NORTHERN FINANCIAL CORPORATION

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED JUNE 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 28, 2013

Recent Events

Northern Financial Corporation ("Northern" or the "Company") wholly owns Northern Securities Inc. ("Northern Securities" or "NSI"), a suspended member firm of the Investment Industry Regulatory Organization of Canada ("IIROC"). Prior to December 31, 2012 the Company carried on a traditional brokerage and investment banking business. Effective December 31, 2012, NSI ceased carrying on its brokerage business because it could not secure an alternative carrying broker when Penson Financial Services Canada Inc. ("Penson") terminated its carrying brokerage business in Canada. NSI reached arrangements to transfer its client accounts and investment advisors to other IIROC dealer members by December 31, 2012.

As a result of the termination of its brokerage business, NSI developed a capital deficiency which resulted in NSI being suspended as an IIROC dealer member on March 19, 2013. As a result of the suspension, the Company carried on the business of mergers and acquisitions ("M&A"), restructurings, proxy solicitations and merchant banking as and from March 19, 2013. Effective May 1, 2013, concurrently with the move to a new downsized Toronto office location, this business was carried on under the name Added Capital, a Division of the Company. The Company intends to change its name to Added Capital Inc., if shareholder approval is obtained at the next meeting of shareholders to take place on September 27, 2013.

The four person team at Added Capital also provides services to Jaguar Financial Corporation ("Jaguar"), a merchant bank in which Vic Alboini, Chairman and CEO of the Company, is also the Chairman and CEO. Mr. Alboini and Craig Rogers, Interim CFO of Jaguar, are employees of both the Company and Jaguar.

On March 28, 2012, the common shares of the Company commenced trading on the TSX Venture Exchange under its existing trading symbol "NFC". The Company is listed on the TSX Venture Exchange as a Tier 2 Industrial Issuer. Prior to this date the Company's shares were traded on the Toronto Stock Exchange.

On June 13, 2012, Doug Chornoboy, the Company's Chief Financial Officer resigned to pursue another opportunity. Mr. Chornoboy was subsequently engaged as a consultant by the Company to assist in the preparation of financial statements for the quarterly periods ended June 30, 2012, September 30, 2012 and December 31, 2012 and the fiscal year ended March 31, 2013. In addition, John Brathwaite, the former Vice President Finance of NSI, was engaged by the Company as a consultant to assist in the preparation of relevant financial information for Northern Securities for the fiscal year ended March 31, 2013. At the present time, the Company does not intend to hire a Chief Financial Officer, as this role is being performed on an interim basis by Mr. Alboini, CEO of the Company with the consulting support provided by Mr. Chornoboy and Mr. Brathwaite as required from time to time.

On July 19, 2012, Kyler Wells, the Company's General Counsel, resigned to join a law firm.

Forward-Looking Statements

This Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of the Company are the views of management and should be read in conjunction with the audited financial statements and related notes for the three months ended June 30, 2013, compared to the three months ended June 30, 2012.

The Company's Audit Committee and Board of Directors have reviewed and approved the MD&A.

This MD&A contains "forward-looking statements" that reflect Northern's current expectations and projections about its future results. When used in this MD&A, forward looking statements can be identified by the use of words such as "estimate", "consider", "expect", "anticipate", "objective" and similar expressions or variations of such words. Forward looking statements are, by their very nature, not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Northern's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements. No representation or warranty is intended with respect to anticipated future results, that estimates and projections will be sustained or that any project will otherwise prove to be economic.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The Need for a Financial Restructuring

Prior to December 31, 2012, the Company carried on a traditional brokerage investment banking business through NSI providing financial advisory services to retail and institutional clients and investment banking services to small capitalization companies. This business generated revenue from commissions and advisory fees earned on investment banking activities, and commissions from institutional sales and trading and retail investment advisors. The Company also carries on a merchant banking business as well as an M&A and restructuring advisory business and proxy solicitation business.

Northern Securities assigned its client accounts to other brokerage firms pursuant to a consent order, agreed upon by IIROC and NSI, issued by an IIROC Hearing Panel ("Order") on December 14, 2012. The Order was issued as a result of NSI being unable to obtain an alternative carrying broker or other alternative arrangement to replace Penson, which discontinued its carrying broker business as of December 31, 2012.

Penson is being liquidated pursuant to a court order. NSI has filed a claim in the liquidation proceeding against Penson for damages as a result of the failure of Penson to provide NSI with 180 days' notice of the termination of its carrying brokerage contract with NSI, which directly led to the loss of the NSI brokerage business and the suspension of NSI as an IIROC dealer member as noted below. The claim in damages by NSI also relates to conversion of the Penson back office system which led to client losses and loss of revenue to NSI. The NSI claim is also made to recover its security deposit which Ernst & Young, the liquidator for Penson, has failed to return to NSI.

As a result of the loss of its brokerage business effective December 31, 2012, NSI developed a capital deficiency. The capital deficiency led to NSI and IIROC entering into a settlement agreement to terminate NSI's IIROC membership effective March 19, 2013. After June 30, 2013, either IIROC or Northern Securities may apply to an IIROC Hearing Panel to terminate NSI's IIROC membership.

As a result of the settlement agreement with IIROC, the Company no longer carries on business through Northern Securities. The Company has limited its activities to an M&A advisory business, a restructuring advisory business, proxy solicitation and merchant banking, which businesses are carried out under a Division of the Company called Added Capital effective May 1, 2013. At the Company's next meeting of shareholders scheduled in September 2013, the Company intends to seek shareholder approval to change its name to Added Capital Inc. The most important change to the Company's business is the termination of its retail brokerage and institutional sales businesses and its corporate finance business. The termination of these businesses has resulted in a substantial reduction in the Company's revenue. At the same time the retail brokerage and institutional sales businesses were unprofitable in recent quarterly periods.

The Company has four employees as at August 28, 2013, which has resulted in a substantial reduction of general and administrative expenses, and at the same time a substantial reduction in revenue. The Company has a modest expected annual payroll of $220,000 for its four person team. Its new Toronto office location is substantially downsized from its previous Toronto location. The Company surrendered leases in Vancouver, Calgary and Brandon, Manitoba at no cash cost to the Company, although the Company transferred all of its property and equipment to the landlords at no cost. The Company's objective is to build advisory and merchant banking businesses that are profitable.

The Company intends to seek regulatory and shareholder approval for the restructuring of its debt. The Company has provided certain primary lenders with the option of receiving a cash payment equal to 20% of the principal amount outstanding (the "cash offer") or a payment in common shares equal to the principal amount owing and the accrued interest (the "share offer"). The cash offer and share offer was extended to a judgment creditor who was owed $504,000 and the judgment creditor accepted the cash offer. On August 28, 2013 the Company made a payment of $100,800 to the judgment creditor which represented 20% of the debt. The settlement payment to the creditor was financed by a loan of $100,800 provided to the Company by Vic Alboini, Chairman and CEO.

