

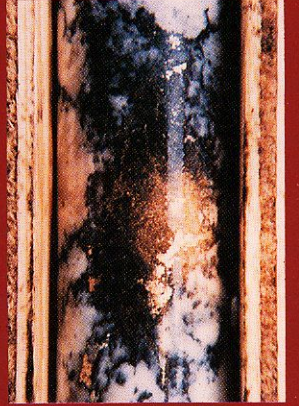
Sulphurets
888186

NEWHAWK GOLD MINES LTD.

ANNUAL REPORT 1989

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SHEET 2

SAMPLE No.	FROM	TO	WIDTH	ASSAYS
67371	21.47	23.47	1.0	1.274 5.97
67372	23.47	26.47	1.0	1.13 7.32
67373	26.47	27.79	1.27	1.25 1.70
67374	27.79	29.29	1.5	1.75 9.40
67375	29.29	30.63	1.39	2.35 24.93
67376	30.63	31.92	0.79	2.162 194.38
67377	31.92	32.92	1.5	1.316 13.90
67378	32.92	34.10	1.18	12.798 67.10
67379	34.10	34.93	0.83	3.391 24.91
67380	34.93	36.16	1.23	
67381				



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CORPORATE PROFILE

**A comprehensive
panorama shows
Brucejack Camp
and its immediate
surroundings.**

**A portion of core from
Drill Hole U-89-292
that assayed
7.479 oz gold/ton &
41.52 oz silver/ton
across a length of
84.6 feet.**

Newhawk Gold Mines Ltd. is a precious metals exploration and development company with headquarters 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 primary asset is a 60% interest in the Sulphurets property located in northwestern British Columbia. The property has over twenty known zones of gold and silver mineralization, with the West Zone being the the only zone explored in detail to date. Currently, proven and probable geological reserves on the West Zone total 715,400 tons grading 0.431 oz gold/ton and 19.70 oz silver/ton.

A feasibility study is nearing completion and a positive study would permit Newhawk, who is the designated operator of the project, to bring the Sulphurets property to commercial production. It is management's operating philosophy to maximize the potential of Sulphurets while maintaining a conservative fiscal approach that is appropriate for an emerging resource company.

Newhawk recognizes the necessity for the preservation and protection of the environment and is committed to meet these challenges. Activities at Sulphurets are undertaken with concern, diligence and care to ensure compliance with both government and company requirements.

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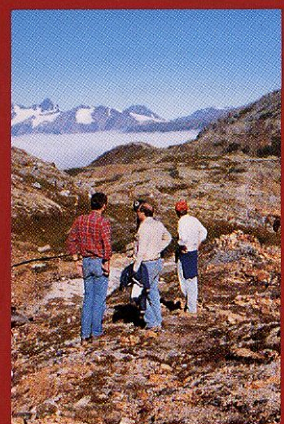
FORM

HOLE No. U89-29

Sheet

1 of 5

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REPORT TO SHAREHOLDERS

A view down the Bowser Valley with Newhawk's Knipple Camp in view. The airstrip is just visible in the upper right on the left hand side of the river.

A site visit in the summer of 1989 includes a geological discussion in the field.

It is a pleasure to report on Newhawk's progress for the past year and present the audited financial statements for the year ended December 31, 1989.

Our efforts during the year were again directed to the exploration of the Sulphurets property. Sulphurets is located in the center of the northwest gold belt of British Columbia, referred to as "The Golden Triangle". Newhawk, as operator, holds a 60% interest in the 33 square mile Sulphurets property, with joint venture partner Granduc Mines Ltd. holding the remaining 40% interest. With over twenty known zones of mineralization, Sulphurets is one of the foremost gold and silver properties in "The Golden Triangle".

The prime objective of our activities this past year was to increase the data from the West Zone to a level sufficient for the commencement of a bankable feasibility study. To achieve that goal Watts, Griffis, McOuat Limited, consulting professional engineers of Toronto were retained to calculate geological reserves. Their "Report on Ore Reserves" quotes proven and probable reserves of 715,400 tons grading 0.431 oz gold/ton and 19.70 oz silver per ton, representing a dramatic increase of 135% from previous estimates in the same categories.

A \$10 million, extensive three phase program was completed by the joint venture in 1989. The program included 16,000 feet of surface diamond drilling, 46,000 feet of underground diamond drilling and completion of a further 5,900 feet of underground workings. At year end, the decline had reached the 1150 m elevation.

