

New Guinea Gold Corp. (TSX.V: NGG) – Update on Production and Exploration at Sinivit and Imwauna

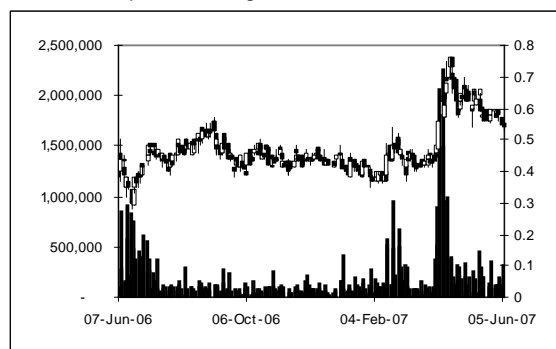
Sector/Industry: Junior Mining

www.newguineagold.ca

Market Data (as of June 8, 2007)

Current Price	C\$0.55
Fair Value	C\$0.80 (↑)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.28 – C\$0.76
Shares O/S	108,753,934
Market Cap	C\$59.81 million
Current Yield	N/A
P/E	N/A
P/B	3.28
YoY Return	25.0%
YoY TSX	20.3%

*see back of report for rating and risk definitions



Investment Highlights

- New Guinea Gold began production at the Sinivit property in Papua New Guinea on April 30, 2007. They expect to ramp up to full scale production of 3,000 ounces/month by October 2007.
- Grade control drilling at Sinivit resulted in much higher grades than previously expected.
- Drilling continues to intersect very high grades at the Normanby property. In this report, we assign a greater value to this property based on our own resource estimates.
- A proposed spin-off of seven of the company's properties into two separate companies will allow NGG to focus more actively on the advancement of its core properties.

Risks

- The company is exposed to all the risks associated with a mineral exploration company that does not have any operating mines. The success of drilling, resource expansion and development are very important for the company's future success.

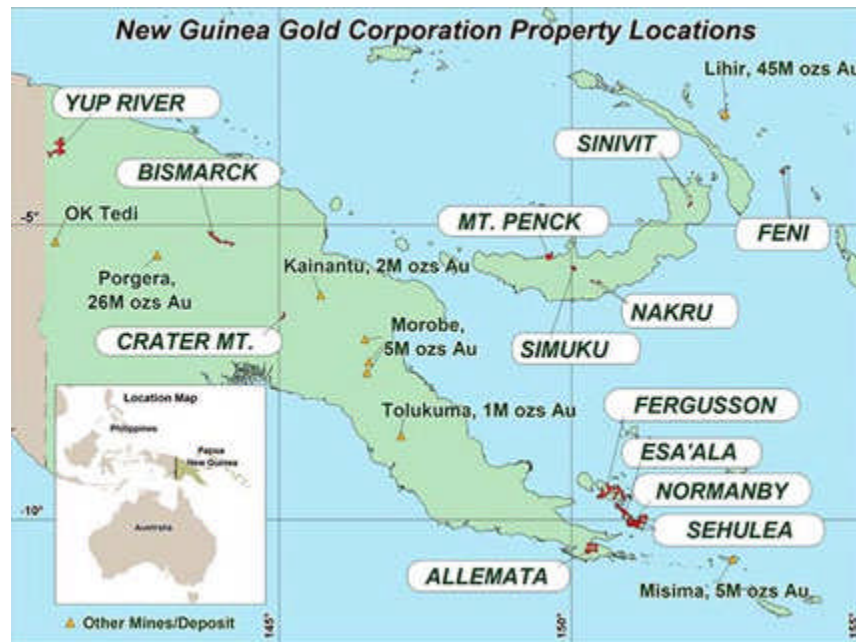
Key Financial Data (FYE - December 31)

(C \$)	2003	2004	2005	2006	2007-Q1
Cash	2,838,230	4,980,293	1,700,535	1,455,512	3,923,649
Working Capital	2,369,303	5,146,570	1,447,983	991,436	3,102,203
Mineral Prop. & Mine Dev.	414,123	2,081,433	4,053,188	12,222,257	13,684,943
Total Assets	3,473,357	8,315,892	7,445,855	16,150,638	19,672,350
Net Income	(681,619)	(855,840)	(2,434,467)	(1,296,170)	(811,399)
Loss per Share	(0.02)	(0.02)	(0.04)	(0.01)	(0.01)

New Guinea Gold (NGG) is focused on a number of properties in Papua New Guinea. They began production at Sinivit in late April 2007, and will utilize revenues to fund exploration on its other key properties. The company is planning to spin off seven of its properties into two separate entities in 2007.

