NORTON GOLD FIELDS LIMITED

ASX/MEDIA ANNOUNCEMENT

25 August 2011

# 2011 Appendix 4E

## Results for announcement to the market

### Key Points

- Gross Profit FY2011 of $28.5M, up $7.1M on corresponding period
- Net Profit after Tax of $13.1M, up $45.9M on corresponding period
- Net cash from operations $45.7M
- 30 June cash balance $36.8M
- Capital expenditure $49.2M
- C1 Cash operating cost of $1,005

* Gross profit accounts for all operating costs along with changes in inventories, depreciation and amortisation.

**The annual financial report and Appendix 4E (Rule 4.3A) Preliminary Report is attached.**

Visit us at www.nortongoldfields.com.au

### For further information

Andre Labuschagne
Managing Director
Norton Gold Fields Limited
+61 (0)7 3846 9200
alabuschagne@nortongoldfields.com.au

Warrick Hazeldine / Annette Ellis
Purple Communications
61 (0) 8 6314 6300 / +61 (0) 417 944 616
/ +61 (0) 458 200 039
whazeldine@purplecom.com.au

Appendix 4E (Rule 4.3A)

Preliminary Final Report

For the year ended 30 June 2011

Results for announcement to the market

(all comparisons are to the year ended 30 June 2010)

| | $'000 | Increase/ Decrease | % movement |
|---|---|---|---|
| Revenue | 211,685 | Increase | 19.3 |
| Gross Profit | 28,488 | Increase | 33.2 |
| Profit before net finance costs | 29,677 | Increase | 170.5 |
| Profit for the year attributable to the owners of the parent entity | 13,142 | Increase | 140.0 |

## Audit

This report is based on the consolidated annual financial report which has been audited.

## Financial report

The attached annual financial report meets the disclosure requirements not specifically identified in this document. The terms used in listing rule 4.3A reconcile to the financial report as follows:

| Required | Presented |
|---|---|
| Statement of financial performance | Consolidated statement of comprehensive income |
| Statement of financial position | Consolidated statement of financial position |
| Statement of cash flows | Consolidated statements of cash flows |
| Statement of retained earnings | Consolidated statement changes in equity |

## Acquisitions and disposals

In March 2011, the company successfully completed the sale of its coal tenement EPC 1033, including Norton's Sienna and Electra coal projects, and associated assets for a total consideration of $30.000 million ($15.000 million was paid on completion, with $5.000 million payable in February 2012 and $10.000 million payable in March 2013).

## Commentary on results for the period

In the financial year, the company produced 152,554 oz of gold (an increase of 9% from previous financial year) from its Paddington Gold Operations near Kalgoorlie, Western Australia.

**Operating results**
The consolidated profit of the Group after tax for the year ended 30 June 2010 is $13.142 million (2010: loss $32.837 million).

The profit for the period includes:

- gold sales revenue of $218.327 million
- gross profit of $28.488 million
- gain on sale of coal tenement EPC 1033 $24.933 million
- gain on refinance of Lehman note $9.063 million
- write off of exploration assets $13.004 million
- profit before tax $20.761 million
- profit after tax $13.142 million

**Financial Position**
Net assets of the group have increased from $77.906 million at 30 June 2010 to $112.868 million at 30 June 2011, reflecting the reduction of the company's debt position during the financial year as explained below.

In July 2010, the company entered into an agreement to settle the Lehman Brothers Commercial Corporation (Lehman) hedge litigation. The agreement saw the company's hedge exposure being replaced with a Secured Note facility (Lehman Note) of $107.000 million. The agreement represented the best available outcome for the company's shareholders, offered greater certainty and allowed the company to move forward and focus on its operations. The agreement was finalised in September 2010, upon which a down payment of $10.000 million was made to reduce debt to $97.000 million. In addition to the above the company also reached an agreement with the company's Convertible Note Holders to partially redeem and convert all outstanding Convertible Notes, reducing the company's debt position by a further $38.000 million.

In March 2011, the company successfully completed the sale of its coal tenement EPC 1033, including the company's Sienna and Electra coal projects, and associated assets for a total consideration of $30.000 million ($15.000 million was paid on completion, $5.000 million payable in February 2012 and $10.000 million payable in March 2013). Roughly $13.000 million of the proceeds received on completion were immediately used to make a voluntary pre-payment on the Lehman Note.

On 1 April 2011 Lehman offered the company, through a right of first refusal, the opportunity to purchase the Lehman Note at a discount. On 14 April 2011, the company exercised its right of first refusal with the repurchase of the Lehman Note being completed on 1 June 2011. The repurchase of the Lehman Note was financed with an $80.000 million Senior Note with Merrill Lynch (Senior Note) our financier of choice. The Senior Note is on more favourable terms to the company than the Lehman Note.

## Dividends

The Directors do not recommend payment of a dividend. No dividend was paid during the year or the previous corresponding period. Consequently there is no record date for determining dividend entitlement.

## Net tangible assets per share (fully diluted)

The net tangible assets per share were 15.88 cents for 2011 and 9.60 cents for 2010.

## Additional 4E disclosures

Additional disclosure requirements can be found in the consolidated financial report attached to this report.

## About Norton

Norton Gold Fields Limited is a mid-tier, ASX-listed, unhedged gold producer.

In FY2011, Norton produced approximately 152,000 oz of gold from its open cut and underground operations at Paddington, near Kalgoorlie in Western Australia.

Norton has recently added two new mining operations, the Homestead underground mine and the Navajo Chief open cut, to supply ore to its processing facility.

The Company holds extensive granted mining and exploration leases in the pre-eminent Kalgoorlie goldfields, with a landholding of 693 $km^2$. The Paddington operations have a current Mineral Resource of 5.9M oz, of which some 1.1M oz is classified as Reserves, for a mine life in excess of ten years.

Norton's growth will come from optimising existing operations and acquiring, developing and operating assets.

For more information, please visit our website: www.nortongoldfields.com.au

NORTON GOLD FIELDS LIMITED

# Annual Financial Report 2011 ACN 112 287 797

# Annual Financial Report – 2011

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# Directors' report

In accordance with a resolution of the board, the directors present their report on the consolidated entity (the group) consisting of Norton Gold Fields Limited ("Norton" or "the company") and the entities it controlled at the end of or during the year ended 30 June 2011.

## 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 unless otherwise stated:

A. Timothy Prowse (appointed as chairman on 20 July 2011)

W. Andrè Labuschagne (appointed as managing director on 13 September 2010)

Anne Bi

Dr Allen Wu (appointed alternate director to Tim Sun on 28 October 2010, and subsequently appointed director on 17 May 2011)

Mark Wheatley (resigned as chairman and director on 20 July 2011)

Mark McCauley (resigned on 22 June 2011)

Tim Sun (resigned on 17 May 2011)

David Franklin (resigned on 11 April 2011)

Ian McCauley (alternate director for Mark McCauley - resigned on 6 September 2010)

## Principal activities

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

- production of gold and exploration in the West Australian Gold Fields near Kalgoorlie
- investigating business development opportunities.

The only change to the nature of activities was the sale of the company's coal tenement EPC 1033 in the Bowen Basin, central Queensland.

## Business strategies and prospects for the future

Norton Gold Fields Limited is one of the largest Australian Securities Exchange (ASX) listed Australian focussed gold producers and holds a 693km$^2$ tenement package in the world class Kalgoorlie Gold Province (Australia).

In the financial year the company produced 152,554 oz of gold from its Paddington Gold operations near Kalgoorlie, Western Australia.

Norton Gold Fields Limited intends to be increasingly recognised as a company people want to work for, do business with and own. This will be the result of:

- excellent operational performance;
- clear, credible strategy being well implemented;
- growth demonstrated in the past and planned for in the future;
- strong financial position;
- board and management of high capability and highest credibility; and
- a fully informed market.

Norton Gold Fields Limited's growth will come from acquiring, developing and operating assets where it can create value.

## Review of operations

**Corporate**

In July 2010, the company entered into an agreement to settle the Lehman Brothers Commercial Corporation (Lehman) hedge litigation. The agreement saw the company's hedge exposure being replaced with a Secured Note facility (Lehman Note) of $107.000 million. The agreement represented the best available outcome for the company's shareholders, offered greater certainty and allowed the company to move forward and focus on its operations. The agreement was finalised in September 2010, upon which a down payment of $10.000 million was made to reduce debt to $97.000 million. In addition to the above the company also reached an agreement with the company's Convertible Note holders to partially redeem and convert all outstanding Convertible Notes, reducing the company's debt position by a further $38.000 million.

In March 2011, the company successfully completed the sale of its coal tenement EPC 1033, including Norton's Sienna and Electra coal projects, and associated assets for a total consideration of $30.000 million ($15.000 million was paid on completion, $5.000 million payable in February 2012 and $10.000 million payable in March 2013). Roughly $13.000 million of the proceeds received were immediately used to make a voluntary prepayment on the Lehman Note.

On 1 April 2011, Lehman offered the company, through a right of first refusal, the opportunity to purchase the Lehman Note at a discount. On 14 April 2011, the company exercised its right of first refusal with the repurchase of the Lehman Note being completed on 1 June 2011. The repurchase of the Lehman Note was financed with an $80.000 million Senior Note with Merrill Lynch (Senior Note), our financier of choice. The Senior Note is on more favourable terms to the company than the Lehman Note.

**Paddington operations**

Paddington operates open cut and underground mining activities and a carbon-in-pulp (CIP) processing operation with the capacity to process over 3.0 Mt of ore annually.

***Open cut***

In August 2010 the Waldon open cut operation was wound down and mining focussed on the Janet Ivy and Navajo Chief operations.

Janet Ivy is 31 km south of the mill and 10 km west of Kalgoorlie and delivers base-load hard ore, delivering 44 koz of gold during the financial year. In January 2011 the operations were suspended, with the operation available for mining should further ore be required to supply the mill.

Navajo Chief is 40 km south-west of the mill and 10 km south-west of Kalgoorlie. The operation commenced production in January 2011 and produces a combination of hard and soft ore, delivering 52 koz at 1.05 g/t of gold during the financial year. Mining is planned to continue for several years. In the third quarter of the financial year the Paddington operations completed a railway underpass, enabling a reduction in the haulage cost of Navajo Chief mined ore to the mill.

***Underground***

During the year mining continued at the company's Homestead underground mine, which went into production from July 2010. The Homestead underground mine is part of the Mount Pleasant gold camp, 18 km's west from the Paddington mill, and 35 km's north-west of Kalgoorlie. It delivered 36 koz at 6.86 g/t during the financial year.

Exploration success at the Homestead underground mine has replaced depleted resources and reserves as mining progresses, evidenced by various resource upgrades announced throughout the year.

***Processing***

The mill processed a record total of 3.5 Mt at an average feed grade of 1.47 g/t and average recovery of 93% during the financial year, reflecting a favourable ore blend and high availability and utilisation of the Paddington mill.

## Operating results

The consolidated profit of the group after tax for the year ended 30 June 2011 is $13.142 million (2010: loss $32.837 million).

The profit for the period includes:

- gold sales revenue of $218.327 million
- gross profit of $28.488 million
- gain on sale of coal tenement EPC 1033 $24.933 million
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- write off of exploration assets $13.004 million
- profit before tax $20.761 million

## Financial position of the entity

Net assets of the group have increased from $77.906 million at 30 June 2010 to $112.868 million at 30 June 2011, reflecting the reduction of the company's debt position during the financial year as explained in the review of operations.

## Dividend

The directors do not recommend payment of a dividend. No dividend was paid during the current and prior years.

## Significant changes in the state of affairs

Apart from the above, or as noted elsewhere in this report, no significant changes in the state of affairs of the group occurred during the financial year

## Matters subsequently to the end of financial year

Mr Mark Wheatley, resigned as the company's chairman and director on 20 July 2011. Mr Tim Prowse was elected as chairman on 20 July 2011.

On 26 July 2011 Norton Gold Fields Limited entered into a subscription agreement with Zijin Mining Group Co, Ltd for the private placement of 138,350,000 ordinary shares at a price $0.20 per share (a 31% premium to the 15 day VWAP), which will raise $27.670 million on completion.

The placement will consist of two tranches:

- **Tranche 1 –** the issue of 72,100,000 shares at $0.20 per share to raise $14,420,000, resulting in a shareholding of 9.96%. The funds were received on 27 July 2011.
- **Tranche 2** – the issue of 66,250,000 shares at $0.20 per share to be issued no later than 16 September 2011, raising $13,250,000. The issue of the tranche 2 shares is conditional upon: Zijin receiving the necessary Chinese regulatory approvals; FIRB approval, which was obtained on 15 August 2011; and Norton shareholder approval. A shareholders meeting is scheduled for 31 August 2011. At the completion of tranche 2, Zijin will have shareholding in Norton of 16.98%.

The tranche 1 funds have been used to make a voluntary prepayment of $15.000 million against its debt facility with Merrill Lynch as announced on 15 August 2011.

Except for the matters mentioned above, no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the group, the result of those operations, or the state of affairs of the group in future financial years.

## Likely developments and expected results from operations

Future developments and business strategies of the group will be as follows:
- focus on operational efficiencies and reduction of unit costs;
- continue active exploration with a focus on expanding current ore sources;
- finalise the feasibility study on the heap leach project at the Navajo Chief deposit;
- finalise the sale of the Mount Morgan project assets;
- strong focus on and continuous improvement of health and safety; and
- continued community focus and development.

## Environmental regulation

The group's projects operate under granted Environmental Authorities issued under the *Environmental Protection Act 1994* in Queensland, the *Environmental Protection Act 1986* and the *Mining Act 1978* in Western Australia (Department of Mines and Petroleum). The group maintains its tenements in good standing and it is not aware of any material non-compliance issues.

## National Greenhouse and Energy reporting guidelines

The group is subject to the conditions imposed by the registration and reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* (the 'NGER Act'), and is registered with the Greenhouse and Energy Data Office.

The group is required to report on its greenhouse gas emissions and the energy usage of certain mining facilities (as determined in accordance with the NGER Act) if it has emitted in excess of 25 kt of greenhouse gases during the financial year. The group has exceeded the corporate threshold and is therefore required to report on total greenhouse gas emissions or energy consumption/production of the group.

The group has complied with the reporting requirements under the NGER Act and submitted the reports required by 31 October 2010 to the Greenhouse and Energy Data Office after having established and implemented the necessary systems and processes to facilitate the collection, calculation and interpretation of data regarding the greenhouse gas emissions and energy consumption/production of the group. The 2011 report is due to be submitted by 31 October 2011.

## Energy Efficiency opportunities guidelines

The group is subject to the conditions imposed by the registration and reporting requirements of the *Energy Efficiency Opportunities Act 2006*, as its energy consumption exceeds the 0.5 peta joule registration threshold. The group is registered with the Department of Resources, Energy and Tourism and completed an energy savings action plan. The schedule assists in assessing the energy usage of the group and identifies opportunities for the group to reduce its energy consumption. The 2011 report is due to be submitted by 31 December 2011.

## Information on directors

**A. Timothy Prowse**
*Non-executive chairman* (appointed chairman on 20 July 2011) Age 54

**Experience and expertise**
Mr Prowse graduated from Sydney University with a degree in Mining Engineering in 1978 and is a Member of the Australian Institute of Mining and Metallurgy. He has over 30 years' experience in the industry, primarily in gold mining. He also has broad experience in coal and base metals.

Mr Prowse holds a First Class South African Mine Manager's Certificate and has worked in Australia, Indonesia, Papua New Guinea, Zimbabwe and South Africa. He has contracted to Australian and overseas mining companies regarding feasibility studies, mine management and rehabilitation. Over the 15 years prior to the listing of the company, he operated a private mining and earthmoving contracting business based in the Burnett area of central Queensland.

**Directorships of other listed companies - current:**
Australian Pacific Coal Limited from 1 December 2010 until 29 June 2011

**Directorships of listed companies - past three years:**
None

**Special responsibilities**
Audit and risk management committee member
Chairman of audit and risk management committee - appointed on 20 July 2011
Chairman - appointed on 20 July 2011

**Interests in shares and options**
19,865,792 ordinary shares in Norton Gold Fields Limited

## Information on directors (continued)

**W. Andrè Labuschagne**
*Managing director* (appointed on 13 September 2010) Age 44

**Experience and expertise**
Mr Labuschagne is an experienced mining executive, with a career spanning more than 20 years, primarily in the gold industry.

He has worked in South Africa, PNG, Fiji and Australia in various operational and corporate executive roles for some of the world's leading gold companies, including Emperor Gold Mines, DRD Gold and AngloGold Ashanti.

Mr Labuschagne ran his own successful mining consultancy before joining the company in 2008. Prior to his appointment as the company's managing director in September 2010, he held a number of executive roles in the company including project director for the Mount Morgan mine project, chief operating officer, chief financial officer and deputy chief executive officer.

Mr Labuschagne holds a Bachelor of Commerce degree from Potchefstroom University in South Africa.