A highlight of the exploration program occurred in July when a crosscut driven at the 1200 m level to provide drill access to the West Zone intersected the new R-8 Zone. Subsequent underground drilling revealed this new zone to be consistently highly mineralized and easily recognizable. Underground drilling on the R-8 Zone returned the most spectacular results to date from the Sulphurets property when drill Hole U-89-292 intersected 84.6 feet of mineralization grading 7.479 oz gold/ton and 41.52 oz silver/ton.

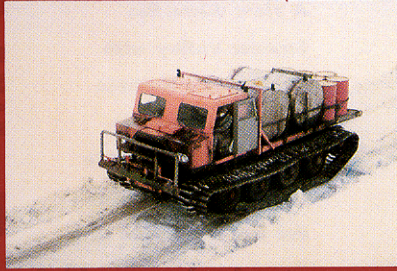
The 1989 exploration program provided significant data for reserve calculations and enabled Watts, Griffis, McOuat to report that proven and probable tonnage had more than doubled from previous reserves estimates. Furthermore, Watts, Griffis, McOuat commented that the West Zone, which has been steadily expanded laterally on strike and to depth, has not yet been closed off in any direction with the outlook for increasing reserves excellent.

HOLE No. U89-29

Sheet: 1 of 5

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1/8 Ag 97

1274	5.97
113	1.32
123	1.70

1274	5.97
113	1.32
123	1.70
1274	67.10
1274	29.91

This very dramatic view looks across the Knipple Glacier and clearly shows the road as it passes westward over the glacier and along the south shore of Brucejack Lake toward camp.

The overland access route from Highway 37 to the the property is now well established. During the entire 1989 exploration season, virtually all supplies and equipment were transported to the site over this route. Additionally, Newhawk's airstrip near Knipple Camp was serviced by regularly scheduled fixed wing aircraft for crew rotation.

In September, Approval in Principle was received from the Provincial Government authorities for the Stage I Environmental and Socioeconomic Impact Assessment of the Sulphurets property. This approval paved the way for Newhawk to proceed with the permitting process.

A draft feasibility study was completed by Cominco Engineering Services Ltd. in March of 1990. Subsequently, the joint venture engaged Corona Corporation to assist Newhawk in the preparation of a bankable feasibility study which is expected to be complete by late summer. This study is being undertaken to optimize the profitability of the West Zone.

Newhawk is firmly committed to achieving success at Sulphurets. It is the company's philosophy to bring the property to commercial production in the most cost effective manner, to generate earnings and achieve the lowest possible operating costs and thus provide investors with the best possible return on investment.

To date, almost all exploration at Sulphurets has been funded by flow-through private placements with 1989 being no exception. During the year, 1,633,135 shares were issued on this basis generating \$4,050,000. Government grants under C.E.I.P. (Canadian Exploration Incentive Program) provided a further \$1,416,086. Newhawk remains financially sound with a sizeable cash position and with no long or short term debt. Furthermore, the company has the opportunity to utilize flow through funding for a 1990 exploration program which is now in the final planning stage.

Newhawk is fortunate to have gathered a team of employees whose loyal and dedicated work has made possible the achievement of the past year's success. We welcome this opportunity to thank them for their efforts on behalf of the company. We are grateful, as well, for the support of our Directors, our joint venture partners, our major shareholder Corona Corporation and most especially, our shareholders.



Donald A. McLeod,
President and Chief Executive Officer

May 7, 1990

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 1989 and the consolidated statements of resource property costs, loss and deficit 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 1989 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.
26 January 1990

SMITH, FLYNN, STALEY
CHARTERED ACCOUNTANTS

CONSOLIDATED BALANCE SHEET

<i>As at 31 December (Canadian Funds)</i>	1989	1988
Assets		
Current		
Cash and short-term notes	\$ 4,146,631	\$ 6,192,351
Deposit in transit	126,106	-
Accounts receivable	1,696,490	156,130
Prepaid expenses	14,117	26,189
	5,983,344	6,374,670
Resource Property Costs		
<i>(Notes 3 and 4)</i>	35,811,270	31,062,827
Machinery, Equipment and Vessels		
<i>(Note 5)</i>	842,921	719,292
Investments		
<i>(Market value \$117,292; 1988 - \$62,586)</i>	117,292	62,586
Deposits		
	47,500	47,500
	\$ 42,802,327	\$ 38,266,875
Liabilities		
Current		
Accounts payable	\$ 787,430	\$ 602,694
Current portion on long-term debt	45,526	-
	832,956	602,694
Long-Term		
Conditional sales agreement <i>(Note 6)</i>	28,171	-
Shareholders' Equity		
Share Capital <i>(Note 7)</i>		
Authorized:		
50,000,000 shares of no par value		
Issued and fully paid:		
12,843,651 (11,123,631) shares	46,939,900	42,696,890
Allotted:		
105,255 (-) shares	259,202	-
Treasury shares acquired and held, <i>at cost</i>		
92,700 (-) shares	(180,609)	-
	47,018,493	42,696,890
Deficit		
	(5,077,293)	(5,032,709)
	41,941,200	37,664,181
	\$ 42,802,327	\$ 38,266,875

