

# Northgate Minerals Corporation

## Report to Shareholders

Three and Twelve Months Ended December 31, 2009

## Management's Discussion and Analysis

Management's Discussion and Analysis ("MD&A") provides a review of the performance of Northgate Minerals Corporation ("Northgate" or the "Corporation") and should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes, which are presented in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These statements, together with the following discussion and analysis, are intended to provide shareholders with a reasonable basis for assessing the operational and financial performance of Northgate. A cautionary note regarding forward-looking statements follows this MD&A. All of the financial information presented herein is expressed in US dollars, unless otherwise stated. The information presented in this MD&A is as of March 8, 2010, unless otherwise stated.

### Fourth Quarter and Year End 2009 Highlights

- Excellent cash flow from operations of \$41.5 million or \$0.14 per share for the fourth quarter, resulting in record cash flow from operations of \$187.2 million for all of 2009.
- Adjusted net earnings<sup>(1)</sup> of \$27.9 million or \$0.10 per share for the fourth quarter and \$73.2 million or \$0.28 per share for the full year. Adjusted net earnings exclude a non-cash impairment charge of \$83.5 million against the accounting carrying value of the Fosterville mine.
- Production of 80,753 ounces of gold and 11.8 million pounds of copper in the fourth quarter, bringing full year production to a record 362,398 ounces of gold in 2009.
- Average net cash cost in the fourth quarter was \$537 per ounce of gold, bringing the average net cash cost for the full year to \$477 per ounce, which was in line with guidance.
- Fourth quarter sales were 78,015 ounces of gold at a realized price of \$1,181 per ounce and 10.4 million pounds of copper at a realized price of \$3.54 per pound.
- Northgate's cash balance at the end of the year was \$253.5 million.
- At the end of 2009, reserves at Kemess South increased by approximately seven million tonnes, extending the mine-life until the end of Q1 2011.
- An initial 159,000 ounces of reserves were defined in the Harrier zone at Fosterville.
- Exploration efforts at Stawell continue to more than replace reserves. Proven and probable reserves have increased to 287,000 ounces at the end of December 31, 2009. In addition to reserves, Stawell has 268,000 ounces of indicated resources and inferred resources have increased by 42% to 163,000 ounces.
- The final Feasibility Study for Young-Davidson was released earlier this year, incorporating 2.8 million ounces of proven and probable reserves and confirming a 15-year mine-life with average annual production of 180,000 ounces of gold. Using today's spot prices, this translates into a pre-tax internal rate of return ("IRR") of over 20%. Commercial production is expected to commence in 2012.
- The exploration team at Young-Davidson was awarded the AME BC/PDAC Safe Day Everyday Gold Award for the most hours worked without a lost workday incident of all exploration projects across Canada. Further to this achievement, Young-Davidson has not recorded a single lost-time incident since Northgate took ownership in 2005.

(1) Adjusted net earnings is a non-GAAP measure. See section entitled "Non-GAAP Measures" on page 17 in this MD&A.

# Executive Overview

## Financial Performance

Northgate recorded consolidated revenue of \$110,698,000 and \$484,976,000 in the fourth quarter and full year of 2009, respectively, compared with \$136,748,000 and \$460,988,000 in the corresponding periods of 2008. The net loss was \$67,755,000 or \$0.23 per diluted share in the fourth quarter of 2009, which includes a mineral property impairment write down of \$83,486,000 and a mark-to-market hedging loss of \$15,055,000 on the Corporation's copper forward contracts. The net earnings during the corresponding quarter of 2008 were \$18,646,000 or \$0.07 per diluted share. For the full year 2009, the net loss was \$49,506,000 or \$0.19 per diluted share compared with net earnings of \$10,720,000 or \$0.04 per diluted share in 2008. Adjusted net earnings<sup>(1)</sup> for the fourth quarter of 2009 were \$27,862,000 or \$0.10 per share compared to an adjusted net loss of \$661,000 or \$0.00 per share in the corresponding quarter of 2008. Cash flow from operations, after changes in working capital and other items, was \$41,510,000 or \$0.14 per diluted share in the fourth quarter of 2009 compared with \$5,859,000 or \$0.02 per diluted share during the same quarter last year. For the full year 2009, cash flow from operations, after changes in working capital and other items, was \$187,161,000 or \$0.71 per diluted share compared with \$64,988,000 or \$0.25 per diluted share in 2008. Per share data is based on the weighted average diluted number of shares outstanding of 290,500,196 and 264,603,527 in the fourth quarter and full year of 2009, respectively. The weighted average diluted number of shares outstanding in the corresponding periods of 2008 was 255,601,069 and 255,453,093, respectively. As of March 8, 2010, the Corporation had 290,729,928 issued and outstanding common shares and 8,435,850 outstanding stock options.

## Health, Safety and Environment

Northgate strives to ensure that the highest health, safety and environmental standards are maintained at all of its operations. During the fourth quarter, Northgate's Australian mines operated without a single lost time injury (LTI). For the full year 2009, Fosterville and Stawell recorded four and one LTIs, respectively, which compares to three LTIs at each site in 2008. In Canada, Young-Davidson had no LTIs during the fourth quarter and is pleased to report that there have been no LTIs recorded on the property since Northgate took ownership late in 2005. Kemess recorded no LTIs during the fourth quarter and two LTIs in all of 2009, a dramatic improvement from 2008 when Kemess had ten LTIs.

## Community Relations

In January 2010, Northgate released the final feasibility study for the Young-Davidson project. The Feasibility confirms a 15-year mine-life with average annual production of 180,000 ounces of gold. Following the release of the Feasibility, Northgate's board of directors granted formal approval to proceed with the development of the Young-Davidson mine.

To celebrate the recent board approval, a special flag raising ceremony was held at site, where a number of dignitaries, business representatives and members of the community were in attendance. A public celebration followed at the local community hall, with presentations and speeches made by local dignitaries and Northgate personnel. Young-Davidson has been strongly supported by the local and surrounding community and a number of strong partnerships have formed since taking ownership of the property in late 2005.

During the two year construction phase of the project, a workforce of 600 people will be required for the development of the mine. In addition, ongoing direct employment for 275 people will be required during the 15-year mine-life. Substantial economic benefits will accrue to the communities closest to the mine, including the towns of Matachewan, Elk Lake, and Kirkland Lake. Manufacturers, suppliers and contractors in these nearby towns as well as those in the regional centres of Timmins, North Bay and Sudbury will have the opportunity to share in the \$339 million invested during the construction phase and annual expenditures on goods and services of approximately \$50 million during the life of the mine.

(1) Adjusted net earnings is a non-GAAP measure. See section entitled "Non-GAAP Measures" on page 17 in this MD&A.

## Summarized Consolidated Results

(Thousands of US dollars, except where noted)	Q4 2009	Q4 2008	2009	2008 <sup>1</sup>
<b>Operating Data</b>				
<b>Gold</b>				
Production (ounces)	80,753	118,265	362,398	354,800 <sup>2</sup>
Sales (ounces)	78,015	101,075	370,668	311,580
Realized gold price (\$/ounce)	1,181	814	994	873
<b>Copper</b>				
Production (thousands pounds)	11,750	14,391	52,496	51,906
Sales (thousands pounds)	10,393	11,550	51,188	49,639
Realized copper price (\$/pound)	3.54	0.46	2.87	2.78
Net cash cost (\$/ounce)	537	413	477	447
<b>Financial Data</b>				
Revenue	\$ 110,698	\$ 136,748	\$ 484,976	\$ 460,988
Net earnings (loss)	(67,755)	18,646	(49,506)	10,720
<b>Earnings (loss) per share</b>				
Basic	(0.23)	0.07	(0.19)	0.04
Diluted	(0.23)	0.07	(0.19)	0.04
Cash flow from operations	41,510	5,859	187,161	64,988
Cash and cash equivalents	253,544	62,419	253,544	62,419
Total assets	\$ 741,679	\$ 591,629	\$ 741,679	\$ 591,629

<sup>1</sup> Full year 2008 financial data and gold sales (ounces) include the results of Northgate's Australian operations from February 19 to December 31, 2008. Other figures are for the full year ending December 31, 2008.