**Directorships of other listed companies - current:**
None

**Directorships of listed companies - past three years:**
None

**Special responsibilities**
Managing director

**Interests in shares and options**
181,000 ordinary shares in Norton Gold Fields Limited
8,000,000 unlisted options over ordinary shares in Norton Gold Fields Limited

**Anne Bi**
*Non-executive director* Age 46

**Experience and expertise**
Ms Bi has a Bachelor's Degree in Business from the Nanjing Institute, China and was appointed a Justice of the Peace in New South Wales in 2003.

Ms Bi is a successful company director and entrepreneur with more than 20 years' experience in investment and business. Over the last 5 years Ms Bi has been involved in the development of commercial and residential property projects in Australia in excess of $550.000 million, in addition to arranging and participating in a series of cornerstone investments in the resources sector - including Norton Goldfields.

Ms Bi has extensive philanthropic interests including being Executive Chairperson of China Vision - an initiative aimed at bringing eye care to remote regions of China.

**Directorships of other listed companies - current:**
None

**Directorships of listed companies - past three years:**
None

**Special responsibilities**
Member of the audit and risk management committee from 22 June 2011

**Interests in shares and options**
None

## Information on directors (continued)

**Dr Allen Wu**
*Non-executive director* (appointed 17 May 2011) Age 58

**Experience and expertise**
Dr Wu has a Ph.D. in Economics from the Sam Walton School of Business at the University of Arkansas, Fayetteville, USA. He is a US citizen and holds a Masters Degree in International Finance from the Research Institute of Finance and Banking of the People's Bank of China, Beijing, China, and a Bachelor Degree in Economics from the Jilin University, Changchun, China.

Dr Wu has worked in the United States for many years in numerous industries and in a variety of roles including; policy analysis, corporate finance, international business, product development and project management.

He is employed by China Precious Metal Resources Holdings Ltd, a major shareholder of Norton, as a project manager and is responsible for corporate strategic development and business analysis.

**Directorships of other listed companies - current:**
None

**Directorships of listed companies - past three years:**
None

**Special responsibilities**
None

**Interests in shares and options**
None

**Mark Wheatley**
*Chairman - Non-executive independent director* (resigned on 20 July 2011) Age 50

**Experience and expertise**
Mr Wheatley holds a Bachelor of Chemical Engineering degree (Class 1 Hons) and a Master of Business Administration degree specialising in finance.

His career over 30 years has included 17 years with BHP, where he was involved in technical, commercial, planning and business development roles. This was followed by three years at Bankers Trust Australia Limited, in project finance, risk management and relationship management.

Later Mr Wheatley served for three years with Gold Fields Limited where he was responsible for corporate development, serving extended periods as acting managing director prior to the merger with Delta Gold Limited to create Aurion Gold Limited. Aurion Gold Limited was acquired by Placer Dome Inc in 2002.

Mr Wheatley then served as CEO, and later as chairman, of Southern Cross Resources Inc., a Toronto Stock Exchange-listed uranium miner, which merged to become Uranium One Inc. Mr Wheatley continued as non-executive director of Uranium One Inc until the end of 2010, and is non-executive chairman of Gold One International Limited. He has also served as a non-executive director of St Barbara Limited for a number of years.

**Directorships of other listed companies - current:**
Uranium One Inc (non-executive director) until December 2010
Gold One International Limited (non-executive director and chairman)

**Directorships of listed companies - past three years:**
None

**Special responsibilities**
Chairman of the board until resignation on 20 July 2011
Chairman of the audit and risk management committee until 7 December 2010
Audit and risk management committee member until his resignation on 20 July 2011

**Interests in shares and options**
5,000,000 unlisted and unvested options lapsed upon Mr Wheatley's resignation

## Information on directors (continued)

**Mark McCauley**
*Non-executive director* (resigned on 22 June 2011) Age 43

**Experience and expertise**
Mr McCauley is managing director of the Queensland based private equity firm RMM Capital. His professional experience includes four years as chief financial officer and company secretary for an ASX listed Australian coal producer and director of strategic development for a private resource investment company.

He has also filled various technical and operational roles with Mount Isa Mines Limited. Mr McCauley holds a Bachelor of Mining Engineering (2nd Class Honours) and a First Class Metalliferous Mine Manager's Certificate (QLD). He is a graduate of Harvard Business School's Advanced General Management Program and completed a Master of Business Administration at Bond University, Queensland, in 1994.

**Directorships of other listed companies - current:**
Elementos Limited (from October 2010)

**Directorships of listed companies - past three years:**
Monto Minerals Limited (non-executive director from October 2008 to June 2009)

**Special responsibilities**
Chairman of the audit and risk management committee from 7 December 2010 until his resignation on 22 June 2011

**Interests in shares and options**
None

**Tim Sun**
*Non-executive director* (resigned on 17 May 2011) Age 49

**Experience and expertise**
Mr Sun holds a Ph.D. in Mining from the Faculty of Mining at Queen's University of Canada. Mr Sun is a Canadian citizen and also holds a Masters Degree from Beijing General Research Institute of Mining and Metallurgy, and a Bachelor Degree of Mining Engineering from the Northeast University, Shenyang China.

He has had extensive involvement in operations, development, and investment, with over 20 years' experience in both mining and exploration in Canada, Mongolia, the Congo and China.

Mr Sun is the President and CEO of Canadian Sinosun Energy Inc. with three coal mines based in China. He was also a director of China Goldcorp Ltd (Toronto Listed) and Geopulse Exploration Inc (OTCBB).

**Directorships of other listed companies - current:**
None

**Directorships of listed companies - past three years:**
China Goldcorp Ltd (Toronto Listed) 2008 -2009
Geopulse Exploration Inc 2006 – 2008

**Special responsibilities**
None

**Interests in shares and options**
None

## Information on directors (continued)

**David Franklin**
*Non-executive director* (resigned 11 April 2011) Age 41

**Experience and expertise**
Mr Franklin has an Honours Degree in Economics from Wilfred Laurier University, Canada.

Mr Franklin is CEO of Sprott Private Wealth LP (a division of Sprott Asset Management). Sprott Asset Management is a leading, Canadian based investment firm with a strong interest in gold, and a major shareholder of the company.

Mr Franklin is a Canadian citizen and has significant experience in institutional markets in both Canada and USA. Mr Franklin has many years of experience in economic research and equity research within the metals and materials sectors. He has previously worked at Integral Wealth Securities and Toll Cross Securities in institutional equity sales.

**Directorships of other listed companies - current:**
None

**Directorships of listed companies - past three years:**
None

**Special responsibilities**
Member of the audit and risk management committee until resignation on 11 April 2011

**Interests in shares and options**
None

**Company Secretary**
The company secretary is Ms Leni Stanley CA, B. Com. Ms Stanley is currently a partner with a Chartered Accounting firm and holds the office of company secretary with various companies.

Co-company secretary is Mr Robert Brainsbury B. Bus, CPA. Mr Brainsbury is a qualified accountant with over 20 years' experience in the mining industry.

## Meetings of directors

Each director attended the following board, committee and technical meetings during the year as a member of the board or relevant committee:

| | Board Meetings | | Audit and Risk Management | |
|---|---|---|---|---|
| | Eligible | Attended | Eligible | Attended |
| T. Prowse | 19 | 17 | 2 | 1 |
| A. Labuschagne | 13 | 13 | - | - |
| A. Bi | 19 | 19 | 1 | 1 |
| A. Wu | 11 | 10 | - | - |
| M. Wheatley | 19 | 19 | 2 | 2 |
| M. McCauley | 17 | 16 | 1 | 1 |
| T. Sun | 16 | 6 | - | - |
| D. Franklin | 14 | 6 | 1 | 1 |

## Remuneration report (audited)

This remuneration report, set out under the following main headings, has been audited as required by section 308 (3C) of the *Corporations Act 2001* and comprises pages 10 to 20:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation

## Remuneration report (audited) (continued)

### 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 and senior executives.

#### Directors and key management personnel

The key management personnel of the group are the directors of Norton Gold Fields Limited, including the managing director (W. Andrè Labuschagne) and those executives that report directly to the managing director being:

Robert Brainsbury (Chief Financial Officer appointed 13 September 2010)
Terence Moylan (General Manager Paddington Gold)
Peter Ruzicka (General Manager Geology and Exploration)

There are no other employees considered an executive/senior manager that makes, or participates in making, decisions that affect the whole or substantial part of the business of the group, or has the capacity to affect significantly the group's financial standing.

There were no changes since the end of the reporting period, except for the resignation of Mark Wheatley on 20 July 2011.

Ms Leni Stanley, holds the position of Co-company secretary and as such is an officer of the company. She is not remunerated directly for this role but the firm of which Ms Stanley is a partner receives a fee for the services provided to the company by Ms Stanley and other members of that firm. The company secretarial duties performed by Ms Stanley are administrative only, she is not considered a key decision maker or contributing to key decision making that affect the whole or substantial any part of the business of the company nor has capacity to significantly affect the company's financial standing, and is therefore not considered to be part of key management personnel.

#### Executive remuneration

The remuneration policy ensures that contracts for services are reviewed on a regular basis and properly reflect the duties and responsibilities of the individuals concerned. Executive remuneration is based on a number of factors including service conditions, relevant market conditions, knowledge and experience within the industry, organisational experience, performance of the group and 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.

Executive remuneration includes cash and equity comprised of ordinary shares and/or share options. Each member of key management personnel has a remuneration package negotiated on a case-by-case basis with equity granted. The equity component is determined taking into account various market and/or non-market conditions before vesting. The details of shares and options and their vesting conditions are set out below.

The performance conditions specified are chosen to align the individual's reward to longevity of service at the company and the financial market performance of the company.

Refer section C. Service agreements and section D. Share-based compensation for details.

All risks associated with options included in employee remuneration are borne by the recipient.

# Remuneration report (audited) (continued)

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

### Relationship with company performance

The company matches the equity component of remuneration with overall total shareholder returns. Currently, share price is regarded as the best proxy for this matching. As a consequence, remuneration is tied directly to share price outcomes and vesting conditions are tied to a combination of employee service and the company's share price rather than earnings.

There were no dividends paid by the company or returns of capital in the last five years. The following table shows the share prices and earnings details at the end of the respective financial years.

| | | **2007** | **2008** | **2009** | **2010** | **2011** |
|---|---|---|---|---|---|---|
| Share price at year-end | $/share | 0.24 | 0.25 | 0.20 | 0.16 | 0.14 |
| Revenue | $'000 | 709 | 115,002 | 161,939 | 177,416 | 211,685 |
| Net profit/(loss) after tax | $'000 | (4,609) | 9,238 | (16,775) | (32,837) | 13,142 |

### Non-executive directors

The current maximum amount of non-executives' fees approved by shareholders is fixed at $400,000 per annum. The board determines, from time to time, the remuneration of non-executive directors. In each case the board takes extensive advice and considers the director's responsibilities, the size and scope of the company's activities and benchmarks with relevant organisations.

The directors are not entitled to any retirement benefits except those as provided by the superannuation guarantee scheme, which is currently nine per cent.

## B. Details of remuneration

Details of the nature and amount of remuneration of the directors and key management personnel of the company and the group are provided in the tables on the following pages.

There have been no other post-employment benefits paid to directors and key management personnel other than those disclosed in the tables on the following pages.

# Remuneration report (audited) (continued)

## B. Details of remuneration (continued)

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | | Share-based payment | | |
|---|---|---|---|---|---|---|---|---|---|
| | Directors' fees $ | Cash salary/ consulting fees $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Termination $ | Equity settled – shares $ | Equity settled – options $ | Total $ |
| **2011** | | | | | | | | | |
| **Non-executive directors** | | | | | | | | | |
| A. Timothy Prowse | 60,000 | - | - | 5,400 | - | - | - | - | 65,400 |
| Anne Bi | 60,000 | - | - | 5,400 | - | - | - | - | 65,400 |
| Allen Wu[1] | 7,231 | - | - | - | - | - | - | - | 7,231 |
| Mark Wheatley[2] | 102,963 | - | - | 9,267 | - | - | - | 128,202 | 240,432 |
| Mark McCauley[3] | 46,650 | - | - | 2,407 | - | - | - | - | 49,057 |
| Tim Sun[4] | 52,565 | - | - | - | - | - | - | - | 52,565 |
| David Franklin[5] | - | - | - | - | - | - | - | - | - |
| Ian McCauley[6] | - | - | - | - | - | - | - | - | - |
| Sub-total non-executive directors | 329,409 | - | - | 22,474 | - | - | - | 128,202 | 480,085 |
| **Executive directors** | | | | | | | | | |
| Mark McCauley[3] | - | 105,519 | - | 5,443 | - | - | - | - | 110,962 |
| W. Andrè Labuschagne[7] | - | 394,917 | 9,086 | 15,199 | 1,772 | - | - | 205,124 | 626,098 |
| **Other key management personnel** | | | | | | | | | |
| Robert Brainsbury[8^*] | - | 222,279 | 5,212 | 12,205 | - | - | - | 63,570 | 303,266 |
| Terence Moylan[*^] | - | 319,600 | 12,386 | 15,199 | - | - | 222,635 | - | 569,820 |
| Peter Ruzicka[9*^] | - | 214,100 | 6,019 | 15,244 | - | - | - | - | 235,363 |
| | 329,409 | 1,256,415 | 32,703 | 85,764 | 1,772 | - | 222,635 | 396,896 | 2,325,594 |

1 - Dr Wu was appointed non-executive director on 17 May 2011
2 - Mr Wheatley, Chairman, resigned on 20 July 2011
3 - Mr McCauley was acting CEO until 13 September 2010 and non-executive director til 22 June 2011
4 - Mr Sun resigned on 17 May 2011
5 - Mr Franklin resigned on 11 April 2011. Mr Franklin elected not to receive remuneration for his services.
6 - Mr I McCauley resigned as alternate director on 6 September 2010
7 - Mr Labuschagne was appointed managing director on 13 September 2010
8 - Mr Brainsbury was appointed CFO on 13 September 2010
9 - Mr Ruzicka was appointed General Manage Geology with Norton Gold Fields Limited effective from 1 February 2011
^Denotes one of the 3 highest paid executives of the company during the year, as required to be disclosed under the *Corporations Act 200.* There were no other executives of the company
*Denotes one of the 3 highest paid executives of the group during the year, as required to be disclosed under the *Corporations Act 2001*. There were no other executives of the group

## Remuneration report (audited) (continued)

### B. Details of remuneration (continued)

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | | Share-based payment | | |
|---|---|---|---|---|---|---|---|---|---|
| | Directors' fees $ | Cash salary/ Consulting fees $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Termination $ | Equity settled – shares# $ | Equity settled – options# $ | Total $ |
| **2010** | | | | | | | | | |
| **Non-executive directors** | | | | | | | | | |
| Mark Wheatley[1] | 17,601 | - | - | 1,584 | - | - | - | - | 19,185 |
| A. Anthony McLellan[2] | 69,886 | 134,950 | - | 6,290 | - | - | - | - | 211,126 |
| Mark McCauley[3] | 30,000 | - | - | 2,700 | - | - | - | - | 32,700 |
| A. Timothy Prowse[4] | 5,000 | - | - | 450 | - | - | - | - | 5,450 |
| Tim Sun[5] | 19,397 | - | - | - | - | - | - | - | 19,397 |
| David Franklin[6] | 16,274 | - | - | - | - | - | - | - | 16,274 |
| Anne Bi[7] | 6,190 | - | - | 557 | - | - | - | - | 6,747 |
| Ian McCauley[12] | - | - | - | - | - | - | - | - | - |
| Sub-total non-executive directors | 164,348 | 134,950 | - | 11,581 | - | - | - | - | 310,879 |
| **Executive directors** | | | | | | | | | |
| Mark McCauley [3] | 30,000 | 229,145 | - | 9,931 | - | - | - | - | 269,076 |
| Jon B. Parker[8] | - | 258,132 | 13,412 | 8,436 | - | 315,425 | - | (262,097) | 333,308 |
| A. Timothy Prowse[4] | - | 210,996 | 34,532 | 48,380 | - | 219,525 | - | - | 513,433 |
| **Other key management personnel** | | | | | | | | | |
| W. Andrè Labuschagne^* | - | 319,199 | 5,733 | 14,461 | 1,942 | - | 153,704 | - | 495,039 |
| Terence Moylan[9]^* | - | 38,776 | 17,941 | 50,000 | - | - | 104,647 | - | 211,364 |
| Peter Ruzicka* | - | 164,803 | 16,764 | 14,601 | - | - | 110,503 | - | 306,671 |
| Simon Brodie[10]^* | - | 171,178 | 3,594 | 20,000 | - | 236,250 | (327,552) | - | 103,470 |
| Jonathan Price[11]^* | - | 55,241 | 18,045 | 11,769 | - | 167,458 | (221,848) | - | 30,665 |
| | 194,348 | 1,582,420 | 110,021 | 189,159 | 1,942 | 938,658 | (180,546) | (262,097) | 2,573,905 |