The Company also announced on August 28, 2013 changes to its $200,000 secured loan. The maturity date of the $200,000 secured loan has been extended to April 6, 2014, the interest rate has been reduced to 10% effective October 6, 2013, and the accrued interest owing is payable on October 6, 2014, and the lender has agreed that once the principal amount is fully paid, no interest will be payable on the amount of the accrued interest outstanding as long as the accrued interest is paid by October 6, 2014. The Company has paid down $50,000 of the original $250,000 principal amount.

The Company also announced that the unsecured lenders who are owed $200,000 and $570,759 have agreed to waive all historical and future accrued interest so that the amounts owing are limited to the respective principal amounts. The lender of $570,759 is Mr. Alboini. The Company has not yet had an opportunity to finalize a restructuring of a $500,000 unsecured loan owing to a third lender who is a former director and current shareholder of the Company.

During the quarter ended June 30, 2013, Jaguar, which was a creditor of the Company, accepted the cash offer and was paid approximately $108,000 to settle an amount owing of $541,000 plus accrued interest. Jaguar is a related party as Mr. Alboini, Chairman and CEO of the Company, is also CEO of Jaguar. The decision for Jaguar to accept the cash offer was made by the independent directors of Jaguar.

Given the above restructuring developments, the Company is not expected to proceed with a share consolidation of one new share for up to 20 old shares.

The financial restructuring of the Company is voluntary and informal. A voluntary or informal restructuring means that the Company has not made a filing under the *Companies Creditors Arrangement Act* or under the *Bankruptcy and Insolvency Act*. Therefore the proposed restructuring is proposed to be completed on a voluntary basis without the involvement or supervision of a court or monitor. The Company is pleased with the progress made in the financial restructuring as described above.

In addition to the primary creditors of the Company who have restructured their debt in the Company, the Company and NSI have unsecured debt owing to its vendors and suppliers. In the case of these creditors, the Company has offered those creditors that are owed less than $1,000 full repayment over a two year period; those creditors that are owed up to $20,000 are offered the greater of $1,000 and $0.20 on the dollar of debt payable over a two year period; and those creditors that are owed more than $20,000 are offered the greater of $4,000 and $0.15 on the dollar of debt payable over a two year period. The amounts payable over a two year period are conditional upon the Company and NSI having available cash resources to make the required restructuring payments.

To date the Company has restructured accounts payable of $272,147 resulting in a write-down of $214,420. In addition, the Calgary and Toronto office leases were surrendered without any cash payments made by NSI; however NSI transferred its ownership of the property and equipment to the landlords at no cost. The Toronto office lease expired on April 30, 2013 with an amount owing to the landlord of $117,000. The Brandon, Manitoba office was transferred to the brokerage firm that acquired the client accounts and investment advisors associated with the Brandon office.

In order to meet its obligations on a continuing basis, the Company sold 5,900,000 Jaguar shares during the quarter for total proceeds of $177,000. The Company now owns 6,020,315 Jaguar shares. If disinterested shareholder approval is obtained at the annual general meeting of shareholders on September 27, 2013, and if regulatory approval is obtained, Mr. Alboini has agreed to waive repayment of a recent loan in the amount of $150,000 in return for receiving 6,000,000 Jaguar shares from the Company at the market value of $0.025 per share for a total value of $150,000.

Need for Profitable Operations

Due to a lack of investor interest in small-cap stocks, numerous small-cap companies are unable to execute on their growth plans in the manner they have in the past. Many of these companies are in need of assistance in areas such as finance, operations, investor relations, and governance. The Company has acted as an involved investor, assisting companies to improve their ability to meet their growth targets and better prepare them for public investment. The Company's team has experience to prepare companies for the capital markets; the team's plan for its clients would monetize this knowledge.

The best example in the team's history of this type of engagement is Lakeside Steel Inc. ("Lakeside"), where an investor group led by the Company purchased shares of Lakeside, then a private company, the team arranged for turnaround management to be put in place and took an active role on the Board. Lakeside was taken public by NSI in a financing that strengthened Lakeside's balance sheet. After the turnaround, Lakeside subsequently hired a very good CEO with the substantial involvement of the team, and raised $45 million in two rounds of financing, led by a highly respected independent investment bank, which allowed Lakeside to pursue an aggressive growth plan in the United States. Subsequently, Lakeside was sold to a large steel company in the U.S.

Revenue opportunities for Northern may include fees paid for management services, fees for acting as a director, fees for a liquidity event for shares or warrants received in connection with an engagement.

The team has substantial experience in M&A, restructurings and proxy solicitations. Traditional M&A includes acting as an advisor to any party to an M&A transaction or acting for the Board of Directors or management or any shareholder. Any M&A service may also involve the preparation of a fairness opinion or valuation.

The team has considerable experience in financial restructurings. More and more companies will require this service if capital markets continue to remain unfavourable to small cap companies.
Proxy solicitation is a low margin business and labour intensive; however, from time to time this service can generate reasonable work and success fees. The Company will continue to offer this service to its clients.

The Company and Jaguar as Related Parties

The Company and Jaguar are related parties. Mr. Alboini owns or controls 13,756,137 shares of the Company, representing 31.1% of the 44,208,375 total issued shares as at July 29, 2013. The Company owns 100% of the issued shares of NSI. Mr. Alboini is CEO of NSI, but is no longer active in this role because NSI has been suspended as a Dealer Member at IIROC pursuant to a Settlement Agreement entered into between IIROC and NSI and approved by an IIROC Hearing Panel on March 19, 2013. Accordingly, NSI is no longer active in carrying on its former business as an investment bank and brokerage firm with the exception of the M&A advisory and restructuring businesses, the merchant banking and proxy solicitation businesses which are carried on by Added Capital, a Division of the Company.

Prior to the suspension of NSI, the Company contributed substantial capital to NSI in the form of equity and subordinated debt. Mr. Alboini has made substantial investments in equity and debt in Northern which was used to finance Northern and in turn to finance NSI. Therefore Mr. Alboini has played an historical role in providing capital through Northern to NSI. At the present time, Mr. Alboini has provided capital to the Company to assist in financing its businesses; however given the suspension of NSI the Company will not be providing any capital to NSI.

The Company has participated in investments such as the investment in Jaguar and Lakeside. Lakeside was sold in April 2012.

Mr. Alboini owns or controls 17,267,238 shares of Jaguar. Northern owns 6,020,315 Jaguar shares. There are 109,103,830 issued Jaguar shares and accordingly Mr. Alboini and Northern own and control a total of 23,287,553 Jaguar shares, representing 21.3% of the total issued Jaguar shares. At the annual meeting of shareholders on September 27, 2013, the Company intends to seek approval from disinterested shareholders for the transfer of 6,000,000 Jaguar shares to Mr. Alboini to satisfy his $150,000 loan made to the Company, as noted above.

