

PRESIDENT'S MESSAGE TO SHAREHOLDERS

Sulphurets
888199

1985 was the most significant year in your Company's history. We were extremely pleased to announce in July of 1985 that we had reached an agreement with Granduc Mines Ltd. for the exploration of the highly mineralized Sulphurets area.

Under the agreement, Newhawk and its 50% partner, Lacana Mining Corporation, can earn a minimum of 60% interest in Sulphurets for an expenditure of \$2,000,000. In 1985, a program was initiated and the first \$500,000 of this total commitment was made. In 1986, a two phase program has been agreed upon totaling \$1,500,000. Newhawk has successfully negotiated funding for this program on a "flow through" Private Placement basis and a public underwriting for its share of expenditures. When the 1986 program is complete, Newhawk and Lacana will have earned their minimum 60% interest. This minimum interest could be increased to a 100% working interest, with Granduc retaining a net profits interest.

Located northwest of Stewart, B.C., the Sulphurets property covers a total of 343 units or 33.11 square miles and represents, as reported by consulting geologist N. Tribe, P. Eng., "one of the most intensely mineralized undeveloped areas left in the Coast Range of British Columbia. The size and number of showings, and variety of mineral assemblages in the Sulphurets area is amazing."

The program conducted in 1985 consisted of over 13,000 feet of diamond drilling in 29 holes, with the major portion of the program concentrated in the three zones of the Brucejack Area: West, Shore and Gossan Hill Zones. Fill-in drilling on the West Zone has begun to establish mineral reserves and two holes drilled on the newly discovered Gossan Hill Zone give some indication of the potential for success in further exploration. Both holes on the Gossan Hill Zone encountered spectacular mineralization with intersections of 10.93 oz gold/ton, 11.90 oz silver/ton over four feet in Hole S-85-128 and 1.66 oz gold/ton, 4.16 oz silver/ton over two feet in Hole S-85-129. Results of the 1985 program give mineral inventories in the Brucejack Area of 1,011,543 metric tons with an average grade of 0.826 gold equivalent per tonne. This entire area remains open along strike and to depth for an increase in tonnage.

Preliminary metallurgy on Brucejack Area mineralization was conducted by Lakefield Research Labs in Ontario. Initial recoveries by gravity and flotation - 94% of the silver and over 95% of the gold - were excellent. No materials are present in the mineralization that would pose metallurgical problems and a very simple and economic milling process is envisaged.

As well, a five hole diamond drill program was conducted on one of the bulk tonnage targets, the Snowfield Zone. It is anticipated that this zone will contain +/- 20,000,000 metric tonnes with an average grade of 0.08 oz gold/tonne. The five holes drilled in the Snowfield all bottomed in mineralization and have provided sufficient data to establish mineral reserves of 7,000,000 metric tons grading 0.083 oz gold/tonne. These results have increased our confidence of the overall potential for further exploration and development of bulk tonnage zones at a future date.

The exploration program planned for 1986 will consist of two phases. The first phase will utilize two diamond drills to provide additional drilling on the Shore Zone and fill-in drilling on the West Zone to establish a firm reserve base. Additionally, surface mapping, trenching and drilling will be conducted on many of the thirteen untested targets discovered to date. Considerable emphasis will be placed on further exploration of the extremely promising Gossan Hill Zone following the success encountered last year. The prospecting program which located an additional five targets in 1985, will be implemented again this year. As well, in preparation for the second phase of the 1986 program, a decline will be collared on the West Zone.

The second phase of the 1986 program will see the progression to underground exploration. A 1,200 foot decline will be driven to provide drill stations for an underground diamond drilling program to define and extend the reserves indicated by surface drilling. This important underground stage will establish ground conditions and confirm grade so that work can begin on designing the mill.

To prepare for feasibility planning, several factors will be addressed this year. An examination will be made of most advantageous route of providing direct road access to Sulphurets by extending the proposed logging road from Highway 37. Studies will determine the feasibility of developing hydro power on local waterways. Alternatively, there are indications that industrial hydro power may be available for purchase in the future. Sulphurets lies in an environmental area favourable to mining and environmental impact studies will be undertaken to avoid any problems in this regard.

Your continued confidence in Newhawk, our aims and objectives, is greatly appreciated. We look forward with enthusiasm to the year ahead and to providing you with the results of our efforts. Needless to say, if the program for 1986 is met with the degree of success we expect and as we experienced in 1985, Sulphurets will become a world class gold camp.

On Behalf of the Board of Directors,



Donald A. McLeod, President

May 10, 1986