1 - Mr Wheatley was appointed director on 24 March 2010 and acting chairman on 4 June 2010
2 - Mr McLellan resigned as non-executive chairman on 4 June 2010
3 - Mr McCauley was a non-executive director until 14 January 2010 when he was appointed Acting CEO
4 - Mr Prowse was the technical director of Norton Gold Fields Limited until 14 May 2010, and thereafter a non-executive director
5 - Mr Sun was appointed a director on 5 March 2010
6 - Mr Franklin was appointed a director on 24 March 2010
7 - Mrs Bi was appointed a director on 25 May 2010
8 - Mr Parker resigned on 14 January 2010. His shares issued under a non recourse loan treated as options for accounting purposes, were bought back in a share buy-back agreement. Please see Note 41 for more details
9 - Mr Moylan was appointed General Manager on 10 March 2010
10 - Mr Simon Brodie resigned as CFO on 14 January 2010 and as result forfeited shares granted with performance conditions attached
11 - Mr Price resigned from his position as General Manager on 13 October 2009 and as result forfeited shares granted with performance conditions attached.
12 – Mr I McCauley resigned as alternate director on 6 September 2010.
# Remuneration in the form of options/shares include negative amounts for unvested options/shares forfeited during the 2010 year. Please refer to note 28 for further details
^Denotes one of the 4 highest paid executives of the company during the 2010 year, as required to be disclosed under the *Corporations Act 2001*.There were no other executives
*Denotes one of the 5 highest paid executive of the group only during the 2010 year, as required to be disclosed under the *Corporations Act 2001*

## Remuneration report (audited) (continued)

### B. Details of remuneration (continued)

The relative proportions of remuneration that are linked to performance (all equity remuneration is performance based) and those that are fixed are as follows:

| | Fixed remuneration | | Options | | Shares | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| **Directors** | | | | | | |
| A. Timothy Prowse | 100% | 100% | - | - | - | - |
| W. Andrè Labuschagne | 67% | 69% | 33% | - | - | 31% |
| Anne Bi | 100% | 100% | - | - | - | - |
| Allen Wu | 100% | - | - | - | - | - |
| Mark Wheatley | 47% | 100% | 53% | - | - | - |
| Mark McCauley | 100% | 100% | - | - | - | - |
| Tim Sun | 100% | 100% | - | - | - | - |
| A. Anthony McLellan | - | 100% | - | - | - | - |
| Jon B. Parker | - | 100% | - | - | - | - |
| **Other key management personnel** | | | | | | |
| Robert Brainsbury | 79% | - | 21% | - | - | - |
| Terence Moylan | 61% | 50% | - | - | 39% | 50% |
| Peter Ruzicka | 100% | 64% | - | - | - | 36% |
| Simon Brodie | - | 100% | - | - | - | - |
| Jonathan Price | - | 100% | - | - | - | - |

### C. Service agreements

Remuneration and other terms of employment for the executive management team are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature. Service agreements are capable of termination on three months' notice with additional payouts of between 3 to 9 months remuneration. The group retains the right to terminate a contract immediately and provide payment in lieu of notice (refer below for further details). Directors and executives are also entitled to receive their statutory entitlements of superannuation and accrued annual and long service leave. Other major provisions of the agreements relating to the remuneration are set out below. Non-executive directors do not have formal service agreements or agreed termination benefits/terms. Terms of employment for key management personnel are set out below.

**A. Timothy Prowse**
*Non-executive director* (appointed chairman on 20 July 2011)
Base fee of $60,000 (plus nine per cent superannuation) per annum. Consulting fees of $1,800 per day for additional consulting services as requested from time to time by the managing director.

**W. Andrè Labuschagne**
*Managing director*
Salary: Base salary package of $420,000 per annum inclusive of superannuation.
Term: No fixed term.
Termination: Benefit on early termination by the company, other than for due cause, equal to nine months of annual base pay.
Share-based:

- 8,000,000 options, at an exercise price of $0.20, vesting upon VWAP20* reaching $0.30 on a 5 year term, expiring 15 September 2015. Options to be issued in 3 tranches of 2,666,667 annually for first 3 years of employment subject to the above vesting conditions. The fair value per option at the date of grant (18/11/2010) was $0.06

  During the year the board reviewed Mr Labuschagne's remuneration focusing on market relativity, and as a result, cancelled prior options and shares based compensation granted and replaced with the above share based compensation.

## C. Service agreements (continued)

**Anne Bi**
*Non-executive director*
Base fee of $60,000 (plus nine per cent superannuation) per annum. Consulting fees of $1,800 per day for additional consulting services as requested from time to time by the managing director.

**Allen Wu**
*Non-executive director* appointed 17 May 2011
Base fee of $60,000 (plus nine per cent superannuation) per annum. Consulting fees of $1,800 per day for additional consulting services as requested from time to time by the managing director.

**Mark Wheatley**
*Chairman*, resigned on 20 July 2011

| | |
|---|---|
| Salary: | Base fee of $115,000 (including nine percent superannuation) per annum. Consulting fees of $1,800 per day for additional consulting services as requested from time to time by the managing director. |
| Term: | No fixed term |
| Termination: | Upon Mr Wheatley's resignation it was agreed that the company would engage him as a consultant to assist in a orderly handover to a new chairman and to provide assistance to the managing director for a six month period, commencing upon his date of resignation for a total fee of $63,250 (inclusive of GST), upon resignation date 40% of the fee will be paid in advance with the remainder to be paid in monthly instalments. |
| Share Based: | 5,000,000 options at an exercise price of $0.20, vesting upon VWAP20* reaching $0.30 on a 5 year term, expiring 15 September 2015. Options are to be issued in 3 tranches of 1,666,666 annually for the first 3 years of employment, subject to above vesting conditions. The fair value of option at date of grant (18 November 2010) was $0.06. |

**Mark McCauley**
*Executive director*

| | |
|---|---|
| Salary: | Base salary of $40,000 per month inclusive of superannuation. |
| Term: | No fixed term. |
| Termination: | 13 September 2010 |

*Non-executive director* resigned on 22 June 2010
Base fee of $60,000 (plus nine percent superannuation) per annum. Consulting fees of $1,800 per day for additional consulting services as requested from time to time by the managing director.

**Tim Sun**
*Non-executive director* resigned on 17 May 2011
Base fee of $60,000 (plus nine per cent superannuation) per annum. Consulting fees of $1,800 per day for additional consulting services as requested from time to time by the managing director.

**David Franklin**
*Non-executive director* resigned on 11 April 2011
Base fee Nil.
Mr Franklin elected not to be remunerated.

**Robert Brainsbury**
*Chief Financial Officer* appointed 13 September 2010

| | |
|---|---|
| Salary: | Base salary package of $292,000 per annum inclusive of superannuation. |
| Term: | No fixed term |
| Termination: | Benefit on early termination by the company, other than for due cause, equal to three months of salary plus three months' notice or payment in lieu. |
| Share-based: | |
| - | 4,000,000 options, at an exercise price of $0.20, vesting upon VWAP20* reaching $0.30 on 5 year term, expiring 13 September 2015.Options to be issued in 3 tranches of 1,333,333 annually for the first 3 years of employment subject to the above vesting conditions. The fair value per option at the date of grant (02/03/2011) was $0.05 |

# Remuneration report (audited) (continued)

## C. Service agreements (continued)

**Terence Moylan**
*General Manager Paddington Gold*
Salary: Base salary package of $300,000 per annum inclusive of superannuation.
Term: No fixed term.
Termination: Benefit on early termination by the company, other than for due cause, equal to six months of salary plus three months' notice or payment in lieu.
Share-based:

- 700,000 ordinary shares vesting after 12 months of employment.
- 600,000 ordinary shares vesting after the Convertible Note issuer conversion right is exercisable on the Convertible Notes
- 700,000 ordinary shares vesting when the VWAP5* reaches $0.70
  The fair value per share at date of grant (10/03/2010) was $0.205

**Peter Ruzicka**
*General Manager Geology and Exploration*
Salary: Base salary package of $250,000 per annum inclusive of superannuation.
Term: No fixed term.
Termination: Benefit on early termination by the company, other than for due cause, equal to six months of salary plus three months' notice or payment in lieu.
Share-based:

- 490,000 ordinary shares vesting after 12 months of employment.
- 420,000 ordinary shares vesting after the Convertible Note issuer conversion right is exercisable on the Convertible Notes
- 490,000 ordinary shares vesting when the VWAP5* reaches $0.70
  The fair value per share at date of grant (31/01/2009) was $0.12

*VWAP5 means the five consecutive business day volume weighted average price per share on ASX.
**VWAP20 means the 20 consecutive business day volume weighted average price per share on ASX.
These conditions are designed to provide long term incentives for executives to deliver long-term shareholder returns

## D. Share-based compensation

### Shares

The following table sets out the information on shares granted as remuneration to key management personnel in the current and previous financial years and the performance conditions required for vesting.

| Name | Granted No. | Grant date | Fair value per share at grant date $ | Vested at 30 June 2011 No. | Other changes at 30 June 2011 | Vesting conditions | Possible vesting date |
|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | |
| Nil | | | | | | | |
| **Prior financial years** | | | | | | | |
| Terence Moylan | 700,000 | 10/03/2010 | $0.205 | 700,000 | - | 12 months after employment date | March 2011 |
| | 600,000 | 10/03/2010 | $0.205 | Nil | (600,000) | Issuer conversion right available on Convertible Notes | n/a |
| | 700,000 | 10/03/2010 | $0.205 | Nil | - | VWAP of ordinary shares is $0.70 for 5 consecutive days | June 2013 |
| W. Andrè Labuschagne | 750,000 | 1/09/2009 | $0.195 | Nil | (750,000) | $0.375 per share closing price for 20 consecutive days | December 2010 |
| | 750,000 | 1/09/2009 | $0.195 | Nil | (750,000) | VWAP of ordinary shares is $0.70 for 5 consecutive days | June 2013 |
| Peter Ruzicka | 490,000 | 31/01/2009 | $0.12 | 490,000 | - | JORC compliant reserves 1.5 million ounces before 30 June 2010* | June 2010 |
| | 420,000 | 31/01/2009 | $0.12 | Nil | (420,000) | Issuer conversion right available on Convertible Notes | n/a |
| | 490,000 | 31/01/2009 | $0.12 | Nil | - | VWAP of ordinary shares is $0.70 for 5 consecutive days | June 2013 |

*The vesting criteria had not been reached, the shares were however still issued upon approval by management and the board

VWAP5 means the five business day volume weighted average price per share on ASX.

*Other changes explained:*

The Issuer conversion right on the Convertible Notes requires that the issue of Convertible Notes take place and that the ordinary share price for Norton Gold Fields Limited is over $0.375 for 20 consecutive trading days. Due to the early redemption of Convertible Notes and the share price not reaching $0.375 for 20 consecutive trading days the vesting condition will no longer occur.

All shares issued to W. Andrè Labuschagne subject to vesting conditions in the prior year, have been cancelled and replaced with 8,000,000 options, as explained in the service agreements section above of this remuneration report, upon his appointment as managing director.

## Remuneration report (audited) (continued)

### D. Share-based compensation (continued)

Of the shares granted as part of remuneration, the percentage that vested and the percentage forfeited are set out below.

| Name | Year granted | Vested % | Forfeited/ other changes % | Financial years in which shares may vest | Maximum total value of shares yet to vest |
|---|---|---|---|---|---|
| Terence Moylan | 2010 | 35% | - | - | - |
| | 2010 | - | 100% | n/a | n/a |
| | 2010 | - | - | 30/06/2013 | 143,500 |
| W. Andrè Labuschagne | 2010 | - | Cancelled | n/a | - |
| | 2010 | - | Cancelled | n/a | - |
| | 2008 | 100% | - | n/a | - |
| | 2008 | - | Cancelled | n/a | - |
| Peter Ruzicka | 2009 | 100% | - | - | - |
| | 2009 | - | 100% | n/a | n/a |
| | 2009 | - | - | 30/06/2013 | 58,800 |

No shares will vest if the vesting conditions are not satisfied, hence the minimum value of the shares yet to vest is nil.

**Options**

Options are issued to directors and executives as part of their remuneration. The options are not generally issued based on individual performance criteria. In the main, options are issued to directors and executives of Norton Gold Fields Limited and its subsidiaries to better align the interests of executives and directors with the interest of shareholders.

The number of options over ordinary shares in the company approved during the financial year by key management personnel of the group, including personal related entities, are set out in the table below. When exercisable, each option is convertible into one ordinary share of Norton Gold Fields Limited.

| Name | Balance at start of year | Granted during the year* | Value of options at grant date | Cancelled during the year | Other changes | Balance at end of year | Vested and exercisable at end of year |
|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | |
| **Directors** | | | | | | | |
| Mark Wheatley | - | 5,000,000 | $280,664 | - | - | 5,000,000 | - |
| **Senior management** | | | | | | | |
| W. Andrè Labuschagne | - | 8,000,000 | $449,062 | - | - | 8,000,000 | - |
| Robert Brainsbury | - | 4,000,000 | $198,888 | - | - | 4,000,000 | - |
| Total | - | 17,000,000 | $928,614 | - | - | 17,000,000 | - |

*Options were granted on 18 November 2010 for Mark Wheatley and W. Andrè Labuschagne, granted on 2 March 2011 to Robert Brainsbury

No options were granted between the end of the financial year and the date of this report.

There were no options issued to directors and key management personnel that vested or were forfeited during the 30 June 2011 financial year.

The assessed fair value at grant date of options granted to 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 Monte Carlo Simulation model that takes into account the exercise price, the terms 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. Details are available in notes 29 and 41 of the financial statements.

# Remuneration report (audited) (continued)

## D. Share-based compensation (continued)

### Shares issued on exercise of compensation options

3,000,000 options were exercised during the financial year by a former key management personnel, that were granted as compensation in prior periods.

**End of remuneration report**.

## Shares under option

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

| Date options granted | Vesting date | Expiry date | Exercise price | Number under option |
|---|---|---|---|---|
| 29/04/2009 | 29/04/2009 | 31/12/2011 | $0.35 | 300,000 |
| 29/04/2009 | 29/04/2009 | 31/12/2011 | $0.30 | 1,000,000 |
| 13/09/2010 | 3 tranches when VWAP * equals $0.30 | 13/09/2015 | $0.20 | 4,000,000 |
| 18/11/2010 | 3 tranches when VWAP * equals $0.30 | 13/09/2015 | $0.20 | 13,000,000 |
| | | | | 18,300,000 |

*VWAP means the volume weighted average trading price of shares on ASX over a 30 business day period.

The holders of these options do not have the right, by virtue of options, to participate in any share issue or interest issue of the company or of any other body corporate or registered scheme.

## Shares issued on the exercise of options

The following ordinary shares of Norton Gold Fields Limited were issued during the year ended 30 June 2011 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 |
|---|---|---|
| 14/11/2006 | $0.12 | 3,000,000 |
| | | 3,000,000 |

## Indemnification of directors and officers

The company has entered into agreements to indemnify directors and company secretaries 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 the indemnity of any director or officer of the company.

The company does not provide an indemnity to any auditor.

The company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of directors or officers of the company. The policy requires that the premium paid be kept confidential.

## Proceedings on behalf of the 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 its 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 Audit (QLD) Pty Ltd) 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 and risk management 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 Audit (QLD) Pty Ltd, 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 and risk management 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** | **2011** | **2010** |
|---|---|---|
| | **$** | **$** |
| **1. Audit services** | | |
| BDO Audit (QLD) Pty Ltd: | | |
| Audit and review of financial reports and other audit work under the *Corporations Act 2001* | 194,492 | 115,528 |
| ***Total remuneration for audit services*** | 194,492 | 115,528 |
| **2. Non-audit services** | | |
| BDO (QLD) Pty Ltd: | | |
| Litigation assistance | - | 7,295 |
| ***Total remuneration for non-audit services*** | - | 7,295 |
| ***Total remuneration for services*** | 194,492 | 122,823 |

## Auditors' independence declaration

The auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

## Rounding of amounts

The company is an entity to which Australian Securities and Investments Commission (ASIC) Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

## Auditor

BDO Audit (QLD) Pty Ltd 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.

W. Andrè Labuschagne
Managing Director
Brisbane
25 August 2011

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457 Brisbane QLD 4001
Australia



**DECLARATION OF INDEPENDENCE BY CHRIS SKELTON TO THE DIRECTORS OF NORTON GOLD FIELDS LIMITED**

As lead auditor of Norton Gold Fields Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Norton Gold Fields Limited and the entities it controlled during the period.

## AUDITOR'S INDEPENDENCE DECLARATION

**C J Skelton**

Director

**BDO Audit (QLD) Pty Ltd**

Brisbane: 25 August 2011

NORTON GOLD FIELDS LIMITED

# Corporate Governance Statement

The directors and management of Norton Gold Fields Limited ("Norton" or "the company") are committed to following the principles issued by the Australian Securities Exchange ("ASX") underpinning corporate governance best practice.

In responding to the principles and associated best practice recommendations, Norton has given due and careful regard to its particular circumstances and the best interests of its shareholders.

