# NORTON GOLD FIELDS LIMITED

# ANNUAL REPORT 2007

# 2007 Annual Report

Figure: Paddington Processing Plant

## Index

## Company Overview

Norton Gold Fields Ltd (Norton) is an Australian resources company developing, and operating resource related projects.

The Company's assets include the Paddington gold mine in Western Australia (acquired in August 2007), the Norton gold mine and the Many Peaks copper project—both in Queensland. In addition the Company has contracted to acquire the Mount Morgan Gold Project and is currently awaiting certain approvals by the Queensland Department of Mines and Energy.

Over the past twelve months, a number of important steps have been taken to reposition the Company to become a significant gold producer. These moves have received overwhelming support from the Company's shareholders.

Moving forward into 2008, Norton is now positioned as the fourth-largest, ASX-listed Australian gold producer. The Company has a clear strategy, a dedicated management team and an asset base to act as a platform for growth as it becomes a significant mining house.

## Significant Events:

**July 2006**
Continued mining ore at the Norton gold mine, transporting the ore to Gympie for toll treatment through the Buka Gold CIP plant.

**September 2006**
Completed the second Many Peaks drilling programme with further confirmation of significant copper resource potential.

**October 2006**
Ceased treatment of ore through the Buka Gold Plant at Gympie due to base metal contaminants in the ore. Suspended the Norton project until an alternative ore processing arrangement could be found.

**January 2007**
Entered into a contract to acquire the 500,000 oz Mt Morgan tailings project. Completion of this acquisition is still subject to approval by the Queensland Department of Mines and Energy.

**April 2007**
Entered into a contract with Barrick Gold, the world's largest gold miner, to acquire the Paddington Gold Mine, Kalgoorlie WA. This acquisition was completed in August 2007.

**June 2007**
Secured a $75M funding mandate with Grange Securities to finance the acquisition of the Paddington mine.

## Chairman's Letter

What a year for Norton!

We began with disappointing news that we had to cease delivering ore from the Norton gold mine to Gympie for processing, causing the Company to look for an alternative. Norton was struggling.

Shortly thereafter, Jon Parker was formally elected to the board. Jon and I had worked very closely at Felix Resources during a period of spectacular growth, with Felix moving from a market capitalisation of about $15 million to over $1 billion. Jack Tan, who had served the Company well as a director during its formative years, resigned.

Your new team of directors then set about developing a strategy to move Norton Gold Fields from a junior exploration company to a significant mining house.

Step 1 was the acquisition of the Mount Morgan Gold Project. The old Mount Morgan mine operated from 1886 to 1981, mainly as an open-cut gold and copper mine and has been a notable project in Australia's mining history. During this period it produced—apart from the copper and some silver—62 tonnes of gold.

Norton entered into an agreement to purchase the tenements covering tailings from the Mount Morgan mine, together with an operating agreement with the State of Queensland. The approval of the Mines Department is expected in the coming quarter.

Norton plans to develop a tailings treatment project on the site. Preliminary indications are that the project should yield 40,000 to 50,000 ounces of gold per year.

Step 2 was the acquisition of the Paddington Gold Mine from Barrick Gold, where I had served in Canada as the initial president and CEO. The agreement was signed in London in April and the acquisition closed, post year-end, in August. This transaction was one of the most challenging with which I have been involved—requiring Norton, with a market capitalisation of around $15 million, to raise $75 million. An enormous effort was made by many people in getting this "over the line", from each of your directors, including our managing director, Tim Prowse; our financiers headed by Lehman Brothers and including Patersons; our major investors; the people at Barrick; to our legal team headed by Michele Muscillo at Hopgood Ganim. I thank each one of them for their support and commitment.

The first results will be reported in our quarterly report as at 30 September 2007 but, suffice it to say, the directors are very pleased with the acquisition and believe the project will perform in excess of our early expectations.

At 30 June 2007 we took a close look at the carrying value of all our other assets, and certain provisions have been made to ensure that these are all recorded at what we believe to be fair value. This has resulted in a larger than expected loss for 2007, but it now sets the stage for a major uplift in the current financial year. Substantial cash flows are being generated at Paddington, and we have seen excellent results from our exploration program.

It is no surprise, then, that at the Extraordinary General Meeting called to approve the transaction and related financing, something occurred that I have never seen in my long years in the corporate world. Every single shareholder who voted for the eleven resolutions voted in favour; in other words, there was not one single dissenting vote.

Gold prices have been strengthening, although the US dollar has been relatively weak. We have hedged approximately 40% of our gold production in the coming years at around $875 per ounce. This provides a level of protection of our relatively high operating costs, but still leaves approximately 60% of our production exposed to the upside of further gold price increases, should gold continue its recent rise.

In September this year, your directors invited Mr Mark McCauley to join the board. Mr McCauley was previously the chief financial officer and company secretary of Felix Resources Limited, a highly-successful coal company which, during Mr. McCauley's tenure grew dramatically through a number of successful mergers, acquisitions and green-field project developments. With his honours degree in engineering (majoring in mining), his MBA, and his graduate diploma from the advanced management program at Harvard, Mr. McCauley adds another level of expertise and experience to the board.

Your board now believes Norton has in place a group of assets and a team that provides an exceptional platform for further growth.

Anthony McLellan
Chairman
28 September 2007

Norton Gold Fields Limited

## Managing Director's Report

The past year has seen a change of fortunes for the Company. 2007 was the first full operating year since listing and the first, and most important, step was to forge a corporate team focused on producing results and delivering value to shareholders. The Company developed a strategic plan to change Norton from a junior explorer into a mid-tier producer. The first part of the strategy was to develop a profitable mining operation and from that base, secure a major acquisition to further the Company's plan to become a significant player in the resource industry.

The first half of the year captured initial disappointment around the cessation of operations at the Norton Gold Project, due to environmental issues with the storage of tailings at Buka Gold's Gympie plant. The drilling programme at our Many Peaks copper project generated further encouraging results, and warrants further exploration to bring the project up to resource status.

The Norton gold mine setback in the first half of the year was turned around in 2007 and culminated in new and exciting opportunities now being embarked upon by the Company.

The first significant development occurred in January 2007, with the signing of the contract to acquire the Mount Morgan Gold Project. This project presented Norton with the opportunity to purchase approximately 500,000 ounces of gold resource with a plan to develop a 40-50,000 ounce per annum gold mine. The project was secured on favourable terms and offers good synergy with the Company's existing operations nearby at Norton. This acquisition is awaiting formal government approval.

The Mount Morgan Gold Project will fit well into Norton's development strategy. This project offers significant cash flow, with a capital construction cost well within the Company's financial capacity, and a risk profile that is readily quantifiable. A complete technical and financial review of the project is currently being undertaken with a bankable feasibility study to be finalised in the next six months.

A second major opportunity was secured by the Company in April, when a contract to acquire the Paddington Gold Mine was signed. (The purchase was completed subsequent to the financial years end in August 2007). The Paddington Gold Mine acquisition has propelled the Company from an emerging gold producer to a significant player in the resource industry.

The Paddington Gold Mine was purchased for a net $39M from Barrick Gold, the world's biggest gold miner. The project has a quoted resource of 1.4M ounces of gold and a mine plan for an on-going production rate of 150,000 oz pa from open cut mining operations. It also has title to approximately 1,000 square kilometres of highly sort-after exploration ground in the Kalgoorlie region of Western Australia. Norton views the mine as having significant operational and strategic upside.

Over the past fifteen years, the Paddington mine has been subject to a series of mergers and acquisitions involving steadily larger groups. The sale to Norton sees the mine returning as the flagship of an Australian company, core to Norton's plan for a revitalized future.

These transactions required the concentrated efforts of all parties involved in, and associated with, the Company including financiers, consultants, advisors and, of course, Norton directors and staff. I would like to record my appreciation to all those involved for their hard work and commitment, and to those shareholders who have supported our efforts.

In summary, the past 12 months has set the foundation for an exciting period ahead. The Company has emerged from the junior ranks into one with the opportunity to exceed expectations and produce results that will create further growth opportunities in the future.

Tim Prowse
Managing Director

## REVIEW OF OPERATIONS AND RESULTS

1. Transaction to acquire the Paddington Gold Mine
2. Transaction to acquire the 500,000 oz Mount Morgan Gold Project
3. Suspension of mining operations at Norton
4. Definition of coal targets at Middlemount
5. Second drilling programme at Many Peaks

### 1. Transaction to Acquire the Paddington Gold Mine

Norton entered into an agreement with Barrick Gold to acquire the Paddington gold mine, Kalgoorlie, Western Australia. The purchase agreement was signed with Barrick Gold on 26 April 2007 to acquire the producing mine, the 3.0 Mtpa processing plant, 299 tenements covering 1,000 $km^2$ and containing 1.4 M ounces of JORC-compliant Resources, a second processing plant (under care and maintenance), inventories, working capital, plus the benefit of various contracts and the continued employment of the team currently operating the mine and plant.

The purchase price was a net $39 million. A deposit of $5 million was paid by Norton prior to the end of the financial year and the acquisition was subsequently completed on 24th August 2007.

#### Details of the Transaction

The purchase price, following the contemporaneous sale of one of the tenements, is a net A$39 million. Barrick subsequently invested $1M in Norton shares.

Figure: Natal Open Cut Mine, Paddington

The initial funds underpinning the acquisition were provided by RAB Capital via an $8 million loan which Norton repaid by issuing 50M shares and 25M options in Norton.

In June 2007, Norton signed a mandate with Grange Securities (part of the US Merchant Bank Lehman Brothers) for a financing package comprising $35M in equity and $40M in convertible notes.

The funding package was full subscribed in August 2007 and proceeds were applied to fund the balance of the purchase price (including gold in circuit), provide security for environmental bonds, pay offer costs and provide working capital for the Company's operations.

**Background**

The Paddington Gold Mine has had a number of different owners over the past ten years due to merger and acquisition activity in the gold sector. Goldfields owned and operated the Paddington Gold Mine until late 2001 when Goldfields merged with Delta Gold Limited to form Aurion Gold Limited ("Aurion Gold"). Placer Dome, Inc. ("Placer Dome") acquired the Paddington Gold Mine in November 2002 when it made a successful takeover offer for Aurion Gold. Most recently, Barrick Gold Corporation announced its acquisition of Placer Dome in October 2005 that was completed in March 2006.

Following a strategic review of the assets acquired in the Placer Dome transaction, Barrick Gold Corporation decided to consolidate its Kalgoorlie mining operations at the nearby Kanowna Belle Gold Mine (also acquired as part of the Aurion Gold takeover) and to sell the Paddington Gold Mine as a going concern.

Figure: Exploration Drilling, Paddington

## Historical and Forecast Gold Production

Gold production from the Paddington Gold Mine over the past ten years is summarised below:

| Paddington Gold Mine – Production Statistics | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Ore treated (000 tonnes) | 3,028 | 3,155 | 2,438 | 1,619 | 2,689 | 3,192 | 3,128 | 3,029 | 2,834 | 3,001 |
| Grade (grams Au/tonne) | 1.7 | 2.2 | 2.2 | 2.7 | 1.8 | 2.3 | 3.2 | 2.6 | 2.6 | 2.9 |
| Recovery | 89% | 93% | 94% | 94% | 95% | 95% | 94% | 94% | 94% | 94% |
| Gold produced (000 oz) | 150 | 209 | 162 | 132 | 148 | 225 | 308 | 244 | 243 | 259 |
| Cash costs (A$ per oz) | $474 | $317 | $400 | $352 | $376 | $383 | $498 | $478 | $576 | $501 |

Mining during the first decade of operation (from 1985 to 1994) had been concentrated on two major open pits known as Paddington 1 and Paddington 2. As the ore from these two pits was mined out, the treatment plant (which at that stage had a capacity of 1.2 million tonnes per annum) was supplied with ore from a variety of smaller satellite deposits. Pancontinental Mining embarked on a major expansion of the two open pits in 1994 and construction of a new treatment plant ("the Paddington Mill") with a capacity of 3.0 million tonnes per annum.

In mid 1996, following the acquisition of Pancontinental Mining by Goldfields, plans were made to close the Paddington Gold Mine at the end of 1998 because the mine was considered to have only 18 months of ore feed available following a re-optimisation of the two main pits. The planned closure was the result of a combination of declining ore grade and low gold prices. Ten years after closure was first planned in 1996, the Paddington Gold Mine has continued to operate at or near full capacity for most of that period. The past five years have seen particularly high gold production (averaging 256,000 ounces per annum) due to the relatively high ore grades from the Paradigm deposit and the Red Hill pit which was developed during the latter years and which has provided a significant proportion of ore feed during that period.

