NORTHERN FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012 AND MARCH 31, 2011

Grant Thornton

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Independent Auditor's Report

To the shareholders of Northern Financial Corporation

We have audited the accompanying consolidated financial statements of Northern Financial Corporation, which comprise the consolidated statements of financial position as at March 31, 2012 and 2011 and April 1, 2010, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Financial Corporation as at March 31, 2012 and 2011 and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that th`e Company incurred a net loss during the years ended March 31, 2012 and 2011 which, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Grant Thornton LLP

Toronto, Canada
July 19, 2012

Chartered Accountants
Licensed Public Accountants

NORTHERN FINANCIAL CORPORATION
Consolidated Statement of Financial Position
As at

	March 31, 2012	March 31, 2011	April 1, 2010 (Note 21)
ASSETS			
CURRENT			
Cash and cash equivalents	$ 362,015	$1,286,923	$1,394,840
Deposit with carrying broker (Note 3)	1,040,787	1,034,776	1,030,484
Securities owned (Note 4)	703,608	2,199,129	1,723,769
Accounts receivable	24,862	116,411	196,079
Forgivable loans (Note 6)	12,136	36,886	32,164
Prepaid expenses and deposits	124,057	110,044	114,786
Commodity taxes recoverable	-	44,597	44,597
	2,267,465	4,828,766	4,536,719
NON CURRENT ASSETS			
Investment in associated company (Note 7)	735,272	901,048	979,119
Other assets	79,333	152,031	115,106
Property and equipment (Note 8)	606,578	832,950	1,047,891
Intangible assets (Note 9)	-	-	3,365
	1,421,183	1,886,029	2,145,481
TOTAL ASSETS	$3,688,648	$6,714,795	$6,682,200
LIABILITIES			
CURRENT			
Short-term loans payable (Note 10)	$ 760,927	$ 395,000	$3,150,000
Accounts payable and accrued liabilities	1,502,101	2,443,657	2,424,611
Provisions (Note 16)	251,000	176,000	176,000
Securities sold short (Note 4)	-	2,100	240
Commodity taxes payable	50,598	38,381	17,968
Settlement liability (Note 11)	38,871	34,496	67,619
	2,603,497	3,089,634	5,836,438
NON CURRENT			
Settlement liability (Note 11)	354,634	393,505	428,001
TOTAL LIABILITIES	2,958,131	3,483,139	6,264,439
COMMITMENTS AND CONTINGENCIES (Notes 15, 16)			
SHAREHOLDERS' EQUITY			
Share capital (Note 12)	2,807,960	5,218,834	1,317,734
Warrants (Note 12)	158,829	136,566	73,952
Contributed surplus (Note 12)	1,973,623	2,166,604	1,994,404
Deficit	(4,209,895)	(4,290,348)	(2,968,329)
	730,517	3,231,656	417,761
	$3,688,648	$6,714,795	$6,682,200

APPROVED BY THE BOARD

"Ian Bradley"

Director

"Vic Alboini"

Director

NORTHERN FINANCIAL CORPORATION
Consolidated Statements of Operations and Comprehensive Loss
For the Years ended March 31, 2012 and 2011

	2012	**2011**
REVENUES		
Commissions	$3,987,357	$6,268,739
Corporate finance and advisory (Note 4)	2,752,745	3,814,730
(Loss) gain on broker warrants	(1,430,661)	1,991,257
Trading	529,201	(282,745)
Interest	406,644	303,606
Other	608,603	60,420
	6,853,889	12,156,007
OPERATING EXPENSES		
Brokerage operations	9,331,637	11,121,016
General and administrative	994,369	1,523,315
Interest expense	305,940	630,514
Depreciation and amortization	256,302	224,710
Total operating expenses	10,888,248	13,499,555
Net loss from operations	(4,034,359)	(1,343,548)
SHARE OF (LOSS) EARNINGS OF ASSOCIATED COMPANY(Note 7)	(175,536)	56,495
LOSS ON SALE OF INVESTMENT IN ASSOCIATED COMPANY (Note 7)	-	(34,966)
LOSS BEFORE INCOME TAXES	(4,209,895)	(1,322,019)
INCOME TAXES (Note 14)	-	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$(4,209,895)	$(1,322,019)
EARNINGS (LOSS) PER SHARE – Basic and diluted (Note 12(g))	$(0.14)	$(0.10)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	30,570,403	13,062,890

NORTHERN FINANCIAL CORPORATION
Consolidated Statements of Changes in Shareholders' Equity
For the Years ended March 31, 2012 and 2011

	Common Shares #	Common Shares $	Warrants $	Contributed Surplus $	Deficit $	Shareholders' Equity $
Balance, April 1, 2010	11,813,114	1,317,734	73,952	1,994,404	(2,968,329)	417,761
Private placement	364,710	100,369	22,556	-	-	122,925
Prospectus financing	6,666,667	1,693,924	40,058	-	-	1,733,982
Debt repayment	4,718,331	1,415,500	-	-	-	1,415,500
Employee equity incentive / purchase plans	1,909,798	722,942	-	172,200	-	895,142
Shares repurchased for reissue		(31,635)	-	-	-	(31,635)
Net loss and comprehensive loss	-	-	-	-	(1,322,019)	(1,322,019)
Balance, March 31, 2011	**25,472,620**	**5,218,834**	**136,566**	**2,166,604**	**(4,290,348)**	**3,231,656**

Balance, March 31, 2011	**25,472,620**	**5,218,834**	**136,566**	**2,166,604**	**(4,290,348)**	**3,231,656**
Prospectus financing	4,416,166	1,190,839	22,263	-	-	1,213,102
Employee equity incentive / purchase plans	2,295,341	657,000	-	(192,981)	-	464,019
Reduction of stated capital (Note 12(f))	-	(4,290,348)	-	-	4,290,348	-
Reissue of repurchased shares		31,635	-	-	-	31,635
Net loss and comprehensive loss	-	-	-	-	(4,209,895)	(4,209,895)
Balance, March 31, 2012	**32,184,127**	**2,807,960**	**158,829**	**1,973,623**	**(4,209,895)**	**730,517**

NORTHERN FINANCIAL CORPORATION
Consolidated Statements of Cash Flows
For the Years ended March 31, 2012 and 2011