Mr. Alboini is Chairman and CEO of Jaguar and his responsibility and role is to carry out the business focus and mission of Jaguar. Jaguar is a Canadian merchant bank generally investing in undervalued, overlooked and underappreciated public companies where Jaguar determines that one or more changes could be made to create shareholder value. The approach taken by Jaguar is to work with the management team and Board of Directors of the company to create shareholder value, or to create additional shareholder value over and above the shareholder value created by a third party in an announced transaction. The changes could include, among many other possible alternatives, a change in strategy, a financial restructuring involving changes to the capital structure such as the retirement of debt or an equity financing, the declaration of a dividend, an issuer bid by the company, a sale of non-core assets, a sale of the company, the addition of one or more directors on the Board, a change in management, or a merger or acquisition transaction. Jaguar has made friendly supportive investments in companies such as Lakeside, Royal Laser Corp. and WGI Heavy Minerals Inc. where Mr. Alboini was a director and participated in strategic changes made by the Boards of these companies that resulted in the creation of shareholder value. Most recently, Jaguar made an investment in Thallion Pharmaceuticals Inc. (“Thallion”) and supported an offer made by BELLUS Health Inc. (‘BELLUS”) to acquire Thallion, and Mr. Alboini was appointed to the Thallion Board. The sale of Thallion to BELLUS was completed on August 21, 2013.

Jaguar was also instrumental in creating value for companies such as Century II Holdings Inc., HudBay Minerals Inc., Virtek Vision International Inc., Kinbauri Gold Corp. and Thallion Pharmaceuticals Inc. that were already the subject of transactions designed to create value for shareholders, and in this environment Jaguar assisted in creating additional shareholder value.

The Company’s team has a reputation for creative client solutions, a familiarity with small cap issuers and their needs, a network of relationships with issuer companies and management teams, and high net worth and institutional investors. These professionals have well rounded experience that consists of financial, capital markets and legal experience.

Governance Agreement Between Northern and Jaguar

Northern and Jaguar entered into an agreement (the “Governance Agreement”) dated October 12, 2007 to address potential or actual conflicts of interest between Jaguar and the Company in the course of Jaguar’s merchant banking business. The Governance Agreement recognized that the Company may provide services from time to time to Jaguar in connection with Jaguar’s merchant banking business. Any payments made to the Company require the approval of the Compensation and Governance Committee of Jaguar which consists solely of independent directors. This Committee must be satisfied that the proposed payments are reasonable for the services provided.

The Governance Agreement permits Jaguar to make an override payment to Northern in an amount of up to 25% of any realized gain from any investment by Jaguar. The Compensation and Governance Committee has the authority to make any such override payments. An override payment may be made if there is involvement by any employee of the Company in a Jaguar investment other than Mr. Alboini’s involvement as Mr. Alboini is an employee of Jaguar.

Prior to the termination of its brokerage business, NSI acted as investment advisor to Jaguar in connection with its purchases and sales of securities on the facilities of the Toronto Stock Exchange and TSX Venture Exchange. Northern Securities would receive commissions from Jaguar for the trading by Jaguar in securities. Jaguar, as a client of Northern Securities, paid NSI commissions of $331,263 in fiscal 2012 and $84,498 in fiscal 2013 on the purchase and sales of securities. Effective December 31, 2012, Northern Securities no longer acted as an investment advisor to Jaguar.

Jaguar paid Northern Securities $10,000 in fees for fiscal 2013 prior to the suspension of NSI as a Dealer Member of IIROC and $523,633 for fiscal 2012. The fees for fiscal 2012 were comprised of $10,000 for proxy solicitations for Jaguar's Annual General Meeting of shareholders, $50,000 for a work fee relating to a Jaguar investment and $463,633 relating to a success fee on Jaguar's sale of the investment. The fee represented 25% of Jaguar's net gain on the investment, less the $50,000 work fee previously paid to Northern Securities. Jaguar will not be making any fee payments to NSI in the future. Jaguar may however pay the Company work fees or performance fees on investment opportunities pursued by Jaguar. In the quarter ended June 30, 2013, Jaguar paid Northern $4,000 for proxy solicitation services, which was paid for by $2,000 in cash and $2,000 in a credit against the amounts owed to Jaguar by the Company.

Under Jaguar's Equity Incentive Plan, as a result of the substantial work undertaken by NSI on behalf of Jaguar in investment opportunities where NSI did not receive any compensation, the Jaguar independent directors approved the issuance of 5,300,000 shares to Northern Securities, 2,000,000 on April 29, 2010, 2,000,000 on April 29, 2011, and 1,300,000 on April 29, 2012. No further Jaguar shares will be issued to the Company under the Equity Incentive Plan.

Jaguar shares premises with the Company at its new office location effective May 1, 2013 and the Company recovers a small portion of its rent from Jaguar.

Jaguar Investments in 2008 and Relationship with NSI

The Company was selected by staff of the Ontario Securities Commission ("OSC") for a full review of its continuous disclosure record. The Company has provided responses to OSC staff on questions raised and comments made. As a result of the review by OSC staff, the Company has included those responses requested by OSC staff for inclusion in this MD&A. One of the matters raised by OSC staff related to the IIROC Hearing Panel decision which is referred to under "Regulatory Matters" in this MD&A. OSC staff stated the following: "The disciplinary decision of IIROC indicates that at the expense of NSI (and its capital) Jaguar was able to use capital that it did not otherwise have available to it. Please explain in detail the impact of these transactions on NSI. Were the transactions considered loans, pledges, guarantees or other? Please explain." As the IIROC Hearing Panel decision is before the OSC, the Company wished to indicate the reason for the following disclosure of the Jaguar investments in 2008, namely a request by OSC staff which the Company fully supports for disclosure.

In September 2008, the full impact of the global financial crisis was realized with the failure to save Lehman Brothers. Share prices plummeted and there was a window of opportunity for Jaguar to invest in companies whose market capitalizations were less than their redundant cash resources or net asset values. Jaguar made various investments in substantially undervalued companies during the period from August 2008 to December 2008. Some of the investments were made solely by Jaguar and, for other investments where Jaguar required outside capital, Jaguar, through Mr. Alboini, solicited funds from accredited investors with whom Mr. Alboini had longstanding relationships.

For investments made by Jaguar in which capital was provided by accredited investors, Jaguar opened a separate investment account at NSI for administrative and reporting purposes, there were no investment transactions between Jaguar and NSI or between Jaguar and the Company. Three such investments with outside investors were Virtek Vision International, Tiomin Resources Inc., and HudBay Minerals Inc.

In the Virtek investment, Jaguar invested by borrowing funds from two accredited investors and other accredited investors invested in the equity of the investment. The lenders were entitled to an interest rate and a share of the investment gain. The equity investors were entitled to a share of the investment gain on a sale of the investment or a share of the net cash resources of Virtek if Jaguar acquired all of the outstanding shares of Virtek. As Virtek was already the subject of a take-over bid and therefore "in play", there was significantly less risk that this investment opportunity would be unprofitable. Ultimately, the investment in Virtek was profitable and the equity investors realized a 46% annualized investment return in accordance with the terms of their investor agreements.

After the investment in Virtek, Mr. Alboini determined that in future investments in which outside investors participated, the overriding priority was that investors would have no downside risk in the investments. Therefore, in the Tiomin investment, accredited investors made loans to Jaguar and were paid a nominal interest rate, receive a return of the principal amount of their loans and would share in any gain on the sale of the investment. If there was no gain on the investment, the lenders would receive a return of their principal and a nominal interest rate. There was no gain in the Tiomin investment and the lenders received a return of their principal and interest.