**The Paddington and Kundana Mills**

The Paddington Gold Mine is an open cut mining operation with a contract mining fleet consisting of excavators, dozers, trucks and other equipment operating in the pits and transporting ore to the Paddington Mill. However, current mine exploration and medium term planning envisages the development of a new underground operation from the Homestead tenements where further drilling is being undertaken to expand the current resource of 185,000 tonnes grading 23.8 grams per tonne of contained gold (equivalent to approximately 142,000 ounces of contained gold). Commissioning of a new high grade underground mining operation such as the Homestead project provides the potential for the Paddington Gold Mine to return to the historical production levels of 250,000 ounces per annum that were achieved during the period 2002 to 2006.

The acquisition of the Paddington Gold Mine included both the Paddington Mill and the Kundana Mill which was used to treat ore from the Kundana Gold Mine (located approximately 20 kilometres southwest of the Paddington Gold Mine). The Kundana Mill (which has a rated capacity of 0.75 million tonnes per annum) has been on care and maintenance since the Kundana Gold Mine was closed in 2003.

Figure: Open cut mining at Paddington

The Paddington Mill uses a conventional carbon in pulp ("CIP") processing technique. The surface infrastructure includes a processing mill where ore is crushed and then undergoes a number of further processes including grinding, gravity recovery, flotation and cyanide leaching of both flotation concentrates and flotation tailings. In the leaching circuit, gold is extracted from slurry and absorbed onto activated carbon. The gold is won electrolytically from the carbon and smelted at the mine site to gold doré bars. The gold doré is then shipped to AGR Matthey in Perth for refining where the remaining impurities are removed from the gold to produce gold bullion that is 99.99% pure gold.

The Paddington Mill is regarded as one of the lowest cost treatment plants in the Kalgoorlie region due to its size and efficiency. This has provided the various owners of the Paddington Gold Mine with a competitive advantage in sourcing gold deposits over the past ten years including both acquisitions of new properties and in negotiating toll treatment arrangements where necessary.

**Mineral Resources and Reserves**

The Paddington Gold Mine was acquired from Barrick Gold Corporation together with a group of 299 mining tenements covering an area of approximately 1,000 square kilometres in the vicinity of Kalgoorlie, Western Australia as shown in the attached diagram.

These deposits range from low grade, high tonnage oxide material suitable for bulk open pit mining to low tonnage, high grade veins from a variety of surface pits and underground mines. The Paddington Gold Mine has historically been operated on the basis of providing the majority of the feed to the Paddington Mill from this type of low grade, high tonnage oxide deposits supplemented by some high grade feed from satellite surface deposits.

Norton Gold Fields has prepared an updated estimate of these resources as at 31 December 2006 based on the information provided by Barrick Gold Corporation. Norton Gold Fields has confirmed that the information supplied in this report was compiled by a competent person(s) as defined by the JORC Code:

**Paddington Gold Mine – Resources in Mine Plan as at 31 December 2006**

| | Indicated | | Inferred | | Total | | |
|---|---|---|---|---|---|---|---|
| | Tonnes (000s) | Grade (Au g/t) | Tonnes (000s) | Grade (Au g/t) | Tonnes (000s) | Grade (Au g/t) | Ounces (Au 000s) |
| Janet Ivy | - | - | 2,251,105 | 1.8 | 2,251,105 | 1.8 | 127,456 |
| Greater Ballarat Last Chance | - | - | 2,178,717 | 1.6 | 2,178,717 | 1.6 | 109,829 |
| Golden Cities / Havana | - | - | 2,060,511 | 2.0 | 2,060,511 | 2.0 | 133,345 |
| Enterprise | - | - | 688,815 | 2.8 | 688,815 | 2.8 | 62,094 |
| Red Hill | - | - | 554,089 | 2.1 | 554,089 | 2.1 | 37,280 |
| Natal Stage 4 | - | - | 486,602 | 2.7 | 486,602 | 2.7 | 41,935 |
| Quarters | - | - | 431,275 | 2.3 | 431,275 | 2.3 | 32,548 |
| Liberty West | - | - | 415,861 | 1.7 | 415,861 | 1.7 | 22,611 |
| Violet | - | - | 236,626 | 2.2 | 236,626 | 2.2 | 16,814 |
| Golden Flag | - | - | 242,669 | 2.7 | 242,669 | 2.7 | 21,350 |
| Black Flag | - | - | 160,799 | 3.4 | 160,799 | 3.4 | 17,342 |
| Natal Stage 3 | - | - | 50,446 | 1.9 | 50,446 | 1.9 | 3,158 |
| **Total reserves** | **-** | **-** | **9,757,516** | **2.0** | **9,757,516** | **2.0** | **625,761** |

**Paddington Gold Mine – Mineral Resources outside of Mine Plan - as at 31 December 2006**

| | Indicated | | Inferred | | Total | | |
|---|---|---|---|---|---|---|---|
| | Tonnes (000s) | Grade (Au g/t) | Tonnes (000s) | Grade (Au g/t) | Tonnes (000s) | Grade (Au g/t) | Ounces (Au 000s) |
| **Underground resources** | - | - | | | | | |
| Homestead | - | - | 185,000 | 23.8 | 185,000 | 23.8 | 142,000 |
| Tuart North | - | - | 129,000 | 7.9 | 129,000 | 7.9 | 33,000 |
| **Surface resources** | - | - | | | | | |
| Mayday North | - | - | 343,000 | 2.3 | 343,000 | 2.3 | 25,000 |
| Breakaway Dam | - | - | 299,000 | 2.4 | 299,000 | 2.4 | 23,000 |
| Mulgarrie | - | - | 103,000 | 3.0 | 103,000 | 3.0 | 10,000 |
| Slippery Gimlet | - | - | 87,000 | 5.0 | 87,000 | 5.0 | 14,000 |
| Golden Cities / Federal | - | - | 70,000 | 1.6 | 70,000 | 1.6 | 4,000 |
| Porphyry West | - | - | 66,000 | 3.4 | 66,000 | 3.4 | 7,000 |
| **Total – free milling** | **-** | **-** | **2,564,000** | **3.1** | **2,564,000** | **3.1** | **258,000** |
| Refractory resources | - | - | 4,477,185 | 3.8 | 4,477,185 | 3.8 | 542,906 |
| **Total resources[1]** | **-** | **-** | **7,041,185** | **3.5** | **7,041,185** | **3.5** | **800,906** |

## 2. Transaction to Acquire the Mount Morgan Gold Project

The Company has entered into a contract to acquire the 500,000 oz Mount Morgan Gold Project. The Board considers this acquisition the basis of a major business: it has a significant gold resource, the project has a low and quantifiable risk profile and the expected returns are high. The completion of this acquisition is only subject to completion of due diligence and approval by the Queensland Department of Mines and Energy.

The preliminary scope and potential of the project is outlined below.

***History of the Mount Morgan Mine***

The Mount Morgan mine operated from 1886 to 1981, mainly as an open-cut gold and copper mine and has been a notable project in Australia's mining history. During this period it produced 262 tonnes of gold, 387,000 tonnes of copper and 37 tonnes of silver from approximately 41.4 million tonnes (Mt) of ore and 93 Mt of waste.

From 1981 to 1991, Mount Morgan Ltd re-treated 28 Mt of tailings via dredging and conventional CIP gold processing. Gold recovery from tailings was around 55%. The operation closed due to rising chemical costs and other factors.

There has been no site activity since 1990. Two subsequent owners have undertaken evaluations and pre-feasibility studies to assess the viability to establish a commercial gold treatment operation on the remaining resources.

Figure: Mount Morgan

### *Acquisition*
The transaction involves the acquisition of the tenements and an operating agreement with the State of Queensland. Consideration comprises an initial $25k option payment, $150k cash and 10.49 million shares in NGF on transfer of tenements, and $3M deferred payments over the first 3 operating years.

The conditions precedent are straightforward and expected to be met over the next two months, most notably, due diligence on the tenements and approval of the Mines Department to transfer the tenements.

### *Project Concept*
The project is designed to initially mine and process the 4.04Mt of reserves located in the tailings dumps documented in the reserve statement. Mining and processing is planned at a nominal throughput of 1 million tonnes per annum (Mtpa). Mining will use conventional earthmoving equipment and processing will be with a carbon-in-pulp gold recovery plant. The additional resources will be further evaluated with the aim to produce further ore for mining and processing following exhaustion of the initial reserves.

### *Financial*
The pre-feasibility study indicates that Norton can establish a modern tailings re-treatment operation on the site at a capital cost of the order of $25M and produce over 180,000 oz of gold at an average cash cost of $450 ounce over 4 years. Extension of operations based on the additional 300,000 oz available in Shepherds Tails and the slag could add up to an additional 6 years of operating life.

### *The Resource*
The project is based on proven and probable reserves of 218,000 oz of gold contained within 4.04 Mt of tailings and mullock dumps grading 1.68 g/t. The tailings resources are contained in 3 major tailings dams and the mullock in a series of smaller dumps within a 1 km radius. Intensive drilling and sampling of all reserves has been undertaken since the early 1990s and the resource calculations have been independently reviewed.

In addition to the proposed 4 Mt tonnes of measured resources planned for the initial years of mining and processing, there is 300,000 ounces of gold and 20,000 tonnes of copper contained in the lower grade Shepherds Dump and the large slag heaps. The viability of recovery from the slag heap is being reassessed in light of the recent rise in the copper price.

Project reserves and resources are shown in the following table.

**SUMMARY OF RESOURCES**

**Tailings & Mullock: Mount Morgan Gold Projects**

| **Deposit** | **Category** | **Tonnes** | **Grade g/t** | **In-situ Gold oz** |
|---|---|---|---|---|
| No 2 Mills Tails | Measured | 2,100,000 | 1.20 | 81,008 |
| Mundic Tails | Measured | 970,000 | 2.18 | 68,082 |
| Red Tails | Measured | 626,000 | 2.40 | 48,296 |
| Q Dump Mullock | Measured | 135,000 | 1.90 | 8,245 |
| B & K Dump Mullock | Measured | 210,000 | 1.82 | 12,286 |
| **TOTAL** | | **4,041,000** | **1.68** | **217,918** |
| ***Additional Future Resources*** | | | | |
| Shepherds Tails | Indicated | *3,932,000* | *0.88* | *114,955* |
| Slag | Inferred | *6,000,000* | *1.00* | *192,926* |
| **Copper** | | | | |
| Slag | Inferred | 6,000,000 | 0.34% | 20,400 t |

***Metallurgy***

The metallurgy has been intensively trialled since 1990 where the previous operator achieved gold recoveries of 55% to 60%. Recent work indicates recoveries of up to 90% using modern fine grinding equipment and 75% using conventional milling and CIP technology. A priority for Norton is to finalise a competent flow sheet for the project supported by additional metallurgical test work as may be required.

***Environment and Heritage matters***

The Mt Morgan site has environmental and heritage matters to be addressed as a precursor to re-commencing operations. These will be largely covered in the Site Operating Agreement between the Company and the State Government of Queensland. The State Government will be responsible for all historical environmental liability on the site. The Agreement will set out limits and operating conditions for the Company to occupy the lease area including the preservation existing heritage assets.

## 3. Norton Gold Mine

During the half year 3,855 tonnes of ore were mined and transported to Gympie at an average head grade of 7.93 g/t. 800 tonnes of similar ore remains stockpiled at the mine site.

Figure: Norton Open cut mine

Operations were suspended on 31 October 2006. As previously announced by the Company, a concern arose that the base metal content in the tailings dam at the Gympie plant (used to process the ore) could potentially exceed Gympie's licence conditions and so it was considered prudent to suspend processing of Norton ore while technical solutions were investigated.

Options for resuming processing ore from the Norton Gold Mine are being sought.

## 4. Middlemount Coal Project

A review of the Middlemount coal project identified two targets for further appraisal and drilling:

1. Open-cut: 12 million tonne of low ash, low volatile PCI coal in the southern area down to a 100 metre vertical depth. Exploration at greater depth may substantially increase the size of the resource.
2. Underground: high quality coking coal has been identified in the western area of the tenement lying within the German Creek Coal Measures at depths greater than 300 metres.

The Company is reviewing its options for the Middlemount project.

## 5. Many Peaks Copper Project

A reverse circulation drilling program was successfully completed at the Company's Many Peaks copper project. Eleven angled-holes were drilled for a total of 1120 metres (whole numbers MP06-07 to MP06-17).

The program was designed to test the current geological model of mineralisation, including the zone of continuity between the northern and southern ore pipes indicated by the recent geophysical survey, and to advance towards the estimation of a resource on the deposit.

