

Notes to Interim Consolidated Financial Statements

Three month and nine month periods ended September 30, 2008 and 2007 (unaudited).

All dollar amounts are stated in United States dollars unless otherwise indicated.

Tables are expressed in thousands of United States dollars, except share and per share amounts.

Note 1 Basis of Presentation

The accompanying unaudited interim consolidated financial statements for Northgate Minerals Corporation (“Northgate” or the “Corporation”) have been prepared in accordance with generally accepted accounting principles in Canada (“Canadian GAAP”). They do not include all the disclosures required by Canadian GAAP for annual financial statements and should be read in conjunction with the Corporation’s consolidated financial statements and the notes thereto included in the Corporation’s Annual Report for the year ended December 31, 2007. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim consolidated financial statements.

Except as described in notes 3 and 4 below, these financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 2 to the Corporation’s consolidated financial statements for the year ended December 31, 2007.

Note 2 Acquisition of Perseverance

On February 18, 2008, the Corporation completed its acquisition of Perseverance Corporation Limited (“Perseverance”), an Australian gold producer with two fully permitted gold mines in the state of Victoria. Perseverance’s major assets are the Stawell gold mine, located approximately 250 kilometres west of Melbourne, and the Fosterville Gold mine, located 20 kilometres east of Bendigo in central Victoria.

The acquisition was accounted for as a business combination using the purchase method. The results of Perseverance have been included in the consolidated financial statements of the Corporation from February 19, 2008 inclusive. As part of the acquisition, the Corporation acquired for cash consideration all the issued and outstanding ordinary shares and warrants, convertible subordinated notes, executive options, bank debt and gold forward contracts of Perseverance. The purchase price of the acquisition is calculated as follows:

Cash consideration to acquire:		
Ordinary shares and warrants	\$	175,527
Convertible subordinated notes		34,267
Executive options		722
Bank debt		29,486
Transaction costs		3,708
	\$	243,710

The following table sets forth a preliminary allocation of the purchase price to the assets and liabilities acquired, based on preliminary estimates of fair value. The final valuations of major items such as mineral property, plant and equipment, intangible assets, mineral and exploration rights, asset retirement obligations and deferred income tax assets and liabilities are not yet complete due to the inherent complexity associated with the valuations. This is a preliminary purchase price allocation and therefore subject to adjustment on completion of the valuation process and analysis of the resulting tax effects.

Cash and cash equivalents	\$	14,306
Accounts receivable		10,142
Inventories		10,120
Mineral property, plant and equipment		245,155
Mineral and exploration rights		10,592
Goodwill		70,818
	\$	361,133
Accounts payable and accrued liabilities		(30,254)
Other long-term liabilities		(1,686)
Site closure and reclamation costs		(8,982)
Gold forward contracts		(65,111)
Future income tax liability		(11,390)
	\$	243,710

The goodwill amount noted above differs from the September 30, 2008 balance sheet amount of \$62,023,000 due to changes in the Australian dollar to US dollar exchange rate.

Note 3 Significant Accounting Policies

As a result of the acquisition of Perseverance, the Corporation has adopted the following accounting policies associated with the related operations acquired:

A. Inventories

Inventories of unshipped gold doré are recorded at the lower of production costs on a first-in, first-out basis, and net realizable value. Work-in-process inventories (gold in circuit) are valued at the lower of average production costs or net realizable value. Production costs include costs related to mining, crushing, mill processing, as well as depreciation on production assets and certain allocations of mine-site overhead expenses attributable to the production process, as applicable.

B. Mineral Property, Plant and Equipment

Certain underground development costs, which are incurred to enable physical access to ore underground, may be capitalized. Capitalized development costs must be linked to specific ore blocks or mine areas for which they provide physical access. Amortization is recorded using the units of production method based on proven and probable reserves within the specific ore block or area. Infrastructure and underground development costs that provide a benefit over the entire mine life are amortized using the units of production method, based on accessible proven and probable mineral reserves at the mine.

For underground mining, any development costs not directly related to stope production and intended for use over a period exceeding two years is considered deferred development, which is capitalized. Such activities generally include development of shafts, access ramps, main crosscuts, main level drifts, ore and waste passes and ventilation raises.

Similarly, costs associated with exploration drifts and drill holes used to establish probable reserves and resources that will not be mined before two years are also considered deferred development. Definition drilling used to establish mining reserves that will be mined in less than two years are considered an operating cost.

Deferred development costs include all costs directly related to development, as well as a proportion of the costs related to direct supervision, supervision of mechanical and electrical services, engineering and geology, and the cost of power used by the equipment.

C. Revenue Recognition

The Corporation recognizes revenue from the sale of its gold doré upon delivery, which is when the doré is picked up by the customer's agent at the mine site. At this point, the risks and rewards of ownership have passed to the buyer; the price is reasonably determinable and collection is reasonably assured.