ASX Listing Rules require listed companies to disclose in their annual report the extent to which ASX best practice recommendations have been followed; identify which recommendations have not been followed; and provide reasons for their decisions.

As detailed in this corporate governance statement, Norton considers that its current governance practices largely comply with the ASX recommendations. Where arrangements differ from the recommendations, the directors and management believe this is appropriate to the company's circumstances and represents good practice.

A full set of Norton's corporate governance related policies and charters are available on the company's website at www.nortongoldfields.com.au.

The company will continuously review the recommendations and decisions will be based on what is in the best interests of shareholders.

The remainder of this statement sets out each principle, associated best practice recommendations, and the company's response.

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

**Principle 2: Structure the board to add value**

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

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

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

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

**Principle 7: Recognise and manage risk**

**Principle 8: Remunerate fairly and responsibly.**

## Principle 1: Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

*Recommendations and response:*

**R1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.**

The board has defined the specific functions reserved for the board and its committees and those matters delegated to management.

The board is accountable to shareholders for Norton's performance. It oversees and guides management in protecting and enhancing the interests of shareholders and other stakeholders. It sets the strategic direction of the company, establishes goals for management and monitors progress towards those goals.

The board's functions encompass:

- providing input into developing performance objectives, goals and corporate direction, and providing final approval
- adopting, and monitoring progress regarding agreed plans, budgets and financial and other reporting
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures
- ensuring adequate internal controls are in place and appropriately monitored for compliance
- ensuring significant business risks are identified and managed
- setting compensation arrangements for executive directors and senior management
- encouraging ethical behaviour throughout the organisation
- appointing the chief executive officer/managing director, and where appropriate, effecting his/her removal and that of other senior executives including the company secretary
- liaising with external auditors

The board has delegated day-to-day management of the company to the managing director who is responsible for Norton's operating and financial performance, developing and recommending corporate strategy to the board, and its subsequent implementation. Specific accountabilities are set out in the chief executive officer's role description encompassing strategy, operating performance, new business projects, risk management, systems, performance culture and the company's image and reputation.

The managing director holds the executive team individually and collectively accountable for contributing to discharging his delegated accountabilities. The specifics are set out in explicit role descriptions for each executive function.

Each director and senior executive has a formal letter of appointment setting out the key terms and conditions relative to their appointment.

### R1.2 Companies should disclose the process for evaluating the performance of senior executives.

The board is accountable for the proper oversight of executive directors and senior management. A process is in place for reviewing senior management performance and continuously improving the contributions executives make to the company.

Performance objectives and business plans for the company are set at least annually and refreshed each quarter in line with Norton's business strategy. The board monitors performance against plan and on this basis monitors and assesses the performance of the chief executive officer.

The process in place for monitoring senior executive performance is based on explicit role accountabilities encompassing regular systematic performance reporting, feedback and formal assessment. This is on a fortnightly, quarterly and annual basis. There is a strategic review at least annually.

### R1.3 Companies should provide the information indicated in the guide to reporting on principle 1.

Performance evaluation of senior executives has taken place in the financial year and is in accordance with the process as set out in R1.1 and R1.2 above.

## Principle 2: Structure the board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

*Recommendations and response*:

### R2.1 A majority of the board should be independent directors.

Norton recognises the importance of having a board of the appropriate composition, size and commitment for it to discharge its responsibilities and duties and believes that its board has a balance of skills, experience and independent thinking appropriate to the nature and scope of the company's operations.

A director is regarded as independent if that director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with the independent exercise of their judgment. When determining the independent status of a director, the board has considered whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company. A substantial shareholder is considered to be a person or entity whose total votes attaching to their shareholding is 5% or more of the total number of votes attaching to voting shares in the company
- is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the board
- has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided
- is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- has a material contractual relationship with the company or another group member other than as a director.

In the context of director independence, "materiality" is considered from both the group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the group's loyalty.

Following these considerations, the majority of the directors on the board did not meet the ASX definition of independence. Of the five board members as at 30 June 2011, Mr Mark Wheatley, met the definition.

The board has determined the independence status of each director as follows:

| Director | Position | Independent | Reason |
|---|---|---|---|
| *Current directors* | | | |
| Mark Wheatley | Non-executive chairman (resigned on 20 July 2011) | Yes | Mr Wheatley is free of any relationship that could, or could be seen to materially interfere with the independent exercise of judgment. |
| W. André Labuschagne | Managing director | No | Mr Labuschagne was appointed to the position of managing director effective 13 September 2010. |
| A. Timothy Prowse | Non-executive director (appointed chairman on 20 July 2011) | No | Mr Prowse was previously employed by the company in an executive capacity as technical director and there has not been a period of at least three years between Mr Prowse ceasing employment and serving on the board. |
| Anne Bi | Non-executive director | No | Ms Bi is not considered independent as she is directly associated with Goldmax Asia Investments Limited, a substantial shareholder in the company. |
| Dr Allen Wu | Non-executive director (appointed on 28 October 2010) | No | Dr Wu is not considered independent as he is employed by China Precious Metal Resources Holdings Ltd, a substantial shareholder in the company. |
| *Former directors* | | | |
| Mark McCauley | Non-executive director (resigned on 22 June 2011) | No | Mr McCauley held the position of acting managing director during the period. See below for further disclosure in relation to Mr McCauley. |
| Tim Sun | Non-executive director (resigned on 17 May 2011) | No | Mr Sun is not considered independent as he is directly associated with China Precious Metals Resource Holdings Co. Ltd, a substantial shareholder in the company. |
| David Franklin | Non-executive director (resigned on 11 April 2011) | No | Mr Franklin is not considered independent as he is directly associated with Sprott Asset Management LP, a substantial shareholder in the company. |
| Ian McCauley | Alternate non-executive director (resigned on 7 September 2010) | No | Mr Ian McCauley is not considered independent as he is directly associated with PR Norton, a top 20 shareholder in the company. |

The board is of the view that the board's composition during the reporting period served the interests of shareholders for the following reasons:

- The chairman, Mr Wheatley, is an independent non-executive director.
- Having regard for the size of China Precious Metals Resource Holdings Co. Ltd and Goldmax Asia Investments Limited investments and the absence of any other relationships with the company, the board believes that the interests of these shareholders are independent of management and are aligned with those of all shareholders.
- The board protocol sets out how actual or potential conflicts of interests are to be dealt with.

*Disclosures in relation to Mr Mark McCauley*

Mr Mark McCauley is related to (the son of) Mr Ian McCauley. Ian McCauley is the controller of BPI Norton Pty Ltd, a Top 20 shareholder and a Convertible Note holder in Norton.

Mr Mark McCauley is also the principal of the investment banking and consulting firm, RMM Capital Pty Ltd. RMM Capital has provided consultancy services to Norton which the board considers to be of an immaterial nature.

In relation to these matters, the board has been advised by Mr Mark McCauley that:

- From time to time, RMM Capital provides services, including investment advice, to Top 20 shareholders and Convertible Note holders in Norton, namely BPI Norton and PR Norton Pty Ltd (Holders);
- From time to time, Mr Mark McCauley holds a power of attorney to perform administrative tasks on behalf of those Top 20 Holders;
- Mr Mark McCauley does not control the Holders and RMM Capital merely acts on instructions from Holders.

The board recognises that there are occasions when the board or directors believe that it is in their interests and the interests of the company to seek independent professional advice. Directors can seek independent professional advice at the company's expense in furthering their duties. The first point of contact for a director in need of external advice is the company secretary.

### R2.2 The chairman should be an independent director.

During the reporting period the chairman, Mr Wheatley, was an independent director. Mr Wheatley resigned on 20 July 2011 and Mr Prowse was appointed non-executive chairman. Mr Prowse is not considered to be independent as he was previously employed by the company in an executive capacity as technical director. The board believes that Mr Prowse is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of chairman and that the group as a whole benefits from his long standing experience of its operations and business relationships.

### R2.3 The roles of chairman and managing director should not be exercised by the same individual.

The role of chairperson and the managing director are not exercised by the same individual.

The role of chairperson was exercised by Mr Wheatley during the reporting period to 30 June 2011 and following his resignation on 20 July 2011, the role of chairperson is exercised by Mr Prowse. The role of managing director is exercised by Mr Labuschagne.

### R2.4 The board should establish a nominations committee.

The board itself acts as the nominations committee rather than having a separate committee constituted for that purpose. The directors believe that this is appropriate in light of the size of the board and the particular circumstances of the company.

The nominations process involves working within a formal procedure for the nomination, selection, appointment and re-election of directors. The procedure is set out in the *nomination committee charter* located on the corporate governance section of the company website.

The size and composition of the board, and its mix of skills and capabilities is expected to change as Norton delivers on its strategy and as the company evolves. The board, as a whole, aims to ensure that it always has an appropriate diversity of experience and expertise consistent with the objectives of the company and this is continuously reviewed by the board.

### R2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The board does not have a formal process for evaluating the performance of the board, its committees and individual directors.

However, there is a process for continuously improving the board's systems, procedures and quality of decision-making. This process encompasses continuous attention to all matters that provide an opportunity to improve the creation of value to the company's shareholders via actions of the board, its committees and individuals in developing strategy, decision-making and monitoring the company's performance. The chairman is accountable for ensuring this improvement process is effective and works closely with the company secretary and managing director in implementing the improvements.

The company secretaries are accountable to the board, through the chairman, on all governance matters.

The directors believe that the approach being followed, as described above, is appropriate in light of the current size of the board and the particular circumstances of the company and honours the spirit of recommendation R2.5.

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**R2.6 Companies should provide the information indicated in the guide to reporting on principle 2.**

The directors and management section of the company's website and the directors' report sets out:

- the skills, experience, expertise and tenure of each board member relevant to their role as a director
- the basis on which independent directors have been identified by the board
- how the functions of a nomination committee are carried out by the board.

The period of office held by each director is disclosed in the directors' report.

Departures from recommendations R2.1, R2.4 and R2.5 are explained above.

## Principle 3: Promote ethical and responsible decision-making

Actively promote ethical and responsible decision-making.

*Recommendations* and response*:*

**R3.1 Establish a code of conduct to guide the directors, the managing director (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:**

- **the practices necessary to maintain confidence in the company's integrity**
- **the practices necessary to take into account their legal obligations and the expectations of their stakeholders**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The board and management are committed to establishing and maintaining a high degree of integrity among those who set or influence the company's strategy and financial performance, together with responsible and ethical decision-making that take into account legal obligations as well as significant stakeholder interests.

The company has adopted a code of conduct to provide guidelines to all company employees, including the company's executives and directors, for exercising a high degree of integrity. The board has ultimate responsibility for setting the ethical tone of the company.

The *code of conduct* is available under the corporate governance section of the company's website.

**R3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.**

The company's securities dealing policy restricts the times and circumstances in which Norton employees (directors, employees, contractors and consultants) may purchase or sell shares in the company.

Any designated officer (company directors and members of the executive team) who proposes dealing in company securities must, before dealing occurs, notify the company secretary of the proposed dealing. As required by the ASX Listing Rules, the company notifies the ASX of any transactions completed by directors in the securities of the company.

Norton employees must not deal in company securities during any of the following blackout periods:

- The period between 1 July and the close of business on the second day after Norton announces its preliminary final results (Appendix 4E);
- The period between 1 January and the close of business on the second day after Norton announces its half year results (Appendix 4D);
- The period between the commencement of a month when Norton is required to announce its quarterly activities report and the close of the second business day after the respective quarterly activities report is announced;
- The period ending at the close of the third day after Norton announces price sensitive information.

A full copy of the company's securities dealing policy is available under the corporate governance section of the company's website. This policy was updated during December 2010 to align with the new listing rule ASX LR 12.9.

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**R3.3 Companies should provide the information indicated in the guide to reporting on principle 3.**

Information related to principle 3 is presented above.

## Principle 4: Safeguard integrity in financial reporting

Have a structure to independently verify and safeguard the integrity of the company's financial reporting.

*Recommendations* and response*:*

**R4.1 The board should establish an audit committee.**

The board has established an audit and risk management committee which assists it to ensure that:

- the systems of control which management has established effectively safeguard tangible and intangible assets of the company
- financial information provided to shareholders and others is reliable
- effective risk management systems are in place

The ultimate responsibility for the integrity of the company's financial reporting rests with the board.

**R4.2 Structure the audit committee so that it consists of:**

- **only non-executive directors**
- **a majority of independent directors**
- **an independent chairman, who is not chairman of the board**
- **has at least 3 members**

The composition of the audit and risk management committee changed during the reporting period. The members of the audit and risk management committee during the reporting period were:

*From 1 July 2010 to 7 December 2010*
Mr Wheatley (Chairman)
Mr Franklin
Mr Prowse

*From 7 December 2010 to 22 June 2011*
Mr M McCauley (Chairman)
Mr Wheatley
Mr Prowse

*From 22 June 2011*
Mr Wheatley (Chairman; resigned on 20 July 2011)
Mr Prowse
Ms A Bi

Mr Wheatley meets the ASX test of independence and was chairman of the board and audit and risk management committee until his resignation on 20 July 2011. Mr Wheatley was appointed chairman of the audit and risk management committee as he was the only independent director. Details of the experience, qualifications and attendance at committee meetings for each member of the committee are presented in the directors' report.

During the reporting period the company does not comply with R4.2 as the majority of the audit and risk management committee are not independent and the chairman of the committee was also chairman of the board. Due to the current composition of the board compliance with this recommendation is not possible. However the board expects to address some of these non-compliance matters during the 30 June 2012 reporting period by the appointment of additional directors to the board.

The directors believe that the approach being followed, as described above, is appropriate in light of the current size of the board and the particular circumstances of the company.

**R4.3 The audit committee should have a formal charter.**

The audit and risk management committee, which operates under a charter approved by the board, provides advice and assistance to the board in fulfilling its responsibility relating to the company's financial statements, internal audit, external audit, risk management and such other matters as the board may request from time to time.

The members of the committee have direct access to any employee, financial and legal advisers and the auditors without management being present.

The committee reports to the board on the following:

- consideration of whether external reporting is consistent with committee members' information and knowledge and is adequate for meeting shareholder requirements
- assessing the appropriateness of the accounting principles applied by management in the preparation and presentation of financial reports and approving all significant accounting policies
- assessment of management processes supporting external reporting
- control the company's financial reporting and disclosure processes and the outputs of that process
- approving the audit plan of the external auditors, monitoring the effectiveness and independence of the external auditor and, obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standard procedures for the selection and the appointment of the external auditor, rotation of external audit engagement partners, removal and appointment of the external auditors and review of the terms of engagement
- providing recommendations to the board as to the role of the internal auditor/internal audit function, if any, and recommendations for the appointment or, if necessary, the dismissal of the head of internal audit
- evaluating the adequacy, effectiveness and appropriateness of the company's administrative, operating and accounting control systems and policies

The audit and risk management committee charter describes the authority, role and responsibility of the committee, and outlines the composition and frequency of annual meetings.

The audit and risk management committee charter is available under the corporate governance section of the company's website.

**R4.4 Companies should provide the information indicated in the guide to reporting on principle 4.**

Information related to principle 4 and departure from recommendation R4.2 is presented above.

## Principle 5: Make timely and balanced disclosure

Promote timely and balanced disclosure of all material matters concerning the company.

*Recommendations* and response*:*

**R5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.**

Norton has a continuous disclosure policy which aims to provide a timely and balanced picture of all material matters and which requires disclosure of any information concerning Norton that a reasonable person would expect to have a material effect on the price or value of the company's securities.

This does not apply to particular information where all of the following are satisfied:

- a reasonable person would not expect the information to be disclosed
- the information is confidential and ASX has not formed a contrary view
- one or more of the following applies:
  - it would be a breach of the law to disclose the information
  - the information concerns an incomplete proposal or negotiation
  - the information comprises matters of supposition or is insufficiently definite to warrant disclosure
  - the information is generated for internal management purposes
  - the information is a trade secret

The company's continuous disclosure policy is as follows:

- the board holds the managing director accountable for communication with ASX in relation to all listing rule matters
- executives are required to monitor all relevant information regarding the company's affairs and test it against the continuous disclosure policy on a day-to-day basis. If a potential disclosure obligation arises, it is brought to the attention of the managing director and, in his absence, the company secretary
- required disclosures are made to the ASX and posted on the company's website
- if matters are not clear-cut, the managing director confers with another director and/or the company's legal counsel to determine whether disclosure is required
- the chairman and managing director are the only persons authorised to make statements to the media on behalf of the company. The exception is site-specific matters where the site general manager and, where applicable the project director, are authorised to make statements relevant to the local community
- Norton is committed to communicating with investors in an effective and timely manner and supports communication by the managing director with shareholders, potential investors and analysts at company presentations, briefings and shareholder meetings, such as the annual general meeting and road show presentations
- in addition, the company's external auditors are invited to attend the annual general meeting to answer questions from shareholders about the conduct of the audit and content of the audit report and the company's financial reports.