Company Overview

In our initial report, dated March 2, 2007, we introduced New Guinea Gold, a junior mining company focused on a number of properties in Papua New Guinea. Since our initial report, the company has met expectations in commencing production at their Sinivit property. **Drilling results from Sinivit and Normanby/Imwauna have been positive.** Grade control drilling at Sinivit indicates that several sections of the deposit may be higher grade than previously calculated in the NI 43-101 compliant resource. The company expects to celebrate their first gold pour at Sinivit in June 2007.



The location of New Guinea Gold's 12 properties. The Esa'Ala property is no longer in the company's holdings.

Source: New Guinea Gold

Properties

Sinivit/Wild Dog Gold Property

Property Overview: The 4,300 hectare Sinivit (Wild Dog) property extends 10 kilometers in length. This is New Guinea Gold's most advanced project and commenced production in late April 2007. At this time, the company is only planning to mine the oxide resource on the property. Thus, the currently projected mine life of this indicated resource is three years based on inferred resources. Our conversations with management indicate that part of their reasoning for putting the Sinivit property into production is to gain positive cash flow to finance exploration and development of their two other priority properties.

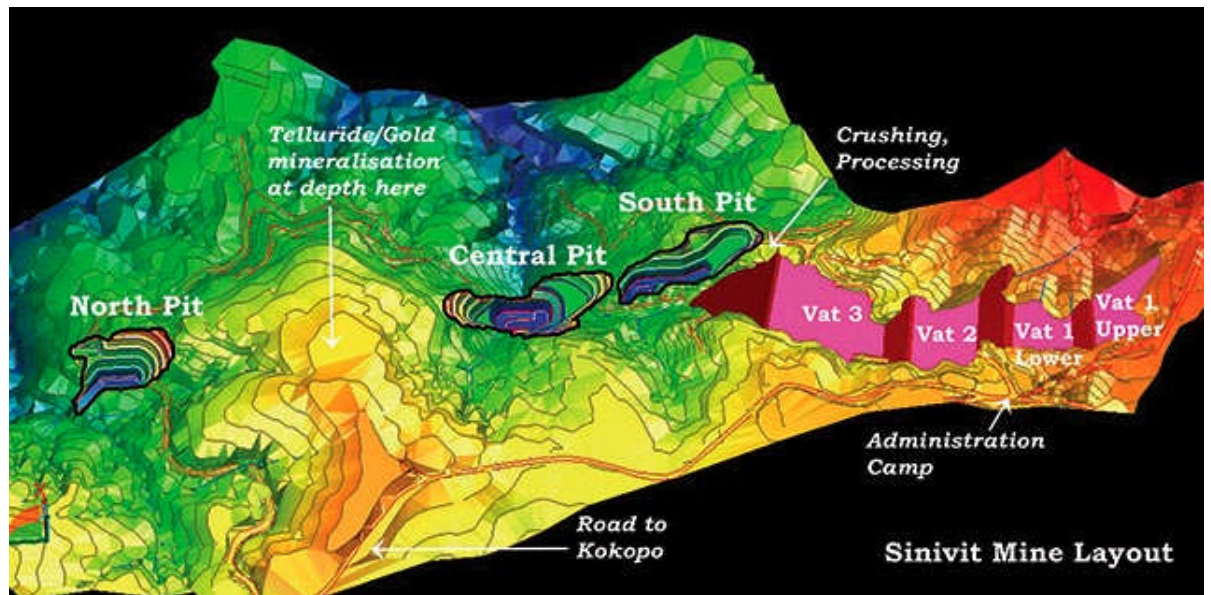
Ownership: New Guinea Gold's subsidiary, Macmin PNG holds an interest in 92% of the property. Gold Mines of Niugini Holdings Pty Ltd holds the other 8%.

Geology and Mineralization: The mineralization of the Sinivit property is contained in two main systems. There are two major north-northeast trending copper-gold-telluride epithermal vein systems, the Wild Dog and Gunsap Mountain. Initially, New Guinea Gold

will be mining the wide, oxidized, near surface, low-grade gold deposits that are remobilized from the high grade, narrow vein sulfide mineralization below. The oxidized deposits are of variable depth and width, but are contained in the top 30 meters. The quartz vein structures extend over 10 kilometers, and have only been explored for about 2 kilometers.

Metallurgy: New Guinea Gold is using a vat leaching system for gold recovery. This process is used for oxide ores with coarse gold that is not grind sensitive. Vat leaching is similar to heap leaching: coarsely crushed ore is contained within a vessel or other impermeable containment, and is flooded with a cyanide solution. The gold bearing solution is then collected and processed. Using vat leaching will save on grinding, processing, and tailings disposal costs for the company.

