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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[x] ANNUAL REPORT
UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __ to __

Commission file number: **333-90031**

Northstar Electronics, Inc.
Name of small business issuer in its charter

Delaware **#33-0803434**
State or other jurisdiction of incorporation or
organization IRS Employer Identification No.

Suite # 410 - 409 Granville Street,
Vancouver, British Columbia,
Canada V6C 1T2
Address of principal executive offices and Zip Code

Issuer's telephone number **(604) 685-0364**

Securities registered pursuant to section 12(b) of the Act
None

Securities registered pursuant to section 12(g) of the Act
100,000,000 shares of common stock with a par value of $0.0001 each

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act [ ]

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **(1) [x] Yes** [ ] No **(2) [x] Yes** [ ] No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [**x**]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange

Act). Yes [ ]   **No [x]**

State issuer's revenues for its most recent fiscal year: **$379,020**

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act).
Note - If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

Aggregate market value of voting common equity held by non-affiliates as of
December 31, 2011: **$630,000 approximately**

Aggregate market value of non-voting common equity held by non-affiliates as of
December 31, 2011: **Not Applicable**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.
Outstanding shares of common stock as of March 31, 2011: **53,377,824**

Documents incorporated by reference: **None**

Transitional Small Business Disclosure Format (Check one): Yes [ ] **No [X]**

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Item 14. Principal Accountants Fees and Services

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Signatures

Note Regarding Forward Looking Statements

Except for statements of historical fact, certain information contained herein constitutes 'forward looking statements' within the meaning of Section 27A of the securities Act and Section 21E of the Securities Exchange Act. Forward looking statements address our current plans, intentions, beliefs and expectations and are statements of our expected future economic performance. Statements containing terms like 'will', 'believes', 'does not believe', 'plans', 'expects', 'intends', 'estimates', 'anticipates', 'may' and other phrases of similar meaning or the negative or other variations of these words or other comparable words or phrases are considered to imply uncertainty and are forward looking statements.

Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the Company to be materially different from any future results or achievements of the Company expressed or implied by such forward looking statements. Such factors include, but are not limited to changes in economic conditions, government regulations, contract requirements and abilities, behavior of existing and new competitor companies and other risks and uncertainties discussed in this annual Form 10-K report.

We cannot guarantee our future results, level of activity, performance or achievements. Neither we nor any other person assumes responsibility for the accuracy and completeness of these forward looking statements. We are under no duty to update any of the forward looking statements after the date of this report.

Risk Factors

Investment in our common stock involves a high degree of risk. Prospective investors should carefully consider the following risk factors in addition to other information in this annual report before purchasing our common stock.

Because we have a net loss from operations of $1,807,955 for the year ended December 31, 2011 and have accumulated losses of $12,780,130 from inception, we face a risk of insolvency and we remain dependent on equity and debt financing to help pay operating costs and to help cover operating losses. Business financing is being pursued.

Although the Company has moved to obtain additional customers we are, at present, substantially dependent on two customers to generate future sales. Our future is uncertain if our relationships with these major customers fail. Please also refer to our December 31, 2011 year end audited financial statements and notes thereto.

The auditor's report for our December 31, 2011 consolidated financial statements includes an additional paragraph that identifies conditions which raise substantial doubt about our ability to continue as a going concern. The audited financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PART I

Item 1. **Description of Business**

The business of the Company is primarily that of a holding company with subsidiaries. Its wholly owned subsidiary, **Northstar Network Ltd.** (**NNL**), carries out defense, aerospace and homeland security contract manufacturing. **Northstar Technical Inc.**, (**NTI**), our second subsidiary, has been involved in underwater sonar sensors primarily related to the fishing industry. NTI is presently under re-structuring due to a downward trend in the commercial fishing industry. NTI had developed, manufactured and sold undersea sonar communications systems in that industry over the past decade. However, much of the new technology developed using underwater communicating techniques did not receive strong market acceptance as the time taken for product development and market introduction was long. The lack of capital funding was predominantly responsible for this situation.