**R5.2 Provide the information indicated in guide to reporting on principle 5.**

Information related to principle 5 is presented above.

## Principle 6: Respect the rights of shareholders

Respect the rights of shareholders and facilitate the effective exercise of those rights.

*Recommendations* and response*:*

**R6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.**

Norton seeks to enable shareholders to be well informed about the performance and affairs of the company.

The company communicates with shareholders through a variety of means, including ASX releases, annual, half-yearly and quarterly reports, the company website, general meetings and direct communication.

**R6.2 Companies should provide the information indicated in the guide to reporting on principle 6.**

Information related to principle 6 is presented above.

## Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

*Recommendations* and response*:*

**R7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.**

Norton recognises the importance of risk management and manages risk through effective oversight and internal control involving board and management systems that encompass:

- a regulatory compliance program supported by approved guidelines and standards for such matters as safety, the environment, legal and insurance
- guidelines and approval limits for capital expenditure and investments
- an insurance program reviewed annually
- policies and procedures for management of financial risk and treasury operations including exposures to foreign currencies and cash management
- annual budgeting and monthly reporting systems for all businesses to monitor progress against performance targets and to evaluate trends
- appropriate due diligence procedures for acquisitions and divestments
- accountability of management (to the board) for the group's internal control and risk management through the audit and risk management committee charter
- a crisis management system in use and progressively updated to match emerging circumstances
- a policy that precludes the company's auditors from providing any other service to the company.

This function is assisted by the audit and risk management committee. The audit and risk management committee charter is available under the corporate governance section of the company's website.

**R7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.**

Business risk is a standing agenda item for board meetings where the effectiveness of the company's risk management systems and activities are reported on and assessed. The risk management process is an enterprise wide risk analysis and includes:

- risk identification
- analysis and evaluation
- risk mitigation/treatment.

**R7.3 The board should disclose whether it has received assurance from the managing director (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.**

The board requires the managing director and chief financial officer to confirm in writing that declarations provided in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively.

**R7.4 Companies should provide the information indicated in the guide to reporting on principle 7.**

Information related to principle 7 is presented above.

## Principle 8: Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

*Recommendations* and response*:*

**R8.1: The board should establish a remuneration committee.**

Norton knows that recognition and reward are key factors in attracting and retaining the skills required to achieve the performance expected by the board, management and shareholders.

On 7 December 2010 the board agreed to establish a remuneration committee. However as the remuneration charter has not been finalised, the board continued to act as a remuneration committee during the reporting period. The board anticipates that the remuneration charter will be finalised during the 30 June 2012 reporting period.

The directors believe that the approach being followed, as described above, is appropriate in light of the current size of the board and the particular circumstances of the company.

**R8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.**

Total remuneration paid to non-executive directors may not exceed the limit set by shareholders at the annual general meeting (currently $400,000). The remuneration of the non-executive directors is fixed rather than variable. In relation to executive remuneration, the board takes advice regarding the nature and direction for the company's remuneration practices. The board ensures that a proportion of each senior manager's remuneration is linked to his or her performance and the company's performance. Remuneration is also benchmarked against the company's peers in the resources industry.

The remuneration structure for directors and senior executives is reported in the remuneration section of the company's annual report.

**R8.3: Companies should provide the information indicated in the guide to reporting on principle 8.**

Information related to principle 8 is presented above.

| | Notes | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|---|
| Revenue | 6 | 211,685 | 177,416 |
| Cost of sales | 7 | (183,197) | (156,036) |
| **Gross profit** | | **28,488** | **21,380** |
| Other income | 8 | 33,999 | 87 |
| Administrative expenses | 9 | (9,188) | (7,189) |
| Impairment of capitalised mining costs | 19 | - | (12,900) |
| Write off of exploration and evaluation assets and plant and equipment | 18,20 | (13,004) | - |
| Fair value adjustments – derivative financial instrument | | - | (32,844) |
| Hedging loss | 28 | (10,618) | (10,618) |
| **Profit (loss) before net finance costs** | | **29,677** | **(42,084)** |
| Finance income | 11 | 3,531 | 3,760 |
| Finance expense | 11 | (12,447) | (4,877) |
| **Profit (loss) before tax** | | **20,761** | **(43,201)** |
| Income tax (expense) benefit | 12 | (7,619) | 10,364 |
| **Profit (loss) for the year attributable to the owners of the parent entity** | | **13,142** | **(32,837)** |
| **Other comprehensive income** | | | |
| Reclassification adjustment for the deferred hedging loss included in profit and loss | 28 | 10,618 | 10,618 |
| Income tax on items of other comprehensive income | 12 | (3,185) | (3,185) |
| **Other comprehensive income for the year, net of tax** | | **7,433** | **7,433** |
| **Total comprehensive income (loss) for the year attributable to owners of the parent entity** | | **20,575** | **(25,404)** |
| **Earnings (loss) per share** | | **Cents** | **Cents** |
| Basic earnings (loss) per share | 40 | 2.0 | (6.3) |
| Diluted earnings (loss) per share | 40 | 1.9 | (6.3) |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 13 | 36,775 | 68,517 |
| Trade and other receivables | 14 | 5,712 | 15,737 |
| Inventories | 15 | 18,549 | 17,828 |
| Other assets | 21 | 4,707 | - |
| | | 65,743 | 102,082 |
| Asset classified as held for sale | 16 | 11,750 | - |
| Total Current Assets | | 77,493 | 102,082 |
| **Non-current Assets** | | | |
| Deferred tax assets | 17 | 15,461 | 28,330 |
| Exploration and evaluation assets | 18 | 68,172 | 76,077 |
| Capitalised mining costs | 19 | 37,590 | 34,661 |
| Property, plant and equipment | 20 | 24,570 | 19,699 |
| Other assets | 21 | 27,269 | 18,770 |
| Total Non-current Assets | | 173,062 | 177,537 |
| Total Assets | | 250,555 | 279,619 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 22 | 28,285 | 26,400 |
| Provisions | 23 | 1,604 | 1,655 |
| Financial liabilities | 24 | 30,000 | - |
| Total Current Liabilities | | 59,889 | 28,055 |
| **Non-current Liabilities** | | | |
| Financial liabilities | 24 | 50,272 | 37,092 |
| Provisions | 23 | 24,421 | 24,302 |
| Deferred tax liabilities | 25 | 3,105 | 5,264 |
| Derivative financial instruments | 26 | - | 107,000 |
| Total Non-current Liabilities | | 77,798 | 173,658 |
| Total Liabilities | | 137,687 | 201,713 |
| **Net Assets** | | **112,868** | **77,906** |
| **Equity** | | | |
| Contributed equity | 27 | 142,633 | 129,454 |
| Reserves | 28 | 2,791 | (5,850) |
| Accumulated losses | 28 | (32,556) | (45,698) |
| **Total Equity** | | **112,868** | **77,906** |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

| | Contributed equity $'000 | Hedge reserve $'000 | Share-based payments reserve $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| **At 30 June 2009** | **70,994** | **(22,298)** | **9,287** | **(12,861)** | **45,122** |
| Comprehensive income | | | | | |
| - Loss for the year after tax | - | - | - | (32,837) | (32,837) |
| - Other comprehensive income | - | 7,433 | - | - | 7,433 |
| **Total comprehensive loss for the year** | **-** | 7,433 | - | (32,837) | (25,404) |
| **Transactions with owners in their capacity as owners** | | | | | |
| Contributions of equity, net of transaction costs and deferred tax | 58,460 | - | - | - | 58,460 |
| Non-cash share based payments | - | - | (272) | - | (272) |
| **At 30 June 2010** | **129,454** | **(14,865)** | **9,015** | **(45,698)** | **77,906** |
| Comprehensive income | | | | | |
| - Profit for the year after tax | - | - | - | 13,142 | 13,142 |
| - Other comprehensive income | - | 7,433 | - | - | 7,433 |
| **Total comprehensive income for the year** | **-** | 7,433 | - | 13,142 | 20,575 |
| **Transactions with owners in their capacity as owners** | | | | | |
| Contributions of equity, net of transaction costs and deferred tax | 13,179 | - | - | - | 13,179 |
| Non-cash share based payments | - | - | 1,208 | - | 1,208 |
| **At 30 June 2011** | **142,633** | **(7,432)** | **10,223** | **(32,556)** | **112,868** |

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

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts in the course of operations | | 219,270 | 169,191 |
| Payments in the course of operations | | (165,392) | (144,873) |
| Interest received | | 3,483 | 3,098 |
| Interest and borrowing costs paid | | (11,550) | (4,195) |
| Taxes paid | | (95) | (540) |
| Net cash provided by operating activities | 38 | 45,716 | 22,681 |
| **Cash flows from investing activities** | | | |
| Payments for plant and equipment | | (11,800) | (6,004) |
| Proceeds on disposal of property plant and equipment | | - | 26 |
| Proceeds on disposal of exploration assets | | 15,000 | - |
| Cost on disposal of exploration assets | | (1,522) | - |
| Exploration and mine development costs | | (37,465) | (50,763) |
| Payment for security deposits | | - | (319) |
| Net cash used in investing activities | | (35,787) | (57,060) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 1,256 | 60,607 |
| Share issue costs | | - | (3,067) |
| Proceeds from borrowings | | 80,000 | - |
| Repayment of borrowings | | (122,927) | - |
| Net cash (used in) provided by financing activities | | (41,671) | 57,540 |
| **Net (decrease) increase in cash and cash equivalents** | | (31,742) | 23,161 |
| Cash and cash equivalents at the beginning of the year | | 68,517 | 45,356 |
| **Cash and cash equivalents at the end of the year** | 13 | **36,775** | **68,517** |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## 1. General information

Norton Gold Fields Limited ("Norton" or "the company") is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The financial statements of the company for the year ended 30 June 2011 covers the consolidated entity consisting of the company and its subsidiaries ("the group") as required by Corporations Act 2001.

## 2. Adoption of new and revised Accounting Standards

### Standards and Interpretations affecting amounts reported in the current period

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project ;*
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions;*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues;*
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19; and*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

## 3. Summary of significant accounting policies

### (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.*

The financial report is presented in Australian dollars unless otherwise stated. The accounts are prepared on a going concern basis.

*Compliance with IFRSs*
The consolidated financial statements of the group also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Historical cost convention*
The financial report has been prepared under the historical cost convention, except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

*Critical accounting estimates*
The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group'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 4.

*Comparative figures*
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The principal accounting policies 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.

## 3. Summary of significant accounting policies (continued)

### (b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries.

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 36.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 3(h)).

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

### (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 the group'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 profit or loss.

### (e) Revenue recognition

Fine gold metal and fine silver metal revenue is measured at the fair value of the consideration received and receivable at the prevailing spot price. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured.

Interest revenue is recognised using the effective interest rate method.

**3. 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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Norton Gold Fields Limited and its wholly-owned Australian entities have prepared the tax calculation on the basis that the group will elect to apply the tax consolidation legislation from 1 July 2010. The appropriate notifications to the Commissioner for Taxation will be submitted with the income tax return for the year. As a consequence, the entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are assumed by the head entity.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

*Investment allowances*
Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

**(g) 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. 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 interest rate on the finance balance outstanding.

The property, plant and equipment acquired under finance leases are 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 profit or loss on a straight-line basis over the lease term.

**3. Summary of significant accounting policies (continued)**

**(h) Business combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

**(i) Impairment of assets**

Non-current assets such as exploration and evaluation assets and capitalised mining costs are tested annually for impairment. 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, where it is not possible to estimate recoverable amount for an individual asset, assets are grouped at the lowest levels for which there are separately identifiable cash in-flows (cash generating units).

**(j) 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.

**(k) 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 generally due for settlement no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance 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. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, where debt collection procedures have been commenced, or there is a fair probability that the debtor will be put into administration or liquidation. 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 original effective interest rate. When receivables for which an impairment allowance has previously been recognised are determined to be uncollectible, they are written off against the allowance account. The amount of the impairment allowance is recognised in the profit and loss. Receivables are determined to be uncollectible when there is no expectation of recovering any additional cash. This may occur when a final distribution has been made from administrators/liquidators, or where unsuccessful attempts have been made to recover the debt through legal actions or debt collection agencies and the prospect of recovering any additional cash is remote.

## 3. Summary of significant accounting policies (continued)

### (l) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of raw materials and stores is determined on the weighted average cost basis.

Inventories of gold in circuit and ore stock piles are physically measured or estimated and cost comprises direct costs and an appropriate proportion of fixed and variable production overheads.

Net realisable value is assessed annually based on the amount estimated to be obtained from sale of items of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

During the exploration and development phase, where the costs of extracting the ore exceed the likely recoverable amount, work in progress inventory is written down to net realisable value.

### (m) Non-current assets held for sale

Non-current assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. These assets, with certain exceptions, are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for subsequent increases in fair value less costs to sell an asset but not exceeding any cumulative impairment losses previously recognised.

### (n) Financial assets

*Classification*
The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets are initially recognised as fair value plus transaction costs, except for financial assets carried at fair value through profit and loss for which transaction costs are expensed. 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 reporting date, which are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

*(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. These instruments are measured at amortised cost using the effective interest method.

*(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 recognised in other comprehensive income.

The group has no such financial assets.

**3. Summary of significant accounting policies (continued)**

**(n) Financial assets (continued)**

*Impairment*

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit and loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available for sale are not reversed through profit and loss.

If there is evidence of impairment for any of the group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

**(o) 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 reporting 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 reporting 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 forward exchange contracts is determined using forward exchange market rates at the reporting 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.

**(p) 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 profit or loss during the financial period in which they are incurred.

Depreciation of assets is calculated on a 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 | 8% - 60% |
| Buildings improvements | 2% - 10% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 3(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

## 3. Summary of significant accounting policies (continued)

### (q) Exploration and evaluation costs

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

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. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment. To the extent that there are insufficient, un-depleted resource ounces relating to the particular area of interest, the capitalised costs relating the area of interest are written off against income in the year. Exploration costs capitalised in relation to areas that have sufficient un-depleted resource ounces, where exploration is continuing and further resource updates are expected, are amortised over the period that exploration is expected to occur.

### (r) Mining tenements

Mining tenements included in exploration and evaluation costs 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 note 3(i).

Amortisation of mining tenements commences from the date when commercial production commences and is charged to profit or loss. Mining tenements are amortised over the life of the mine using a units-of-production method.

**3. Summary of significant accounting policies (continued)**

**(s) Capitalisation and amortisation of mining costs**

*Open pit mines*
In conducting the mining operations it is necessary to remove overburden and other waste materials to access the ore body of open pit mines. The costs of removing overburden and waste materials are referred to as “pre-strip costs”.

The group’s policy for each open pit mine is to capitalise all pre-strip costs of mining until the average strip ratio (i.e. the total pit ratio of waste to ore over the life of the pit) is achieved.

*Underground mining*
Underground mining occurs progressively in various stages.

Underground mining costs are capitalised based on an average development metre rate multiplied by the ore development metre for the period.

Mining expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the mine on a units-of-production basis. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortised over the estimated life of that specific ore block or area.

Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations are dealt with on a prospective basis. Adjustments to expected life-of-mine production are taken up as an adjustment to the remaining amortisation rate. Potential adjustments are reviewed on a quarterly basis.

**(t) Trade and other payables**

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

**(u) Financial liabilities and equity instruments**

*Classification as debt or equity*
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

*Equity instruments*
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

Financial instruments issued by the group are treated as equity only to the extent that they do not meet the definition of a financial liability.

**3. Summary of significant accounting policies (continued)**

**(u) Financial liabilities and equity instruments (continued)**

*Convertible Notes*
The component of Convertible Notes that exhibits the characteristics of a liability is recognised as a liability in the statement of financial position.

On issuance of the Convertible Note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or repayment.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity where material.

Issue costs are apportioned between the liability and equity components based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The carrying amount of the conversion option is not remeasured in subsequent years. Interest on the liability component of the Convertible Note is recognised as an expense in the profit or loss.

*Other financial liabilities*
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

*De-recognition of financial liabilities*
The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

**(v) Rehabilitation provision**

Provisions are made for mine rehabilitation and restoration when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for rehabilitation costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and milling facilities is capitalised into the cost of the related asset and depreciated/amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

**3. Summary of significant accounting policies (continued)**

**(w) Derivatives and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair value of derivatives, are determined with reference to publicly disclosed gold curve information. The value attached to the derivatives coincides with the maturity dates of the derivatives and this value is then discounted back using the base rate of interest as published by the Reserve Bank.

*Cash flow hedge*
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in the hedge reserve in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the profit or loss.

*Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

**(x) 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 respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Amounts of unpaid annual leave are included as other current payables. 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. 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.

## 3. Summary of significant accounting policies (continued)

### (x) Employee benefits

(iv) *Share-based payments*
Share-based compensation benefits are provided to employees via the Norton Gold Fields Limited Employee Share Ownership Plan (for shares) and the Employee Share Option Plan (for options). Information relating to these schemes is set out in note 41.

The fair value of shares or options granted under the Employee Share Ownership Plan or Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which employees become unconditionally entitled to the shares or options.

