

GOLD

INITIATING COVERAGE

Norton Goldfields Limited | NGF

BUY

Leveraged production with growth upside

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ASX code | NGF

Last price | \$0.25

Fully diluted shares | 491.6M

Market cap | A\$122.9M

52 week hi/low | \$0.36 / \$0.065

12 month price target¹ | \$0.45

Valuation | \$0.45

Valuation methodology | DCF

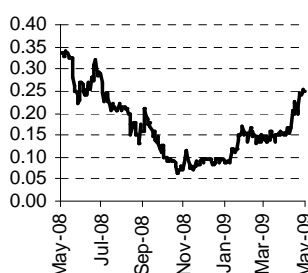
EV/Reserve | A\$110/oz

EV/Resource | A\$14/oz

NGF offers excellent leverage to Australian Dollar gold prices through its 100% owned Paddington Gold Mine in Western Australia. Paddington is currently producing around 130kozpa from low grade open pits at a total cash cost around A\$800/oz. The company is planning to add high grade underground ore in late 2009 which will lift gold production to nearly 200kozpa at similar cash costs. We are initiating coverage on NGF with a BUY recommendation and set a \$0.45/share price target. Aside from movements in the gold price, key catalysts for NGF's share price include the release of an updated life of mine plan in August and the commencement of ore supply from underground mining in late 2009.

- **Underground mining to boost production** – The Homestead underground mine is expected to add around 60kozpa to group production from late 2009. Development has already commenced and while the mine only has an 18 month life, NGF is confident that additional underground reserves can be defined.
- **Large reserve and resource base** – Paddington currently has JORC reserves of 18.3Mt @ 1.8g/t containing 1.05Moz and JORC resources of 149.8Mt @ 1.6g/t containing 7.80Moz. We believe there is significant upside to these estimates noting that current reserves and resources account for only 19 of the more than 100 known gold prospects and projects within Paddington's tenement holding.
- **Mine life extensions likely** – Our development scenario for the Paddington project includes only four years of open pit and 18 months of underground mining. NGF is currently reviewing its life of mine plan and we believe the potential to extend both open pit and underground mining by 2-3 years is high.
- **Mount Morgan to become second production centre** – NGF is planning to retreat around 4.0Mt of tailings at the Mount Morgan mine in Queensland from mid 2010. The tailings re-treatment should yield 30-40kozpa over a four year period at a cash cost around A\$600/oz.
- **Hedge book payments suspended** – NGF currently has 70kozpa of gold hedged through to FY12 at an average price of A\$875/oz. The hedge book is costing NGF around \$20Mpa on a mark to market basis. NGF's hedge counterparty, Lehman Brothers, filed for bankruptcy on 15 September 2008 which triggered a default under the hedge agreement. As a result NGF has not been required to make payments into the hedge book since that time.
- **Convertible notes unaffected** – Lehman Brothers is also a major holder of NGF's convertible notes. Lehman currently has \$28M of the convertible notes which could convert to 112.0M shares in NGF, equating to a 17.3% stake in the company on a fully diluted basis. NGF is currently negotiating with all note holders with a view to undertaking an early conversion or buying back the notes.

Share price performance | NGF



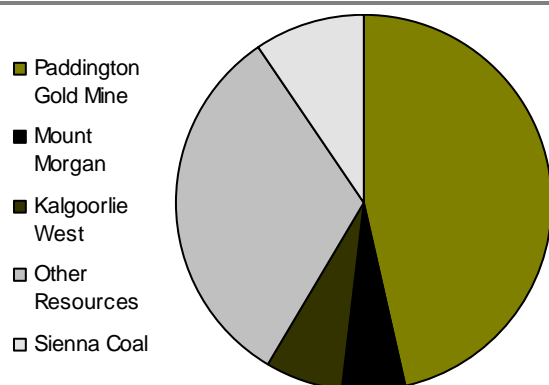
Year end June	2008A	2009F	2010F	2011F
Revenue - A\$M	112.0	145.2	186.3	269.5
EBITDA - A\$M	26.5	30.0	55.9	95.1
NPAT - A\$M	9.2	(0.4)	19.5	38.1
Free Cash Flow - A\$M	(50.1)	23.1	11.0	64.6
EPS - cents	2.9	1.0	4.0	7.7
EPS - % chg	na	(64.6)	281.5	95.7
PER - x	8.5	24.1	6.3	3.2
DPS - cents	0.0	0.0	0.0	0.0
Dividend Yield - %	0.0	0.0	0.0	0.0
Franking - %	0.0	0.0	0.0	0.0

Notes: 1. Price target is equivalent to DCF valuation.

Year end June	2008A	2009F	2010F	2011F
PROFIT & LOSS SUMMARY (A\$M)				
Sales revenue	112.0	145.2	186.3	269.5
Other revenue	3.0	2.3	3.0	4.6
Operating Costs	(83.0)	(109.7)	(127.6)	(173.2)
Exploration Expense	(0.3)	(0.4)	(0.8)	(0.8)
Corporate & Admin	(5.2)	(7.3)	(5.0)	(5.1)
EBITDA	26.5	30.0	55.9	95.1
Depreciation	(4.7)	(18.7)	(24.2)	(36.8)
EBIT	21.8	11.4	31.7	58.3
Interest Expense	(4.3)	(4.4)	(3.9)	(3.9)
Pre-tax profit	17.6	7.0	27.8	54.4
Tax expense	(6.2)	(1.5)	(8.3)	(16.3)
Net income	11.4	5.5	19.5	38.1
Abnormals	(2.2)	(5.9)	0.0	0.0
NPAT	9.2	(0.4)	19.5	38.1
CASHFLOW SUMMARY (A\$M)				
NPAT	11.4	5.5	19.5	38.1
Int, Tax, Expl Expensed	10.7	6.2	13.0	21.0
Int, Tax, Expl Incurred	(10.5)	(13.3)	(14.3)	(27.9)
Depreciation/Amortisation	4.7	18.7	24.2	36.8
Working Capital (Inc)/Dec	(4.2)	5.4	17.5	18.4
Other	16.4	14.0	0.0	0.0
Operating Cash Flow	28.5	36.4	59.8	86.4
Capex(net of asset sales)	(21.1)	(16.7)	(48.8)	(21.9)
Disposals/(Acquisitions)	(53.8)	3.4	0.0	0.0
Other investing cash flows	(3.8)	0.0	0.0	0.0
Free Cash Flow	(50.1)	23.1	11.0	64.6
Dividends	0.0	0.0	0.0	0.0
New Equity	33.5	0.0	7.3	5.6
Debt Drawdown/(Repay)	39.9	0.9	0.0	0.0
Net Cash Inc/(Dec)	23.2	24.0	18.3	70.2
FX impact on cash	0.0	0.0	0.0	0.0
Cash at End Period	26.9	51.0	69.3	139.5
Net Cash/(Debt)	(12.4)	14.3	32.7	102.8
BALANCE SHEET (A\$M)				
Cash	26.9	51.0	69.3	139.5
Receivables	7.4	7.4	9.5	13.7
Inventories	19.6	22.1	28.4	41.1
Other current assets	5.1	2.9	3.8	5.5
Total current assets	59.1	83.4	110.9	199.8
Plant & equipment	9.2	8.8	13.7	10.7
Expl, eval & development	76.1	83.4	109.8	104.6
Other non-current assets	54.7	51.6	66.3	95.9
Total non-current assets	140.1	143.8	189.8	211.3
Total assets	199.1	227.2	300.7	411.0
Payables	26.5	41.9	61.3	81.0
Short-term debt	0.4	1.8	1.8	1.8
Other current liabilities	15.5	12.6	1.2	11.6
Total current liabilities	42.4	56.4	64.4	94.5
Long-term debt	35.3	34.8	34.8	34.8
Other non-current liabilities	89.0	88.5	113.6	164.5
Non-current liabilities	124.3	123.3	148.4	199.3
Total liabilities	166.8	179.7	212.8	293.8
NET ASSETS	32.4	47.6	87.9	117.3
Contributed equity	28.4	43.9	70.6	73.3
Retained profits	3.9	3.7	17.3	43.9
Minority interests	0.0	0.0	0.0	0.0
EQUITY	32.4	47.6	87.9	117.3