	2012	2011
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	$(4,209,895)	$(1,322,019)
Items not affecting cash		
Depreciation and amortization	256,302	224,710
Share of loss (earnings) of associated company	175,536	(56,495)
Loss on sale of investment in associated company	-	34,966
Receipt of shares in associated company	(140,000)	-
Equity incentive / employee share purchase plans	476,205	823,474
Compensation warrants issued	22,263	42,629
	(3,419,589)	(252,735)
Changes in non-cash working capital balances		
Securities owned and sold short	1,493,421	(473,500)
Accounts receivable	91,549	79,668
Prepaid expenses and deposits, forgivable loans, and other assets	83,435	(36,905)
Commodity taxes payable/recoverable	56,814	20,413
Accounts payable and accrued liabilities, and provisions	(866,556)	19,046
Dividend from associated company	130,240	-
Settlement liability	(34,496)	(67,619)
Cash flows used in operating activities	(2,465,182)	(711,632)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(29,930)	(6,404)
Disposition of investment in associated company	-	99,600
Deposit with carrying broker	(6,011)	(4,292)
Cash flows used in investing activities	(35,941)	88,904
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from financings	1,190,839	3,229,778
Proceeds from employee share purchase plan	43,049	143,910
Repurchase of shares for reissue	(23,600)	(103,877)
Increase (decrease) in short term loans	365,927	(2,755,000)
Cash flows from financing activities	1,576,215	514,811
DECREASE IN CASH	(924,908)	(107,917)
CASH, BEGINNING OF YEAR	1,286,923	1,394,840
CASH, END OF YEAR	$ 362,015	$ 1,286,923

SUPPLEMENTARY INFORMATION (Note 19)

1. NATURE OF OPERATIONS

In 1999, Northern Financial Corporation (the “Company”) acquired Northern Securities Inc. (“Northern Securities”), a member firm of the Investment Industry Regulatory Organization of Canada (“IIROC”). The Company carries on a traditional brokerage and investment banking business, as well as a merchant banking business. The Company is governed by the *Business Corporations Act (Ontario)* and its common shares are listed on the TSX Venture Exchange under the symbol “NFC”. The address of its registered office is 145 King Street West, Suite 2020, Toronto, Ontario, Canada, M5H 1J8.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company incurred losses of $4,209,895 in the current year and $1,332,019 in the previous year. While this may cast significant doubt upon the Company’s ability to continue as a going concern, subsequent to March 31, 2012, the Company raised capital to partially improve its financial position (note 22).

Management has considered expectations for future profitability and believes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business, and accordingly, it is appropriate to prepare these financial statements on a going concern basis. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net earnings and the balance sheet classifications used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB“). These are the Company’s first IFRS annual financial statements.

These financial statements should be read in consideration of the IFRS transition disclosures included in note 21 to these financial statements and the additional annual disclosures included herein.

These financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

These year end consolidated financial statements were authorized for issuance by the Company’s Board of Directors on July 19, 2012.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and all its subsidiaries with its principal operating subsidiary being a wholly owned investment dealer. Intercompany accounts and balances are eliminated upon consolidation.

Investments in associated companies

The equity method is used to account for investments in associated companies where the Company has significant influence. The share of earnings, gains and losses, realized dispositions and write downs to reflect other than temporary impairment are recognized in income. The loss in value of an investment in an associated company is considered to be other than a temporary decline when there is significant or prolonged decline in the fair value of an investment below its carrying value. The Company’s proportion of dividends paid by the associated company reduces the carrying value of the investment.

Cash and cash equivalents

The Company considers all highly liquid debt instruments with an original maturity date of three months or less to be cash equivalents.

Financial instruments – recognition and measurement

All financial instruments are classified into one of five categories: fair value through profit and loss, held to maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. Financial instruments are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as ‘‘fair value through profit and loss’’, directly attributable transaction costs.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows:

- Fair value through profit and loss financial instruments are measured at fair value with changes in fair value recognized through profit or loss;
- Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the financial asset is derecognized or impaired at which time the amounts would be recorded in profit or loss; or
- Loans and receivables, held to maturity investments, and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Cash and cash equivalents, accounts receivable, and forgivable loans are classified as loans and receivables. Securities owned and deposits with carrying brokers are classified as fair value through profit and loss. Short-term loans payable, and accounts payable and accrued liabilities are classified as other financial liabilities.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses recorded. Depreciation is provided using the following annual rates and methods:

Furniture and fixtures	20% declining balance
Leasehold improvements	20% declining balance
Computer equipment	30% - 50% declining balance
Works of art	Not amortized

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, such as equipment, to determine whether there is an indication of an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss (if any). The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the assets is increased to the revised estimate of its recoverable amount to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized.

Forgivable loans

Forgivable loans are extended to investment advisors and capital markets professionals as a hiring and retention incentive. These loans are non-interest bearing and are initially recorded at fair value using a discounted cash flow approach using the prevailing prime interest rate on the date recorded. The difference between the fair value of these loans and the cash consideration is recorded as compensation expense and is included as operating expenses on the Consolidated Statement of Operations and Comprehensive Loss. These loans are forgiven on a straight-line basis over the period of the individual employment contract, which vary in length from six months to four years. Employees that leave the company prior to the end of the contractual term are required to repay any loan amount not yet forgiven.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(a) Securities transactions

Securities transactions, commissions and related clearing expenses are recorded on a trade date basis when the services are performed.

(b) Corporate finance and advisory fees

Corporate finance and advisory fees include fees earned from new issue and private placements, and corporate finance activities. New issue and private placements revenue consists of finders fees and commissions earned on public offerings and private placements of securities. Revenue from finders fees and commissions earned on public offerings and private placements of securities are recorded when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable and collectible. Corporate finance revenue consists of underwriting fees, management and advisory fees, and commissions earned on corporate finance activities. Revenue from underwritings, mergers and acquisitions and other corporate finance activities are recorded when the underlying transaction is substantially completed and collection of funds is reasonable assured under the engagement terms and the related revenue is reasonably determinable. Management and advisory fees are recognized on an accrual basis.

Broker warrants

Warrants received by the Company in respect of underwriting are initially measured at fair value using a Black-Scholes model. Broker warrants are classified as fair value through profit and loss and subsequent changes in fair value are recorded as revenue.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in the same statement in which the related item is recognized.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustments to tax payable in respect to previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and enacted and substantively enacted law by the reporting date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and related to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding. Diluted earnings (loss) per share is calculated using the treasury stock method. In order to determine diluted earnings (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Significant judgments, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(a) Valuation of financial instruments

The financial instruments of the Company are measured at fair value or amortized cost. Fair value is determined on the basis of market prices from independent sources, if available. If there is no available market price, fair value is determined using the Black-Scholes model. The inputs to the Black-Scholes model are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair value. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value when observable data is not available.

(b) Income tax

Accruals for tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Deferred tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered. Deferred tax assets and liabilities are recorded using substantively enacted future tax rates. Accordingly, the actual income tax liabilities and deferred tax assets may differ significantly from that estimated and recorded.

(c) Impairment

The carrying value of investment in associated company, and property and equipment is reviewed each reporting period to determine whether there is an indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in net income. The assessment of recoverable amount requires the use of estimates and assumptions for discount rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of the assets could impact the impairment analysis.

(d) Provisions

Provisions are recorded by the Company when it has determined that it has a present obligation, whether legal or constructive, and that it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are recorded based on management’s best estimates of timing, and quantum of future outflows.

