair value is adjusted using various valuation techniques such as subsequent equity financing or share performance of comparable public companies;
- (ii) deferred 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
- (iii) the measurement of impairment losses under IFRS requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.
- (iv) in a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair value. One of the most significant areas of judgement and estimation relates to the determination of the fair value of these assets and liabilities. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. Northfield also estimates the incremental borrowing rate when determining the present value of future lease payments, for leases in which the acquired company is the lessee. In determining the acquired company's internal borrowing rate, Northfield considers the term of the lease, the nature of the leased asset and the acquired company's level of indebtedness with reference to market risk-free rates. Estimates are also required with respect to determining the length of the lease.
- (v) when there are indications that intangible assets and goodwill may be impaired, Northfield is required to estimate their recoverable amounts. The recoverable amount is the greater of value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. At December 31, 2019, determining the recoverable amount required Northfield to make estimates which are outlined in paragraph (iv) above.
- (vi) depreciation of property and equipment and determination of indefinite lives of intangible assets are dependent upon estimates of useful lives which are determined through exercise of judgment.

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.



OUTSTANDING SHARE DATA

Share Capital

(a) Authorized

An unlimited number of:

Class A Shares – Restricted Voting

Class B Shares – Multiple Voting Shares, having 500 votes per share, convertible into one Class A Share; ownership is restricted to Robert Cudney, the President, Chief Executive Officer, and a Director of Northfield

200,000 Preference Shares, voting

(b) Issued

Class A Shares	Number of Shares	Consideration
December 31, 2018	2,389,093	\$3,869,324
Shares repurchased for cancellation	(95,300)	(\$154,346)
December 31, 2019	2,293,793	\$3,714,355
Shares repurchased for cancellation	(31,730)	(\$951,900)
June 11, 2020	2,262,063	\$2,762,455

Class B Multiple Voting Shares	Number of Shares	Consideration
Dec. 31, 2018, Dec. 31, 2019 and June 11, 2020	3,720	\$7,680

(c) Options (as of December 31, 2019 and June 11, 2020)

None.

(d) Warrants (as of December 31, 2018 and June 11, 2020)

None.

Normal Course Issuer Bid

Pursuant to a notice of intention to make an issuer bid dated June 12, 2018, Northfield commenced a normal course issuer bid to purchase up to 121,397 Class A Shares, being approximately 5% of the issued and outstanding Class A as of the date thereof (the "**2018 Bid**"). Purchases pursuant to the Bid occurred on the TSX-V between June 20, 2018 and June 19, 2019. During the entire term of the 2018 Bid to June 19, 2019, 66,152 Class A Shares were purchased at an average price of \$28.04 for an aggregate cost of \$2,172,577. During the year ended December 31, 2019, 38,500 Class A Shares were purchased under the 2018 Bid at an average price of \$28.09 for an aggregate cost of \$1,081,625.

Pursuant to a notice of intention to make an issuer bid dated July 8, 2019, Northfield commenced a normal course issuer bid to purchase up to 117,529 Class A Shares, being approximately 5% of the issued and outstanding Class A as of the date thereof (the "**2019 Bid**"). Purchases pursuant to the Bid can occur on the TSX-V between July 8, 2019 and July 7, 2020 at prices not exceeding the market price of the Class A Shares at the time of acquisition. To December 31, 2019, 56,800 Class A Shares were purchased under the 2019 Bid at an average price of \$33.29 for an aggregate cost of \$1,890,950.

Subsequent to year end and to the date of this MD&A, 31,730 Class A Shares have been purchased under the 2019 Bid at an average price of \$32.16 for an aggregate cost of \$951,900.



OTHER INFORMATION

Contractual 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 as disclosed in note 20 to its audited annual consolidated financial statements for the year ended December 31, 2019.

Northfield has guaranteed 50% of the long-term debt and operating line of credit of the Grange, its joint venture investment. The total outstanding debt under the financial guarantee at December 31, 2019 was \$0.8 million (December 31, 2018 - \$0.8 million). The nature of the guarantee is such that 50% of this debt will be payable by Northfield on demand by the debtor.

Off-Balance Sheet Arrangements

Northfield does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Northfield.

