



Kenneth G. Stowe
President & Chief Executive Officer

Today, Northgate is a vastly different company than it was one year ago. We are now a multi-mine gold producer with three fully-permitted operations and one late-stage development project in the politically stable mining-friendly jurisdictions of Canada and Australia.

Despite the tumultuous year the world experienced in 2008, the year ahead promises to be a very exciting one.

Our successful track record of turning around underperforming assets has laid the groundwork for imminent success and we will continue to use our technical and operational skills to maximize the value for our shareholders.

Message to Our Shareholders

2008 was a tumultuous year; it was one of the most volatile in recent history as the world faced an unprecedented era of tough economic and investment conditions. While our shareholders were not immune to the adverse economic environment that saw the rapid decline in stock markets across the globe, driving our own share price down far below the inherent value of our assets, the Northgate team remained focused on the technical, operational and development issues that were key to generating long-term value for our shareholders.

Our significant accomplishments over the past year have transformed our story and today, Northgate is a vastly different company than it was one year ago. We now have three fully-permitted operating mines and one late-stage development project in the politically stable, mining-friendly jurisdictions of Canada and Australia.

Over the past year, we made dramatic operational improvements at the Fosterville mine, added significant life to the Stawell mine through successful exploration and doubled the measured and indicated resources underground to over 3.0 million ounces at Young-Davidson. At the same time, we produced a record 354,800 ounces of gold and are poised for yet another record year of production, forecasting over 390,000 ounces of gold in 2009 at an average net cash cost of \$461 per ounce.

Australia: Retooling for the Long Run

Having achieved our vision of transforming Northgate into a multi-mine gold producer with the acquisition of Fosterville and Stawell in early 2008, we quickly turned our attention to the task of unlocking the true potential of our new assets through targeted capital investments, operational changes and significant investments in exploration.

At Fosterville, we faced a variety of challenges in turning around the underperforming operation, the first of which was the conversion from contractor mining to owner mining with the aim of increasing management's control of the day-to-day operations. We hired virtually all of the 134-member workforce from the former contractor; our top priority was to engage them in the Northgate operating philosophy that stresses safety, personal accountability and continuous improvement. Together with the acquisition of \$22 million in mining equipment, we enhanced both productivity and safety at the site. Our new workforce embraced the opportunity to turn around what had previously been an undercapitalized and poorly performing operation.

Our second challenge was to catch up on underground development, which would enable the mine to supply sufficient ore to the mill to achieve a minimum 100,000-ounce per year production target. At the onset of the fourth quarter of 2008, our accelerated underground development program had opened up a sufficient number of working areas, resulting in a new quarterly record of 26,398 ounces of gold.

The third specific challenge at Fosterville was to improve gold recovery; high carbon content inherent in some areas of the ore body had previously depressed this process. We spent five months operating a pilot plant at the site in which our engineers devised several process improvements to enhance recoveries. As a result, we increased recovery to 82% in the fourth quarter. The final piece of the puzzle, however, is a proprietary heated leach circuit, which will be commissioned in April 2009. Once fully operational, we expect gold recovery to reach 90%, a dramatic improvement over the 65%–75% norm before we assumed control of the mine. In addition, the new heated leach circuit will allow us to recover a significant amount of gold at virtually no cost from high grade carbon-in-leach tailings currently stored on the property.

The last challenge at Fosterville was to define the quality of our reserves and resources. Upon acquisition, we soon recognized that the existing mine plan was far from optimal as previous drilling was insufficient to clearly define these reserves and resources. However, evident that there was a great deal of gold on the property, we commenced a definition drilling program of existing reserve blocks, dedicating \$3 million in search of additional reserves and resources. The result: a decline of approximately 140,000 ounces of reserves in the Phoenix ore body. This decline was offset by an increase of 159,000 indicated ounces and 221,000 inferred ounces in the new Harrier Underground zone, with an average grade of 4.0+ grams per tonne (g/t). In 2009, exploration will continue in this zone with the goal of adding more resource ounces and converting some of these ounces into reserves by the end of the year.

With significant improvements achieved at Fosterville, we will look to eliminate activities associated with our turnaround efforts, thereby reducing operating costs at the mine in 2009.

At Stawell, the challenges have been quite different. Stawell has been a very well-run operation with modern production spanning over 25 years, but had recently been starved of capital with the mine operating in "closure mode". Accordingly, we set about retooling the mining operation by investing in ventilation and cooling systems to allow for increased productivity in the lower levels of the mine.