Future Accounting Policies

(a) Presentation of Financial Statements: IAS 1 was amended to improve the consistency and clarity of the presentation of items of other comprehensive income. A requirement has been added to present items in other comprehensive income grouped on the basis of whether they may be reclassified subsequently to profit or loss. This amendment makes clearer the effects items of other comprehensive income may have on profit or loss in the future. Consistent with this requirement, income tax on items presented in other comprehensive income is required to be allocated between items that will not be reclassified subsequently to profit or loss and those that might be reclassified, if the items in other comprehensive income are presented before tax. IAS 1 is effective for annual years beginning on or after July 1, 2012. The Company is currently evaluating the impact of IAS 1 on its financial statements.

(b) Financial Instruments: IFRS 9 is the first of a multi-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and derecognition of financial assets and financial liabilities.

IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortized cost and those measured at fair value. Classification is made at the time the financial asset is initially recognized when the entity becomes a party to the contractual provisions of the instrument. The transition guidance is complex and mainly requires retrospective application.

Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing entity’s own credit risk to be presented in other comprehensive income. An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss.

The requirements in IAS 39 related to derecognition of financial assets and financial liabilities have been incorporated unchanged into the new version of IFRS 9. IFRS 9 is effective for annual years beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

(c) Consolidated Financial Statements: IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in consolidated financial statements. IFRS 10 supersedes SIC-12 Consolidation—Special Purpose Entities and the requirements relating to consolidated financial statements in IAS 27 Consolidated and Separate Financial Statements (as amended in 2008). IFRS 10 is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its financial statements.

(d) Joint Arrangements: IFRS 11 establishes principles that are applicable to the accounting for all joint arrangements. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Ventures. IFRS 11 is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its financial statements.

(e) Disclosure of Interests in Other Entities: IFRS 12 provides enhanced disclosures about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard requires an entity to disclose information that enables users of financial statements to evaluate the judgments and assumptions made by a reporting entity when deciding how to classify its involvement with another entity; the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on its financial statements.

(f) Investments in Associates and Joint Ventures: IAS 28 was amended to incorporate the accounting for joint ventures because the equity method is now applicable to both joint ventures and associates. The disclosure requirements from IAS 28 (as revised in 2003) have been included in IFRS 12. The amended standard supersedes IAS 28 (as revised in 2003). IAS 28 (as amended in 2011) is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IAS 28 (as amended in 2011) on its financial statements.

(g) Fair Value Measurement: IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its financial statements.

3. Deposit With Carrying Broker

As at March 31, 2012, Northern Securities has contracted Penson Financial Services ("Penson") to perform certain trading and clearing activities for the clients of Northern Securities, according to the Introducing Broker Agreement (the "Agreement") between Penson and Northern Securities. As a Type 2 Introducing Broker, the Northern Securities does not carry client accounts, nor receive, deliver or hold cash and securities in connection with such clients. At March 31, 2012, the Northern Securities maintained a deposit with Penson in the amount of $1,040,787 (2011 - $1,034,776; 2010 - $1,030,484), which cannot be used in the normal course of operations.

Penson performs its services for a flat fee per trade, subject to certain additional charges. Interest related to client accounts is also split according to the Agreement.

4. SECURITIES OWNED AND SECURITIES SOLD SHORT

Securities owned consist of the following:

	March 31, 2012	March 31, 2011	April 1, 2010
Publicly traded equities	$199,512	$ 63,691	$ 28,694
Broker warrants	504,096	2,135,438	1,695,075
	$703,608	$2,199,129	$1,723,769

Included in broker warrants are warrants issued by 81 (2011 – 86) public companies and 2 (2011 – nil) private companies with expiry dates to September 2016. Broker warrants are valued, at the valuation date, using a Black-Scholes model using the quoted closing bid price of the underlying security at valuation date in active markets where available, a 52 week volatility, and the Government of Canada treasury bill rate for equivalent maturity dates. When quoted prices in active markets are not available, determination of the fair value of the underlying security is based on reference to the issue price and consideration of other observable market data.

Securities sold short consist of the following:

	March 31, 2012	March 31, 2011	April 1, 2010
Publicly traded equities	-	$2,100	$240

5. FINANCIAL INSTRUMENTS

The fair value hierarchy presented distinguishes between the inputs used in determining the fair value of the Company's various financial instruments. The hierarchy levels are defined as:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

	Carrying Value		Estimated Fair Value					
	March 31 2012	March 31 2011	March 31, 2012			March 31, 2011		
			Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and treasury bills	$1,402,802	$2,321,699	$362,015	$1,040,787	$ -	$1,286,923	$1,034,776	$ -
Securities owned	703,608	2,199,129	199,512	486,793	17,303	63,691	1,510,596	624,842
Securities sold short	-	2,100	-	-	-	2,100	-	-

	Carrying Value	Estimated Fair Value		
	April 1 2010	April 1, 2010		
		Level 1	Level 2	Level 3
Cash and treasury bills	$2,425,324	$1,394,840	$1,030,484	$ -
Securities owned	1,723,769	28,694	1,650,919	44,156
Securities sold short	240	240	-	-

The following is a summary of Level 3 financial instruments activity for the year ended March 31, 2012:

Balance, April 1, 2010	$ 44,156
Expiry / exercise of broker warrants	(16,278)
Transfer out of level 3	(1,002)
New broker warrants received	611,866
Valuation adjustment	(13,900)
Balance, March 31, 2010	$ 624,842
Expiry / exercise of broker warrants	(25,002)
Transfer out of level 3	(592,271)
New broker warrants received	19,088
Valuation adjustment	(9,354)
Balance, March 31, 2011	$ 17,303

6. FORGIVABLE LOANS

The net carrying value of forgivable loans costs consists of the following:

	March 31, 2012			March 31, 2011	April 1, 2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value
Forgivable loans	$1,196,344	$1,163,573	$32,771	$81,039	$ 32,572

The balance of forgivable loans which are forgivable in greater than one year is included within Other Assets:

	March 31, 2012	March 31, 2011	April 1, 2010
Forgivable within 1 year	$ 12,136	$ 36,886	$ 32,164
Forgivable in greater than 1 year	20,635	44,153	408
	$ 32,771	$ 81,039	$ 32,572

The forgiven amount for the year of $47,268 (2011 – $53,158) is recorded as brokerage operations expense on the consolidated statement of operations and comprehensive loss.

7. INVESTMENT IN ASSOCIATED COMPANY

The Company's carrying value of its investment in Jaguar Financial Corporation ("Jaguar") is as follows:

	2012	2011	2010
Balance, beginning of year	$901,048	$979,119	$948,102
Equity (loss) earnings	(175,536)	56,495	31,017
Dividends received	(130,240)	-	-
Partial disposition	-	(134,566)	-
Receipt of shares	140,000	-	-
Balance, end of year	$735,272	$901,048	$979,119

The investment in associated company represents 13.0% (2011 – 11.3%; 2010 – 13%) of the outstanding common shares of Jaguar. The quoted market value of the investment as at March 31, 2012, was $840,259 (2011 - $1,020,367; 2010 - $948,102).