Disclosure Control and Procedures

Northfield's executive management has evaluated the effectiveness of the design and operation of Northfield's disclosure controls and procedures as of December 31, 2019. Based on this evaluation, they have concluded that Northfield's disclosure controls and procedures are effective to ensure that information required to be disclosed in reports filed or submitted by Northfield under Canadian securities legislation is reported within the time periods specified in those rules.



Internal Control over Financial Reporting

Northfield's executive management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Vice President of Finance, Northfield's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the annual audited consolidated financial statements for external purposes in accordance with generally accepted accounting principles. There has been no change in Northfield's internal control over financial reporting during the year ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, Northfield's internal control over financial reporting.

Limitations of Controls and Procedures

Northfield's executive management believes that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within Northfield have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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.

Northfield has not entered into any specialized financial agreements to minimize its investment risk and currency risk. The principal financial instruments are currently its cash and cash equivalents, marketable securities and other investments. The excess cash balances are invested in short-term investments. Unrealized gains and losses, measured on a portfolio basis, are recorded in the statement of earnings for held for trading investments and in other comprehensive income for available for sale investments, in accordance with the mark-to-market accounting rules. Realized gains and losses are recorded in the statement of earnings. Contracts for goods and services are also mainly denominated in Canadian currency.

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:

Liquidity Risk

Liquidity risk is the risk that Northfield will have sufficient cash resources to meet its financial obligations as they come due. Northfield's liquidity and operating results may be adversely affected if Northfield's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to Northfield, or if the value of Northfield's investments declines, resulting in losses upon disposition. Northfield generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. Northfield has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions. All outstanding obligations as at December 31, 2019 are due within one year.



From time to time Northfield uses financial leverage (or “margin”) when purchasing investments. Trading on margin allows Northfield to borrow part of the purchase price of the investments (using marginable investments as collateral), rather than pay for them in full. Buying on margin allows Northfield to increase its portfolio size by increasing the number and amount of investment through leverage. However, if the market moves against Northfield’s positions and Northfield’s investments decline in value, Northfield may be required to provide additional funds to its brokers, which could be substantial. Given the nature of Northfield’s business, Northfield may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments 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, 2019, based on typical margin requirements Northfield had available margin of approximately \$13.2 million from its brokers of which Northfield was using \$nil. Northfield manages this risk by not over extending the use of margin. As at December 31, 2019, 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 \$11.0 million.

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.

The following table shows the estimated sensitivity of Northfield’s after-tax net income at December 31, 2019 from a change in closing price of Northfield’s investments with all other variables held constant:

Percentage of Change in Closing Prices	Change in Income (Net of Tax) From % Increase in Closing Price	Change in Income (Net of Tax) From % Decrease in Closing Price
Investments FVTPL		
5%	\$3.2	(\$3.2)
10%	\$6.3	(\$6.3)

Interest Rate Risk

Interest risk is the impact that changes in interest rates could have on Northfield’s earning and liabilities. As at December 31, 2019, Northfield had access to credit facilities comprised of due to brokers and bank indebtedness (collectively “interest risk liabilities”), which bore interest at rates fluctuating with the prime rate or overnight lending rate. From time to time Northfield uses these facilities, but at December 31, 2019 the amount outstanding was \$nil. The interest risk liabilities can be repaid by Northfield at any time without notice or penalty, which provides Northfield with some ability to manage and mitigate its interest risk.

Northfield invests in fixed income securities which bear interest at fixed rates of interest, and as such, are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. To minimize this risk, all fixed income securities held by Northfield as at December 31, 2019 mature within one year.



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 highly-rated financial institutions and brokerage firms.

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 approximately 10% of Northfield's total investments.

For the year ended December 31, 2019, management estimates that if the United States dollar had strengthened or weakened by 10% against the Canadian dollar, assuming all other variables remained constant, net income for the period would have increased or decreased by approximately \$0.8 million.

RISK FACTORS

Northfield's financial condition, results of operations and business are subject to certain risks which may negatively affect Northfield. Certain of these risks are described below. Additional risks not currently known to us, or that we currently believe to be immaterial, may also affect and negatively impact our business.

