→ Sulphurets

NEWHAWK GOLD MINES LTD.

Annual Report
1990

888185

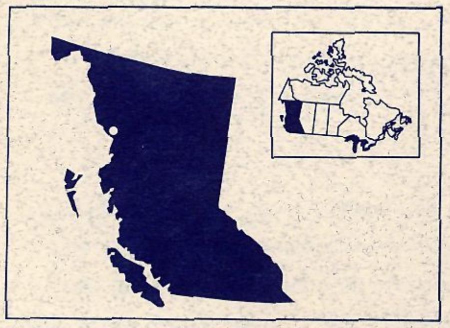
Corporate Profile

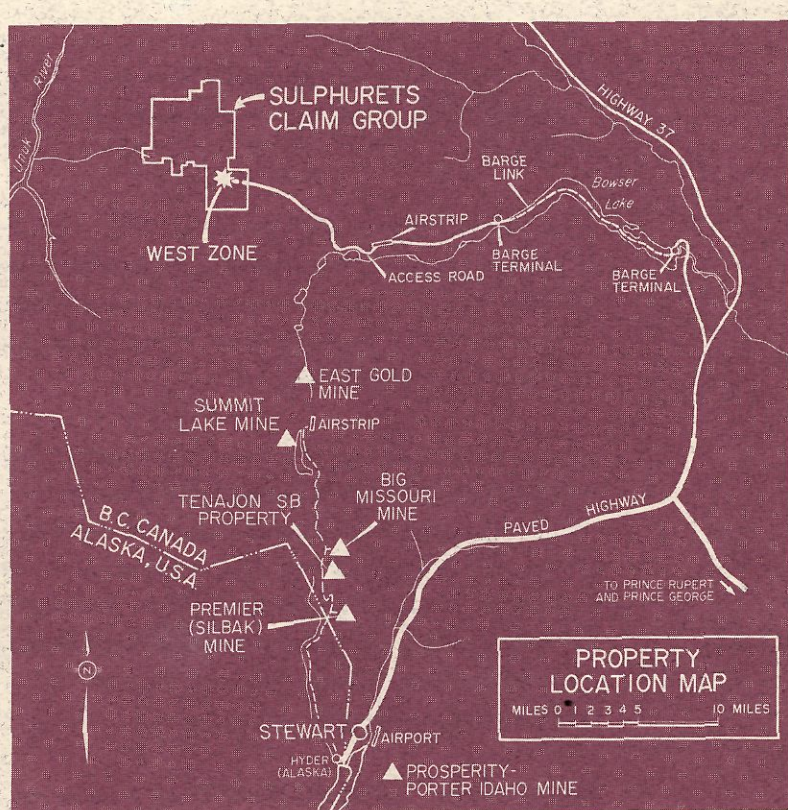
Newhawk Gold Mines Ltd. is a mineral exploration and development company, based in Vancouver, British Columbia. The company's major shareholder is Corona Corporation who own approximately 42% of the issued capital of the company.

The Company's main asset is a 60% interest in the Sulphurets property located 35 miles northwest of Stewart in northwestern British Columbia. Newhawk is the designated operator of the project, with Granduc Mines Ltd. holding the remaining 40% interest. Both companies contribute exploration funds pro-rata to their respective interests.

The property covers an area of about 32 square miles and is host to over 20 known zones of gold, copper-gold and gold-silver mineralization. Since 1985, the joint venture has spent over $30 million in exploration on the property. Most of this expenditure has been directed towards surface and underground exploration and development of the West Zone, located in the southeast portion of the claims. The joint venture has completed more than 15,000 feet of decline, lateral and vertical development on the West Zone and over 185,000 feet of surface and underground diamond drilling on the property.

At December 31, 1990 West Zone in-situ geological reserves total 826,400 tons grading 0.449 ounces of gold per ton and 18.9 ounces of silver per ton, at a cutoff grade of 0.20 ounces of gold equivalent per ton. A feasibility study and economic review of the West Zone was completed in October of 1990.





PROPERTY
LOCATION MAP

Report to Shareholders

I am pleased to provide shareholders with a review of Newhawk's exploration activities and the financial statements for the year ended December 31, 1990. Although on-site activity at Sulphurets in 1990 was less extensive than in previous years, the program proved very rewarding. As well, Newhawk's financial stability has been prudently maintained throughout the past year.

1990 Sulphurets Exploration

In the second quarter, a $1.2 million exploration program was completed at Sulphurets, consisting of 18,000 feet of underground diamond drilling on the West Zone and the adjacent R-8 system. Many intersections with significant gold grades over impressive widths were reported, particularly from R-8 drilling. The program was successful in further definition of the lower and lateral boundaries of the West and R-8 Zones.

