



Management's Discussion and Analysis

NORTHFIELD CAPITAL CORPORATION

For the Three and Nine Months Ended

September 30, 2022



GENERAL

The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited condensed interim consolidated financial statements of Northfield Capital Corporation ("**Northfield**") and notes thereto for the three and nine months ended September 30, 2022 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 November 18, 2022. 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.

On May 8, 2020, Northfield obtained control of The Grange of Prince Edward Inc. (the "**Grange**"). As a result of this transaction, Northfield's ownership increased from 49% to 55%. The transaction was achieved through a shareholder settlement agreement whereby Northfield converted its loan to joint venture into common shares of the Grange. Northfield converted \$1.2 million of loan principal and accrued interest into equity of the Grange having a fair value of \$0.7 million at the time of settlement. Management has assessed the transaction as a step acquisition, whereby control is obtained when there is a previously held equity interest. As such, Northfield consolidated the Grange at May 8, 2020 and remeasured its previously held equity interest to its fair value of \$2.7 million. The difference between the fair value and the carrying amount of the previously held equity interest was been recognized as a gain of \$2.7 million in the consolidated statements of operations.



On June 18, 2020, Northfield acquired all of the shares of True North Airways Inc. (formerly known as Sudbury Aviation Limited), Omar Aviation Limited and 369445 Ontario Limited (collectively, the "**TNA Group**"), which operates fly-in fishing camps in Northern Ontario and provides chartered air, flight training and aircraft maintenance services. The shares were acquired through newly incorporated subsidiaries Spruce Goose Aviation Inc. (wholly-owned) and Northfield Aviation Group Inc., 94% owned and controlled at September 30, 2022 (December 31, 2021 - 95%). The shares were acquired for a purchase price of \$1.5 million in cash payable as follows: \$0.75 million on closing (paid) and a \$0.75 million promissory note, payable in equal annual installments of \$0.25 million on the first, second and third anniversary of closing, bearing interest at a rate of 8% per annum, payable annually in arrears and secured by the assets the TNA Group.

At September 30, 2022, Northfield had 58% ownership of Distillery Network Inc. ("**DNI**") (December 31, 2021- 58%), a private company, which is currently in the growth and development stage of spirit distilling in Toronto, Ontario. Northfield acquired control of DNI on December 31, 2019. DNI owns 100% of its operating subsidiary, Spirit of York Distillery Inc.

The unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022 comprise the accounts of Northfield and also include the revenues and expenses of the Grange, the TNA Group, DNI and 2756189 Ontario Inc. (a wholly-owned subsidiary of Northfield incorporated for the purpose of managing corporate office expenditures) after the elimination of all intercompany balances and transactions.

During 2022, the global outbreak of COVID-19 ("**Coronavirus**") continued, 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 coronavirus, as well as its impact on the Canadian, U.S. and international economies and as such, 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 includes 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 September 30, 2022 was \$73.3 million (\$33.05 per basic and diluted share) compared to \$86.2 million (\$38.63 per basic and diluted share at December 31, 2021).
- Net loss and comprehensive loss attributable to shareholders of \$11.8 million (\$5.30 per basic and diluted loss per share) for the nine months ended September 30, 2022 compared to net loss and comprehensive loss of \$0.4 million (\$0.19 profit per basic and diluted share) for nine months ended September 30, 2021.
- Realized gains on the disposal of marketable securities of \$1.0 million (13% return on investment ("**ROI**") were recognized in net income for the nine months ended September 30, 2022, as compared to realized gains of \$3.3 million (36% ROI) for the prior year.



- Realized gains on the disposal of other investments of \$1.2 million (31% ROI) were recognized in net income for the nine months ended September 30, 2022, as compared to realized gain of \$2.8 million (34% ROI) for the comparative period in the prior year.
- Recognized in net income are unrealized losses (mark to market adjustments) on fair value through profit and loss ("FVTPL") of \$12.3 million for the nine months ended September 30, 2022 as compared to unrealized loss of \$3.7 million for the nine months ended September 30, 2021.
- At September 30, 2022, Northfield held:
 - \$55.9 million in cash, cash equivalents, marketable securities and other investments as compared to \$69.5 million at December 31, 2021, a 19.6% decrease;
 - \$2.8 million (or 4.9%) in cash and cash equivalents as compared to \$0.6 million (or 0.01%) at December 31, 2021, a 351% increase; and
 - \$53.1 million in investments (not including cash and cash equivalents) as compared to \$68.9 million at December 31, 2021, a 22.9% decrease.