Figure: Exploration drilling Many Peaks

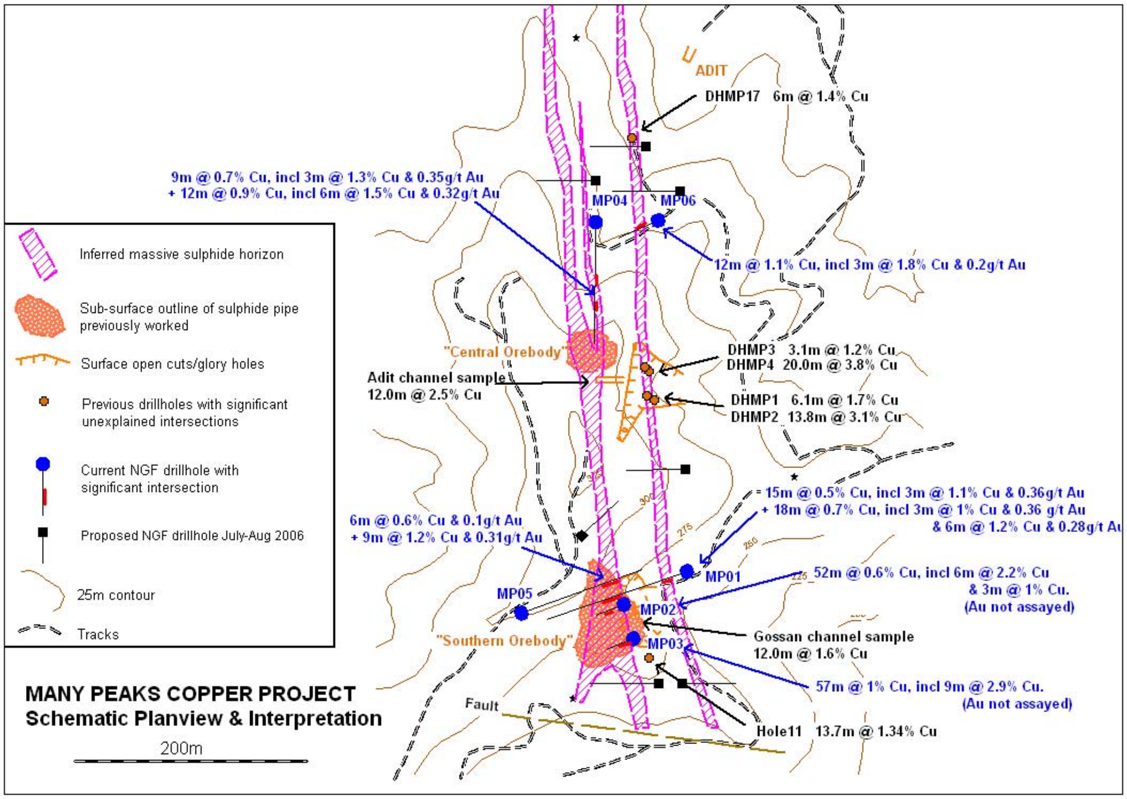
Continuity between pipes was confirmed in two holes. Whole MP06-16 intersected a gossanous zone from 16 to 31 metres down hole, (with copper values less than 0.1% due to Surface leaching). Hole MP06-17 intersected a 5 metre zone of massive sulphides with grades of:

5 m @ 0.65 % Cu with 0.34 g/t Au from 59m; including
2 m @ 1.1 % Cu with 0.49 g/t Au from 62m.

At the northern end of the principal project area, hole MP06-09 intersected the near-Surface expression of the eastern sulphide horizon, as a zone of oxidised and secondary mineralisation with grades of:

12 m @ 1.37 % Cu from surface; including
6 m @ 2.01 % Cu from surface.

This drill hole is 50 metres north of a previous mineralised intersection in MP05-06 (drilled in February this year) and gives a strike length for the principal project area of the order of 350 metres.




Approximately 300 metres to the south of the principal area, 3 drill holes in the vicinity of old shafts and surface gossans also confirmed the western dip of mineralisation. One of these holes, MP06-15, had to be abandoned in cavities representing previously unknown old workings in the target position.

The principal mineralisation at Many Peaks is now known to show continuity between the pipes previously mined, and to have a strike length in the order of at least 350 metres. There are potential extensions some 300 metres further to the south. From previous work the mineralisation is known to extend to more than 200 metres depth below surface. However it has a significant dip to the west, with structural complexities and discontinuities, and requires further mapping and interpretation followed by selectively targeted drill testing before any estimation of potential resources.

Following the drilling programme, follow-up field work and analysis of previous drilling results has been undertaken as a precursor to the next phase of drilling. This included surface sampling with the objective of extending areas of known mineralisation and areas for active exploration.

Significant samples include:

| Sample | Cu % | Au g/t | Location |
|---|---|---|---|
| 63576 | 1.69 | 0.13 | 2m channel, above Southern Gossan |
| 63580 | 2.08 | 0.02 | 8m channel, at hole MP06-09 |
| 63586 | <0.1 | 6.29 | Grab from gossan 160m east of MP06-09 |
| 63587 | 0.12 | 1.06 | Southern Gossan |
| 63592 | 3.88 | 0.08 | Dump at adit 400m west of main workings |

The Directors present their report for the year on the consolidated entity (referred to hereafter as the Group) consisting of Norton Gold Fields Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007 ("the financial year").

**Directors**

The following persons were directors of Norton Gold Fields Limited during the whole of the financial year and up to the date of this report:

Anthony McLellan
Tim Prowse

Jon Parker was appointed a director on 13 September 2006 and continues in office at the date of this report.

Mark McCauley was appointed a director on 4 September 2007 and continues in office at the date of this report.

Jack Tan was a director from the beginning of the financial year until his resignation on 14 November 2006.

**Principal activities**

During the year the principal continuing activities of the group consisted of:

(a) Open cut gold mining on the Norton Gold Mine;
(b) Exploration of mineralised areas within the Norton Gold Fields tenements;
(c) Acquisition and application for exploration licences over highly prospective mineral occurrences; and
(d) Working towards the acquisition of the Paddington Gold Mine.

*Suspension of mining operations at Norton*

During the year 3,855 tonnes of ore were mined and transported to Gympie at an average head grade of 7.93 g/t. 800 tonnes of similar ore remains stockpiled at the mine site.

Operations were suspended on 31 October 2006. As previously announced by the Company, a concern arose that the base metal content in the tailings dam at the Gympie plant (used to process the ore) could potentially exceed Gympie's licence conditions and so it was considered prudent to suspend processing of Norton ore while technical solutions were investigated.

Options for resuming processing ore from the Norton Gold Mine are being sought.

**Dividend**

The directors do not recommend the payment of a dividend. No dividend was paid during the year.

**Review of operations and operating results**

During the year the Company conducted exploration and mining activities on the Company's tenements, resulting in a loss of $4,609,072 (2006 – loss $651,270). For full details of the Company's activities during 2007, refer to the Managing Director's Report.

**Significant changes in the state of affairs**

Significant changes in the state of affairs of the Group during the financial year were as follows:

| | | 2007 $ |
|---|---|---|
| (a) | An increase in contributed equity of $80,000 (from $9,969,022 to $10,049,022) as a result of: | |
| | Issue of 400,000 fully paid ordinary shares @ $0.20 each on exercise of options | 80,000 |
| | Increase in share capital | 80,000 |
| (b) | Significant expenses | |
| | Diminution in value of mining properties | 3,677,461 |
| | *For further information refer to note 3.* | |

**Matters subsequent to the end of the financial year**

**(a) Paddington Gold Mine**

Following shareholder approval, Norton Gold Fields Limited acquired Paddington Gold Pty Ltd and assets (Paddington Gold Mine) on 24 August 2007 for a total net cash consideration of $38,700,000, of which a $5,000,000 deposit was paid prior to 30 June 2007.

**(b) Capital raising**

Following shareholder approval at a general meeting held on 23 August 2007 the following capital raising has occurred:

- i) Issue of 175,000,000 fully paid ordinary shares at an issue price of $0.20.
- ii) Issue of 400 convertible notes at a face value of $100,000 each
- iii) Issue of 8,164,431 convertible notes at a face value of $1 each. These notes have subsequently been converted and 51,027,695 fully paid ordinary shares have been issued at $0.16 each and 25,513,848 options have been issued at an exercise price of $0.20. These options expire on 27 August 2009.
- iv) Issue of 20,219,201 fully paid ordinary shares at an issue price of $0.24 each.
- v) Issue of 9,872,680 options at an exercise price of $0.20 each. These options expire on 27 August 2009.
- vi) Issue of 3,000,000 options at an exercise price of $0.12 each to Jon Parker. These options were exercised on 31 August 2007 resulting in the issue of 3,000,000 fully paid ordinary shares.
- vii) Issue of 2,000,000 options at an exercise price of $0.20 each to Jon Parker. These options expire on either 8 September 2010 or six months after termination of Jon Parker's appointment as a director of Norton Gold Fields Limited, whichever is earlier.
- viii) Issue of 4,032,258 fully paid ordinary shares at an issue price of 24.8 cents each.

**(c) Bank guarantee – Environmental Bonds**

On 28 August 2007 Norton Gold Fields Limited entered into an agreement with the National Australia Bank for a bank guarantee of $16,000,000. This guarantee is for unconditional performance bonds lodged with the Department of Industry and Resources in Western Australia in respect of the mining tenements acquired under the Paddington Gold Mine acquisition.

**Matters subsequent to the end of the financial year (continued)**

**(d) Gold Hedge Facility**

Since 30 June 2007 Norton Gold Fields Limited has entered into the following hedge agreements:

Commodity forward trades
(i) 80,750 ounces of gold at a price of AUD872 per ounce
(ii) 80,750 ounces of gold at a price of AUD860 per ounce
(iii) 173,220 ounces of gold at a price of AUD884 per ounce

Commodity option trades
(i) 145,000 ounces of gold at a price of AUD760 per ounce.

**Likely development and expected results from operations**

Refer to the Managing Director's report.

**Environmental regulation**

The Group's projects operate under granted Environmental Authorities issued under the Environmental Protections Act 1994. The Group maintains its tenements in good standing and it is not aware of any non-compliance issues.

**Information on directors**

**Anthony McLellan.** *Chairman – non-executive.* Age 67.
***Experience and expertise***
Mr McLellan lived abroad for more than twenty-five years where he served as the chief executive of a number of companies, including as president and CEO of the predecessor of Barrick Gold, headquartered in Toronto. With a passion for the poor, Mr McLellan serves as chairman for Habitat for Humanity Australia Inc, and is a director of Opportunity International Australia.

***Other current directorships***
Bemax Resources Limited (non-executive director and chairman since 2004)
Allomak Limited (non-executive director and chairman since 2006)

***Former directorships in last 3 years***
Felix Resources Limited (non-executive director from 2003 to 2007)

***Special responsibilities***
Chairman

***Interests in shares and options***
5,000,000 options over ordinary shares in Norton Gold Fields Limited.

**Tim Prowse BE (Mining) Hons.** *Managing Director*. Age 50.
***Experience and expertise***
Honours degree in mining engineering from Sydney University in 1978, Member of the Australian Institute of Mining and Metallurgy.
Holder of a first class South African Mine Manager's certificate.
Over 25 years experience in the mining industry, primarily in gold, but with broad experience in coal and base metals.

***Other current directorships***
None

***Former directorships in last 3 years***
Gold Aura Limited

***Special responsibilities***
Managing Director

***Interests in shares and options***
21,700,001 ordinary shares in Norton Gold Fields Limited
8,680,000 options over ordinary shares in Norton Gold Fields Limited

**Jon Parker B. Sc. (Hons), Graduate Diploma of Business Administration.** *Non-executive Director*. Age 59.
***Experience and expertise***
Honours degree in Physical Chemistry from Sydney University in 1969 and Graduate Diploma of Business Administration from Curtin University in 1979.

Over 30 years experience in the mining and energy industries in iron ore, bauxite, aluminium, coal, gold and the power sector.

***Other current directorships***
Sundata Pty Ltd (Non-executive chairman since July 2007)
JP Strategic Insights Pty Ltd (Executive Director since March 2006)

***Former directorships in last 3 years***
ITPM Pty Ltd (Non-executive chairman from 2003 to 2007)
Felix Resources Limited (Managing Director from 2002 to 2006)

***Special responsibilities***
None.

***Interests in shares and options***
3,199,446 ordinary shares in Norton Gold Fields Limited
2,000,000 options over ordinary shares in Norton Gold Fields Limited

**Mark McCauley BE (Mining) Hons. MBA MAICA.** *Non-executive Director*. Age 39
***Experience and expertise***
Currently Managing Director of a Queensland based private equity firm RMM Capital. Previous professional experience includes four years as chief financial officer for a large Australian coal producer, Director Strategic Development for a private resource investment company, along with various technical and operational roles with Mount Isa Mines. Holder of a first class Queensland Metaliferous Mine Manager's certicate and graduate of the Harvard Business School's Advanced General Management program. Completed a Master of Business Administration at Bond University in 1994.

***Other current directorships***
RMM Capital Pty Limited (Executive Director since May 2007)

***Former directorships in last 3 years***
None.

***Special responsibilities***
None.

***Interests in shares and options***
None.

**Company secretary**

The company secretary is Ms Leni Stanley CA, B.Com. Ms Stanley was appointed to the position of company secretary in February 2007. Ms Stanley currently is a partner with a Chartered Accounting firm and holds the office of company secretary with other companies.