In March of 1990, Watts, Griffis, McOuat, Limited (WGM) Consulting Geologists and Engineers, delivered a report to the joint venture partners in which they estimated West Zone proven and probable geological reserves, to December 1989. After the completion of the 1990 program, Newhawk geological personnel calculated reserves in addition to those of WGM. Both studies were done using similar parameters and constraints, including a cutoff grade of 0.20 ounces of gold equivalent per ton.

West Zone geological reserves as at 31 December 1990

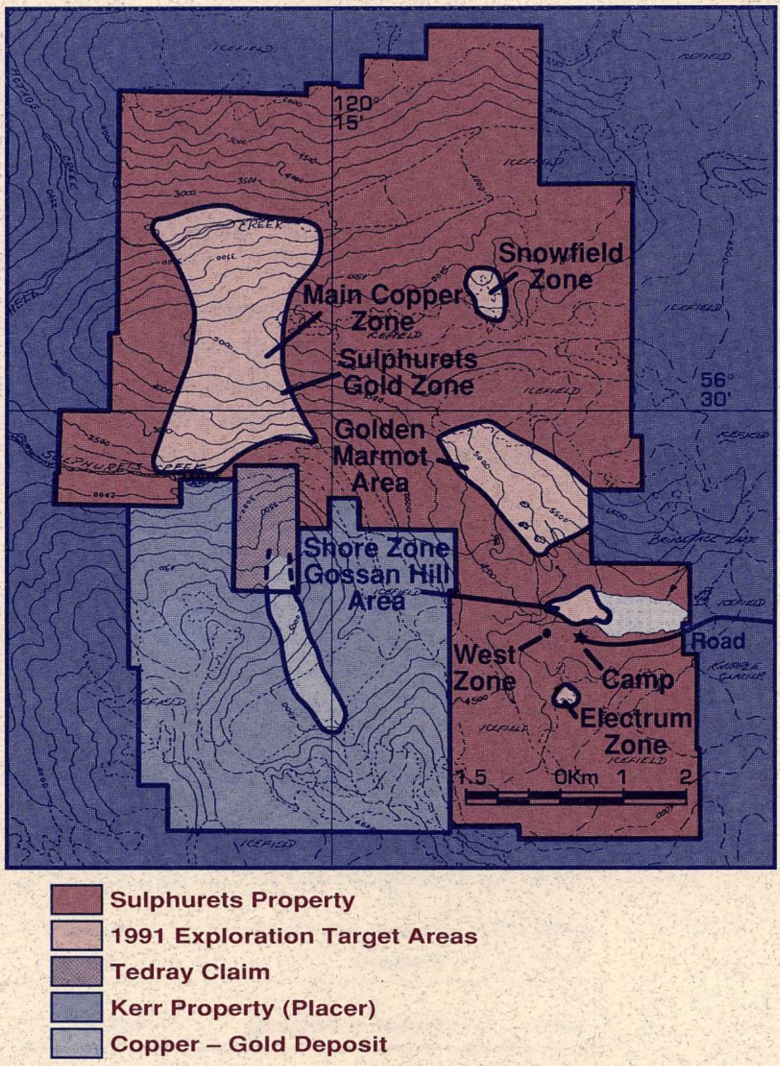
Data From	Category	Tons	Gold oz/ton	Silver oz/ton	Calculated By
1985-1989	Proven & Probable	715,400	0.431	19.7	WGM
1990	Probable	111,000	0.570	13.6	Newhawk
Total	Proven & Probable	826,400	0.449	18.9	

During the year, an extensive effort was directed toward the completion of the feasibility study. This study, delivered in October, was prepared by Corona Corporation in conjunction with Fluor Daniel Wright Engineers and senior personnel from Newhawk and Granduc Mines Ltd. The study was limited to the West Zone.

Based on the WGM report, fully diluted mineable reserves were calculated to be 550,900 tons grading 0.418 ounces of gold per ton and 18.0 ounces of silver per ton, at a cutoff grade of 0.30 ounces of gold equivalent per ton. The additional geological reserves calculated by Newhawk personnel in 1990 were not included in the WGM report.

The feasibility study was based on a 350 ton per day operation and showed that the mine's annual production would be approximately 67,500 ounces of gold equivalent. Capital costs were estimated at $42.7 million including $3.0 million in working capital and a 15% contingency. Direct milling costs were estimated at C$145 per ton or C$265 per ounce gold equivalent.