D. Foreign Currency Translation

The Corporation's primary currency of measurement and display is the United States dollar. The measurement currency of Perseverance is the Australian dollar (A\$).

The financial statements of Perseverance are translated into United States dollars using the current rate method. Under this method, all assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at rates of exchange in effect during the period. Gains and losses on translation are included in equity as a separate component of other comprehensive income (loss). For the three and nine month periods ended September 30, 2008, the Corporation recognized a loss of \$59,809,000 and \$44,124,000, respectively, in other comprehensive loss from the translation of the financial statements of self-sustaining operations.

E. Goodwill

When accounting for business combinations under the purchase method, the excess of the purchase price over the fair value of assets acquired and liabilities assumed at the date of acquisition is recorded as goodwill. Goodwill is assigned to the reporting units and is not amortized.

The Corporation evaluates, on at least an annual basis, the carrying amount of goodwill to determine whether events and circumstances indicate that such carrying amount is impaired. To accomplish this, the Corporation compares the fair value of the reporting units to which goodwill was allocated to their carrying amount. If the carrying amount of a reporting unit exceeds its fair value, the Corporation would recognize an impairment in net earnings equal to the difference between the implied fair value of the reporting unit's goodwill and its carrying amount.

Note 4 Adoption of New Accounting Standards

On January 1, 2008, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, Capital Disclosures; Section 3031, Inventories; Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1400, Financial Statement Presentation. In accordance with the transitional provisions, prior periods have not been restated. The principal changes resulting from these new standards are described below:

Capital Disclosures

Section 1535 establishes standards for disclosing information about the Corporation's capital and how it is managed. The required disclosures with respect to capital management have been included in note 12 to these interim consolidated financial statements.

Inventories

Section 3031 establishes standards for the determination of inventory cost and its subsequent recognition as an expense, including any write-downs to net realizable value. In addition, in certain circumstances, write-downs of inventory previously recognized may be reversed. This section has been applied retroactively without restatement of prior year comparative amounts. Upon adoption of this standard, a decrease to supplies inventory of \$1,032,000 was recognized to reclassify items not meeting the definition of inventory, including significant long-term capital and insurance spares, to mineral property, plant and equipment. Furthermore, an increase to opening retained earnings of \$381,000 was recognized to adjust for previously recognized depreciation, which would not have been recognized under the new standard.

Further upon adoption of this standard, the Corporation changed its method of valuation of supplies inventory from the lower of cost and replacement cost to the lower of cost and net realizable value. This change in method of valuation had no impact on the Corporation's interim consolidated financial statements.

Financial Instruments – Disclosures and Presentation

Section 3862, Financial Instruments – Disclosures expands on the types and nature of disclosures required with respect to an entity's use and exposure from financial instruments. Adoption of this standard resulted in more detailed disclosures in the notes to these interim consolidated financial statements. These disclosures are included in note 14.

Section 3863, Financial Instruments – Presentation establishes the standards for the classification of financial instruments as liabilities or equity and the classification of related gains, income, and/or losses in the statement of operations. The adoption of this standard did not result in any changes to the Corporation's financial statements.

Financial Statement Presentation

Section 1400, General Standards of Financial Statement Presentation was amended to include requirements to assets and disclose an entity's ability to continue as a going concern. Currently, the amended requirements have no impact on the Corporation's interim consolidated financial statements.

Note 5 New Accounting Pronouncements

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and harmonizes this standard with International Financial Reporting Standard IAS 38, Intangible Assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal, entities will no longer be able to defer certain costs and revenues incurred prior to commercial production at new mine operations. The new requirements are effective for the Corporation on January 1, 2009. The Corporation is in the process of assessing the effect this new standard will have on its results of operations.

Conversion to International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Corporation has commenced development of a conversion implementation plan and is continuing to assess the impact of the conversion on the consolidated financial statements and related disclosures.

Note 6 Inventories and Cost of Sales

	September 30 2008	December 31 2007
Concentrate and unshipped gold doré	\$ 8,255	\$ 10,501
Gold in circuit ⁽¹⁾	2,665	—
Stockpiled ore	2,234	11,871
Supplies	18,239	12,862
	\$ 31,393	\$ 35,234

(1) Gold in circuit for the period ending September 30, 2008 reflects the current balance in the Corporation's Australian mines.

At September 30, 2008, the carrying value of the stockpiled ore and the unshipped gold doré at Fosterville was recorded at a net realizable value of \$552,000 and \$264,000, respectively. The write-down to net realizable value at September 30, 2008 was \$656,000.

At September 30, 2008, the carrying value of the stockpiled ore and gold in circuit at Stawell was recorded at a net realizable value of \$221,000 and \$831,000, respectively. The write-down to net realizable value at September 30, 2008 was \$399,000.