According to the most recent news, the company has filled Vat 1A and 1B, and expects to fill Vat 1 in June or July.



Source: New Guinea Gold

Mine Design: New Guinea Gold contracted the mine design to Minserve, who completed the technical report on the property. Based on the mineralization, three open pits were designed, known as the Southern Oxide, Central Oxide, and Northern Oxide. The depth of these pits is limited by high copper mineralization in the ore at a depth of 30 meters.

Current Developments: At the time of our initial report, the company was estimating that production would commence in early April and they would reach full-scale production (35,000 ounces/year) by the end of June 2007. The company announced the commencement of production in late April and expects to celebrate their first gold pour by the end of June. They expect to reach full-scale production of 3,000 ounces/month by October 2007.

**2007 Drilling
Results at
Sinivit**

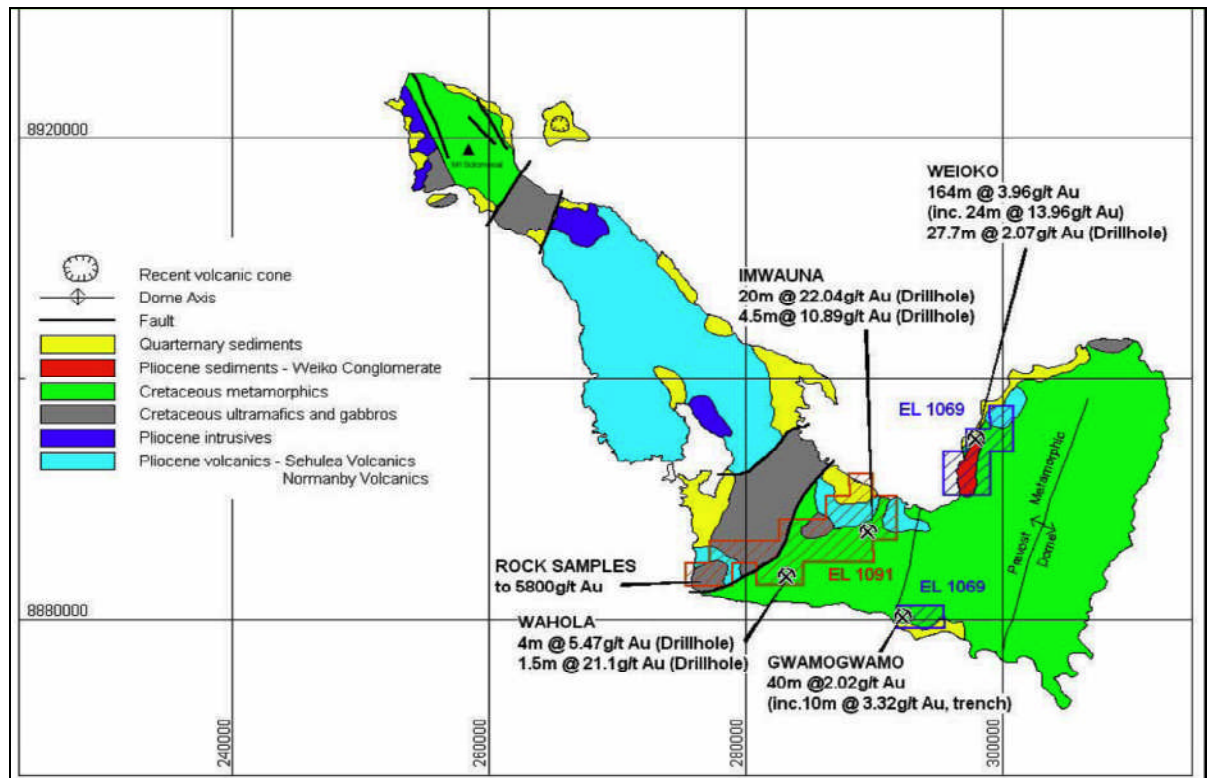
The company has completed a 68 hole, 2,040 grade control RC drilling program on the Southern Oxide pit in conjunction with development and production activities. The results have been positive, including several drill holes that have intersected higher-grade ore than that used for the NI 43-101 compliant resource estimate. The holes were drilled to 30 meters depth, which is the open pit depth determined based on metallurgical conditions. The drilling results averaged 12 g/t, and many holes exhibited the best grades at depth. This includes several deeper intervals of 30-70 g/t gold in the bottom 10 meters. **This average grade is much higher than the 3.81 g/t grade for the Southern Oxide pit estimated in the NI 43-101 compliant resource estimate.**

Resource Estimate: A NI 43-101 compliant indicated mineral resource of 306,400 tonnes having an uncut grade of 5.3 g/t Au (4.0 g/t Au cut) has been estimated for the Southern, Central and Northern Oxide zone pits, the only resource that NGG is planning to mine at this time. The close spaced drilling of the Southern and Central Oxide zones would normally qualify as a measured resource. The topography made the drilling of regularly spaced holes difficult and thus the mineral resource is classified as indicated.