Year end June	2008A	2009F	2010F	2011F
RATIOS AND MULTIPLES				
Income				
Revenue growth %	na	29.7	28.4	44.6
EBITDA growth %	na	13.4	86.1	70.1
EBITDA margin %	23.7	20.7	30.0	35.3
EBIT margin %	19.5	7.8	17.0	21.6
Effective Tax rate %	35.1	20.9	30.0	30.0
Net interest cover x	5.1	2.6	8.2	15.1
Balance Sheet				
ROA %	5.7	2.4	6.5	9.3
ROE %	17.7	8.6	22.9	32.5
Net debt/equity %	19.2	(22.4)	(38.4)	(87.7)
Net debt/(debt+equity) %	16.1	(28.8)	(62.4)	(712.2)
Shares Outstanding				
Basic M	324.6	420.0	456.6	484.6
Other M	64.3	71.7	35.1	7.0
Fully diluted M	388.9	491.6	491.6	491.6
Valuation metrics				
Market cap M	81.2	105.0	114.1	121.2
Net debt (cash) \$M	12.4	(14.3)	(32.7)	(102.8)
Options \$M	16.1	17.9	8.8	1.8
Enterprise value \$M	109.6	108.6	90.2	20.1
EV/EBITDA x	4.1	3.6	1.6	0.2
EPS c	2.9	1.0	4.0	7.7
P/E x	8.5	24.1	6.3	3.2
FCF / Share c	(15.4)	5.5	2.4	13.3
Price / FCF x	na	4.5	10.4	1.9
Dividend Yield %	0.0	0.0	0.0	0.0
Franking %	0.0	0.0	0.0	0.0
VALUATION				
NPV by project	(A\$M)	A\$/share		
Paddington Gold Mine	138.8	0.22		
Mount Morgan	16.3	0.03		
Kalgoorlie West	19.8	0.03		
Exploration	95.5	0.15		
Sienna Coal	28.5	0.04		
Forwards	(54.8)	(0.09)		
Corporate	(14.0)	(0.02)		
Options	14.1	0.02		
Cash	44.4	0.07		
Debt	(0.0)	(0.00)		
NPV @ 8%	288.6	0.45		

NPV BY PROJECT



Year end June 2008A 2009F 2010F 2011F

PRODUCTION SUMMARY

Gold Production (koz)				
Paddington Gold Mine	125.5	134.5	161.5	194.3
Mount Morgan	0.0	0.0	0.0	30.6
Kalgoorlie West	0.0	0.0	0.0	0.0
Total	125.5	134.5	161.5	224.9

CASH COSTS

Paddington Gold Mine (A\$/oz)	676	791	790	806
Mount Morgan (A\$/oz)	0	0	0	541
Kalgoorlie West (A\$/oz)	0	0	0	0

COMMODITY PRICE ASSUMPTIONS

Year end June	2008A	2009F	2010F	2011F	Long-term
Gold (US\$/oz)	823	871	928	900	750
US\$/A\$ FX	0.90	0.74	0.73	0.70	0.70

BOARD OF DIRECTORS

Anthony McLellan	Non-Executive Chairman
Jon Parker	Managing Director
Tim Prowse	Technical Director
Mark McCauley	Non-Executive Director
Ian McCauley	Alternate Director

SUBSTANTIAL SHAREHOLDERS

Shareholder	Shares (M)	(%)
Ian McCauley (BPI Norton)	64.6	15.4%
John Rawlins (PR Norton)	54.6	13.0%
Tim Prowse	21.7	5.2%
Top 20	247.8	59.0%

RESERVES AND RESOURCES

Reserves			
Gold	Mt	g/t	koz
Paddington Gold Mine	18.3	1.78	1,052
Total	18.3	1.78	1,052
Resources			
Gold	Mt	g/t	koz
Paddington Gold Mine	75.9	2.06	5,023
Mount Morgan	4.0	1.57	201
Kalgoorlie West	73.9	1.17	2,778
Norton Gold Mine	4.5	0.74	107
Total	158.3	1.59	8,109

1 Investment case and valuation

INVESTMENT CASE

Excellent exposure to buoyant A\$ gold prices...

NGF offers excellent exposure to buoyant Australian dollar gold prices through its 100% owned Paddington Gold Mine in Western Australia. Paddington is currently producing around 130kozpa and the company is planning to increase output to nearly 200kozpa by late 2009. Cash costs are relatively high at A\$800/oz, however with the gold price currently trading over A\$1,200/oz Paddington is generating significant cash flow.

...underpinned by large reserve and resource base

Paddington boasts significant gold reserves and resources that offer excellent upside potential to our valuation for the company. Our development scenario for Paddington includes just 74% of the 1.0Moz of gold reserves and none of the remaining 6.8Moz of resources outside of reserves. With average head grades of 1.8g/t for reserves and 1.6g/t for resources Paddington offers excellent leverage to the Australian Dollar Gold price.

NGF is currently completing a review of its reserves and resources at Paddington, including those acquired through the BMM merger, with a view to extending its current life of mine plan. In its previous life of mine plan released in July 2008, NGF outlined plans to define sufficient reserves to underpin a ten year mine life at Paddington. There is significant upside to our valuation for NGF should the company achieve its targets. We note that our development scenario for Paddington includes 4 years of open pit and 18 months of underground mining.