<sup>2</sup> Full year 2008 production for Fosterville excludes the change in gold-in-circuit inventory previously recorded in production for the first quarter.

## Corporate Outlook

The strong operating and financial results delivered from Northgate's mines in the fourth quarter resulted in record annual gold production and record annual cash flow from operations in 2009. The Corporation is especially pleased to report that production at the Stawell mine was back on track with solid fourth quarter results, following several difficult quarters during which the underground mining team re-designed the G5L reserve area and completed development towards numerous new mining fronts while still managing to find enough ore to feed the mill. Although Fosterville had a strong year operationally with record annual gold production of 103,518 ounces, definition drilling in the Phoenix orebody continued to deliver disappointing results, which led to the loss of over 100,000 reserve ounces for the second consecutive year. While the Corporation did achieve exploration success in the Harrier zone this year with the addition of 159,000 ounces to gold reserves, the cumulative loss of reserves in the Phoenix orebody, where development dollars have already been spent to access reserves, resulted in a write-down of \$83.5 million. During 2010, Northgate has an aggressive \$11 million exploration program planned for the Fosterville camp with the goal of replacing the gold reserves that have been lost over the past two years and adding to the current 4.5 year reserve life. At its Canadian operations, the Corporation is extremely pleased with the results from Kemess South as the mine achieved its production forecast at a lower than projected net cash cost. The Young-Davidson project also made substantial progress and Northgate is presently completing detailed engineering to begin construction this summer.

## 2009 Annual Audited Financial Results

Financial figures for the fourth quarter and full year 2009 are unaudited estimates and are subject to revision. Northgate will file its complete 2009 audited annual financial statements, including the notes to the consolidated financial statements, with both the Canadian and US Securities regulatory authorities on SEDAR ([www.sedar.com](http://www.sedar.com)) and EDGAR ([www.sec.gov](http://www.sec.gov)) by March 31, 2010.

# Results of Operations

## Fosterville Gold Mine

	Q4 2009	Q4 2008	2009	2008 <sup>1</sup>
<b>Operating Data</b>				
Ore mined (tonnes)	206,881	167,182	780,195	511,542
Ore milled (tonnes)	208,267	165,654	781,879	540,725
Ore milled per day (tonnes)	2,264	1,801	2,141	1,477
<b>Gold</b>				
Grade (g/t)	4.71	6.03	4.79	5.39
Recovery (%)	82	82	85	70
Production (ounces) <sup>2</sup>	26,615	26,398	103,360	66,959
Sales (ounces)	25,166	26,325	103,518	58,876
Net cash cost (\$/ounce)	720	500	576	831
<b>Financial Data (Thousands of US dollars)</b>				
Revenue	\$ 27,829	\$ 21,141	\$ 100,140	\$ 50,255
Cost of sales	18,987	12,471	59,693	48,433
Income (loss) from operations, before taxes	(86,564)	3,722	(79,861)	(13,090)
Cash flow from (used in) operations	7,314	7,054	34,960	(1,971)
Capital expenditures <sup>3</sup>	9,372	7,866	36,075	38,637

1 Full year 2008 financial data and gold sales (ounces) include the results of Northgate's Australian operations from February 19 to December 31, 2008. Other figures are for the full year period ending December 31, 2008.

2 Full year production for Fosterville excludes the change in gold-in-circuit inventory previously recorded in production for the first quarter.

3 Capital expenditures include plant and equipment acquired through assumption of capital leases.

### Operational Performance

The Fosterville Gold mine produced 26,615 ounces of gold during the three months ended December 31, 2009, which was a quarterly record for the mine, compared to 26,398 ounces in the same period of 2008. Total annual production for 2009 was 103,360 ounces of gold, a dramatic increase of 54% over production in 2008.

During the quarter, 206,881 tonnes of ore were mined and mine development advanced 2,226 metres (m) compared with 167,182 tonnes mined and 2,000m advanced, respectively, in the corresponding period of 2008. Mining rates have increased during the year due to the increased number of working faces available in the Phoenix and Ellesmere orebodies.

During the quarter, 208,267 tonnes of ore at a grade of 4.71 g/t were milled compared to 165,654 tonnes of ore at a grade of 6.03 g/t in the same period of 2008. The grade of ore milled during the quarter was lower as higher than expected dilution on some of the stopes mined reduced the mill head grade. Gold recovery during the fourth quarter of 2009 was 82%, which was the same as it was in the corresponding period of last year but lower than previous quarters of 2009 as a result of processing a high content of carbonaceous ore.

Total operating costs for the fourth quarter were higher at A\$20,885,000 (2008 – A\$18,544,000) resulting from an increase in mine development and mill throughput; however, the overall unit operating costs dropped to A\$101 (2008 – A\$119) per tonne of ore milled compared to the same period last year as a result of higher throughput. During the quarter, mining costs were A\$56 (2008 – A\$60) per tonne of ore mined and milling costs were A\$36 (2008 – A\$36) per tonne of ore milled.

The net cash cost for the fourth quarter was \$720 (2008 – \$500) per ounce of gold, a significant increase over the same period in 2008 as a result of the much stronger Australian dollar relative to the US dollar and the unusually high grade ore milled in the fourth quarter of 2008. This higher grade resulted in the same number of ounces being produced with less tonnes, which kept costs lower. The Australian dollar denominated net cash cost for the quarter increased by only 6% over the same quarter in 2008 due primarily to higher mine development and production. Fosterville is forecasting production of 113,000 ounces of gold at a net cash cost of \$655 per ounce in 2010 using a US\$/A\$ exchange rate of \$0.92.

## Financial Performance

Fosterville's revenue for the three months ended December 31, 2009 was \$27,829,000 based on gold sales of 25,166 ounces, which compares to revenue of \$21,141,000 and sales of 26,325 ounces in the corresponding period of 2008. Higher realized gold prices during the most recent quarter more than offset the slightly lower gold sales compared with the same period last year. The cost of sales during the quarter, excluding depreciation and depletion, was \$18,987,000 (2008 – \$12,471,000) and the depreciation and depletion expense was \$10,104,000 (2008 – \$3,616,000). A stronger Australian dollar relative to the US dollar negatively impacted US dollar denominated costs, and higher mining activity and mill throughput increased depreciation, which is calculated using the units of production method. The loss from operations before income taxes recorded for the period was \$86,564,000 which included a mineral property impairment of \$83,486,000. This compares to earnings from operations before income taxes of \$3,722,000 in the corresponding period of 2008. The mine generated \$7,314,000 in cash flow from operations during the quarter (2008 - \$7,054,000).

At the end of each year, Northgate re-estimate's reserves at all of its properties and revises its life of mine ("LOM") plans. LOM plans incorporate management assumptions and estimates of revenues and related costs as well as the conversion of a portion of resources to reserves over the LOM. When this annual exercise was performed in early 2010, there were indicators of impairment at the Fosterville mine. In accordance with Canadian GAAP, a recoverability test was performed for the long-lived assets which identified them as potentially impaired as of December 31, 2009. A potential impairment is determined if the carrying values of the assets which generate independent and identifiable cash flows (in this case the Fosterville mine) exceed the undiscounted pretax cash flows expected from their use and eventual disposition. If a potential impairment is identified, the actual value of the impairment is calculated by comparing the fair value of the long-lived assets to their accounting carrying value. The fair value of the Fosterville mine as of December 31, 2009 was established by using a LOM discounted cash flow (DCF) model incorporating the following assumptions: gold prices of A\$1,200/oz for 2010 to 2011, A\$1,150 for 2012 to 2013 and A\$1,100/oz; a discount rate of 6.5%; and a net asset value (NAV) multiplier of 1.0x.

As a result of this analysis an impairment charge of \$83,486,000 was recorded in earnings for the year ended December 31, 2009.

The impairment at Fosterville is partially the result of net reserve losses within the main Phoenix ore body totalling approximately 300,000 ounces since the mine was acquired in February 2008. There are two main reasons for the reduction in Phoenix ore reserves. First, based on assay data from closely spaced reserve definition drilling, the geometry of the ore body has been found to be more complex and narrower in some areas than originally estimated, which has reduced its overall size. Second, the change in the geometry and size of the Phoenix ore body has necessitated redesigning some areas of the mine to leave in more pillars and has reduced the overall mining recovery.