Resource	Zone	Classification	Tonnage	Grade (g/t)	Ounces
Indicated	Oxide	Low Cu-Und	413,100	4.40	58,000
Indicated	Oxide	High Cu	98,000	4.00	12,700
				Total:	70,700
Indicated	Sulfide		201,600	9.42	61,000
Resource that will be mined					

Resource	Zone	Classification	Tonnage	Grade (g/t)	Ounces
Inferred	Southern Oxide	Low Cu-Und	11,200	3.81	1,400
Inferred	Central Oxide	Low Cu-Und	76,900	4.43	10,900
Inferred	North Oxide	Low Cu-Und	15,500	4.98	2,500
Inferred	Kavursuki		219,300	2.10	14,800
Inferred	Northern Sulfide		16,700	9.97	5,400
Total					35,000
Resource that will be mined					

Potential: New Guinea Gold will continue exploration on the Sinivit property and is drilling there to expand their resource to extend the project's mine life. They expect to release a new NI 43-101 compliant resource estimate early in 2008.



Two of the company's three key projects are located on Normanby Island. The Imwauna and Weioko properties are considered to be prospective for a multi-million oz deposit.
Source: New Guinea Gold

Normanby Property/ Imwauna Prospect

Property Overview: The Normanby Island property is located on a small island off the east coast of the main New Guinea island. There are 20 named prospects, including Imwauna. We believe these groups of properties, especially Imwauna, are perhaps New Guinea Gold's most exciting prospects. We also believe that Imwauna has the potential to become a major gold mine. The excellent gold grades, potential for further mineralization, and location are all major assets to this project.

Ownership: New Guinea Gold maintains 100% ownership of this property.

Previous Production and Exploration: New Guinea Gold has conducted an extensive trenching program and has collected 2,040 kilograms of bulk samples from 38 trenches over a 1,240 m strike length. These bulk samples identified a high-grade central core of the vein system, with an average gold grade of 26.4 g/t. This trenching did not target the lower grade hanging and footwall mineralization, or the inter vein gold mineralization. Since then, the company has been drilling to define a NI 43-101 compliant resource.

The recent trenching of Imwauna produced excellent high-grade results. The company completed 24 excavator trenches to 5 meters depth, and over a 1.2 kilometer strike length of the central zone, the mineralization averaged 26.4 g/t gold over 1 meter width.

Geology and Mineralization: Mineralization on the Imwauna property is epithermal quartz gold veins with disseminated gold mineralization in soils. Exploration thus far has defined a north trending zone that is between 1,000-2,000 meters wide and 4 kilometers in strike length.

IP Geophysics also identified the Knob Prospect, a large disseminated mineralization deposit located at the northern end of the property, separate from the main zone at Imwauna.

Current Developments: The company is expecting to release a NI 43-101 compliant resource on this property based on the company's 2006 drilling program, totaling 110 holes. They plan to continue drilling in 2007 to expand the deposit size and upgrade the resource. Thus far, 92 holes have 380m of intersections above 0.5g/t gold giving an average intersection per drill hole of 4.13m at 8g/t gold and 15.4g/t silver. **This is an excellent grade and width for mining, and indicates potential for open pit and underground mining at the property.** Exploration to date suggests a possible open pit grade of 8g/t gold and underground grade of 15.5g/t gold.

The company has continued to release drilling results since our initial report that highlight the high-grade potential of the deposit for both gold and silver. These results include 23 g/t gold over 0.70 meters and 44 g/t gold over 1.44 meters. They have also been drilling other prospects on Normanby Island, including Sehulea and Ebessowa.

Resource Estimate

Resource Estimate: This property has a historic inferred resource estimate of 990,000 tonnes at 6.1 g/t gold and 12 g/t silver, equaling 194,000 ounces of gold. This resource was calculated by Macmin Silver Ltd based on 1,204 meters of drilling in 15 holes in the late 1990s. Although it is not NI 43-101 compliant because it was calculated before the implementation of NI 43-101, it complies with Australia's JORC code, which is roughly equivalent. We will use this historic resource estimate in our valuation, with a higher discount rate to account for the uncertainty of historic resource estimates.

