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

FORM 10-K/A

[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]**

EXPLANATORY NOTE: The registrant is filing this amendment to remove the auditor's letter in the financial section of the filing.

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

- **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 financial statements and notes thereto.

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 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 Un Consolidated Financial Statements December 31, 2011 and 2010 (U.S. Dollars)

NORTHSTAR ELECTRONICS, INC.
Consolidated Balance Sheets

December 31

(US Dollars)		2011		2
Assets				
Current				
Cash and cash equivalents	$	2,358	$	135
Accounts receivable (note 5)		175,361		51
Investment tax credits receivable		-		
Inventory (note 2d)		281,830		121
Prepaid expenses		24,603		7
		484,152		315
Deferred contract costs (note 6)		36,389		56
Intangible asset (note 7)		-		12
Equipment (note 7)		30,791		44
	$	551,332	$	429
Liabilities				
Current				
Accounts payable and accrued liabilities	$	2,430,675	$	1,969
Loans payable (note 8)		707,207		580
Due to Cabot Management Limited (note 9a)		53,593		55
Due to Directors (note 9)		1,088,281		1,208
Deferred revenue		141,101		34
Current portion of long-term debt (note 10)		2,061,655		1,318
		6,482,512		5,167
Long-term debt (note 10)		-		706
		6,480,155		5,873
Stockholders' Deficit				
Common Stock (note 15&16)				
Authorized:				
100,000,000 Common shares with a par value of $0.0001 each				
20,000,000 Preferred shares with a par value of $0.0001 each				
Issued and outstanding:				
53,377,824 Common shares (36,143,942 - 2010)		5,338		
488,586 Preferred series A shares (488,586 - 2010)		409,299		
Additional Paid-in Capital		7,058,546		
Accumulated Other Comprehensive Income (Loss)		(624,233)		
Accumulated Deficit		(12,780,130)		

	$	551,332	$

See notes to consolidated financial statements
Nature of operations and going concern (note 1)
Contingent liabilities (note 11)
Commitment (note 12)

Consolidated Statements of Operations and Comprehensive Loss
Years Ended December 31
(US Dollars)

	2011	2010	2
Revenues	$ 379,020	$ 3,186,964	$ 3,913,
Cost of Goods Sold	207,930	2,806,881	3,080,
Gross Margin	171,090	380,083	832,
Expenses			
Salaries, wages and benefits	752,442	373,918	383,
Research and development	-	-	
Travel, marketing and business development	2,682	47,779	32,
Management fees	135,000	210,000	175,
Finance fees	158,150	70,000	
Consulting	114,000	16,458	98,
Rent	122,863	110,851	139,
Professional fees	98,113	162,286	108,
Office and miscellaneous	152,106	192,320	146,
Bad debts	-	5,415	15,
Interest on long-term debt	389,516	411,507	274,
Telephone and utilities	25,693	31,694	37,
Loss on disposal of assets	19,104	4,307	1,
Foreign exchange loss (gain)	(2,100)	(3,350)	396,
Depreciation	11,476	15,013	15,
Amortization of intangible asset	-	2,213	4,
Interest and penalties (note 14)	-	60,000	
	1,979,045	1,710,411	1,830,
Net loss for the year	(1,807,955)	(1,330,328)	(998,
Other comprehensive income			
Foreign currency translation adjustment	24,920	(190,811)	(546,
Net loss and comprehensive loss for the year	(1,783,035)	(1,521,139)	(1,545,
Loss Per Share (Basic and Diluted)	$ (0.04)	$ (0.04)	$ (0
Weighted Average Number of Common Shares Outstanding (Basic and Diluted)	42,697,731	34,762,851	31,140,

See notes to consolidated financial statements

NORTHSTAR ELECTRONICS, INC.
Statements of Changes in Stockholders' Deficit
Years Ended December 31
(US Dollars)

	Number of Shares	$	Par Value	$	Additional Paid-In Capital	$	Other Compreh Income (Lo
nce December 31, 2008	29,960,370	$	2,997	$	4,954,639	$	88,935
Other comprehensive loss	-		-		-		(546,874)
Issuance of common stock:							
For services	1,346,547		134		119,622		-
For cash	632,153		63		53,437		-
Stock option benefit	-		-		46,475		-
Net loss	-		-		-		-
Balance December 31, 2009	31,939,070		3,194		5,174,173		(457,939)
Other comprehensive loss	-			-	-		(190,811)
Issuance of common stock:							
For services	985,856		98		155,781		-
For cash	3,191,172		319		411,740		-
For preferred conversion	160,000		16		32,812		-
For loan payable	30,000		3		6,597		-
For prepaid expense	508,844		51		96,949		-
Held by the Company	(671,000)		(67)		(113,609)		-
Net loss	-		-		-		-
Balance December 31, 2010	**36,143,942**	**$**	**3,614**	**$**	**5,764,443**	**$**	**(649,153)**
translation adjustment	-		-		-		24,920
ance of common stock:							
For loans	2,082,112		208		199,792		
For cash	9,204,288		921		636,079		
For services	5,947,482		595		458,232		
Net loss	-		-		-		-
Balance December 31, 2011	**53,377,824**	**$**	**5,338**	**$**	**7,058,546**	**$**	**(624,233)**
Series A shares of preferred stock -	Balance December 31, 2010						
Series A shares of preferred stock -	Converted to common shares						
Series A shares of preferred stock -	Issued during the year						
Total stockholders' equity (deficit) December 31, 2011	**53,377,824**	**$**	**5,338**	**$**	**7,058,546**	**$**	**(624,233)**