In the HudBay investment, the outside investors were lenders who realized a 117% annualized investment return.

In all of the Jaguar investments, there were no investments made by NSI or the Company. NSI acted as an investment advisor to Jaguar, Jaguar was a client of NSI and paid NSI brokerage commissions for the purchase of shares in Virtek, Tiomin and HudBay.

For the investments where accredited investors participated, Jaguar entered into an investor agreement with each outside investor which would disclose the risks to accredited investors and a summary of the investment opportunity was provided to each accredited investor based on a review of publicly disclosed information on SEDAR about the particular company. NSI was engaged by Jaguar to act as financial advisor on the investments in Virtek, Tiomin and HudBay. NSI followed normal investment banking practice to maintain confidentiality behind an ethical wall at NSI.

As an example of the risk disclosure, the Virtek Investor Agreement disclosed the following risks to investors:

- Jaguar cautioned Investors that:

  (1) the opportunity was speculative and its success was dependent on a large number of factors, which in many cases were beyond the control of Jaguar;

  (2) as with all substantial reward opportunities there was also substantial risk – Investors could lose some or all of the amounts committed to this opportunity;

  (3) Investors should only invest that portion of their cash resources that they could afford to lose in its entirety;

  (4) Investors should not borrow to invest in the opportunity; and

  (5) there was no assurance that Jaguar would be able to realize a gain for the Investors.

The Tiomin and HudBay Investor Agreements had substantially the same disclosure of risks to the investors. The investor agreements also disclosed conflicts of interest between Jaguar and NSI. In IIROC Notice 10-0028 IIROC requested comments on draft "Requirements and Best Practices for distribution of non-arm’s length investment products.” Northern reviewed the draft Notice and noted that it was already following many of the recommendations. Northern pointed out the following to IIROC:

“We believe that in keeping with the concerns raised in the IIROC Notice that we should provide more complete disclosure of the conflicts of interest among, NSI, NFC and Jaguar despite the availability of such public disclosure on Sedar. Therefore while NSI believes that it has adequately managed any connected issuer conflicts, it is prepared to take additional steps to ensure that the relationships between NSI and Jaguar are also disclosed in any future Jaguar loan agreements for projects.”

Each of the Jaguar investments were Jaguar investments or Jaguar sponsored investments, and were not investments by NSI or sponsored by NSI. NSI had no involvement in the financing of the investments and the investors in Virtek, Tiomin and HudBay were partnering with Jaguar, not NSI. NSI was not involved in soliciting funds from the Jaguar accredited investors, was not engaged by Jaguar to raise the funds and was not paid a commission for the funds that were raised by Jaguar. The investor agreements were executed between Jaguar and the various investors involved in the projects. NSI was not a party to the investor agreements.

For those investments by Jaguar where Jaguar turned to accredited investors to provide capital, at various times there was a timing difference between the dates Jaguar received funding commitments from its accredited investors and the date funds were required for regulatory margin purposes. This timing difference resulted on certain occasions in debits in some of the separate Jaguar accounts at NSI. However, at all times Jaguar through Mr. Alboini had received commitments for funds to be advanced by outside investors to meet the margin requirements. All the commitments made by the outside investors were carried out and the funds were advanced.

If these commitments had not been carried out by a failure to provide the funds, then there would have been a risk of loss to NSI's capital or Penson's capital, but all the funds came in and there were no losses by NSI or Penson.

Therefore the capital Jaguar used to make investments was provided by the accredited investors. The capital Jaguar used was not provided by NSI or the Company. To the extent there were debits for investments in Virtek, Tiomin or HudBay, Penson as carrying broker for NSI provided the capital to cover the debits, and as noted all of the debits were ultimately covered by the capital provided by outside investors.

The IIROC Hearing Panel decision in the IIROC Proceedings did not deal with the outside capital provided by accredited investors or the commitments made by accredited investors to provide Jaguar with capital to meet its obligations to provide all the necessary purchase funds for the investments made. The IIROC Hearing Panel decision also did not recognize that (i) the accredited investors made an investment return on each Jaguar investment, (ii) NSI generated commissions and fees from Jaguar and NSI did not incur any loss from the Jaguar investments because NSI was not an investor and all the funds came in from the commitments made to Jaguar by the accredited investors; and (iii) there was no loss realized by NSI, or the Company or by Penson as carrying broker. In fact everyone, including NSI, Penson, the accredited investors and Jaguar made money.

NSI was suspended as an IIROC Dealer Member on March 19, 2013 and is therefore no longer active. Jaguar can no longer engage NSI as its brokerage firm to buy and sell securities. Therefore there cannot be any ongoing potential or actual conflict of interest between NSI and Jaguar. Jaguar maintains an investment account at an online brokerage firm and at a large independent brokerage firm which did not acquire any former accounts from NSI, nor employ any former investment advisors at NSI and therefore the investment advisor at the independent firm is not a former investment advisor at NSI. The potential for conflicts of interest remains between the Company and Jaguar and is dealt with in part by the Governance Agreement and also by the decision-making process involving the independent directors of the Company and of Jaguar.

Business Environment

The global stock markets seem to be stabilizing and trending higher, though there are still concerns and uncertainty pertaining to Europe's debt crisis and massive unemployment in particular in Greece, as well as Spain and Italy, the fiscal and political crisis in the United States and its stubbornly high unemployment rate, and the slowing economies in China and India. As a result, considerable cash remains on the sidelines while investors seek yield in large cap stocks with regular dividends and debt instruments paying returns that exceed mattress yields. As a result, retail investors remained on the sidelines with trading volumes well below the norm. The S&P/TSX Venture Composite Index declined approximately 28.08% from July 1, 2012 to June 30, 2013.

The capital markets have turned against small cap public companies generally and specifically and most prominently against small cap mining companies. With the downturn in commodities and the lower growth rates in China which traditionally has fueled the increase in commodity prices, small cap companies that are primarily or exclusively focused on exploration have been unable to raise capital. The drought in small cap mining financings adversely impacted brokerage firms such as NSI prior to the termination of its brokerage business on December 31, 2012. Some brokerage firms have merged with other firms or have been acquired or have gone out of business or have withdrawn as a dealer member of IIROC.

Results of Operations

The Company reported a consolidated net loss of $8,116 for the three month period ended June 30, 2013, compared to a net loss from continuing operations of $653,061 and comprehensive loss of $1,426,764 in the same period of fiscal 2013. Included in its quarterly results was a loss of $79,276 representing the Company's share of the financial results of Jaguar, compared to a loss of $202,487 in the same period in fiscal 2013. The net loss also included a non-cash, net negative valuation adjustment of $6,993 to the Company's broker warrant portfolio.

Revenue

As an investment dealer prior to March 19, 2013, NSI provided advice to its clients on the purchase and sale of securities, and in turn charged commission to its clients and such revenue is recognized on a trade date basis. NSI's carrying broker would remit commission revenue to NSI on a monthly basis. NSI would receive trailer fees for mutual funds held in its client accounts.