1991 Exploration Program at Sulphurets



An economic review, based on a gold price of US$400 per ounce and a silver price of US$5.00 per ounce, shows a 6.7 % pretax discounted cash flow rate-of-return. Further analysis has shown that an increase in gold price to US$450 per ounce would increase this return significantly.

The study has been subject to intensive review and all possible means of capital and operating cost saving measures are being investigated in order to achieve a more attractive return. The joint venture partners consider that current metals prices preclude a production decision being made at this time and have postponed such a decision until gold and silver prices have stabilized at higher levels.

Other Exploration

A work program was conducted by Columbia Gold Mines Ltd. on Newhawk's 50% owned Hawk claims in northern British Columbia. It is anticipated that Newhawk's interest in the property will be sold. No work was conducted on the Minnesota mineral leases in 1990.

1991 Sulphurets Exploration

The 1991 exploration programs have been planned to address two distinct aspects of the property's potential. Firstly, the definition of additional reserves in close proximity to the West Zone could enhance the project's viability and a program will test several promising targets in that area. Secondly, a program will be directed toward the examination of several bulk tonnage gold and copper-gold targets on the remainder of the property.

Brucejack Area

There are several areas in the Brucejack Area, close to the West Zone that hold potential for developing tonnage that could provide additional feed for the proposed mill. Areas of particular interest include the Shore Zone, Electrum Zone, Gossan Hill Zone and the Golden Marmot Zone.

The Shore Zone has many similarities to the West Zone and extensions along strike and down dip may have comparable grade and tonnage. Surface diamond drilling on the Shore Zone has been proposed for August.

Following sampling, prospecting and mapping of other zones, the program will incorporate machine trenching to define areas for possible subsequent surface drilling. An example of the potential in these other areas is evident at the Electrum zone. Highly anomalous gold and silver values have been identified, widely distributed in glacial gravels. The program is designed to locate the source of these values, which is projected to be beneath the adjacent snow pack.

Bulk Tonnage Targets

A large area approximately 1.2 miles x 2.5 miles, in the western portion of the Sulphurets claim block is known to host at least four major bulk open-pit type gold and copper-gold targets. This area lies within a belt that runs northerly over a total distance of more than 6 miles. Placer Dome Inc.'s Kerr deposit lies across the Sulphurets valley at the south end of the belt.

In 1990, Placer completed a major 55,000 foot - 74 hole surface drilling program on the Kerr and reported average grades of 0.8% copper and 0.01 oounces of gold per ton over a strike length of 3,300 feet and to depths of 1,300 feet. Geology on the Sulphurets area under exploration this year, in particular in the Main Copper Zone, appears to mirror that at the Kerr.

The Main Copper Zone is a minimum of 1,200 feet and a maximum of 3,000 feet long, at least 90 feet thick and has a moderate NW dip. Surface diamond drilling was conducted on the Zone in the 1960's by previous owners. Results included a 494 foot drill intersection that averaged 0.56% copper. Gold assays are not available for this hole. Surface drilling and surface sampling have returned values as high as 1% copper with accompanying gold ranging from 0.01 to 0.04 ounces of gold per ton.

Other zones within the belt include the Snowfield Zone, 1.2 miles east of the Main Copper Zone. In 1985, five surface diamond drill holes on the Snowfield Zone all bottomed in mineralization and all returned intersections ranging from 425 to 500 feet, averaging 0.06 to 0.08 ounces of gold per ton.

All prior data is being assembled and summarized into a comprehensive base map to identify and organize drill targets in order of priority. A two month integrated field program of prospecting, geological mapping and sampling will be undertaken along with approximately 7,500 feet of surface diamond drilling in 10 holes, to be conducted in the latter portion of the program.

An airborne geophysical survey will be conducted over the entire Sulphurets claim block. The airborne system will gather magnetic, EM and radiometric data. Integrated interpretation of the data will advance our understanding of geology, structure and alteration zones.

Financial and Other

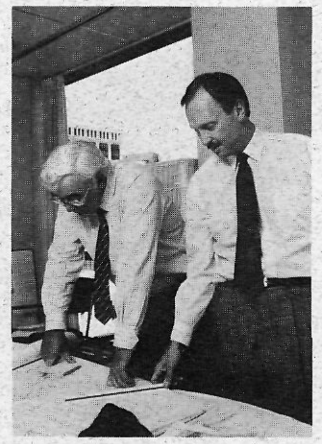
The development of junior mining companies through their early years is seldom simple or uneventful and often very challenging. During the past two years, an overriding factor for exploration companies has been the continued weakness in the price of gold, which fluctuated under US$400 during most of the past year, declining to the low US$340 range in mid year. The unwarranted strength of the Canadian dollar has created lower exchange rates against the US dollar, resulting in lower realized prices for gold and silver in Canadian funds.