The cost of sales balance on the statement of operations is comprised of the following items:

	Three months ended		Nine months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
Change in inventory	\$ 4,015	\$ 2,185	\$ 10,005	\$ 4,359
Mining and milling costs	60,723	34,853	172,622	98,357
Marketing and other costs	18,982	22,203	66,460	63,895
	\$ 83,720	\$ 59,241	\$ 249,087	\$ 166,611

Depreciation and depletion is included as depreciation and depletion expense in the statement of operations when the related inventory is sold.

Note 7 Deferred Transaction Costs

On June 6, 2008, the Corporation filed a short form universal base shelf prospectus (the "Prospectus") with the Securities Commissions in each of the provinces and territories of Canada and a corresponding registration statement was filed with the United States Securities and Exchange Commission. The Prospectus will facilitate offerings of debt securities, common shares, warrants, share purchase contracts and share purchase or equity units or any combination thereof of the Corporation up to an aggregate offering size of Cdn\$250,000,000 over a 25-month period.

All costs associated with the Prospectus have been deferred as long-term assets and will be accounted for as either debt issue costs and amortized or charged directly to equity as applicable, if an offering under the Prospectus is completed. If the Corporation determines that it will not issue securities under the Prospectus or withdraws the Prospectus, the deferred costs will be expensed at that time. Subsequent costs incurred to keep the filing in place will be expensed as incurred.

Deferred transaction costs as at December 31, 2007, relate to the acquisition of Perseverance and were subsequently included in the cost of the acquisition (refer to note 2).

Note 8 Investments

Northgate continues to maintain a portion of its investments in auction rate securities ("ARS"). The par value of the ARS held by the Corporation is US\$72,600,000. All ARS currently held by the Corporation were purchased on its behalf by Lehman Brothers Inc. ("Lehman"), acting in its capacity as broker agent of Northgate using the discretion conferred on it.

The estimated fair value of the Corporation's ARS holdings at September 30, 2008 was \$46,799,000, which reflects a \$15,188,000 decline from the June 30, 2008 estimated fair value of \$61,987,000 (December 31, 2007 – \$69,397,000). In estimating the fair value of its ARS, a number of variables were considered, including the probability of future defaults, the potential impact of recent events in the global financial markets, the relative seniority of each ARS within the capital structure of the issuer, the credit circumstances of financial guarantors, and the value of investments and reserves held by the issuers. While the Corporation continues to earn interest on all its ARS investments, the estimated fair value of the ARS in Derivative Product Companies (companies involved in the issuance of credit default swaps) has fallen significantly below par value. Accordingly, the Corporation has recognized an other than temporary impairment on its investments in these securities of \$16,912,000 into earnings for the three and nine months ended September 30, 2008. The conclusion for other than temporary impairment is based on a variety factors, including the bankruptcy of Lehman Brothers Holdings Inc. and its affiliates, the very substantial decline in the estimated fair value of individual investments for an extended period of time, recent downgrades in credit ratings for many issuers and adverse market conditions, particularly in the credit markets, which negatively impacted individual securities.

The Corporation concluded that the decline in estimated fair value for the remainder of its ARS investments (Regulation XXX Insurance companies) is temporary. In determining that the loss in value is temporary, management considered the fact that these ARS have a much lower probability of future default, continue to make interest payments, are insured by monoline insurance companies and continue to maintain a credit rating above investment grade. Management also considered the senior rank of its holdings in the issuers' capital structures and the fiduciary obligation of the major insurance companies who own the Regulation XXX entities as factors that improve the likelihood that these ARS investments will eventually return to par value.

On July 3, 2008, Northgate filed a Statement of Claim (the "FINRA Claim") with the Financial Industry Regulatory Authority ("FINRA") in New York, a self-regulatory organization with jurisdiction over customer-broker disputes. The FINRA Claim alleges that the mishandling of Northgate's investment account (including the unauthorized purchase of ARS) by Lehman and several of its employees constituted, among other things, breach of contract, breach of fiduciary duty, fraudulent misrepresentation and abuse of discretionary authority. Among the relief sought by Northgate in the FINRA Claim is a ruling of FINRA relieving Northgate of its obligation to repay the short-term loan from Lehman (the "Short-Term Loan") (refer to note 9) as partial compensation for losses suffered as a result of the alleged misconduct of Lehman, effectively 'setting-off' the debt owing by the Corporation to Lehman against the damages claimed by Northgate from Lehman and its employees. Northgate management believes, based upon its discussions with the Corporation's US legal counsel, that significant weight would be given to this argument, given Lehman's alleged misconduct in managing Northgate's investments.