See notes to consolidated financial statements

NORTHSTAR ELECTRONICS, INC.
Statements of Cash Flows
Years Ended December 31

(US Dollars)		**2011**		**2010**	
Operating Activities					
Net loss	$	(1,807,955)	$	(1,330,328)	$
Items not involving cash:					
Depreciation		11,476		15,013	
Amortization of intangible assets		-		2,213	
Services paid with common stock		458,827		155,879	
Loss on disposal of assets		19,056		1,254	
Equity based compensation		-		-	
Changes in Non-Cash Working Capital:					
Accounts receivable		(12,059)		211,484	
Prepaid expenses		(11,047)		(67,098)	
Inventory		(164,692)		17,869	
Accounts payable and accrued liabilities		375,432		459,978	
Deferred revenue		107,771		(244,167)	
Cash Used in Operating Activities					
Investing Activities					
Deferred contract costs		-		-	
Acquisition of equipment		(8,002)		-	
Cash Used in Investing Activities		**(8,002)**		**-**	
Financing Activities					
Issuance of share capital for cash (net of issue costs)		631,220		672,186	
Loan advances		82,490		281,876	
Long term financing		90,650		(142,998)	
Repayment of debt		-		-	
Advances from directors		94,417		(33,460)	
Cash Provided by Financing Activities		**898,777**		**777,604**	
Effect of Foreign Currency Translation on Cash		**(537)**		**27,124**	
Increase (Decrease) in Cash and Cash equivalents		(132,953)		26,825	
Cash and Cash Equivalents, Beginning		135,311		108,486	
Cash and Cash Equivalents, Ending	**$**	**2,358**	**$**	**135,311**	**$**
Supplemental Information					
Income taxes paid	$	-	$	-	$
Interest paid	$	389,516	$	411,507	$
Common stock issued for debt	$	200,000	$	6,600	$

See notes to consolidated financial statements

NORTHSTAR ELECTRONICS, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2011 and 2010
(US Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

These consolidated financial statements include the accounts of Northstar Electronics, Inc. ("the Company") and its wholly owned subsidiaries, Northstar Technical Inc. ("NTI") and Northstar Network Ltd. ("NNL"). All inter-company balances and transactions are eliminated. The parent company was incorporated on May 11, 1998 in the state of Delaware. On January 26, 2000 NEI acquired 100% of the shares of NTI for the issuance of 4,901,481 shares of treasury stock to the former shareholders of NTI. This transaction was accounted for as a reverse takeover. Prior to this date, the Company had no operations other than organizational activities.

The Company's primary operations include the manufacture of defence and aerospace electronic and mechanical systems. The Company also carries out research and development activities for customers on specific fixed price contract bases.

The Company's business activities are conducted in Canada. However, the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America with all figures translated into United States dollars for financial reporting purposes.

The accompanying consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to continue as a going-concern and contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As at December 31, 2011, the Company incurred a net loss of $1,807,955 (2010: $1,330,328) and had a working capital deficiency of $5,998,360 (2010: $4,791,596), which includes $2,061,655 of long term debt due within one year.

The Company is in default on some loans (note 10). These situations are under review and expected to be revised.

Management has undertaken initiatives for the Company to continue as a going-concern. For example, the Company is negotiating to secure an equity financing in the short-term and is in discussions with several investors. These initiatives are in recognition that for the Company to continue as a going-concern it must generate sufficient cash flows to meet its obligations and expenses. In addition, management believes these initiatives can provide the Company with a solid base for profitable operations, positive cash flows and reasonable growth. Management is unable to predict the results of its initiatives at this time. Should management be unsuccessful in its initiative to finance its operations, the Company's ability to continue as a going-concern will remain in doubt.

2. SIGNIFICANT ACCOUNTING POLICIES

a.

Revenue recognition

For sales under certain long-term contracts, the Company uses the out-put percentage of completion method to recognize revenue. Actual sales and cost values for units being delivered are used as the basis for recording revenue and its associated margin. Under this method, revenue is recognized when title to products is transferred to the customer.

For sales under other certain long-term contracts, the Company uses the input-basis percentage of completion method to recognize revenue. Under this method, revenue is recognized based on the ratio of cost incurred to date to the total estimated costs at the completion of the contract.

b.

Cash and Cash Equivalents

Cash and cash equivalents consist of commercial accounts, trust accounts and interest-bearing bank deposit. Items are considered to be cash equivalents if the original maturity is three months or less.

2.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

c.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of amounts due to the Company resulting from normal business activities. The Company maintains an allowance for doubtful accounts for estimated uncollectible accounts receivable. The allowance is based on our assessment of known delinquent accounts. Accounts are written off against the allowance account when they are determined to be no longer collectible.

d.