Mr Robert Lees was company secretary from the beginning of the financial year until his resignation on 21 February 2007. Mr Lees provides company secretarial and accounting services to small to medium-sized ASX listed entities. He has been a Chartered Accountant since 1980 and has extensive experience as a public Company Secretary, including Public Offers.

**Meetings of directors**

The number of meetings of the Norton Gold Fields Limited's board of directors held during the year and the number of meetings attended by each Director were:

| | **Board Meetings** | |
|---|---|---|
| | **Eligible to Attend** | **Attended** |
| Anthony McLellan | 5 | 5 |
| Tim Prowse | 5 | 5 |
| Jon Parker | 4 | 1 |
| Jack Tan | 1 | 1 |

## REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A. Principles and Agreements
B. Details of Remuneration
C. Service Agreements
D. Share-based compensation

### A. Principles used to determine the nature and amount of remuneration

The board of directors is responsible for determining and reviewing compensation arrangements for the Directors, Managing Director, and the senior executives. The Board also reviews and ratifies the Managing Director's recommendations on the remuneration of key management and staff.

### Executive Remuneration

The remuneration policy ensures that contracts for services are reviewed on a regular basis and properly reflect the duties responsibilities of the individuals concerned. The executive remuneration structure is based on a number of factors including length of service, relevant market conditions, knowledge and experience with the industry, organisational experience, performance of the Company and that the need for the remuneration to be competitive in order to attract and retain motivated people. There are no guaranteed pay increases included in the senior executives' contracts. For the year ended 30 June 2007 Tim Prowse was the only executive of the Group.

Currently the executive remuneration comprises a total fixed remuneration and does not comprise any short-term incentive schemes or equity based remuneration.  There is no direct relationship between remuneration and performance.

The Directors are not entitled to any retirement benefits except those as provided by the superannuation guarantee scheme, which is currently 9%. Some individuals however, have chosen to sacrifice some or part of their salary to increase payments towards superannuation.

### Non-Executive Directors

The Board within the maximum approved by the Shareholders, from time to time determines the remuneration of the non Executive Directors. The current maximum amount of non Executives' fees payable is fixed at $120,000 per annum. The remuneration for non Executive Directors has been set at $120,000 per annum.

### B. Details of remuneration (audited)

Details of the nature and amount of remuneration of the Directors and the key management personnel of the Company and the consolidated entity are:

| | Short-term benefits | | Post-employment benefits | | Share-based payment | |
|---|---|---|---|---|---|---|
| | Directors Fees | Cash salary and fees | Superannuation | Termination | Options | Total |
| | $ | $ | $ | $ | $ | $ |
| **2007** | | | | | | |
| **Directors** | | | | | | |
| Anthony McLellan | 60,000 | - | 5,400 | - | 203,000 | 268,400 |
| Tim Prowse | - | 160,000 | 14,400 | - | - | 174,400 |
| Jon Parker | 60,000 | - | 5,400 | - | - | 65,400 |
| Jack Tan | - | 15,256 | - | 50,000 | - | 65,256 |
| | 120,000 | 175,256 | 25,200 | 50,000 | 203,000 | 573,456 |
| **2006** | | | | | | |
| **Directors** | | | | | | |
| Anthony McLellan | 20,000 | - | 1,800 | - | - | 21,800 |
| Tim Prowse | - | 156,058 | 12,000 | - | - | 168,058 |
| Jack Tan | - | 58,485 | - | - | - | 58,485 |
| Eddie Lee | - | 18,307 | - | 47,917 | - | 66,224 |
| | 20,000 | 232,850 | 13,800 | 47,917 | - | 314,567 |

**REMUNERATION REPORT (continued)**

There have been no other post-employment benefits paid to Directors and key management personnel other than those disclosed in the table above.

**C. Service Agreements**

Remuneration and other terms of employment for the Managing Director are formalised in a service agreement. The contractual arrangements contain certain provisions typically found in contracts of this nature. Other major provisions of the agreements relating to the remuneration are set out below.

**Mr T Prowse (Managing Director)**
Term of Agreement 3 years
Base salary of $160,000 per annum (plus superannuation)
Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 11/12ths of the base salary.

Non-executive directors do not have formal services agreements. Terms of employment for non-executive directors are set out below.

**Mr A McLellan**
Base Salary of $60,000 (plus superannuation). Additional consulting fees of $1,800 per day will be charged for additional consulting services as requested from time to time by the Managing Director.

**Mr J Parker**
Base Salary of $60,000 (plus superannuation). Additional consulting fees of $1,800 per day will be charged for additional consulting services as requested from time to time by the Managing Director.

**D. Share Based Compensation**

*Options*
During the year 5,000,000 options were granted to Anthony McLellan for no consideration.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

| Grant date | Number | Date vested and exercisable | Expiry date | Exercise price | Value per option at grant date |
|---|---|---|---|---|---|
| 14 November 2006 | 3,000,000 | 14 April 2007 | 6 mths post cessation of appointment | $0.12 | $0.045 |
| 14 November 2006 | 2,000,000 | 14 April 2007 | 6 mths post cessation of appointment | $0.20 | $0.034 |

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

Details of options over ordinary shares in the Company provided as remuneration to each director of Norton Gold Fields Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Norton Gold Fields Limited. Further information on the options is set out in note 21 to the financial statements.

| Name | Number of options granted during the year | | Number of options vested during the year | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| ***Directors of Norton Gold Fields Limited*** | | | | |
| Anthony McLellan | 5,000,000 | - | 5,000,000 | - |

**REMUNERATION REPORT (continued)**

For the grant of options disclosed above the percentage of the grant that vested in the financial year and the percentage that was forfeited is set out below.

| | Options | | | |
|---|---|---|---|---|
| **Name** | **Year granted** | **Vested %** | **Forfeited %** | **Total value of grant yet to vest** |
| Anthony McLellan | 2006 | 100% | - | - |

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Peter Hoadley's option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2007 included:

**Issue A**

(a) options are granted for no consideration and vest immediately
(b) exercise price $0.20
(c) grant date: 14 November 2006
(d) expiry date: 5 June 2008
(e) share price at grant date: $0.09
(f) expected price volatility of the shares: 79%
(g) expected dividend yield: 0%
(h) risk-free interest rate: 5.92%

**Issue B**

(a) options are granted for no consideration and vest on or after the later of 6 months or where the volume weighted average trading price of Shares over a five trading day period reaches $0.20
(b) exercise price $0.12
(c) grant date: 14 November 2006
(d) expiry date: six months following the recipients cessation of his appointment as a Director for any reason
(e) share price at grant date: $0.09
(f) expected price volatility of the shares: 120%
(g) expected dividend yield: 0%
(h) risk-free interest rate: 5.26%

**Issue C**

(a) options are granted for no consideration and vest on or after the later of 6 months or where the volume weighted average trading price of Shares over a five trading day period reaches $0.30
(b) exercise price $0.20
(c) grant date: 14 November 2006
(d) expiry date: six months following the recipients cessation of his appointment as a Director for any reason
(e) share price at grant date: $0.09
(f) expected price volatility of the shares: 120%
(g) expected dividend yield: 0%
(h) risk-free interest rate: 5.26%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

**Shares under option**

Unissued ordinary shares of Norton Gold Fields Limited under option at the date of this report are as follows:

| Date options granted | Vesting date | Expiry date | Exercise price | Number under option |
|---|---|---|---|---|
| 25 February 2005 | 25 February 2005 | 8 August 2010 | $0.20 | 9,626,800 |
| 30 April 2005 | 30 April 2005 | 8 August 2010 | $0.20 | 2,925,000 |
| 17 June 2005 | 17 June 2005 | 8 August 2010 | $0.20 | 7,093,200 |
| 15 September 2005 | 15 September 2005 | 8 October 2010 | $0.20 | 7,893,400 |
| 14 November 2006 | 14 November 2006 | 5 June 2008 | $0.20 | 800,000 |
| 14 November 2006 | 14 April 2007 | 6mths after term. | $0.12 | 3,000,000 |
| 14 November 2006 | 14 April 2007 | 6mths after term. | $0.20 | 2,000,000 |
| 23 August 2007 | When VWAP* equals $0.30 or 6 months after grant | earlier of 6mths after term or 8 September 2010 | $0.20 | 2,000,000 |
| 27 August 2007 | 27 August 2007 | 27 August 2009 | $0.20 | 35,386,528 |
| | | | | 70,724,928 |

*VWAP means the volume weighted average trading price of Shares on ASX over a five business day period.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

**Shares issued on the exercise of options**

The following ordinary shares of Norton Gold Fields Limited were issued during the year ended 30 June 2007 on the exercise of options. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

| Date options granted | Issue price of shares | Number of shares issued |
|---|---|---|
| 15 September 2005 | $0.20 | 400,000 |
| | | 400,000 |

**Indemnification of directors and officers**

The Company has entered into agreements to indemnify Directors, and the Company Secretary against certain liabilities which they may incur as a result of or by reason of (whether solely or in part) being or acting as an officer of the Company. The agreement requires the Company to indemnify officers of the Company to the maximum extent permitted by the *Corporations Act 2001*.

At the date of this report no amounts have been paid in relation to indemnity of any Director or officer of the Company and no contracts insuring officers of the Company have been entered into.

The Company provides no indemnity to any auditor.

**Proceedings on Behalf of Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (BDO Kendalls) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, BDO Kendalls, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

**Assurance services**

| | 2007<br>$ | 2006<br>$ |
|---|---|---|
| **1. Audit services** | | |
| BDO Kendalls firm: | | |
| Audit and review of financial reports and other audit work under the *Corporations Act 2001* | 20,000 | - |
| Non-BDO Kendalls audit firm (Gould Ralph & Company) | - | 35,000 |
| ***Total remuneration for audit services*** | 20,000 | 35,000 |
| **2. Non-audit services** | | |
| BDO Kendalls firm: | | |
| Taxation advice | 4,050 | - |
| Non-BDO Kendalls audit firm (Gould Ralph & Company) | - | 35,396 |
| ***Total remuneration for non-audit services*** | 4,050 | 35,396 |
| ***Total remuneration for services*** | 24,050 | 70,396 |

**Auditors' independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28.

**Auditor**
BDO Kendalls continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

Signed in accordance with a resolution of the Directors.

Alan T. Prowse
Managing Director
Brisbane
28 September 2007

BDO Kendalls

BDO Kendalls (QLD)
Level 18, 300 Queen St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Phone 61 7 3237 5999
Fax 61 7 3221 9227
info.brisbane@bdo.com.au
www.bdo.com.au

ABN: 70 202 702 402

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF NORTON GOLD FIELDS LIMITED AND CONTROLLED ENTITIES**

As lead auditor for the audit of Norton Gold Fields Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

**BDO Kendalls (QLD)**

**C J Skelton**
Partner

Brisbane
Dated: 28 September 2007

The board of directors of Norton Gold Fields Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document, '*Principles of Good Corporate Governance and Best Practice Recommendations*' ('Guidelines') applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets. The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

**Principle 1 - Lay solid foundations for management and oversight**

The Board has adopted the Corporate Governance Charter, which defines the role of the Board and management. The Group complies with the Guidelines in this regard.

**Principle 2 - Structure the Board to add value**

The Corporate Governance Charter requires the Board to comprise a minimum of three Directors, at least half of which must be non-executive. It also requires the Chairman to be independent. The Directors believe that the current composition of the Board will add value by ensuring there is a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company. The Group complies with the Guidelines in this regard.

**Principle 3 - Promote ethical and responsible decision making**

The Board has adopted a detailed code of ethics and values and a detailed code of conduct for transactions in securities as part of the Corporate Governance Charter. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities.

The Board will ensure that restrictions on dealings in securities are strictly enforced. Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.

**Principle 4 - Safeguard integrity in financial reporting**

An audit and risk management committee has been established by the Board and is governed by its own charter. This charter requires the Managing Director to state in writing to the Board that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and that the operational results are in accordance with the relevant accounting standards. The Group complies with the Guidelines in this regard.

**Principle 5 - Make timely and balanced disclosure**

The Board believes the Group's proposed practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with the disclosure requirement in the Listing Rules are included in the Corporate Governance Charter.

**Principle 6 - Respect the rights of shareholders**

The Board recognises the importance of this principle and will strive to communicate with Shareholders both regularly and clearly by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Group's auditors will attend the annual general meetings and will be available to answer Shareholders' questions. The Directors believe that the Group's policies comply with the Guidelines in relation to the rights of Shareholders.

**Principle 7 - Recognise and manage risks**

The Board and the audit and risk management committee will constantly seek to identify, monitor and mitigate risk. Internal controls will be monitored on a continuous basis and, wherever possible improved. The issue of risk management is formalised in the Corporate Governance Charter (which the Directors believe complies with the Guidelines in relation to risk management) and the charter for the audit and risk management committee and will continue to be kept under regular review by the Board.