Portfolio Exposure

Given the nature of Northfield's activities, the results of operations and financial condition are dependent upon the market value of the securities that comprise Northfield's portfolio. Market value can be reflective of the actual or anticipated operating results of our portfolio companies and/or the general market conditions that affect the sectors in which Northfield invests. Northfield's investment activities are currently concentrated primarily in the natural resource industry, with a current focus on base metals, precious metals, and oil and gas sectors. There are various factors that could affect these sectors which could have a negative impact on Northfield's portfolio companies and thereby have an adverse effect on our business. Additionally, Northfield's investments are mostly in small-cap businesses which Northfield believes exhibit potential for growth and sustainable cash flows. However, these companies may not ever mature or generate the returns Northfield expects or may require a number of years to do so. Junior exploration and other start-up ventures may never achieve commercial success or commercial discoveries and production. This may create an irregular pattern in Northfield's revenues (if any). Macro factors such as fluctuations in commodity prices and global political and economic conditions could have an adverse effect on one or more sectors to which Northfield is exposed, thereby negatively impacting one or more of the portfolio companies concurrently. Company specific risks, such as the risks associated with mining operations generally, could have an adverse effect on one or more of Northfield's portfolio companies at any point in time. Company specific and industry specific risks which effect Northfield's portfolio investments may have a materially adverse impact on its operating results.

Cash Flows / Revenue

Northfield generates revenue and cash flows primarily from Northfield's financing activities and proceeds from the disposition of Northfield's investments, in addition to interest and dividend income earned on Northfield's investments. The availability of these sources of income and the amounts generated from these sources are dependent upon various factors, operating results may be adversely effected if access to the capital markets is



hindered, whether as a result of a downturn in the market conditions generally or to matters specific to Northfield, or if the value of Northfield's investments decline, resulting in capital losses for Northfield upon disposition.

Conflicts of Interest

Certain of the Directors and Officers of Northfield are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such Directors and Officers of Northfield may become subject to conflicts of interest. The Canadian Business Corporations Act ("CBCA") provides that in the event that a Director has an interest in a contract or proposed contract or agreement, the Director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the CBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA.

Reliance on Key Individuals

Northfield is dependent upon the efforts, skill and business contacts of key individuals of management, for among other things, the information and deal flow they generate during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, Northfield's continued success will depend upon the continued service of these individuals who are not obligated to remain employed with Northfield. The loss of the services of any of these individuals could have a material adverse effect on Northfield's revenues, net earnings and cash flows and could harm Northfield's ability to maintain or grow existing assets and raise additional funds in the future.

USE OF NON-IFRS MEASURES

This MD&A contains references to "net asset value" ("**NAV**"), "NAV per share (basic and diluted)" and "return on investment" ("**ROI**"), which are non-IFRS measures. NAV is calculated as total assets less total liabilities. NAV per share basic is calculated as total assets less total liabilities divided by the weighted average number of shares of Northfield outstanding for the period. NAV per share diluted is calculated as total assets less total liabilities divided by the weighted average number of shares of Northfield outstanding, calculated based upon the assumption that all outstanding options and warrants of Northfield, if any, have been exercised. The basic and diluted weighted average number of shares outstanding for the year ended December 31, 2019 was 2,346,004 (year ended December 31, 2018 was 2,423,218). ROI is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost. It is calculated as the realized gain divided by the cost of an investment. The terms NAV per share or ROI do not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies. Northfield has calculated NAV, NAV per share (basic and diluted) and ROI consistently over its past fiscal years and believes that the measure provides information useful to Northfield's shareholders in understanding its performance facilitates the comparison of the quarterly and year end results of Northfield's ongoing operations and provides a meaningful measure to evaluate Northfield's business relative to that of its peers. Furthermore, Northfield believes the calculation of NAV per share (basic and diluted) provides a comparison between the market value of Northfield's assets and the trading price of the Class A Shares that is useful to investors. Management uses this non-IFRS calculation when determining whether to repurchase Class A Shares under its normal course issuer bid.



CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of Northfield that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results and financing activities, changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Northfield believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance and our ability to generate taxable income from operations, market fluctuations, fluctuations in prices of commodities underlying our interests and equity investments, the strength of the Canadian, U.S. and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of Northfield’s portfolio investments are located, and other risks included elsewhere in this MD&A and under the headings “Financial Instruments” and “Risk Factors”.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although Northfield has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and Northfield undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.