

NORTHERN FINANCIAL CORPORATION
ANNUAL INFORMATION FORM

June 28, 2011

TABLE OF CONTENTS

Item No.		Page No.
Item 1 -	COVER PAGE	
Item 2 -	CORPORATE STRUCTURE.....	1
	2.1 Name, Address and Incorporation.....	1
	2.2 Intercorporate Relationships	1
Item 3 -	GENERAL DEVELOPMENT OF THE BUSINESS	1
Item 4 -	DESCRIPTION OF THE BUSINESS	2
	4.1 Overview	2
	4.2 Traditional Brokerage Business	2
	4.3 Merchant Banking	3
	4.4 Proxy Solicitation Business – Northern Shareholder Services	3
	4.5 Competition.....	3
	4.6 Employees.....	3
	4.7 Selected Consolidated Financial Information	3
	4.8 Risk factors	4
Item 5 -	DIVIDENDS	4
Item 6 -	CAPITAL STRUCTURE.....	4
	6.1 General Description of Capital Structure	5
	6.2 Constraints	5
	6.3 Ratings	5
Item 7 -	MARKET FOR SECURITIES	5
	7.1 Trading Price and Volume	5
Item 8 -	DIRECTORS AND EXECUTIVE OFFICERS	5
	8.1 Name, Occupation and Security Holding.....	5
	8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions.....	6
	8.3 Conflicts of Interest.....	6
Item 9 -	LEGAL PROCEEDINGS	7
Item 10 -	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	8
Item 11 -	TRANSFER AGENT AND REGISTRAR	8
Item 12 -	MATERIAL CONTRACTS	8
Item 13 -	EXPERTS	8
Item 14 -	AUDIT COMMITTEE.....	8
Item 15 -	ADDITIONAL INFORMATION	10
Appendix A	AUDIT COMMITTEE CHARTER	A-1

**NORTHERN FINANCIAL CORPORATION
ANNUAL INFORMATION FORM**

The following documents are specifically incorporated by reference in this Annual Information Form:

- The consolidated financial statements of Northern Financial Corporation for the fiscal year ended March 31, 2011, and the auditors' report thereon (the "**Consolidated Financial Statements**").

Note regarding forward-looking statements

This document may contain "forward looking statements" concerning future events or future performance. These statements reflect management's expectations or beliefs and are based upon information currently available to management. By their nature, forward-looking statements are inherently uncertain and beyond management control and a number of factors could cause actual events or results to differ from those discussed. These risks include market and general economic conditions and the nature of the financial services industry. Some of the specific risks include variations in the value of securities, the price of commodities, volatility and liquidity in trading markets, and the volume of new financings and mergers and acquisitions. These forward-looking statements are made as of the date of this document and Northern Financial Corporation assumes no obligation to revise them to reflect new circumstances.

Information contained in this Annual Information Form ("**AIF**") is given as at March 31, 2011, unless stated otherwise.

Item 2 - CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

Northern Financial Corporation (the "**Corporation**") was incorporated under the laws of the Province of British Columbia on September 29, 1982, under the name Dolphin Explorations Limited, by registration of its Memorandum and Articles with the British Columbia Registrar of Companies. The Corporation was continued under the laws of Ontario by Articles dated October 7, 1988. The Corporation's name was changed to American Gem Corporation pursuant to articles of amendment filed on February 11, 1994. The Corporation's name was changed again to Digital Gem Corporation pursuant to articles of amendment filed on October 22, 1999. The Corporation's name was changed a further time to Northern Financial Corporation pursuant to articles of amendment filed on September 29, 2000. Such name changes reflected the evolving business strategy of the Corporation.

The Corporation's registered and head office is located at 145 King Street West, Suite 2020, Toronto, Ontario, Canada, M5H 1J8.

2.2 Intercorporate Relationships

Northern Securities Inc. ("**Northern**") is the only material subsidiary of the Corporation, and is wholly-owned by the Corporation. Northern is a registered securities dealer in Canada.