On September 15, 2008, Lehman Brothers Holdings Inc. ("Lehman Holdings"), the parent corporation of Lehman, filed for Chapter 11 bankruptcy protection in the United States. On September 17, 2008, Barclays Capital ("Barclays") announced plans to buy certain assets from Lehman Holdings and its subsidiaries pursuant to an Asset Purchase Agreement with Lehman Holdings, Lehman and other Lehman affiliates (the "Barclays Purchase Agreement"). On September 19, 2008, the

New York Court administering the bankruptcy of Lehman Holdings approved the Barclays Purchase Agreement and ordered the liquidation of Lehman. As part of this liquidation, the majority of the customer brokerage accounts of Lehman, including that of Northgate, were transferred to Barclays.

Under the terms of the Barclays Purchase Agreement, Barclays (a) identified contractual obligations of Lehman that it would assume as of the closing date of such purchase, September 22, 2008 (the "Closing Date"), and (b) is entitled, for a period of 60 days following the Closing Date, to identify (in its sole discretion) additional contracts for which it is willing to assume the rights and obligations of Lehman on a going-forward basis. Barclays has confirmed its assumption of responsibility for Northgate's brokerage account, but has not provided a formal update regarding the status of either the securities held in Northgate's account or the Short-Term Loan (refer to note 9).

The Corporation believes that based on its cash and cash equivalents balance of \$71,700,000 at September 30, 2008 and expected operating cash flows, the current illiquidity and impairment of its ARS investments will not have a material impact on the Corporation's ability to carry on its business.

Note 9 Short-Term Loan

The Short-Term Loan was originally obtained from Lehman, which also structured and marketed the Corporation's ARS investments (refer to note 8). As of September 30, 2008, the principal outstanding on the short-term loan was \$43,620,000. As of the date hereof, Barclays (refer to note 8) has not identified to the Corporation the Short-Term Loan as a contract that it will assume, although the Corporation recognizes that Barclays may exercise its right to assume such contract at any time prior to November 21, 2008. At this point it is difficult for Northgate management to make a complete assessment of the issues associated with potential collection efforts relating to the Short-Term Loan, but the Corporation is making efforts to collect information so as to conduct an appropriate analysis. The Corporation continues to treat the Short-Term Loan as an obligation of the Corporation and has continued to classify it as a current liability based on its original maturity date.

Note 10 Other Long-term Liabilities

	September 30 2008	December 31 2007
Unrealized loss on copper forward contracts (note 14)	\$ 11,119	\$ 12,089
Accrued severance costs	952	—
Provision for long-service leave	842	—
Deferred gain on sale and leaseback	916	—
	\$ 13,829	\$ 12,089

Accrued severance costs are comprised of severance and retention payments accrued for Kemess employees. On April 8, 2008, a new three-year collective agreement (the "Agreement") was ratified by the International Union of Operating Engineers Local 115, which represents the 300 production and maintenance employees at Kemess. The Agreement includes an enhanced severance package, which provides for a lump-sum payment to an employee who remains at Kemess until the employee's last scheduled shift. The payment is based on an employee's service years as calculated at the time of the last shift.

During the three months ended September 30, 2008, the Corporation communicated details of a severance package to salaried employees. The package provides for a lump-sum payment to a salaried employee who remains at Kemess until the close of the mine. The payment is based on an employee's service years as calculated at the time of the employee's termination date.

The Corporation is recognizing all estimated severance and retention liabilities in earnings ratably over the service period. For the three and nine months ended September 30, 2008, the Corporation recorded \$661,000 and \$968,000, respectively, to cost of sales.

In accordance with Australian legal requirements, all of Northgate's Australia-based employees are entitled to 13 weeks of long-service leave for every 10 years of service.

The Corporation sold assets in Australia for a gain of \$1,157,000 and subsequently leased back the assets for use in operations. The corresponding gain is being recognized into earnings over the term of the lease.

Note 11 Site Closure and Reclamation Obligations

The continuity of the site closure and reclamation obligations as at September 30, 2008 is as follows:

	Kemess	Young- Davidson	Stawell	Fosterville	Total
Balance, beginning of year	\$ 48,634	\$ 486	\$ —	\$ —	\$ 49,120
Acquisition of Perseverance	—	—	4,931	4,051	8,982
Effect of change in estimated future cash flows	(9,545)	—	197	488	(8,860)
Site closure and reclamation costs paid	(3,085)	—	(222)	(30)	(3,337)
Accretion expense	1,045	21	149	404	1,619
Effect of foreign exchange	(2,886)	(34)	(835)	(879)	(4,634)
Balance, end of period	\$ 34,163	\$ 473	\$ 4,220	\$ 4,034	\$ 42,890
Estimated undiscounted cash flows used to determine the total liability	\$ 41,538	\$ 509	\$ 5,149	\$ 4,955	\$ 52,151

During the quarter ended June 30, 2008, the Corporation revised the estimate for the Kemess South mine site closure and reclamation costs. The Corporation determined that it had obligations recorded for certain ore stockpiles at Kemess that would be processed rather than reclaimed. Accordingly, the amounts recorded for the obligation and related assets were reduced.