NSI would receive corporate finance fees for its role in acting as an agent or underwriter in equity or debt financings by its investment banking clients. When NSI acted as lead agent or underwriter or if NSI participated in a non-brokered financing, revenue would be recognized on the closing date of the financing. In the case of financings where NSI acted as a syndicate member, NSI would make certain estimates of the revenue to be received by NSI which estimated revenue was recognized on the closing date of the financing. Revenue estimates would be adjusted when the lead agent would make cash payments to NSI.

NSI received advisory fees for its role in acting as advisor on M&A transactions, restructurings, fairness opinions, valuations and listing sponsorships.

NSI would generally receive broker warrants as partial compensation for its role as an agent or underwriter in a financing. For realized gains revenue was recognized on a trade date basis when the broker warrants were exercised and the underlying securities have been sold. Broker warrants were valued using a Black-Scholes model and adjusted on a monthly basis.

Realized gains on inventory trades were valued daily by NSI's carrying broker and remitted to NSI monthly.

NSI's carrying broker would manage the free cash balances in the NSI client accounts which would generate monthly interest spread revenue which was shared between NSI and Penson on a monthly basis.

NSI would maintain a comfort deposit with Penson and NSI would receive interest on the deposit on a monthly basis.

NSI clients could maintain registered accounts such as RRSPs, RESPs and TFSAs. NSI would charge such clients an annual fee.

Total revenue for the three months ended June 30, 2013, was $478,755, compared with revenue from continuing operations of $64,709 and total revenue of $908,111 in the same period of fiscal 2013.

Commission revenue was nil for the three months ended June 30, 2013, compared to nil from continuing operations and $727,531 in total from the same period of fiscal 2013. Commission revenue was nil as the Company ceased generating commission revenue from its retail division after the transfer of its clients' accounts to other brokerage firms on December 31, 2012.

Corporate finance and advisory revenue decreased to $29,406 in the three months ended June 30, 2013 from $300,293 during the same period of fiscal 2013, as the Company generated fewer and smaller underwriting and advisory engagements compared to the prior year. Broker warrant revenue was negative $6,993 compared to negative $237,737 from continuing operations during the same period in fiscal 2013 as the non-cash, downward valuation of the portfolio was lower in the current year.

Trading revenue was nil during the three months ended June 2013, compared to negative $1,713 in the prior year; as a result of no longer operating an active investment bank. Trading from discontinued operations in Q1 of the prior year was $4,753.

Other revenue of $456,342 the first quarter ended June 30, 2013 consisted largely of the write-down of the Jaguar debt of $434,000. Other Revenue was an increase from $440 when compared to continuing operations during the first quarter of fiscal 2013.

Revenue of the Company is dependent upon the strength of the commodities markets and the general condition of the financial markets. Fluctuations in the financial markets will have a significant adverse effect on the financial results of the Company.

Expenses

Brokerage expenses are the operating expenses of NSI when NSI was active. Internal commission was variable based commission paid to the investment advisors at NSI and to the Capital Markets Group. Third party commissions were commissions paid to third parties in the completion of a financing such as a selling group commission. Trade execution costs were payments made to NSI's carrying broker to provide clearing, execution and custodial services. Salaries and benefits are salaries and benefits and payroll taxes. Exchange fees are trading and participation fees payable to listed exchanges. Professional fees are legal, audit and consulting fees. Fees and dues are payments made to IIROC and CIPF.

Occupancy costs are rent, operating expenses, and related expenses. Communication costs are telecommunication, news services, postage and related costs. Insurance costs are premiums for financial institution and tenant insurance policies. Commodity taxes are HST, GST and PST.

General and administrative expenses are operating expenses primarily of the Company excluding NSI. Internal commission is variable based compensation paid to the Capital Markets Group for revenue generated directly to the Company rather than NSI. Salaries and benefits are directors' fees and applicable taxes and taxes paid on equity compensation. Shareholder costs are Toronto Stock Exchange and TSXV listing fees, annual general meeting costs and shareholder mailing costs. Equity compensation is the cost of equity based compensation in the Equity Incentive Plan and the Employee Share Purchase Plan. Professional fees are legal and audit fees.

The following analysis of expenses is on an aggregate basis, including both continuing and discontinued operations.

Total expenses for the three months ended June 30, 2013, were $397,054, down from expenses of $2,152,717, which included $1,617,105 of expenses from discontinued operations during the same period in fiscal 2013. Brokerage operations costs decreased to nil during the three months ended June 30, 2013 from $1,617,105 during the same period in fiscal 2013, as the Company no longer operates a brokerage firm.

The Company reported a credit of $8,067 in interest expense, during the three months ended June 30, 2013, a decrease from $91,745 reported in Q1 of fiscal 2013.

Depreciation and amortization expense was nil during the three months ended June 30, 2013, compared to $33,258 during the same period in fiscal 2013.

General and administrative expenses of $405,121 during the three months ended June 30, 2013 were reduced from Q1 2013's amount of $410,609, due to the reduced size of the Company's operations.

Regulatory Matters

As a result of an IIROC enforcement proceeding ("IIROC Proceeding") brought against Northern Securities, Vic Alboini, Fred Vance its former Chief Compliance and Doug Chornoboy, its former Chief Financial Officer regarding alleged improper trading, failures to correct deficiencies and an incorrect recording of leasehold improvements, the IIROC Hearing Panel issued its decision without reasons on July 23, 2012, ruling against the Company and its senior executives on these matters. Two of the matters in the IIROC Proceeding were dropped by IIROC staff on the first day of the hearing. Subsequently the IIROC Hearing Panel issued its reasons for the decision and imposed a fine of $300,000 and costs of $150,000 against NSI. The IIROC Hearing Panel also imposed sanctions on Messrs. Alboini, Vance and Chornoboy. On application by NSI and the individual respondents, the OSC held a hearing and review of the IIROC Hearing Panel's decision in February 2013. The OSC stayed the IIROC Hearing Panel's sanctions and penalties until 30 days after the issuance of the OSC's decision and reasons for the hearing and review or until further order of the OSC. The OSC's decision is pending.

Liquidity, Capital Resources and Cash Flows

The Company had cash, deposits, and securities of $34,426 as at June 30, 2013, which is a material reduction from $1,431,184 as at June 30, 2012. The Company also has a security deposit of approximately $162,000 which NSI provided to Penson as part of the carrying broker arrangement with Penson. Following termination of Penson's carrying brokerage business in Canada with its clients including NSI, Penson is proposing to liquidate its business and the court appointed liquidator, Ernst & Young, has refused to repay the security deposit owing to NSI. NSI has filed a claim to recover, among other matters, the security deposit. As uncertainty exists related to the recoverability of the deposit from Penson, the Company has provided an allowance against the full amount of the deposit at June 30, 2013. The liquidator's decision not to pay the security deposit has significantly reduced NSI's liquidity.

The Company used $668,728 of cash in its operations for the three months ended June 30, 2013, compared with using $3,400,842 in during the same period in fiscal 2013.

As at June 30, 2013, the Company had negative working capital of $4,818,789 compared to negative $1,152,126 working capital as at June 30, 2012. The Company's working capital has improved subsequent to June 30, 2013 as a result of the financial restructuring of the debt with its primary creditors.

