

Quarterly Report: December 2007

About Norton Gold Fields

Norton Gold Fields is Australia's fourth largest ASX-listed gold producer.

The Company currently operates the Paddington Gold Mine at Kalgoorlie Western Australia and is planning to develop the Mount Morgan Gold Tailings Project in Queensland.

The Paddington Mine has a 3M oz resource and 3 Mtpa CIP plant capable of producing more than 150,000 oz of gold per year.

Norton plans to augment this with 50,000 oz of gold annually from a tailings re-treatment operation at Mount Morgan.

Norton also has active gold, copper and coal exploration projects.

Further strategic acquisitions of new resource projects are planned in order to build the Company into a significant mining house.

Norton Gold Fields (ASX: **NGF**)

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A. Anthony McLellan
Chairman

Jon Parker
Managing Director

Paddington Gold Mine exceeding all targets

KEY POINTS

Paddington Gold Mine

- **44,837oz gold produced at A\$559/oz cash operating cost**
- **832,714 tonnes of ore processed at 1.76 g/t, 93.3% recovery**
- **Remaining mine life increased to >10 years at 150,000 oz pa**
- **Mineral Resources increased to 3.17 Moz including 1.01 Moz of Reserves**
- **Senior staff recruitment completed**
- **Improvement program increased throughput and reduced costs**

Mount Morgan Gold Project

- **Acquisition cost reduced by restructuring Purchase Agreement**
- **Andre Labuschagne appointed Project Director**

Middlemount Coal Project

- **Drilling intersects 5 metres of coal at depths of less than <100 metres for 4 of 5 holes**

Corporate

- **Simon Brodie appointed CFO**
- **Cash at bank \$A33M**

Safety and environment

No lost time injuries (LTI) were recorded during the Quarter; there has been one LTI since the Company acquired the Paddington Gold Mine on 25 August 2007. Norton is committed to achieving zero lost time injuries and has an active safety program across its sites.

Norton has an active environmental management program and progressively rehabilitates its mining areas. No environmental breaches were recorded during the Quarter.

Paddington Gold Mine

The Paddington Gold Mine is a conventional open cut mine and carbon-in-pulp processing operation. It has one of the largest gold plants in Australia with capacity to process over three million tonnes per year.

Located 30 kilometres north of Kalgoorlie, Paddington is operated 365 days a year, 24 hours a day. Kalgoorlie is a major regional centre and the hub for mining in the central goldfields providing excellent support to the project - most staff live in Kalgoorlie.

Paddington's extensive mineral endowment comprises 1,200 square kilometres of tenements with more than 100 identified mineral deposits. Of these, 69 have recent exploration data, 10 are covered by the project's current Reserve/Resource statement.

A summary of Paddington's performance is shown in Table 1:

	December Qtr	September Qtr (5 wks)	YTD (25 Aug to 31 Dec)
Volume Mined (bcm)	1,961,531	528,425	2,489,956
Ore Mined (tonnes)	602,401	203,963	806,364
Ore Grade (g/t)	1.93	2.18	1.99
Ore Milled (tonnes)	832,714	308,275	1,140,989
Grade (g/t)	1.76	1.92	1.80
Recovery (%)	93.3	90.3	92.4
Gold Shipped (oz)*	44,837	18,183	63,020
Cash Operating Cost (A\$/oz)	559	465	533

* Includes gold in circuit change

Paddington produced 44,837 oz of gold over the Quarter including 876 oz from gold in circuit. Production was above plan due to favourable grade reconciliation and, for the processing plant, higher than budgeted throughput and recovery.

Cash operating cost was A\$559 per oz. This is a more reliable indicator of current cost performance than the A\$465 per oz for the previous Quarter – the latter is distorted by flow-on effects from the change of ownership on 25 August.

Mining

The current mining concept involves two open cut mines with one as the primary supplier of ore for the mill and the second under development (pre-strip). Paddington operates two mining fleets; equipment is dry-hired on a 'maintained' basis; operators are employees of the company.

During the Quarter, one fleet comprising a Liebherr 994-200 excavator and four Cat 785 trucks worked the Havana Mine and a smaller fleet comprising a Komatsu PC1250 excavator and four Cat 777 trucks worked the Natal mine.