Initiating coverage with a BUY recommendation and \$0.45/share price target

We are initiating coverage on NGF with a BUY recommendation and set a price target of \$0.45/share. The review of the reserves and resources and the subsequent release of an updated life of mine plan in August should provide some evidence that Management's ten year mine life target is achievable. The commencement of underground mining at Homestead in late 2009 should also provide a positive catalyst for the company. The addition of high grade underground ore should lift total production at Paddington to nearly 200kozpa.

HEDGE BOOK

Hedge Book currently \$80M out of the money

NGF was required to hedge around 50% of forecast production at Paddington as part of the debt financing arranged at the time of the acquisition of the project. The company currently has 70kozpa hedged for the next four years (FY09 – FY12), which represents just over 40% of forecast production over that period. The forward hedges have a fixed price of A\$875/oz, well below the current spot price of A\$1,220/oz. At current prices the hedge book is nearly \$80M out of the money. The hedge book is expected to reduce group revenue by \$20Mpa over the next four years.

Lehman Brothers bankruptcy has enabled NGF to stop hedge delivery

Significantly NGF's hedge counterparty is Lehman Brothers. Under the terms of the hedge agreement hedge payments are not required to be paid should either party default. Lehman Brothers filed for bankruptcy on 15 September 2008 which triggered a default under the hedge agreement and as a result NGF has not been required to make payments into the hedge book since that time. Under accounting rules NGF is still reporting the earnings loss, however cash flow is \$20Mpa higher due to the unpaid hedges, which are accumulating as a payable on NGF's balance sheet.

There is some uncertainty as to the final outcome of NGF's hedge position. While Lehman Brothers is in default the company is not required to make hedge payments, however under US Bankruptcy Laws, Lehman could force the closure of the book. At current prices forced closure of the book would cost NGF around \$80M. While this remains a remote possibility, we believe the most likely outcome is that NGF will continue to accrue the payments under the hedge book, with some amount repaid to Lehman in the next 2-3 years.

CONVERTIBLE NOTES

Lehman Brothers also holds \$38M in convertible notes

NGF raised \$35M in equity and \$40M in convertible notes to fund the acquisition of the Paddington Gold Mine in mid 2007. Both the equity and debt financing was arranged by Grange Securities, a subsidiary of Lehman Brothers. The convertible notes were placed with three parties, NGF's two major shareholders each took \$5M with the remainder taken up by Lehman Brothers Commercial Corporation Asia (LBCCA).

The administration of Lehman Brothers was not expected to impact the operation of the convertible notes, however there is some uncertainty as to the beneficial ownership of the notes as a result of Lehman securitising the notes. The convertible notes are convertible at \$0.25/share at anytime up until 27 August 2011. LBCCA currently holds \$28M in convertible notes, which could convert to 112.0M shares in NGF, equating to a 17.3% stake in the company on a fully diluted basis. NGF is currently negotiating with all note holders with a view to undertaking an early conversion or buying back the notes.

VALUATION

Combination of sum of the parts and DCF

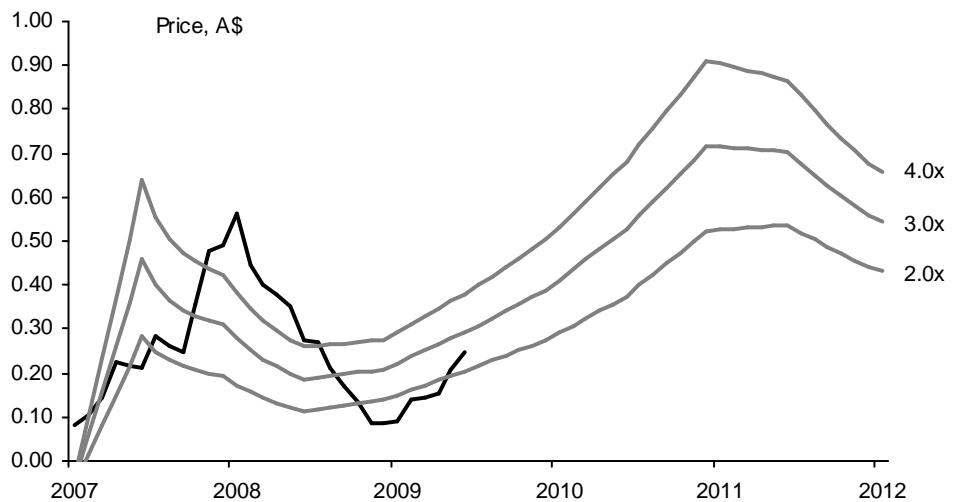
We use a combination of sum of the parts and discounted cash flow methodology to value NGF. Our valuation for NGF's Paddington Gold Mine and Mount Morgan projects is based on a DCF of our development scenarios for both projects. We have also valued NGF's JORC resources that are not included in our development scenario at US\$20/oz and the Sienna Coal resource at A\$0.50/t.

In addition to the DCF valuation we have also included a post tax mark to market valuation of NGF's hedge book, taken into account NGF's net cash position and corporate overhead costs and diluted for the \$38.0M convertible notes, which can convert into 152.0M shares at \$0.25/share.

Stock looks cheap on forward EV/EBITDA multiples

The chart below translates our forward earnings estimates for NGF, which includes production from both Paddington and Mount Morgan into EV/EBITDA multiples. We note that our estimates assume that the hedge book is not delivered into in FY10 or FY11 but a final hedge payment is made to close out the entire book in FY12. The decline in earnings in 2012 is attributable to the cessation of underground mining and the repayment of the outstanding hedge book debt. We note that our \$0.45/share valuation implies forward EV/EBITDA multiples of 3.4X and 1.3X for FY10 and FY11 respectively.

NGF EV/EBITDA contours



Source: Stonebridge Group

SENSITIVITY ANALYSIS

Highly sensitive to Australian Dollar gold price

NGF offers excellent leverage to Australian Dollar gold prices through its 100% owned Paddington Gold Mine. Paddington is currently producing around 130kozpa at a total cash cost of A\$800/oz. The commencement of underground mining will see production rise to nearly 200koz from late 2009 although cash costs are expected to remain around the A\$800/oz mark.

The table below outlines NGF's sensitivity to movements in both our US\$ gold price and A\$/US\$ exchange rate assumptions (effectively movements in our A\$ gold price assumptions). The changes in our NPV for NGF reflect only the Paddington and Mount Morgan projects and the hedge book. Our in ground value assumption of US\$20/oz for NGF's remaining resources has been left unchanged for this exercise.

NGF sensitivity analysis

	A\$/US\$	0.60	0.70	0.80	0.90	1.00
Gold US\$/oz						
700		0.42	0.35	0.30	0.22	0.16
800		0.49	0.41	0.35	0.30	0.24
900		0.56	0.45	0.40	0.35	0.31
1,000		0.63	0.53	0.46	0.40	0.35
1,100		0.70	0.59	0.51	0.44	0.39

Source: Stonebridge Group

PEER GROUP ANALYSIS

Our peer group for NGF consists of six ASX listed companies that operate gold mines in Western Australia and New Zealand. A brief outline of each company is contained in the table below. We note that DOM, AVO, IAU and SLR produce gold solely from underground while SBM, OGC and TAM source gold from both open pits and underground.