Overall because of the materially adverse events that have occurred in fiscal 2013 including the loss of NSI's brokerage business and its suspension as an IIROC Dealer Member, the Company's assets, revenue and ongoing expenses have all dropped considerably, and its liabilities have increased substantially to the point of testing the Company's ability to continue as a going concern. However, subsequent to June 30, 2013 the Company has reduced its liabilities with the settlement of a debt of $504,000 by the payment of $100,800; the revision to the terms of its secured loan of $200,000; and the obtaining of a waiver of interest on the unsecured loans of $200,000 and $570,759 (see "The Need for a Financial Restructuring").

The Company's advisory business previously carried on by NSI is now carried on by the Company in its division named Added Capital. The financing business previously carried on by NSI where NSI was engaged as an agent or underwriter is no longer carried on by the Company. However there may be limited opportunities for the Company to participate in financings where the Company can introduce potential investors to issuers.

The Company's merchant banking business has been continued. However, the ability of the Company to participate in an investment opportunity will depend on the ability to raise outside capital for this purpose. Periodically, the Company may negotiate credit facilities for the potential acquisition of investments. These facilities are generally acquired on a standby commitment basis and drawn down when required.

In fiscal 2013, Mr. Alboini and John Reid, a director of the Company who resigned on May 7, 2013, contributed substantial capital to the Company to finance its operations. Mr. Reid will no longer provide any capital to the Company, but continues as a shareholder of the Company. Mr. Reid is owed $500,000 in loans plus accrued interest. Mr. Alboini is owed $570,759, which does not include his $150,000 loan which is proposed to be satisfied by the transfer of the Company's 6,000,000 Jaguar shares conditional on disinterested shareholder approval and regulatory approval.

The Company has a line of credit with its bank which is also a source of funding.

The Company has substantially reduced its expenses and its ability to meet its ongoing obligations will depend on the success of its Added Capital advisory and merchant banking businesses.

While the Company has prepared its consolidated financial statements on the basis of accounting principles applicable to a going concern, certain adverse conditions create some uncertainty relating to this assumption. The Company incurred a loss from its continuing business of $8,116 for Q1 fiscal 2014 which is a material reduction from the loss of $1,426,764 in Q1 fiscal 2013. The Company's continued operation is dependent upon its ability to maintain profitable operations and continue a positive financial restructuring of its debt.

A portion of the cash of the Company is maintained by NSI, the Company's wholly owned subsidiary. The Company must receive consent from IIROC prior to the repatriation of any cash.

Outlined below are the contractual obligations including payments due for each of the next five years and thereafter:

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
Short-term loans	$1,726,762	$1,726,762	-	-	-	-	-
Settlement Liability	$ 504,000	$ 504,000	-	-	-	-	-
Operating Leases	$ 118,300	$ 11,200	$ 11,200	$ 22,300	$ 41,100	$ 32,500	-
Total	$2,349,062	$2,241,962	$ 11,200	$ 22,300	$ 41,100	$ 32,500	-

Annual Financial Information

	Year ended March 31, 2013 (1)	Year ended March 31, 2012 (2)	Year ended March 31, 2011
Total revenues	$2,889,243	$6,853,889	$12,156,007
Net loss	($6,049,332)	($4,209,895)	($1,322,019)
Loss per share	($0.15)	($0.14)	($0.10)
Total assets	$ 508,967	$3,688,648	$6,714,795
Long term liabilities	$ -	$ 354,634	$ 393,505

(1) Total revenues for the year ended March 31, 2013 includes revenues from continuing operations of $799,357 and revenues from discontinued operations of $2,166,113.

(2) Total revenues for the year ended March 31, 2012 includes revenues from continuing operations of $1,335,071 and discontinued operations of $5,518,818.

There has been a substantial reduction in the assets of the Company from fiscal 2011 ($6,714,795) to fiscal 2013 ($508,967). In fiscal 2011 the assets consisted largely of $1,290,000 in cash, a $1,000,000 security deposit with Penson, a broker warrant portfolio valued at $2,200,000, a carrying value for Jaguar shares of $900,000 and capital assets of $832,000. In fiscal 2013 the assets consisted of $42,000 in cash, a broker warrant portfolio of $37,000 and a carrying value for Jaguar shares of $417,000.

The asset reduction is directly attributable to various factors including (i) the negative capital market environment especially for small cap mining companies for whom NSI acted as an agent or underwriter to raise capital; (ii) the drop in market value and carrying value of the Jaguar shares; (iii) the termination of Penson's carrying brokerage contract in September 2012 and the termination of NSI's brokerage business on December 31, 2012 resulting in a reduced volume of business for NSI in fiscal 2013; and (iv) a reduction in capital assets of $800,000 due to the loss of NSI's brokerage business and the resulting closing of its office locations.

The negative capital markets environment and the reduced volume of NSI's business also contributed to the substantial reduction in revenue for the Company from fiscal 2011 ($12,156,007) to fiscal 2013 ($2,889,243).

Quarterly Financial Information

	Fiscal Year Ended								
	March 31, 2014	**March 31, 2013 $**				**March 31, 2012 $**			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Total revenues	478,755	(2,108,321)	802,290	1,197,277	908,111	1,505,173	2,205,911	1,475,937	1,666,868
Net income (loss)	8,116	(2,677.708)	(841,406)	(1,103,454)	(1,426,764)	(1,081,443)	(498,549)	(2,045,030)	(584,873)
Earnings (loss) per share	(0.00)	(0.06)	(0.02)	(0.03)	(0.04)	(0.04)	(0.02)	(0.07)	(0.02)

A large portion of the Company's revenue was derived from underwriting and advisory revenue, merchant banking revenue, broker warrants revenue and commission revenue. By nature, underwriting and advisory revenue, and merchant banking revenue are not readily predictable. Underwriting and advisory revenue is reported when transactions are substantially completed, whereas merchant banking revenue and broker warrants revenue are based on mark-to-market adjustments. In addition, commission revenue is generally dependent on many market factors, which may lead to the fluctuations in quarterly revenue.

The Company, as of December 31, 2012, no longer generates commission revenue through NSI and also does not generate commissions from financings. In the fourth quarter in fiscal 2013, the Company generated substantially reduced revenue of $57,000 due to the following factors: (i) the Company transferred out its retail brokerage business to other brokerage firms and therefore did not generate any retail commission; (ii) the Company terminated its capital Markets business in the fourth quarter and therefore did not generate financing commissions; (iii) NSI was suspended as an IIROC Dealer Member on March 19, 2013; (iv) revenue generation was not a priority in the fourth quarter as the Company was occupied with many regulatory proceedings including the appeal of the IIROC Hearing Panel decision by NSI and the individual respondents to the OSC which appeal was heard in February 2013, the settlement with IIROC in December 2012 on the transfer out of its retail business and making arrangements for such transfers, and the settlement with IIROC in March 2013 on the suspension of NSI as an IIROC Dealer Member; and (v) the commencement of a financial restructuring with unsecured creditors such as vendors and suppliers.