In the quarter ended June 30, 2011, the Company received 2,000,000 common shares of Jaguar under Jaguar's Equity Incentive Plan. The shares were recorded at their fair value in the statement of operation and comprehensive loss. In the quarter ended September 30, 2010, the Company sold 1,540,000 shares of Jaguar for proceeds of $99,600, generating a loss on sale of $34,966.

The Company has determined that it exercises significant influence over the strategic operating, investing and financing policies of Jaguar due to the following factors: the Company holds a 13.0% equity interest in Jaguar; (ii) the Chairman and Chief Executive Officer of the Company holds or has control or direction over an 12.1% equity interest in Jaguar; (iii) the Chairman and Chief Executive Officer of the Company is also the Chairman and Chief Executive Officer of Jaguar; (iv) the Chairman and Chief Executive Officer of the Company owns or has control or direction over a 23.2% equity interest in the Company; and (v) the Chief Financial Officer of the Company is also the Chief Financial Officer of Jaguar.

The equity method is used to account for the Company's investment in Jaguar. The Company's share of earnings or losses is reported in income.

The condensed balance sheet of Jaguar is as follows:

(in thousands of dollars)	March 31, 2012	March 31, 2011	April 1, 2010
CURRENT ASSETS			
Cash and cash equivalents	$ 26	$ 7,309	$ 26
Investments	9,027	2,085	9,573
Derivatives	-	391	-
Receivables	39	53	28
	9,092	9,838	9,627
Property, plant and equipment	-	1	2
Investment in associated company	-	3,770	2,848
	$ 9,092	$ 13,608	$ 12,477
CURRENT LIABILITIES			
Securities sold short	$ -	$ 4,264	$ -
Accounts payable and accrued liabilities	303	299	729
Loans payable	1,799	-	2,143
	2,102	4,563	2,872
NON CURRENT LOAN PAYABLE	-	-	673
SHAREHOLDERS' EQUITY	6,990	9,045	8,932
	$ 9,092	$ 13,608	$ 12,477

8. PROPERTY AND EQUIPMENT

	Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Art	Total
Cost					
Balance, April 1, 2010	$ 929,767	$ 1,626,993	$1,729,133	$ 12,914	$4,298,807
Additions	-	4,035	2,369	-	6,404
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Balance, March 31, 2011	929,767	1,631,028	1,731,502	12,914	4,305,211
Additions	1,271	-	28,658	-	29,929
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Balance, March 31, 2012	**$ 931,038**	**$ 1,631,028**	**$1,760,160**	**$ 12,914**	**$4,335,140**

Depreciation on property and equipment for the year was $256,301 (2011 – $221,345).

	Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Art	Total
Accumulated Depreciation					
Balance, April 1, 2010	$ 704,765	$ 931,826	$1,614,325	$ -	$3,250,916
Additions	44,673	141,874	34,798	-	221,345
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Balance, March 31, 2011	749,438	1,073,700	1,649,123	-	3,472,261
Additions	61,112	166,177	29,012	-	256,301
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Balance, March 31, 2012	**$ 810,550**	**$ 1,239,877**	**$1,678,135**	**$ -**	**$3,728,562**
Net Book Value					
April 1, 2010	$ 225,002	$ 695,167	$ 114,808	$ 12,914	$1,047,891
March 31, 2011	180,329	557,328	82,379	12,914	832,950
March 31, 2012	120,488	391,151	82,025	12,914	606,578

9. INTANGIBLE ASSETS

	March 31, 2012		
	Cost	Accumulated Amortization	Net Book Value
Computer software	$ 540,922	$ 540,922	$ -
	March 31, 2011		
	Cost	Accumulated Amortization	Net Book Value
Computer software	$ 540,922	$ 540,922	$ -
	April 1, 2010		
	Cost	Accumulated Amortization	Net Book Value
Computer software	$ 540,922	$ 537,557	$ 3,365

Amortization of intangible assets for the year was $nil (2011 – $3,365).

10. SHORT-TERM LOANS PAYABLE

The Company has available a credit facility in the amount of $350,000 at prime plus 1.75%, secured by a general security agreement covering all assets of the Company and certain guarantees provided personally by the Chairman and Chief Executive Officer of the Company and his personal investment company. As at March 31, 2012, the balance owing under the credit facility was $350,000 (2011 – $300,000; 2010 - $250,000). Subsequent to year end, the lender issued a letter of default alleging the security maintained in support of the guarantee of the loan was inadequate.

The Company has a promissory note outstanding in the amount of $20,000 (2011 – $20,000; 2010 - nil). The loan bears interest at 10% and is payable within 5 days of notice. The loan is unsecured and is provided by an officer of Northern Securities.

The Company has promissory notes outstanding in the amount of $390,927 (2011 – $75,000; 2010 - nil). A note in the amount of $250,000 bears interest at 15% and a note in the amount of $140,181 bears interest at 10%. The notes are payable within 5 days of notice. The loans are unsecured and provided by an associated company.

A loan in the amount of $2,900,000 was repaid in fiscal 2011.

11. SETTLEMENT LIABILITY

In the year ending March 31, 2010, the Company settled a legal dispute requiring it to pay a total of $800,000 over a period of 108 months beginning in March 2010. The expense related to the settlement was included in general and administrative expenses on the Consolidated Statements of Operations and Comprehensive Loss in fiscal 2010.

The remaining liability of $393,505 (2011 – $428,001; 2010 – $495,620) is recorded at the discounted cash flow value using the effective interest method with $38,871 due within one year. A rate of 12% was used to discount future cash payments. Total interest expense calculated under the effective interest method was $296,911 of which $5,030 was recorded in interest expense in fiscal 2010, $54,882 recorded in 2011, and $49,504 in the year ended March 31, 2012. The remaining $187,495 interest will be recorded in future years as cash payments are made. See Note 17 for a schedule of future cash payments.

12. CAPITAL STOCK

(a) *Share capital*

Authorized
Unlimited number of common shares
2,000,000 voting, convertible, redeemable, preference shares

Issued and outstanding	
32,184,127 common shares	$2,807,960

Share capital activity for the year April 1, 2010 to March 31, 2012, is summarized as follows:

	Shares #	Amount $
Balance, April 1, 2010	11,813,114	1,317,734
Shares issued under equity incentive plan (c)	1,116,773	488,638
Shares issued under employee share purchase plan (d)	793,025	234,304
Private placement (e)	364,710	100,369
Prospectus financing (e)	6,666,667	1,693,924
Debt repayment (e)	4,718,331	1,415,500
Share repurchased for reissue		(31,635)
Balance, March 31, 2011	25,472,620	5,218,834
Shares issued under equity incentive plan (c)	1,571,050	485,104
Shares issued under employee share purchase plan (c)	724,291	171,896
Prospectus financing (e)	4,416,166	1,190,839
Reissue of repurchased shares		31,635
Reduction in stated capital		(4,290,348)
Balance, March 31, 2012	32,184,127	2,807,960

Note: The total cost of share based compensation for the year ended March 31, 2012 was $476,205 (2011 – $823,472). As at March 31, 2012, the Company had an accrual of $317,413 (2011 – $510,394; 2010 - $338,195) related to share based compensation.