The fair value at grant date for shares is determined by the market price at that date. The fair value for options 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.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, from the date of the modifications, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

(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.

(vi) *Termination benefits*
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### (y) 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.

If the entity re-acquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

**3. Summary of significant accounting policies (continued)**

**(z) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**(aa) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

**(bb) 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 statement of financial position.

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 flows.

**(cc) Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The group's assessment of the impact of the relevant new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)*

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the group’s accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

**3. Summary of significant accounting policies (continued)**

**(dd) New accounting standards and interpretations (continued)**

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards (effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) IFRS 10 *Consolidated Financial Statements (effective from 1 January 2013)*

IFRS 10 introduces a single control model for all entities including special purpose entities (SPEs), whereby all off the following must be present: (a) power over investee (b) exposure, or rights, to variable returns from investee (c) ability to use power over investee to affect the entities returns from investee. This standard is not expected to have any significant impact on the transactions and balances recognised in the financial statements because the entity does not have any SPEs.

(iv) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)*

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the group's disclosures. The group intends to apply the amendment from 1 July 2011.

(v) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)*

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is, through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The group will apply the amendment from 1 July 2012. The group currently does not have investment property and is not expecting it to have a financial impact.

**3. Summary of significant accounting policies (continued)**

**(ee) Parent entity financial information**

The financial information for the parent entity, Norton Gold Fields Limited, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Norton Gold Fields Limited.

(ii) Tax consolidation legislation
Norton Gold Fields Limited and its wholly-owned Australian entities have prepared that tax calculation on the basis that the group will elect to apply the tax consolidation legislation from 1 July 2010. The appropriate notifications to the Commissioner of taxation will be submitted with the income tax return for the year. As a consequence, the entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are assumed by the head entity.

The head entity, Norton Gold Fields Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

Norton Gold Fields Limited recognises the utilisation of the deferred tax assets assumed from controlled entities in the tax consolidated group.

The tax consolidated group has not entered into a tax funding agreement, no compensation has been received or paid for any current tax payable or deferred tax assets relating to tax losses assumed by the parent entity since implementation of the tax consolidation regime.

(iii) Share-based payments
The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

**4. 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 group and that are believed to be reasonable under the circumstances. The key 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.

*Exploration and evaluation assets*
Exploration and evaluation assets are regularly reviewed by management for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Apart from the write off recognised, refer to note 18, management has not identified any areas at 30 June 2011 that is not appropriate to carry forward in exploration and evaluation assets.

*Mine properties*
Mine properties are assessed for impairment when facts and circumstances suggest that the carrying amount of mine properties may exceed the recoverable amount. Management takes into consideration future price of gold, future cash flow of the specific mining property, an estimated discount rate and estimates of remaining life of a particular mining asset. Management considers the facts and circumstances at each reporting period that would indicate whether the consolidated entity should test mine properties for impairment. Refer to note 19.

The impairment assessment was based on future estimated cash flows expected over the life of mine, using a gold price of $1,400 per oz (2010: $1,200 per oz) and pre-tax discount rate of 22%.

**4. Critical accounting estimates and judgements (continued)**

*Share-based payments*
AASB 2 requires the calculation of the fair value of shares or options granted to staff and for that amount to be expensed to the profit or loss (with corresponding credit to the share-based payment reserve) over the estimated life from grant date to vesting date. This necessitates the estimate of vesting date where vesting is subject to vesting conditions or otherwise.

Where applicable, the assessed fair value at grant date of share-based payments are determined using a Monte Carlo simulation option pricing model that takes into account the exercise price, the term of the shares or option offer period, 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 share or option offer period. Refer to note 41.

*Rehabilitation provision*
Paddington Gold Pty Ltd and Bellamel Mining Pty Ltd are required by the West Australian Department of Industry and Resources to ensure that appropriate rehabilitation is carried out on tenements that are mined. The amount of rehabilitation cost is an estimate based upon the estimated life of each mined tenement, as well as the future timing and cost of such rehabilitation. The provision is constantly revised as information about the life of mine, depth of mining and cost estimates are updated. Refer to note 23.

*Recoverability of deferred tax assets*
The group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) and sufficient future taxable deductions available to utilise the deferred tax asset raised at the end of the reporting period.

In determining the recoverability of the recognised deferred tax assets, management prepared and reviewed an analysis of estimated future results which support the future realisation of the deferred tax assets. The estimated future results have been derived from estimates also used for impairment assessments referred to in the notes to the consolidated financial statements. Key assumptions for these estimates are disclosed in mine properties above. To the extent that cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets reported at the reporting date could be impacted.

*Derivative financial instruments*
The group has no derivatives at 30 June 2011. At 30 June 2010 the group carried its derivative instruments at fair value with changes in the fair value recognised in the profit or loss, the accounting policy is disclosed in note 3(w) and the fair value measurement and assumptions used is disclosed in note 26 and note 31.

*JORC Compliant Resources and Reserves affecting amortisation*
Accounting policy 3(s) 'Capitalisation and amortisation of mining costs' states that the capitalised mining costs are amortised over the estimated economic life of the mining assets, on a units-of-production basis. The unit-of-production basis is based on gold produced compared to total expected gold production over the life of the mine. Total expected gold production is based upon the resources and reserves for each mine. These resources and reserves are based upon a competent person evaluation which is Joint Ore Reserve Committee (JORC) Code compliant. These estimates are updated as further drilling and mining information becomes available. In addition, the life of each mine is assessed on a quarterly basis. The life of mine has due regard to both its physical life limitations and the present assessments of economically recoverable reserves of the mine property at which it is located. As a result, future amortisation rates may increase or decrease dependent upon changes to a mine's resources and reserves over the life of that mine.

## 5. Segment information

*Identification of reportable segments*
The group has identified its operating segments based on the internal reports that are reviewed by the chief operating decision makers (the board of directors) in assessing performance and in determining the allocation of resources.

The group operates in the gold mining industry and derives virtually all revenue from the sale of gold. The operating segments identified by management are Paddington operations and Mount Morgan project.

*Description of segments*
The consolidated entity has identified its reportable operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and in determining the allocation of resources. Its reporting is on an operational basis.

The reportable segments broadly align with two geographical locations in Australia as this is the source of the consolidated entity's major assets and operating activities which has the most effect on rates of return. The reportable segments are identified as follows:

- Paddington operations: this segment involves the Paddington and Bellamel tenements in Western Australia engaged in exploration, gold mining, processing of ore, and selling of gold bullion.
- Mount Morgan project: Mount Morgan is engaged in the evaluation, development, construction and eventual operation of a gold mine and mill in Queensland. During the year the board of directors endorsed management to sell the Mount Morgan project assets incorporated in the Mount Morgan segment

Segment information
The following table presents information for reportable segments for the years ended 30 June 2011 and 30 June 2010:

| | Paddington operations $'000 | Mount Morgan project $'000 | Total $'000 |
|---|---|---|---|
| Year ended 30 June 2011 | | | |
| Total segment revenue | 211,685 | - | 211,685 |
| Intersegment revenue | - | - | - |
| Revenue from external customers | 211,685 | - | 211,685 |
| | | | |
| Segment result | 51,023 | (342) | 50,681 |
| Intersegment eliminations | - | - | - |
| Group allocated segment result | 51,023 | (342) | 50,681 |
| | | | |
| Year ended 30 June 2010 | | | |
| Total segment revenue | 177,416 | - | 177,416 |
| Intersegment revenue | - | - | - |
| Revenue from external customers | 177,416 | - | 177,416 |
| | | | |
| Segment result | 42,112 | (322) | 41,790 |
| Intersegment eliminations | - | - | - |
| Group allocated segment result | 42,112 | (322) | 41,790 |

The focus is on both the revenue and operating costs incurred by the operations which does not include any inter group charges. Hence, the board monitors segment performance based on the segment result (which excludes certain profit or loss items as well as other comprehensive income that relate to that incurred by the corporate office).

**5. Segment information (continued)**

Reconciliation of segment result to profit (loss) before income tax is as follows:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Group allocated segment result | 50,681 | 41,790 |
| Hedging loss | (10,618) | (10,618) |
| Write off / impairment of assets | (12,999) | (12,900) |
| Movement in fair value of financial derivatives | - | (32,844) |
| Depreciation and amortisation | (23,226) | (20,896) |
| Finance income | 3,531 | 3,760 |
| Finance costs | (12,447) | (4,877) |
| Corporate office activities | (7,962) | (6,590) |
| Other income (refer note 8) | 33,999 | - |
| Other | (198) | (26) |
| Profit (loss) before income tax | 20,761 | (43,201) |

The write off / impairment of assets relate to assets included in the Paddington operation segment.

Segment assets are allocated based on the operations of the segment and which segment enjoys the risks and benefits of ownership (as opposed to legal ownership).

| | Paddington operations $'000 | Mount Morgan project $'000 | Total $'000 |
|---|---|---|---|
| Total segment assets | | | |
| Year ended 30 June 2011 | 172,610 | 12,395 | 185,005 |
| Year ended 30 June 2010 | 169,029 | 12,440 | 181,469 |

Reconciliation of segment assets to the group's assets is as follows:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Group allocated assets | 185,005 | 181,469 |
| Unallocated: | | |
| Trade and other receivables | 597 | 936 |
| Cash and cash equivalents | 35,950 | 67,144 |
| Deferred tax assets | 15,462 | 28,288 |
| Exploration and evaluation assets | 652 | 2,042 |
| Property, plant and equipment | 71 | 182 |
| Deferred settlement receivable (refer note 21) | 13,206 | - |
| Other assets | 54 | - |
| Consolidation eliminations | | |
| Other | (442) | (442) |
| Total assets | 250,555 | 279,619 |

### 5. Segment information (continued)

Information on additions to non-current assets associated with segments is provided on a regular basis to the board of directors.

| | Paddington operations $'000 | Mount Morgan project $'000 | Total $'000 |
|---|---|---|---|
| Additions to non-current assets | | | |
| Year ended 30 June 2011 | 49,265 | - | 49,265 |
| Year ended 30 June 2010 | 55,644 | 717 | 56,361 |

The liabilities measure is not disclosed as the board does not focus on liabilities at a segment level for the purposes of making strategic decisions about the allocation of resources.

Revenue of $211.685 million (2010: $177.416 million) is derived from a single domestic customer The Perth Mint.

Assets are located in Australia.

### 6. Revenue

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| *Sales revenue* | | |
| Gold sales at spot | 218,327 | 172,596 |
| Silver sales | 944 | 666 |
| Perth Mint receivable movement (refer note 14) | (7,586) | 4,154 |
| Total sales revenue | 211,685 | 177,416 |

### 7. Cost of sales

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Mining expenses | 70,708 | 66,152 |
| Milling costs | 33,700 | 28,722 |
| Maintenance | 17,960 | 18,920 |
| Haulage | 19,728 | 13,802 |
| Royalties | 5,745 | 4,654 |
| General site costs | 11,832 | 7,548 |
| Change in inventories | 355 | (4,615) |
| Depreciation and amortisation | 23,169 | 20,853 |
| Total cost of sales | 183,197 | 156,036 |

### 8. Other income

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Gain on sale of coal assets | 24,933 | - |
| Gain on refinance of Lehman Note | 9,063 | - |
| Other | 3 | 87 |
| | 33,999 | 87 |

| | 2011 | 2010 |
|---|---|---|
| **9. Administrative expenses** | **$'000** | **$'000** |
| Office expenditure | 6,397 | 4,801 |
| Depreciation | 57 | 43 |
| Rental expense | 121 | 134 |
| Insurance | 110 | 134 |
| Directors' fees | 329 | 194 |
| Professional and consulting fees | 2,174 | 1,883 |
| | 9,188 | 7,189 |

**10. Employee benefits**

| | | |
|---|---|---|
| Salaries, wages, and related costs ( including executive directors) | 23,676 | 20,678 |
| Non cash share-based payments | 1,208 | (272) |
| Superannuation contributions | 2,032 | 1,822 |
| | 26,916 | 22,228 |

**11. Net finance costs**

| | | |
|---|---|---|
| **Finance income** | | |
| Interest received | 3,531 | 3,760 |
| **Finance expense** | | |
| Convertible Note interest (including unwinding of discount) | 590 | 4,877 |
| Secured Note facility | 11,400 | - |
| Other | 457 | - |
| | 12,447 | 4,877 |
| **Total net finance costs** | 8,916 | 1,117 |

**12. Income tax**

| | | |
|---|---|---|
| **Income tax expense (benefit)** | | |
| Current tax | | |
| - current tax | - | - |
| - adjustment for previous years | - | - |
| Deferred tax | | |
| - origination and reversal of temporary differences | 4,072 | (11,661) |
| - adjustments for previous years | 3,547 | 1,297 |
| Total income tax expense (benefit) | 7,619 | (10,364) |

## 12. Income tax (continued)

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Reconciliation of income tax expense (benefit) to prima facie tax** | | |
| Profit (loss) before income tax expense (benefit) | 20,761 | (43,201) |
| Tax expense (benefit) at 30% (2010: 30%) | 6,228 | (12,960) |
| Tax effect of amounts which are not (deductible ) / taxable in calculating taxable income | | |
| Entertainment | 1 | 2 |
| Share-based payments | 363 | (81) |
| Interest | 177 | 1,463 |
| Gain on refinance of Lehman Note | (2,719) | - |
| Other | 22 | - |
| Investment allowance | - | (85) |
| | 4,072 | (11,661) |
| Under / (over) provision in prior years | 3,547 | 1,297 |
| Income tax expense (benefit) | 7,619 | (10,364) |
| **Amounts recognised directly in equity** | | |
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity: | | |
| Deferred tax on transaction costs of issuing equity instruments credited directly to equity | - | (920) |
| | - | (920) |
| **Income tax expense relating to items of other comprehensive income** | | |
| Reclassification adjustment for the hedging loss included in profit and loss | 3,185 | 3,185 |

## 13. Current assets – Cash and cash equivalents

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Cash at bank and in hand | 21,775 | 8,517 |
| Term deposits | 15,000 | 60,000 |
| | 36,775 | 68,517 |

The term deposits have an average weighted remaining maturity at year end of 47 days (2010: 20 days). These funds are however available at call if required at any point in time with minimal cost involved.

**Risk exposure**
The group's exposure to interest rate risk is discussed in note 31. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

**Covenants**
The covenants detailed in the Secured Note deed relating to the Secured Note facility detailed in note 24 requires that a minimum of $10 million should be maintained as a cash balance at all times.

## 14. Current assets – Trade and other receivables

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Trade receivables | 2,997 | 10,583 |
| Other receivables | 1,545 | 3,663 |
| Interest receivable | 528 | 841 |
| Prepayments | 642 | 650 |
| | 5,712 | 15,737 |

**Trade receivables**
Trade receivables relate mainly to gold sales. The group has determined the credit risk is low as gold is only sold to Perth Mint which is perceived as reliable and has short contractual payment terms.

**Other receivables**
Other receivables arise from usual operating activities of the group and the majority is in relation to outstanding refunds of input tax credits and diesel fuel rebates from the government. As such, the group believes the credit quality of these other receivables to be very high. These are non-interest-bearing and are generally on 30 day terms.

**Interest receivable**
The interest receivable is due from major financial institutions (National Australia Bank, Suncorp-Metway and ANZ Banking group).

**Fair value and credit risk**
Due to the short term nature of these receivables, the carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivable mentioned above. None of these current assets are considered past due or impaired. Collateral is not normally obtained.

## 15. Current assets – Inventories at cost

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Raw materials and stores | 9,913 | 8,840 |
| Provision for obsolescence | (799) | (803) |
| | 9,114 | 8,037 |
| Ore stockpile | 6,423 | 6,875 |
| Gold in circuit | 3,012 | 2,916 |
| | 18,549 | 17,828 |

## 16. Assets classified as held for sale

| | | |
|---|---|---|
| Non-current asset held for sale | | |
| Mount Morgan project assets | 11,750 | - |

In May 2011, the directors of Norton Gold Fields Limited have resolved for management to investigate options to sell its Mount Morgan project assets (including tenement assets and a parcel of property, plant and equipment). Management of Norton no longer considers the Mount Morgan project assets as core to the group and with the endorsement of the board are currently actively pursuing the sale of the Mount Morgan project assets. There are several interested parties and discussions regarding the sale of the Mount Morgan project assets are ongoing, a sale is expected to occur in the next 12 months. The assets are presented within the Mount Morgan segment in note 5.