Subsequent to the year end, the Company entered into a Definitive Agreement to divest Northstar Network Ltd. to another company in exchange for cash and share purchase warrants. This transaction is expected to close on or before May 31, 2012. As well, the Company signed a Letter of Intent to acquire a development stage company specializing in advanced sonar technologies and systems. The following descriptions of the Company's business areas should be read in the context of the present situation, that is, the pre divesting of Northstar Network Ltd. and the pre acquiring of the sonar company.

Homeland Security and Military Defense:
NNL expects that design and manufacture of homeland security and anti-terrorism systems will grow to become a major component of its business over the next five years as the United States Department of Homeland Security and the United States Navy ramp up efforts to protect ports, on shore high value assets and ships from terrorists. NNL has designed and is capable of manufacturing sonar hardware for homeland security and military defense systems.

Research and Development:
The Company did not expend any efforts on research and development during the year.

CONTRACT MANUFACTURING (CM)

NNL has become a subcontractor to the aerospace and contract manufacturing industries and assembles electronic and mechanical systems under contract to the defense and aerospace industry (called 'build to print'). Products are built according to designs provided by our customers. The main customers are currently Lockheed Martin MS2 and L-3 Communications MAPPS Inc., a Canadian subsidiary of L-3 Communications Inc., for whom the Company provides production engineering, contract manufacturing of console components, sourcing and procurement of replacement parts, assembly into full systems, testing and shipping.

The Company has attended defense and aerospace exhibitions in the United States and Canada and has participated in missions to meet prime contractors involved in major defense contracts.

The Company has attracted a variety of major customer prospects in this area for which bids are actively being submitted.

The CM Market

NNL has focused attention on the North American military and civilian markets. The United States and Canada have many programs where our services could be used. This includes programs to manufacture control consoles for submarines and naval surface ships, components for military helicopters and vehicles, and machined parts and specialized assemblies for fixed wing aircraft.

Competition - CM

For control consoles produced for Lockheed Martin, NNL's competition would be primarily similar sized companies as NNL, in the United States, Canada or abroad.

However, we expect that, dependent upon the economic and political factors influencing major defense contractors such as Lockheed Martin, there will indeed be competition for future contracts. NNL's main competitive advantages are price (our labor and overhead rates are low compared to many other jurisdictions) and quality of our current work on naval machine control consoles (MCCs) and other aeronautics contracts.

Marketing - CM

The benefits of our marketing efforts are contacts made through networking in the industry and attendance at trade shows, conferences and special missions sponsored by the Department of Defense and Department of Business Development/Trade. We continue to attend defense and aerospace exhibitions in Canada and the United States.

Technology Protection - CM

NNL currently owns no proprietary technology requiring protection with respect to its CM activities.

Raw Material Sources and Availability - CM

Materials and parts are available on an as needed basis from a variety of sources in the United States and Canada.

Dependence on One or a Few Major Customers - CM

NNL currently depends to a great extent on Lockheed Martin MS2 and L-3 Communications MAPPS for its contracts. Lockheed Martin is comprised of many semi-autonomous divisions, which have many customers. Dealing with these divisions is similar to dealing with independent companies, regarding contract operations. We are trying to reduce our dependency on one or two divisions by contacting other divisions and other large prime contractors about CM opportunities with them.

Need for Government Approvals - CM

There are no required government approvals applicable to our CM activities, except any required as part of a contract. In that event, the requirement would be passed down from the prime contractor as a part of the statement of work

Effect of Existing or Probable Government Regulations - CM

Commerce between the United States and Canada in the defense and aerospace industry is governed by some general rules and regulations. These typically require a prime contractor, such as Lockheed Martin, to obtain certain United States government clearances before providing NNL with potentially sensitive information. Similarly, a Canadian prime contractor would need Canadian government clearances to give classified information to a United States subcontractor.

To date, these clearances have not caused any problems for our CM activities and we do not anticipate any in the foreseeable future.

Research and Development Expenditures - CM

NNL did not incur expenditures in fiscal 2011 on CM research and development activities.