Australian Gold Producers

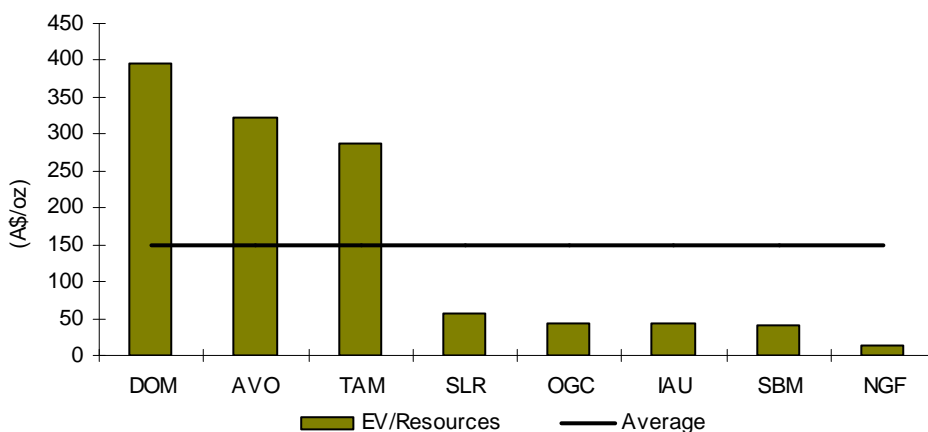
Company	Code	Price	Market Cap (A\$M)	Project	Production (koz)
Dominion Mining Limited	DOM	\$4.67	\$501	Challenger	104
Avoca Resources Limited	AVO	\$1.70	\$437	Trident	200
St Barbara Limited	SBM	\$0.27	\$403	Gwalia & Southern X	308
Oceana Gold Corporation	OGC	\$1.09	\$175	Macraes/Reefton	285
Intrepid Mines Limited	IAU	\$0.30	\$126	Paulsens	75
Tanami Gold NL	TAM	\$0.03	\$121	Coyote	50
Norton Goldfields Limited	NGF	\$0.25	\$121	Paddington	161
Silver Lake Resources Limited	SLR	\$0.53	\$95	Daisy Milano	55

Source: Stonebridge Group

NGF looks attractive on both EV/Reserve and EV/Resource multiples

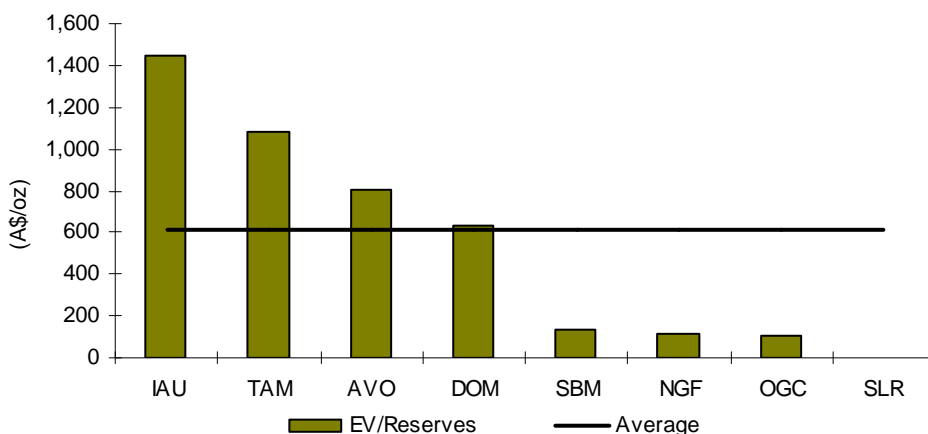
We have assessed NGF against its peer group using EV/Resource and EV/Reserve multiples. The charts below demonstrate NGF's attractiveness on both EV/Resource and EV/Reserve multiples verses the majority of its peer group. We note that in most cases high grade underground mines attract higher multiples on both reserves and resources. Our \$0.45/share valuation implies EV/Reserve and EV/Resource multiples of A\$234/oz and A\$30/oz respectively.

EV/Resource Peer Group Comparison



Source: Stonebridge Group

EV/Reserve Peer Group Comparison



Source: Stonebridge Group

2 Company overview

BACKGROUND

Paddington Mine currently produces 130kozpa

Norton Goldfields Limited (NGF) is a gold production and exploration company with assets in Western Australia and Queensland. The company's core project is its 100% owned Paddington Gold Mine, which boasts 7.8Moz in JORC resources and is currently producing around 130kozpa. NGF also has a 100% interest in the Mount Morgan Tailings project and the Norton Gold Mine in Queensland.

Mount Morgan to become second production centre

The company was founded in December 2004 for the purpose of acquiring gold and copper projects in Queensland. NGF's initial portfolio of projects consisted of the Norton Gold Mine, the Many Peaks copper project and a number of exploration assets in Queensland. The company was admitted to the ASX on 16 September 2005 after raising \$4.3M via an IPO. In April 2006 NGF acquired the Middlemount (Sienna & Electra) Coal project.

In early 2007, NGF completed two significant acquisitions. The Mount Morgan Tailings project was acquired in January 2007 for \$4.5M in cash. In April 2007 NGF entered into an agreement with Barrick Gold to acquire the Paddington Gold Mine for \$45M. Funding of the purchase was arranged by Grange Securities (a subsidiary of Lehman Brothers) and NGF officially took control of Paddington on 24 August 2007.

NGF significantly increased its tenement holding and resource base in May 2008 through a \$17M merger with Bellamel Mining Limited (BMM). The acquisition of BMM added over 2.8Moz of resources located within 40km of the Paddington mill. The BMM assets are now referred to as Kalgoorlie West. The acquisition was completed in mid October 2008 with BMM being delisted on 14 October 2008.

NGF project locations



Source: NGF

SUMMARY OF PROJECTS

Paddington production set to increase to nearly 200kozpa

NGF's core asset is its 100% owned Paddington Gold Mine, located 40km north of Kalgoorlie in Western Australia. The project consists of a 3.0Mtpa carbon in pulp (CIP) processing plant and a significant tenement holding that currently contains 1.0Moz in JORC compliant reserves and 7.8Moz in JORC compliant resources. Production is currently running around 130kozpa with ore being sourced from a number of open pits but is expected to rise to nearly 200kozpa once underground mining commences in late 2009.

The Mount Morgan Tailings project is located 35km from Rockhampton in Queensland. The project consists of a number of tailings deposits from previous mining operations that currently contain around 200koz in JORC compliant resources. NGF is planning to relocate the Kundana process plant to Mount Morgan and re-treat the tailing to produce 30-40kozpa of gold over a 10-12 year period.

