



Message to Our Shareholders

2007 was a watershed year for our company when we succeeded in our long quest to add additional operating gold mines to Northgate's asset portfolio. We achieved this at a price that not only added value for our existing shareholders, but did not dilute them in the process. The acquisition of the Fosterville and Stawell mines in Australia added two fully permitted, operating gold mines in a politically stable, mining-friendly jurisdiction and dramatically increased our near-term exposure to the current robust gold price environment.

Closer to home, our Kemess South mine continued to operate with stable production in its tenth year of mine life, generating annual cash flow of over \$125 million. While Kemess South will continue to operate for the next three years, our goal to extend the life at Kemess beyond 2010 came to an abrupt halt in September, when the Kemess North Joint Review Panel released a surprising and deeply disappointing report, recommending against the project. Consequently, we were forced to abandon work on a project that would have extended the productive life of our Kemess assets and provided jobs for our 400 employees for an additional 12 years.

At the Young-Davidson gold property located in northern Ontario, our exploration team increased the measured and indicated ounces underground by 137% to 1.42 million ounces. Our project development team made excellent progress on the underground ramp development and shaft dewatering activities, which are key components of the advanced development plan that we put in place in 2006. In mid-March of 2008, Northgate signed a Memorandum of Understanding ("MOU") with the Matachewan First Nation for the development of the project. The MOU outlines the basic framework for the negotiation of an Impact and Benefit Agreement ("IBA") that will establish the long-term working relationship between Northgate and the Matachewan First Nation during the development and operation of the mine.

Watershed is defined as "a critical point that marks a change of course; a turning point." Using this word is clearly appropriate to describe Northgate's performance in 2007. We have charted a course that has taken us away from being a single mine, open pit gold-copper producer in British Columbia and have become a multi-mine, underground gold producer with mines and projects in Canada and Australia, which has certainly given new meaning to our motto of *bringing value to the surface*.

Perseverance Transaction

With the \$257 million acquisition of Perseverance Corporation Ltd., Northgate has in many respects come full circle. In 2000, we took on \$250 million in debt to purchase an undercapitalized, underperforming mine called Kemess South, because we saw potential for the mining assets and the people operating them to become much more than they were. While the transaction was not without risk and the turnaround took the better part of two years, the rewards speak for themselves. We have now taken much of the cash that Kemess has generated and invested in another turnaround opportunity halfway around the world in Australia, providing further opportunity to bring value to the surface. The Fosterville and Stawell mines, located in Australia's Victoria province, have been undercapitalized and underexplored for many years, but we see great potential for future reserve increases and productivity improvements. As was the case with Kemess, it will take time and capital resources for these mines to realize their full potential – and there will be bumps along the road – but we firmly believe we can achieve success at these operations. We have already begun the turnaround at Fosterville with the conversion to Owner Mining from Contractor Mining, which will reduce costs and improve safety and efficiency at the mine. We will also be focusing on improving gold recovery at Fosterville and spending much needed capital on mine development. At both Fosterville and Stawell, we see great potential for reserve expansion and plan to devote \$10 million in 2008 towards exploration at these mines.

From the closing date of the transaction on February 18, 2008 through to the end of the year, total production for Fosterville and Stawell is expected to be approximately 170,000 ounces of gold.

Kemess Operations

The Kemess South mine continued to operate efficiently in 2007 producing over 245,000 ounces of gold and 68.1 million pounds of copper at a net gold cash cost of negative \$22 per ounce. In 2008, Kemess is forecast to produce 243,000 ounces of gold and 64.4 million pounds of copper. In spite of the decision by the Federal and Provincial governments not to allow the Kemess North project to proceed, Northgate will undertake limited exploration in the area of the Kemess South pit during 2008 in hopes of extending the life of the mine. Prior to its currently scheduled closure at the end of 2010, Kemess South will continue to generate substantial free cash flow, which will be used to fund internal development projects for the company.