Note 12 Capital Management

The Corporation's objective when managing capital is to maintain a strong capital base to ensure investor, creditor and market confidence and to sustain future development and growth.

The Corporation sets the amount of capital in proportion to risk by managing the capital structure and making adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares or seek debt financing. The Corporation has implemented a rigorous planning and budgeting process to determine the funds necessary to ensure it has the liquidity to meet its operating requirements and growth objectives. In assessing liquidity, the Corporation takes into account its expected cash flows from operations and its cash and cash equivalent holdings.

The Corporation is subject to certain restrictions by third parties. The Corporation is required to maintain a margin account with respect to its copper forward contracts, which may require further deposits based on copper prices. The Corporation's short-term loan, now held with Barclays, is secured by the ARS investments and requires debt service payments from time to time (refer to note 9). The Corporation's site closure plans require the Corporation to post closure bonds and deposits from time to time. Costs of reclamation are accrued as an asset retirement obligation and posted bonds are recorded in other assets.

Neither the Corporation nor any of its subsidiaries are subject to any other externally imposed capital requirements such as loan covenants or capital ratios.

As disclosed in note 7, the Corporation filed a Prospectus on June 6, 2008, to facilitate future financings if required. There were no other changes to the Corporation's approach to capital management during the three and nine months ended September 30, 2008.

Note 13 Stock-Based Compensation

During the three months ended September 30, 2008, the Corporation granted a total of 125,000 (2007 – nil) options to employees, with a term of seven years. Of the options granted, 50,000 are exercisable at Cdn\$2.64 per share and 75,000 are exercisable at Cdn\$2.08 per share. Over the next five years, 25,000 will vest in equal amounts commencing on the first anniversary date of the grant. The fair value of the options granted for the three months ended September 30, 2008 was \$130,000 (2007 – nil). During the three months ended September 30, 2008, \$332,500 (2007 – \$279,000) of stock-based compensation expense was recognized related to outstanding stock options.

During the three months ended September 30, 2008, a total of 60,000 options were cancelled and 28,000 options were exercised.

At September 30, 2008, there were 5,792,700 options outstanding, of which 3,011,400 were exercisable.

No stock options were granted during the three months ended June 30, 2008 (2007 – nil). During the three months ended June 30, 2008, \$342,000 (2007 – \$320,000) of stock-based compensation was recognized related to outstanding stock options.

During the three months ended June 30, 2008, a total of 40,600 options were cancelled and 117,000 options were exercised.

During the three months ended March 31, 2008, the Corporation granted a total of 1,480,000 (2007 – 1,425,000) options to employees, with a term of seven years. 1,460,000 of these options are exercisable at Cdn\$2.97 per share and 20,000 are exercisable at Cdn\$3.19 per share. Of the options granted, 274,800 vested immediately; 1,099,200 vest in equal amounts on the anniversary date of the grant over the next four years; and, 106,000 vest over five years. The fair value of the options granted for the three months ended March 31, 2008 was \$2,087,000 (2007 – \$2,500,000). During the three months ended March 31, 2008, \$853,000 (2007 – \$759,000) of stock-based compensation was recognized related to outstanding stock options.

During the three months ended March 31, 2008, a total of 27,000 options were cancelled and 736,300 options were exercised.

The fair value of share options granted is estimated using the Black–Scholes pricing model with the following assumptions:

	For Options Granted in					
	Q3 2008	Q3 2007	Q2 2008	Q2 2007	Q1 2008	Q1 2007
Risk-free interest rate	3.64%	—	—	—	3.74%	3.94%
Annual dividends	—	—	—	—	—	—
Expected stock price volatility	48.9%	—	—	—	49.5%	53.4%
Expected option life	5.0 years	—	—	—	5.0 years	5.0 years
Per share fair value of options granted (Cdn\$)	\$1.08	—	—	—	\$1.42	\$2.05

Note 14 Financial Instruments

Financial Risk Management

The Corporation has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

Credit Risk

Credit risk is the risk of potential loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Corporation's receivables and investment securities. It may also arise on the Corporation's copper forward contracts.

In general, the Corporation manages its credit exposure with respect to operational matters by transacting only with reputable, highly-rated counterparties. The Corporation monitors the financial condition of its customers and counterparties to contracts.

Gold doré produced in Australia is sold exclusively to AGR Matthey, a reputable precious metals refiner that has been in business for many years. The Corporation believes there are other buyers in the marketplace that would buy the production under approximately the same financial terms. Concentrate produced at Kemess is sold under a long-term contract to Xstrata Canada Corporation ("Xstrata"), a wholly-owned subsidiary of the publicly traded international mining company, Xstrata plc. Kemess gold-copper concentrate is of a quality that is readily saleable to a number of smelters under current market conditions. In the event that Xstrata is unable to purchase the Kemess concentrate, it could be sold to other smelters once appropriate logistical arrangements were put in place.