On Behalf of the Board



Director



Director

See Accompanying Notes

CONSOLIDATED STATEMENT OF RESOURCE PROPERTY COSTS

For the Years Ended 31 December (Canadian Funds)

1989

1988

Direct

Sulphurets Joint Venture, B.C.		
Underground exploration	\$ 1,746,106	\$ 1,794,808
Freighting	1,341,269	973,367
Diamond drilling	954,832	320,833
Camp costs	726,232	1,040,755
Engineering and geological	505,048	459,511
Studies and technical services	498,747	286,744
Power and pumping	384,059	329,086
Depreciation	235,622	204,905
Roadwork	117,009	937,636
Surface exploration	—	150,397
	6,508,924	6,498,042
Less: Government grants	(1,461,086)	—
	5,047,838	6,498,042
Other	(4,608)	160,721
	5,043,230	6,658,763

Indirect and Administrative

Management and administration fees and expenses	243,000	128,000
Salaries and benefits	85,002	84,569
Shareholders' information and meetings	54,320	92,232
Travel and promotion	47,962	65,882
Legal fees and expenses	42,614	31,142
Office and sundry	36,251	37,239
Accounting and audit fees	33,000	37,600
Transfer agent fees	23,008	10,190
Listing and filing fees	19,805	19,136
Gain on sale of marketable securities	—	(757)
Recovery of administrative costs	(340,564)	(389,570)
Interest income (net)	(539,895)	(393,367)
	(295,497)	(277,704)

Costs for the Year

Balance - Beginning of year	4,747,733	6,381,059
Balance - Beginning of year	31,062,827	25,200,310
Costs related to rights abandoned and outside property examinations recovered (written-off) to deficit	710	(518,542)

Balance - End of Year

	\$ 35,811,270	\$ 31,062,827
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See Accompanying Notes

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT*Newbawk Gold Mines Ltd.*

<i>For the Years Ended 31 December (Canadian Funds)</i>	1989	1988
Loss for the Year		
Write-down of investments to market value	\$ 45,294	\$ 231,479
Write-off (recovery) of costs relating to properties abandoned and outside property examinations	<u>(710)</u>	518,542
	44,584	750,021
Deficit - Beginning of year	<u>5,032,709</u>	4,282,688
Deficit - End of Year	<u>\$ 5,077,293</u>	<u>\$ 5,032,709</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

<i>For the Years Ended 31 December (Canadian Funds)</i>	1989	1988
Cash Resources Provided by (Used In)		
Operating Activities		
Loss for the year	\$ (44,584)	\$ (750,021)
Items not affecting cash		
Write-off (recovery) of resource property costs	(710)	518,542
Write-down of investments	<u>45,294</u>	<u>231,479</u>
	-	-
Changes in non-cash working capital	<u>(1,424,132)</u>	15,250
	(1,424,132)	15,250
Financing Activities		
Conditional sales agreement	28,171	-
Share capital issued	4,502,212	9,815,417
Treasury shares acquired and held	<u>(180,609)</u>	-
	4,349,774	9,815,417
Investing Activities		
Resource property costs	(4,747,733)	(6,381,059)
Item not affecting cash		
Depreciation	<u>235,622</u>	<u>204,905</u>
	(4,512,111)	(6,176,154)
Investments	(100,000)	(2,858)
Machinery, equipment and vessels (<i>net</i>)	<u>(359,251)</u>	<u>(419,773)</u>
	-	(32,500)
Deposits	<u>(4,971,362)</u>	<u>(6,631,285)</u>
Net Increase (Decrease) in Cash	(2,045,720)	3,199,382
Cash position - Beginning of year	<u>6,192,351</u>	<u>2,992,969</u>
Cash Position - End of Year	<u>\$ 4,146,631</u>	<u>\$ 6,192,351</u>

See Accompanying Notes

31 December 1989 (Canadian Funds)

1. Significant Accounting Policies

- a) **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.
- b) **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 are 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.
- c) **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.
- d) **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.
- e) **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.
- f) **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 under 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.