In addition, the fixed assets at the Kemess camp will still have significant value at the end of its mine life. We are now examining a variety of options to unlock the residual value of these assets by either selling them outright or rolling them into one of the many new mining projects that are under consideration. Finding an appropriate project within British Columbia in which to use the Kemess assets would be ideal, as it could also serve as a future home for our dedicated and experienced workforce.

Looking into 2008

Improve operational efficiency

reduce cash costs at Australian operations

Increase reserves and resources

invest \$10 million for exploration program in Australia

target 3 million ounces of total gold resources at Young-Davidson

Continue unhedged gold production

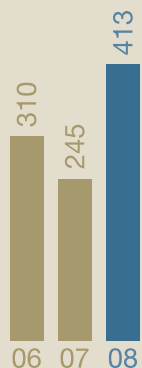
fully unhedged for gold

Generate strong internal cash flow

solid operations at Kemess

Future Combined Gold Production

(000s ounces)



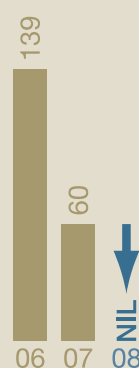
Young-Davidson Gold Resources

(millions ounces)



Gold Hedge Book

(000s ounces)



Operating Cash Flow

(\$ millions)



Young-Davidson Development

Our vision for Young-Davidson has not changed substantially, since the day we acquired the property in 2005 with the exception that we are more confident than ever that the Young-Davidson property will once again support a mine. We still envision a deposit that will ultimately host three million ounces of gold and will support a 5,000 tonne per day mining and milling operation with production between 150,000–175,000 ounces of gold each year for 10+ years. A wide variety of technical and environmental studies have been underway since early 2007 and our target is to complete a \$6 million Feasibility Study for the project in cooperation with AMEC by the end of 2008.

The surface based diamond drilling program and the underground development program at Young-Davidson made excellent progress during 2007. With a total of 40,000 metres of diamond drilling completed during the year, total measured, indicated and inferred gold resources now stand at 2.34 million ounces. More importantly, 1.42 million ounces underground are now in the measured and indicated categories, which can be moved into reserves with the completion of a positive Feasibility Study.

Underground development at Young-Davidson got off to a slower than expected start in 2007 due to challenges collaring the ramp at surface. However, by the end of the year, ramp development reached 1,900 metres of the ultimate 3,000 metre target. The No. 3 shaft was dewatered down to the 8th level. A new hoist was installed and commissioned in the current shaft, which will facilitate the refurbishment of mine levels below the 13th level during 2008. Ultimately, both the refurbished shaft and the ramp will be used for future production purposes.

Signing the MOU with the Matachewan First Nation was an important step for Northgate in the development of Young-Davidson. The agreement outlines the basic framework of the relationship that we wish to have with our First Nation partners. We will now proceed with the negotiation of a formal IBA, which will clearly define the cooperative relationship with the Matachewan First Nation during the development and operation of the mine.

The Path Ahead

Northgate enters 2008 having fulfilled our vision of becoming an unhedged, multi-mine gold producer with assets in stable, mining-friendly jurisdictions. We now have three, fully permitted, operating mines and one advanced development project, which should allow us to sustain gold production of approximately 400,000 ounces per year for many years to come.

Our all cash acquisition of Perseverance has dramatically increased our shareholders' exposure to the gold price through the addition of 3.6 million ounces of reserves and resources, which has dramatically shifted our metal exposure towards gold in 2008 and beyond. Having successfully added to our asset portfolio at a reasonable price, Northgate is well positioned to take advantage of future acquisition and exploration opportunities in order to increase our shareholder value over the long term.

On behalf of the board of directors and our senior management team in Toronto, I wish to thank all of our employees at Kemess and Young-Davidson for their efforts this year and welcome the 600 employees at Fosterville and Stawell to the Northgate family.

Sincerely,



Kenneth G. Stowe

President & Chief Executive Officer