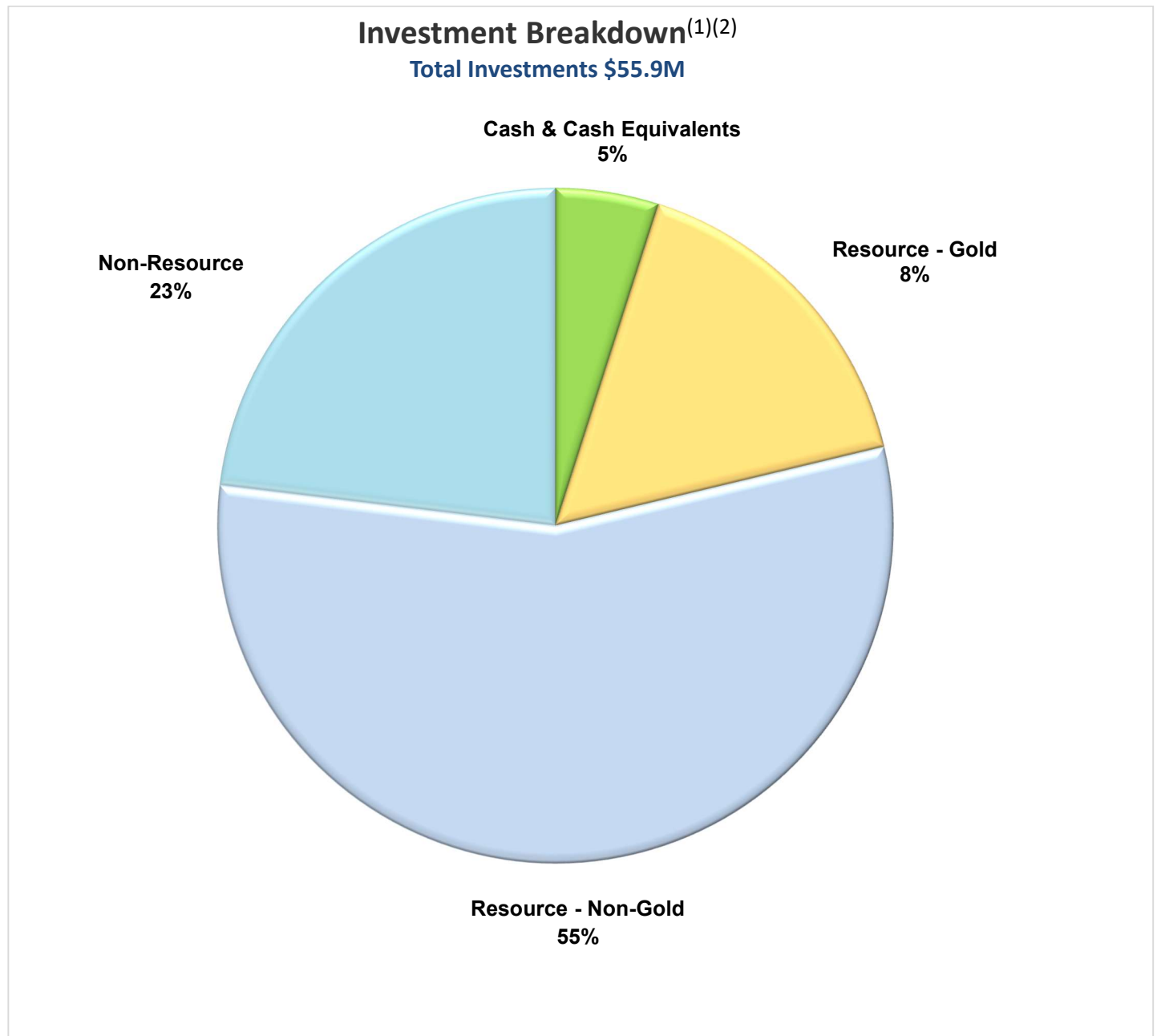
Northfield continues to hold investments in the resource, manufacturing and technology sectors. As at September 30, 2022, 77% (or \$43.0 million) of investments and cash were in resource companies (21% gold resource, 56% non-gold resource) as compared to 59% (or \$41.4 million) as at December 31, 2021, (24% gold resource, 35% 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 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 \$55.9 million value of investments and cash and cash equivalents held by Northfield as at September 30, 2022.