Inventory

Inventories consist of raw material stated at the lower of cost and net realizable value, with cost being determined on a first-in, first-out (FIFO) basis, and unbilled work in progress stated at cost.

Inventory consists of the following:

		2011		2010
Raw materials	$	125,755	$	65,427
Work in progress		156,075		55,884
	$	281,830	$	121,311

e.

Research and development

Research and development costs are expensed to operations as incurred.

f.

Deferred contract costs

The Company accounts for contract costs incurred prior to commencement of production under long term contracts in accordance with FASB Accounting Standards Codification Topic ASC 340, 'Other Assets and Deferred Costs'. Costs on long-term contracts and programs in progress represent recoverable costs incurred for production or contract-specific facilities and equipment, allocable operating overhead, advances to suppliers and general and administrative expenses, whose recovery from future contract revenue is probable. Deferred contract costs are recognized into income on a pro-rata basis in accordance with the sales incurred to date as a percentage of expected sales.

g.

Investment tax credits

Investment tax credit refunds arising from the incurrence of qualifying research and development expenditures are not recognized until the applicable project is approved as a qualifying research and development project by Canada Revenue Agency. The refunds are recorded as a reduction of the applicable expense.

h.

Equipment

Equipment is recorded at cost less any government assistance received, and is amortized over the estimated useful lives of the equipment using the following annual rates:

Computer equipment	30% declining-balance

Computer software	30% declining-balance
Furniture and equipment	20% declining-balance
Manufacturing equipment	20% declining-balance
Leasehold improvements	20% straight-line

i. Intangible assets

Intangible assets included in Fixed Assets represent the costs of acquiring the design rights and tooling for a significant component of its Netmind system. These assets are recorded at cost and amortized on a straight-line basis over 10 years, which approximates the estimated life.

j. Long-lived assets

The Company accounts for long-lived assets in accordance with the provisions of ASC 350 (formerly SFAS No.144, Accounting for the Impairment or Disposal of Long-Lived Assets).

2.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

k. Government assistance

The Company's subsidiaries have been awarded research and development assistance under certain Government of Canada assistance programs. Amounts received or receivable under these programs are recorded as other income at the time the amounts are approved for payment by the government agency. Advances for expenses which the Company has yet to incur are also included in deferred revenue (2011 - $141,101: 2010 - $34,883: 2009 - $273,518).

l. Foreign currency translation

The Company's operations and activities are conducted principally in Canada. Hence the Canadian dollar is the functional currency. Amounts incurred in U.S. dollars are translated into the functional currency as follows:

(i) Monetary assets and liabilities at the rate of exchange in effect as at the balance sheet date;

(ii) Non-monetary assets and liabilities at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Revenues and expenditures at rates approximating the average rate of exchange for the year.

For reporting purposes, assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment are translated to U.S. dollars at year end exchange rates. Profit and loss accounts are translated at the average rates for the year. Translation adjustments are recorded as other comprehensive income (loss) and accumulated other comprehensive loss within stockholders' equity.

m. Other comprehensive income (loss)

The Company has other comprehensive income (loss) arising from foreign currency translation of the subsidiary companies' financial statements from the functional currency to the reporting currency. Accordingly, pursuant to ASC 220, "Reporting Comprehensive Income," other comprehensive income (loss) is shown as a separate non cash component of stockholders' equity (deficit).

n. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to deferred contract costs, revenue recognition, the determination of the impairment of long-lived assets, the estimation of useful lives, rates and methods for amortization, inventory valuation and realization, recognition of bad debt allowances, the calculation of stock based compensation, valuation of deferred tax assets and liabilities, accounts payable and accrued liabilities and deferred revenue. Management believes the estimates are reasonable however actual results could differ from those estimates and would impact future results of operations and cash flows.

o. Income taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted ASC 740 whereby the Company is required to compute tax asset benefits for net operating losses carried forward. Potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured that it is more likely than not that it will utilize the net operating losses carried forward in future years. Accordingly any potential benefits of income tax losses are offset by a valuation allowance.

The Company will periodically assess its tax filing exposures related to periods that are open to examination. Based on the latest available information, we evaluate tax positions to determine whether the position will more likely than not be sustained upon examination by the Internal Revenue Service. If it is determined that the tax position is more likely than not to be sustained, the Company records the largest amount of benefit that is more likely than not to be realized when the tax position is settled. If the Company cannot reach that determination, no benefit is recorded. Interest and penalties related to income taxes are recorded as a component of income tax expense in the financial statements.