The Natal Mine was completed during the Quarter. The focus in the March Quarter is on completing pre-strip for the Havana Mine.

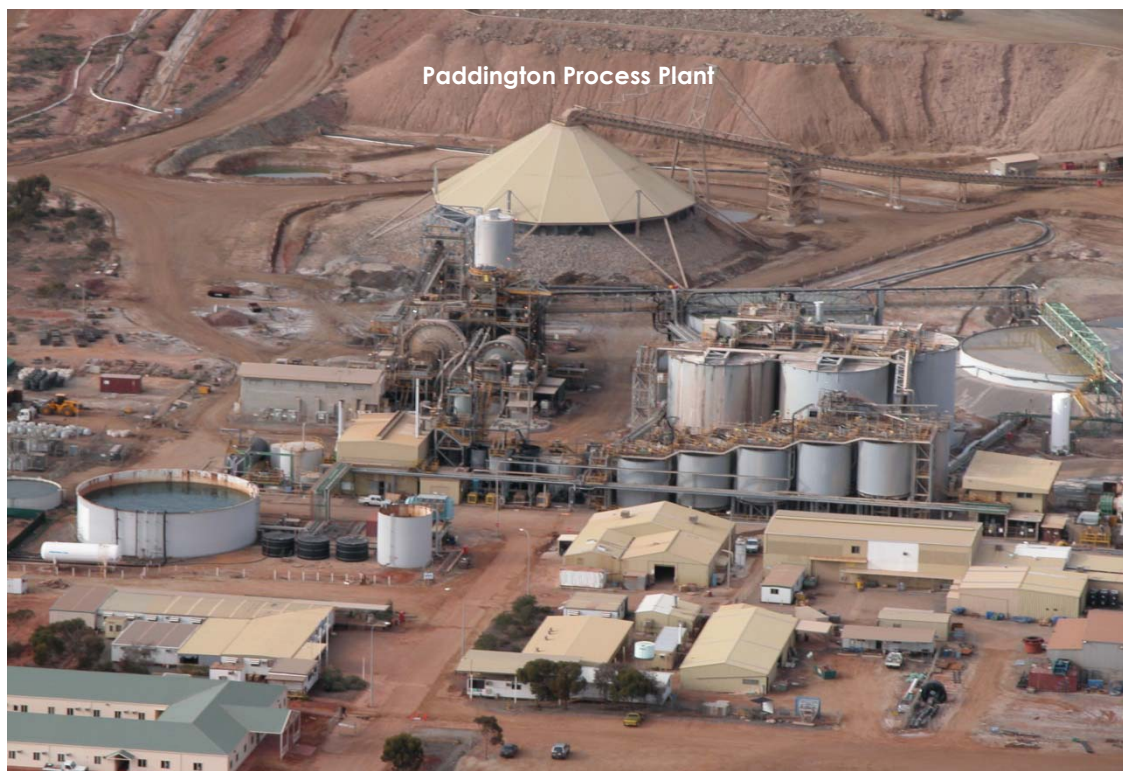
Processing

The Paddington processing plant comprises a primary gyratory crusher, SAG and Ball mill grinding, a gravity gold recovery plant and a standard carbon-in-pulp gold recovery circuit.

During the Quarter, 832,714 tonnes of ore grading 1.76 g/t were processed at an overall gold recovery of 93.3% and 44,837 oz of gold (876 oz from gold in circuit) was produced.

The plant operated at 3.3 Mtpa annualised rate, achieved utilisation of 91.2% and average throughput of 414 tonnes per hour. A major re-line of the SAG mill was undertaken. Changes to maintenance practices, most notably shift coverage, helped improve plant availability with the full effect of these changes expected to be evident in the March Quarter.

Gold recovery via the gravity circuit was up from 30% to 45%. This, along with better carbon management, was a significant driver of improved gold recovery and lower reagent costs.



Costs

Cash operating cost for the Quarter of A\$559 per oz is a great achievement when compared to past cost performance for the Paddington Mine.