⁽¹⁾ Percentages calculated based on September 30, 2022 values of cash and cash equivalents, marketable securities, other investments (total \$55.9 million includes cash of \$2.8 million).



RESULTS OF OPERATIONS

Operations	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue (losses) (net of COGS) ⁽³⁾	(\$2.9)	\$(10.0)	(\$7.5)	\$4.7
Operating expenses	2.0	2.0	6.6	5.3
Income (loss) before income taxes	(5.0)	12.0	(14.1)	(0.6)
Income tax recovery (provision)	0.7	1.0	1.5	(0.4)
Net income (loss) and comprehensive income (loss) for the period	(\$4.3)	\$(11.0)	(\$12.6)	\$(1.0)
Attributable to minority interest	(0.3)	(0.2)	(0.9)	(0.5)
Attributable to shareholders	(\$4.0)	\$(10.8)	(\$11.8)	\$(0.4)
Net income (loss) per share ⁽¹⁾⁽²⁾	(\$1.80)	(\$4.85)	(\$5.30)	(\$0.19)

⁽¹⁾ Net income (loss) per share represents 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 (September 30, 2022– 2,220,360, September 30, 2021–2,228,468).

⁽³⁾ Revenue (losses) throughout this MD&A is net of cost of goods sold (“COGS”) of \$2.9 million for the three months ended September 30, 2022 (\$10.0 million for the three months ended September 30, 2021) and \$7.5 million for the nine months ended September 30, 2022 (\$4.9 million for the nine months ended September 30, 2021).

Three Months Ended September 30, 2022

Net loss and comprehensive loss attributable to shareholders decreased by \$6.8 million to a loss of \$4.0 million (or \$1.80 per basic and diluted share) for the three months ended September 30, 2022 compared to a loss of \$10.8 million (or \$4.85 per basic and diluted share) for the prior year. The change in net income primarily resulted from a decrease in revenues of \$7.1 million.

Revenues (losses) decreased by \$7.1 million to losses of \$2.9 million for the three months ended September 30, 2022 compared to losses of \$10.0 million for the comparative period in prior year. The decrease in revenues is primarily attributable to the following:

- unrealized loss on investments classified as FVTPL of \$4.4 million for the three months ended September 30, 2022 compared to of \$13.3 million for the three months ended September 30, 2021, resulting in a decrease in revenues of \$8.9 million. Unrealized losses/gains are recognized in accordance with the mark-to-market accounting rules for FVTPL investments;
- realized loss on the sale of other investments of \$0.03 million for the three months ended September 30, 2022 compared to realized gains of \$0.6 million for the comparative period in prior year, resulting in an decrease in revenues of \$0.6 million;
- realized gains on the sale of marketable securities of \$0.4 million for the three months ended September 30, 2022 compared to realized gains of \$1.8 million for the three months ended September 30, 2021, resulting in an increase in revenues of \$1.4 million; and
- revenues from aviation services and product sales from the winery and distillery of \$2.2 million compared to \$1.4 for the comparative period in the prior year.

Operating expenses were \$2.0 million for the three months ended September 30, 2022 compared to \$2.0 million for the comparative period in prior which are broken down as follows:



Administrative Expenses

For the three months ended September 30,	2022	2021
Salaries, Director and consulting fees	\$0.8	\$0.6
Office & professional	0.7	0.8
Promotion & travel	0.2	0.1
Regulatory & commission	-	0.1
Amortization	0.4	0.5
Interest	-	0.1
	\$2.1	\$2.0

Nine Months Ended September 30, 2022

Northfield's cash and cash equivalents increased to \$2.8 million at September 30, 2022 from \$0.6 million at December 31, 2021. The increase in cash and cash equivalents of \$2.2 million was primarily attributable to:

- cash outflows from operations of \$3.8 million, which was primarily comprised of a net loss of \$12.6 million, an unrealized loss on FVTPL investments of \$12.3 million and decreases in non-cash balances of \$1.2 million relating to Northfield, partially offset by a gain on sale of marketable securities and other investments of \$2.0 million and other revenue from product sales, aviation services, net of \$4.3 million;
- cash inflows from investing activities of \$3.9 million, which was primarily attributable to proceeds on disposal of marketable securities and other investments of \$8.4 million and \$5.3 million respectively. This was offset by purchase of marketable securities and other investments of \$2.0 million and \$5.6 million, respectively along with purchases of property plant and equipment of \$2.1 million; and
- \$1.8 million of cash inflows for financing activities comprising mainly of \$3.1 million inflow of proceeds on mortgage payable offset by \$1.0 million of loan and lease payments and \$0.3 million for the repurchase of shares pursuant to the issuer bid.

Overall, the market value of Northfield's investments (excluding cash and cash equivalents) decreased to \$53.2 million at September 30, 2022 from \$68.9 million at December 31, 2021. Approximately 77% of Northfield's investments (excluding cash and cash equivalents) included investments in companies carrying on business primarily in the resource sector as at September 30, 2022, including 16% 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 September 30, 2022 was \$73.3 million (or \$33.05 per basic and diluted share) compared to \$86.2 million (or \$38.63 per basic and diluted share) at December 31, 2021. The decrease in net asset value was primarily a result of net loss and comprehensive loss attributable to shareholders for the nine months ended September 30, 2022 of \$11.8 million (or \$5.30 per basic and diluted share) and a charge to retained earnings of \$0.3 million (or \$0.13 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 "Normal Course Issuer Bid"). Northfield continues to repurchase shares for cancellation when management believes that the trading value of Northfield's shares is at a discount to its net asset value.

Net loss and comprehensive loss attributable to shareholders increased by \$11.3 million to a loss of \$11.8 million (or \$5.30 loss per basic and diluted share) for the nine months ended September 30, 2022 compared to a net loss of \$0.4 million (or \$0.19 loss per basic and diluted share) for the prior comparative period last year. The change in net loss primarily resulted from a decrease in revenues net of COGS of \$19.4 million and an increase in expenses of \$1.3 million.

Revenues decreased by \$11.4 million to losses of \$5.3 million for the nine months ended September 30, 2022 compared to revenue of \$6.1 million in the prior comparative period last year. The decrease in revenues is primarily attributable to the following:



- unrealized loss on investments classified as FVTPL of \$12.3 million for the nine months ended September 30, 2022 compared to a loss of \$3.6 million for the nine months ended September 30, 2021, resulting in an decrease in revenues of \$8.6 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 \$1.0 million for the nine months ended September 30, 2022 compared to a gain of \$3.3 million for the nine months ended September 30, 2021, resulting in a decrease in revenues of \$2.3 million;
- realized gain on the sale of other investments of \$1.2 million for the nine months ended September 30, 2022 compared to a gain of \$2.8 million in prior year, resulting in an decrease in revenues of \$1.6 million; and
- revenues from aviation services and product sales from the winery and distillery of \$4.4 million compared to \$3.2 in the prior year, resulting in a decrease in revenues of \$1.2 million.

Operating expenses were \$6.6 million for the three months ended September 30, 2022 compared to \$5.3 million in prior year which are broken down as follows:

Administrative Expenses

For the nine months ended September 30,	2022	2021
Salaries, Director and consulting fees	\$2.2	\$1.7
Office & professional	2.1	1.8
Promotion & travel	0.4	0.2
Regulatory & commission	0.2	0.2
Amortization	1.6	1.3
Interest	0.1	0.2
	\$6.6	\$5.3