2.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

On January 1, 2007, the Company adopted the provisions of FIN 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the entity's financial statements in accordance with SFAS No. 109. As of the date of adoption, the Company had no unrecognized income tax benefits, and accordingly, the adoption of FIN 48 did not result in a cumulative effect adjustment to the Company's retained earnings and the annual effective tax rate was not affected. Should the Company incur interest and penalties relating to tax uncertainties, such amounts would be classified as a component of interest expense and operating expense, respectively.

p. Net loss per share before comprehensive income

Net loss per share calculations are based on the weighted average number of common shares outstanding during the year. Diluted loss per share is not shown as the effects of the outstanding stock options and warrants are anti-dilutive.

q. Shipping and handling costs

Shipping and handling costs are recognized as incurred and included in Cost of Sales in the consolidated statement of operations and comprehensive loss.

r. Warranties

Provisions for estimated expenses related to product warranties are made at the time products are sold. These estimates are established using historical information on the nature, frequency, and average cost of warranty claims.

s. Equity-based compensation

Equity-based compensation is calculated in accordance with ASC 505 and ASC 718 (formerly SFAS 123(R), Share-based Payments). ASC 505 and ASC 718 requires the cost of all share-based payment transactions to be recognized in an entity's financial statements, establishes fair value as the measurement objective and requires entities to apply a fair-value-based measurement method in accounting for share-based payment transactions. ASC 505 and ASC 718 applies to all awards granted, modified, repurchased or cancelled after July 1, 2005 and unvested portions of previously issued and outstanding awards. The Company adopted this statement for its first quarter starting January 1, 2006. Prior to 2006, the Company adopted the disclosure provisions of ASC 505 and ASC 718 for stock options granted to employees and directors. The Company disclosed on a supplemental basis, the pro-forma effect of accounting for stock options awarded to employees and directors, as if the fair value based method had been applied, using the Black-Scholes option-pricing model.

t. Fair value measurements

Effective January 1, 2008 the Company adopted ASC 820, *Fair Value Measurements*. ASC 820 provides a definition of fair value, establishes a hierarchy for measuring fair value under generally accepted accounting principles and requires certain disclosures about fair values used in the financial statements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the primary or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

u. Recently adopted accounting pronouncements

In April 2011, the FASB issued new accounting guidance for purposes of measuring the impairment of receivables and evaluating whether a troubled debt restructuring has occurred. An entity should disclose the total amount of receivables and the allowance for credit losses as of the end of the period of adoption related to those receivables that are newly considered impaired under Section 310-10-35 for which impairment was previously measured under Subtopic 450-20, Contingencies-Loss Contingencies. Currently, this guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011. The adoption of this guidance is not expected to have an impact on our consolidated financial position, results of operations, cash flows, or disclosures.

In September 2011, the Financial Accounting Standards Board ("FASB") amended its goodwill guidance by providing entities an option to use a qualitative approach to test goodwill for impairment. An entity will be able to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The amendment will be effective for the Company on January 1, 2012. The Company does not anticipate that this amendment will have a material impact on its financial position or results of operations.

In 2011, the FASB issued new accounting guidance that requires total comprehensive income, the components of net income and the components of other comprehensive income to be presented either in a single continuous statement or in two separate but consecutive statements. This guidance will be effective for the Company in the fiscal year beginning January 1, 2012. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of shareholders' equity. While the new guidance changes the presentation of other comprehensive income, there are no changes to the components that are recognized in other comprehensive income. Other than presentation, the adoption of this guidance will not have an impact on the Company's financial position or results of operations.

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

3. FINANCIAL INSTRUMENTS

Fair values

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and loans payable and amount due to Cabot Management approximate their fair values because of the short maturity of these financial instruments. The carrying value of the Company's long-term debt approximates fair value as the loans bear market rates of interest. No interest has been imputed on non-interest bearing loans from government entities.

Interest rate risk

The Company is not exposed to significant interest rate risk due to the fixed rates of interest on its monetary assets and liabilities.

Credit risk

The Company is exposed to credit risk with respect to its accounts receivable. The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Company maintains provisions for potential credit losses and any such losses to date have been within management's expectations.

Currency risk
The Company is subject to currency risk as certain of the assets and liabilities are denominated in Canadian currencies. The exchange rate conversion to US dollars may vary from time to time.

4. CONCENTRATIONS AND ECONOMIC DEPENDENCE

During 2011, two customers accounted for 99% of the Company's revenue (2010 - 99%). All of the Company's assets and liabilities are located in Canada. 100% of the Company's revenues are derived from the United States.

5. ACCOUNTS RECEIVABLE

During 2011, two customers accounted for 99% of the Company's accounts receivable (2010 - 99%).

	2011	2010
Trade receivables	$ 141,800	$ 51,088
Other receivables	33,561	-
Allowance for doubtful accounts	-	-
	$ 175,361	$ 51,088

The Company provides an allowance for doubtful accounts when management estimates collectability is uncertain. Accounts receivable are continually reviewed to determine which, if any, accounts are doubtful of collection. In making the determination of the appropriate allowance amount, the Company considers current economic and industry conditions, relationships with each customer, overall customer credit-worthiness and historical experience. Once an account is determined to be uncollectible it is written off as a bad debt.

