Pacific Analytics Inc.
P.O. Box 5103
Victoria, B. C. Canada V8R 6N3
Voice/Fax: (250) 370-1775
Email: pacanalytics@pacificcoast.net
Website: pacificanalytics.ca

January 30, 2006

Re: Kemess North Mine Expansion: An Economic Review of the Environmental Impact Assessment

After examining the above Report, a representative of Northgate Minerals (the Kemess North Mine proponent) contacted me to point out two factual errors that have a bearing on the results presented in the Report.

The first error regards exactly how total copper production is determined. The formula was provided to us by Northgate and the data in the Report confirmed before the Report was completed. However, apparently the formula was in error, and Northgate has now provided the correct equation. The net result is that the total tonnes of copper produced is lower by some 5%.

The second error is an error solely on my part. In the financial statement calculations, production from the South Kemess mine was included for the years 2007 to 2011. This has the effect of increasing overall gold and copper production and, more importantly, it increases the Internal Rate of Return.

The net impacts of these two errors are presented in Exhibit 1.

Exhibit 1: Impacts of Errors

	ORIGINAL			ERRATA		
	Earnings	Discounted Earnings	IRR	Earnings	Discounted Earnings	IRR
Option #1						
Gold @ $400	$666.4	$433.8	12.7%	$567.7	$350.4	12.0%
Gold @ $500	$1,592.9	$1,052.8	47.6%	$1,347.1	$832.6	33.3%
Option #2						
Gold @ $400	$20.2	$55.1	Negative	-$63.9	-$12.3	Negative
Gold @ $500	$1,122.6	$784.6	7.1%	$706.2	$464.0	0.7%

As is shown, the net impacts of these two errors has only a minimal effect under Option #1 (the use of Duncan Lake as a tailing pond) and Gold at $400 (Copper at $1.40). With Gold at $500 (Copper at $1.80), the IRR falls considerably, but the underlying conclusion of the original Report – that the mine will earn substantial excess profits – still holds.

Under Option #2 (the use of various tailings arrangements), the Mine still earns negative returns with Gold at $400. With Gold at $500, the IRR is now insignificantly different from 0, in contrast to the original Report which had the Mine earning low, but still positive returns.

The effect of the latter is that, even under the most optimistic commodity price scenario, it is unlikely that Option #2 is viable. Indeed, even with Gold prices at $600 and Copper at $2.10, the IRR under Option #2 is less than 15%, the minimum level required for the increased risk of Option #2.

I wish to express my apologies to the Evaluation Committee if these errors and the resulting mis-calculations affect their deliberations.

Sincerely,

Jim Johnson
Managing Principal
Pacific Analytics Inc.