The charter of the audit and risk management committee requires the Managing Director to state in writing to the Board that the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. The Board believes that the Group complies with the Guidelines in this regard.

**Principle 8 - Encourage enhanced performance**

The Corporate Governance Charter requires individual performance review and evaluation to be conducted formally on an annual basis. As a nominations committee has not been appointed, this review is conducted by the Board. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively.

**Principle 9 - Remunerate fairly and responsibly**

The Group's proposed practices in this area will be reviewed regularly to ensure compliance with the Guidelines. Details of remuneration of Directors during the year are disclosed in the Directors' Report.

**Principle 10 - Recognise the legitimate interests of stakeholders**

The Board recognises the importance of this principle and will continue to develop and implement procedures to ensure compliance with legal and other obligations to legitimate stakeholders. The Directors believe that the Group and its policies and practices comply with the Guidelines in this area.

**NORTON GOLD FIELDS LIMITED**

**INCOME STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

| | Notes | Consolidated 2007 $ | Consolidated 2006 $ | Parent Entity 2007 $ | Parent Entity 2006 $ |
|---|---|---|---|---|---|
| **Revenue** | 5 | 708,555 | 704,461 | 35,481 | 208,916 |
| Accounting fees | | (81,794) | (31,906) | - | - |
| Audit fees | | (20,989) | (35,000) | (20,989) | (35,000) |
| Consulting fees | | (168,148) | (41,459) | (159,273) | - |
| Corporate services | | (32,532) | (61,621) | - | (61,621) |
| Deferred exploration and evaluation costs – amortised | | (34,040) | (47,200) | - | - |
| Depreciation expense | 6 | (163,775) | (7,240) | - | - |
| Finance costs | | (130,318) | (9,750) | (89,041) | - |
| Mining expenses | | (811,378) | (812,677) | (4,937) | - |
| Salaries and employee benefits expense | | (600,436) | (396,974) | (328,585) | (101,705) |
| Travel expense | | (180,095) | (22,259) | - | (744) |
| Impairment of mine properties | 3,6 | (3,677,461) | - | - | - |
| Impairment of investments | 6 | - | - | (5,546,259) | - |
| Exploration written off | | (294,166) | - | - | - |
| Other expenses | | (225,733) | (148,304) | (42,697) | (18,995) |
| **Loss before income tax** | | (5,712,310) | (909,929) | (6,156,300) | (9,149) |
| Income tax (expense)/benefit | 7 | 1,103,238 | 258,659 | - | - |
| **Loss for the year** | | (4,609,072) | (651,270) | (6,156,300) | (9,149) |
| | | **Cents** | **Cents** | | |
| Basic and diluted earnings per share (cents) | 31 | (6.6) | (0.99) | | |

The above income statements should be read in conjunction with the accompanying notes.

**NORTON GOLD FIELDS LIMITED**

**BALANCE SHEETS**

**AS AT 30 JUNE 2007**

| | Notes | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | | $ | $ | $ | $ |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 8 | 3,728,212 | 2,298,665 | 2 | 2,172,013 |
| Trade and other receivables | 9 | 74,767 | 141,440 | 19,821 | 13,480 |
| Total Current Assets | | 3,802,979 | 2,440,105 | 19,823 | 2,185,493 |
| **Non-Current Assets** | | | | | |
| Receivables | 10 | - | - | 6,394,765 | 1,640,632 |
| Other financial assets | 11 | - | - | 562,618 | 6,108,877 |
| Deferred exploration and evaluation | 12 | 2,095,566 | 2,168,171 | - | - |
| Intangibles | 13 | 3,533,649 | 7,152,800 | - | - |
| Property, plant and equipment | 14 | 505,613 | 668,138 | - | - |
| Other assets | 15 | 5,345,039 | 10,280 | 5,309,459 | - |
| Total Non-Current Assets | | 11,479,867 | 9,999,389 | 12,266,842 | 7,749,509 |
| Total Assets | | 15,282,846 | 12,439,494 | 12,286,665 | 9,935,002 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 16 | 385,957 | 118,538 | 166,020 | 35,364 |
| Borrowings | 17 | 538,260 | 172,238 | - | - |
| Total Current Liabilities | | 924,217 | 290,776 | 166,020 | 35,364 |
| **Non-Current Liabilities** | | | | | |
| Deferred tax liabilities | 18 | 1,256,972 | 2,360,210 | - | - |
| Provisions | 19 | 80,000 | - | - | - |
| Borrowings | 20 | 8,089,041 | 535,086 | 8,089,041 | - |
| Total Non-Current Liabilities | | 9,426,013 | 2,895,296 | 8,089,041 | - |
| Total Liabilities | | 10,350,230 | 3,186,072 | 8,255,061 | 35,364 |
| Net Assets | | 4,932,616 | 9,253,422 | 4,031,604 | 9,899,638 |
| **Equity** | | | | | |
| Contributed equity | 21 | 10,049,022 | 9,969,022 | 10,049,022 | 9,969,022 |
| Reserves | 22 | 208,266 | - | 208,266 | - |
| Accumulated losses | 22 | (5,324,702) | (715,630) | (6,225,684) | (69,384) |
| | | 4,932,586 | 9,253,392 | 4,031,604 | 9,899,638 |
| Minority interest | | 30 | 30 | - | - |
| Total Equity | | 4,932,616 | 9,253,422 | 4,031,604 | 9,899,638 |

The above balance sheets should be read in conjunction with the accompanying notes.

NORTON GOLD FIELDS LIMITED

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

| | Notes | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2007<br>$ | 2006<br>$ | 2007<br>$ | 2006<br>$ |
| **Total equity at the beginning of the year** | | 9,253,422 | 6,359,993 | 9,899,638 | 6,364,088 |
| Loss for the year | | (4,609,072) | (651,270) | (6,156,300) | (9,149) |
| **Total recognised income and expense for the year** | | (4,609,072) | (651,270) | (6,156,300) | (9,149) |
| Non-cash share based payments | 22 | 208,266 | - | 208,266 | - |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Contributions of equity, net of transaction costs | 21 | 80,000 | 3,544,699 | 80,000 | 3,544,699 |
| **Total equity at the end of the year** | | 4,932,616 | 9,253,422 | 4,031,604 | 9,899,638 |

The above statements of changes in equity should be read in conjunction with the accompanying notes.

NORTON GOLD FIELDS LIMITED

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

| | Notes | Consolidated 2007 $ | Consolidated 2006 $ | Parent Entity 2007 $ | Parent Entity 2006 $ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts in the course of operations | | 819,992 | 599,941 | - | - |
| Payments in the course of operations | | (1,792,539) | (1,699,498) | (224,471) | (62,026) |
| Income tax refund | | 571 | - | 571 | - |
| Interest received | | 98,927 | 98,916 | 35,481 | 98,916 |
| Borrowing costs paid | | (42,184) | (9,750) | - | - |
| Net cash (used in)/provided by operating activities | 30 | (915,233) | (1,010,391) | (188,419) | 36,890 |
| **Cash flows from investing activities** | | | | | |
| Payments for plant and equipment | | (1,250) | - | - | - |
| Deferred exploration and evaluation costs | | (255,579) | (265,726) | - | - |
| Payment for security deposit | | (25,300) | - | - | - |
| Payment for deposit – Paddington Gold Mine | | (5,000,000) | - | - | - |
| Payments for costs associated with acquisition of Paddington Gold Mine | | (284,027) | - | - | - |
| Net cash used in investing activities | | (5,566,156) | (265,726) | - | - |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of shares | | 80,000 | 4,062,621 | 80,000 | 4,062,621 |
| Share issue costs paid | | - | (517,922) | - | (517,922) |
| Proceeds from borrowings | | 8,000,000 | - | - | - |
| Repayment of borrowings | | (169,064) | - | - | - |
| Loans (to)/repaid by related entities | | - | - | (2,063,592) | (1,420,663) |
| Net cash provided by financing activities | | 7,910,936 | 3,544,699 | (1,983,592) | 2,124,036 |
| **Net increase/(decrease) in cash held** | | 1,429,547 | 2,268,582 | (2,172,011) | 2,160,926 |
| Cash at the beginning of the year | | 2,298,665 | 30,083 | 2,172,013 | 11,087 |
| **Cash at the end of the year** | 8 | 3,728,212 | 2,298,665 | 2 | 2,172,013 |

The above cash flow statements should be read in conjunction with the accompanying notes.

## 1. Summary of Significant Accounting Policies

The financial report includes separate financial statements for Norton Gold Fields Limited as an individual entity and the consolidated entity consisting of Norton Gold Fields Limited and its controlled entities. Norton Gold Fields Limited is a listed public Company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The financial report for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of directors on 28 September 2007.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

*Compliance with IFRSs*
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS's ensures that the financial statements and notes of Norton Gold Fields Limited comply with International Financial Reporting Standards (IFRSs).

*Early adoption of standard*
The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- revised AASB 101 *Presentation of Financial Statements* (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

*Historical cost convention*
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

*Critical accounting estimates*
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The principal accounting polices adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**1. Summary of Significant Accounting Policies (continued)**

**(b) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Norton Gold Fields Limited ("Company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Norton Gold Fields Limited and its subsidiaries together are referred to in the financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. A list of all controlled entities is contained in note 28.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(c) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

**(d) Foreign currency translation**

*(i) Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Norton Gold Fields Limited's functional and presentation currency.

*(ii) Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised when title to the goods passes to customers.

Interest revenue is recognised on a time proportional basis that takes into account the effective yield on the financial asset.

**1. Summary of Significant Accounting Policies (continued)**

**(f) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

*Tax consolidation legislation*

Norton Gold Fields Limited and its wholly owned Australian controlled entities have not yet decided to implement the tax consolidation legislation. Norton Gold Fields Limited and its wholly owned Australian controlled entities have significant tax losses. No deferred tax balances have been recognised, as recovery of losses (and temporary differences) is not probable at this time.

**(g) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

**(h) Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. The corresponding rental obligations, net of finance charges, are included in liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

**1. Summary of Significant Accounting Policies (continued)**

**(i) Acquisitions of assets**

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

**(j) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**(k) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(l) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade and other receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

**1. Summary of Significant Accounting Policies (continued)**

**(m) Investments and other financial assets**

*Recognition*
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*(i) Loans and receivables*
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

*(ii) Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

*(iii) Available-for-sale financial assets*
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

*(iv) Financial liabilities*
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

*Impairment*
At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

**(n) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**1. Summary of Significant Accounting Policies (continued)**

**(o) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation and where applicable impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of assets is calculated on a diminishing value or straight line method to allocate their cost, net of their residual values, over their estimated useful lives. The depreciation rates used for each class of depreciable asset are:

Plant and equipment 10-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**(p) Exploration and evaluation costs**

Exploration and evaluation costs incurred by or on behalf of the Group are accumulated separately for each area of interest. The costs are carried forward where such costs are expected to be recouped through successful development, or by sale, where exploration and evaluation activities have not at balance date reached a stage to allow a reasonable assessment to be made regarding the existence of economically recoverable reserves. The realisation of the value of costs carried forward depends upon any commercial results that may be obtained through successful development and exploitation of the area of interest or alternatively by its sale. If an area of interest is abandoned or is considered to be of no further commercial interest the accumulated exploration costs relating to the area are written off against income in the year of abandonment. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

**(q) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

## 1. Summary of Significant Accounting Policies (continued)

### (r) Employee benefits

*(i) Wages and salaries, annual and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

*(ii) Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Superannuation*
The Group makes contributions to accumulation superannuation funds. Contributions are recognised as an expense as they become payable.

*(iv) Share-based payments*
Share-based compensation benefits are provided to employees via the Norton Gold Fields Limited Employee Option Plan. Information relating to this scheme is set out in note 32.

The fair value of options granted under the Norton Gold Fields Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

*(v) Bonus plans*
The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

## 1. Summary of Significant Accounting Policies (continued)

### (s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (t) Earnings per share

*(i) Basic earnings per share*
Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

*(ii) Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (u) Borrowing costs

Borrowing costs are expensed.

### (v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### (w) Intangible assets – Mining tenements

Mining tenements have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses. The carrying values of mining tenements are reviewed to ensure they are not in excess of their recoverable amounts. The recoverable amount is assessed on the basis described in notes 1(j).

Amortisation of mining tenements commences from the date when commercial production commences and is charged to the income statement as cost of sales. Mining tenements are amortised over the life of the mine using a units of production method.

**1. Summary of Significant Accounting Policies (continued)**

**(x) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 *Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

(ii) AASB-1 10 *Interim Financial Reporting and Impairment*
AASB-1 10 is applicable to reporting periods commencing on or after 1 November 2006. The Company has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Company's financial statements.