(b) *Stock options*

Effective August 28, 2003, the Company discontinued the stock option plan (the "Plan"), whereby no further options will be granted pursuant to the Plan and all options outstanding will remain in effect until either exercised or cancelled.

As at March 31, 2012, there are 35,320 common share purchase options outstanding and exercisable, expiring at various dates to January 21, 2013. The options have an exercise price equal to the Company's market closing share price on the day prior to the date of grant and vest over the first twenty-four or thirty months, in equal monthly installments, beginning in the month of grant, and are exercisable over ten years.

Stock option activity for the year April 1, 2010 to March 31, 2012 is summarized as follows:

	Stock Options #	Weighted Average Exercise Price
Balance, April 1, 2010	119,817	$ 7.19
Expired	(48,130)	$12.11
Balance, March 31, 2011	71,687	$ 3.89
Expired	(36,367)	$ 4.20
Balance, March 31, 2012	35,320	$ 3.58

The following is a summary of common share purchase options outstanding and exercisable as at March 31, 2012:

Range of Exercise Prices	Stock Options #	Weighted Average Remaining Life (Years)	Weighted Average Price
$ 3.50-4.00	35,320	0.73	$ 3.58

All options are currently exercisable.

(c) *Employee equity incentive plan*

On September 30, 2004, the shareholders of the Company approved the establishment of an equity incentive plan whereby up to 6% of the outstanding common shares of the Company may be issued annually to certain new or existing employees of the Company as a means of attracting and retaining exceptional employees.

In connection with listing the Company's common shares on the TSX Venture Exchange, the Company terminated its Equity Incentive Plan. Awards under the EIP which were outstanding and unvested as of March 15, 2012, continue to vest in accordance with the terms of the respective awards and the terms of the EIP, subject to a maximum aggregate of 1,546,063 common shares. No new awards may be granted under the EIP.

(d) *Employee share purchase plan*

On September 25, 2006, the shareholders of the Company approved the establishment of an employee share purchase plan ("ESPP"). The ESPP allows qualifying employees to purchase common shares of the Company equal to 8% of their annual compensation to a maximum amount of $8,000 per year, unless the Board of Directors waives the individual maximum. The Company matches the number of shares purchased at no additional cost to the employee over a three-year vesting period. At March 31, 2012, 899,987 matching shares were issuable under the ESPP, from August 1, 2012 to February 1, 2015.

(e) *Financings*

During the quarter ended June 30, 2011, the Company raised gross proceeds of $1,325,850 by issuing 4,416,166 shares pursuant to a short form prospectus offering dated February 25, 2011.

During fiscal 2011, the Company raised gross proceeds of $120,354 upon the completion of a private placement consisting of 364,710 units. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.45 until April 27, 2012. Of the total proceeds, $100,369 was ascribed to capital stock and $19,985 was ascribed to warrants (Note 13(h)).

Also during 2011, the Company raised gross proceeds of $2,000,000 by issuing 6,666,667 shares pursuant to a short form prospectus offering dated February 25, 2011. In connection with the offering, the Company also issued 4,718,331 shares to settle $1,415,500 of outstanding debt.

(f) *Reduction in stated capital*

On September 1, 2011 the shareholders approved a reduction in the stated capital of the Company in the amount of $4,290,348. The reduction of share capital resulted in a reduction of the Company's deficit by a corresponding amount.

(g) *Earnings per share data*

The weighted average number of common shares outstanding, used in computing basic gain (loss) per common share for the respective years were:

March 31, 2011	13,062,890
March 31, 2012	30,570,403

The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

(h) *Warrants:*

Warrant activity for the year April 1, 2010 to March 31, 2012, is summarized as follows:

	#	$
Balance, April 1, 2010	663,912	73,952
Private placement	182,355	19,985
Private placement compensation	19,364	2,571
Prospectus financing compensation	326,400	40,058
Balance, March 31, 2011	1,192,031	136,566
Prospectus financing compensation	191,348	22,263
Expired	(663,912)	
Balance, March 31, 2012	719,467	158,829

The following is a summary of outstanding warrants as at March 31, 2012:

	Number	Exercise Price	Expiry Date
Private placement	182,355	$0.45	April 27, 2012
Private placement compensation	12,910	$0.44	April 27, 2012
Private placement compensation	6,454	$0.45	April 27, 2012
Prospectus financing compensation	326,400	$0.30	March 30,2013
Prospectus financing compensation	126,000	$0.30	April 21,2013
Prospectus financing compensation	65,348	$0.30	May 26,2013
	719,467		

(i) *Contributed surplus:*

Contributed surplus activity for the year April 1, 2010 to March 31, 2012, is summarized as follows:

Balance, April 1, 2010	$ 1,994,404
Employee equity incentive plan	151,382
Employee share purchase plan	20,818
Balance, March 31, 2011	2,166,604
Employee equity incentive plan	(192,057)
Employee share purchase plan	(924)
Balance, March 31, 2012	$ 1,973,623

13. CAPITAL MANAGEMENT

The Company requires capital to fund existing and future operations and meet regulatory capital requirements. The Company's policy is to maintain adequate levels of capital at all times.

The Company's capital structure includes the following:

	March 31, 2012	March 31, 2011	April 1, 2010
Short-term loans payable	$ 760,927	$ 395,000	$ 3,150,000
Shareholder's equity comprised of:			
Share capital	2,807,960	5,218,834	1,317,734
Warrants	158,829	136,566	73,952
Contributed surplus	1,973,623	2,166,604	1,994,404
Deficit	(4,209,895)	(4,290,348)	(2,968,329)
	$ 1,491,444	$ 3,626,656	$ 3,567,761

The Company's objectives when managing capital are to (i) provide financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern; (ii) maintain a capital structure which allows the Company to respond to changes in economic and marketplace conditions and affords the Company the ability to participate in new investments; (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders equal with the level of risk; (iv) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk; and (v) meet the regulatory requirements of IIROC.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by: (i) realizing proceeds from the disposition of its investments; (ii) utilizing leverage in the form of margin loans on its investments; (iii) raising capital through loans from third party investors who seek to participate in investment opportunities; and (iv) raising capital through the issuance of securities.