Over the same period, 159,000 ounces of additional reserves have been added in the new Harrier zone and 76,000 ounces of high-grade carbon-in-leach (CIL) tailings have been added to reserves as a result of the successful commissioning of the heated leach circuit. While the decrease in reserves within the Phoenix ore body has been partially offset by these reserve additions, the smaller size of the Harrier zone at the present time (159,000 ounces at December 31, 2009) and the cost of initial ramp access make these new reserve ounces less profitable than those that were lost within the Phoenix ore body. As exploration activities ramp up in the Harrier ore zone, which remains open in several directions, any exploration success should improve the DCF valuation at Fosterville as the fixed cost of accessing the Harrier ore body would be allocated over a larger reserve base.

In addition to the reserve losses noted, the impairment was also driven by increases to the Corporation's estimates of future capital, operating and exploration costs over the expected life of the Fosterville mine.

Total investment in capital expenditures at Fosterville was \$9,372,000, which includes \$6,908,000 for mine development and \$1,955,000 on plant and equipment. In the same period of 2008, capital expenditures were \$7,866,000, which includes \$4,060,000 for mine development, \$2,000,000 for the heated leach project and approximately \$1,000,000 to expand the storage capacity of the CIL water dam.

## Stawell Gold Mine

	Q4 2009	Q4 2008	2009	2008 <sup>1</sup>
<b>Operating Data</b>				
Ore mined (tonnes)	188,201	177,561	707,283	629,665
Ore milled (tonnes)	199,082	183,415	759,819	698,396
Ore milled per day (tonnes)	2,164	1,994	2,081	1,908
<b>Gold</b>				
Grade (g/t)	4.23	5.97	4.07	5.25
Recovery (%)	86	87	87	87
Production (ounces)	23,221	30,553	85,998	102,679
Sales (ounces)	22,695	28,549	87,110	84,200
Net cash cost (\$/ounce)	732	383	616	555
<b>Financial Data (Thousands of US\$)</b>				
Revenue	\$ 25,636	\$ 22,850	\$ 85,515	\$ 73,595
Cost of sales	17,112	11,504	52,998	46,530
Earnings (loss) from operations	(5,238)	5,656	(6,035)	111
Cash flow from operations	3,773	7,076	27,087	22,462
Capital expenditures <sup>2</sup>	10,147	4,484	33,350	26,336

1 Full year 2008 financial data and gold sales (ounces) include the results of Northgate's Australian operations from February 19 to December 31, 2008. Other figures are for the full year period ending December 31, 2008.

2 Capital expenditures include plant and equipment acquired through assumption of capital leases.

## Operational Performance

The Stawell Gold mine produced a total of 23,221 ounces of gold during the three months ended December 31, 2009, which represents the highest quarterly production during 2009, compared to 30,553 ounces in the corresponding period of 2008. The drop in production was a result of mining lower grade ore as geotechnical issues that developed within the GG5L mining block necessitated a change in the stoping sequence. Total annual production for 2009 was 85,998 ounces of gold compared to 102,679 ounces in 2008.

Mine production improved to 188,201 tonnes of ore during the quarter compared to the same period last year when it came in at 177,561 tonnes. The mine development advance rate during the quarter was the highest in 2009 at approximately 1,994m and was higher than the approximately 1,500m of mine development in the same quarter of 2008. The strong development advance rate throughout the year will allow for more mining front flexibility and a robust ore supply to the mill in 2010 and beyond.

Approximately 199,082 tonnes of ore at a grade of 4.23 g/t were milled in the fourth quarter of 2009, the highest throughput for the year, compared to 183,415 tonnes of ore at a grade of 5.97 g/t in the corresponding period of 2008. Gold recoveries in the mill were 86%, which although consistent with historical averages, were lower than plan as the higher carbonaceous content of the Magdala ore was processed during the quarter as a result of the ongoing geotechnical issues within the GG5L mining block.

Total operating costs during the period were higher at A\$18,822,000 (2008 – A\$17,106,000) resulting from increased mining and milling activities. The overall unit operating cost of A\$94 (2008 – A\$104) per tonne of ore milled declined from the same period last year due to higher throughput. Mining costs were A\$61 (2008 – A\$68) per tonne of ore mined and milling costs were A\$24 (2008 – A\$26) per tonne of ore milled.

The net cash cost of gold for the fourth quarter was \$732 (2008 – \$383) per ounce of gold, a significant increase over the same period in 2008 due to a combination of a much stronger Australian dollar relative to the US dollar and lower gold production. Stawell is forecasting production of 99,500 ounces of gold at a net cash cost of \$633 per ounce in 2010 using a US\$/A\$ exchange rate of \$0.92.

## Financial Performance

Stawell's revenue for the three months ended December 31, 2009 was \$25,636,000 based on gold sales of 22,695 ounces, which compares to revenue of \$22,850,000 and sales of 28,549 ounces in the corresponding period of 2008. Higher realized gold prices during the quarter more than offset the lower gold sales from the same period last year. The cost of sales during the quarter, excluding depreciation and depletion, was \$17,112,000 (2008 – \$11,504,000) and the depreciation and depletion expense was \$11,184,000 (2008 – \$4,831,000). Higher mining activity and mill throughput impacted operating costs and the depreciation expense which is calculated using the units of production method in local currency. Operating costs were further impacted by a stronger Australian dollar relative to the US dollar. The loss from operations before income taxes was \$5,238,000 for the period compared to earnings from operations before income taxes of \$5,656,000 in the corresponding period of 2008. Higher cost of sales and depreciation and depletion expense in US dollar terms negatively impacted earnings for the quarter. The mine generated \$3,773,000 in cash flow from operations during the fourth quarter (2008 – \$7,076,000).

Total investment in capital expenditures at Stawell during the quarter was \$10,147,000, which includes \$7,665,000 for mine development and approximately \$2,482,000 on plant and equipment. In the same period of 2008, capital expenditures during the quarter were \$4,091,000, which includes \$2,611,000 for mine development and approximately \$600,000 for scheduled equipment repair.

## Kemess Mine

	Q4 2009	Q4 2008	2009	2008
<b>Operating Data</b>				
Ore plus waste mined (tonnes)	9,645,472	7,388,248	30,292,285	28,260,894
Ore mined (tonnes)	4,236,174	5,027,556	15,965,275	13,851,896
Stripping ratio (waste/ore)	1.28	0.47	0.90	1.04
Ore milled (tonnes)	4,941,632	4,171,027	18,352,557	16,924,271
Ore milled per day (tonnes)	53,713	45,337	50,265	46,252
<b>Gold</b>				
Grade (g/t)	0.332	0.661	0.445	0.505
Recovery (%)	59	69	66	67
Production (ounces)	30,917	61,314	173,040	185,162
Sales (ounces)	30,154	46,201	180,040	168,504
<b>Copper</b>				
Grade (%)	0.147	0.196	0.161	0.174
Recovery (%)	73	80	81	79
Production (thousands pounds)	11,750	14,391	52,496	51,906
Sales (thousands pounds)	10,393	11,550	51,188	49,639
Net cash cost (\$/ounce)	234	391	348	271
<b>Financial Data (Thousands of US dollars)</b>				
Revenue	\$ 72,246	\$ 44,504	\$ 337,052	\$ 304,042
Cost of sales	36,690	37,872	188,109	215,971
Earnings (loss) from operations, before taxes	28,010	(3,894)	97,028	53,994
Cash flow from operations	30,987	2,237	106,003	93,603
Capital expenditures	793	1,857	7,553	8,076

### Operational Performance

The Kemess South mine posted production of 30,917 ounces of gold and 11.8 million pounds of copper in the fourth quarter of 2009, bringing full year 2009 production to 173,040 ounces of gold and 52.5 million pounds of copper. Metal production in the fourth quarter was consistent with plan and came from the eastern end of the pit.

During the fourth quarter of 2009, approximately 9.6 million tonnes of ore and waste were removed from the eastern part of the pit compared to 7.4 million tonnes during the corresponding quarter of 2008 as a higher percentage of stockpiled waste was moved out of the eastern end of the pit in 2009. Unit mining costs during the current quarter were Cdn\$0.95 per tonne moved compared with Cdn\$2.27 per tonne moved in the same period of 2008. The significant improvement in unit costs resulted from higher production levels and the lower cost of mining due to shorter ore and waste haul distances out of the eastern end of the pit.