57.0Mt PCI and thermal coal resource defined at Sienna

The Sienna and & Electra Coal projects are located within the Middlemount coal lease in the Bowen Basin in Queensland. Drilling undertaken by NGF has defined a JORC compliant resource of 57.0Mt at the Sienna project which consists of both PCI and thermal coal. Drilling at Electra, which is prospective for coking coal has yet to be undertaken.

The Norton Gold Mine and the Many Peaks copper projects have been owned by NGF since the IPO in 2005. A small JORC resource has been defined at Norton, however with the focus now on Paddington, Mount Morgan and the Sienna and & Electra Coal projects, these assets have become less significant for the company.

CAPITAL AND SHAREHOLDER STRUCTURE

Simple capital structure

NGF's capital structure is relatively straightforward. The company has 420.0M ordinary shares on issue and 74.5M options, the bulk of which are unlisted. There are 8.4M listed options that trade under the ASX code NGFO. These options have an exercise price of \$0.20/share and expire on 8 October 2010. The unlisted options have exercise prices ranging from \$0.12 - \$0.40 and expire between August 2008 and December 2012. The exercise of all listed and unlisted options would raise NGF \$15.1M in cash.

In addition to the equity NGF also has 380 \$100,000 unsecured convertible notes on issue. The notes are unlisted, have a fixed interest rate of 11.0%pa, a conversion price of \$0.25/share and are convertible at anytime up until 27 August 2011. NGF can force conversion if its share price trades above \$0.375/share for twenty consecutive days.

Founding shareholders dominate registry

NGF's shareholder structure is dominated by its two founding shareholders, Ian McCauley and John Rawlins, who hold 64.6M and 54.6M shares respectively. Both major shareholders also hold \$5M in convertible notes. Aside from the two major shareholders, NGF's shareholder base is diverse with the remainder of the top 20 accounting for less than 30% of the group's issued capital.

BOARD AND MANAGEMENT

Anthony McLellan – Non-Executive Chairman – Anthony McLellan has over 25 years experience in the mining industry. He has held a number of executive roles including President and CEO of the predecessor to Barrick Gold. He is currently a Director of Allomak Limited and was previously a Director of Felix Resources Limited and BeMaX Resources Limited.

Jon Parker – Managing Director – Jon Parker has broad experience in the mining industry having spent 26 years with Rio Tinto Limited in a number of roles and 4.5 years as Managing Director of Felix Resources Limited. During his time at Felix, the company's market capitalisation grew from \$17M to over \$500M.

Timothy Prowse – Non-Executive Director – Timothy Prowse is a qualified mining engineer with over 25 years experience in the mining industry. He has worked in a number of major mining projects in Australia, Papua New Guinea, Zimbabwe and South Africa. Timothy currently operates a private mining and earthmoving contracting business and is currently a Director of Micona Mining Pty Ltd.

Mark McCauley – Non-Executive Director – Mark McCauley is Managing Director of the private equity firm RMM Capital. He has significant experience in the resources industry having spent time at Mount Isa Mines and was the Chief Financial Officer of Felix Resources Limited until mid 2007.

Ian McCauley – Alternative Non-Executive Director – Ian McCauley is an Alternative Non-Executive Director for Mark McCauley. He has extensive experience in the resources sector and has held roles including Non-Executive Chairman of Felix Resources Limited and a Non-Executive Director of Queensland Nickel Limited. Ian is a major shareholder in NGF.

Simon Brodie – Chief Financial Officer & Co-Company Secretary – Simon Brodie is an accomplished financial executive with significant experience in the resources industry. Prior to joining NGF Simon was the Chief Financial Officer of Tamaya Resources Limited.

Jon Price – General Manager Paddington – Jon Price is a qualified metallurgist with over 13 years experience in the Western Australian gold mining industry. His previous experience includes time with Gold Fields' St Ives operation near Kalgoorlie.

Andre Labuschagne – Project Director – Andre Labuschagne has more than 17 years experience in the mining industry at both operational and management levels. In 2002 Andre was appointed as Head of Finance and Administration for DRD Gold and in 2004 he moved to Queensland to open DRD Gold's Australasian office.

Leni Stanley – Co-Company Secretary – Leni Stanley is a partner of Stanley Yeates & Associates, Chartered Accountants. She has over 20 years experience providing corporate and accounting services to ASX listed companies, mainly in the resources sector.

3 Paddington Gold Mine

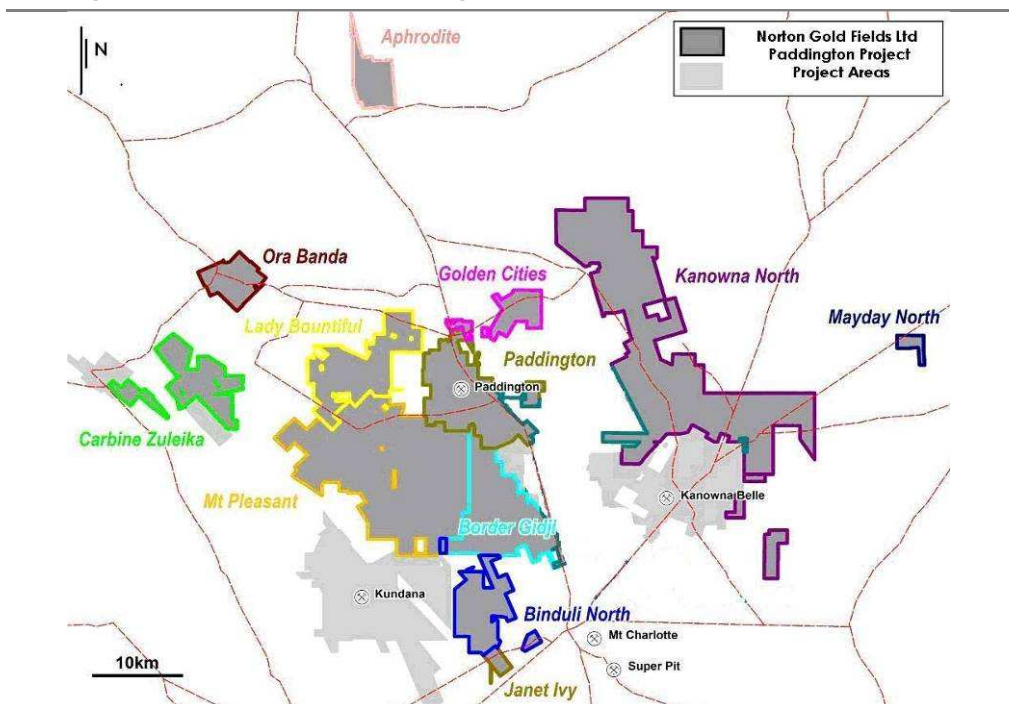
PROJECT OVERVIEW

Acquired from Barrick for
\$45M plus \$16M in
environmental bonds

The Paddington Gold Mine is located 40km north of Kalgoorlie in Western Australia. The project was acquired by NGF from Barrick Gold in April 2007 for \$45M plus replacement of the \$16.0M environmental bond. Funding for the acquisition was arranged by Grange Securities (now Lehman Brothers) through a combination of \$35M in equity and \$40M in convertible notes. NGF was required to hedge around 50% of Paddington's forecast production as part of the funding agreement.