## 2. Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on managing these risks and implementing and monitoring of controls around the cash management function. The Group's principal financial instruments consist of cash and cash equivalents, receivables and payables.

The Group's management of treasury activities is centralised and governed by policies approved by the board of directors. The Chief Financial Officer reports to the Audit and Risk Committee on a semi-annual basis, and monitors the operating compliance and performance and reports to the Board as required. The Board provides principles for overall risk management, as well as policies covering specific areas, such as identifying risk exposure, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

**(a) Market risk**

**Currency risk**

The Group does not have any direct material currency risk as commercial transactions and recognised financial assets and liabilities are all in Australian currency.

**Price risk**

The Group does not have any direct material market or commodity price risk relating to its financial assets or liabilities.

**(b) Credit risk**

The Group has treasury policies in place for deposit transactions for such transactions to be conducted with financial institutions with a minimum credit rating.

The credit risk on financial assets which have been recognised on the balance sheets is generally the carrying amount, net of any provisions. At balance date, cash and deposits were held with Commonwealth Bank of Australia. For receivables refer to note 9.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Group monitors its cash requirements and raises equity funding as and when appropriate to meet such planned requirements.

**(d) Cash flow interest rate risk**

The Group's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates.

Generally no interest is receivable or payable on the Group's trade and other receivables or payables. Refer note 27 for further details.

## 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Deferred exploration and evaluation*
Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of deferred exploration and evaluation asset may exceed recoverable amount. Management considers the facts and circumstances at each reporting period that would indicate whether the consolidated entity should test deferred exploration and evaluation assets for impairment.

*Mine properties*
Mine properties are assessed for impairment when facts and circumstances suggest that the carrying amount of mine properties may exceed recoverable amount. Management considers the facts and circumstances at each reporting period that would indicate whether the consolidated entity should test mine properties for impairment. Operations at the Norton Gold Mine were suspended on 31 October 2006 due to a concern that arose that the base metal content in the tailings dam at the Gympie plant (used to process the ore) could potentially exceed Gympie's licence conditions and so it was considered prudent to suspend processing of Norton ore while technical solutions were investigated. Management then commissioned a valuation of the principal mine assets to determine the fair value in order to determine whether the assets were impaired. Based on the valuation received the consolidated entity assessed that the mine properties were impaired and accordingly booked an impairment loss of $3,677,461 through the income statement.

*Paddington Gold Mine*
On 26 April 2007 Norton entered into an agreement with the Barrick Group to acquire the Paddington Gold Mine for gross consideration of $39 million. As at 30 June 2007 the conditions precedent of the transaction were not complete and Norton Gold Fields Limited therefore had no control of the asset. Accordingly, the acquisition is not reflected in the accounts at 30 June 2007.

*Mount Morgan Gold Mine Tailings Project*
On 18 January 2007 Norton Gold Fields Limited announced that it had entered into an agreement to acquire the Mount Morgan Gold Mine tenements. This agreement is subject to completion of due diligence by Norton Gold Fields Limited and certain approvals by the Queensland Department of Mines and Energy, both of which were not complete as at 30 June 2007. As a result of this Norton Gold Fields Limited had no control over the asset at year end and therefore the acquisition is not reflected in the accounts at 30 June 2007.

## 4. Segment information

The Group operates solely within one business segment and one geographical segment, being gold, copper and coal exploration and mining in Australia.

| 5. Revenue | Consolidated 2007 $ | Consolidated 2006 $ | Parent Entity 2007 $ | Parent Entity 2006 $ |
|---|---|---|---|---|
| **From continuing operations** | | | | |
| *Sales revenue* | | | | |
| Sales – Mining | 600,097 | 582,309 | - | - |
| | 600,097 | 582,309 | - | - |
| *Other revenue* | | | | |
| Interest | 98,927 | 98,916 | 35,481 | 98,916 |
| Management fees *(note 27)* | - | - | - | 110,000 |
| Other – Expense recovery | 9,531 | 23,236 | - | - |
| | 708,555 | 704,461 | 35,481 | 208,916 |

| 6. Expenses | Consolidated 2007 $ | Consolidated 2006 $ | Parent Entity 2007 $ | Parent Entity 2006 $ |
|---|---|---|---|---|
| Loss before income tax expense includes the following specific expenses: | | | | |
| *Depreciation* | | | | |
| Plant and equipment | 160,473 | 7,140 | - | - |
| Motor vehicles | 3,302 | 100 | - | - |
| Total depreciation | 163,775 | 7,240 | - | |
| Amortisation of deferred exploration costs | 34,040 | 47,200 | - | - |
| Rental expense relating to operating leases – minimum lease payments | 17,950 | 149,890 | - | - |
| *Finance costs* | | | | |
| Interest and finance charges (unrelated parties) | 130,318 | 9,750 | 89,041 | |
| Exploration written off | 294,166 | - | - | - |
| Superannuation contributions | 40,048 | 15,937 | - | - |
| **Significant Items** | | | | |
| *Impairment of assets* | | | | |
| Mine properties | 3,677,461 | - | - | - |
| Investments | - | - | 5,546,259 | - |
| Total impairment loss | 3,677,461 | - | 5,546,259 | - |

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **7. Income Tax** | $ | $ | $ | $ |
| **Income tax (credit)/expense** | | | | |
| Current tax | - | - | - | - |
| Deferred tax | (1,103,238) | (258,659) | - | - |
| | (1,103,238) | (258,659) | - | - |
| **Reconciliation of income tax expense to prima facie tax** | | | | |
| Loss before income tax expense | (5,712,310) | (909,929) | (6,156,300) | (9,149) |
| Tax at 30% (2006: 30%) | (1,713,693) | (272,979) | (1,846,890) | (2,745) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | | |
| Non-deductible expenses | 47,041 | 14,320 | 46,659 | 2,745 |
| | (1,666,652) | (258,659) | (1,800,231) | - |
| Under / over provision in prior years | 180,203 | - | (154,949) | - |
| Deferred tax assets not recognised | 383,211 | - | 1,955,180 | - |
| Income tax expense/(credit) | (1,103,238) | (258,659) | - | - |
| **Deferred income tax** | | | | |
| Deferred tax assets have not been recognised in respect of the following items: | | | | |
| Deductible temporary differences | 183,927 | 154,988 | 1,802,527 | 154,988 |
| Tax losses | 834,283 | 39,059 | 128,551 | 39,059 |
| | 1,018,210 | 194,047 | 1,931,078 | 194,047 |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from the deferred tax assets.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| **8. Current assets - Cash and cash equivalents** | **2007 $** | **2006 $** | **2007 $** | **2006 $** |
| Cash at bank and in hand | 19,105 | 2,199,665 | 2 | 2,172,013 |
| Deposits at call | 3,709,107 | 99,000 | - | - |
| | 3,728,212 | 2,298,665 | 2 | 2,172,013 |

Cash at bank and deposits at call earns interest at floating rates based on daily bank deposit rates. The average interest rate was between 6.1% and 6.45% (2006 – 7.5% to 8.0%).

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| **9. Current assets - Trade and other receivables** | **2007 $** | **2006 $** | **2007 $** | **2006 $** |
| Other receivables | 66,394 | 141,440 | 19,821 | 13,480 |
| Prepayments | 8,373 | - | - | - |
| | 74,767 | 141,440 | 19,821 | 13,480 |

Other receivables arise from usual operating activities of the Group. These are non-interest bearing and are generally on 30 day terms.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| **10. Non-current assets – Receivables** | **2007 $** | **2006 $** | **2007 $** | **2006 $** |
| Loans to related parties | - | - | 6,394,765 | 1,640,632 |
| Refer to note 27 for details. | | | | |
| **11. Non-current assets – Other financial assets** | | | | |
| Shares in subsidiaries (note 28) | - | - | 6,108,877 | 6,108,877 |
| Provision for impairment | - | - | (5,546,259) | - |
| | - | - | 562,618 | 6,108,877 |
| **12. Non-current assets - Deferred Exploration and Evaluation Costs** | | | | |
| Deferred geological, geophysical, drilling and other expenditure – at cost | 2,095,566 | 2,168,171 | - | - |
| The capitalised exploration and evaluation costs carried forward above have been determined as follows: | | | | |
| Opening balance | 2,168,171 | 1,902,445 | - | - |
| Costs incurred during the year | 221,561 | 265,726 | - | - |
| Exploration written off | (294,166) | - | - | - |
| Closing balance as shown above | 2,095,566 | 2,168,171 | - | - |

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective mining areas.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| **13. Non-current assets - Intangibles** | | | | |
| Mine properties – at recoverable amount | 3,533,649 | 7,152,800 | - | - |
| The capitalised mine properties carried forward above have been determined as follows: | | | | |
| Opening balance | 7,152,800 | 7,200,000 | - | - |
| Costs incurred during the year | 92,350 | - | - | - |
| Impairment of mine properties | (3,677,461) | - | - | - |
| Amortisation during the year | (34,040) | (47,200) | - | - |
| Closing balance as shown above | 3,533,649 | 7,152,800 | - | - |

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| **14. Non-current assets - Property, Plant and Equipment** | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| Plant and equipment – at cost | 677,092 | 675,842 | - | - |
| Accumulated depreciation | (171,479) | (7,704) | - | - |
| | 505,613 | 668,138 | - | - |

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

| | Plant and equipment | Motor Vehicles | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Consolidated** | | | |
| Carrying amount – 30 June 2006 | 650,526 | 17,612 | 668,138 |
| Additions | 1,250 | - | 1,250 |
| Disposals | - | - | - |
| Depreciation | (160,473) | (3,302) | (163,775) |
| Carrying amount – 30 June 2007 | 491,303 | 14,310 | 505,613 |
| | | | |
| Carrying amount – 30 June 2005 | 2,606 | - | 2,606 |
| Additions | 655,060 | 17,712 | 672,772 |
| Depreciation | (7,140) | (100) | (7,240) |
| Carrying amount – 30 June 2006 | 650,526 | 17,612 | 668,138 |

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **15. Non-current assets – Other assets** | $ | $ | $ | $ |
| Deposit – Paddington Gold Mine acquisition | 5,000,000 | - | 5,000,000 | - |
| Costs associated with Paddington Gold Mine acquisition | 309,459 | - | 309,459 | - |
| Security deposits | 35,580 | 10,280 | - | - |
| | 5,345,039 | 10,280 | 5,309,459 | - |

| | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| **16.** | **Current liabilities - Trade and Other Payables** | **2007 $** | **2006 $** | **2007 $** | **2006 $** |
| | *Unsecured liabilities* | | | | |
| | Trade payables | 359,302 | 66,448 | 166,020 | 364 |
| | Other payables | 26,655 | 52,090 | - | 35,000 |
| | | 385,957 | 118,538 | 166,020 | 35,364 |
| **17.** | **Current liabilities – Borrowings** | | | | |
| | *Secured* | | | | |
| | Bank loans | 538,260 | 172,238 | - | - |

As the bank loan represents a chattel mortgage over equipment there is no amount of the facility undrawn and available for use. Loans are effectively secured as rights to the assets recognised in the financial report revert to the lender in the event of default. Weighted average interest rate for loan was 7.57%.

The carrying amounts of assets pledged as security for the current and non-current borrowings are:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2007 $** | **2006 $** | **2007 $** | **2006 $** |
| **Current assets** | | | | |
| Deposits at call | 99,000 | 99,000 | - | - |
| **Non-current assets** | | | | |
| Property, plant and equipment | 484,197 | 645,580 | - | - |
| Total assets pledged as security | 583,197 | 744,580 | - | - |

| | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| **18.** | **Non-current liabilities - Deferred Tax Liabilities** | **2007 $** | **2006 $** | **2007 $** | **2006 $** |
| | Deferred tax liabilities | 1,256,972 | 2,360,210 | - | - |
| | Deferred tax assets and liabilities are attributed to the following: | | | | |
| | Deferred exploration and evaluation costs | 1,256,972 | 2,685,130 | - | - |
| | Tax losses recognised | - | (324,920) | - | - |
| | | 1,256,972 | 2,360,210 | - | - |
| | Movements: | | | | |
| | Balance at start of year | 2,360,210 | 2,618,869 | - | - |
| | Credited to income statement | (1,103,238) | (258,659) | - | - |
| | Balance at end of year | 1,256,972 | 2,360,210 | - | - |
| **19.** | **Non-current liabilities – Provisions** | | | | |
| | Provision for restoration | 80,000 | - | - | - |

Movement in provision for the year is the amount set aside for the restoration provision which has been included in mine properties.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **20. Non-current liabilities – Borrowings** | $ | $ | $ | $ |
| Bank loan | - | 535,086 | - | - |
| Investment loan | 8,089,041 | - | 8,089,041 | - |
| | 8,089,041 | 535,086 | 8,089,041 | - |

**(a) Investment loan**

The loan is unsecured and the Company intends to repay by issuing 50,000,000 shares and 25,000,000 two-year options exercisable at $0.20 in Norton Gold Fields Limited. Pending repayment, the interest rate on the loan is the higher of 6% p.a. and the cash rate of the Reserve Bank of Australia. Interest is payable in securities. Refer also to note 29.