According to management, the company is targeting an initial resource of 2.5-5 million tonnes at 8 g/t gold. The potential for a Misima sized orebody of 4-5 million ounces of gold has been discussed, and is the company's longer-term target for the deposit.

We believe the high-grade drilling results indicate great potential for a resource at Normanby/Imwauna. Based on the company's drilling results, and the known dimensions of the vein, we have calculated a preliminary resource estimate using conservative factors. For the purposes of our valuation, we have calculated a very rough tonnage estimate based on strike length, width, and depth currently identified through drilling. We used 8 g/t gold and 12 g/t silver to calculate a resource, which is roughly on the level of an inferred resource. Thus, we will discount this resource by 50% in our valuation.

Total strike length: 1,250 meters x 2 vein systems = 2,500 meters

Note: The company has defined a strike length of 1,250 meters based on trenching.

Depth: 300 meters

Note: The company has drilled to at least 300 meters depth.

Width: 3 meters

Note: The company believes 3 meters is an appropriate width for open pit mining.

Specific gravity: 2.8 tonnes/m³

Percent Ore Grade: 50%

2,500 m x 300 meters x 3 meters = 2.25 million m³ x 2.8 tonnes/m³ = 6.3 million tonnes x 50% ore grade = **3.15 million tonnes ore**

3.15 million tonnes ore x 8 g/t gold = **810,211 ounces gold**

3.15 million tonnes ore x 12 g/t silver = **1,215,317 ounces silver**

We expect to see a NI 43-101 compliant resource estimate at Imwauna in the next year. This resource will be in the measured, indicated, and inferred categories.

Potential: Management estimates that only 15% of the mineralized portion of the property has been drilled. We believe, as does management, that this property's potential, including its very high-grade ore and Misima style mineralization, gives it a strong possibility of acquisition by a larger mining company. Thus, the company may consider selling the property rather than putting it into production.

***Sehulea/
Weioko
Property***

Property Overview: The Sehulea property is located adjacent to the Normanby property, and was acquired by the company based on their successful exploration of Normanby. The company has largely focused on Sinivit and Imwauna, so for the past four years the company has been doing the minimum exploration to keep the property in good standing.

Ownership: New Guinea Gold owns 100% of this property.

Current Status: The company has completed a drilling program at Sehulea, but drilling results have not been released yet.

Resource Estimate: This property has a historic inferred resource estimate of 1.7 million tonnes at 1.36 g/t gold, and 12.3 g/t silver, equaling 75,000 ounces gold, and 676,000 ounces silver. As with other properties, this resource was calculated in accordance with Australia's JORC code, which is roughly equivalent to NI 43-101. However, this resource is still not NI 43-101 compliant.

***Proposed
Reorganization***

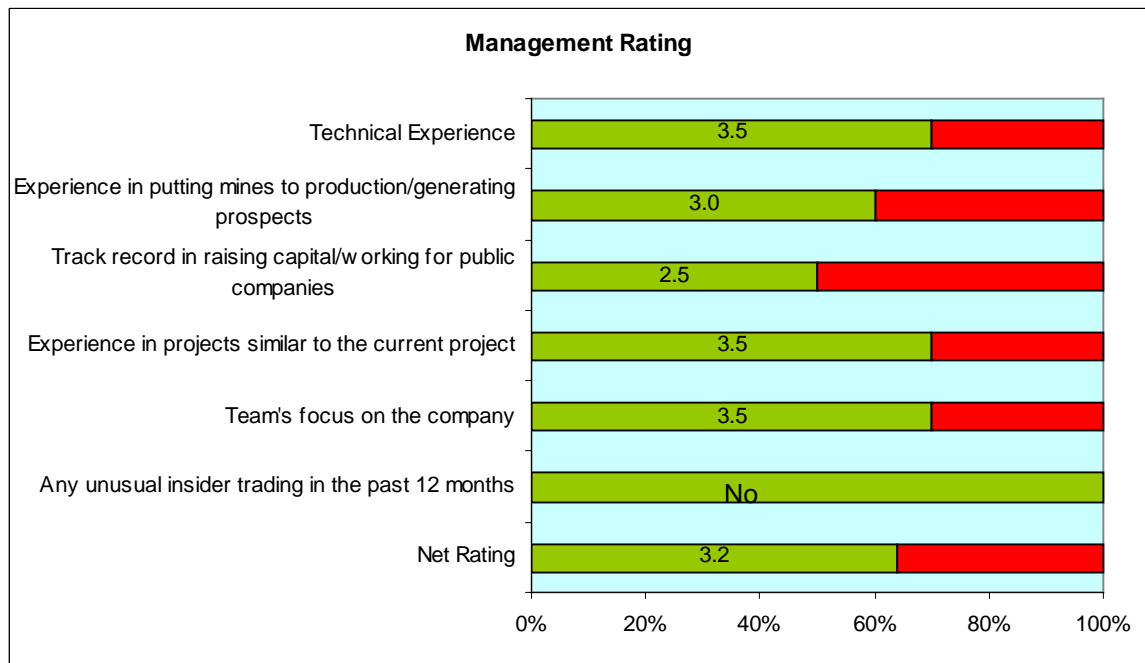
New Guinea Gold has proposed to spin off seven of their properties into two separate companies. Management has found that maintaining 12 properties is leaving their exploration efforts and funds stretched very thin. The company has decided to focus on the three core properties listed above. In our initial report, we mentioned that we believe that a spin-off is a necessary strategic move for the company because it would allow New Guinea Gold to focus their efforts on their most advanced gold properties while minimizing dilution. The company will likely maintain a strong equity interest in the new companies. The company is currently completing technical reports and seeking regulatory approval for these proposed spin-offs, and it is unlikely the spin-offs will be completed before the third quarter of 2007.