The Added Capital business did not begin until May 1, 2013 after the end of the fourth quarter of fiscal 2013.

The Company's financial condition was adversely impacted by the failure of Penson's liquidator to repay the security deposit owing to NSI of $162,000. NSI has filed a claim against Penson in the Penson liquidation proceedings to recover the comfort deposit.

Underwriting and advisory revenue was $29,406 in the first quarter of fiscal 2014, compared to $300,293 in the first quarter of fiscal 2013.

Broker warrants losses, due to the drop in value of the underlying shares and aging and expiration of broker warrants were $6,993 in the first quarter of fiscal 2014, compared to losses of $237,737 for continuing operations during the first quarter of fiscal 2013. These losses mirrored the continued reduction of equity values for small cap resource industry shares.

Management of Capital

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:

	June 30, 2013	March 31, 2013
Short-term loans payable	$ 1,726,762	$ 2,032,640
Shareholders' deficiency comprised of:		
Share capital	3,675,679	3,675,678
Warrants	158,829	158,829
Contributed surplus	1,777,355	1,764,589
Deficit	(10,267,343)	(9,822,227)

	($ 2,928,719)	($ 2,190,491)

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; and (iv) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

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 subsidiary, Northern Securities, was required to maintain a certain level of regulatory capital under the IIROC rules. 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 June 30, 2013, the amount of this loan was $8,600,000 (2012 - $12,000,000).

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.

Critical Accounting Estimates

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Certain estimates, including the valuation of financial instruments, income taxes, impairments, and provisions require management to make subjective or complex judgments. Accordingly actual results may vary from the current estimates. Accounting policies that require management's judgment and estimates are described below:

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.

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.

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.

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.

Financial Instruments

The Company holds securities, including broker warrants, for investment purposes and receives loans to fund certain of these investments.

Securities are classified, based on management's intentions, as held-for-trading. Securities owned and securities sold short are stated at fair values at the reporting date. Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities. The fair value of securities is determined at the end of the valuation date by the closing bid price for securities owned and closing ask price for securities sold short, on the stock exchange where the investment is listed. For investments where market quotations are not readily available or, if there is no closing bid or ask price on the valuation date, the fair value is determined using valuation models. Realized and unrealized changes in fair value are recognized in income in the period in which the changes occur and reported as trading revenue on the consolidated statement of operations, and comprehensive loss.

Broker warrants received by the Company in respect of underwriting are measured at fair value and are included in securities owned. Fair values determined using the Black-Sholes model require the use of assumptions concerning the volatility of underlying securities and risk-free interest rates. In determining those assumptions, the Company looks primarily to external readily observable market inputs including factors such as price volatilities and interest rates, as applicable. Realized and unrealized changes in fair value are recognized in income in the period in which the changes occur and reported as broker warrants revenue on the consolidated statement of operations, and comprehensive loss.

The following is a description and analysis of the risks associated with financial instruments that may affect the Company:

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, foreign exchange 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 June 30, 2013, based on a 1% change in the fair value of the Company's securities, the estimated sensitivity of the Company's net loss was ($300) (March 31, 2013 – ($400)), based on a decrease and $300 (March 31, 2013 - $400), 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 a 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 quarter ended June 30, 2013, the Company did not suffer any material loss from counterparty default.

As at June 30, 2013, Northern Securities maintained a deposit with Penson in the amount of approximately $162,000 (2012 – $1,040,787) (see Note 3) and a cash balance from Penson in the amount of $29,931 (2012 – $225,980) included in cash on the Consolidated Statement of Financial Position. It is management's opinion that the Company will collect the amounts due at June 30, 2013 however, given uncertainties related to collectability, due to Penson's cessation of operations, management has recorded an allowance against the deposit equal to the amount of the deposit.

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 fixed rate interest bearing. As at June 30, 2013, based on a 1% change in interest rates, the estimated sensitivity of the Company's net loss was ($18,000), based on an increase and $18,000, 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 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. Commission revenue from financings terminated on December 31, 2012 when NSI's brokerage business was transferred out to other brokerage firms.

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 has sold 5,900,000 Jaguar shares for $177,000 to continue to finance its operations. The Company's liquidity has been adversely impacted because Penson has not paid to NSI its segregated comfort deposit of approximately $162,000. There is no guarantee that the Company will be able to continue to meets its current obligations.

Subsequent to March 31, 2013, Mr. Alboini, CEO of the Company, loaned the Company $150,000 and $60,000. Approximately $108,000 was used to retire the debt owing to Jaguar of approximately $540,000 and $24,500 was applied to reduce debt owing to a former officer as part of a severance payment owing. Apart from the $150,000 loan, which is proposed to be satisfied by the transfer of 6,000,000 Jaguar shares to Mr. Alboini, Mr. Alboini is owed approximately $439,000.

As at June 30, 2013, the Company had promissory notes outstanding in the amount of $492,459. The loans are unsecured and payable on five days' notice. The Company also had term loans outstanding that had matured, or were maturing within three months, in the amount of $740,000.

The Company has available a credit facility in the amount of $300,000 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 June 30, 2013, the balance owing under the credit facility was $300,000.

Share Capital Information
Outlined below is selected current share capital information related to the Company as at August 28, 2013:

Description	**Number**
Common shares issued and outstanding	44,320,135
Common share purchase warrants issued and outstanding	nil
Common share purchase options issued and outstanding	nil

In connection with listing the Company's common shares on the TSX Venture Exchange, the Company terminated its Equity Incentive Plan ("EIP"). 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. However, with the transfer out of the Company's retail business and investment advisors, no further shares are issuable under the EIP. No new awards may be granted under the EIP.

Subsequent Events

a) On July 5, 2013, the Company repaid the $20,000 loan, plus accrued interest, to Fred Vance, a former senior officer.

b) On August 28, 2013, the Company made a payment of $100,800 to settle a debt of $504,000 owing to a judgment creditor, which payment represented 20% of the amount of the debt. The settlement payment to the creditor was financed by a loan of $100,800 provided to the Company by Vic Alboini, Chairman and CEO.

c) On August 28, 2013, the Company agreed with the lender of a $200,000 secured loan (which loan had been $250,000 as at June 30, 2013, and has since been repaid as to $50,000): the maturity date of the loan was extended to April 6, 2014; the interest rate was reduced to 10% effective October 6, 2013; and the accrued interest owing will be payable on October 6, 2014, but the lender has agreed that once the principal amount is fully paid, no interest will be payable on the amount of the accrued interest outstanding as long as the accrued interest is paid by October 6, 2014.

d) On August 28, 2013, the Company announced that the unsecured lenders who are owed $200,000 and $570,759 have agreed to waive all historical and future accrued interest so that the amounts owing are limited to the respective principal amounts; the lender of the $570,759 is Mr. Alboini.

Related Party Transactions

The Company had related party transactions with directors or officers of the Company, or companies with which they were associated, as follows:

a) The Company repaid amounts owing to Jaguar of $541,181 through a payment to Jaguar of $108,236.20.

b) Northern Securities also recovered certain operating expenses from Jaguar during the period ended June 30, 2013, in the amount of $3,272 (2012 - $113,080).

c) During the period ended June 30, 2013, Northern Securities paid Stature Inc., the personal investment company owned by Vic Alboini, CEO of the Company, $7,500 in substitution for Mr. Alboini's salary (2012 - $9,040).