This weakness has contributed to a negative sentiment in the equity markets for gold shares and in particular, those of junior exploration companies. In spite of the negative sentiment, the year was a technical success for Newhawk and we are fortunate to enjoy continuing financial strength.

Newhawk's portion of expenditures on the Sulphurets property during 1990 was funded by the private placements of 455,473 flow through shares generating $1,140,000. Government grants under C.E.I.P. provided a further $158,914. We have been diligent in preserving working capital, which is in excess of $4 million. This permits Newhawk to complete its $900,000 contribution to the 1991 exploration expenditures without incurring further dilution.

In late 1990, Mr. Ned Goodman tendered his resignation from the Board of Directors. His service to the company and his participation in the development of Newhawk Gold Mines Ltd. is greatly appreciated. I take pleasure in extending a welcome to Mr. John W. Ivany, of Corona Corporation, who has joined Newhawk's Board as a director.

I would like to personally thank the shareholders, staff and fellow directors of Newhawk for their continued support during the past year. In addition, I would like to take this opportunity to express our appreciation to Corona Corporation for their financial assistance and technical contributions.



On Behalf of the Board of Directors,

D. A. McLeod

Donald A. McLeod
President and Chief Executive Officer

April 19, 1991

Management Discussion and Analysis

Since 1985, the company's main thrust has been the exploration and development of the Sulphurets gold and silver property in northern British Columbia. • This 32 square mile property hosts over 20 known zones of mineralization, with most of the expenditures conducted to date limited to the West, Shore and Gossan Hill zones in the immediate vicinity of Brucejack Lake.

The property was originally owned 100% by Granduc Mines Limited. • In July of 1985, Newhawk and Lacana Ex (1985) Inc., a wholly owned subsidiary of Lacana Mining Corporation, entered into a 50:50 joint venture agreement (the Newcana Joint Venture) whereby they could earn a 60% interest in the Sulphurets property by spending a total of $2 million in exploration and making a total of $90,000 in cash payments. • Newhawk and Lacana, each earned their 30% interests in the Sulphurets property in November of 1986. • In November of 1987, Newhawk issued 4,025,000 shares for the purchase of all the issued and outstanding shares of Lacana Ex (1985) Inc., whose sole asset was the 30% interest in the Sulphurets property. • This purchase increased Newhawk's interest in the Sulphurets property to 60% . Effective July 1, 1988, Lacana Mining Corporation merged with Galveston Resources Ltd. International Corona Resources Ltd., Mascot Gold Mines Limited and Royex Gold Mining Corporation to form Corona Corporation.

An agreement was entered into with Corona which allows Corona to maintain is percentage ownership by subscribing for shares on terms no less favourable than other subscribers. • To date, Corona has maintained its percentage interest.

Since the formation of the Joint Venture in 1985, exploration expense on the Sulphurets property has totaled approximately $32.6 million of which Newhawk has provided approximately $19.5 million. • Virtually all of that amount has been provided by flow through private placements with various funds, and from Corona Corporation exercising its right to maintain its percentage interest in Newhawk.

Work to date on the property has consisted of prospecting, trenching, detailed mapping, diamond drilling, underground development, road construction and engineering studies such as ore reserve calculations, hydro development studies, access studies, a full Stage I and Stage I Supplementary Environmental Impact Study, along with a full Feasibility Study.

Physical work from inception of the Joint Venture to date includes 109,650 feet of underground and 85,950 feet of surface diamond drilling for a total drilled footage of 195,600 feet. • Underground development totals 5,426 feet of -15% 10' x 12' decline to develop the West Zone and R8 Zone. • 5,638 feet of lateral development and 3,625 feet of raises on both zones were also excavated.

Watts Griffis and McOuat Limited, consulting engineers were retained in August of 1989 to report the reserves on the West Zone, with a report based on data available to December 31, 1989, submitted to Newhawk in March of 1990. • Proven and probable geological ore reserves for the West Zone at a cut-off of 0.20 ounces per ton gold equivalent were 715,000 tons grading 0.431 oz gold/ton and 19.7 oz silver/ton.