Costs and Effects of Compliance with Environmental Laws - CM

NNL has incurred no costs or adverse effects in its compliance with any environmental laws.

SYSTEM INTEGRATION

NNL carries out multi-faceted contracts that require several subcontractors to perform specialized tasks. This ability to integrate the work of several components to create one complete system is one of Northstar's main areas of business - system integration.

As a result of its capabilities and expertise, NNL developed an approach to securing and executing defense and other contracts. NNL brings together a number of Small Medium Size Enterprises (SME) affiliate companies thereby presenting a broad capability to prime defense contractors. Because NNL offers 'one stop shopping' for multiple companies with a wide range of relevant expertise, it is anticipated that contract work for various Canadian government procurements will flow to NNL.

NNL has carried out several contracts for Lockheed Martin on the development and production of an underwater intruder detection system and is pursuing new contracts in the defense and homeland security areas. NNL is currently working on a defense contract for naval submarine upgrades.

EMPLOYEES

As of December 31, 2011 the Company had a total of 17 employees.

PUBLIC INFORMATION

The Company electronically files with the Securities and Exchange Commission (SEC) all its reports, including but not limited to its annual and quarterly reports. The SEC maintains an internet site (http://www.sec.gov) that contains reports and other information regarding issuers that do file electronically. The Company maintains a web site address at www.northstarelectronics.com

Item 2. **Description of Properties**

The Company rents its corporate offices located at: 410 - 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2. Northstar Network Ltd has leased offices and operations facilities at: 1 Duffy Place, St. John's, Newfoundland, Canada.

Item 3. **Legal Proceedings**

There are no known legal filings registered or contemplated against the Company. Several debt claims have been registered against the company. The total of the registrations is approximately $85,000.

Item 4. **Submission of Matters to a Vote of Security Holders**

No change since previous filing. The Company has filed with the SEC an SB-1 registration statement April 2000, an S-8 registration November 2000 and quarterly reports (form 10QSB) for June and September 2000 and for March, June and September 2001, 2002, 2003, 2004, 2005, 2006 and 2007, form 10Q's for March, June and September 2008, 2009, 2010 and 2011 and annual reports (form 10KSB) for December 31, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007 and form 10K for 2008, 2009, 2010 and 2011.

PART II

Item 5. **Market for Registrant's Common Equity and Related Stockholder Matters**

No change since previous filing.

Item 6. **Management's Discussion and Analysis or Plan of Operation**

The following discussion, comparison and analysis should be read in conjunction with the Company's accompanying audited consolidated financial statements for the years ended December 31, 2011 and 2010 and the notes related thereto. The discussion of results, causes and trends should not be construed to infer conclusions that such results, causes or trends necessarily will continue in the future.

DISCUSSION

The following table sets forth for the years indicated items included in the Company's consolidated statement of operations:

	2011	2010	2009	2008	2007
Total revenue	$ 379,020	$3,186,964	$3,913134	$2,254,657	$1,611,203
Cost of goods sold	207,930	2,806,881	3,080,792	2,148,539	725,706
Gross margin	171,090	380,083	832,342	106,118	885,497
Expenses	1,979,045	1,710,411	1,830,507	1,846,748	1,664,315
Net (loss)	$1,807,955	$(1,330,328)	$(998,165)	$(1,740,630)	$ (778,818)
Net (loss) per share	$(0.04)	$(0.04)	$(0.03)	$(0.06)	$(0.03)

During the year the Company attempted to adequately carry out production on its contracts, develop delivery requirements with suppliers and to improve internal systems. A shortage of working capital in support of production became an issue as the Company took measures to provide that support. Sufficient capital was not raised and consequent production restrictions caused delays with contract deliveries. The delays resulted in increased production costs (cost of goods sold) and delays in the receipt of prospective contract increases.

As a result of an inability to obtain sufficient operating funding for production demands, NNL could not achieve its contract revenue goals for the year, and, in fact, fell far short. New financing opportunities were pursued late in the fiscal year. In 2011, the Company had a large decrease in contract billings resulting in lower revenues while at the same time maintained production expenditures which further increased the loss position. The lack of required operating capital caused greater material/production/shipping costs and hence insufficient margins which resulted in the large loss for the year and further hindered the ability to finance working capital, causing a further decline in production. The loss increased to $(1,807,955) from a loss of $(1,330,328) for 2010. In view of these issues, contract revenue performance fell well below expectations for 2011.