6. Deferred Contract Costs

2011	Cost	Accumulated Amortization	Net
	$ 415,143	$ 378,754	$ 36,389

2010	Cost	Accumulated Amortization	Net
	$ 415,143	$ 358,166	$ 56,977

7. EQUIPMENT

2011	Cost	Accumulated Amortization	Net
Manufacturing equipment	$ 9,745	$ 4,116	$ 5,629
Furniture and equipment	24,291	15,153	9,138
Computer equipment	25,819	15,482	10,337
Computer software	14,634	10,862	3,772

Leasehold improvements		5,608		3,693		1,915
	$	80,097	$	49,306	$	30,791

2010		Cost		Accumulated Amortization		Net
Manufacturing equipment	$	36,835	$	23,780	$	13,055
Furniture and equipment		40,545		26,811		13,734
Computer equipment		30,970		20,925		10,045
Computer software		18,248		13,714		4,534
Leasehold improvements		5,760		2,208		3,552
	$	132,358	$	87,438	$	44,920

Intangible asset

The Company acquired the design rights and tooling for a significant component of its Netmind system at a cost of $37,285 amortized to $0 (2010 - $12,120). The asset is tested for impairment annually. The Company recorded amortization of $0 during the year ended December 31, 2011and wrote the asset off (2010 - $2,213).

8. LOANS PAYABLE

		2011		2010
Demand loans	$	412,704	$	318,642
10% term loans		49,165		83,576
Repayable government assistance		187,412		160,595
Interest payable		57,926		18,017
	$	707,207	$	580,830

The demand loans are unsecured with no fixed terms of repayment.

9. RELATED PARTY TRANSACTIONS

a. The amount due to Cabot Management Limited, an associated private company related by a common shareholder and director, bears no interest and has no set terms of repayment.

b. Included in long-term debt is a loan of $339,814, which bears interest at 5% per month and is due on demand. Interest accrued in 2011 is $185,000 (2010: $169,814 and 2009: $107,609).

c. The Company accrued management fees payable of $135,000 in total to two directors of the Company for their services as officers of the Company (2010 - $210,000)

d. The amounts due to directors have no specific terms of repayment and are subordinated to amounts due to ACOA (note 10). During the year ended December 31, 2011 the Company issued 2,082,112 to settle $200,000 of the debt owing a director

e. As at December 31, 2011 a total of 4,010,000 common stock options expired and nil were granted during the year, leaving 262,500 issued and outstanding to directors, officers and employees (2010: 4,272,500 outstanding).

f. The Company accrued management fees payable of $135,000 in total to two directors of the Company for their services as officers of the Company (2010 - $210,000)

The above transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. LONG-TERM DEBT

	2011	2010
	$	$
a. Short term loan due Terra Nova. Repayable with interest at 5% monthly calculated daily for the term. Terra Nova is controlled by the spouse of an officer of a subsidiary company (note 9c).	339,814	263,97
b. Atlantic Canada Opportunities Agency ("ACOA")		
Delinquent interest-free unsecured loan repayable in monthly payments of Cdn $41,667 commencing March 2009 (Cdn $450,000; 2010 - Cdn $368,678) and matures on September 1, 2010.	442,485	378,579
Interest-free unsecured loan repayable in monthly payments of Cdn $5,938 commencing April 2005 (Cdn $269,367; 2010 - Cdn $269,520) and matures on April 1, 2013.	264,869	272,215
Interest-free unsecured loan to a maximum of Cdn $329,375 repayable in monthly payments of Cdn $5,490 commencing July 2007 (Cdn $202,859; 2009 - Cdn $202,949) and matures on April 1, 2013.	199,471	204,978
Delinquent interest-free unsecured loan repayable in monthly payments of Cdn $6,469 commencing August 2007 (Cdn $500,399; 2010 - Cdn $524,460).	492,042	529,436
Interest-free unsecured loan repayable in monthly payments of Cdn $3,484 commencing July 2007 (Cdn $120,160; 2010 - Cdn $120,205) and matures on July 1, 2013.	118,153	121,407
Interest-free unsecured loan, monthly principal repayments of Cdn $2,621 (Cdn $162,094; 2010 - Cdn $162,094) and matures on December 1, 2014.	159,387	163,715
Delinquent 9% loan with monthly blended repayments of Cdn $6,360 (Cdn $0; 2010 - Cdn $28,456) and matures on November 1, 2010.	-	28,741
c. Provincial Government loan		
Miscellaneous (Cdn $46,206; 2010 - Cdn $67,473)	45,434	68,147
	2,061,655	2,024,980
Less: Current portion	-	1,318,587
Long term debt	$ 2,061,655	$ 706,393

11. CONTINGENT LIABILITIES

a. The Company is contingently liable to repay $2,294,755 in assistance received under the Atlantic Innovation Fund. The assistance is repayable annually at the rate of 5% of gross revenues from sales of products resulting from the Aquacomm research and development project. Gross revenues are to be calculated for the fiscal year immediately preceding the due date of the respective payment. Repayment is to continue until the assistance is repaid in full. To December 31, 2011: $187,412 has been accrued as payable but remains unpaid (2010: $160,595 included in the unpaid amount). The Company was in default of this conditional loan during the year but has arrangements underway to complete the required payments and continue the contingent loan status.

12.