Mill availability during the fourth quarter of 2009 averaged 90% and throughput averaged 53,713 tonnes per day (tpd), compared with 85% availability and throughput of 45,337 tpd in the fourth quarter of 2008. Mill throughput was higher in the most recent quarter as the comparative quarter in 2008 was adversely impacted by a burst water pipe which caused damaged the mill's control system. During the fourth quarter of 2009, Kemess milled approximately 4.9 million tonnes of ore grading 0.332 g/t gold and 0.147% copper compared to the same quarter of the prior year when Kemess milled 4.2 million tonnes of ore grading 0.661 g/t gold and 0.196% copper. Lower grades were expected during the most recent quarter as lower grade ore from the eastern end of the pit was processed, as per plan.

Gold and copper recoveries averaged 59% and 73%, respectively, in the fourth quarter of 2009 compared with 69% and 80% in the fourth quarter of 2008. Recoveries in the mill were lower than the previous year because of the lower grade ore that was processed.

Metal concentrate inventory increased to about 11,000 wet metric tonnes during the fourth quarter of 2009 due to the seasonally poor rail car availability at year-end.

The total unit cost per tonne milled during the fourth quarter of 2009 was Cdn\$9.28 (2008 – Cdn\$14.48). The decrease was related to lower mining costs and higher throughput. The unit cost per tonne milled includes Cdn\$2.70 (2008 – Cdn\$3.25) for marketing costs, which was comprised mainly of treatment and refining costs and transportation fees. Annual smelting and refining terms for 2010 have been settled at \$46.5 per dry metric tonne (dmt) and 4.65¢ per pound of copper with no price participation for Kemess concentrate. Total site operating costs in the fourth quarter of 2009 were Cdn\$32.5 million, compared with costs of Cdn\$47.0 million in the fourth quarter of 2008. The decrease is primarily due to the reduced mining activities, as well as a reduction in administration and camp site costs as the number of employees continues to decline as we approach the end of the Kemess mine life. The net cash cost of production at Kemess in the fourth quarter was \$234 per ounce (2008 - \$391), which was significantly lower than the same quarter in 2008. The lower cash cost was attributable to higher price of copper during the fourth quarter of 2009 and reduced mining costs. In 2010, Kemess is forecasting production of 103,500 ounces of gold and 47.6 million pounds of copper at a net cash cost of \$318 per ounce using copper prices of \$3.20 per pound and a US\$/Cdn\$ exchange rate of \$0.97.

#### Financial Performance

Revenue from the Kemess South mine in the fourth quarter of 2009 was \$72,246,000 compared with \$44,504,000 in the corresponding period of 2008. The large increase in revenue resulted from strong metal prices during the quarter but was partially offset by lower metal sales. Metal sales in the fourth quarter of 2009 consisted of 30,154 ounces of gold and 10.4 million pounds of copper, compared with 46,201 ounces of gold and 11.6 million pounds of copper in the same period last year. During the fourth quarter of 2009, the price of gold on the London Bullion Market averaged \$1,100 per ounce and the price of copper on the London Metal Exchange averaged \$3.02 per pound. Net realized prices for sales in the quarter were approximately \$1,300 per ounce of gold and \$3.54 per pound of copper. Since the Corporation's metal pricing quotational period is three months after the month of arrival (MAMA) for copper and gold at the smelting facility, the realized price calculation incorporates the actual settlement price for prior quarter sales, as well as the forward price profiles of both metals. The average market prices for gold and copper in the same quarter of 2008 were \$795 per ounce and \$1.77 per pound, respectively, while realized prices were \$830 per ounce and \$0.46 per pound.

The cost of sales in the fourth quarter of 2009, excluding depreciation and depletion, was \$36,690,000, which declined from the corresponding period last year of \$37,872,000. The Canadian dollar denominated cost of sales decreased significantly compared to the fourth quarter of 2008, but was negatively impacted by the stronger Canadian dollar against the US dollar during the same period.

Depreciation and depletion expenses in the fourth quarter were \$5,342,000 compared to \$9,780,000 during the corresponding period of 2008. The decline is a result of an increase in the estimated residual value of the plant and equipment at Kemess based on a recent independent appraisal, which reduced the depreciation expense for the fourth quarter of 2009.

Cash invested in capital expenditures during the fourth quarter of 2009 totalled \$793,000 compared to \$1,857,000 in the corresponding period of 2008. Capital expenditures in the most recent quarter were primarily devoted to the ongoing construction of the tailings dam, which was also the case in the fourth quarter of 2008.

## Mineral Reserves and Resources

Northgate's mineral reserves and resources were updated as of December 31, 2009. Metal prices, exchange rates and other parameters used in this estimation are detailed in the notes to the mineral reserve and resource table.

At the Young-Davidson project, the majority of the resources reported in 2008 were converted to proven and probable reserves with the completion of the Pre-Feasibility Study on July 14, 2009. The resources that were not converted to reserves had either inadequate drill density and remain as inferred resources, or are not extracted as part of the mine design as they are left for pillars and sills. There is also a significant part of the inferred resource at depth that is not part of the current mine plan. Proven and probable open pit and underground reserves total 31 million tonnes containing 2.75 million ounces of gold. Underground inferred resources total 6 million tonnes containing 650,000 ounces of gold.

At Kemess South, proven mineral reserves total 22.6 million tonnes containing 207,000 ounces of gold and 75 million pounds of copper, or approximately half of the 2008 reserve. The majority of the reserves exist in the east end of the Kemess South open pit with a small amount in surface stockpiles.

At the Fosterville mine, reserves decreased by 11% to 502,000 ounces in 3.3 million tonnes. This change included mining depletion of 122,000 ounces during the course of 2009, an increase of 159,000 ounces within the Harrier ore body and a net loss of 100,000 ounces within the Phoenix ore body resulting from tighter spaced definition drilling, which reduced resource tonnes and prompted changes to the mining method. This, in turn, decreased mining recoveries within the lower section of the Phoenix orebody.

Exploration drilling in the Harrier and Phoenix zones drove significant changes to resources at Fosterville. Indicated resources underground decreased slightly to 145,000 ounces, but the resource grade increased from 4.01 g/t to 5.02 g/t. Inferred resources declined significantly to 607,000 ounces at a grade of 4.64 g/t.

At Stawell, proven and probable reserves at December 31, 2009 stood at 2.3 million tonnes containing 287,000 ounces of gold. During the year, 97,800 ounces were mined, which was slightly exceeded by resource to reserve conversion and exploration success.

Indicated resources at Stawell were 268,000 ounces and inferred resources were 163,000 ounces at December 31, 2009. Indicated ounces are down 5% from the 2008 resource statement as a result of resource to reserve conversion and in some cases mining extraction. Inferred ounces have increased by 42%, primarily as a result of successful exploration drilling.

The Kemess North resource has been left unchanged since the previous year's estimates. This resource was downgraded from a reserve in the fourth quarter of 2007 when the British Columbia government denied Northgate a development permit for the project.