## 17. Deferred tax assets

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Deferred tax assets are attributed to the following: | | |
| Derivative financial instruments – forward hedge | - | 25,771 |
| Capital costs | 974 | 1,557 |
| Property, plant and equipment | 3,762 | 3,762 |
| Rehabilitation provision | 7,601 | 7,641 |
| Mining information | 7,112 | 7,620 |
| Tax losses | 21,941 | 10,749 |
| Trade payables | 35 | 30 |
| Other receivables | 538 | - |
| Employee benefits | 737 | 576 |
| | 42,700 | 57,706 |
| Set-off of deferred tax liabilities pursuant to set-off provisions (note 25) | (27,239) | (29,376) |
| Net deferred tax assets | 15,461 | 28,330 |

| Movements – 2011 | Opening balance $'000 | (Charged)/ Credited to profit or loss $'000 | (Charged)/ Credited directly to equity $'000 | (Charged)/ Credited directly to other comprehensive income $'000 | Closing balance $'000 |
|---|---|---|---|---|---|
| Derivative financial instruments | 25,771 | (22,586) | - | (3,185) | - |
| Capital costs | 1,557 | (583) | - | | 974 |
| Property, plant and equipment | 3,762 | - | - | - | 3,762 |
| Rehabilitation provision | 7,641 | (40) | - | - | 7,601 |
| Mining information | 7,620 | (508) | - | - | 7,112 |
| Tax losses | 10,749 | 11,192 | - | - | 21,941 |
| Trade payables | 30 | 5 | - | - | 35 |
| Other receivables | - | 538 | - | - | 538 |
| Employee benefits | 576 | 161 | - | - | 737 |
| | 57,706 | (11,821) | - | (3,185) | 42,700 |

| Movements – 2010 | Opening balance $'000 | (Charged)/ Credited to profit or loss $'000 | (Charged)/ Credited directly to equity $'000 | (Charged)/ Credited directly to other comprehensive income $'000 | Closing balance $'000 |
|---|---|---|---|---|---|
| Derivative financial instruments | 17,050 | 11,906 | - | (3,185) | 25,771 |
| Capital costs | 1,238 | (601) | 920 | - | 1,557 |
| Property, plant and equipment | 4,855 | (1,093) | - | - | 3,762 |
| Rehabilitation provision | 7,835 | (194) | - | - | 7,641 |
| Mining information | 7,689 | (69) | - | - | 7,620 |
| Tax losses | 3,820 | 6,929 | - | - | 10,749 |
| Trade payables | 30 | - | - | - | 30 |
| Employee benefits | 530 | 46 | - | - | 576 |
| | 43,047 | 16,924 | 920 | (3,185) | 57,706 |

## 18. Non-current assets – Exploration and evaluation assets

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Geological, geophysical, drilling and other costs for exploration and purchased mine properties – at cost | 74,056 | 79,220 |
| Accumulated amortisation | (5,884) | (3,143) |
| | 68,172 | 76,077 |
| The costs carried forward above have been determined as follows: | | |
| Opening balance | 76,077 | 67,949 |
| Costs incurred during the year | 9,225 | 9,086 |
| Disposal | (1,390) | - |
| Amortisation | (2,741) | (958) |
| Exploration assets written off | (12,999) | - |
| Closing balance | 68,172 | 76,077 |

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.

**Significant item of expense**
The exploration written off of $12.999 million relates to exploration costs capitalised in prior years that no longer qualify to be capitalised in the current year as these costs are no longer expected to be recouped through further development and exploration in the near future and/or exploration is no longer continuing in the areas that the costs relate to. These amounts are included in the Paddington operations segment.

## 19. Non-current assets – Capitalised mining costs

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Capitalised mining costs - at cost | 89,726 | 80,907 |
| Impairment | - | (12,900) |
| Accumulated amortisation | (52,136) | (33,346) |
| | 37,590 | 34,661 |
| The capitalised mining costs carried forward above have been determined as follows: | | |
| Opening balance | 34,661 | 20,844 |
| Costs incurred during the year | 28,240 | 45,177 |
| Assets classified as held for sale | (6,522) | - |
| Impairment of mine properties | - | (12,900) |
| Amortisation during the year | (18,789) | (18,460) |
| Closing balance | 37,590 | 34,661 |

**Significant item of expense**
The carrying amount in the June 2010 financial year of the Homestead underground mining operations, which is included in the Paddington operating segment, was reduced to its estimated recoverable amount through recognition of an impairment loss in the profit and loss. The recoverable amount was estimated based on value-in-use calculations using a pre-tax discount rate of 22%. These calculations used cash flow projections based on financial budgets at a gold price of $1,200 per oz, and assumptions approved by management over the expected life of the mining operations estimated at 18 months. No impairments were required in the current financial year.

No other class of asset was considered impaired based on an analysis prepared and reviewed by management.

**Amortisation**
Amortisation was impacted by the continuous upgrade in Homestead underground resource ounces over the period, reducing the amount of amortisation that would have been charged if the resource had not been upgraded.

## 20. Non-current assets – Property, plant and equipment

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Plant and equipment | | |
| Cost | 30,918 | 24,473 |
| Accumulated depreciation | (6,522) | (4,875) |
| | 24,396 | 19,598 |
| Building improvements | | |
| Cost | 860 | 738 |
| Accumulated depreciation | (686) | (637) |
| | 174 | 101 |
| Total written down value | 24,570 | 19,699 |

**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:

| Consolidated | Plant and equipment $'000 | Building improvements $'000 | Total $'000 |
|---|---|---|---|
| **Carrying value** | | | |
| Balance at 30 June 2009 | 15,036 | 148 | 15,184 |
| Additions | 6,004 | - | 6,004 |
| Disposal | (11) | | (11) |
| Depreciation | (1,431) | (47) | (1,478) |
| Balance at 30 June 2010 | 19,598 | 101 | 19,699 |
| Additions | 11,678 | 122 | 11,800 |
| Assets classified as held for sale | (5,228) | - | (5,228) |
| Assets written off | (5) | | (5) |
| Depreciation | (1,647) | (49) | (1,696) |
| Balance at 30 June 2011 | 24,396 | 174 | 24,570 |

## 21. Other assets

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Current** | | |
| Deferred settlement receivable | 4,707 | - |
| **Non-current** | | |
| Deferred settlement receivable | 8,499 | - |
| Security deposits | 18,770 | 18,770 |
| | 27,269 | 18,770 |
| **Total other assets** | 31,976 | 18,770 |

**Deferred receivable**

The deferred settlements receivable relates to the remaining proceeds of $15.000 million still to be received in relation the sale of EPC 1033, comprising Norton Gold Fields Limited's Sienna and Electra coal projects, to Boardwalk Sienna Pty Ltd. The remaining funds are to be received in two tranches, $5.000 million on 22 February 2012 and $10.000 million on 14 March 2013, and are secured by way of a fixed charge over the tenements**.** The deferred settlement receivable has been discounted using a rate of 10%.

**Security deposits**

Included in security deposits is $18.770 million (2010: $18.770 million) that has been collateralised against guarantees provided by the National Australia Bank in favour of the West Australian Department of Industry and Resources for rehabilitation costs. These term deposits are at interest rates between 5.59% and 6.0% per annum (2010: between 4.8% and 5.8%). These deposits are not released until the rehabilitation obligation of the group is satisfied.

**Fair value**

The fair values of other assets approximate their carrying values. The fair value of the deferred settlement receivable is based on cash flows discounted using a 10% discount rate.

**Risk exposure**

Information about the group's exposure to credit risk and interest rate risk is provided in note 31.

## 22. Current liabilities – Trade and other payables

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| *Unsecured liabilities* | | |
| Trade payables | 10,890 | 8,014 |
| Other payables and trade accruals | 16,644 | 17,982 |
| Accrued interest | 751 | 404 |
| | 28,285 | 26,400 |

## 23. Provisions

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Current** | | |
| Rehabilitation | 1,604 | 1,655 |
| | 1,604 | 1,655 |
| **Non-current** | | |
| Employee benefits | 688 | 484 |
| Rehabilitation | 23,733 | 23,818 |
| | 24,421 | 24,302 |
| Total provisions | 26,025 | 25,957 |

Movements in provisions are set out in the table below:

| | Mine rehabilitation $'000 | Employee benefits $'000 | Total $'000 |
|---|---|---|---|
| Opening balance | 25,473 | 484 | 25,957 |
| Provision utilised | (136) | - | (136) |
| Additional provisions | - | 204 | 204 |
| Closing balance | 25,337 | 688 | 26,025 |

**Mine rehabilitation**
A provision has been recognised for the costs to be incurred for the restoration of mining sites used for the exploration and mining of gold. It is anticipated that various mines will require restoration within the next 10 years.

**Employee benefits**
The employee benefits provision represents the provision for long service leave. It includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to a pro-rata payment in certain circumstances.

| 24. Financial liabilities | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Current** | | |
| Senior Note | 30,000 | - |
| **Non-current** | | |
| Senior Note | 50,272 | - |
| Convertible Notes | - | 37,092 |
| | 50,272 | 37,092 |
| **Total financial liabilities** | 80,272 | 37,092 |

**Senior Note with Merrill Lynch**
On 19 July 2010, the company entered into an agreement to settle the Lehman Brothers Commercial Corporation hedge litigation. This agreement resulted in the replacement of the hedge instrument (refer note 26) with a loan note ("Lehman Note").

On 15 April 2011 the company exercised its Right of First Refusal to buy back the Lehman Note. The purchase of the Lehman Note was financed through a Senior Note facility provided by Merrill Lynch ("Senior Note") on more favourable terms.

Merrill Lynch will retain a first ranking fixed and floating charge over the assets of the group as security for the Senior Note and imposes certain covenants on the group.

Payment terms of the Merrill Lynch Senior Note
The principal will be paid in four instalments with $5 million to be paid in March 2013 and September 2013 and the balance to be paid in two equal instalments in March 2014 and September 2014. Interest will be paid half yearly on all outstanding amounts at an annualised rate of 11%. Additional interest is payable in kind (PIK) and will be compounded half yearly on all outstanding amounts at an annualised interest of 4%.

The terms of the Senior Note allows for an early repayment of up to $30.000 million by 3 September 2011, penalty free. It's the company's intention to make the full payment of $30.000 million by 3 September 2011 by utilising the funds raised subsequent to year end disclosed in note 37.

Interest rate risk
The Senior Note is recognised as a fixed interest bearing liability and is measured at amortised cost. As a fixed interest bearing liability the note is not sensitive to interest rate changes.

**Convertible Notes**
On entering into the Lehman Note as mentioned above, the company made an offer to Convertible Note holders for the redemption and partial conversion of the $38.000 million (face value) in Convertible Notes on issue. All of the Convertible Note holders accepted the company's offer. The company redeemed $23.800 million worth of Convertible Notes at the August 2010 redemption value, (which includes a 5% premium to the face value of the Convertible Notes), and the remaining Convertible Notes were converted into shares at $0.25 per share (market price on conversion date was $0.21) resulting in the issue of 56.800 million shares.

| 25. Deferred tax liabilities | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Deferred tax liabilities comprise temporary differences: | | |
| Deferred exploration and evaluation costs | 21,348 | 21,857 |
| Mine properties | 6,262 | 10,120 |
| Inventories | 2,734 | 2,411 |
| Other receivables | - | 252 |
| | 30,344 | 34,640 |
| Set-off of deferred tax liabilities pursuant to set- off provisions (note 17) | (27,239) | (29,376) |
| Net deferred tax liabilities | 3,105 | 5,264 |

**25. Deferred tax liabilities (continued)**

| | Opening balance $'000 | (Credited) Charged to profit or loss $'000 | Closing balance $'000 |
|---|---|---|---|
| **Movements – 2011** | | | |
| Deferred exploration and evaluation costs | 21,857 | (509) | 21,348 |
| Mine properties | 10,120 | (3,858) | 6,262 |
| Inventories | 2,411 | 323 | 2,734 |
| Other receivables | 252 | (252) | - |
| | 34,640 | (4,296) | 30,344 |

| | Opening balance $'000 | (Credited) Charged to profit or loss $'000 | Closing balance $'000 |
|---|---|---|---|
| **Movements – 2010** | | | |
| Deferred exploration and evaluation costs | 21,216 | 641 | 21,857 |
| Mine properties | 4,461 | 5,659 | 10,120 |
| Inventories | 2,348 | 63 | 2,411 |
| Other receivables | 54 | 198 | 252 |
| | 28,079 | 6,561 | 34,640 |

**26. Derivative financial instruments**

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Fair value of hedge contract financial liabilities | - | 107,000 |

On 19 July 2010, the company entered into an agreement to settle the Lehman Brothers Commercial Corporation hedge litigation. This agreement resulted in the replacement of the hedge instrument with a loan note (refer note 24).

The fair value of the hedge instrument for financial reporting purposes at 30 June 2010 was calculated as the fair value of the Lehman Note facility that would replace the hedge instrument as the agreement to settle was substantially agreed to by 30 June 2010 and was the best evidence of the likely ultimate settlement of the hedge instrument.

**27. Contributed equity**

| | 2011 $'000 | 2011 Shares | 2010 $'000 | 2010 Shares |
|---|---|---|---|---|
| **(a) Share capital** | | | | |
| Fully paid ordinary shares | 142,633 | 685,880,265 | 128,345 | 619,221,158 |
| Convertible Note equity component | - | - | 1,109 | - |
| | 142,633 | 685,880,265 | 129,454 | 619,221,158 |

**27. Contributed equity (continued)**

**(b) Movements in ordinary share capital**

| | Note | Number of shares | Issue price $ | $'000 |
|---|---|---|---|---|
| **Balance – 30 June 2009** | | 420,566,344 | | 69,885 |
| Employee employment contract performance share issues | *(i)* | 1,305,000 | - | - |
| Employee options exercised | *(ii)* | 750,000 | 0.20 | 150 |
| Placement | *(iii)* | 123,369,229 | 0.33 | 40,500 |
| Placement | *(iv)* | 79,830,585 | 0.25 | 19,957 |
| Forfeit of J Parker employee share scheme issue | *(v)* | (6,600,000) | - | - |
| | | 619,221,158 | | 130,492 |
| Less: Transaction costs arising on share issues | | - | | (3,067) |
| Deferred tax credit recognised directly in equity | | - | | 920 |
| **Balance - 30 June 2010** | | 619,221,158 | | 128,345 |
| Conversion of Convertible Notes | *(vi)* | 56,800,000 | 0.21 | 11,923 |
| Conversion of Convertible Notes – equity component | *(vi)* | - | - | 1,109 |
| Employee options exercised | *(ii)* | 3,000,000 | 0.12 | 360 |
| Employee employment contract performance share issues | *(i)* | 2,380,000 | - | - |
| Listed options exercised | *(vii)* | 4,479,107 | 0.20 | 896 |
| **Balance - 30 June 2011** | | 685,880,265 | | 142,633 |

*(i) Employee Employment Contract Performance Share Issues*
Ordinary shares were issued to a number of employees (both key management personnel and other employees) as part of their employment contracts subject to various vesting conditions. Nil consideration was paid by the employees. Refer note 41 for further information.

*(ii) Exercise of Options*
See note 41 for further information for options issued in the current or previous financial year.

*(iii) Share placement of $40.500 million*
The company raised $40.500 million as announced on 19 October 2009, via a share placement at $0.3283 per share with international investors Sprott Asset Management LP, Libra Advisors LLC, Baker Steel Capital Managers LLP and Gold Max Asia Investment Limited.

*(iv) Share placement of $19.957 million*
On 20 March 2010 the company announced a private placement with China Precious Metal Resources Holdings Co. Ltd a Hong Kong Listed company at $0.25 per share.

*(v) J. Parker Employee Scheme Issue*
Upon Mr Parker's resignation 6,600,000 shares were forfeited and as a result the company have bought back the shares under the terms of the employee share scheme buy-back arrangement approved and announced on 12 May 2010.

*(vi) Conversion of Convertible Notes*
Refer to note 24 for details of the redemption and conversion of the Convertible Notes, upon the redemption and conversion of Convertible Notes, the equity component of the Convertible Note was reclassified to equity.

*(vii) Listed options exercised*
Listed options expiring on 8 October 2010, were exercised at $0.20. The remaining 3,796,293 listed options expired on 8 October 2010.

## 27. Contributed equity (continued)

### (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. Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised share capital and issued shares do not have a par value.

### (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 41.

As at 30 June 2011, the number of options to purchase ordinary shares in the company were as follows:

| Type | Number of options at 30 June 2011 | Number of options at 30 June 2010 | Exercise price | Expiry date |
|---|---|---|---|---|
| Type 1 | - | 8,275,400 | $0.20 | 8 October 2010 |
| Type 2 and 3 | - | 17,415,800 | $0.20 | 8 August 2010 |
| Type 5 | - | 3,000,000 | $0.12 | 4 December 2010 |
| Type 6 | - | 2,000,000 | $0.20 | 4 December 2010 |
| Type 9 | - | 2,000,000 | $0.20 | 14 August 2010 |
| Type 11 | - | 100,000 | $0.50 | 14 April 2011 |
| Type 13 | - | 740,000 | $0.20 | 10 October 2010 |
| Type 14 | - | 760,000 | $0.20 | 28 April 2011 |
| Type 15 | 1,000,000 | 1,000,000 | $0.30 | 31 December 2011 |
| Type 16 | 300,000 | 300,000 | $0.35 | 31 December 2011 |
| Type 17 | - | 600,000 | $0.20 | 31 December 2010 |
| Type 18 | - | 600,000 | $0.21 | 30 June 2011 |
| Type 19 | 17,000,000 | - | $0.20 | 13 September 2015 |
| | 18,300,000 | 36,791,200 | | |

### (e) Capital management

The group’s objectives when managing capital are to maintain a strong capital base capable of withstanding cash flow variability, whilst providing the flexibility to pursue its goals. The group aims to maintain an optimal capital structure to minimise cost of capital and maximise shareholder returns. The group’s capital program is reviewed, updated and approved by the board at least annually. There are no externally imposed capital requirements.