In the year prior to Norton's acquisition, Paddington produced 259,000 oz from a head grade of 2.9 g/t for A\$501 per oz. December Quarter cost per oz was only 10% above this even though head grade was 40% lower from solely open cut operations. This result is a testament to the performance of the Paddington team.

The March and June Quarters of 2008 will involve considerable mine development activity and further initiatives to lower operating costs. Accordingly, at an annualized production rate of 150,000 oz per year Norton expects cash operating costs to be between A\$600 and A\$625 for FY2008.

The company has operated Paddington for 4 months. As the site team completes planning for its capital and value-add projects Norton will provide detail on long-term total cash costs and earnings.

Exploration

During the Quarter, expenditure on exploration was \$1.18M. As part of the mine field program 6,792 metres of reverse circulation (RC) and 2,107 metres of diamond drilling (DD) were performed on the Green Gums, Marlock and Janet Ivy projects.

The main focus of exploration activity was updating the Reserve/Resource statement following Paddington Mine coming under the ownership of an ASX-listed company.

The geological database acquired with Paddington in August 2007 includes data from approximately 60,000 holes and drilling/assessment work undertaken over more than 20 years. It reflects 69 previously drilled deposits and more than 100 known ore bodies over 1,200 square kilometres in a 40 kilometre radius from the Paddington Plant at Kalgoorlie.

The initial review of this extensive database undertaken over the Quarter focused on documentation detailing Resources and Reserves contained in 10 of the 69 deposits. The objective is, within two years, to complete an update of all remaining engineering and geological data to JORC standards. Work will be prioritised according to the mining schedule.

The results of the initial review, announced to the ASX on 15 January 2008, are:

Mineral Resources as at 31 October 2007 (inclusive of Mining Reserves)

Resource Category	Tonnes	Grade (g/t)	Gold (oz)
Measured Resource	1,042,000	1.9	64,700
Indicated Resource	36,101,300	1.9	2,180,600
Inferred Resource	17,357,100	1.7	926,800
Total Mineral Resource	54,500,400	1.8	3,172,100

Mining Reserves as at 31 October 2007

Reserve Category	Tonnes	Grade (g/t)	Gold (oz)
Proven Reserves	535,000	1.8	31,000
Probable Reserves	17,600,000	1.7	980,000
Total Ore Reserve	18,135,000	1.7	1,011,000

The company plans to further upgrade the Resource/Reserve statement in June 2008.

Value-add program

Prior to acquiring Paddington, Norton identified a set of initiatives expected to generate cost savings and improve productivity within the first six months of ownership. This value-add program was current during the Quarter; some of the initiatives were:

- Changing the hard: soft ore ratio to increase throughput
- Changing the maintenance practices and having tradespersons on each shift
- Fine-tuning the gravity circuit to improve gravity gold recovery
- Re-commissioning the carbon reactivation kiln
- Revising the mine plan to improve cycle times and earthmoving efficiency

To date, recurring annual savings and improvements valued at \$20.9M have been locked in - the full effect is expected to be evident over the March Quarter. Savings comprise:

Milling	\$11.1M	Mining	\$5.9M	Administration	\$3.9M
Maintenance	\$ 4.2M	Scheduling	\$4.5M	Overhead	\$1.8M
Ball consumption	\$ 2.1M	Mine design	\$0.9M	Cultural change	\$2.1M
Gravity circuit	\$ 2.5M	Weighbridge	\$0.5M		
Carbon regeneration	\$ 1.6M				
Mill overheads	\$ 0.7M				

Change management program

A change management program, current during the Quarter, has set Paddington up as a high performing site. Examples of initiatives successfully completed are:

- Target setting matched to incentive payments led to all targets being exceeded
- Creating genuine ownership:
 - \$1,000 of tax free shares in Norton issued to each employee
 - Options in Norton shares offered to each employee
 - Moving the majority of contract workers onto staff
- Onsite workshops identified improvements which have been/are being actioned

- Strong focus on outcomes, teamwork and cycle times
- Implementation of simple effective systems
- Appointment of high capability people to key roles

Mount Morgan Gold Project

The Mount Morgan Project incorporates 30 mining leases covering around 677.5 hectares. Norton plans to develop a project on the site to treat an initial four million tonnes of tailings and mullock to recover 180,000 to 200,000 oz of gold over 4 years. An additional 300,000 oz of gold contained in other resources has the potential to extend the life of the project.