The Corporation may also be exposed to credit risk on its copper forward contracts to the extent that the counterparty, Mitsui Bussan Commodities Ltd. ("Mitsui"), fails to meet its contractual obligation. The Corporation has mitigated this risk by obtaining a parental guarantee from Mitsui's parent company, Mitsui and Co., Ltd. of Japan. At September 30, 2008, there is no credit risk as the Corporation's forward contracts have an unrealized loss, which the Corporation has recognized as a liability.

The Corporation limits its exposure to credit risk on investments by investing only in securities rated AAA by credit rating agencies such as S&P and Moody's. Management continuously monitors the fair value of its investments, including ARS (refer to note 8) to determine potential credit exposures. Any credit risk exposure on cash and cash equivalents is considered negligible as the Corporation places deposits only with major established banks in the countries in which it operates.

The carrying amount of financial assets represents the maximum credit exposure. As at September 30, 2008, the Corporation's gross credit exposure is as follows:

Cash and cash equivalents	\$	71,700
Concentrate settlements and other receivables		8,985
Restricted cash (included in Other Assets)		25,491
Auction rate securities		46,799
	\$	152,975

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages this risk such that it will have the ability to discharge its liabilities when due, both under normal and stressed conditions, without incurring significant losses or risking damage to the Corporation's reputation.

The Corporation uses detailed cash forecasts to ensure cash is available to discharge its obligations when they come due. Cash needed for this purpose is invested in highly liquid investments.

Significant cash commitments are as follows:

	1 Year	2–3 Years	4–5 Years	6+ Years	Total
Accounts payable and accrued liabilities	\$ 49,950	\$ —	\$ —	\$ —	\$ 49,950
Taxes payable	1,503	—	—	—	1,503
Provision for severance and long service leave ⁽¹⁾⁽²⁾	39	6,437	494	513	7,483
Capital lease obligations (including interest component)	6,361	8,522	—	—	14,883
Operating leases	162	648	—	—	810
Copper forward contracts ⁽³⁾	—	12,240	—	—	12,240
Short-term loan ⁽⁴⁾	43,620	—	—	—	43,620
Asset retirement obligations ⁽⁵⁾	3,690	24,928	18,606	4,927	52,151
Closure bonding requirement	1,102	810	—	—	1,912

(1) The estimated severance liability will be recognized ratably over the estimated period of service. As at September 30, 2008, accrued severance of \$952,000 has been recognized in other liabilities.

(2) The provision for long service leave included above is undiscounted.

(3) The copper forward contracts included above are undiscounted. The payments assume forward rates at September 30, 2008 and that these rates will remain constant over the life of the contracts.

(4) The loan is secured by the Corporation's ARS investments and matured June 6, 2008 (refer to note 9). The loan excludes interest to maturity as all interest received on collateral backing the loan will be automatically applied to the interest and principal.

(5) The asset retirement obligations included above are undiscounted. The Kemess South and Young-Davidson portion of the asset retirement obligation is backed by Cdn\$17,409,000 in security bonds included in other assets. The Stawell and Fosterville portion is backed by A\$10,623,000 in security bonds also included in other assets.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Corporation's income or the value of its financial instruments. The Corporation manages this risk such that it controls this exposure within acceptable parameters while optimizing the return on risk.

Commodity Price Risk – The Corporation is exposed to commodity price risk through the price of gold and copper and also through various input prices such as fuel and electricity. The Board of Directors has established a Hedging Committee, which assists management in the identification and analysis of price risks and potential strategies to mitigate this risk.

The Corporation reviews major input prices on a regular basis and may enter into long-term contracts to mitigate the price volatility.

The Corporation monitors the price of commodities continuously and considers the risk exposure to fluctuating prices. In managing that risk, the Corporation is cognizant that investors generally seek exposure to the underlying commodities, particularly gold, through their investment.

All of the Corporation's future gold production is unhedged and is fully exposed to future price movements.

The Corporation has entered into forward sales contracts with Mitsui Bussan Commodities, Ltd. (“Mitsui”), to fix the price of copper for certain future production. A total volume of 16,200 tonnes of copper were sold forward using London Metals Exchange (“LME”) contracts as at September 30, 2008. These contracts mature from November 2009 through October 2010 at an average forward price of \$2.52 per pound. The Corporation also entered into separate forward purchase contracts with Mitsui to repurchase, over the same period, its forward sales position at the difference between the monthly average LME prices in the month of settlement and the forward price of \$2.52. The volume of forward sales and purchases in each future contract month match the expected future pricing periods for copper in concentrate delivered to Xstrata under a multi-year concentrate sales agreement. The copper forward sales and purchase contracts are being recognized on a mark-to-market basis in net earnings. The fair value of these contracts at September 30, 2008 was a liability of \$11,119,000, which is included in other long-term liabilities. At December 31, 2007, the fair value was a net liability of \$4,965,000 of which a receivable of \$7,124,000 was included in concentrate settlements and other receivables, and a liability of \$12,089,000 was included in other long-term liabilities.