## Mineral Reserves and Resources

### Mineral Reserves – Canadian and Australian Operations

At December 31, 2009	Category	Quantity (tonnes)	Grades		Contained Metal	
			Gold (g/t)	Copper (%)	Gold (ounces)	Copper (000s lbs)
Kemess South	Proven	22,662,000	0.28	0.14	207,296	74,529
Fosterville	Proven	718,000	6.29	n/a	145,000	n/a
	Probable	2,569,000	4.32	n/a	357,000	n/a
		3,287,000	4.75		502,000	
Stawell (open pit) (underground)	Proven	93,000	5.90	n/a	18,000	n/a
	Probable	410,000	1.85	n/a	24,000	n/a
	Probable	1,787,000	4.30	n/a	245,000	n/a
		2,290,000	3.9		287,000	
Young-Davidson (open pit) (underground)	Proven	3,469,000	3.22	n/a	359,000	n/a
	Probable	4,939,000	1.66	n/a	264,000	n/a
	Probable	22,740,000	2.92	n/a	2,135,000	n/a
		31,148,000	2.75		2,758,000	
Total Proven & Probable Reserves		59,387,000			3,754,296	74,529

### Mineral Resources – Canadian Operations

At December 31, 2009	Category	Quantity (tonnes)	Grades		Contained Metal		
			Gold (g/t)	Copper (%)	Gold (ounces)	Copper (000s lbs)	
Kemess South	Measured	1,725,000	0.17	0.10	9,207	3,758	
Kemess North	Measured	451,139,000	0.31	0.16	4,453,000	1,563,000	
	Indicated	268,051,000	0.29	0.13	2,486,000	790,000	
		719,190,000	0.30	0.15	6,939,000	2,353,000	
Young-Davidson	Indicated	132,000	3.08	n/a	13,100	n/a	
Total Measured & Indicated Resources		721,047,000			6,961,307	2,356,758	
Young-Davidson (open pit)		Inferred	15,000	1.74	n/a	850	n/a
(underground)		Inferred	5,950,000	3.40	n/a	650,000	n/a
Total Inferred Resources		5,965,000			650,850		

## Mineral Resources – Australian Operations

At December 31, 2009	Category	Quantity (tonnes)	Gold Grade (g/t)	Contained Gold (ounces)
Fosterville				
(<100m from surface)	Measured	3,088,000	2.16	215,000
(<100m from surface)	Indicated	5,215,000	1.54	259,000
(>100m from surface)	Indicated	902,000	5.02	145,000
		9,205,000	2.09	619,000
Stawell				
(<100m from surface)	Indicated	2,975,000	2.19	209,000
(>100m from surface)	Indicated	384,000	4.79	59,000
		3,359,000	2.49	268,000
Total Measured & Indicated Resources		12,564,000		887,000
Fosterville				
(<100m from surface)	Inferred	2,432,000	1.69	132,000
(>100m from surface)	Inferred	4,074,000	4.64	607,000
Stawell				
(<100m from surface)	Inferred	204,000	2.61	17,000
(>100m from surface)	Inferred	739,000	6.13	146,000
Total Inferred Resources		7,449,000		902,000

## Notes to Mineral Reserves and Resources

- <sup>1</sup> Mineral reserves and mineral resources for Kemess South have been estimated in accordance with the definitions contained in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards and National Instrument 43-101.
- <sup>2</sup> Mineral reserves for Fosterville and Stawell have been estimated in accordance with the AusIMM JORC Code and have been reconciled to CIM Standards as prescribed by National Instrument 43-101.
- <sup>3</sup> All mineral resources are exclusive of mineral reserves.
- <sup>4</sup> Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- <sup>5</sup> Mineral reserves and resources are rounded to 1,000 tonnes, 0.01 g/t gold and 1,000 ounces. Minor discrepancies in summations may occur due to rounding.
- <sup>6</sup> Mineral reserves were calculated using the following parameters:
  - » **Kemess South:** exchange rate Cdn\$/US\$1.11; gold price \$900/oz; copper price \$2.25/lb; and, silver price \$12.00/oz. Operating assumptions were as follows: gold recovery 59.9%; copper recovery 81.1%; mining costs Cdn\$1.20/tonne; milling costs Cdn\$4.00/tonne; and, G&A costs C\$1.50/tonne.
  - » **Young-Davidson:** A 1.7 g/t gold cut-off grade was applied to the underground resource model for the sublevel cave and longhole shrinkage mining methods based on 15% dilution, mining costs of Cdn\$21.74, process costs of Cdn\$11.40, and G&A costs of Cdn\$2.75, and a gold recovery of 92.5%. A 2.3 g/t gold cut-off grade was applied to the longhole retreat mining method to account for the additional capital development and lower productivity of this mining method. The open pit gold cut-off considers ore-based operating costs of US\$12.11/tonne (processing, G&A), a gold recovery of 91%, a US\$0.68/tonne stockpile rehandle cost and royalty costs as appropriate. A 0.62 g/t cut-off was applied within royalty free claims, 0.68 g/t cut-off and 0.69 g/t cut-off applied to claims subject to royalty agreements.
  - » **Fosterville:** gold price A\$965/oz; cut-off grade applied was variable for underground ore depending on width, mining method and ground conditions: dilution of 5%-30% and mining recovery of 70%-100% were applied depending on mining method.
  - » **Stawell:** gold price A\$965/oz; cut-off grade applied was variable for underground ore depending upon width, mining method and ground conditions. Dilution of 2–3m and mining recovery of 95-100% were applied to the underground reserves, dependent upon mining method.
- <sup>7</sup> Mineral resources were calculated using the following parameters:
  - » **Kemess North:** (mineral reserves now reclassified as mineral resources following the decision of the BC government to deny Northgate the requisite development permit) calculated at the time of the feasibility study: exchange rate Cdn\$/US\$1.40; gold price \$375/oz; copper price \$1.00/lb; and, silver price \$5.00/oz. Resources for Kemess North, calculated at the time of the feasibility study: exchange rate Cdn\$/US\$1.40; gold price \$425/oz; copper price \$1.20/lb; and silver price \$5.00/oz.
  - » **Kemess South:** rate Cdn\$/US\$1.06; gold price \$1,100/oz; copper price \$2.75/lb; silver price \$15.00/oz.
  - » **Young-Davidson:** Mineral resources were estimated using an average long-term gold price of US\$750/oz (Cdn\$806/oz). Underground mineralized wireframes constructed based on approximately a 1.70 g/t gold cut-off grade, a 1.3 g/t incremental cut-off grade and a minimum true thickness of three metres. Open pit mineralized wireframes constructed based on approximately a 0.60 g/t gold cut-off grade and a minimum true thickness five metres.
  - » **Fosterville:** gold price A\$1,071/oz; cut-off grade applied were 0.5g/t gold for oxide, 1.0 g/t gold for near-surface sulphide (above 5050mRL) and 3.0 g/t gold for underground sulphide (below 5050mRL).
  - » **Stawell:** gold price A\$1,071/oz; Magdala surface above 130mRL and above a nominal 0.8g/t Au cutoff; Wonga surface within a A\$1,071/oz optimized pit shell.
- <sup>8</sup> Mineral reserve estimates were prepared by:
  - » **Kemess South:** Gordon Skrecky, Chief Mine Geologist, Kemess mine. Mr. Skrecky is a member of the Association of Professional Engineers and Geoscientists of British Columbia and has over 23 years of experience in mineral resource estimation.
  - » **Fosterville:** Ion Hann, Mining Manager, Northgate and Marcus Binks, Processing Manager, Northgate. Mr Hann is a member of the Australasian Institute of Mining and Metallurgy and has over 19 years of relevant engineering experience. Mr Binks is a member of the Australasian Institute of Mining and Metallurgy and has over 17 years of relevant metallurgical experience.
  - » **Stawell:** Glenn Miller, Mine Technical Superintendent, Northgate. Mr. Miller is a member of the Australasian Institute of Mining and Metallurgy and has over 18 years of relevant engineering experience.
- <sup>9</sup> Mineral resource estimates were prepared by:
  - » **Kemess North:** including the Nugget Zone, (now all classified as resources): Jim Gray of GR Technical Services Ltd. and Carl Edmunds, Exploration Manager, Northgate. Mr. Gray is a member of the Association of Professional Engineers and Geoscientists of the province of British Columbia, the Association of Professional Engineers, Geologists and Geophysicists of Alberta and the Canadian Institute of Mining and Metallurgy and has over 30 years of relevant engineering experience. Mr. Edmunds is a member of the Association of Professional Engineers, Geologists and Geophysicists of British Columbia and has 22 years of experience in mineral resource estimation.
  - » **Fosterville:** Ian Holland, General Manager, Northgate and Simon Hitchman, District Exploration Geologist, Northgate. Mr Holland is a member of the Australasian Institute of Mining and Metallurgy and has over 14 years of relevant geological experience. Mr Hitchman is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists and has over 23 years of relevant geological experience.
  - » **Stawell:** Mark Haydon, Geology Manager, Northgate, who is a member of the Australasian Institute of Geoscientists and has over 16 years of relevant geological experience.
  - » **Young-Davidson:** Carl Edmunds, Exploration Manager, Northgate.