In late 1989, Cominco Engineering Services Ltd. (CESL) was commissioned to conduct a preliminary feasibility study for the Sulphurets project. • The results of this study suggested that a full production feasibility study should be implemented. • CESL commenced their study and after many delays and unacceptable capital costs, the CESL engagement was terminated. • A new study was undertaken by Corona Corp., Newhawk and Granduc personnel and by Fluor Daniel Wright, consulting engineers. • This report estimates capital costs at C$42.7 million, including C$3 million in working capital and a 15% contingency, for a 350 ton per day mine and mill.

Due to the high cost of transporting fuel, it was proposed that a hydro scheme be constructed. • The calculated power demand for the operation is two megawatts. • Overflow water from Brucejack Lake (elev. 1,360 m) would flow through Brucejack Creek into a penstock which would provide water to a pelton wheel installation just above Sulphurets Glacier (elev. 1,017 m). • Brucejack Lake is glacier fed and a pumping installation would be provided for periods of low water in the lake. • Operating cost is estimated at about $0.60 per ton (0.5 cent/kwhr.)

The 74.25 km access route to the mine includes 7.3 km of gravel road from Highway 37 to the east end of Bowser lake, 25 km of ferry along the lake, 25.2 km of gravel road to Knipple Glacier, 14 km over Knipple Glacier and 2.75 km of gravel road into the mine site. • Knipple Camp would be equipped with a 20 man camp and maintenance facilities for the transport equipment. • Total estimated operating cost of this system is $18.71/ton milled.

The project has received Stage 1 approval under the Mine Development Review process. • Stage I Approval is valid for five years from the date of approval. • The necessary permits and approvals are considered to be routine following Stage 1 approval. • Application has been made for some permits.

An economic review was prepared by Corona staff, using costs and production levels from their study. • The diluted mineable ore reserves were calculated to be 550,900 tons grading 0.418 oz/ton gold and 18.0 oz/ton silver, at a cut-off grade of 0.30 oz/ton of gold equivalent.

The proposed 350 ton per day operation has an estimated direct operating cost of $145 per ton and an operating life of 4 1/2 years. • The estimated capital cost, including $3,000,000 working capital and a 15 percent contingency is $42,700,000.

Based on the above costs and a gold price of US $400 per ounce, the DCF ROR is 6.7 %. • The exchange rate used for the base case was US$0.85:CDN$1.00.

Profitability of the project is dependent on metal prices and the value of the Canadian dollar together with ore grades and ore reserves. • Capital and operating costs have much less impact. • Current precious metals prices are not sufficient to support a production commitment and therefore a production decision has been withheld pending increased prices for gold and silver and a more favourable exchange rate. • The addition of more reserves would have a favourable impact on the project and the Joint Venture partners intend to address this area in 1991. • The Joint Venture has approved a $1.481 million exploration and development program. • Of that, $750,000 will be spent on exploration of bulk tonnage deposits and $570,000 will be spent in the Brucejack area.

The Tedray 13 claim on the southern boundary of the Sulphurets joint venture land holdings, was optioned to Western Canadian Mining Corporation in July of 1988. • The option agreement allowed Western Canadian to earn a 50% interest in the Tedray 13 claim by making a $500,000 exploration expenditure by December 31, 1992 . • In late 1989, Placer Dome Inc. acquired all the outstanding shares of Western Canadian.

Bowser Leasing Ltd. was incorporated in 1987 to carry on the business of purchasing equipment and then leasing the equipment to the participants in the Sulphurets Joint Venture. • The partners in Bowser Leasing Ltd. are Granduc Mines Ltd. with 40 shares, Newhawk Gold Mines Ltd. with 30 shares and Lacana Ex (1985) Inc. with 30 shares. • Funds to purchase equipment are provided by loans from the three shareholders on a pro-rata basis. • Any profits after repayment of shareholder loans, are to be distributed annually to the shareholders as dividends. • To date, there have been no profits available for distribution as all profits from the leasing have gone towards the purchase of more equipment. • Original equipment costs total $2,247,467 and accumulated depreciation totals $1,255,087.

During the year ended 31 December, 1990 Newhawk expended $1,458,947 on exploration and development of its Sulphurets property compared with $4,512,111 during 1989. • Newhawk has financed these costs mainly through the issuance of flow through shares in the amounts of $1,140,000 and $4,050,000 in 1990 and 1989 respectively. • At year end December 31, 1990, Newhawk was debt free and had cash and short term notes totaling $4,476,187. • The cash assets are invested in short to medium term money markets and term deposits. • 1991 exploration costs are budgeted at $1,481,458 million, of which Newhawk will be required to fund $889,000 as 60% partner. • It is not anticipated that equity funding will be utilized for the 1991 season as these funds will come from working capital. • At present, interest income provides sufficient funds to meet indirect and administrative costs. • The company has no other sources of income. • Mineral exploration and development are speculative businesses. • Among other things, the inability to predict future metal prices and currency rates provides a portion of the risk inherent in mining projects.