The Company's investment dealer subsidiary, Northern Securities, is subject to rules of IIROC, which require Northern Securities to maintain a certain level of regulatory capital. IIROC Dealer Member Rule 17.1 sets a minimum capital requirement for each firm based on its size and business model to ensure that the investment dealer not only has capital available to cover known risks but also excess capital to cover unforeseen risks. IIROC's minimum capital requirements are aimed at ensuring that investment dealers do not assume excessive leverage or engage in business practices which expose them to too much risk. This capital was provided by the Company and is eliminated upon consolidation as a loan between the parent and subsidiary. As at March 31, 2012, the amount of this loan is $12,000,000 (2011 - $12,690,000). Repayment of the loan requires IIROC approval. As at March 31, 2012, the capital of Northern Securities exceeded the requirements of IIROC.

IIROC has advised Northern Securities of alleged deficiencies on Northern Securities part to maintain required regulatory capital in October 2008 in connection with a client accumulation account and in September 2009 in connection with an escrow agreement relating to a new issue loan letter. Northern Securities does not believe there were capital deficiencies. These matters were the subject of a hearing involving Northern Securities and IIROC; however at the hearing IIROC withdrew the allegation concerning the September 2009 capital deficiency. The decision of the Panel has not yet been rendered. On February 9, 2011, in attempting to cover a short position, a trader entered a buy position in error that triggered an intra-day capital deficiency. By the end of the day, Northern Securities had returned to a positive capital position.

To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis.

14. INCOME TAXES

The major components of income tax expense for the year ended March 31 are:

	2012	2011
Current income taxes	$ -	$ -
Deferred income taxes	-	-
Provision for income taxes	$ -	$ -

A reconciliation between income tax provision and the product of accounting for profit multiplied by the Company's domestic tax rates are as follows:

	2012	2011
(Loss) income before taxes	(4,209,893)	(1,322,019)
Tax recovery (expense) statutory tax rates	25%	25%
Expected income tax (recovery) at statutory tax rates	(1,052,473)	(330,505)
Equity loss of associated companies	43,884	(14,123)
Other non-deductable expenses	(22,412)	5,250
	(1,031,001)	(339,378)
Benefit of tax assets not recognized	1,031,001	339,378
	-	-

The enacted or substantially enacted tax rate in Canada is 25% (2011 – 25%); Federal 15% and Ontario 10%.

The following temporary differences and non-capital losses have not been recognized in the financial statements:

	2012	2011
Equipment and intangible assets	$ 4,263,998	$ 4,037,184
Exploration and development	4,232,466	4,232,466
Non-capital losses carried forward	20,466,795	15,494,066
Other	64,095	64,095
Gross future tax assets	$ 29,027,354	$ 23,827,811

As at March 31, 2012 the Company has unutilized non-capital losses that expire as follows:

2014	$ 467,017
2015	724,387
2027	5,382,366
2029	4,098,763
2030	2,710,297
2031	2,111,236
2032	4,972,729
	$ 20,466,795

15. COMMITMENTS

The future minimum annual payments for each fiscal year on equipment and office premises under existing operating leases approximate the following:

Less than 1 year	$1,195,000
1 to 2 years	177,500
2 to 3 years	47,600
3 to 4 years	35,400
4 to 5 years	4,200
	$1,459,700

16. PROVISIONS AND CONTINGENCIES

a) Northern Securities indemnifies Penson for all obligations to pay for securities purchased and to deliver securities sold by clients. In the event of default by any of its clients on payments due on delivery of securities to Penson, Northern Securities has agreed to pay Penson an amount up to its "excess risk adjusted capital".

b) The Company has recorded a provision as at March 31, 2012 of $75,000 (2011 - $nil) relating to an IIROC enforcement proceeding regarding alleged improper trading, failures to correct deficiencies and maintain adequate policies from 2006 to 2010, and incorrect recording of leasehold improvements. These matters form part of a notice of hearing issued by IIROC.

The Company has recorded a provision as at March 31, 2012 of $176,000 (2011 - $176,000) relating to a litigation to which the Company is defendant. The Plaintiff is claiming damages related to an IPO offering.

Balance at April 1, 2010	$ 176,000
Changes/additions during the year	-
Balance at March 31, 2011	176,000
Additions during the year	75,000
Balance at March 31, 2012	$ 251,000

c) The Company is party to legal proceedings in the ordinary course of its operations. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision has been recorded in its financial statements, where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of these matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of these legal actions, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

17. RISK MANAGEMENT

Fair value of financial assets and financial liabilities

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. The fair values of the Company's financial assets and financial liabilities approximate their carrying amounts due to their imminent or short-term maturity.

Market risk

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. The Company is exposed to market risk as a result of its principal trading in equity securities and fixed income securities. Securities held for trading are valued at market and as such, changes in market value affect earnings (losses) as they occur. The Company mitigates its market risk exposure through controls to limit concentration levels and capital usage within its inventory trading accounts. As at March 31, 2012, based on a 1% change in the fair value of the Company's securities, the estimated sensitivity of the Company's net income (loss) was ($7,000) (2011 – ($22,000)), based on a decrease and $7,000 (2011 – $22,000), based on an increase.

Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of the counterparty on its obligation to the Company. The primary source of credit risk is related to the extension of credit to clients, through the use of margin loans, to purchase securities. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. The Company faces potential financial loss if a client does not meet a margin call when the value of securities held as collateral declines and the Company is not able to recover sufficient value from the collateral.

Credit risk is managed by applying credit standards to the counterparties the Company transacts business with, applying limits to client transactions and requiring settlements of security transactions on a cash basis or delivery against payments. The Company also regularly monitors credit exposure. Margin transactions are collateralized by securities in the client's accounts in accordance with limits established by the Company and applicable regulatory requirements. During the year ended March 31, 2012, the Company did not incur any material loss from counterparty default.

As at March 31, 2012, Northern Securities maintained a deposit with Penson in the amount of $1,040,787 (2011 – $1,034,776) (see Note 3) and a cash balance from Penson in the amount of $225,980 (2011 – $1,051,063) included in cash on the Consolidated Statement of Financial Position. It is management's opinion that there is no significant credit risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and fixed income securities held by the Company. The Company holds minimal fixed income securities and does not hedge its exposure to interest rates since the risk is very low. The Company also has issued borrowings that are interest bearing. As at March 31, 2012, based on a 1% change in interest rates, the estimated sensitivity of the Company's net income (loss) was ($8,000), based on an increase and $8,000, based on a decrease.

Foreign exchange risk

Foreign exchange risk is the risk that the market value of financial instruments and the associated revenues will fluctuate due to changes in exchange rates. The Company does not use derivatives to modify the foreign exchange risk. The Company holds minimal financial instruments in foreign currencies.

Liquidity risk

Liquidity risk is the risk that results from the Company's potential inability to meet its financial obligations as they come due. The Company generates cash flow primarily from its commission and fee based businesses as well as its investments.

The Company manages liquidity risk by reviewing the amount of cash available, on a daily basis, to ensure that it can meet its current obligations. The Company holds investments, which can be readily converted into cash when required.