The project consists of a 3.0Mtpa CIP processing plant and a significant tenement holding covering nearly 1,200km². The acquisition also included the small Kundana processing plant, which NGF is relocating to Mount Morgan. At the time of the acquisition Paddington had 1.4Moz in JORC resources and minimal JORC reserves.

Paddington Gold Mine tenement holding



Source: NGF

BACKGROUND

Project has been operating
since 1984

The Paddington Gold Mine has a long operational history. The project was developed in 1984 by Pancontinental Mining (later Goldfields Limited) as an 875ktpa open pit project. The mill was expanded to 1.2Mtpa in 1986 with mining sourcing ore from the Paddington I and Paddington II pits. A major expansion of the plant to 3.0Mtpa was completed in 1994 and in 1995 the project poured its one millionth ounce.

In 2000 and 2001 Pancontinental (now Goldfields Limited) acquired the Suva and Havana projects and the Mt Pleasant and Ora Banda Gold projects from Centaur Mining & Exploration Limited (CTR). In late 2001, Goldfields Limited merged with Delta Gold Limited to form Aurion Gold Limited (AOR), which was subsequently acquired by Placer Dome in 2002. Placer Dome merged with Barrick Gold in 2006 at which time Paddington become a non-core asset and was put up for sale.

Paddington Gold Mine Production History

Year end June	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Ore Milled (Mt)	3.2	2.4	1.6	2.7	3.2	3.1	3.0	2.8	3.0	3.0
Grade (g/t)	2.2	2.2	2.7	1.8	2.3	3.2	2.6	2.6	2.9	2.2
Production (koz)	209	162	132	148	225	308	244	243	259	214
Cash Costs (A\$/oz)	317	400	352	376	383	498	478	576	501	N/A

Source: NGF

OPERATIONAL OVERVIEW

Ore is sourced from several open pits

Mining at Paddington is currently undertaken at a number of different open pits. During FY08 ore was sourced from the Black Flag, Natal, Havana, Robinsons and Nemesis pits. Ore is currently being sourced from Havana, Robinsons and Greater Ballarat Last Chance (GBLC) pits with mining of the Janet Ivy pit set to commence later this year. NGF utilises conventional truck and shovel mining techniques with the addition of dozer push to remove pre-strip at GBLC. The mining fleet consists of five 777 Caterpillar (90 tonne) haul trucks, five 785 Caterpillar (137 tonne) haul trucks, two Komatsu PC 2000 shovels and associated service equipment. The mining fleet has the capacity to mine around 12-13M BCMs per annum.

Ore is processed using conventional CIP circuit

The Paddington mill is a conventional carbon in pulp (CIP) processing plant. The primary crushing circuit consists of a gyratory cone crusher. Crushed ore conveyed into the grinding circuit which consists of a 3.8MW SAG mill and 3.8MW ball mill. Milled ore then passes through the gravity recovery, flotation and cyanide leaching. Around 35-40% of gold is recovered via the gravity circuit. The remaining gold is recovered through the leaching circuit to produce gold doré bars, which are further refined to produce bullion.

Open Pit Mining



Source: Stonebridge Group

SAG and Ball Mill



Source: Stonebridge Group

RESERVES AND RESOURCES

Paddington boasts significant reserves and resources. At the end of June 2008 Paddington had JORC compliant reserves of 18.3Mt @ 1.8g/t containing 1.0Moz and JORC compliant resources of 76.0Mt @ 2.0g/t containing 5.0Moz. The tenements acquired from BMM, now called West Kalgoorlie, contained a JORC compliant resource of 74.9Mt @ 1.2g/t containing 2.8Moz.

Review of reserves and resources currently underway

NGF is currently reviewing its reserves and resources as part of the review of the life of mine plan. The reserves at the end of June 2008 contained only open pit although work completed on the Homestead underground project should see some underground reserves added for the FY09 update. NGF is also reviewing the West Kalgoorlie resources acquired through the BMM merger. Some of these resources are low grade and we would not be surprised to see downgrades to the current 2.8Moz resource.

PRODUCTION OUTLOOK

NGF released a life of mine plan for the Paddington Project in July 2008. The plan outlined a mining and milling schedule for Paddington for the next ten years and included a four year base plan and a further six year assumption based on the conversion of 60% of resources to reserves for open pit and the definition of approximately 2.0Mt of underground reserves/resources in addition to the Homestead deposit. The additional underground ore is expected to come from the Green Gum, Marlock and Tuart prospects.

Underground ore production to commence in late 2009

We have included only the reserves currently defined at Paddington in our production scenario for the project. Our forecasts assume 13.0Mt of open pit ore with an average head grade of 1.6g/t is mined over the next four years. We have also included the Homestead underground development in our forecasts. Homestead is expected to contribute 430kt @ 7.4g/t over an 18 month period from late 2009.

Our open pit mineral inventory is based on reserves from the GBLC, Robinsons, Havana, Janet Ivy, Federal, Golden Flag, Rose West, Mulgarrie, Mt Pleasant and Enterprise deposits. We have included only 50% of the Enterprise reserves in our forecasts as the deposit is refractory and will result in lower recoveries in the mill. The average strip ratio of the open pits is estimated at 6:1. Assuming 3.0Mt of open pit ore is mined per annum total material movements are expected to be around 7.5M BCMs per year.

The addition of underground ore lifts production to nearly 200kozpa

The inclusion of underground ore from late 2009 should see total gold production at Paddington rise to nearly 200kozpa. The increase in production should enable NGF to keep cash costs around the A\$800/oz mark as the higher production rate is offset by higher underground mining costs and increasing strip ratios at the open pits.