Consolidated Balance Sheet

As at 31 December Canadian Funds

ASSETS	1990	1989
Current		
Cash and short-term notes	$ 4,476,187	$ 4,146,631
Deposit in transit	-	126,106
Accounts receivable	224,337	1,696,490
Prepaid expenses	-	14,117
	4,700,524	5,983,344
Resource Property Costs *(Notes 3 and 4)*	37,490,332	35,811,270
Machinery, Equipment and Vessels *(Note 5)*	616,558	842,921
Portfolio Investments - Long Term		
(Market value $60,530; 1989 - $117,292)	70,192	117,292
Deposits	48,156	47,500
	$ 42,925,762	$ 42,802,327

LIABILITIES	1990	1989
Current		
Accounts payable	$ 79,595	$ 787,430
Income taxes payable	31,781	-
Current portion of long-term debt *(Note 6)*	31,584	45,526
	142,960	832,956
Long-Term *(Note 6)*		
Conditional sales agreement	-	28,171
SHAREHOLDERS' EQUITY		
Share Capital *(Note 7)*		
Authorized:		
50,000,000 shares of no par value		
Issued and fully paid:		
13,228,391 (12,843,651) shares	47,940,921	46,939,900
Allotted:		
- (105,255) shares	-	259,202
Treasury shares acquired and held, at cost		
- (92,700) shares	-	(180,609)
	47,940,921	47,018,493
Deficit	(5,158,119)	(5,077,293)
	42,782,802	41,941,200
	$ 42,925,762	$ 42,802,327

On Behalf of the Board

D. e. McLeod Director

Fred G. Hewett Director

See Accompanying Notes

Consolidated Statement of Resource Property Costs

For the Years Ended 31 December Canadian Funds

	1990	1989
Direct		
Sulphurets Joint Venture, B.C.		
Studies and technical services	$ 456,151	$ 498,747
Camp costs	305,722	726,232
Diamond drilling	258,750	954,832
Underground exploration	221,044	1,746,106
Depreciation	220,115	235,622
Freighting	199,195	1,341,269
Roadwork	154,284	117,009
Engineering and geological	75,954	505,048
Power and pumping	52,070	384,059
	1,943,286	6,508,924
Less: Government grants	(158,914)	(1,461,086)
	1,784,371	5,047,838
Other	2,248	(4,608)
	1,786,619	5,043,230
Indirect and Administrative		
Management and administrative fees and expenses	240,000	240,000
Salaries and benefits	86,741	85,002
Shareholders' information and meetings	68,951	54,320
Travel and promotion	36,473	47,962
Accounting and audit fees	32,975	33,000
Office and sundry	30,652	39,251
Legal fees and expenses	22,995	42,614
Transfer agent fees	18,008	23,008
Listing and filing fees	7,982	19,805
Recovery of administrative costs	(93,726)	(340,564)
Interest income (net)	(558,608)	(539,895)
	(107,557)	(295,497)
Costs for the Year	1,679,062	4,747,733
Balance - Beginning of year	35,811,270	31,062,827
Costs related to rights abandoned and outside property examinations recovered (written-off) to deficit	-	710
Balance - End of Year	$ 37,490,332	$ 35,811,270

See Accompanying Notes

Consolidated Statement of Changes in Financial Position

For the Years Ended 31 December Canadian Funds

CASH RESOURCES PROVIDED BY (USED IN)	1990	1989
Operating Activities		
Loss for the year	$ (80,826)	$ (44,584)
Items not affecting cash		
Write-off (recovery) of resource property costs	-	(710)
Write-down of investments	48,000	45,294
	(32,826)	-
Changes in non-cash working capital	922,380	(1,424,132)
	889,554	(1,424,132)
Financing Activities		
Conditional sales agreement	(28,171)	28,171
Share capital issued	922,428	4,502,212
Treasury shares acquired and held	-	(180,609)
	894,257	4,349,774
Investing Activities		
Resource property costs	(1,679,062)	(4,747,733)
Item not affecting cash		
Depreciation	220,115	235,622
	(1,458,947)	(4,512,111)
Investments	(900)	(100,000)
Machinery, equipment and vessels (net)	6,248	(359,251)
Deposits	(656)	-
	(1,454,255)	(4,971,362)
Net Increase (Decrease) in Cash	329,556	(2,045,720)
Cash position - Beginning of year	4,146,631	6,192,351
Cash Position - End of Year	$ 4,476,187	$ 4,146,631