A change of \$ 0.05 per pound in the forward price of copper would have changed the fair value of the outstanding contracts and consequently earnings before income taxes by \$1,622,000 for both the three and nine months ended September 30, 2008.

Gold and copper sales agreements include provisions where final prices are determined by quoted market prices in a period subsequent to the date of sale. Revenue and the related receivables are based on forward prices for the expected date of final settlement. These financial assets are therefore exposed to movements in the commodity price. A change of \$0.05 per pound in the price of copper would have changed the related receivables as at September 30, 2008 and earnings before income taxes by \$502,000 for both the three and nine months ended September 30, 2008. A \$10 per ounce change in the price of gold would have changed the related receivables as at September 30, 2008 and earnings before income taxes by \$96,000 for both the three and nine months ended September 30, 2008.

Foreign Exchange Risk – The Corporation is exposed to foreign exchange risk on its financial assets and liabilities denominated in other than United States dollars. The Corporation incurs a significant amount of its operating costs in Canadian and Australian dollars and movements in these currencies relative to the US dollar will have an impact on future earnings.

A 10% change of the United States dollar against the Canadian dollar as at September 30, 2008 would have changed earnings before income taxes by \$4,006,000 for the three and nine months ended September 30, 2008, respectively. This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest Rate Risk – The Corporation is exposed to interest rate risk on its short-term loan and its capital leases. The short-term loan bears interest at LIBOR plus 100 basis points. The capital leases bear interest at a fixed rate.

A change of 50 basis points in the LIBOR rate would have changed earnings before income taxes by \$55,000 and \$166,000 for the three and nine months ended September 30, 2008, respectively. This assumes all other variables, in particular foreign currency rates, remain constant.

Fair Values

The carrying values of cash and cash equivalents, accounts receivable, restricted cash, and accounts payable and accrued liabilities approximate fair values due to their short terms to maturity or ability to readily convert to cash. The carrying values of capital lease obligations and the short-term credit facility approximate fair values as they bear interest based on market rates of interest.

The fair value of investments in equity securities classified as available for sale is determined using bid prices at the balance sheet date with any unrealized gains or losses recognized in other comprehensive income. The fair value of ARS investments is determined based on a third-party valuation and other observable variables (refer to note 8).

Commodity contracts are valued by determining the difference between contractual forward rates and the current forward prices for the residual maturity of the contracts. When in a gain position, the fair value of the commodity contracts is discounted to the balance sheet date using the 12-month LIBOR rate at that date, plus an amount representing the risk premium of the counterparty. When in a loss position, a spread representing the risk premium of the Corporation is added to LIBOR for the discounting of the fair value of the contracts. The change in fair value of the forward contracts recognized in the results from operations was a gain of \$22,984,000 and a loss of \$15,537,000 for the three months and nine months ended September 30, 2008, respectively.

Note 15 Segmented Information

In prior years, the Corporation considered itself to operate in a single segment being gold and copper mining and related activities including exploration, development, mining and processing in Canada. In the current period, the Corporation has identified separate segments for financial reporting.

The Corporation's primary segment reporting basis is by individual mine as the assessment of performance and resource allocation decisions are made on the same basis. The Corporate segment includes costs incurred for corporate activity in both Canada and Australia, as well as revenues and costs that are not attributable to the individual mines for performance assessment. Hedging activity and exploration costs are also included in the Corporate segment as the decisions concerning these expenditures are approved at the senior management level.

The operating segment results for the three months ending September 30, 2008 are as follows:

	Kemess	Stawell	Fosterville	Corporate	Total
Revenues	\$ 43,212	\$ 20,022	\$ 13,050	\$ 22,983	\$ 99,267
Depreciation and depletion	9,108	8,069	2,929	66	20,172
Exploration	185	887	1,526	7,649	10,247
Net interest income (expense)	466	(56)	(194)	941	1,157
Loss from operations, before income taxes	(20,227)	(2,839)	(6,381)	(4,662)	(34,109)
Capital Expenditures ⁽¹⁾	1,409	11,588	8,132	13	21,142
Goodwill ⁽²⁾	—	—	—	62,023	62,023
Total Assets	129,334	104,779	151,268	223,208	608,589

(1) Capital expenditures includes mineral property, plant and equipment purchased outright and by assumption of capital lease obligations.

