



“ 2006 was an exciting and rewarding year for Northgate. We delivered record gold and copper production at a record low net cash cost and generated the highest annual cash flow and earnings in the company’s history. We move forward into 2007 with financial strength and exciting opportunities for future growth that will create value for our shareholders. ”

KEN STOWE
PRESIDENT & CEO

Message to Our Shareholders

At Northgate, we have always prided ourselves on delivering the promises we make to our shareholders and managing our mining assets efficiently with the goal of maximizing their long-term value. In 2006, we met the three core goals that we announced at the beginning of the year: 1) we delivered record gold and copper production at the Kemess South mine and kept our production costs within 4% of budget; 2) we dramatically increased the resource base at Young-Davidson, bringing our total to 2.1 million ounces of gold; and, 3) we made tangible progress in the permitting process for Kemess North with the decision by the Environmental Review Panel to conduct the public hearing phase of the review during the fourth quarter after we submitted our revised Environmental Impact Assessment (EIA) report. Despite the success we achieved in meeting our core goals, our one disappointment was not delivering another significant corporate transaction such as the one that we completed with Young-Davidson in late 2005. Such value-creating transactions are a challenge to come across in normal times and even more challenging to complete in an industry where valuations have climbed several hundred percent over the past five years and where even marginal projects have had seemingly limitless access to equity capital. However, we are confident that our strong balance sheet and equally strong technical and operating skills will allow us to continue to **bring value to the surface** for our shareholders.

Strong Financial Performance

During 2006, a perfect storm of record gold and copper production from our Kemess South mine combined with tremendous prices for gold and copper generated net earnings of \$107 million and cash flow from operations of \$147 million. These spectacular financial results fueled a profound transformation of our balance sheet. During the year, we retired our project debt facility a year earlier than expected, paid down our long-term capital lease obligations by \$7 million and reduced our gold hedge position by 79,000 ounces. By the end of the year, as a result of record free cash flow and the exercise of over 99% of our common share purchase warrants, our cash position had increased to over \$262 million compared with only \$50 million just one year earlier. Our balance sheet now gives us the financial capacity to move forward with all of our internal development projects and the ability to take advantage of external growth opportunities that we could not have considered even one year ago.

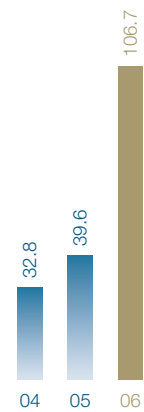
We expect our core Kemess South asset to produce strong earnings and cash flow again in 2007 based on forecast production of 285,000 ounces of gold and 74.5 million pounds of copper. However, rather than count on a repeat performance of 2006 copper prices in the coming year, we decided it would be prudent to guarantee some of the cash flow that high copper prices generate by entering into forward sales contracts to fix the price for approximately half of our copper production in 2007 at an average price of \$3.15 per pound. This action reflects our belief that a conservative approach to financial management is another cornerstone of maximizing shareholder value in the gold mining industry.

Bringing Value to the Surface: Young-Davidson

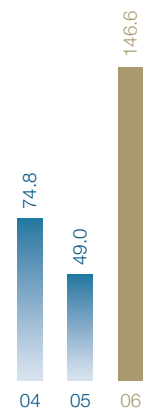
We purchased the Young-Davidson property in northern Ontario in late 2005 for approximately \$18 million believing that it represented exceptional value for our shareholders. Our exploration success during the past year has clearly supported this belief. In the fourth quarter of 2006, after only ten months of drilling, we announced an increase of 650,000 ounces in gold resources at the property, bringing our total resource base to 2.1 million ounces. In 2007, our surface-based exploration program will continue with an additional 50,000 metres of diamond drilling at a cost of \$5 million. The goal of this program is to expand the known resource areas by an additional half-million ounces.

In addition to the surface-based diamond drilling at Young-Davidson, we have commenced work on the advanced underground exploration program that was announced in August 2006. In order to gain access to the known areas of mineralization from underground, we are driving a ramp to a depth of 450 metres and dewatering an existing shaft. Once the ramp is developed, our geologists will begin to conduct closer-spaced diamond drilling,

NET
EARNINGS
(\$ millions)



CASH FLOW
FROM
OPERATIONS
(\$ millions)



a necessary step in order to develop a mine plan for the deposit. All of the required permits for the underground program have been received and work on the infrastructure and the ramp is proceeding on schedule. The next phase of development at Young-Davidson involves the completion of a variety of engineering and environmental studies that will provide a more precise estimate of the project's economics and move us closer to making a production decision.

Bringing Value to the Surface: Kemess North

Kemess North, with its 4.1 million ounces of gold and 1.4 billion pounds of copper, represents a tantalizing opportunity to extend the productive life of our Kemess assets for an additional 12 years. In 2006, our revised EIA report for the Kemess North project was submitted to the Joint Federal/Provincial Environmental Review Panel and three sets of public hearings were held in various northern communities in British Columbia to give the members of these communities the opportunity to provide their views on the development. After the public hearings concluded, the Federal and Provincial governments extended the review period by an additional 90 days in order to facilitate more in-depth participation in the review process by several First Nations groups. While we are pleased to see active participation from members of the First Nations, continued delays in a permitting process that has already taken over two and a half years have had an adverse impact on the project by eliminating the potential overlap between mining operations at Kemess South and Kemess North. We have been working diligently to impress upon the various parties involved that it is critical for the review be completed in a timely fashion.

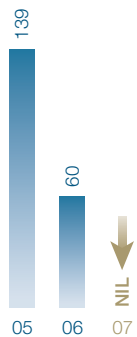
4.1
MILLION
OUNCES
total gold
reserves at
Kemess North

Some Challenges Along the Way

Despite exceptional achievements and results in 2006, we remain cognizant of the major challenge that we are still facing: to complete another significant corporate acquisition or merger that will increase our gold production profile. Over the course of 2006, we examined a wide variety of acquisition opportunities, but in almost all cases, found it difficult to justify their valuations or find any compelling synergies that would validate a transaction.

As we move into 2007, we take with us the lessons we learned from our experiences in 2006, but remain committed to the same disciplined approach to M&A activity that we have always followed. Our strong financial position now gives us the opportunity to examine gold projects that are at various stages of development rather than focusing our attention exclusively on assets that are at or near production as we have in previous years.

GOLD
HEDGE BOOK
(000s ounces)



Bringing Value to the Surface: Benefitting Shareholders

All in all, 2006 was a banner year for Northgate. Record gold and copper production, excellent financial performance and very encouraging exploration results at Young-Davidson combined to propel the price of our common shares from Cdn\$2.13 to Cdn\$4.08 at the end of the year.

With a very successful year behind us, we look forward to 2007. Equipped with a strong balance sheet and excellent prospects for continued strong free cash flow from our Kemess South mine, we are in an excellent position to forge ahead with the investments necessary to bring our internal growth projects into production and finance the construction of other mining projects that we expect to acquire in the future.

Our management team remains committed to the creation of long-term value for our shareholders through operational excellence and to our vision of building Northgate into a multi-mine gold mining company. During the year, we added several individuals with underground mining experience to our core team, which will allow us to better assess and operate underground mines like Young-Davidson.

On behalf of our management team and the board of directors, I wish to acknowledge our employees at Kemess and Young-Davidson for their efforts in making 2006 the most successful year in the long history of our company.

Sincerely,



Kenneth G. Stowe
President & Chief Executive Officer
March 1, 2007

YEAR END
SHARE PRICE
(TSX: NGX \$Cdn)