Consolidated Statement of Loss and Deficit

For the Years Ended 31 December Canadian Funds

	1990	1989
Loss for the Year		
Write-down of investments to market value	$ 48,000	$ 45,294
Write-off (recovery) of costs relating to properties abandoned and outside property examinations	-	(710)
Large corporation income taxes	32,826	-
	80,826	44,584
Deficit - Beginning of year	5,077,293	5,032,709
Deficit - End of Year	$ 5,158,119	$ 5,077,293

See Accompanying Notes

Notes to Consolidated Financial Statements

31 December 1990 Canadian Funds

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These consolidated financial statements include the accounts of the company and its wholly-owned subsidiary (Note 2), Lacana Ex. (1985) Inc. ("Lacana Ex") accounted for by the consolidation method and an incorporated joint venture, Bowser Leasing Ltd. ("Bowser"), accounted for by the proportionate consolidation method.

Mineral

The company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs (including related indirect and administrative costs) are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs which include a pro rata share of indirect and administrative costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the company's interest in the underlying mineral claims, the ability to obtain necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Depreciation

The company provides for depreciation on its fixed assets at an annual rate of 30% for machinery and equipment and 15% for vessels, both on the declining balance method. Depreciation is provided at one-half the annual rates on acquisitions during the year.

Segmented Information

The company's only business is exploration for and development of mineral properties in Canada and the United States. Identifiable assets employed in the United States are described in Note 3.

Portfolio Investments

Investments in marketable securities are carried at cost or, where impairment of value is considered other than temporary, at market value. Interest income is recorded on an accrual basis, dividend income is recorded as received and capital gains are recorded as realized.

Loss per Share

Loss per share has not been calculated because it is not considered meaningful at this development stage of operations.

2. ACQUISITION OF SUBSIDIARY

Effective 30 June 1987 the company acquired all the outstanding shares of Lacana Ex by issuing 4,025,000 common shares at a deemed value of $5 per share. This acquisition has been accounted for by the purchase method. Since the acquisition, Lacana Ex has been inactive.

The value attributed to the Sulphurets Joint Venture includes $18,501,424 of consideration given in excess of the book value.

Notes to Consolidated Financial Statements

31 December 1990 Canadian Funds

3. RESOURCE PROPERTY COSTS

Details are as follows:

	1990	1989
Canada		
Sulphurets Joint Venture, B.C.	$ 37,236,026	$ 35,451,655
Other	572,842	571,039
	37,808,868	36,022,694
United States		
Other	5,361	4,916
Indirect and administrative	(323,897)	(216,340)
	$ 37,490,332	$ 35,811,270

Sulphurets Joint Venture

The company is the operator of the Sulphurets Joint Venture with a 60% interest (30% direct and a further 30% interest through Lacana Ex [Note 2]). The company's portion of administrative costs received from the joint venture under the joint venture agreement are eliminated in these financial statements.

4. PROPERTY AGREEMENT

Hawk Claims, B.C.

By agreement dated 21 August 1990 the company granted a third party (a publicly traded company) an option to acquire a 70% interest in the Hawk Claims (50% owned by the company). In order to complete the terms of the agreement the third party shall, at its option, incur exploration expenditures of $1,000,000 in aggregate:

On or before 31 December 1990	$ 20,000	(completed)
On or before 31 December 1991	100,000	
On or before 31 December 1992	300,000	
On or before 31 December 1993	500,000	
On or before 31 December 1994	750,000	
On or before 31 December 1995	1,000,000	

Once the company has earned its interest, a joint venture will be formed and the parties will contribute proportionately to further exploration programs with a non-participant's interest being reduced 1% for each $100,000 not contributed.

Once any participant's interest is reduced to 10%, that interest will automatically be converted to a 10% net profits royalty at which point its interest would be forfeited to the other party.

5. MACHINERY, EQUIPMENT & VESSELS

Details are as follows:

			1990	1989
	Cost	Accumulated Depreciation	Net	Net
Machinery and equipment	$ 1,208,962	$ 709,736	$ 499,226	$ 713,435
Vessels	155,595	38,263	117,332	129,486
	$ 1,364,557	$ 747,999	$ 616,558	$ 842,921

6. CONDITIONAL SALES AGREEMENT

The conditional sales agreement which is repayable at $3,794 per month, including principal plus interest of 7.6% and is due in full on 1 October 1991, is secured by certain equipment.