During the Quarter, the Company successfully re-negotiated the purchase agreement paying cash of \$4.5 million to save around \$3.5 million.

Work focussed on gaining statutory approvals, finalising the mine plan and flowsheet.

Andre Labuschagne was appointed Project Director in December. He is an experienced mining executive with a track record in operational and financial roles in Africa, Australia and the Pacific with a range of gold companies. He also played a key role in Paddington's change management program and successful turnaround.

Middlemount Coal Project (EPC 1033)

A drilling program was initiated on the Middlemount Coal Project in the Bowen Basin, Queensland. This project has potential to develop into a valuable open cut coal mine.

The program had two targets:

1. **PCI grade coal:** Shallow Rangal Coal Measures in the south eastern section of the tenement, prospective and amenable to open cut mining.
2. **Premium coking coal:** In the northern and western sections of the tenement, in the German Creek Formation is projected at depths from 250 metres.

Four of the first five holes of a 9-hole program intersected good coal widths at shallow depth. Deeper holes planned for January have been delayed by the recent flooding in central Queensland. Drilling will be completed once site access is re-established.

Results are summarized in the table over the page (all figures in metres).

Hole No.	Total depth	Intercept Leichhardt Seam	Intercept Vermont Seam	Comments
MM 001	153	84 to 89	113 to 115.5	
MM 002	153	49.5 to 54.0	75.5 to 79.0	
MM 003	30			Hole intersected volcanics and abandoned at 30 metres
MM 004	153	26.7 to 31.0	68.5 to 70.0	
MM 005				Not drilled
MM 006				Not drilled
MM 007	65	51.9 to 56.0	Not intersected	Hole collapsed and abandoned prior to reaching Vermont Seam
MM 008				Not drilled
MM 009				Not drilled

Corporate

Director

Mark McCauley was appointed to the Board of Norton on 4 September 2007. Previously he was CFO of Felix Resources Limited and is currently Managing Director of RMM Capital. Mr McCauley brings deep experience in mining as well as Mergers and Acquisition.

Company Secretary

Simon Brodie was appointed Chief Financial Officer during the Quarter and takes the role as a co-company secretary

Cash and funding position

At the end of December, the Company had \$33.07M (excluding \$16M cash on deposit for bonds) cash at bank. Debt comprised \$40M of Convertible Notes (CN).

Hedging

A requirement of the CN issued to fund the acquisition of Paddington was a hedging strategy to provide credit providers comfort over the company's future cash flow.

Accordingly, Norton sold forward 330,000 oz at an average rate of \$A875 oz. The company also purchased 145,000 oz of gold put options at A\$760 per oz covering the period to June 2010.

Norton had, at 31 December, 315,000 oz sold forward at \$A877 through to June 2012. The total amount hedged represents approximately 50% of annual production based on 150,000 oz per year.

Corporate Directory

Board of Directors

A. Anthony McLellan
Chairman

Jon Parker
Managing Director

Tim Prowse
Executive Director

Mark McCauley
Non-executive Director

Company Secretary

Leni Stanley
Simon Brodie

The information contained in this report which relates to mineralisation, Reserves or Resources accurately reflects information contained in reports prepared by Competent Persons as defined by the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves" (JORC Code) with relevant experience in relation to such mineralisation. They have consented to the presentation of the information in the form and context in which it appears.

Issued Share Capital

Norton Gold Fields has 324.1 million ordinary shares currently on issue.

In addition, there are 8.3 million listed options with an exercise price of \$0.20 and an exercise date of 10 August 2010. There are also 61.8 million unlisted options.

Quarterly Share Price Activity

2007	High	Low	Last
March	\$0.230	\$0.065	\$0.200
June	\$0.300	\$0.150	\$0.240
September	\$0.345	\$0.180	\$0.250
December	\$0.585	\$0.255	\$0.505

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