Item 3 - GENERAL DEVELOPMENT OF THE BUSINESS

Since July 1999, the Corporation's primary business has been in the Canadian securities industry and has been a member of the Investment Industry Regulatory Organization of Canada.

As at March 31, 2011, the Corporation held approximately 11.3% of the outstanding common shares of Jaguar. As at March 31, 2011, the Corporation had significant influence over Jaguar and accounted for its investment in Jaguar using the equity method. Jaguar had approximately \$18,286,871 million in cash and investments at March 31, 2011. For additional information regarding Jaguar, please refer to Jaguar's continuous disclosure record, including Jaguar's Annual Information Form dated March 28, 2011, which is available on www.sedar.com.

Item 4 - DESCRIPTION OF THE BUSINESS

4.1 Overview

The Corporation is focused on providing investment services for retail and institutional clients and investment banking services for corporate clients, in particular small and mid-market capitalization companies. The Corporation also provides proxy solicitation services through Northern Shareholder Services ("NSS"), a division of the Corporation. Accordingly, the Corporation's current business activities involve operating a full service investment bank called Northern, a merchant banking business carried on in the Corporation and through Jaguar and providing proxy solicitation services through NSS.

4.2 Traditional Brokerage Business

4.2.1 Overview

The Corporation's traditional brokerage and investment banking business is carried on through Northern, a registered securities dealer. The traditional brokerage business can be broadly categorized into two revenue generating areas: (i) the Capital Markets Group which consists of institutional sales, trading, research and investment banking catering to the needs of institutional clients and corporate issuers; and (ii) the Private Client Group which consists of investment advisors catering to the needs of high net worth investors and retail clients. The Corporation also invests its own capital from time to time in merchant banking opportunities. With its investment in Jaguar, it is anticipated that the merchant banking business will be carried on primarily through Jaguar.

4.2.2 Capital Markets Group

The investment banking professionals in the Capital Markets Group are focused on financings and mergers and acquisitions.

Among others, Northern acted as lead or co-underwriter or agent in the following financings in fiscal 2011: two prospectus offerings totaling \$39 million for Lakeside Steel Inc., a \$13.4 million private placement for Golden Band Resources Inc., a \$7.5 million private placement for NioGold Mining Corporation, two private placements totaling \$4.5 million for Canadian Zinc Corp., a secondary offering of \$43.8 million for Stonegate Agricom Ltd, a private placement of \$34.5 million for Royal Coal, a prospectus offering of \$11.6 million for Asia Bio-Chem Group Corp., and a \$6.9 million private placement for Omni-Lite Industries Canada Inc.

Among others, in fiscal 2011, the investment banking team acted as financial advisor for Acadian Mining Corporation in the sale of the ScoZinc mine; for iseemedia in the acquisition by Synchronica plc; for iseemedia to provide a fairness opinion; and for WGI Heavy Minerals Inc. in connection with a proposed acquisition.

4.2.3 Private Client Group

The Private Client Group consists of approximately 38 registered representatives and certified financial planners located in eight branches and sub-branches, who advise retail clients about investment decisions in their individual portfolios. The retail sales team specializes in investments in Canadian and U.S. listed equity, fixed income securities and mutual funds. Back office administration is currently provided by Penson Financial Services Canada Inc.

4.3 Merchant Banking Business

The Corporation regularly reviews target companies to select undervalued companies in which to invest on a principal basis. A key criterion for Northern is the selection of target companies that have substantial cash resources where the market value of a company is equal to or less than its cash resources and, in addition, is substantially less than the net cash value of the company. In this manner an investor in a cash-rich undervalued company has downside protection with the share value at least equal to the cash value per share and also has upside in the market price discount to the total net cash value. To date, the Corporation has realized 11 of its merchant banking investments generating an average annualized return of 83% on its investments.