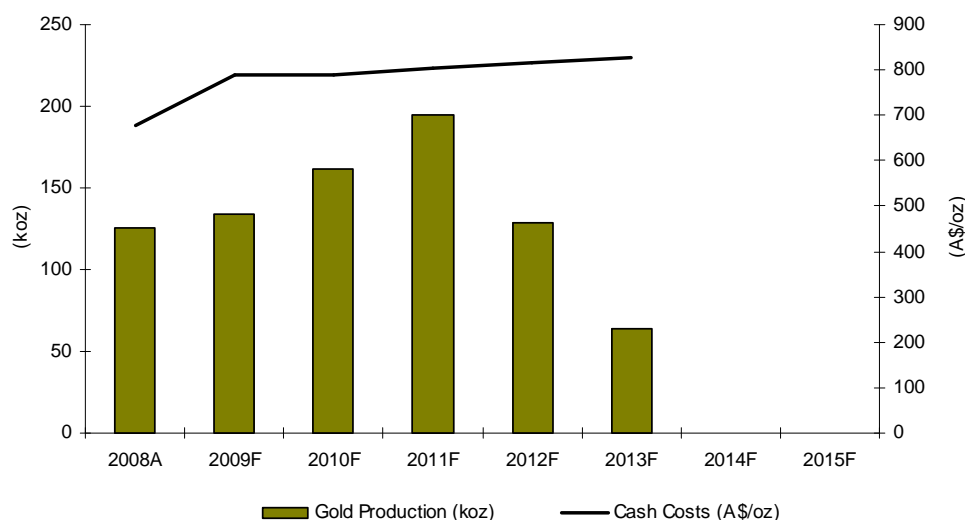
We have assumed an open pit mining cost of A\$16/t of ore mined over the life of our production scenario and A\$150/t of ore mined for the Homestead underground. Milling and general administration costs are expected to total around A\$16/t based on a 3.3Mtpa throughput rate. NGF is also required to pay a gross royalty of 3.0% which is included in our cash cost assumptions.

Paddington Gold Mine production forecasts

Year end June	2008A	2009E	2010E	2011E	2012E	2013E
Gold Production (koz)	126	134	161	194	129	64
Cash Costs (A\$/oz)	676	791	790	806	817	829
Gross Cash Costs (A\$/oz)	705	823	810	826	837	849

Source: Stonebridge Group

Paddington Gold Mine production forecasts



Source: Stonebridge Group

UPSIDE POTENTIAL

Significant upside potential to our development scenario

We believe the Paddington project has more than 5.0Moz of resources that are economically minable at current prices. The current reserves and resources include only 19 of the more than 100 known gold prospects and projects within Paddington's tenement holding. Our development scenario for Paddington includes only four years of open pit mining and 18 months of underground mining.

There is clearly significant upside potential to our production estimates for the project. NGF is currently completing a review of its life of mine plan at Paddington which will include a review of all reserves and resources, including those acquired through the merger of BMM. We believe that the definition of an additional 200koz of underground resources and the conversion of some of the open pit resources is highly probable.

Delivery of these targets could add at least three years to both open pit and underground mining, extending the life of the project to 2015 and maintain annual production at around 200kozpa until late 2013. Only limited capital would be required to extend the operational life should additional resources be defined. We note that the Homestead underground mine is being developed for less than \$15M.

4 Mount Morgan

PROJECT OVERVIEW

NGF acquired Mount Morgan for \$4.5M in cash

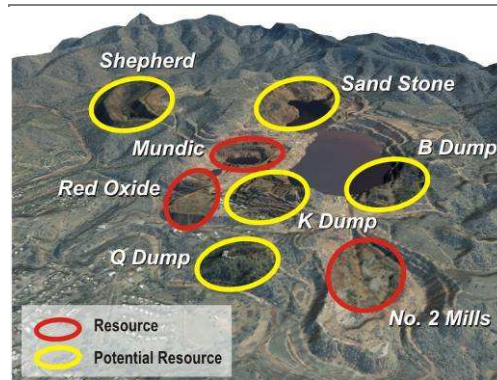
The Mount Morgan Tailings Project is located adjacent to the Mount Morgan township, some 35km south of Rockhampton in Queensland. NGF acquired a 100% interest in the project in January 2007. Initially the project acquisition cost was \$3.1M in cash and 10.5M shares in NGF however this was renegotiated to \$4.5M in cash in November 2007.

The project consists of 30 mining leases covering 677.5 hectares that contains a JORC compliant resource of 4.0Mt @ 1.6g/t Au, 0.13% Cu, 12% sulphur and 12% iron containing 201koz of gold and 5.1kt of copper. The resources are located in three separate tailings dams and two mullock dumps.

Over 100 years of mining has left significant tailings

Mining at Mount Morgan dates back over 100 years and the project has produced more than 8.0Moz of gold and 345kt of copper over its life. Between 1981 and 1991 a tailings re-treatment operation processing 28Mt of tailings using conventional processing technology achieving recovery rates around 55%. Around 12.0Mt of tailings remains on site, 4.0Mt of which are defined in the aforementioned JORC resource.

Mount Morgan Deposits



Source: NGF

Kundana processing plant



Source: NGF

DEVELOPMENT SCENARIO

NGF plans to process tailings to produce 30-40kozpa

NGF plans to recommence tailings treatment at Mount Morgan. The company is in the process of relocating the Kundana processing plant, which it acquired as part of the Paddington acquisition, to Mount Morgan. NGF plans to make some modest upgrades to the plant, which includes the addition of a flotation and copper circuit in order to process around 1.0Mtpa of tailings.

Initially NGF plans to produce gold from the tailings similar to the previous operation. A feasibility study indicated an initial capital cost of \$35M would be sufficient to relocate and refurbish that the Kundana plant and bring the project back into production. Initial test work indicated that recoveries over 73% for gold and 82% for copper could be achieved, producing around 30-40kozpa of gold, 1.0ktpa of copper and 200ktpa of pyrite.

The project is expected to be developed in two stages, stage 1 producing only gold with stage 2 producing gold, copper and pyrite. The higher recovery rates for gold compared to the previous operator are attributable to NGF revising and improving the gold recovery circuit with further test work and process development.

Over the first four years, tailings would be sourced from the Mundic, No 2 Mills and Red Oxide deposits. Production beyond year four would require the definition of additional JORC resources from the remaining 8.0Mt of tailings and mullock dumps. There is also a slag dump that contains a non-JORC resource of 6.0Mt @ 1.0g/t Au and 0.34% Cu although this has yet to be fully evaluated.

PRODUCTION OUTLOOK

NGF has approved the two stage development of the Mount Morgan project subject to funding being secured. Stage 1 consists of the relocation of the Kundana plant to Mount Morgan that will enable around 30-40kozpa of gold. Stage 2 involves adding extraction, cleaning and drying circuits to the plant to produce pyrite and copper in addition to the gold.

Capital costs estimated at \$35M

We have included only the Stage 1 development in our estimates for NGF. Our initial capital cost estimate is in line with the feasibility estimate of \$35M. We have only included the 4.0Mt of JORC resources in our production scenario for the Mount Morgan project. We have assumed the Mundic tails is processed first, followed by No 2 Mills and then Red Oxide. The No 2 Mills tails is the largest, accounting for 50% of JORC resources but is also the lowest grade.

Cash costs are expected to average around A\$600/oz with lower costs expected in year one as the higher grade Mundic tails is processed. Our cash cost assumption includes a gross royalty of 3.0% and a total operating cost of \$15.0/t.