COMMITMENT

The Company is committed to minimum lease payments for property and premises aggregating $218,673 over the term of leases expiring 2014. Minimum annual lease payments over the next five years are approximately as follows:

2012	$	70,921
2013	$	70,921
2014	$	5,910

13. STOCK OPTIONS

For purposes of calculating the compensation cost consistent with ASC 505 and ASC 718, the fair value is estimated on the date of grant using the binomial method. Volatility is based on an average of the implied volatility in the open market and the annualized volatility of the Company's stock history. The following table shows the weighted-average assumptions used for grants of stock options as well as the fair value of the grants based on those assumptions:

	2011	2010
Expected dividend yield	-	-
Forfeiture rate	-	-
Volatility	30.00%	30.00%
Risk free interest rate	2.70%	2.70%
Expected average life	2.5 year	2.5 year
Fair Value of options granted	n/a	n/a

The forfeiture rate is based on the historical annualized forfeiture rate, which is consistent with prior years. This rate includes only pre-vesting forfeitures. Volatility is based on an average of the implied volatility in the open market and the annualized volatility of the Company's stock price over the entire stock history. The risk free interest rate used is the implied yield currently available from the Canadian Treasury zero-coupon yield curve over the contractual term of the options. The expected weighted-average life is based on historical exercise behaviour, which compares the average life of the options that have already been exercised or cancelled with the exercise life of all unexercised options. The exercise life of unexercised options assumes that the option will be exercised at the midpoint of the vesting date and the full contractual term. These assumptions are consistent with the assumptions used in prior years.

Stock option activity for the years ended December 31, 2011 and 2010 are as follows:

	Number of Shares	Exercise Price per Share	Weighted Aver Exercise Pri
Balance December 31, 2009	4,491,500	$0.25 - $0.50	$0.28
Granted during the year	-	-	-
Cancelled/Expired	(219,000)	$0.50	$0.50
Balance December 31, 2010	4,272,500	$0.25 - $0.50	$0.27
Granted during the year	-	-	-
Cancelled/Expired	(4,010,000)	$0.25	$0.25

Balance December 31, 2011	262,500	$0.50	$0.50

As at December 31, 2011 and 2010, all stock options were fully vested and exercisable and expire two years after the grant date. As at December 31, 2011 and 2010, the outstanding stock options granted to directors, employees and others are as follows:

Expiry Date	Exercise Price	Number of Shares 2011
October 26, 2011	$0.25	-
October 30, 2011 (note 14)	$ 0.25	-
December 4, 2011	$ 0.50	-
December 19, 2012	$ 0.50	187,500
May 1, 2013	$ 0.50	25,000
March 1, 2015	$ 0.50	50,000
Total outstanding and exercisable		262,500
Weighted average outstanding life of options (years)		1.72

Warrants

	Number of Shares	Exercise Price per Share	Weighted Aver Exercise Pri
Balance December 31, 2009	3,608,510	$0.15 - $1.00	$0.74
Granted during the year	185,586	$0.15	$0.15
Exercised during the year	(1,000,000)	$0.15	$0.15
Balance December 31, 2010	1,365,526	$0.15 - $1.00	$0.74
Granted during the year	-	-	-
Exercised during the year	-	-	-
Cancelled/Expired	(350,000)	$0.15	$0.15
Balance December 31, 2011	1,015,526	$0.15 - $0.75	$0.64

As at December 31, 2011 and 2010, the outstanding warrants are as follows:

Expiry Date	Exercise Price	Number of Shares 2011
Open	$ 0.50	389,170
Open	$0.75	389,170
During 2011	$ 0.15	-
Open	$0.15	185,586
Open	$ 0.25	51,600
Total outstanding and exercisable		1,015,526
Weighted average outstanding life of options (years)		open

In 2005, the Company issued 389,170 Class A warrants exercisable at $0.50 per share and 389,170 Class B warrants exercisable at $0.75 per share. The Class A and Class B warrants expire six months after the closing bid price for the common stock of the Company has been over $0.65 and $1.00 per share respectively for five consecutive trading days.

In 2006, the Company issued 2,700,000 half share purchase warrants. One share purchase warrant is exercisable at $0.15 to acquire one share of common stock. The warrants expired during 2011.

In 2008, the Company issued 51,600 warrants exercisable at $0.25 per share.

See also note 15.

14. INCOME TAXES

Income taxes vary from the amount that would be computed by applying the estimated combined statutory income tax rate (34%) for the following reasons:

	2011	2010
(Loss) earnings before income taxes	$ (1,807,955)	$ (1,330,328)
Income tax rate	34%	34%
Expected income tax expense (recovery) based on above rates	(614,704)	(431,912)
Increase (decrease) due to:		
Impact of lower statutory tax rates on foreign subsidiaries	73,000	23,085
Non-deductible expenses	100,000	63,525
Other permanent differences	(50,000)	(47,966)
Effect of expiry of losses	400,000	131,007
Change in valuation allowance	91,704	322,261
Provision for income taxes	$ -	$ -

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred tax assets and liabilities consist of the following:

	US	Foreign	Total: 2011
Accounting value of equipment in excess of tax values	-	940	940
Other assets	-	56,485	56,485
Non-capital losses carried forward	812,619	995,336	1,807,955
Valuation allowance	(812,619)	(854,908)	(1,865,380)
Net deferred tax asset (liability)	$ -	$ -	$ -

The Company's carried losses for income tax purposes are $8,875,029 (2010 - $7,167,074), which may be carried forward to apply against future income tax, expiring between 2014 and 2030. During 2011 $400,000 in loss carry forwards expired. The future tax benefit of these loss carry-forwards has been offset with a full valuation allowance. These losses expire as follows:

2014	$ 556,923
2015	1,006,332
2026	681,591
2027	718,441
2028	1,791,899
2029	1,039,431
2030	1,272,447
2031	1,807,955

$	8,875,029

The Company has adopted Financial Accounting Standards Board Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes - an interpretation of SFAS 109*. (FIN 48), as codified in ASC 740. ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position would be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions.