The contractual maturities of the Company's significant financial liabilities and contractual commitments as at March 31, 2012, on an undiscounted basis are shown in the following table:

Payments Due by Period

Contractual Obligations	Total	Less than 3 months	3 months to less than 6 months	6 months to 1 year	1 to 3 years	4 to 5 years	After 5 years
Debt	$ 760,927	$760,927	-	-	-	-	-
Settlement Liability	$ 581,000	$ 21,000	$ 21,000	$ 42,000	$ 168,000	$168,000	$161,000
Operating Leases	$1,459,700	$341,600	$323,200	$530,200	$ 225,100	$ 39,600	-
Total	$2,801,627	$1,123,527	$344,200	$572,200	$393,100	$207,600	$161,000

18. RELATED PARTY TRANSACTIONS

The Company had related party transactions with directors or officers of the Company, or companies with which they were associated, which were in the normal course of operations and were measured at the exchange amounts as follows:

a) Northern Securities Inc. acted as a financial advisor for Lakeside Steel Inc. ("Lakeside") and also participated as a member of an underwriting syndicate to raise capital for Lakeside. The total fees and commission paid to Northern Securities Inc. was $726,261 (2011 - $357,861). The CEO and Chairman of the Company is also Chairman of Lakeside.

b) Northern Securities acted as investment advisor and financial advisor with respect to Jaguar receiving commissions and fees in the amount of $854,896 (2011 - $141,464). Northern Securities also received 2,000,000 common shares under Jaguar's equity compensation plan, which were recorded at fair value of $140,000. Northern Securities also recovered certain operating expenses from Jaguar in the amount of $320,503 (2011 - $343,763). As at March 31, 2012, an amount of $60 (2011 - $nil) was receivable from Jaguar and an amount of $25,000 (2011 - $35,291) was payable to Jaguar.

c) Northern Securities paid a corporation controlled by an officer and director of the Company, $402,064 (2011 - $65,247) for services rendered in the completion of certain transactions entered into by Northern Securities.

As at March 31, 2012, the Company had a $390,927 ($2011 - $75,000) promissory note outstanding from Jaguar and a $20,000 (2011 - $20,000) promissory note outstanding from an officer of Northern Securities. The note is recorded in short-term loans payable in the statement of financial position.

All of the above transactions are in the normal course of operations and are recorded at the exchange amounts, being the amounts established and agreed to by the related parties.

Compensation to key management personnel

Compensation due to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

	2012	2011
Compensation	$1,106,249	$1,005,082

19. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

	2012	2011
Interest paid	$ 293,701	$ 695,898
Cash consists of the following		
Cash	$ 136,035	$ 169,635
Cash at carrying broker	225,980	1,117,288
Total	$ 362,015	$ 1,286,923

20. OPERATING SEGMENT INFORMATION

The management of the Company is responsible for the entire operations of the Company and considers the business to have a single operating segment.

The internal reporting provided to the management of the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the year ended March 31, 2012.

21. TRANSITION TO IFRS

The Company has adopted IFRS effective April 1, 2011. For all periods up to and including the year ended March 31, 2011, the Company prepared its financial statements in accordance with Canadian GAAP. The financial statements for the year ended March 31, 2012 are the first the Company has prepared in accordance with IFRS. In preparing the Company's first annual consolidated financial statements under IFRS, the Company has used the standards in effect as at March 31, 2012.

In preparing these financial statements, the opening consolidated statement of financial position was prepared as at April 1 2010, the Company's date of transition to IFRS. These financial statements have been prepared in accordance with the accounting policies described in note 2. This note explains the principal adjustments made in restating the previous Canadian GAAP balance sheet as at April 1, 2010 and its previously published Canadian GAAP financial statements for the year ended March 31, 2011.

(a) Exemptions applied:

IFRS requires full retrospective application of applicable accounting standards. IFRS 1, First time Adoption of International Financial Reporting Standards ("IFRS 1") does, however, provide entities adopting IFRS for the first-time with a number of optional exemptions and mandatory exceptions to this general requirement. The Company has elected to apply the following exemptions:

i) The Company has elected not to apply IFRS 3 and retrospectively restate business combinations entered into prior to April 1, 2010.

ii) The Company has elected not to apply IFRS 2 "Share-Based Payments", to equity instruments granted on or before November 7, 2002 or which vested before the Company's transition date. The Company has also elected not to apply IFRS 2 to liabilities arising from share-based transactions that settled before the transition date.

iii) In accordance with the mandatory exceptions to retrospective restatement under IFRS 1, hindsight was not used to create or revise estimates at the transition date and accordingly the estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS, except where necessary to reflect any difference in accounting policies.

(b) Reconciliations:

The reconciliations between the previously reported financial results under Canadian GAAP and the current reported financial results under IFRS are provided as follows:

i) reconciliation of the statement of financial position and equity as at April 1, 2010;

iii) reconciliation of the statement of financial position and equity as at March 31, 2011.

iv) reconciliation of the statement of operations and comprehensive income for the year ended March 31, 2011; and

v) reconciliation of the statement of cash flows for the year ended March 31, 2011.

All reconciliations relating to the periods highlighted above are due to reclassifications only. The Company had no IFRS adjustments that impacted income, comprehensive income, or equity.

The following are the notes to the reconciliations presented below:

1. Adjustment required to reclassify payable and receivable from the same counter party which were previously netted.
2. Adjustment required to reclassify from current assets to non-current asset under the same asset class. Under Canadian GAAP investment in associated company was classified as a current asset the same as any other investment in common shares of any other company over which the Company is deemed not to have significant influence. Under IFRS, IAS 28 requires investments in associates to be presented as non-current assets.
3. Adjustment to reclassify amounts recorded in accounts payable and accrued liabilities to provisions.

The Company has chosen to reclassify the items relating to notes 3 and 4. The reclassification of these items is not as a result of IFRS.

4. Adjustment required to reclassify payable and receivable which were previously netted.
5. Adjustment required to reclassify from capital assets to new name property, plant and equipment.

(i) The following is a reconciliation of the consolidated statement of financial position as at April 1, 2010:

	Notes	CGAAP	IFRS adjustment	IFRS
Assets				
Current assets				
Cash and cash equivalents	**1.**	$1,315,509	$ 79,331	$1,394,840
Deposit with carrying broker		1,030,484	-	1,030,484
Securities owned		1,723,769	-	1,723,769
Investment in associated company	**2.**	979,119	(979,119)	-
Accounts receivable		196,079	-	196,079
Forgivable loans		32,164	-	32,164
Prepaid expenses and deposits		114,786	-	114,786
Commodity taxes recoverable	**4.**	26,629	17,968	44,597
Total current assets		5,418,539	(881,820)	4,536,719
Non-current assets				
Investment in associated company	**2.**	-	979,119	979,119
Other assets		115,106	-	115,106
Capital assets	**5.**	1,047,891	(1,047,891)	-
Property, plant and equipment	**5.**	-	1,047,891	1,047,891
Intangible assets		3,365	-	3,365
Total non-current assets		1,166,362	979,119	2,145,481
Total assets		$6,584,901	$ 97,299	$6,682,200
Liabilities				
Current liabilities				
Short-term loans payable		$3,150,000	$ -	$3,150,000
Accounts payables and accrued liabilities	**1,3.**	2,521,280	(96,669)	2,424,611
Provisions	**3.**	-	176,000	176,000
Securities sold short		240	-	240
Commodity taxes payable	**4.**	-	17,968	17,968
Settlement liability		67,619	-	67,619
Total current liabilities		5,739,139	97,299	5,836,438
Non-current liabilities				
Settlement liability		428,001	-	428,001
Total liabilities		6,167,140	97,299	6,264,439
Shareholders' Equity				
Share capital		1,317,734	-	1,317,734
Warrants		73,952	-	73,952
Contributed surplus		1,994,404	-	1,994,404
Accumulated other comprehensive income		-	-	-
Deficit		(2,968,329)	-	(2,968,329)
		417,761	-	417,761
		$6,584,901	$ 97,299	$6,682,200