4.4 Proxy Solicitation Business – Northern Shareholder Services

NSS, a division created in late fiscal 2009, acts as a proxy solicitation agent for the purposes of obtaining desired voter responses at annual and special shareholders meetings of public companies. NSS acts for both issuers and shareholders, working with them to strategically structure their messages to maximize effectiveness. NSS then manages the distribution of this message by soliciting shareholders directly, encouraging them to vote for the resolutions proposed by the client represented by NSS. The Corporation has developed the skills for proxy advisory services from its own experience in initiating value creative transactions for public issuers, such as the take-over offer for High Desert Gold Corporation. The Corporation also successfully represented Augen Capital in 2009, Zaruma Resources Inc. in a June 2006 proxy contest. NSS is currently engaged by Inspiration Mining Corporation in a dissident proxy contest in regards to URSA Major Minerals Incorporated.

4.5 Competition

The financial services industry is highly competitive, particularly in the current volatile capital market environment. The Corporation encounters direct competition primarily from established investment banks, as well as from traditional and online brokerage firms. The Corporation's competitors include large and well-established firms as well as smaller niche securities firms.

Many competitors have significantly greater financial, technical, marketing and other resources. Certain competitors also offer a wider range of products and services than the Corporation and some have greater name recognition, more established reputations and more extensive client and customer bases. These competitors may be able to respond more quickly to new or changing opportunities, technologies and customer requirements due to superior systems capabilities. They may also be better able to undertake more extensive promotional activities, offer more attractive terms to customers, clients and employees and adopt more aggressive pricing policies.

4.6 Employees

The Corporation and its main subsidiary, Northern, employed 67 individuals as at March 31, 2011.

4.7 Selected Consolidated Financial Information

The following information should be read in conjunction with the Consolidated Financial Statements incorporated herein by reference.

Annual Financial Information

	Year ended Mar. 31, 2011	Year ended Mar. 31, 2010	Year ended Mar. 31, 2009
Total revenues	\$12,156,007	\$10,338,844	\$12,044,857
Net Income (loss)	(\$1,322,019)	(\$2,968,329)	(\$7,778,357)
Income (loss) per share	(\$0.10)	(\$0.29)	(\$0.78)
Total assets	\$6,610,189	\$6,584,901	\$7,662,278

4.8 Risk Factors

An investment in securities of the Corporation is speculative and involves significant risks that should be carefully considered by prospective investors before purchasing such securities. In addition to the other information set forth elsewhere in this annual information form, investors should carefully review the following risk factors. The risk factors outlined below are not a definitive list of all risk factors associated with an investment in the securities of the Corporation or in connection with the Corporation's operations.

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 Corporation 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 Corporation mitigates its market risk exposure through controls to limit concentration levels and capital usage within its inventory trading accounts.

Credit Risk:

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default by a counterparty on its obligation to the Corporation. Credit risk is managed by applying credit standards to the counterparties the Corporation transacts business with, applying limits to client transactions and requiring settlements of security transactions on a cash basis or delivery against payments. The Corporation also regularly monitors credit exposure. Margin transactions are collateralized by securities in the client's accounts in accordance with limits established by the Corporation and applicable regulatory requirements.

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 Corporation. The Corporation holds minimal fixed income securities and does not hedge its exposure to interest rates. The Corporation also has issued borrowings that are interest bearing.

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 Corporation does not use derivatives to modify the foreign exchange risk.

Item 5 - DIVIDENDS

No dividends have been declared or paid on the Common Shares of the Corporation. The Corporation's dividend policy is being reviewed by the Board of Directors.

Item 6 – CAPITAL STRUCTURE

6.1 General Description of Capital Structure

The authorized capital structure of the Corporation consists of an unlimited number of common shares and 2,000,000 voting convertible redeemable preference shares of which 25,472,621 common shares and no voting convertible redeemable preference shares were issued and outstanding as of March 31, 2011.

Holder of common shares are entitled to vote at meetings of shareholders, share equally in the remaining assets of the Corporation upon liquidation, dissolution or winding-up of the Corporation, and receive dividends if, as, and when declared by the Board of Directors of the Corporation.

On March 30, 2011, the Corporation announced that it has closed the first tranche of its short form prospectus offering by issuing an aggregate of 11,384,998 common shares at a price of \$0.30 per common share. 6,666,667 common shares were issued for total gross proceeds of \$2,000,000 and an aggregate of 4,718,331 common shares were issued to settle \$1,415,500 of outstanding debt. In addition, \$1,773,208 of the proceeds of the offering was used to repay the remainder of Northern's outstanding debentures. Following repayment Northern has retired an aggregate of approximately \$3.2 million in debt and has no debentures remaining outstanding.