## Corporate Administration

During the fourth quarter of 2009, Northgate settled and closed out all remaining US dollar denominated copper forward sales contracts (7,200 tonnes) that were outstanding at September 30, 2009 at a cost of \$11,493,000. The closed-out contracts were equally spread over the maturity dates from November 2009 to October 2010.

However, during the quarter the Corporation entered into new copper forward sales contracts denominated in Canadian dollars representing approximately 73% of Kemess' remaining payable copper production. Consequently, at December 31, 2009, 17,375 tonnes of copper forward sales contracts remained outstanding at an average price of Cdn\$3.31 per pound for the period from April 2010 through April 2011. The fair value of these contracts at December 31, 2009 was a liability of \$8,228,000 of which \$5,507,000 is included in accounts payable and accrued liabilities for contracts expiring in 2010 and \$2,721,000 is included in other long-term liabilities. The change in fair value of the forward contracts during the quarter was a loss of \$15,055,000. Northgate had no forward gold contracts outstanding at December 31, 2009.

Corporate administration costs in the fourth quarter of 2009 were \$3,617,000 compared with \$2,673,000 in the same quarter last year and is primarily the result of the weakening US dollar against the Canadian dollar and Australian dollar in the fourth quarter of 2009 compared to the same period in 2008.

Exploration costs in the fourth quarter of 2009 were \$2,765,000 compared to \$4,830,000 in the corresponding quarter of 2008. In Canada, exploration costs were minimal compared to \$3,063,000 in the corresponding quarter in 2008. The decline in Canada has resulted from development costs at Young-Davidson, which have been capitalized for accounting purposes since the positive pre-feasibility study was announced in July 2009. Exploration activities and expenses in Australia at Stawell and Fosterville increased to \$2,829,000 during the fourth quarter from \$1,767,000 in the corresponding period of 2008 to support ongoing efforts to identify additional reserves.

Net interest income was lower at \$558,000 in the fourth quarter of 2009 compared with \$617,000 in the corresponding quarter of 2008 even though the Corporation's cash balance was significantly higher. Interest rates earned on Australian and Canadian cash and cash equivalent balances have declined considerably in 2009 compared to 2008.

Northgate granted no options to employees in the fourth quarter of 2009, compared to 155,000 in the corresponding period of 2008. At December 31, 2009, there were 6,325,850 options outstanding, of which 3,525,800 were exercisable.

Northgate recognized an income tax recovery of \$9,060,000 in the fourth quarter of 2009 compared to an expense of \$27,213,000 in the corresponding quarter of 2008. The income tax recovery was primarily due to the future income tax impact of Northgate's copper forward contracts, which are in a significant liability position at the end of 2009 as well as an income tax asset recognized relating to a British Columbia mineral tax benefit expected to be realized by the Corporation. No cash was paid during the period for income taxes compared to \$656,000 paid in the corresponding quarter of 2008. Northgate's Canadian operations were cash taxable in 2009 and a tax payment was made in February 2010 for the 2009 taxation year.

## Liquidity and Capital Resources

**Working Capital:** Cash and cash equivalents at December 31, 2009 was \$253,544,000 compared with \$62,419,000 at December 31, 2008 while working capital at December 31, 2009 was \$173,806,000 compared with \$21,947,000 at December 31, 2008. The increase in both liquidity measures was due primarily to the increase in cash and cash equivalents as a result of strong cash flow from operations and the completion of an equity offering in September 2009.

During the quarter, Northgate generated cash flow from operations of \$41,510,000 compared to \$5,859,000 for the corresponding quarter in 2008 as a result of the significantly higher gold and copper prices. Based on the forecasted gold and copper prices and the foreign exchange rates used in the current production forecasts at the date of this MD&A, Northgate believes that its working capital at December 31, 2009, together with future cash flow from operations, is more than sufficient to meet its normal operating requirements for the next year.

**Capital Lease Financing:** The Corporation continues to invest in plant and equipment at the Fosterville and Stawell mines. Total capital lease financing at Fosterville and Stawell for the quarter and year ended December 31, 2009 was \$2,734,000 compared to \$393,000 for the quarter ended December 31, 2008 and \$14,983,000 for the year ended December 31, 2008.

**Investments:** Northgate continues to hold a type of debt security commonly referred to as auction rate securities. Beginning in August 2007, auctions at which these securities were to be re-sold began to fail, and as of the date hereof, attempts to conduct auctions have generally ceased. Currently, these securities cannot be readily converted to cash for use by the Corporation to make capital investments or for other business purposes, although the underlying payment and other obligations of the original issuers of these securities remain intact, and these issuers (or their guarantors) continue to make regular interest payments to the Corporation.

The estimated fair value of the Corporation's ARS holdings at December 31, 2009 was \$37,702,000, which reflects a \$1,589,000 decline from the estimated fair value of \$39,291,000 at December 31, 2008, and a \$1,744,000 increase from the estimated fair value of \$35,958,000 at September 30, 2009. The Corporation continues to earn interest on all of the auction rate securities that it holds.

The increase in value for the three months ended December 31, 2009 is a reflection of an increase in estimated fair value for all but one of the Corporation's ARS investments. This increase has been recorded in other comprehensive income. The decrease in value for the year ended December 31, 2009 related primarily to one ARS issued by a Regulation XXX Insurance company. The decline was driven by downgrades in the ratings of the issuer, and the monoline insurer acting as financial guarantor of the issuer, to below investment grade. The Corporation has concluded that there is an other than temporary impairment related to this ARS and recognized a write down of \$31,000 in net earnings for the quarter, bringing the total write down for this investment to \$10,416,000 for the year ended December 31, 2009 which represents the full amount of the decline in value. For the year ended December 31, 2009, the Corporation also recognized an other than temporary impairment of \$563,000 for its ARS investments issued by derivative product companies (companies involved in the issuance of credit default swaps). The conclusion for an other than temporary impairment is based on a variety of factors, including the substantial decline in the estimated fair value of individual investments over an extended period, recent downgrades in issuer credit ratings, the absence of default insurance and continuing adversity in the credit and capital markets.

The Corporation assessed the overall decline in the estimated fair value related to its other holdings of Regulation XXX auction rate securities and concluded that the decline is temporary. The Corporation considered the fact that these particular securities have a lower probability of future default, continue to make interest payments, are insured by monoline insurance companies with a stable financial outlook and continue to maintain a credit rating above investment grade. Management also considered the senior rank of its holdings in the capital structures of the respective issuers and the fiduciary obligation of the major insurance companies who own the Regulation XXX entities as factors that improve the likelihood that these investments might eventually return to par value.

The Corporation believes that, based on its cash and cash equivalents balance of \$253,544,000 at December 31, 2009 and expected operating cash flow, 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.

**Short-Term Loan:** Northgate received from Lehman a Short-Term Loan collateralized by the Corporation's ARS investments subsequent to such ARS investments becoming illiquid.

As of December 31, 2009, the principal outstanding on the Short-Term Loan was \$41,515,000. Northgate 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.

## Non-GAAP Measures

### Adjusted Net Earnings

The Corporation has prepared a calculation of adjusted net earnings, which has removed certain non-cash adjustments from its Canadian generally accepted accounting principles (Canadian GAAP) calculation of net earnings, as it believes this may be a useful indicator to investors. Adjusted net earnings may not be comparable to other similarly titled measures of other companies.

(Expressed in thousands of US\$, except share amounts)	Q4 2009	Q4 2008	2009	2008
Net earnings (loss)	\$ (67,755)	\$ 18,646	\$ (49,506)	\$ 10,719
Adjustments				
Write-down of ARS	31	3,398	10,979	20,310
Unrealized gain on derivatives related to the acquisition of Perseverance hedge book	—	—	—	(9,836)
Write-down of mining properties, net of tax	84,849	—	84,849	—
Fair value adjustment on copper forward contracts, net of tax	10,737	(33,671)	26,869	(22,829)
Valuation allowance against tax asset relating to mineral tax credit	—	10,966	—	10,966
Adjusted net earnings (loss)	27,862	(661)	73,191	9,330
Diluted common shares outstanding	291,897,144	255,601,069	265,335,675	255,453,093
Adjusted net earnings per diluted common share	\$ 0.10	\$ 0.00	\$ 0.28	\$ 0.04

### Cash Cost

The Corporation has included net cash costs of production per ounce of gold in the discussion of its results from operations, because it believes that these figures are a useful indicator to investors and management of a mine's performance as they provide: (i) a measure of the mine's cash margin per ounce, by comparison of the cash operating costs per ounce to the price of gold; (ii) the trend in costs as the mine matures; and (iii) an internal benchmark of performance to allow for comparison against other mines. However, cash costs of production should not be considered as an alternative to net earnings or as an alternative to other Canadian GAAP measures and may not be comparable to other similarly titled measures of other companies.