The Company did not file its U.S. federal income tax returns, including, without limitation, information returns on Internal Revenue Service ("IRS") Form 5471, *Information Return of U.S. Persons With Respect to Certain Foreign Corporations* for the years ended December 31, 2007 through 2010. Failure to furnish any information with respect to any foreign business entity required, within the time prescribed by the IRS, subjects the Company to certain civil penalties. The Company has accrued penalties of $60,000 related to these filings.

The Company did not file the information reports for the years ended December 31, 2007 through 2011 concerning its interest in foreign bank accounts on TDF 90-22.1, *"Report of Foreign Bank and Financial Accounts"* ("FBARs"). For not complying with the FBAR reporting and recordkeeping requirements, the Company is subject to civil penalties up to $10,000 for each of its foreign bank. The Company does not believe that the failure to file the FBAR was willful and intends to seek a waiver of any penalties. The Company is unable to determine the amount of any penalties that may be assessed at this time and believes that penalties, if any, that may be assessed would not be material to the consolidated financial statements.

In addition, because the Company did not generate any income in the United States or otherwise have any U.S. taxable income, the Company does not believe that it owes U.S. federal income taxes in respect to any transactions that the Company or any of its subsidiaries may have engaged in through December 31, 2011. However, there can be no assurance that the IRS will agree with the position, and therefore the Company ultimately could be held liable for U.S. federal income taxes, interest and penalties. The tax years ended December 31, 2007 to 2010 remain open to examination by tax authorities.

In addition, because the Company did not generate any income in the United States or otherwise have any U.S. taxable income, the Company does not believe that it owes U.S. federal income taxes in respect to any transactions that the Company or any of its subsidiaries may have engaged in through December 31, 2011. However, there can be no assurance that the IRS will agree with the position, and therefore the Company ultimately could be held liable for U.S. federal income taxes, interest and penalties. The tax years ended December 31, 2007 to 2011 remain open to examination by tax authorities.

15. COMMON STOCK

During the year ended December 31, 2009, the Company issued 1,346,547 common shares with a deemed value of $119,756 to consultants in exchange for services, and issued 632,153 common shares for gross proceeds of $53,500 pursuant to a private placement

During the year ended December 31, 2010 the Company issued the following common shares:
January 1 to March 31, 2010:
For services: 178,810 shares fairly valued at $32,191 - the market value of those services
For cash: 1,100,000 shares fairly valued for cash of $160,000.
For conversion of Preferred shares: 160,000 fairly valued for cash of $32,828
April 1 to June 30, 2010:
For services: 125,964 shares fairly valued at $23,900 - the market value of those services
For cash: 1,000,000 shares fairly valued for cash of $125,000.
For prepaid expenses: 508,844 shares fairly valued at $97,000 - the market value of those expenses
For reduction of a loan payable: 30,000 shares fairly valued at $6,600 - the amount of the loan repaid
July 1 to September 30, 2010:
For services: 43,000 shares fairly valued at $4,750 - the market value of those services
For cash: 841,172 shares fairly valued for cash of $82,059.

October 1 to December 31, 2010:
For services: 985,856 shares fairly valued at $155,879 - the market value of those services
For cash: 3,191,172 shares fairly valued for cash of $412,059
To settle loans: 30,000 shares to settle
$6,600

During the year ended December 31, 2011 the Company issued the following common shares:
For reduction of loans from director: 2,082,112 shares fairly valued at $200,000
For cash: 9,204,288 shares for $637,000
For services: 5,947,482 shares fairly valued at $458,827

Preferred Shares
Issued for cash:
408,000 series A shares of preferred stock for $342,772 (inclusive of 100,000 preferred shares for $90,000 received during the three months ended March 31, 2010 and 80,586 preferred shares for $66,527 received during the three months ended September 30, 2010). The preferred shares bear interest at 10% per annum paid semi annually not in advance and are convertible to shares of common stock of the Company after two years from receipt of funds at a 20% discount to the then current market price of the Company's common stock. The preferred shares may be converted after six months and before two years under similar terms but with a 15% discount to market. At December 31, 2011 the Company had received $409,299 for 488,586 preferred shares.

16. LOSS PER SHARE

The potentially dilutive securities that were excluded from the earnings (loss) per share calculation consist of stock options with an exercise price greater than the average market price of the Common Shares. 1,278,026 shares were potentially dilutive in 2011 (2010: 2,029,516).

Item 8. **Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

There are no reportable disagreements on accounting or financial disclosure issues.