On April 21, 2011, Northern issued 2,916,166 common shares pursuant to a second closing under its short-form prospectus, raising gross proceeds of \$874,850.

On May 26, 2011, announced that it had closed the third tranche of its public offering, issuing 1,500,000 common shares under its short-form prospectus and raising gross proceeds of \$450,000. After giving effect to the third closing, Northern had 30,081,305 common shares outstanding.

6.2 Constraints

There are constraints placed on the Corporation to ensure that it has a required level of Canadian ownership.

6.3 Ratings

The securities of the Corporation have not received ratings from any rating organizations.

Item 7 - MARKET FOR SECURITIES

7.1 Trading Price and Volume

The common shares of the Corporation are listed and posted for trading on the Toronto Stock Exchange under the symbol "NFC". The following table summarizes the reported high and low prices and the volume of trading of the common shares for the Corporation's most recently completed financial year:

Period	High \$	Low \$	Volume #
April 2010	0.395	0.33	453,726
May 2010	0.39	0.28	63,760
June 2010	0.330	0.265	118,734
July 2010	0.365	0.260	130,452
August 2010	0.340	0.270	171,507
September 2010	0.265	0.200	61,152
October 2010	0.240	0.165	179,160
November 2010	0.180	0.120	210,628
December 2010	0.250	0.080	289,569
January 2011	0.240	0.195	104,780
February 2011	0.255	0.190	150,499
March 2011	0.300	0.245	312,662

Item 8 - DIRECTORS AND EXECUTIVE OFFICERS

8.1 Name, Occupation and Security Holding

Directors are elected at each annual meeting and hold office until the next annual meeting or until their successors are elected or appointed. The names and municipalities of residence of the directors and executive officers of the Corporation, the positions and offices held by them in the Corporation and their respective principal occupations are as follows:

Name, Residence and Occupation	Date First Appointed as Director	Number and Class of Shares
Vic Alboini, Toronto, Ontario – Chairman and Chief Executive Officer of the Corporation; Chairman, President and Chief Executive Officer, Northern Securities Inc.; Chairman and Chief Executive Officer, Jaguar Financial Corporation; Chairman and Chief Executive Officer, Lakeside Steel Inc.	October 24, 1997	6,420,245 ⁽¹⁾ Common Shares
Ian Bradley ⁽²⁾⁽³⁾ , Oakville, Ontario – independent consultant; formerly President and Chief Executive Officer, Lakeside Steel Corporation; formerly Chief Financial Officer, PBB Global Logistics; formerly Special Assistant to the President, INTEX Recreation Corp.; formerly President, Grand Toys International Inc.; formerly Chief Financial Officer, Forbes Medi-Tech Inc.	November 27, 1998	20,355 Common Shares
Wesley Roitman ⁽²⁾⁽³⁾ , Toronto, Ontario – Partner, Romspen Investment Corporation; formerly Vice President of Business Systems, Sinclair Technologies Inc.; formerly Executive Vice President and Chief Operating Officer of the Corporation and Chief Financial Officer, Secretary and Treasurer of PSINet Limited.	December 16, 2002	350,000 Common Shares
Bill Grant ⁽²⁾⁽³⁾ , Toronto, Ontario – Insurance Broker and Consultant; formerly President and Director, Loyalist Insurance Company; formerly Director Commonwealth Insurance Company and Federated Insurance Company; formerly President, Markel Insurance Company.	September 1, 2005	150,500 Common Shares
Doug Chornoboy, Pickering, Ontario – Chief Financial Officer of the Corporation; Chief Financial Officer, Northern Securities Inc.; Chief Financial Officer, Jaguar Financial Corporation; formerly independent consultant; formerly Senior Vice President and Controller, Canadian Imperial Bank of Commerce.	N/A	391,876 Common Shares
Frederick Vance, Toronto, Ontario – Vice President and Chief Compliance Officer, Northern Securities Inc.; formerly independent consultant; formerly Chief Compliance Officer ATB Securities Inc.; formerly Senior Manager, Compliance, ATB Investment Services Inc.; formerly Chief Compliance Officer, Thomas Kernaghan Co. Ltd.	N/A	83,551 Common Shares
Kyler Wells, Toronto, Ontario – Senior Vice President and General Counsel of the Corporation; Senior Vice President and General Counsel of Jaguar Financial Corporation; Corporate Counsel of Lakeside Steel Inc.; formerly Legal Counsel to the Corporate Finance Branch of the Ontario Securities Commission; formerly Associate Lawyer with Aird & Berlis LLP.	N/A	457,824 Common Shares