3. Resource Properties

Details are as follows:

	<u>1989</u>	<u>1988</u>
Canada		
Sulphurets Joint Venture, B.C.	\$ 35,451,655	\$ 30,403,817
Other	<u>571,039</u>	<u>578,353</u>
	<u>36,022,694</u>	<u>30,982,170</u>
United States		
Other	4,916	1,500
Indirect and Administrative	<u>(216,340)</u>	<u>79,157</u>
	<u>\$ 35,811,270</u>	<u>\$ 31,062,827</u>

Sulphurets Joint Venture The company is the operator of the Sulphurets Joint Venture with a 30% direct interest 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 1 February 1989 the company granted a third party an option to acquire a 49% 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, complete the following:

- i) Cash Payment
 Upon execution of the agreement \$ 15,000 (paid)
- ii) Exploration Expenditures
 a) On or before 31 December \$ 100,000 (completed)
 b) On or before 31 December of each and every subsequent year \$100,000 until the third party either delivers a feasibility report to the company or reimburses the company for its costs in carrying out a feasibility report

On exercise of the option by the third party, the company can elect to either retain its 51% interest or convert its 51% interest to a 5% net smelter return royalty.

5. Machinery, Equipment and Vessels

Details are as follows:

			1989	1988
	Cost	Accumulated Depreciation	Net	Net
Machinery and equipment	\$ 1,257,948	\$ 544,513	\$ 713,435	\$ 644,276
Vessels	155,595	26,109	129,486	75,016
	<u>\$ 1,413,543</u>	<u>\$ 570,622</u>	<u>\$ 842,921</u>	<u>\$ 719,292</u>

6. Conditional Sales Agreement

Repayable at \$3,794 per month, including principal; plus interest of 7.6%; secured by certain equipment and due in full on 1 October 1991.

Repayments are as follows:

Current portion due 31 December 1990		\$ 45,526
Long-term due 1 October 1991	\$ 34,147	
Less: Portion representing interest at 7.6%	(5,976)	
		<u>\$ 73,697</u>

7. Share Capital

a) Details are as follows:

	Number of Shares	Amount
Issued:		
Balance - 31 December 1988	11,123,631	\$ 42,696,890
For Cash		
Private placements	1,633,135	4,050,000
Employees' share purchase plan	9,885	31,710
Options	77,000	161,300
	<u>1,720,020</u>	<u>4,243,010</u>
Balance - 31 December 1989	12,843,651	\$ 46,939,900

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*Newbawk Gold Mines Ltd.**31 December 1989 (Canadian Funds)*

During 1989, 1,633,135 shares were issued for cash of \$4,050,000 on a flow-through basis whereby the subscriber receives the benefit for tax purposes of the Canadian exploration expense incurred. (in 1988, 1,317,772 shares for \$7,888,970 were issued for cash on the flow-through basis.)

b) Shares Reserved

At 31 December 1989, shares have been reserved for potential future issuance as follows:

Directors options	309,706
Employees options	144,000
Employee share purchase plan	430,136
Flow-through agreements	<u>142,126</u>
	<u>1,025,968</u>

Directors and employees options provide cumulative entitlement over the terms of the agreements which expire in 1991 and 1992 to purchase shares at prices ranging from \$1.75 to \$2.90.

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.

142,126 flow-through shares, of which 105,255 were allotted at 31 December 1989, have been subscribed for and are to be issued in 1990 at \$2.4626 per share.

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 (40% at 31 December 1989) by subscribing for shares on terms no less favourable than the other subscribers.

c) 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.

8. 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 potential future tax benefits of these expenditures have not been recognized in the accounts of the company.

CORPORATE INFORMATION

Directors and Officers

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

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

N. Goodman *
Chairman,
Corona Corporation

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

A.P. Walsh *[◊]
Vice President & Treasurer,
Corona Corporation

G.M. Sharp
Secretary
Newhawk Gold Mines Ltd.

* 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.

Common Stock Listed On:

The Toronto Stock Exchange
Trading Symbol: **NHG**

Annual General Meeting

The Annual General Meeting of
Shareholders will be held at 2:00
PM on Tuesday, June 19, 1990 in
the Windsor Room, The Georgia
Hotel, 801 West Georgia Street,
Vancouver, B.C.