Production on the first phase of the P3 project slowed down as per its scheduled completion in the first quarter. As well, expected purchase orders for production on the second phase of the project were delayed early in the year. The slowdown in production on the P3 project, as noted above, resulted in lower revenues. A Frigate Console project is underway. Lack of sufficient operating capital has caused delays in shipset deliveries. Also, the Submarine Sonar upgrade contract is underway.

NNL's total revenues for 2011 were $379,020 ($3,186,964 for 2010, $3,913,134 for 2009 and $2,254,657 for 2008). We incurred a net loss from operations of $(1,807,955) [$(1,330,328) for 2010 $(998,165) for 2009 and $(1,740,630) for 2008]. Total revenue for 2011 includes sales of $379,020 and $nil in recovery of research and development costs (2010 includes sales of $3,186,964 and $0 in recovery of research and development costs and 2009: $3,913,134 in sales and $0 in recovery of costs).

Defense Sonar Development Contract Opportunity

During 2011 NNL submitted a proposal for another Project X prototype system for an 'Undisclosed' prospective customer. It is expecting to receive information on this program in the current year.

Contract Manufacturing

NNL remained active pursuing new contract manufacturing opportunities during 2011. During 2010 the Company was awarded a contract for additional P3/CP140 aircraft ASLEP upgrades from Lockheed Martin Aeronautics. The Master PO contract was altered to an Open PO contract during the year and numerous Pos were terminated due to slow delivery threatening production work flows. These have been taken in-house at Lockheed's facilities. The primary casue was lack of operating capital as previously described.

Systems Integration

NNL will continue to pursue contract systems integration business in 2012.

Description of Existing Contracts:

Marine Naval Consoles - L-3 Communications MAPPS Inc.

The contract, awarded in March 2009, is to manufacture 66 Standard Marine Consoles and 60 Local Operating Panels as part of its Integrated Platform Management System (IPMS) for the Halifax Class naval frigates of the Canadian Navy. NNL had to re-schedule deliveries during 2011 due to the unavailability of sufficient working capital to maintain the production schedule and alterations by the customer. Future delivery timetables also require adequate funding be available for production of additional consoles in the new year. Subsequent to the year end additions were received for the existing contract.

Wing Box Assemblies for P3/CP140 MLU Program - Lockheed Martin Aeronautics Co.
The former original Master Purchase Order contract for 48 aircraft wound down in 2011. A follow-on Master Purchase Order for 67 aircraft was received at the beginning of the 3rd Quarter 2010. Production was delayed through the first quarter of 2011 while the customer continued to refine its purchase order requirements. Only minimal production was possible during 2011 due to insufficient contract project funding support in place in early 2011.

Results of Operations

Gross margins increased to 45% compared with 11.9% for 2010, 21.3% for 2009, 4.7% for 2008 and 55% for 2007). A significant cause of any fluctuation in the gross margin percentages would be due to changes in the revenue mix where the Company is now generating greater revenues with significantly more direct costs attached.

During 2011 and 2010, the Company did not spend funds on design engineering and prototype development related to the development of engineering systems ($0 in 2009, $295,302 in 2008, $234,019 in 2007, $389,222 in 2006 and $816,622 in 2005).

The Company generated contract and sales revenues of $379,020 in 2011 (2010: $3,186,964) (2009: $3,913,134) (2008: $1,899,061) (2007: $664,110) (2006: $577,237) (2005: $492,810) and government incentive research and development recoveries of $nil included in revenues (2009: $nil) (2008: $124,663) (2007: $153,286) (2006: $311,698) (2005: $671,720).

The Company incurred a loss of $(1,807,955) for 2011 (compared to losses of $(1,330,328) for 2010, $(998,165) for 2009, $(1,740,630) for 2008, $(778,818) for 2007, $(969,286) for 2006 and $(984,768) for 2005.