- (1) Includes 147,829 shares held by the spouse of Mr. Alboini.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.

The directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate 7,847,861 Common Shares, representing approximately 26% of the currently outstanding voting securities of the Corporation.

8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of management of the Corporation, no director or executive officer of the Corporation, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is or has been, within the 10 years preceding the date of this AIF, a director or officer of any other issuer which, while that person was acting in that capacity:

- a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any statutory exemptions for a period of more than 30 consecutive days; or
- b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Alboini was formerly a director of Blue Note Mining Inc. (“Blue Note”). After Mr. Alboini resigned from the Blue Note Board, Blue Note reported on February 20, 2009, that its wholly-owned subsidiary, Blue Note Caribou Mines Inc., had obtained an order from the New Brunswick Court of Queen’s Bench for creditor protection pursuant to the provisions of the Companies’ Creditors Arrangement Act.

Penalties or Sanctions

To the knowledge of management of the Corporation, no director or executive officer of the Corporation, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has:

- a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

To the knowledge of management of the Corporation, no director or executive officer of the Corporation, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such persons has, within the 10 years preceding the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

8.3 Conflicts of Interest

Directors and officers of the Corporation may serve as directors and/or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and conducting terms in respect of such participation. In the event that such conflict of interest arises at a meeting of the Corporation’s Board of Directors, a director who has such a conflict is required to disclose such conflict and abstain from voting for or against the approval of such participation or such terms.

Item 9 – LEGAL PROCEEDINGS

The Corporation is party to legal proceedings in the ordinary course of its operations. Management does not expect the outcome of any of these proceedings to have a materially adverse effect on the results of the Corporation’s financial position or operations.

The Corporation is the defendant in a number of legal actions where the plaintiffs are claiming damages totaling approximately \$5,038,551. The Corporation believes that the actions are without merit, however, it is premature to make an estimate of the potential outcome of financial impact of these actions.

Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. It is possible that the final resolution of these matters may require the Corporation 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 the consolidated financial statements. Should the Corporation be unsuccessful in its defence or settlement of one or more of these legal actions, there could be a materially adverse effect on the Corporation’s financial position, future expectations, and cash flows.

Item 10 – INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Corporation, no director or executive officer of the Corporation, or any of their associates has any material interest, directly or indirectly, in any transaction within the three most recently completed fiscal years that has materially affected or will material affect the Corporation other than:

- A director of the Corporation is also a director and officer of a lender of \$600,000 to the Corporation. The promissory note payable was renewed and matured on October 13, 2008, bears interest at 13%, and is secured by a general security agreement, covering all property of the Corporation, and a personal guarantee by the Chairman and Chief Executive Officer of the Corporation. As at June 22, 2010, the promissory note payable had been repaid in full and had an outstanding balance of \$NIL.

Item 11 – TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar is Equity Financial Trust at its principal offices in Toronto.

Item 12 – MATERIAL CONTRACTS

Other than contracts entered into in the normal course of business, the only material contract entered into by the Corporation in the most recently completed fiscal year, or before the most recently completed fiscal year but still in effect is a credit facility in the amount of \$250,000 at prime plus 1%, secured by a general security agreement covering all assets of the Corporation and guaranteed by the Chairman and Chief Executive Officer of the Corporation and his wholly-owned personal investment corporation.