7. SHARE CAPITAL

Details are as follows:

	Number of Shares	Amount
Issued:		
Balance - 31 December 1989	12,843,651	$ 46,939,900
For cash		
Private placements	455,473	1,140,000
Employees' share purchase plan	17,967	31,990
Options	4,000	9,640
	477,440	1,181,630
Treasury shares cancelled	(92,700)	(180,609)
	384,740	1,001,021
Balance - 31 December 1990	13,228,391	$ 47,940,921

During 1990, 455,473 shares were issued for cash of $1,140,000 on a flow-through basis whereby the subscriber receives the benefit for tax purposes of the Canadian exploration expense incurred. (In 1989, 1,633,135 shares were issued on the flow-through basis for cash of $4,050,000.)

Shares Reserved

At 31 December 1990, shares have been reserved for potential future issuance as follows:

Directors' options	249,706
Employees' options	54,000
Employee share purchase plan	412,169
	715,875

Directors and employee options provide cumulative entitlement over the terms of the agreements which expire 8 January 1993 to purchase shares at $0.68 per share.

The employee share purchase plan allows full time employees of the company (or affiliated companies, as approved by the directors) to purchase shares through payroll deductions matched by the company. Shares are issued quarterly based on the average closing price for the quarter.

In connection with the acquisition of Lacana Ex, the company entered into an agreement which allows Corona Corporation ("Corona") (formerly Lacana Mining Corporation) to maintain its percentage of ownership (42.4% at 31 December 1990) by subscribing for shares on terms no less favourable than the other subscribers.

Voting Trust Agreement

In connection with the acquisition of a 30% interest in the Sulphurets Joint Venture, the president of the company and Corona have agreed to vote their shares to set the number of directors at five, nominate two and three directors respectively and vote for each other's nominees.

The agreement is effective until 12 November 1992, but ceases (at Corona's option) if the president's employment is terminated or if Corona is not the largest single shareholder.

Notes to Consolidated Financial Statements

31 December 1990 Canadian Funds

8. RELATED PARTY TRANSACTIONS

Management and administrative fees and expenses were paid to a company that has a president and certain directors in common with Newhawk Gold Mines Ltd.

By agreement dated 1 October 1987, the company secured the services of a key employee for the period from 1 October 1987 to 30 September 1992 for a minimum salary of $84,000 per annum over the term of the agreement.

9. INCOME TAXES

The company has incurred certain resource related expenditures which may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

The company also has losses for tax purposes of approximately $280,000 which may be carried forward and used to reduce prescribed taxable income through to 1994.

The potential future tax benefits of these expenditures and income tax losses have not been recognized in the accounts of the company.

AUDITORS REPORT

To the Shareholders of Newhawk Gold Mines Ltd.:

We have examined the consolidated balance sheet of Newhawk Gold Mines Ltd. as at 31 December 1990 and the consolidated statements of loss and deficit, resource property costs and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at 31 December 1990 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Burnaby, B.C.
25 January 1991

SMITH, FLYNN, STALEY
Chartered Accountants

Corporate Information

Directors and Officers

D.A. McLeod * ◊
President and Chief Executive Officer
Newhawk Gold Mines Ltd.

F.G. Hewett, P.Eng *
Director
Newhawk Gold Mines Ltd.

J. W. Ivany *
Executive Vice President
Corona Corporation

G. Leathley * ◊
Sr. Vice President, Operations
Corona Corporation

A.P. Walsh * ◊
Sr. Vice President
Corona Corporation

G.M Sharp
Secretary

* Director
◊ Member Audit Committee

Executive Office

Suite 860 - 625 Howe Street
Vancouver, B.C. V6C 2T6

Telephone (604) 687-7545
Telecopier (604) 689-5041

Solicitors

Boughton, Peterson, Yang, Andersen
Vancouver, B.C.

Smith, Lyons, Torrence, Stevenson & Mayer
Vancouver, B.C.

Bankers

The Royal Bank of Canada
Vancouver, B.C.

Auditors

Smith, Flynn, Staley
Burnaby, B.C.

Transfer Agent

Montreal Trust Company
510 Burrard Street
Vancouver, B.C.
V6C 3B9

66 Temperance Street
Toronto, Ontario
M5H 1T7

Registered Office

2500 - 1055 Dunsmuir Street
Vancouver, B.C.

Common Stock Listed On:

The Toronto Stock Exchange
Trading Symbol: NHG

Annual General Meeting

The Annual General Meeting of Shareholders will be held at 10:00 AM on Tuesday, June 4, 1991 in the Kent Room, The Georgia Hotel, 801 West Georgia Street, Vancouver, B.C.

THE NORTHAIR GROUP