The proposed spin off is as follows:

1. The first company would include the five Kanon Resources (50% NGG, 50% Vangold) properties: Mt Penck, Allemata, Bismarck, Fergusson, and Yup River. This company will likely be named Pacific Kanon Gold Corporation.
2. The second company, likely named New Britain Copper Ltd., would include the company’s copper and molybdenum properties: Simuku (NGG 90%) and Mt. Nakru (NGG 50%).

Management Rating

We believe management is the most important part of the success of a junior mining company. We developed this system as a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management’s time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating (see below) for New Guinea Gold was 3.2, which we have rated Average.** Notably, the company has an experienced technical team with expertise in the economic geology of Papua New Guinea. We believe they have a strong management team typical of an advanced exploration company that is transitioning into development.



Strength of Board

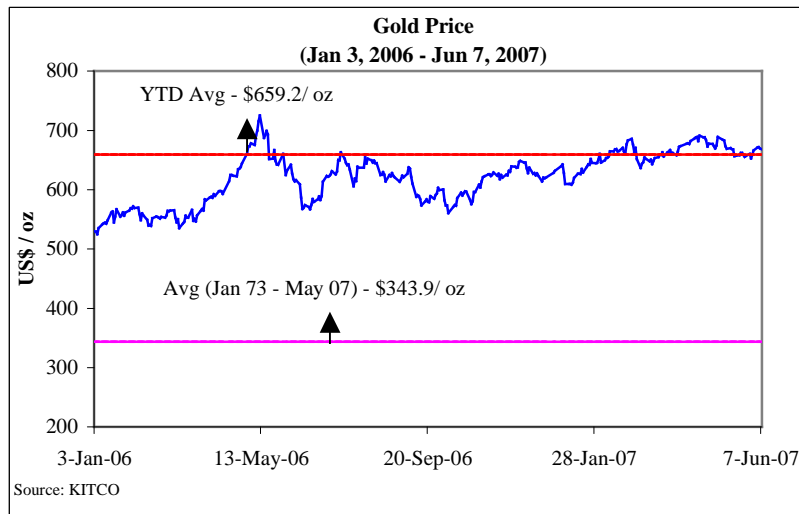
The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director’s ability to act in the best interest of the company. This includes acting as an executive officer, having a direct family relationship with an executive officer, and receiving compensation beyond that of a board member. An unrelated/independent director can be a shareholder. In this report, we introduce our strength of board rating for New Guinea Gold, which uses information available from the company’s

annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Committee. This report also identifies any non-arms length transactions and management compensation.

New Guinea Gold’s Board of Directors is made up of 5 individuals: Robert McNeil, Judith O’Quinn, Peter McNeil, Ab Berar, and Ces Iewago. All board members hold shares of the company. The management information circular identifies the unrelated/independent board members as Ab Berar, Ces Iewago, and Peter McNeil. According to Multilateral Instrument 52-110 1.4 subsection 3, Peter McNeil would be a related director as he is in the immediate family of Robert McNeil, an executive. However, the British Columbia Securities Commission (BCSC) is the only Canadian province to not adopt MI 52-110. Robert McNeil and Judith O’Quinn are not independent because they receive compensation from the company for their work and serve as executive officers. The Audit Committee is made up of Judith O’Quinn, Peter A. McNeil, and Ces Iewago. The Compensation Committee is made up of Robert D. McNeil, Peter A. McNeil, and Ces Iewago. The management information circular does not identify any non-arms length transactions.