SUMMARY OF QUARTERLY RESULTS

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

SELECTED QUARTERLY INFORMATION	Dec. 31, 2021	Mar 31, 2022	Jun. 30, 2022	Sep. 30, 2022
Revenues (losses) net of COGS	\$(3.7)	\$(3.2)	\$(1.5)	\$(2.9)
Expenses	4.0	2.2	2.4	2.0
Income (loss) before income taxes	(7.7)	(5.4)	(3.9)	(4.0)
Income tax recovery (provision)	2.0	0.5	0.3	0.7
Net income (loss) and comprehensive income (loss)	(5.7)	(4.9)	(3.6)	(4.3)
Non-controlling interest in net loss	(1.0)	(0.3)	(0.3)	(0.3)
Net income (loss) and comprehensive income (loss) attributable to shareholders	\$(4.7)	\$(4.6)	\$(3.3)	\$(4.0)
Net income (loss) per share ⁽¹⁾	\$(2.12)	\$(2.08)	\$(1.46)	\$(1.80)



	Dec 31, 2020	Mar 31, 2021	Jun. 30, 2021	Sep. 30, 2021
Revenues (losses), net of COGS	12.8	\$6.5	\$8.4	\$(10.0)
Expenses	15.0	1.4	1.9	2.1
Income (loss) before income taxes	(2.2)	5.1	6.5	(12.1)
Income tax recovery (provision)	(1.6)	(0.7)	(0.8)	1.0
Net income (loss) and comprehensive income (loss)	(3.8)	4.4	5.7	5.7
Non-controlling interest in net loss	(5.5)	(0.2)	(0.1)	(0.3)
Net income (loss) attributable to shareholders	\$1.7	\$4.6	5.8	(10.8)
Net income (loss) per share⁽¹⁾	\$0.74	\$2.06	\$2.59	(\$4.85)

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

The major variances in revenues and net income (loss) are mainly a result of goodwill and inventory write downs, 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

	September 30, 2022	December 31, 2021	Variance
Cash and cash equivalents	\$2.8	\$0.6	\$2.1
Receivables & deposits	\$13	\$1.4	\$(0.1)
Inventory	\$1.8	\$1.2	\$0.5
Deferred taxes	\$0.6	\$(0.1)	\$1.2
Marketable securities			
Market value	\$9.7	\$23.9	\$(14.1)
Cost	\$10.9	\$16.5	\$(5.6)
Unrealized gain (loss) (net of tax) ⁽¹⁾	\$(1.1)	\$7.4	\$(8.6)
Other investments			
Market value	\$43.4	\$45.0	\$(1.6)
Cost	\$47.4	\$45.0	\$2.7
Unrealized gain (loss) (net of tax) ⁽¹⁾	\$(4.3)	\$0.0	\$(4.3)
Accounts payable, accruals, income taxes payable	\$1.4	\$2.3	\$(0.9)
Loans payable	\$5.0	\$2.7	\$2.3
Lease liability	\$1.3	\$1.5	\$(0.2)

⁽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% (2021 – 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.

At September 30, 2022, Northfield's cash and cash equivalents position was \$2.8 million, an increase of \$2.1 million from December 31, 2021. The increase in cash and cash equivalents was primarily attributable to cash outflows of \$3.7 million from operations offset by cash inflow from financing activities of \$1.9, and cash inflows of \$3.9 million from investing activities.

Northfield's net asset value at September 30, 2022 was \$73.3 million (or \$33.05 per basic and diluted share) compared to \$86.2 million (or \$38.63 per basic and diluted share) at December 31, 2021. The decrease in net asset value was primarily a result of net loss and comprehensive loss attributable to shareholders for the nine



months ended September 30, 2022 of \$11.8 million (or \$5.30 per basic and diluted share) and a charge to retained earnings of \$0.3 million (or \$0.11 per basic and diluted share).

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2022, Northfield had working capital of \$50.0 million, which decreased from \$77.6 million at December 31, 2021 primarily due to a decrease in marketable securities and other investments of \$14.1 and \$1.6 million respectively. On average, Northfield anticipates working capital requirements of approximately \$1.0 million per quarter to cover operating expenses for Northfield and its consolidated subsidiaries on a go-forward basis. See also "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 \$1,000,000. At September 30, 2022, \$nil was drawn (December 31, 2021 - \$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 September 30, 2022 was 6.70% (December 31, 2021 - 3.70%).

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 2.0%. At September 30, 2022, Northfield had outstanding margin loans of \$nil (December 31, 2021 - \$nil).

RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2022, Northfield incurred consulting fees of \$315,000 (September 30, 2021 - \$315,000) to RDC Resource Investments Inc., a company controlled by Robert Cudney, the President and Chief Executive Officer of Northfield. At September 30, 2022, the balance owed for consulting fees was \$nil (December 31, 2021 - \$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 bore interest at prime plus 0.5% payable monthly, and was secured by real property. In January 2021, the receivable was paid in full. At September 30, 2022, the balance owed was \$nil (December 31, 2021 - \$nil).

During the nine months ended September 30, 2022, Northfield incurred consulting fees of \$150,000 (September 30, 2021 - \$150,000) to 2245448 Ontario Inc., a company controlled by Michael Leskovec, the Chief Financial Officer of Northfield. At September 30, 2022, the balance owed was \$nil (December 31, 2021 - \$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 unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). These unaudited consolidated interim 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 September 30, 2022 and have been consistently applied to all the years presented in these consolidated financial statements.



Changes in Accounting Policies

Northfield has not adopted any new or revised standards during the nine months ended September 30, 2022.

Critical Accounting Estimates and Judgments

The preparation of the unaudited condensed interim 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 unaudited condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim 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. Determining the value in use requires Northfield to estimate expected future cash flow associated with the assets and a suitable discount rate in order to calculate the present value; and
- (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, 2021	2,221,663	\$3,598,158
Shares repurchased for cancellation	(6,900)	(11,175)
September 30, 2022 and November 18 th , 2022	2,214,763	\$3,586,983

Class B Multiple Voting Shares	Number of Shares	Consideration
Dec. 31, 2021, September 30, 2022 and November 18 th , 2022	3,720	\$7,680

(c) Options (as of December 31, 2021, September 30, 2022 and November 18, 2022)

None.

(c) Warrants (as of December 31, 2021, September 30, 2022 and November 18, 2022)

None.

Normal Course Issuer Bid



Pursuant to a notice of intention to make an issuer bid dated August 26, 2021, Northfield commenced a normal course issuer bid to purchase up to 111,415 Class A restricted voting shares in total, representing approximately 5% of the Class A restricted voting shares as of the date thereof (the “**2021 Bid**”). Purchases pursuant to the 2021 Bid could occur on the TSX-V between August 30, 2021 and August 29, 2022 at prices not exceeding the market price of the Class A Shares at the time of acquisition.

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 and its consolidated subsidiaries are committed to and contingently liable for annual rental payments for premises as disclosed in note 20 to its unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2022.

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 September 30, 2022. 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 Chief Financial Officer, 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 audited consolidated financial statements for external purposes in accordance with generally accepted accounting principles. There has been no change in Northfield’s internal controls over financial reporting during the nine months ended September 30, 2022 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 September 30, 2022 are due within one year.

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

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

As at September 30, 2022, based on typical margin requirements Northfield had available margin of approximately \$0.7 million from its brokers (December 31, 2021 - \$11.9 million), of which Northfield was using \$nil (December 31, 2021 - \$nil). Northfield manages this risk by not overextending the use of margin. As at September 30, 2022, a 10% decrease in the closing price of Northfield's investments with all other variables held constant would reduce the available margin to \$0.4 million (December 31, 2021 - \$5.6 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 comprehensive income for the nine months ended September 30, 2022 resulting from a change in closing price of Northfield's investments with all other variables held constant as at September 30, 2022:

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%	\$2.7 million	(\$2.7) million
10%	\$5.3 million	(\$5.3) million

Interest Rate Risk

Interest rate risk is the impact that changes in interest rates could have on Northfield's earning and liabilities. As at September 30, 2022, 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 September 30, 2022 the amount outstanding was \$nil (December 31, 2021 - \$290,000). 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 and high interest savings accounts that 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 and high interest savings accounts held by Northfield as at September 30, 2022 are redeemable upon demand.

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 nine months ended September 30, 2022, 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 \$138,000 (December 31, 2021 - \$546,000).



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 affected 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 nine months ended September 30, 2022 was 2,220,360 (nine months ended September 30, 2021 was 2,228,468). 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.