Significant upside potential

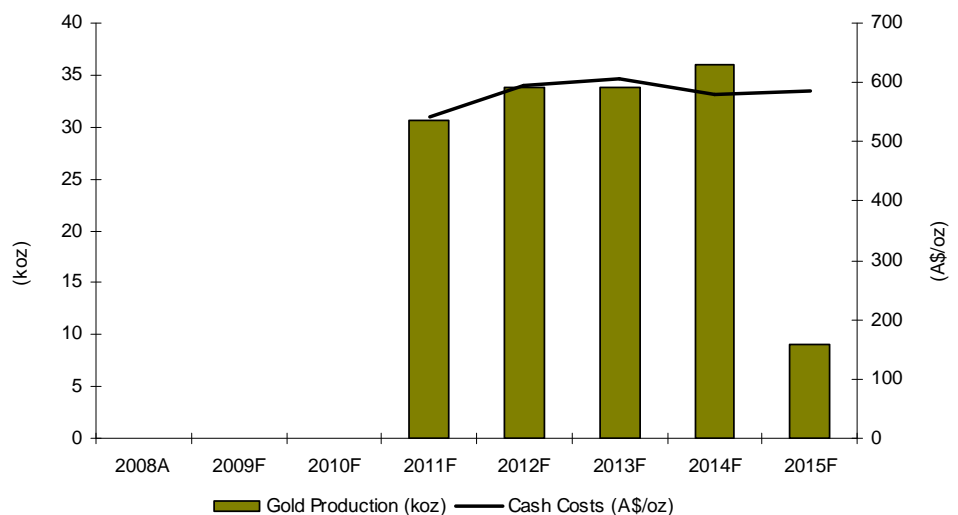
There is considerable upside to our development scenario for Mount Morgan. The approval of Stage 2 would add copper and pyrite sales to the project, significantly reducing cash costs. The inclusion of the remaining 8.0Mt of tailings and mullock dumps or the slag dump could more than triple the operational life of the project.

Mount Morgan production forecasts

Year end June	2008A	2009E	2010E	2011E	2012E	2013E
Gold Production (koz)				31	34	34
Cash Costs (A\$/oz)				541	595	606
Gross Cash Costs (A\$/oz)				567	624	635

Source: Stonebridge Group

Mount Morgan production forecasts



Source: Stonebridge Group

5 Other Assets

SIENNA AND ELECTRA COAL PROJECTS

Strategically located coal lease

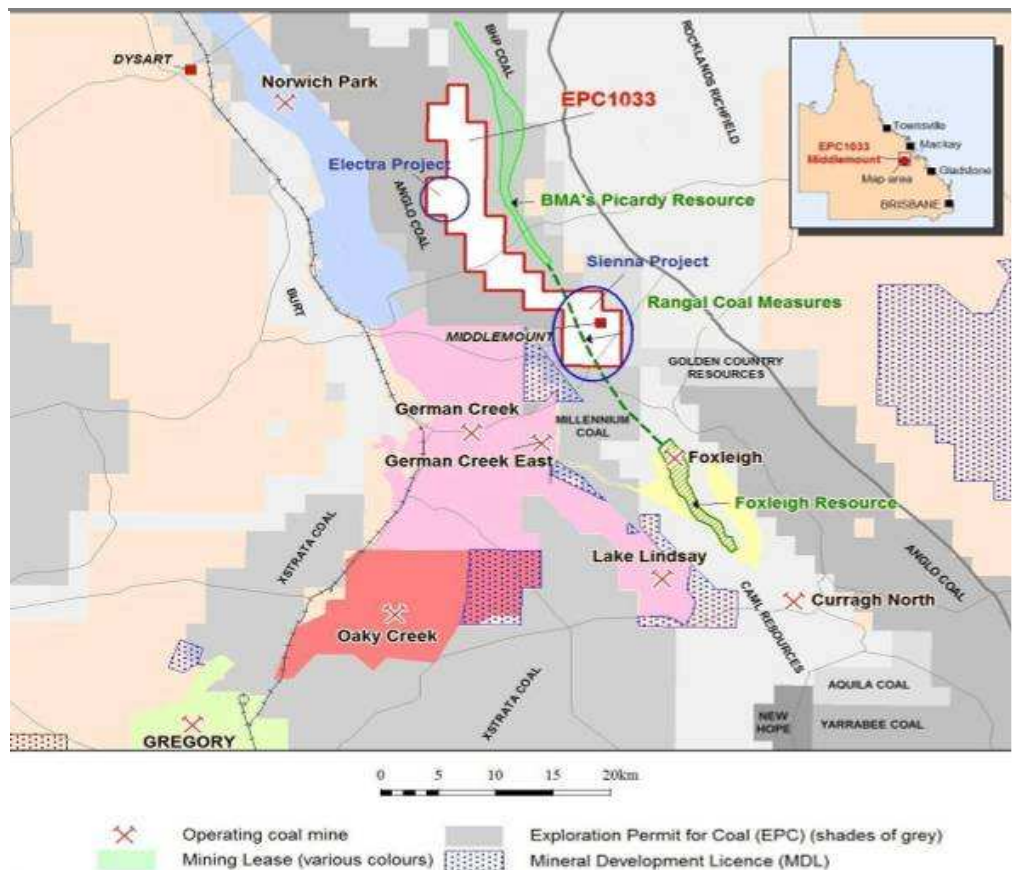
The Sienna and Electra Coal projects lie within NGF's Middlemount coal lease in central Queensland. The Middlemount lease (EPC 1033) was acquired by NGF in March 2006 and lies along strike from the BHP Mitsui Alliance's Picardy Resource and AngloCoal's Foxleigh mine.

57Mt PCI and thermal coal resource already defined

Drilling completed by NGF on the Sienna project has defined an JORC compliant inferred resource of 57Mt. The Sienna North deposit has a resource of 29Mt and Sienna South 28Mt. The resource contains both PCI and thermal coal and has been defined at depths ranging from 22m – 137m.

The Electra Project lies to the north west of Sienna and is believed to contain an extension of the German Creek seam at a depth greater than 350m. Coal at Electra is much deeper and Sienna but should contain mostly high quality coking coal. A drilling program at Electra is expected to be undertaken in 2009.

Middlemount Coal Lease



NORTON GOLD MINE

The Norton Gold Mine is located in the Boyne Valley in central Queensland. In its IPO, NGF reported a JORC resource of 4.5Mt @ 0.7g/t containing 107koz. NGF commenced a modest mining operation in late 2005 however operations were ceased in October 2006 due to issues with the Gympie Processing Plant, which NGF was toll treating ore. The Gympie plant is now closed and a redevelopment of the Norton Gold Mine will only be considered once Mount Morgan is up and running.

MANY PEAKS COPPER

The Many Peaks copper project is an exploration project which NGF has a 70% interest. The project is located 25km south of the Norton Gold Mine. Historical production at Many Peaks exceeded 500kt of copper ore.

Important Notice

Analyst Certification

As at the time of writing this report, the author did not hold shares in Norton Goldfields Limited (NGF).

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