Outlook on Gold

We continue to maintain our positive outlook on both short-term and long-term prices of gold. The chart below shows gold prices since January 2006. As of June 7, 2007, gold was trading at US\$668.75/oz, which reflects a YOY increase of 8.9%.



Gold prices have not dropped below the historical average of US\$344/oz since April 2003. We believe that the long-term outlook on gold prices is positive and that prices will stay high as long as gold is perceived as a capital preservation asset. Based on a forecasted depreciation of the U.S. dollar, and continued long-term demand for gold as a capital preservation asset, we believe that prices will stay above its historical average of US\$344/oz. The increase in gold ETF demand and producer de-hedging will also positively impact prices going forward. The average forecasts for gold prices are US\$699/oz in 2007 and US\$750/oz in 2008.

Financials

Cash and working capital at the end of March 2007 were \$3.92 million and \$3.10 million, respectively, versus \$1.46 million and \$0.99 million at the end of 2006.

	2003	2004	2005	2006	2007-Q1
Cash	2,838,230	4,980,293	1,700,535	1,455,512	3,923,649
Working Capital	2,369,303	5,146,570	1,447,983	991,436	3,102,203
Current Ratio	5.2	20.6	3.1	1.7	3.1
LT Debt / Assets	-	-	-	-	-
Burn Rate	(10,189)	(295,549)	(273,313)	(760,171)	(498,761)
Cash from financing activities	2,897,772	5,688,440	-	8,866,429	3,964,419

The net loss during the 3-month period ended March 2007 was \$0.08 million (eps: -\$0.01) compared to \$0.33 million (eps: -\$0.01) in the comparable period last year. We estimate the company had a burn rate of about \$0.49 million per month during the 3-month period ended March 2007, versus \$0.54 million in the comparable period last year.

In 2007, NGG raised a total of \$5.04 million through a private placement, by issuing 12 million units (1 common share + one half of 1 non-transferable common share purchase warrant) at a price of \$0.42 per unit.

Stock options and Warrants: At the end of March 2007, the company had 8.2 million stock options outstanding with a weighted average exercise price of \$0.35, and maturity period of 2 years. The company also had 30.92 million warrants outstanding with an exercise price of \$0.30, and expiring in February 2008. All these warrants are currently ‘in the money’. We expect the company to raise an additional \$9.3 million through exercise of warrants by February 2008. The company also had 6.1 million warrants outstanding with an exercise price of \$0.55, expiring in April 2009.

NGG continues to be in a sound financial position with sufficient cash on hand to support its exploration and development program in 2007.

Valuation

Our revised valuation models on the company’s properties are shown below.

DCF Valuation Summary - Sinivit		DCF Valuation Summary - Normanby (Imwauna)	
Ownership	92%	Ownership	100%
Resource (in tonnes)	1,052,200	Resource (in tonnes)	1,575,000
Recovery - Gold	88% (75% in the 1st yr)	Recovery - Gold	95.0%
Recovered Gold (in troy oz)	145,513	Recovery - Silver	75.0%
Production Commencement	end of April 2007	Recovered Gold (in troy oz)	384,844
Production	35,000 oz/year	Recovered Silver (in troy oz)	455,737
Mine Life (in years)	4	Production Commencement	2009
Average Operating Costs (\$/oz)	\$168.00	Production	200,000 t/y
Capital Costs	\$1,500,000	Mine Life (in years)	8
Discount Rate	12%	Average Operating Costs (\$/oz)	\$160.00
Net Present Value	\$31,154,895	Capital Costs	\$20,000,000
No. of Shares	122,806,997	Discount Rate	15%
Value per Share	\$0.25	Net Present Value	\$43,926,843
		No. of Shares	122,806,997