Item 8A. **Controls and Procedures**

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act).

Framework used by Management to Evaluate the Effectiveness of Internal Controls over Financial Reporting

We maintain internal controls and procedures that are designed to ensure that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC. This information is accumulated and communicated to our executive officers to allow timely decisions regarding required disclosure within certain policies and procedures. These policies and procedures include:

- maintenance of records in reasonable detail to accurately and fairly reflect the transactions and dispositions of assets,
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors, and provide

reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.   For the year ended December 31, 2011 management has relied on the Committee of Sponsoring Organizations of the Treadway Commission (COSO), an Internal Control - Integrated Framework issued in 1992, to evaluate the effectiveness of our internal control over financial reporting.

Management's Assessment of the Effectiveness of Internal Controls over Financial Reporting as of December 31, 2011

Management conducted an evaluation of the effectiveness of our internal control over financial reporting and determined that our internal control over financial reporting was effective as of December 31, 2011, but that as set forth below our **disclosure control** over financial reporting was not effective as of December 31, 2009.

Attestation Report of the Registered Accounting Firm

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Factors Considered in Determining Effectiveness of Disclosure Controls and Procedures

Our management, with the participation of our President/Chief Executive Officer/Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 31, 2011.

Our disclosure controls over financial reporting are designed by, or under the supervision of, our President/Chief Executive Officer/Chief Financial Officer, or persons performing similar functions, and effected by our board of directors, management and other personnel, and provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, that our receipts, expenditures and business transactions are being made in accordance with authorizations of our management and directors and that all of our reporting obligations are met.

Management's Assessment of the Effectiveness of Disclosure Controls over Financial Reporting as of December 31, 2011

Management conducted an evaluation of the effectiveness of our disclosure control over financial reporting and determined that our disclosure control over financial reporting was not effective as of December 31, 2009. Procedures and controls regarding complying with disclosure reporting requirements was not adequate in that the affirmation regarding disclosure controls and procedures and the affirmation regarding internal controls did not meet the technical SEC and Sarbanes Oxley requirements. In the future, management will review the form of the 10-K to ensure that the affirmations meet the disclosure affirmation requirements and the internal control affirmation requirements. Measures have been taken to ensure this weakness in disclosure controls is remedied, principally by input from the Company's legal securities counsel with respect to the disclosure obligations of the Company.

PART III

Item 9. **Directors, Executive Officers, Promoters and Control Persons**;

Compliance with Section 16(a) of the Exchange Act

Name of Director	Age	Office
Wilson Russell, PhD	66	President and Principal Financial Officer
Terry McLeod	66	Director
Harry Davis	79	Director (resigned February 2, 2012)

Item 10**. Executive compensation**

During the year the Company paid or accrued as payable $90,000 (2010 $120,000; 2009 $109,742; 2008 $124,193; 2007 $96,832; 2006 $96,832; 2005 $131,580; 2004 $117,030;
2003 $53,550) to Wilson Russell, the Company's President, for his services; and
paid or accrued as payable to Terry McLeod $45,000 for his services during the year (2010 $90,000; 2009 $65,985; 2008 $56,400; 2007 $56,400).

Item 11. **Security Ownership of Certain Beneficial Owners and Management**

Class	Name and Address	Number of Shares	Percentage of Shares*
Common	Wilson Russell 560 West 29th Avenue Vancouver, B.C. Canada V5Z 2H7	5,551,000	10.4%
Common	**All officers and directors as a group:**	**5,551,000**	**10.4%**

*Based on 53,377,824 shares of common stock issued and outstanding December 31, 2011

Item 12. **Certain Relationships and Related Transactions**

None

Item 13. **Exhibits and Reports on Form 8-K**

No change in exhibits since previous filing

No Form 8K was filed during the fourth quarter of 2011.

Item 14. **Principal Accountants Fees and Services**

During 2011, the Company's auditors and principal accountants received approximately $98,113 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants During 2010, the Company's auditors and principal accountants received approximately $100,000 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants.
During 2009, the Company's auditors and principal accountants received approximately $96,382 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants.
During 2008, the Company's auditors received approximately $44,900 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants.

During 2007, the Company's auditors received approximately $52,300 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants.
During 2006, the Company's auditors received approximately $52,300 in remuneration for audit and related (quarterly review) services. No other services were provided to the Company by its auditors and principal accountants.

During 2005, the Company's auditors received approximately $37,500 in remuneration for audit and related (quarterly review) services. At December 31, 2005, the Company accrued an additional $32,379 in fees payable to those same auditors towards the 2005 audit fees. No other services were provided to the Company by its auditors and principal accountants.

During 2004 the Company's auditors received approximately $63,620 in remuneration for audit and related (quarterly review) services. At December 31, 2004, the Company accrued an additional $35,310 in fees payable to those same auditors towards the 2004 audit fees. No other services were provided to the Company by its auditors.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this Amended report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

(Registrant)

Northstar Electronics, Inc.

By (Signature and Title) /S/ WILSON RUSSELL

Date April 17, 2012

Wilson Russell, PhD,
Chief Executive Officer and Chief Financial Officer