(2) In finalizing the purchase price allocation for the acquisition of Perseverance, goodwill will be allocated to the reporting units to which it relates. This process is still in progress and will be updated in future periods and the amount of goodwill ultimately recorded could materially change.

The operating segment results for the nine months ending September 30, 2008 are as follows:

	Kemess	Stawell	Fosterville	Corporate	Total
Revenues	\$ 259,538	\$ 50,745	\$ 29,114	\$ (15,157)	\$ 324,240
Depreciation and depletion	23,132	18,011	7,685	177	49,005
Exploration	478	3,224	2,273	21,790	27,765
Net interest income (expense)	854	26	(80)	5,520	6,320
Earnings (loss) from operations, before income taxes	57,888	(5,545)	(16,812)	(40,920)	(5,389)
Capital Expenditures ⁽¹⁾	6,219	21,852	30,770	232	59,073

(1) Capital expenditures includes mineral property, plant and equipment purchased outright and by assumption of capital lease obligations.

Revenue per geographical region for the three and nine month periods ending September 30 are as follows:

	Three months ended		Nine months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
Canada	\$ 66,195	\$ 86,756	\$ 244,381	\$ 241,947
Australia	33,072	—	79,859	—
	\$ 99,267	\$ 86,756	\$ 324,240	\$ 241,947

Revenue for both the three months and nine months ending September 30, 2008 and 2007 are disclosed, net of the effect of mark-to-market adjustments associated with forward contracts.

The Corporation has a multi-year agreement with Xstrata for the shipment and sale of Kemess' gold-copper concentrate. The Corporation also has an arrangement with AGR Matthey for gold doré bars produced at Stawell and Fosterville.

The sum of mineral property, plant and equipment and goodwill per geographical region are presented as follows:

	September 30, 2008	December 31, 2007
Canada	\$ 98,891	\$ 121,337
Australia	305,199	—
	\$ 404,090	\$ 121,337

Note 16 Other Income

For the nine months ended September 30, 2008, other income includes an out-of-court settlement with Aurizon Mines Ltd. for costs and damages in the amount of Cdn\$4,000,000.

In addition, other income included a mark-to-market gain of \$9,836,000 related to the settlement of Perseverance's gold forward contracts. In connection with the acquisition of Perseverance, the Corporation had entered into an agreement to acquire Perseverance's portfolio of gold forward contracts based on the value of the underlying forward contracts at October 30, 2007. A gain was recorded to recognize the difference in the fair value of the portfolio as at December 31, 2007 and the settlement amount.

Note 17 Supplementary Cash Flow Information

Changes in non-cash working capital and other:

	Three months ended		Nine months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
Trade and other receivables	\$ 14,100	\$ (15,615)	\$ 6,603	\$ (42,977)
Prepaid expenses	(765)	(795)	797	(651)
Inventories	6,275	156	9,847	(3,515)
Accounts payable and accrued liabilities	2,529	5,830	(6,624)	13,775
Taxes payable	(3,643)	(963)	(1,807)	3,294
Settlement of forward contracts	—	(4,581)	(9,382)	(13,907)
Reclamation costs paid	(2,540)	—	(3,337)	—
	\$ 15,956	\$ (15,968)	\$ (3,903)	\$ (43,981)

Note 18 Commitments and Contingencies

The Corporation has engaged a third party to begin construction on a mill for the Young-Davidson property. The agreement for the mill provides for a payment to the supplier should the project be cancelled for any reason, based on a percentage of the overall cost of the mill and the period of time elapsed from the execution of the contract. As at September 30, 2008, the Corporation would be required to pay \$1,159,000 if the project were cancelled. The maximum potential payment if the project were cancelled in the future is \$3,095,000. These amounts are net of a deposit of \$648,000 paid and recorded in other assets.

In March 2005, the Corporation received correspondence from the Canada Revenue Agency ("CRA") indicating that the CRA's initial estimate of the Corporation's 95% royalty interest on the Kemess property (which had been converted to an equity interest in December 2000) was significantly lower than Northgate's initial valuation. The Corporation filed its response with the CRA in June 2005. The CRA remained silent on the matter until July 2007.

Since then, the Corporation commissioned an independent valuation, which supported Northgate's valuation and has continued to engage the CRA and the valuation section within Natural Resources Canada ("NRC") in discussions. In the third quarter of 2008, the Corporation received additional correspondence from NRC, which may lead to a formal notice of re-assessment from the CRA.

The Corporation strongly believes, based on its internal review and its consultation with external independent advisors, that its valuation is accurate and correct and the Corporation remains firmly committed to contesting any determination of the CRA to the contrary. Given the uncertainty on the matter, any potential adjustment to the Corporation's income tax pools and any impact to current or future income taxes, if any, cannot be estimated.

Note 19 Comparative Figures

To ensure comparability of financial information, certain comparative figures have been reclassified to conform to the presentation adopted in the current reporting period.