The Company expects that design, engineering, development and manufacture of defense systems will continue to be the major component of its business over the next five years.

Liquidity and Capital Resources

The Company used cash in operations of $(1,023,191) in 2011 compared to cash used by operations of $(777,903) in 2010 $(467,412) in 2009, $(806,715) in 2008, $(773,520) in 2007, $(607,410) in 2006, and $(311,237) in 2005. In 2011 the Company raised equity financing of $637,000 compared to $777,604 equity funding during 2010, $287,500 equity funding during 2009, $144,088 equity funding during 2008 and $134,250 equity funding during 2007 and $304,325 equity funding during 2006. The net cash was used to fund operations.

The Company's working capital and capital requirements will depend on many factors, including the ability of the Company to increase contract manufacturing sales in order to generate sufficient funds to cover the current level of operating expenses. During the most recent fiscal year the Company increased its long-term debt by $90,650 (decreased by: 2010 $23,078, increased by: 2009 - $33,900, 2008 - 211,979, 2007 - $747,902).

The Company is negotiating to secure equity financing in the short term.

With respect to the trade payables, the Company's suppliers have been reasonably cooperative with the Company to date. The Company will maintain its focus on reducing the outstanding amounts payable with increased cash flow from operations and from debt financing. The Company expects its suppliers will continue to be supportive in the future, and the Company will continue with its communications regarding future prospects.

With respect to government loans, the various agencies holding the loans have been cooperative with the Company to date. The loans were in a normal status during the year. The Company anticipates continued lendor cooperation into the future.

The availability of sufficient future funds will depend to an extent on obtaining manufacturing contracts on a timely basis. Accordingly, the Company may be required to issue securities to finance any project start-up and working capital requirements for new contracts and general business expansion. There can be no assurance whether or not such future financings will be available or on satisfactory terms.

Working Capital and Operations

In March 2009 the Company received a contract from L-3 Communications MAPPS Inc., a subsidiary company of L-3 Communications Inc., for US$2.05M for the engineering design and assembly of Machine Control Consoles (MCCs) for the Halifax Class, Canadian Naval Frigate Upgrade Program. In 2010 the Company received a contract upgrade increasing the total contract value to US$3.4M.

Over the next six months the Company expects to require approximately US$1,250,000 to cover production costs associated with new contracts and an additional $500,000 for working capital over the subsequent twelve months. The Company is attempting to secure financing by way of private placements of equity financings.

Although the Company raised working capital through equity funding during 2011 a large amount of equity-based working capital is further required to efficiently carry out existing and expected contracts. We believe that with sufficient working capital, the Company's revenues and backlog of work can grow in 2011 with the prospect of an improved bottom line.

Certain statements in this report and elsewhere (such as in other filings by the Company with the Securities and Exchange Commission ("SEC"), press releases, presentations by the Company of its management and oral statements) may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and "should," and variations of these words and similar expressions, are intended to identify these forward-looking statements. Actual results may materially differ from any forward-looking statements. Factors that might cause or contribute to such differences include, among others, competitive pressures and constantly changing technology and market acceptance of the Company's products and services. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Item 7. **Financial Statements**

NORTHSTAR ELECTRONICS, INC.
Index to Consolidated Financial Statements December 31, 2011 and 2010 (U.S. Dollars)

MEYERS NORRIS PENNY LLP

DRAFT

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of **Northstar Electronics, Inc.**:

We have audited the accompanying consolidated balance sheet of Northstar Electronics, Inc. ("the Company") as at December 31, 2011and 2010, the related consolidated statement of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, the Company has not generated revenues since its inception, has incurred annual losses, and further losses are anticipated. The Company requires additional funds to meet its obligations and ongoing operations. Management's plans in this regard are described in Note 1. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Meyers Norris Penny LLP

Meyers Norris Penny LLP, Chartered Accountants

Vancouver, BC, Canada
May 17, 2011

MEYERS NORRIS PENNY LLP

Vancouver, Canada

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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