A reconciliation of net cash costs per ounce of production to amounts reported in the statement of operations is shown in the following table.

Q4 2009 (Expressed in thousands of US\$, except per ounce amounts)	Fosterville	Stawell	Kemess	Combined
Gold production (ounces)	26,615	23,221	30,917	80,753
Cost of sales	\$ 18,987	\$ 17,112	\$ 36,690	\$ 72,789
Change in inventories and other	174	(121)	6,675	6,728
Gross copper and silver revenue	—	—	(36,128)	(36,128)
Total cash cost	\$ 19,161	\$ 16,991	\$ 7,237	\$ 43,389
Cash cost (\$/ounce)	\$ 720	\$ 732	\$ 234	\$ 537

#### Q4 2008

(Expressed in thousands of US\$, except per ounce amounts)	Fosterville	Stawell	Kemess	Combined
Gold production (ounces)	26,398	30,553	61,314	118,265
Cost of sales	\$ 12,471	\$ 11,504	\$ 37,872	\$ 61,847
Change in inventories and other	737	208	11,947	12,892
Gross copper and silver revenue	—	—	(25,869)	(25,869)
Total cash cost	\$ 13,208	\$ 11,712	\$ 23,950	\$ 48,870
Cash cost (\$/ounce)	\$ 500	\$ 383	\$ 391	\$ 413

#### Full Year 2009

(Expressed in thousands of US\$, except per ounce amounts)	Fosterville	Stawell	Kemess	Combined
Gold production (ounces)	103,360	85,998	173,040	362,398
Cost of sales	\$ 59,693	\$ 52,998	\$ 188,109	\$ 300,800
Change in inventories and other	(152)	(51)	(5,507)	(5,710)
Gross copper and silver revenue	—	—	(122,300)	(122,300)
Total cash cost	\$ 59,541	\$ 52,947	\$ 60,302	\$ 172,790
Cash cost (\$/ounce)	\$ 576	\$ 616	\$ 348	\$ 477

#### Full Year 2008

(Expressed in thousands of US\$, except per ounce amounts)	Fosterville <sup>1</sup>	Stawell <sup>1</sup>	Kemess	Combined
Gold production (ounces)	60,540	85,824	185,162	331,526
Cost of sales	\$ 48,433	\$ 46,531	\$ 215,970	\$ 310,934
Change in inventories and other	1,850	1,104	(966)	1,988
Gross copper and silver revenue	—	—	(164,817)	(164,817)
Total cash cost	\$ 50,283	\$ 47,635	\$ 50,187	\$ 148,105
Cash cost (\$/ounce)	\$ 831	\$ 555	\$ 271	\$ 447

<sup>1</sup> Financial and operational data include the results of Fosterville and Stawell from February 19 to December 31, 2008.

## Selected Quarterly Financial Data

(Thousands of US dollars, except per share, per ounce and per pound amounts)	2009 Quarter Ended				2008 Quarter Ended			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	\$ 110,698	\$ 120,163	\$ 130,297	\$ 123,818	\$ 136,748	\$ 99,267	\$ 138,880	\$ 86,093
Earnings (loss) for the period	(67,755)	(8,563)	5,402	21,410	18,646	(29,438)	1,847	19,665
Earnings (loss) per share								
Basic	\$ (0.23)	\$ (0.03)	\$ 0.02	\$ 0.08	\$ 0.07	\$ (0.12)	\$ 0.01	\$ 0.08
Diluted	\$ (0.23)	\$ (0.03)	\$ 0.02	\$ 0.08	\$ 0.07	\$ (0.12)	\$ 0.01	\$ 0.08
Metal production								
Gold (ounces)	80,753	80,791	93,377	107,477	118,265	64,588	83,561	88,386 <sup>1</sup>
Copper (thousands pounds)	11,750	11,934	13,805	15,007	14,391	9,195	13,940	14,380
Metal Prices								
Gold (London Bullion Market – \$/oz)	1,100	960	922	909	795	870	896	927
Copper (LME Cash – \$/lb)	3.02	2.65	2.12	1.56	1.77	3.48	3.83	3.54

<sup>1</sup> Gold production at Fosterville for the quarter ended March 31, 2008 excludes the change in gold-in-circuit inventory previously recorded.

\* \* \* \* \*

### Cautionary Note Regarding Forward-Looking Statements and Information:

This Northgate MD&A contains "forward-looking information", as such term is defined in applicable Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, concerning Northgate's future financial or operating performance and other statements that express management's expectations or estimates of future developments, circumstances or results. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "expects", "believes", "anticipates", "budget", "scheduled", "estimates", "forecasts", "intends", "plans" and variations of such words and phrases, or by statements that certain actions, events or results "may", "will", "could", "would" or "might" "be taken", "occur" or "be achieved". Forward-looking information is based on a number of assumptions and estimates that, while considered reasonable by management based on the business and markets in which Northgate operates, are inherently subject to significant operational, economic and competitive uncertainties and contingencies. Northgate cautions that forward-looking information involves known and unknown risks, uncertainties and other factors that may cause Northgate's actual results, performance or achievements to be materially different from those expressed or implied by such information, including, but not limited to gold and copper price volatility; fluctuations in foreign exchange rates and interest rates; the impact of any hedging activities; discrepancies between actual and estimated production, between actual and estimated reserves and resources or between actual and estimated metallurgical recoveries; costs of production; capital expenditure requirements; the costs and timing of construction and development of new deposits; and the success of exploration and permitting activities. In addition, the factors described or referred to in the section entitled "Risk Factors" in Northgate's Annual Information Form for the year ended December 31, 2008 or under the heading "Risks and Uncertainties" in Northgate's 2008 Annual Report, both of which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com), should be reviewed in conjunction with the information found in this MD&A. Although Northgate has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in forward-looking information, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate or that management's expectations or estimates of future developments, circumstances or results will materialize. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information in this MD&A is made as of the date of this MD&A, and Northgate disclaims any intention or obligation to update or revise such information, except as required by applicable law.

### Cautionary Note to US Investors Regarding Mineral Reporting Standards:

The Company prepares its disclosure in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Terms relating to mineral resources in this MD&A are defined in accordance with National Instrument 43-101-Standards of Disclosure for Mineral Projects under the guidelines set out in the Canadian Institute of Mining, Metallurgy, and Petroleum Standards on Mineral Resources and Mineral Reserves. The Securities and Exchange Commission (the "SEC") permits mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. The Company uses certain terms, such as, "measured mineral resources" "indicated mineral resources", "inferred mineral resources" and "probable mineral reserves", that the SEC does not recognize (these terms may be used in this MD&A and are included in the Company's public filings which have been filed with securities commissions or similar authorities in Canada).