As at June 30, 2013, the Company had a $20,000 (2012 - $20,000) promissory note payable to Fred Vance, a former officer of Northern Securities, $500,000 in loans payable to John Reid, a former director of the Company, and $372,459 in demand loans payable to Stature Inc., Mr. Alboini's personal investment company. The promissory notes are recorded in short-term loans payable in the consolidated statement of financial position.

Under the governance terms and conditions of transactions with Jaguar, the Company may receive, at the discretion of Jaguar, certain override payments of up to 25% on any realized gains from any investment made by Jaguar, such decisions to be approved by the Compensation Committee of the Board of Directors of Jaguar consisting of independent directors of Jaguar.

Commitments and Contingencies

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	$ 44,700
1 to 2 years	21,578
2 to 3 years	19,478
3 to 4 years	19,478
4 to 5 years	12,985
	$118,198

Less than 1 year	$ 44,700
1 to 2 years	21,578
2 to 3 years	19,478
3 to 4 years	19,478
4 to 5 years	12,985
	$118,198

Northern Securities indemnified 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".

The Company has recorded a provision as at June 30, 2013 of $450,000 (2012 - $75,000) as a result of a decision of an IIROC Hearing Panel on November 10, 2012 on an IIROC enforcement proceeding regarding failures to correct deficiencies and an incorrect recording of leasehold improvements. The Hearing Panel imposed a fine of $300,000 on Northern Securities and costs of $150,000. The Hearing Panel also imposed sanctions on Messrs. Alboini, Vance and Chornoboy. On application by Northern Securities and the individual respondents, the OSC held a hearing and review of the Hearing Panel's decision in February 2013. The OSC has stayed the Hearing Panel's sanctions and penalties pending the OSC decision and reasons on the appeal.

The Company has recorded a provision as at June 30, 2013 of $176,000 (2012 - $176,000) relating to a civil action against IPO Capital Inc., a former Dealer Member at IIROC which was acquired by Northern in 2003. The Company assumed carriage of the civil action when it acquired IPO Capital in March 2003. IPO Capital has no net assets and the Company is not a party to the civil action by the plaintiff. Subsequent to June 30, 2013, the plaintiff has commenced a new action against the Company, NSI and Mr. Alboini. None of the Company, NSI and Mr. Alboini were involved in the dispute between IPO Capital and the plaintiff as the dispute occurred prior to the acquisition of IPO Capital by the Company and the Company did not assume any liability for the dispute as part of the acquisition of IPO Capital.

NSI settled a civil action which it brought against George Garner, a former officer of NSI and received $75,000 in the settlement. NSI also settled a civil action that was commenced by a plaintiff against NSI and a former research analyst for alleged defamatory comments in a research report. The action was settled by the plaintiff dismissing the action without any payment by Northern or NSI.

The Company settled a civil action in 2010 which required the payment by Northern of $800,000 to the plaintiff, Mrs. Sookochoff over an extended period of time. Prior to April 1, 2013, the Company had paid the plaintiff $296,000. The Company terminated the monthly payments to the plaintiff in March 2013. The plaintiff has since obtained a judgment against the Company for an effective amount owing of $504,000. Mrs. Sookochoff was a former retail client of NSI and the client's son-in-law (David Smith) was an investment advisor at NSI. The client sued her son-in-law and NSI which resulted in the settlement. As part of the settlement, Mrs. Sookochoff assigned all of her right, title and interest in her claims against David Smith to Northern which assignment would enable Northern to commence an action against Mr. Smith to recover the $296,000 paid by Northern to Mrs. Sookochoff. Northern has not yet commenced an action against Mr. Smith. Subsequent to June 30, 2103 the Company paid Mrs. Sookochoff $100,800 to settle the amount owing of $504,000.

The Company has recorded a provision as June 30, 2013 of $164,640 relating to a penalty assessed by the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC"). The penalty relates to the findings of non-compliance during a Compliance Examination that took place on November 2, 2012. Subsequent to year end, the Company submitted an appeal of the penalty, which FINTRAC has stated was made after the period in which an appeal is permitted.

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 periods beginning on or after July 1, 2012. The Company is currently evaluating the impact of IAS 1 on its financial statements.
b) Financial Instruments disclosure: The IASB amended IFRS 7 Financial Instruments: Disclosures for Disclosures – Transfers of Financial Assets. The amendments require additional disclosure to allow users of the financial statements to evaluate the effect or potential effect of netting arrangements. IFRS 7 is effective for annual periods beginning on or after January 1, 2013.. The Company is currently evaluating the impact of IFRS 7 on its financial statements.
c) 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 periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

d) 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 periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its financial statements.

e) 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 periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its financial statements.

f) 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 periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on its financial statements.

g) Separate Financial Statements: IAS 27 was amended as a result of issuing IFRS 10. Requirements relating to consolidated financial statements have been removed. Requirements from IAS 28 Investments in Associates (as revised in 2003) and IAS 31have been relocated to IAS 27 to create one standard that deals with separate financial statements. The amended standard supersedes IAS 27 (as amended in 2008) and the requirements related to separate financial statements in IAS 28 (as revised in 2013) and replaces/eliminates IAS 31. IAS 27 (as amended in 2011) is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IAS 27 (as amended in 2011) on its financial statements.

h) 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 periods 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.

i) 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 periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its financial statements.

Internal Control Over Financial Reporting

Mr. Alboini, as CEO, is responsible for certifying that he has designed the Company's internal control over financial reporting ("ICFR") to a standard that provides assurance that material information relating to the Company is accumulated and communicated to Mr. Alboini to allow for timely decisions regarding required disclosure and to ensure that information required to be disclosed in the Company's annual and interim filings and other reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein. The certifying officer has evaluated the design of the Company's ICFR as at the date of this report and have concluded that the design was effective to provide such reasonable assurance. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the IASB).

Changes in Internal Control over Financial Reporting

To the best of the knowledge of Mr. Alboini, no changes were made in the Company's internal control over financial reporting in 2013 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

On June 13, 2012, Doug Chornoboy, the Company's Chief Financial Officer resigned to pursue another opportunity. Mr. Chornoboy was subsequently engaged as a consultant by the Company to assist in the preparation of financial statements for the quarterly periods ended June 30, 2012, September 30, 2012 and December 31, 2012 and the fiscal year ended March 31, 2013. In addition, John Brathwaite, the former Vice President Finance of NSI, was engaged by the Company as a consultant to assist in the preparation of relevant financial information for Northern Securities for the fiscal year ended March 31, 2013. At the present time the Company does not intend to hire a Chief Financial Officer, as this role is being performed on an interim basis by Mr. Alboini, Chairman and CEO of the Company with the consulting support provided by Mr. Chornoboy and Mr. Brathwaite as required from time to time.

Additional Information

Additional information on the Company has been filed electronically through the System for Document Analysis and retrieval ("SEDAR") and is available online at www.sedar.com.