**(b) Bank loans**

Loans are effectively secured as rights to the assets recognised in the financial report revert to the lender in the event of default. Weighted average interest rate for loan was 7.57%.

## 21. Contributed Equity

| | 2007 Shares | 2006 Shares | 2007 $ | 2006 $ |
|---|---|---|---|---|
| **(a) Share capital** | | | | |
| Fully paid ordinary shares | 70,246,005 | 69,846,005 | 10,049,022 | 9,969,022 |

| **(b) Movements in ordinary share capital** | Number of Shares | Issue Price Cents | $ |
|---|---|---|---|
| Opening balance – 1 July 2005 | 49,112,505 | | 6,424,323 |
| Issue of shares pursuant to prospectus dated 17 June 2005 | 20,733,500 | 20.00 | 4,146,700 |
| Share issue costs | | | (602,001) |
| Balance – 30 June 2006 | 69,846,005 | | 9,969,022 |
| Options exercised | 400,000 | 20.00 | 80,000 |
| | 70,246,005 | | 10,049,022 |

**(c) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and on a poll each share is entitled to one vote.

**(d) Options**

Information relating to share based payments, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 32.

As at 30 June 2007, the number of options to purchase ordinary shares in the Company were as follows:

| Number of options | Exercise price | Expiry date |
|---|---|---|
| 19,645,000 | $0.20 | 8 August 2010 |
| 7,893,400 | $0.20 | 8 October 2010 |
| 800,000 | $0.20 | 5 June 2008 |
| 3,000,000 | $0.12 | 6 months after termination |
| 2,000,000 | $0.20 | 6 months after termination |
| 33,338,400 | | |

| | Consolidated 2007 $ | Consolidated 2006 $ | Parent Entity 2007 $ | Parent Entity 2006 $ |
|---|---|---|---|---|
| **22. Reserves and accumulated losses** | | | | |
| **(a) Reserves** | | | | |
| Share based payment reserve | 208,266 | - | 208,266 | - |
| **Movements:** | | | | |
| *Share-based payments reserve* | | | | |
| Balance 1 July | - | - | - | - |
| Option expense | 208,266 | - | 208,266 | - |
| Balance 30 June | 208,266 | - | 208,266 | - |

**(b) Accumulated losses**

Movements in accumulated losses were as follows:

| | Consolidated 2007 $ | Consolidated 2006 $ | Parent Entity 2007 $ | Parent Entity 2006 $ |
|---|---|---|---|---|
| Balance 1 July | (715,630) | (64,360) | (69,384) | (60,235) |
| Net loss for the year | (4,609,072) | (651,270) | (6,156,300) | (9,149) |
| Balance 30 June | (5,324,702) | (715,630) | (6,225,684) | (69,384) |

**(c) Nature and purpose of reserves**

*Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value of options issued but not exercised at balance date.

## 23. Key Management Personnel Disclosures

**(a) Directors**

The following persons were directors of Norton Gold Fields Limited during the financial year:

(i) Chairman – non-executive
Anthony McLellan Non-Executive Chairman

(ii) Executive directors
Tim Prowse Managing Director

(iii) Non-executive directors
Jon Parker Non-Executive Director (appointed 13 September 2006)
Jack Tan Non-Executive Director (resigned 14 November 2006)

**(b) Other key management personnel**

There were no other persons who also had authority and responsibility for planning, directing and controlling the activities of the group, directly and indirectly, during the financial year.

**23. Key Management Personnel Disclosures (continued)**

**(c) Key management personnel compensation**

| | Consolidated 2007 $ | Consolidated 2006 $ | Parent Entity 2007 $ | Parent Entity 2006 $ |
|---|---|---|---|---|
| Short-term employee benefits | 295,256 | 252,850 | 125,256 | - |
| Post-employment benefits | 25,200 | 13,800 | - | - |
| Termination benefits | 50,000 | 47,917 | - | - |
| Share-based payments | 203,000 | - | 203,000 | - |
| Total | 573,456 | 314,567 | 328,256 | - |

The Company has taken advantage of the relief provided and has transferred the detailed disclosures to the directors' report. The relevant information can be found in the remuneration report and includes:

- remuneration policy,
- amounts of remuneration,
- service agreements, and
- share based payments.

**Equity instrument disclosures relating to key management personnel**

*Option holdings*
The number of options over ordinary shares in the Company held during the financial year by each Director of Norton Gold Fields Limited and other key management personnel of the Group, including their personally related entities, are set out below.

| Name | Balance at start of year | Granted during the year | Resignation during the year | Balance at end of year | Vested and exercisable at end of year |
|---|---|---|---|---|---|
| **2007** | | | | | |
| **Directors** | | | | | |
| Anthony McLellan | - | 5,000,000 | - | 5,000,000 | 5,000,000 |
| Tim Prowse | 8,680,000 | - | - | 8,680,000 | 8,680,000 |
| Jack Tan | 2,905,200 | - | (2,905,200) | - | - |
| Jon Parker | - | - | - | - | - |
| Total | 11,585,200 | 5,000,000 | (2,905,200) | 13,680,000 | 13,680,000 |
| **2006** | | | | | |
| **Directors** | | | | | |
| Tim Prowse | 8,680,000 | - | - | 8,680,000 | 8,680,000 |
| Jack Tan | 2,905,200 | - | - | 2,905,200 | 2,905,200 |
| Eddie Lee | 2,768,733 | - | (2,768,733) | - | - |
| Total | 14,353,933 | - | (2,768,733) | 11,585,200 | 11,585,200 |

**23. Key Management Personnel Disclosures (continued)**

*Share holdings*
The numbers of shares in the Company held during the financial year by each director of Norton Gold Fields Limited and other key management personnel of the consolidated entity, including their personally-related entities, are set out below. There were no shares granted during the reporting period as compensation.

| Name | Balance at 1 July | Net changes – purchases (sales) | Resignation during the year | Balance at 30 June | Balance held nominally |
|---|---|---|---|---|---|
| **2007** | | | | | |
| Anthony McLellan | - | - | - | - | - |
| Tim Prowse | 21,700,001 | - | - | 21,700,001 | - |
| Jon Parker | - | 199,446 | - | 199,446 | - |
| Jack Tan | 7,263,001 | - | (7,263,001) | - | - |
| | | | | | |
| **2006** | | | | | |
| Anthony McLellan | - | - | - | - | - |
| Tim Prowse | 21,700,001 | | - | 21,700,001 | - |
| Jack Tan | 7,263,001 | | - | 7,263,001 | 7,263,001 |
| Eddie Lee | 6,921,834 | | (6,921,834) | - | - |

No shares were granted as remuneration during the year.

**(d) Loans with key management personnel**

No loans to key management personnel were made during the year and no loans were outstanding at the reporting date. At 30 June 2005 vendor loans of $300,000 were payable by the consolidated entity to Tim Prowse ($250,000) and London & County Pty Ltd ($50,000), an associated entity with E Lee and J Tan. The loans were repaid during the 2006 financial year.

**(e) Other transactions with key management personnel**

Consulting fees of $91,800 were paid to Anthony McLellan on normal commercial terms and conditions.

Consulting fees of $67,473 were paid to J P Strategic Insights, an entity associated with Jon Parker, on normal commercial terms and conditions.

In the prior year consulting fees of $56,818 were paid to Micona Mining, an entity associated with Tim Prowse on normal commercial terms.

## 24. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practises and non-related audit firms:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| **(a) Audit services** | | | | |
| BDO Kendalls firm | | | | |
| Audit and review of financial reports | 15,000 | - | 15,000 | - |
| Non-BDO Kendalls audit firms for the audit or review of financial reports | - | 35,000 | - | 35,000 |
| Total remuneration for audit services | 15,000 | 35,000 | 15,000 | 35,000 |
| **(b) Non-audit services** | | | | |
| BDO Kendalls audit firm: | | | | |
| Other | 4,050 | - | 4,050 | - |
| Non-BDO Kendalls audit firm | - | 35,396 | - | 35,396 |
| Total remuneration for non-audit services | 4,050 | 35,396 | 4,050 | 35,396 |
| Total remuneration | 19,050 | 70,396 | 19,050 | 70,396 |

## 25. Contingencies

The parent entity and group had no contingent liabilities at 30 June 2007, except for a potential liability under a contract associated with the acquisition of Paddington Gold for the payment of a success fee to the value of $1.5m, of which up to two-thirds may be paid in shares, in the event that the market capitalisation of the Company at the close of trading for five consecutive days exceeds $100m before 28 March 2008.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| **26. Commitments** | | | | |
| **Lease commitments** | | | | |
| *Operating leases* Commitments in relation to operating leases in existence at the reporting date but not recognised as liabilities are payable as follows: | | | | |
| Within one year | - | 11,700 | - | - |
| Later than one year but not later than five years | - | - | - | - |
| | - | 11,700 | - | - |
| Capital expenditure contracted for at reporting date but not recognised as liabilities is as follows: | | | | |
| Commitments with respect of tenements: | | | | |
| Tenement exploration commitments | 105,000 | 235,000 | - | - |
| | 105,000 | 235,000 | - | - |

## 27. Related Party transactions

### (a) Parent entity

The ultimate Australian parent entity is Norton Gold Fields Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 28.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 23 and note 32.

### (d) Loans to/from related parties

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| *Loans to subsidiaries* | | | | |
| Beginning of year | - | - | 1,640,632 | 109,969 |
| Loans advanced | - | - | 4,889,681 | 1,865,266 |
| Loan repayments received | - | - | (135,548) | (334,603) |
| End of year (note 10) | - | - | 6,394,765 | 1,640,632 |

Inter-group balances set out in note 10 are interest free, unsecured with no set repayment terms.

Unless otherwise stated, all related party transactions are on commercial terms and conditions.

### (e) Transactions with related parties

During the year ended 30 June 2006 Norton Gold Fields Limited received management fees from Norton Gold Mine Pty Ltd of $110,000.

## 28. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

| Name of entity | Country of incorporation | Class of shares | Equity Holding 2007 % | Equity Holding 2006 % |
|---|---|---|---|---|
| Norton Gold Mines Pty Ltd | Australia | Ordinary | 100% | 100% |
| Australian Geoscientists No 2 Pty Ltd | Australia | Ordinary | 70% | 70% |
| Norton Gold Holdings Pty Ltd | Australia | Ordinary | 100% | 100% |

## 29. Events occurring after the balance sheet date

### (a) Paddington Gold Mine

Following shareholder approval, Norton Gold Fields Limited acquired Paddington Gold Pty Ltd and assets (Paddington Gold Mine) on 24 August 2007 for a total net cash consideration of $38,700,000, of which a $5,000,000 deposit was paid prior to 30 June 2007.

### (b) Capital raising

Following shareholder approval at a general meeting held on 23 August 2007 the following capital raising has occurred:

i) Issue of 175,000,000 fully paid ordinary shares at an issue price of $0.20.
ii) Issue of 400 convertible notes at a face value of $100,000 each
iii) Issue of 8,164,431 convertible notes at a face value of $1 each. These notes have subsequently been converted and 51,027,695 fully paid ordinary shares have been issued at $0.16 each and 25,513,848 options have been issued at an exercise price of $0.20. These options expire on 27 August 2009.
iv) Issue of 20,219,201 fully paid ordinary shares at an issue price of $0.24 each.
v) Issue of 9,872,680 options at an exercise price of $0.20 each. These options expire on 27 August 2009.
vi) Issue of 3,000,000 options at an exercise price of $0.12 each to Jon Parker. These options were exercised on 31 August 2007 resulting in the issue of 3,000,000 fully paid ordinary shares.
vii) Issue of 2,000,000 options at an exercise price of $0.20 each to Jon Parker. These options expire on either 8 September 2010 or six months after termination of Jon Parker's appointment as a director of Norton Gold Fields Limited, whichever is earlier.
viii) Issue of 4,032,258 fully paid ordinary shares at an issue price of 24.8 cents each.

### (c) Bank guarantee – Environmental Bonds

On 28 August 2007 Norton Gold Fields Limited entered into an agreement with the National Australia Bank for a bank guarantee of $16,000,000. This guarantee is for unconditional performance bonds lodged with the Department of Industry and Resources in Western Australia in respect of the mining tenements acquired under the Paddington Gold Mine acquisition.