## Interim Consolidated Balance Sheets

Thousands of US dollars	December 31 2009	December 31 2008
	(Unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 253,544	\$ 62,419
Trade and other receivables	27,961	18,310
Income taxes receivable	—	6,837
Inventories	44,599	41,546
Prepays	2,566	1,989
Future income tax asset	5,541	5,259
	334,211	136,360
Other assets	27,544	53,606
Deferred transaction costs	—	775
Future income tax asset	14,507	3,741
Mineral property, plant and equipment	327,416	357,725
Investments	38,001	39,422
	\$ 741,679	\$ 591,629
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 59,132	\$ 56,469
Taxes payable	29,395	—
Short-term loan	41,515	43,096
Capital lease obligations	5,995	4,533
Provision for site closure and reclamation obligations	23,501	8,420
Future income tax liability	867	1,895
	160,405	114,413
Capital lease obligations	4,656	6,211
Other long-term liabilities	8,995	3,368
Provision for site closure and reclamation obligations	23,989	37,849
Future income tax liability	—	14,350
	198,045	176,191
Shareholders' equity		
Common shares	402,879	311,908
Contributed surplus	6,202	5,269
Accumulated other comprehensive income	(3,705)	(89,503)
Retained earnings	138,258	187,764
	543,634	415,438
	\$ 741,679	\$ 591,629

## Interim Consolidated Statements of Operations and Comprehensive Income

Thousands of US dollars, except share and per share amounts, unaudited	Three Months Ended Dec 31		Twelve Months Ended Dec 31	
	2009	2008	2009	2,008
Revenue	\$ 110,698	\$ 136,748	\$ 484,976	\$ 460,988
Cost of sales	72,789	61,847	300,800	310,934
Depreciation and depletion	26,733	18,285	104,126	67,290
Administrative and general	3,617	2,673	10,679	11,863
Net interest income	(558)	(617)	(1,580)	(6,937)
Exploration	2,765	4,830	14,637	32,595
Currency translation loss (gain)	(3,495)	117	1,143	(6,830)
Accretion of site closure and reclamation costs	952	365	3,253	1,984
Writedown of mineral property	84,849	—	84,849	—
Writedown of auction rate securities	31	3,398	10,979	20,310
Other income	(170)	(9)	(1,123)	(10,691)
	187,513	90,889	527,763	420,518
Earnings (loss) before income taxes	(76,815)	45,859	(42,787)	40,470
Income tax recovery (expense)				
Current	981	397	(29,472)	(5,261)
Future	8,079	(27,610)	22,753	(24,489)
	9,060	(27,213)	(6,719)	(29,750)
Net earnings (loss) for the period	\$ (67,755)	\$ 18,646	\$ (49,506)	\$ 10,720
Other comprehensive income				
Unrealized gain (loss) on available for sale securities	1,845	(7,814)	(1,463)	(30,652)
Reclassification of other than temporary loss on available for sale securities to net earnings	31	3,398	10,979	20,310
Unrealized gain (loss) on translation of self-sustaining operations	5,700	(31,755)	76,282	(75,879)
	7,576	(36,171)	85,798	(86,221)
Comprehensive income (loss)	\$ (60,179)	\$ (17,525)	\$ 36,292	\$ (75,501)
Net earnings per share				
Basic	\$ (0.23)	\$ 0.07	\$ (0.19)	\$ 0.04
Diluted	\$ (0.23)	\$ 0.07	\$ (0.19)	\$ 0.04
Weighted average shares outstanding				
Basic	290,500,196	255,601,069	264,603,527	255,269,183
Diluted	290,500,196	255,601,069	264,603,527	255,453,093

## Interim Consolidated Statements of Cash Flows

Thousands of US dollars, unaudited	Three Months Ended Dec 31		Twelve Months Ended Dec 31	
	2009	2008	2009	2008
<b>Operating activities:</b>				
Net earnings (loss) for the period	(67,755)	\$ 18,646	\$ (49,506)	\$ 10,720
<b>Non-cash items:</b>				
Depreciation and depletion	26,733	18,285	104,126	67,290
Unrealized currency translation losses (gains)	724	(4,191)	4,543	(6,320)
Unrealized gain on derivatives	—	—	—	(9,836)
Accretion of site closure and reclamation costs	952	365	3,253	1,984
Loss (gain) on disposal of assets	(766)	(99)	(490)	12
Amortization of deferred charges	—	53	196	214
Stock-based compensation	361	292	1,467	2,022
Accrual of employee severance costs	650	602	2,177	1,571
Future income tax expense (recovery)	(8,079)	27,610	(22,753)	24,489
Change in fair value of forward contracts	15,055	(48,253)	37,674	(32,716)
Writedown of auction rate securities	31	3,398	10,979	20,310
Inventory obsolescence provision	363	—	363	—
Writedown of mineral property	84,849	—	84,849	—
Changes in operating working capital and other	(11,608)	(10,849)	10,283	(14,752)
	41,510	5,859	187,161	64,988
<b>Investing activities:</b>				
Release of restricted cash	—	—	—	67,496
Increase in restricted cash	(113)	(288)	(220)	(25,011)
Purchase of mineral property, plant and equipment	(3,695)	(7,416)	(30,528)	(27,940)
Mineral property development	(18,801)	(6,491)	(51,468)	(30,450)
Transaction costs paid	—	19	—	(2,893)
Acquisition of Perseverance, net of cash acquired	—	—	—	(198,772)
Repayment of Perseverance hedge portfolio	—	—	—	(45,550)
Proceeds from sale of equipment	—	155	—	3,390
	(22,609)	(14,021)	(82,216)	(259,730)
<b>Financing activities:</b>				
Repayment of capital lease obligations	(1,225)	(1,343)	(5,029)	(6,259)
Financing from credit facility	131	402	529	9,147
Repayment of credit facility	(443)	(925)	(2,110)	(10,886)
Repayment of other long-term liabilities	(218)	(200)	(546)	(946)
Issuance of common shares	846	60	89,647	1,760
	(909)	(2,006)	82,491	(7,184)
Effect of exchange rate changes on cash and cash equivalents	(377)	887	3,689	(1,700)
Increase (decrease) in cash and cash equivalents	17,615	(9,281)	191,125	(203,626)
Cash and cash equivalents, beginning of period	235,929	71,700	62,419	266,045
Cash and cash equivalents, end of period	\$ 253,544	\$ 62,419	\$ 253,544	\$ 62,419
<b>Supplementary information</b>				
<b>Cash paid during the period for:</b>				
Interest	\$ (274)	\$ 926	\$ 2,298	\$ 3,669
Income taxes	—	656	587	6,053
Purchase of mineral property, plant and equipment by assumption of capital lease obligations	2,734	393	2,734	14,983
Insurance premiums financed by a loan facility	—	—	856	—
Deferred transaction costs transferred to equity	—	—	775	—
Future income tax recorded in equity	(211)	—	1,565	—
Reduction of Perseverance hedge portfolio liability through settlement of agreement to purchase Perseverance hedge portfolio	—	—	—	(20,482)

## Interim Consolidated Statement of Shareholders' Equity

Thousands of US dollars, except common shares, unaudited	Number of Common Shares	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total
Balance at December 31, 2007	254,452,862	\$ 309,455	\$ 3,940	\$ (3,282)	\$ 176,663	\$ 486,776
Transitional adjustment on adoption of inventory standard	—	—	—	—	381	381
Shares issued under employee share purchase plan	382,909	406	—	—	—	406
Shares issued on exercise of options	—	1,846	(492)	—	—	1,354
Stock-based compensation	—	201	1,821	—	—	2,022
Net earnings	—	—	—	—	10,720	10,720
Other comprehensive income (loss)	—	—	—	(86,221)	—	(86,221)
Balance at December 31, 2008	255,717,071	311,908	5,269	(89,503)	187,764	415,438
Shares issued under new equity offering	34,300,000	89,306	—	—	—	89,306
Shares issued under employee share purchase plan	306,715	422	—	—	—	422
Shares issued on exercise of options	364,600	1,030	(321)	—	—	709
Stock-based compensation	—	213	1,254	—	—	1,467
Net earnings (loss)	—	—	—	—	(49,506)	(49,506)
Other comprehensive income	—	—	—	85,798	—	85,798
Balance at December 31, 2009	290,688,386	\$ 402,879	\$ 6,202	\$ (3,705)	\$ 138,258	\$ 543,634

## Shareholder Information

### Stock Exchange Listings

Common shares of Northgate Minerals Corporation are listed on the Toronto and American Stock exchanges.

TSX: NGX | NYSE Amex: NXG

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### Investor Relations Inquiries

**Inquiries regarding the company's latest information, news releases, investor presentations, mining projects and general financial information may be directed to:**

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Interested parties are also encouraged to visit our website at [www.northgateminerals.com](http://www.northgateminerals.com).

**Northgate Minerals Corporation** is a gold and copper producer with mining operations, development projects and exploration properties in Canada and Australia. Our vision is to be the leading intermediate gold producer by identifying, acquiring, developing and operating profitable, long-life mining properties. We are forecasting gold production of 316,000 ounces in 2010.

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