Item 13 – EXPERTS

For the financial year ended March 31, 2011, the Corporation's auditors were Grant Thornton LLP who has prepared the Auditors' Report to Shareholders. Pursuant to a Notice of Change of Auditor dated May 5, 2011, the Corporation announced that it had appointed Grant Thornton LLP as the Corporation's auditors in replacement of Deloitte & Touche LLP.

Item 14 – AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and the Corporation's process for monitoring compliance with laws and regulations and the code of conduct.

The responsibilities of the Audit Committee include:

- Being available to assist and provide direction in the audit planning process when and where appropriate;
- Meeting with the auditors as necessary and prior to release and approval of the consolidated financial statements to review audit, disclosure and compliance issues;
- Where necessary, reviewing matters raised by the auditors with appropriate levels of management, and reporting back to the auditors their findings;
- Making known to the auditors any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the consolidated financial statements or auditors report;
- Providing guidance and direction to the auditors on any additional work they feel should be undertaken in response to issues raised or concerns expressed;

- Making such enquiries as appropriate into the findings of the auditors with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls;
- Reviewing the draft consolidated financial statements prepared by management including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and approve same to be passed to directors for approval; and
- Pre-approving all professional services and allowable consulting services to be provided by the auditors.

The Audit Committee members are Mr. Bradley, Mr. Roitman and Mr. Grant, each of whom is independent, as such term is defined in Multilateral Instrument 52-110 Audit Committees.

All the members of the Committee are “financially literate” and have:

- an understanding of the accounting principles used by the Corporation to prepare its financial statements;
- the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

The following is a brief summary of the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member:

Mr. Bradley is an active investor and has extensive financial experience stemming from his positions as Chief Financial Officer of both PBB Global Logistics and Forbes Medi-Tech Inc.

Mr. Roitman is an active investor and has broad financial experience resulting from his position as Managing General Partner of Romspen Investment Corporation, as well as from his former role as Chief Financial Officer of PSINet Limited.

Mr. Grant is an active investor in many companies with financial experience resulting from his long career in the insurance industry.

The Audit Committee meets on a quarterly basis and holds special meetings, as circumstances require.

The fees charged to the Corporation by its external auditor in each of the last two fiscal years are as follows:

	Fiscal Year Ended March 31, 2011	Fiscal Year Ended March 31, 2010
Audit Fees ⁽¹⁾	\$305,000	\$225,000
Audit-Related Fees ⁽²⁾	Nil	Nil
Tax Fees ⁽³⁾	Nil	Nil
All Other Fees	Nil	Nil

Notes:

- (1) Audit fees include fees for services related to the audit of the Corporation’s financial statements or other services that are normally provided by the external auditors in connection with statutory or regulatory filings or engagements. These fees also include fees for comfort letters, statutory audits, attest services, consents and assistance with the preparation and review of documents filed with regulators, as well as in connection with the interpretation of accounting and financial reporting standards.
- (2) Audit-related fees include assurance and related services that are performed by the Corporation’s auditors. These services also include accounting consultations in connection with divestitures and internal control reviews.
- (3) Tax fees include fees for assistance with tax planning, during restructurings and when taking a tax position, as well as preparation and review of income and other tax returns and tax opinions.

The Audit Committee charter is attached hereto as Appendix “A”.

Item 15 - ADDITIONAL INFORMATION

Additional information relating to the Corporation and Northern may be found on SEDAR at www.sedar.com.

Additional information, including principal holders of the securities of the Corporation, directors’ and officers’ remuneration and indebtedness and options to purchase securities will be contained in the Information Circular to be prepared in connection with the Annual and Special Meeting of Shareholders which will be held in the second half of 2011. Additional financial information is provided in the Consolidated Financial Statements and Managements’ Discussion and Analysis for the twelve months ended March 31, 2011.

APPENDIX “A”

CHARTER
OF THE AUDIT COMMITTEE OF
NORTHERN FINANCIAL CORPORATION (the “Corporation”)

Mandate

To assist the board of directors of the Corporation in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and the Corporation’s process for monitoring compliance with laws and regulations and the code of conduct.