### (d) Gold Hedge Facility

Since 30 June 2007 Norton Gold Fields Limited has entered into the following hedge agreements:

Commodity forward trades

(i) 80,750 ounces of gold at a price of AUD872 per ounce
(ii) 80,750 ounces of gold at a price of AUD860 per ounce
(iii) 173,220 ounces of gold at a price of AUD884 per ounce

Commodity option trades

(i) 145,000 ounces of gold at a price of AUD760 per ounce

## 30. Reconciliation of loss after income tax to net cash inflow from operating activities

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| **Reconciliation from the net loss after tax to the net cash flows from operations** | | | | |
| Net loss | (4,609,072) | (651,270) | (6,156,300) | (119,149) |
| *Adjustments for:* | | | | |
| Depreciation of plant and equipment | 163,775 | 7,240 | - | - |
| Deferred exploration and evaluation costs – amortised | 34,040 | 47,200 | - | - |
| Impairment of mine property | 3,677,461 | - | - | - |
| Exploration written off | 294,166 | - | - | - |
| Provision for rehabilitation | 12,650 | - | - | - |
| Provision for impairment of investment | - | - | 5,546,259 | - |
| Share option reserve | 208,266 | - | 208,266 | - |
| *Changes in assets and liabilities* | | | | |
| (Increase)/decrease in accounts receivable | | (139,273) | - | 12,909 |
| (Increase)/decrease in other receivables | 75,049 | 133,669 | 82,702 | 108,130 |
| (Increase)/decrease in other assets | (8,373) | - | - | - |
| Increase/(decrease) in trade payables | 52,728 | (153,162) | 165,654 | 35,000 |
| Increase/(decrease) in other payables | 287,315 | 3,864 | (35,000) | - |
| Increase/(decrease) in deferred tax liabilities | (1,103,238) | (258,659) | - | - |
| **Net cash from/(used in) operating activities** | (915,233) | (1,010,391) | (188,419) | 36,890 |

## 31. Earnings Per Share

| | Consolidated | |
|---|---|---|
| | 2007 Cents | 2006 Cents |
| Basic earnings per share | (6.6) | (0.99) |
| Diluted earnings per share | (6.6) | (0.99) |

**Information concerning earnings per share:**

(a) Earnings for the purpose of calculating basic and diluted earnings per share is the net loss.
(b) Options granted are considered to be potential ordinary shares. Details relating to options are set out in note 21.
(c) In 2006 and 2007 the options are not considered dilutive and are therefore not included in the calculation of diluted earnings per share. The options disclosed in note 21 could potentially dilute basic earnings per share in the future.
(d) Reconciliation of weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is as follows:

| | 2007 Number | 2006 Number |
|---|---|---|
| Number used in calculating basic earnings per share | 69,881,242 | 65,642,400 |
| Weighted average number of options outstanding | - | - |
| Number used in calculating diluted earnings per share | 69,881,242 | 65,642,400 |

## 32. Share-based payments

During the financial year Norton Gold Fields Limited granted 800,000 options to contractors and an employee for no consideration. The options were granted on 14 November 2006 and expire on 5 June 2008.

Also during the year 5,000,000 options were granted to Anthony McLellan. They were granted on 14 November 2006 and expire six months following Anthony McLellan's cessation of his appointment as a Director for any reason.

Options granted carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

Set out below are summaries of options granted:

| | Grant date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Expired during the year Number | Balance at end of the year Number | Exercisable at end of the year Number |
|---|---|---|---|---|---|---|---|---|---|
| A | 14/11/2006 | 05/06/2008 | $0.20 | - | 800,000 | - | - | 800,000 | 800,000 |
| B | 14/11/2006 | 6 mths post term | $0.12 | - | 3,000,000 | - | - | 3,000,000 | 3,000,000 |
| C | 14/11/2006 | 6 mths post term | $0.20 | - | 2,000,000 | - | - | 2,000,000 | 2,000,000 |
| | 17/06/2005 | 08/08/2010 | $0.20 | 3,186,800 | - | - | - | 3,186,800 | 3,186,800 |
| | | | | 3,186,800 | 5,800,000 | - | - | 8,986,800 | 8,986,800 |

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.46 years (2006– 4.1 years)

The weighted average exercise price of share options outstanding at the end of the period was $0.17 (2006 - $0.20).

*Fair value of options granted*
The assessed fair value at grant date of options granted was independently determined using a Peter Hoadley's option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2007 included:

**Issue A**
(a) options are granted for no consideration and vest immediately
(b) exercise price $0.20
(c) grant date: 14 November 2006
(d) expiry date: 5 June 2008
(e) share price at grant date: $0.09
(f) expected price volatility of the shares: 79%
(g) expected dividend yield: 0%
(h) risk-free interest rate: 5.92%

**Note 32 Share-based payments (continued)**

**Issue B**

(a) options are granted for no consideration and vest on or after the later of 6 months or where the volume weighted average trading price of Shares over a five trading day period reaches $0.20
(b) exercise price $0.12
(c) grant date: 14 November 2006
(d) expiry date: six months following the recipients cessation of his appointment as a Director for any reason
(e) share price at grant date: $0.09
(f) expected price volatility of the shares: 120%
(g) expected dividend yield: 0%
(h) risk-free interest rate: 5.26%

**Issue C**

(a) options are granted for no consideration and vest on or after the later of 6 months or where the volume weighted average trading price of Shares over a five trading day period reaches $0.30
(b) exercise price $0.20
(c) grant date: 14 November 2006
(d) expiry date: six months following the recipients cessation of his appointment as a Director for any reason
(e) share price at grant date: $0.09
(f) expected price volatility of the shares: 120%
(g) expected dividend yield: 0%
(h) risk-free interest rate: 5.26%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

**(b) Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period were as follows:

| | 2007 | 2006 |
|---|---|---|
| | $ | $ |
| Options issued | 208,266 | - |

**NORTON GOLD FIELDS LIMITED**
**Directors' declaration**
**30 June 2007**

In the directors' opinion:

(a) the financial statements and notes set out on pages 31 to 61 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 22 to 24 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

A T Prowse
Managing Director

Brisbane
28 September 2007

BDO Kendalls

BDO Kendalls (QLD)
Level 18, 300 Queen St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Phone 61 7 3237 5999
Fax 61 7 3221 9227
info.brisbane@bdo.com.au
www.bdo.com.au

ABN: 70 202 702 402

**INDEPENDENT AUDITOR'S REPORT**

**To the members of Norton Gold Fields Limited**

We have audited the accompanying financial report of Norton Gold Fields Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001,* the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures,* under the heading "Remuneration Report" in pages 22 to 24 of the directors' report and not in the financial report.

**Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated and parent financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

BDO Kendalls

**INDEPENDENT AUDITOR'S REPORT**

**(continued)**

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

**Auditor's Opinion**

In our opinion:

(a) the financial report of Norton Gold Fields Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *the Corporations Regulations 2001*; and

(b) the consolidated and parent financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a)

In our opinion the remuneration disclosures that are contained in pages 22 to 24 of the directors' report comply with Accounting Standard AASB 124.

**BDO Kendalls (QLD)**

BDO Kendalls

**CJ Skelton**
Partner

Brisbane
Dated: 28 September 2007

**SHAREHOLDER INFORMATION**

The shareholder information set out below was applicable as at 25 September 2007.

**A. Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

| | Class of equity security | |
|---|---|---|
| | Ordinary shares | Options |
| | Shares | |
| 1 – 1,000 | 7 | - |
| 1,001 – 5,000 | 70 | 168 |
| 5,001 – 10,000 | 211 | 63 |
| 10,001 – 100,000 | 341 | 78 |
| 100,001 and over | 100 | 29 |
| | 729 | 338 |

There were 9 holders of less than a marketable parcel of ordinary shares and no holders of less than a marketable parcel of options.

**B. Equity security holders**

***Twenty largest quoted equity security holders***

The names of the twenty largest holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| **Name** | **Number Held** | **Percentage of issued shares** |
| BPI Norton Pty Ltd | 64,550,000 | 19.95 |
| P R Norton Pty Ltd | 64,550,000 | 19.95 |
| HSBC Custody Nominees (Australia) Limited | 51,955,095 | 16.06 |
| Micona Mining Pty Limited | 21,700,000 | 6.71 |
| Ten3 Resources Limited | 18,579,201 | 5.74 |
| Bond Street Custodians Limited | 12,500,000 | 3.86 |
| Citicorp Nominees Pty Limited | 9,115,435 | 2.82 |
| Mr Kit Foo Chye | 5,493,335 | 1.70 |
| ANZ Nominees Limited | 5,118,000 | 1.58 |
| Somna Kumar and Joseph Jayaraj | 5,000,000 | 1.55 |
| London and Country Pty Limited | 4,883,001 | 1.51 |
| MLEQ Nominees Pty Limited | 4,205,514 | 1.30 |
| Barrick (Kalgoorlie) Limited | 4,000,000 | 1.24 |
| Jon Brereton Parker and Pamela Jean Parker | 3,199,946 | 0.99 |
| Jack Tian Hock Tan | 2,380,001 | 0.74 |
| The Herbert Group Pty Ltd | 2,250,000 | 0.70 |
| Scintilla Capital Pty Ltd | 1,100,000 | 0.34 |
| Eddie Lee | 1,082,334 | 0.33 |
| Captain Starlight Nominees Pty Limited | 1,000,000 | 0.31 |
| Coastcape Pty Limited | 1,000,000 | 0.31 |
| | 283,661,862 | 87.69 |

***Twenty largest quoted equity security holders (continued)***

| Name | Options: Number Held | Options: Percentage of issued options |
|---|---|---|
| Isaiah Sixty Pty Ltd | 978,100 | 12.39 |
| Geraldton Agricultural Services Pty Ltd | 820,000 | 10.39 |
| Slade Technologies Pty Ltd | 800,000 | 10.14 |
| Techinvest Holdings Pty Ltd | 400,000 | 5.07 |
| Kwang Hou Hung | 365,000 | 4.62 |
| Isaiah Sixty Pty Ltd <Isaiah S/F A/C> | 300,000 | 3.80 |
| Khoon Ho Kuok | 200,000 | 2.53 |
| Dennis William Meyer | 200,000 | 2.53 |
| Ronald Stanley Punch and Beverley Francis Punch | 200,000 | 2.53 |
| MC Geachie & Rickard ESP Pty Ltd | 125,800 | 1.59 |
| RRRMKA Pty Ltd | 125,000 | 1.58 |
| Gateway Mining NL | 100,000 | 1.27 |
| Robert Allan Gould | 100,000 | 1.27 |
| J & E Kerr Investments P/L | 100,000 | 1.27 |
| Lawrence Crowe Consulting Pty Ltd | 100,000 | 1.27 |
| M Paglia Pty Ltd | 100,000 | 1.27 |
| Georgene Clift Brown | 85,000 | 1.08 |
| PJ & JA Bartter | 80,000 | 1.01 |
| Ian Vine and Christine Ann Vine | 67,000 | 0.85 |
| Lewis Staples | 56,500 | 0.72 |
| | 5,302,400 | 67.18 |

***Unquoted equity securities***

| | Number on issue | Number of holders |
|---|---|---|
| Unquoted options | 62,831,528 | 31 |

***Holders of greater than 20% of unquoted equity securities***

| Name | Unlisted options: Number Held | Unlisted options: Percentage of unquoted options |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited A/C 3 | 25,513,848 | 40.61% |

**C. Substantial holders**

Substantial holders in the Company are set out below:

| Ordinary shares | Number Held | Percentage of issued shares |
|---|---|---|
| BPI Norton Pty Ltd | 64,550,000 | 19.95 |
| P R Norton Pty Ltd | 64,550,000 | 19.95 |
| HSBC Custody Nominees (Australia) Limited | 51,955,095 | 16.06 |
| Micona Mining Pty Limited | 21,700,000 | 6.71 |
| Ten3 Resources Limited | 18,579,201 | 5.74 |

**D. Voting rights**

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options
No voting rights.

## Corporate Directory

**ACN 112 287 797**

**Directors**
A. Anthony McLellan (Chairman)
A. Timothy Prowse, BE (Mining) Hons (Managing Director)
Jon B Parker, B. Sc. (Hons), Graduate Diploma of Business Administration (Director)
Mark D. H. McCauley, BE (Mining) Hons. MBA MAICA (Director)

**Company Secretary**
Leni P. Stanley, B.Bus.CA

**Geological Consultant**
Alasdair Murray

**Registered Office**
c/- Stanley Yeates & Associates
Level 1, 101 Edward Street,
Brisbane QLD 4000
Ph: (07) 3221 6022

**Business Office**
7 Potts Street
East Brisbane QLD 4169
Ph: (07) 3393 0966

**Share Register**
Computershare Investor Services Pty Limited
Level Nineteen 307 Queen Street Brisbane Qld 4000
Ph: 1300 552 270

**Legal Advisors**
Hopgood and Ganim
Level 8, Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Ph (07) 3024 0165

**Auditor**
BDO Kendalls
Chartered Accountants
Level 18, 300 Queen Street
Brisbane QLD 4000

**Home Stock Exchange**
Listed on the Australian Securities Exchange on 16 September 2005
Home Exchange Brisbane ASX