(ii) The following is a reconciliation of the consolidated statement of financial position as at March 31, 2011:

	Notes	CGAAP	IFRS adjustment	IFRS
Assets				
Current assets				
Cash and cash equivalents	**1.**	$ 1,220,698	$ 66,225	$ 1,286,923
Deposit with carrying broker		1,034,776	-	1,034,776
Securities owned		2,199,129	-	2,199,129
Investment in associated company	**2.**	901,048	(901,048)	-
Accounts receivable		116,411	-	116,411
Forgivable loans		36,886	-	36,886
Prepaid expenses and deposits		110,044	-	110,044
Commodity taxes recoverable	**4.**	6,216	38,381	44,597
Total current assets		5,625,208	(796,442)	4,828,766
Non-current assets				
Investment in associated company	**2.**	-	901,048	901,048
Other assets		152,031	-	152,031
Capital assets	**5.**	832,950	(832,950)	-
Property, plant and equipment	**5.**	-	832,950	832,950
Intangible assets		-	-	-
Total non-current assets		984,981	901,048	1,886,029
Total assets		$6,610,189	$ 104,606	$6,714,795
Liabilities				
Current liabilities				
Short-term loans payable		$ 395,000	$ -	$ 395,000
Accounts payables and accrued liabilities	**1,3.**	2,553,432	(109,775)	2,443,657
Provisions	**3.**	-	176,000	176,000
Securities sold short		2,100	-	2,100
Commodity taxes payable	**4.**	-	38,381	38,381
Settlement liability		34,496	-	34,496
Total current liabilities		2,985,028	104,606	3,089,634
Non-current liabilities				
Settlement liability		393,505	-	393,505
Total liabilities		3,378,533	104,606	3,483,139
Shareholders' Equity				
Share capital		5,218,834	-	5,218,834
Warrants		136,566	-	136,566
Contributed surplus		2,166,604	-	2,166,604
Accumulated other comprehensive income		-	-	-
Deficit		(4,290,348)	-	(4,290,348)
		3,231,656	-	3,231,656
		$6,610,189	$ 104,606	$6,714,795

(iii) The following is a reconciliation of the statement of operations and comprehensive loss for the year ended March 31, 2011:

	Notes	CGAAP	IFRS adjustment	IFRS
Revenues				
Commissions		$6,268,739	$ -	$6,268,739
Corporate finance and advisory		3,814,730	-	3,814,730
Broker warrants		1,991,257	-	1,991,257
Trading		(282,745)	-	(282,745)
Interest		303,606	-	303,606
Other		60,420	-	60,420
		12,156,007	-	12,156,007
Operating Expenses				
Brokerage operations		11,121,016	-	11,121,016
General and administrative		1,523,315	-	1,523,315
Interest expense		630,514	-	630,514
Depreciation and amortization		224,710	-	224,710
		13,499,555	-	13,499,555
Net loss from operations		(1,343,548)	-	(1,343,548)
Share of earnings of Jaguar Financial Corporation		56,495	-	56,495
Loss on sale of Jaguar Financial Corporation		(34,966)		(34,966)
Loss before income taxes		(1,322,019)	-	(1,322,019)
Income taxes		-	-	-
Net loss and comprehensive loss		$(1,322,019)	$ -	$(1,322,019)

(iv) The following is a reconciliation of the statement of cash flows for the year ended March 31, 2011:

	Notes	CGAAP	IFRS adjustment	IFRS
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss		$(1,322,019)	$ -	$(1,322,019)
Items not affecting cash			-	
Depreciation and amortization		224,710	-	224,710
Share of (earnings) of associated company		(56,495)	-	(56,495)
Loss on sale of investment in associated company		34,966	-	34,966
Equity incentive / employee share purchase plans		823,474	-	823,474
Compensation warrants issued		42,629	-	42,629
		(252,735)	-	(252,735)
Changes in non-cash working capital balances				
Securities owned and sold short		(473,500)	-	(473,500)
Accounts receivable		79,668	-	79,668
Prepaid expenses, deposits, and forgivable loans		(36,905)	-	(36,905)
Commodity taxes recoverable		20,413	-	20,413
Accounts payable and accrued liabilities and provisions	**1.**	32,152	(13,106)	19,046
Settlement liability		(67,619)	-	(67,619)
Cash flows used in operating activities		(698,526)	(13,106)	(711,632)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of capital assets		(6,404)	-	(6,404)
Disposition of investment in associated company		99,600		99,600
Deposit with carrying broker		(4,292)	-	(4,292)
Cash flows used in investing activities		88,904	-	88,904
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from financings		3,229,778	-	3,229,778
Proceeds from employee share purchase plan		143,910		143,910
Repurchase of shares for reissue		(103,877)	-	(103,877)
Decrease in short term loans		(2,755,000)	-	(2,755,000)
Cash flows from financing activities		514,811	-	514,811
Decrease increase in cash		(94,811)	(13,106)	(107,917)
Cash beginning of year	**1.**	1,315,509	79,331	1,394,840
Cash end of year	**1.**	$ 1,220,698	$66,225	$ 1,286,923

22. SUBSEQUENT EVENTS

On April 16, 2012, May 7, 2012, and June 12, 2012, the Company issued 180,180, 92,593, and 107,528 shares respectively under the Equity Incentive Plan.

On April 20, 2012, the Company sold 3,400,000 of the 14,004,315 common shares that it held in Jaguar for gross proceeds of $187,000, which resulted in a gain of approximately $8,000. The shares were purchased by directors of the Company, and reduced the Company's holdings to 9.8%.

On April 26, 2012, the Company secured debt financing in the amount of $400,000. $300,000 of the loan matures on July 26, 2012, and the remainder matures on August 26, 2012. The loan bears interest at a rate of 12% and is secured by certain guarantees provided personally by the Chairman and Chief Executive Officer of the Company.

On June 29, 2012, the Company completed a private placement consisting of 4,000,000 common shares at a price of $.05 per common share for gross proceeds of $200,000.

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