We also purchased larger ore haulage trucks to dramatically reduce mining costs. These investments underscored our belief that there was much more gold to be found on the property. We were rewarded almost immediately when we announced that after only five months of drilling, our exploration program had delineated 140,000 ounces of new reserves and extended the life of the mine well into 2011. This year, we expect our \$4 million exploration program to be even more successful as drilling continues in the GG6, Sub GG6 and North Magdala zones in support of further mine life extensions.

Young-Davidson: Bringing Value to the Surface

In August 2008, Northgate filed a Preliminary Economic Assessment Report, which outlined the basis of development for the Young-Davidson deposit. The Preliminary Assessment envisioned annual gold production of 158,000 ounces of gold at a net cash cost of \$405 per ounce, using a total of 1.75 million recoverable ounces over a 12-year mine life. The initial capital cost for the project was estimated at \$306 million. This resulted in an after-tax rate of return of 5.5% based on a gold price of \$635 per ounce and an exchange rate of US\$/Cdn\$0.90.

Looking into 2009

Produce 392,000 ounces

We will deliver record gold production in 2009

Increase mine life

We will extend the mine life at Fosterville and Stawell through aggressive exploration programs in support of resource delineation and conversion

Reduce operating costs

We will implement a Business Improvement Project to reduce operating costs at Fosterville

Complete feasibility study

We will complete a pre-feasibility and feasibility study at Young-Davidson, with an optimized development plan to achieve a robust rate of return

Subsequent to filing the Preliminary Assessment, we released the results of an extraordinarily successful infill exploration drilling program, which increased the total measured and indicated resources to 3.3 million ounces. Armed with this substantially larger resource, the project team at Young-Davidson has been hard at work looking at a wide variety of optimizations to the initial development plan. This includes moving to bulk mining methods and making better use of the existing infrastructure to reduce the initial capital cost of the project. These optimizations, combined with new metallurgical test work confirming a higher gold recovery, a higher gold price and a weaker Canadian dollar are expected to generate a robust rate of return for the project when the pre-feasibility study is released in the second quarter of 2009.

In addition to our highly successful exploration efforts, we completed Traditional Knowledge Studies of the region with the help of the Matachewan First Nation. We also made significant progress towards an Impact and Benefits Agreement with the same group, following up on the Memorandum of Understanding that was signed early last year.

To date, Northgate has invested approximately \$55 million at Young-Davidson and has proved up measured and indicated resources underground of 3.0 million ounces, with an additional 270,000 ounces in the open pit. We firmly believe that these resources will form the basis for a new Young-Davidson mine and that 2009 will be the year that we bring this value to the surface.

Kemess South: A Fruitful Journey

Just as Kemess South was given new life after being brought out of bankruptcy in 2000, our dedicated workforce has continued to generate substantial free cash flow for our company this year, which, in turn, has been used to give new life to our Australian mines and further the development of Young-Davidson.

Kemess is forecast to produce 173,000 ounces of gold in 2009 and will continue to operate into 2010 and, perhaps, even longer depending on commodity prices and exchange rates. Once this site can no longer generate positive cash flow, we will reclaim the site with the same passion and efficiency we have applied to operating the mine over the past nine years.

We continue to look for opportunities to make use of the mobile equipment fleet at Kemess and the valuable mill infrastructure that has many years of life left in it and feel that opportunities to make use of this infrastructure should be more prevalent in the future due to a scarcity of funding in the mining industry.

The Groundwork Laid for a Bright Future

The year ahead promises to be a very exciting one for our company and our shareholders as we have laid the groundwork for imminent success.

Despite the economic catastrophe that continues to unfold around the world, we have built a solid foundation to weather the volatility and will come out a stronger company than before. With all three of our mines forecast to generate strong free cash flow during the year, we expect our cash reserves to at least double and perhaps triple by year-end, giving us an excellent leg up on financing the development of Young-Davidson.

We will also look to take advantage of opportunities for further acquisitions of undervalued or distressed development assets and will look for prospects to lever our Kemess infrastructure into an appropriate development opportunity.

In conclusion, we would like to express our sincere appreciation to our three retiring directors, William (Bill) Daniel, Keith Hendrick and Klaus Konigsmann for their enormous contributions to Northgate during the past five years. We would also like to thank our employees for the tireless dedication they have shown as we continue on our journey to grow both production and reserves at our operations. To our shareholders, I assure you we will work diligently to execute on the strategic initiatives that will generate value as we have laid the groundwork for a very bright future at Northgate. I look forward to reporting on our progress to you over the course of 2009.

Sincerely,



Kenneth G. Stowe
President & Chief Executive Officer