DCF Valuation Summary - Sehulea/Weioko		DCF Valuation Summary - Mt. Penck (Kavola East)	
Ownership	100%	Ownership	60%
Resource (in tonnes)	1,700,000	Resource (in tonnes)	1,500,000
Recovery - Gold	75.0%	Recovery - Gold	95.0%
Recovered Gold (in troy oz)	55,749	Recovered Gold (in troy oz)	132,863
Recoverd Silver (in troy oz)	504,204	Production Commencement	2010
Production Commencement	2011	Production	600,00 t/y
Production	600,000 t/y	Mine Life (in years)	2.5 years
Mine Life (in years)	3	Average Operating Costs (\$/oz)	\$300.00
Average Operating Costs (\$/oz)	\$160.00	NGG's Share of Capital Costs	\$18,000,000
Capital Costs	\$7,000,000	Discount Rate	15%
Discount Rate	15%	Net Present Value	\$7,067,074
Net Present Value	\$5,782,418	No. of Shares	122,806,997
No. of Shares	122,806,997	Value per share	\$0.06
Value per share	\$0.05		

We have increased our estimate of the number of diluted shares from 108.75 million to 122.80 million. We have not made any other changes to the Sehulea/Weioko and Mt. Penck projects' valuation models. As a result of dilution, the valuation on both of these properties dropped by \$0.01 per share.

Sinivit Project: The project is now expected to reach full-scale production by October 2007 versus our previous estimate of July 2007. As a result, we have reduced our estimate on total production in 2007 from 20,800 troy oz to 8,900 troy oz. Due to lower production forecasts in 2007, and an increase in the total number of diluted shares, we have lowered our valuation on the Sinivit property from \$0.32 to \$0.25.

Normanby (Imwauna) Project: We now value the Normanby project based on 50% of the new resource estimate that we have calculated for the project instead of its historic estimates. Also, we have lowered our estimate of silver recovery from 95% to 75%. Since the new resource estimate is higher than historic estimates by 59.1%, we have revised and raised our valuation from \$0.19 to \$0.36.

Comparables Valuation: Our revised comparables valuation on NGG (shown below) is \$0.88, up from our previous estimate of \$0.85.

Comparables Valuation Model						
	SYM	Price	Enterprise Value	Mineral Assets (book value)	EV / Resources	
1	Nautilus Minerals Inc.	TSXV: NUS	\$5.05	\$286,686,961	14,045,372	20.4
2	Vangold Resources Ltd.	TSXV: VAN	\$0.67	\$45,312,942	6,940,900	6.5
3	Buffalo Gold Ltd.	TSXV: BUF	\$0.96	\$43,239,606	8,205,245	5.3
4	New Guinea Gold	TSXV: NGG	\$0.55	\$56,527,482	13,684,943	4.1
5	Gold Aura Limited ^x	ASX: GOA	\$0.11	\$10,674,000	6,000,000	1.8
Note: Stock prices and Market Cap are as of March 1, 2007					Average	7.6

x - expressed in AUS\$

Fair value per share **\$0.88**

Valuation Summary: The table below shows a summary of our revised valuation versus our previous valuation. The total valuation, based on the sum of the values of the 4 projects, has increased from \$0.64 per share to \$0.72 per share, an increase of 12.5%. Our revised comparables valuation went up by 3.5%.

Valuation Summary		
	Previous	Revised
Sinivit	\$0.32	\$0.25
Normanby (Imwuana)	\$0.19	\$0.36
Sehulea/Weioko	\$0.06	\$0.05
Mt.Penck (Kavola East)	\$0.07	\$0.06
Total	\$0.64	\$0.72
Comparables	\$0.85	\$0.88
Average	\$0.75	\$0.80

Rating

Based on our valuation models and review of the company's projects, we reiterate our BUY rating and increase our fair value estimate on NGG from \$0.75 per share to \$0.80 per share, an increase of 6.67%. The fair value estimate represents a potential 45% increase from current market levels.

We have revised our valuation of NGG based on our own resource estimate for the Normanby/Imwauna project. This project is expected to have a NI 43-101 compliant resource in the first half of 2007. We believe New Guinea Gold has many excellent properties with good potential for production. Thus, we believe investors will gain increased confidence in the company in 2007, and 2008, based upon the commencement of production at Sinivit, and the release of NI 43-101 compliant resources for Mt. Penck, Normanby/Imwauna, and Sinivit.

Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- The 43-101 compliant resource for the Sinivit property is very small and gives the project a two year mine life. New Guinea Gold has commenced drilling, and hopes to define further resources on the property for mining.
- Sinivit is proceeding in absence of a feasibility study. This may result in minor delays, as we have observed that early operations of projects without feasibility studies may experience technical difficulties.
- The success of further development, exploration, and expansion is a significant factor in New Guinea Gold's success.
- Like other junior exploration companies, the value of the company depends heavily on gold prices.

Appendix



The company's processing plant and laboratory at the Sinivit project.



Diamond drilling with a company owned rig on the Sinivit property.

Source for both images: New Guinea Gold

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

Disclaimers and Disclosure

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