Authority

The audit committee has authority to conduct or authorize investigations into any matters within its mandate. It is empowered to:

- Retain outside counsel, accountants or others to advise the committee.
- Seek any information it requires from employees – all of whom are directed to co-operate with the committee’s requests – or external parties.
- Meet with the Corporation’s officers, external auditors or outside counsel and review Corporation books and records, as necessary.

Composition

The audit committee will consist of three members of the board of directors. The board will appoint committee members and the committee chair. In the absence of the chair at any particular meeting, the other committee members shall appoint a member for such purpose. Any member of the committee may be removed or replaced at any time by the board and shall cease to be a member of the committee upon ceasing to be a director. Subject to the foregoing, each member of the committee shall hold office as such until the next annual meeting of shareholders.

Each committee member will be both independent of management and is an unrelated director, and shall be able to read and understand a balance sheet, an income statement and a cash flow statement. At least one member shall have accounting or related financial expertise, which shall be defined as having sufficient experience, in the opinion of the board, to be able to appreciate the significance of the information in the financial statements.

Meetings

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via teleconference; however, two members of the audit committee, present in person or via teleconference, will constitute a quorum. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and meetings with management. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared by the secretary of the committee (who shall be appointed from among its members and may include the chair of the committee). Subject to the foregoing, the times of meetings and the places where meetings of the committee shall be held and

the calling of, and procedures at, such meetings shall be determined from time to time by the committee, provided that meetings shall be convened with the auditors of the Corporation whenever requested by them in accordance with the *Business Corporations Act* (Ontario) and generally accepted auditing standards. Meetings with the Corporation's auditors shall, in any event, occur at least annually and with the Corporation's management, at least four times a year.

Duties

The committee will carry out the following duties in furtherance of its mandate:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understanding their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered, and resolving disagreements between management and the external auditors regarding financial reporting.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report (including annual management discussion and analysis) and related securities regulatory filings (including the annual information form) before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters which the external auditors communicate to the committee pursuant to generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of external auditor involvement.
- Review interim financial reports (including interim management discussion and analysis) with management and the external auditors, before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

Internal Control

- Consider effectiveness of the Corporation's internal control over the conduct of financial transactions and over annual and interim financial reporting, including information technology security and control.
- Understand the scope of external auditors' review of internal control over the conduct of financial transactions and over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

External Audit

- Review the external auditors' proposed audit scope and approach.

- Review the performance of the external auditors, and exercise final approval on the recommended appointment or discharge of the auditors, who are ultimately accountable to the board and the audit committee as representatives of shareholders.
- Review and confirm the independence of the external auditors by obtaining written statements, at least annually, from the auditors on all relationships between the auditors and the Corporation, including non-audit services, and the fees paid or payable with respect thereto, and discussing the relationships with the auditors.
- Pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the Corporation's external auditors, delegate a member of the committee to perform such pre-approval function, or establish policies and procedures with respect to the provision of non-audit services in accordance with applicable law.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- Review the effectiveness of the system of monitoring compliance with laws and regulations relating to financial reporting and securities law matters and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to Corporation personnel, and for monitoring compliance therewith.
- Review the procedures relating to the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential submissions by employees of concerns regarding questionable accounting or auditing matters.
- Obtain regular updates from management and Corporation's legal counsel regarding compliance with laws and regulations relating to financial reporting and securities law matters and other matters that may have a material impact on financial statements.

Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues and related recommendations.
- Provide an open avenue of communication between the external auditors and the board of directors.
- Review any other reports the Corporation issues that relate to committee responsibilities.
- Other Responsibilities
- Perform other activities related to this charter as requested by the board of directors and as required by law.
- Institute and oversee special investigations as needed.

- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes.
- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's present and former external auditors.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

Limitations

While the committee has the responsibilities and powers set forth in this charter, it is not the duty of the committee to plan or conduct audits or to determine that generally accepted accounting principles have been utilized in generating the Corporation's financial statements. This is the responsibility of management and the independent auditor. Nor is it the duty of the committee to conduct investigations or to assure compliance with laws and regulations and the business conduct guidelines of the Corporation.