The capital structure of the group consists of debt in the form of financial liabilities as disclosed in note 24, cash and cash equivalents and equity.

The group balances its overall capital structure through the following mechanisms: the issue of new shares, share buy-backs, capital returns, as well as the issue of new debt or redemption of existing debt and cash flow management.

## 27. Contributed equity (continued)

### (e) Capital management (continued)

The group's gearing ratio is monitored and maintained at a level that is appropriate for its growth plans. The group calculates its gearing ratio as net debt divided by total capital. Net debt is calculated as debt (refer note 24) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. The group's gearing ratios at 30 June 2011 and 30 June 2010 was as follows:

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| Total debt | 24 | 80,272 | 37,092 |
| Less: cash and cash equivalents | 13 | (36,775) | (68,517) |
| Net debt | | 43,497 | (31,425) |
| Total equity | | 112,868 | 77,906 |
| Total capital | | 156,365 | 46,481 |
| Gearing ratio | | 27.8% | (67.6%) |

The group is not subject to any externally imposed capital requirements.

## 28. Reserves and accumulated losses

### (a) Reserves

| | | |
|---|---|---|
| Hedge reserve | (7,432) | (14,865) |
| Share-based payment reserve | 10,223 | 9,015 |
| | 2,791 | (5,850) |

**Movements:**

| | | |
|---|---|---|
| *Hedge reserve* | | |
| Balance 1 July | (14,865) | (22,298) |
| Reclassification adjustment recognised in profit / (loss) | 10,618 | 10,618 |
| Deferred tax | (3,185) | (3,185) |
| Balance 30 June | (7,432) | (14,865) |
| *Share-based payments reserve* | | |
| Balance 1 July | 9,015 | 9,287 |
| Option expense | 1,208 | (272) |
| Balance 30 June | 10,223 | 9,015 |

### (b) Accumulated losses

Movements in accumulated losses were as follows:

| | | |
|---|---|---|
| Balance 1 July | (45,698) | (12,861) |
| Net profit (loss) for the year | 13,142 | (32,837) |
| Balance 30 June | (32,556) | (45,698) |

## 28. Reserves and accumulated losses (continued)

### (c) Nature and purpose of reserves

*Hedge reserve*
The hedge reserve represents the amount fixed at 15 September 2008 (date as at which the former hedge reserve became ineffective). The reserve is progressively reclassified as a separate line item through the consolidated statement of comprehensive income over the remaining period for which underlying gold sales are expected to occur.

*Share-based payments reserve*
The share-based payments reserve is used to recognise the fair value of share based payments provided to employees as part of their remuneration.

## 29. Key management personnel disclosures

### i. Key management personnel compensation

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| Short term employee benefits | 1,618,527 | 1,886,789 |
| Post-employment benefits | 85,764 | 189,159 |
| Long- term benefits | 1,772 | 1,942 |
| Termination benefits | - | 938,658 |
| Share based payments | 619,531 | (442,643) |
| Total | 2,325,594 | 2,573,905 |

### ii. 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 key management personnel of the group, including their personally related entities, are set out below. There were no vested options at the end of the financial year.

| Name | Balance at start of year Number | Granted as compensation during the year Number | Cancelled during the year Number | Other changes during the year* Number | Balance at end of year Number | Vested and exercisable at end of year Number |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| **Directors** | | | | | | |
| W. Andrè Labuschagne | - | 8,000,000 | - | - | 8,000,000 | - |
| Mark Wheatley | - | 5,000,000 | - | - | 5,000,000 | - |
| A. Timothy Prowse | 8,680,000 | - | | (8,680,000) | - | - |
| **Other key management personnel** | | | | | | |
| Robert Brainsbury | - | 4,000,000 | - | - | 4,000,000 | - |
| Total | 8,680,000 | 17,000,000 | | (8,680,000) | 17,000,000 | - |

*Other changes relate to options that have expired during the year

| Name | Balance at start of year Number | Granted as compensation during the year Number | Cancelled during the year Number | Other changes during the year* Number | Balance at end of year Number | Vested and exercisable at end of year Number |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| **Directors** | | | | | | |
| A. Anthony McLellan | 5,000,000 | - | - | (5,000,000) | - | - |
| Jon B. Parker | 2,000,000 | - | - | (2,000,000) | - | - |
| A. Timothy Prowse | 8,680,000 | - | - | - | 8,680,000 | 8,680,000 |
| **Other key management personnel** | | | | | | |
| W. Andrè Labuschagne | 1,000,000 | - | (1,000,000) | - | - | - |
| Total | 16,680,000 | - | (1,000,000) | (7,000,000) | 8,680,000 | 8,680,000 |

*Other changes represent movements for executives that were no longer in the employment at 30 June 2010

## 29. Key management personnel disclosures (continued)

### ii. Equity instrument disclosures relating to key management personnel (continued)

*Share holdings*

The numbers of shares in the company held during the financial year by key management personnel of the group, including their personally-related entities, are set out below.

| Name | Balance at start of year Number | Net changes – purchases (sales) Number | Exercise of options Number | Other changes* Number | Remuneration during the year Number | Balance at end of year Number | Balance held nominally Number |
|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | |
| **Directors** | | | | | | | |
| A. Timothy Prowse | 21,700,001 | (1,834,209) | - | - | - | 19,865,792 | - |
| W. Andrè Labuschagne | 800,000 | (619,000) | - | - | - | 181,000 | - |
| Ian McCauley | 17,800,000 | - | - | (17,800,000) | - | - | - |
| **Other key management personnel** | | | | | | | |
| Terrance Moylan | - | - | - | - | 700,000 | 700,000 | - |
| Peter Ruzicka | - | - | - | - | 490,000 | 490,000 | - |
| Total | 40,300,001 | (2,453,209) | - | (17,800,000) | 1,190,000 | 21,236,792 | - |

*Represent movements for executives that are no longer in the company's employment at year end.

| Name | Balance at start of year Number | Net changes – purchases (sales) Number | Exercise of options Number | Other changes* Number | Remuneration during the year Number | Balance at end of year Number | Balance held nominally Number |
|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | |
| **Directors** | | | | | | | |
| Jon B. Parker | 14,095,500 | - | - | (14,095,500) | - | - | - |
| A. Timothy Prowse | 21,700,001 | - | - | - | - | 21,700,001 | - |
| Ian McCauley | 59,550,000 | (41,750,000) | - | - | - | 17,800,000 | 17,800,000 |
| **Other key management personnel** | | | | | | | |
| Simon Brodie | 875,000 | - | - | (875,000) | - | - | - |
| W. Andrè Labuschagne | 800,000 | - | - | - | - | 800,000 | - |
| Jonathan Price | 700,000 | - | - | (700,000) | - | - | - |
| Total | 97,720,501 | (41,750,000) | - | (15,670,500) | - | 40,300,001 | 17,800,000 |

* Represent movements for executives that are no longer in the company's employment at year end.

### iii. Loans with key management personnel

There are no loans with key management personnel.

### iv. Other transactions with key management personnel

No consulting fees (2010:$5,500) were paid to Mr Wheatley. Upon Mr Wheatley's resignation it was agreed that the company would engage him as a consultant to assist in an orderly handover to a new chairman and to provide assistance to the managing director for a six month period, commencing upon his date of resignation for a total fee of $63,250 (inclusive of GST). Upon Mr Wheatley's resignation date 40% of the fee will be paid in advance with the remainder to be paid in monthly instalments.

No fees were paid to RMM Capital (2010: $14,870) during the financial year. Mark McCauley is an executive director of RMM Capital.

No consulting fees (2010: $134,950) were paid to A. Anthony McLellan.

No consulting fees (2010: $70,600) were paid to J P Strategic Insights, an entity associated with Jon Parker.

No consulting fees of (2010: $52,009) were paid to Bokiboo, an entity associated with Simon Brodie.

All transactions with key management personnel were made on terms equivalent to those that prevail in arm's length transactions.

## 30. 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 practices and non-related audit firms:

| | 2011 $ | 2010 $ |
|---|---|---|
| **(a) Audit services** | | |
| BDO Audit (QLD) Pty Ltd | | |
| Audit and review of financial reports | 194,492 | 115,528 |
| Total remuneration for audit services | 194,492 | 115,528 |
| **(b) Non-audit services** | | |
| BDO (QLD) Pty Ltd: | | |
| Litigation assistance | - | 7,295 |
| Total remuneration for non-audit services | - | 7,295 |
| Total remuneration | 194,492 | 122,823 |

## 31. Financial instruments

### (a) Financial risk management objectives, policies and processes

The group's corporate treasury function provides services to the business and monitors and manages the financial risks relating to the operations of the group. These risks include market risk (including gold price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on managing these risks and implementing and monitoring of controls around the cash management function.

Risk management is centrally managed by group treasury which operates under a policy framework that involves overview by senior management and the board of directors. Group treasury identify, qualify, evaluate and where considered prudent, manage financial risks in accordance with established written policies covering specific areas.

Excluding derivative instruments, there have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

### (b) Financial instruments held by group

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 36,775 | 68,517 |
| Trade and other receivables | 5,712 | 15,737 |
| Other assets (refer note 21) | 31,976 | 18,770 |
| | 74,463 | 103,024 |
| **Financial liabilities** | | |
| Trade creditors and other payables | 28,285 | 26,400 |
| Financial liabilities - borrowings | 80,272 | 37,092 |
| Derivative instruments | - | 107,000 |
| | 108,557 | 170,492 |

**31. Financial instruments (continued)**

**(c) Price risk**

The group is predominantly exposed to gold price risk from its normal trading activities. The exposure is closely monitored and where it is considered prudent may be managed with financial derivatives in accordance with the approved policy framework. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provides written principles on this risk. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**(d) Credit risk**

The group's carrying amounts of financial assets recognised in the statement of financial position, and disclosed in more detail in the notes to the financial statements, best represent the group's maximum exposure to credit risk at the reporting date.

The group treasury policy for deposit transactions requires deposits with financial institutions holding a benchmark credit rating. At balance date, cash and deposits were held with National Australia Bank, Suncorp-Metway, and ANZ Banking Group. Cash has been spread over these major financial institutions to reduce credit risk. The group's trade receivables relate mainly to gold sales. The group has determined that the risk is low, as the gold is only sold to one party The Perth Mint which is perceived as reliable and has short contractual payment terms. For other receivables refer to note 14.

Other assets include a deferred settlement receivable in relation to the sale of coal assets (refer note 21). The sale agreement was reached with a reputable and reliable third party, who has to date fully complied with the terms of the sale agreement. The deferred settlement receivable is also secured by way of a fixed charge over the tenements. The credit risk is perceived as low.

**(e) Liquidity risk**

The liquidity position of the group is managed to ensure sufficient liquid funds are available to meet the group's financial commitments in a timely and cost-effective way. The group evaluates operating cash flows regularly and assesses performance against capital commitments to ensure liquidity.

The contractual maturities of the group's financial liabilities are as follows:

| Financial liabilities | Carrying Amount $'000 | Contractual Cash flows $'000 | < 6 months $'000 | 6 months – 12 months $'000 | 1 year to 3 years $'000 | >3 years $'000 |
|---|---|---|---|---|---|---|
| **30 June 2011** | | | | | | |
| Trade and other payables | 28,285 | 28,285 | 28,285 | - | - | - |
| Secured Note facility | 80,272 | 103,852 | 32,290 | 2,804 | 40,928 | 27,830 |
| Total | 108,557 | 132,137 | 60,575 | 2,804 | 40,928 | 27,830 |
| **30 June 2010** | | | | | | |
| Trade and other payables | 26,400 | 26,400 | 26,400 | - | - | - |
| Convertible Notes | 37,092 | 42,844 | 2,107 | 2,072 | 38,665 | - |
| Derivative instruments | 107,000 | 107,000 | - | - | 107,000 | - |
| Total | 170,492 | 176,244 | 28,507 | 2,072 | 145,665 | - |

In addition, the group holds sufficient financial assets that are either cash or cash equivalents as operating capital. The group also holds assets that will be converted to cash in the ordinary course of operations to meet liabilities in the short term, such as receivables and inventories.

**31. Financial instruments (continued)**

**(f) Interest rate risk**

The group's cash flow interest rate risk for assets 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.

The group's interest rate risk in liabilities is primarily due to the Secured Note facility with Merrill Lynch, which is fixed at an 11% cash rate and a fixed PIK rate of 4% for the life of the note.

There is no material impact on the group's net profit or other equity reserves from a significant increase or decrease in external interest rates.

**(g) Fair value of financial instruments**

AASB 7 Financial Instruments: Disclosures require disclosure of fair value measurements for instruments recognised at fair value by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's assets and liabilities measured and recognised at fair value at 30 June 2011.

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **30 June 2011** | | | | |
| None | | | | |
| | | | | |
| **30 June 2010** | | | | |
| **Financial liabilities** | | | | |
| Derivative instruments | - | - | 107,000 | 107,000 |
| **Total financial liabilities** | - | - | 107,000 | 107,000 |

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. These items are included in level 1.
- the fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period and determined the fair value of:
  - derivative instruments with Lehman - calculated using observable and non-observable inputs, included in level 3.

The changes in level 3 for the year ended 30 June 2011 are as follows:

| | Derivative instrument $'000 |
|---|---|
| Opening balance | 107,000 |
| Replacement of derivative asset with Lehman Note see note 24 | (107,000) |
| Closing balance | - |

The fair value of the derivative financial instrument as at 30 June 2010 of $107.000 million, had been calculated as the fair value of the Lehman Note as explained in note 26. The Lehman Note was fair valued using the payment details in section (g) below, assuming no prepayment.

## 31. Financial instruments (continued)

### (g) Fair value of financial instruments

Payment terms of Lehman Note
The principal will be paid in four instalments with $5.000 million to be paid in each of February 2013 and August 2013 and the balance to be paid in two equal instalments in February 2014 and August 2014. Interest will be paid half yearly on all outstanding amounts at an annualised rate of 12%. Additional interest is payable in kind and will be compounded half yearly on all outstanding amounts at an annualised interest of 4%.

Sensitivity analysis
The Lehman Note was recognised as a fixed interest bearing liability and subsequently recorded at amortised cost. As a fixed interest bearing liability the Lehman Note was not sensitive to interest rate changes.

## 32. Contingencies

The group had no contingent liabilities at 30 June 2011 (2010: Nil)

## 33. Commitments

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **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 | 102 | 132 |
| Later than one year but not later than five years | - | 102 |
| | 102 | 234 |

The property lease is a non-cancellable lease with a four-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 4% per annum. An option exists to renew the lease at the end of the four-year term for an additional term of four years. The lease allows for subletting of all lease areas.

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Exploration commitments** | | |
| Commitments for payments under exploration permits at the reporting date but not recognised as liabilities payable are estimated as follows: | | |
| Within one year | 6,739 | 8,252 |
| Later than one year but not later than five years | 28,924 | 27,989 |
| Later than five years | 49,431 | 54,771 |
| | 85,094 | 91,012 |

So as to maintain current rights to tenure of various exploration tenements, the group will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements, are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

**Capital commitments**
The group had no capital commitments for capital expenditure contracted at the reporting date.

## 34. 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 36.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 29 and note 41.

### (d) Transactions with related parties

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. There were no transactions between the group and other related parties.

## 35. Parent entity information

The consolidated financial statements incorporate the assets, liabilities and results of Norton Gold Fields Limited in accordance with the accounting policy described in note 3(b).

| Norton Gold Fields Limited | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Current assets | 36,382 | 68,011 |
| Non-current assets | 117,030 | 136,803 |
| Total assets | 153,412 | 204,814 |
| Current liabilities | 1,913 | 2,175 |
| Non-current liabilities | 80,276 | 144,348 |
| Total liabilities | 82,189 | 146,523 |
| Net assets | 71,223 | 58,291 |
| Contributed equity | 142,633 | 129,454 |
| Reserves | 2,791 | (5,850) |
| Accumulated losses | (74,201) | (65,313) |
| Total shareholders' equity | 71,223 | 58,291 |
| Loss for the year | (8,888) | (34,215) |
| Total comprehensive loss | (1,455) | (26,782) |

*Guarantees*
No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries except for the deed of cross guarantee referred to in note 36 (2010: Nil).

*Contractual commitments*
The parent entity had no contractual commitments to acquire property plant and equipment as at 30 June 2011 (2010: Nil).

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2011 (2010: Nil).

## 36. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3(b).

| Name of entity | Country of incorporation | Class of Shares | Equity holding | |
|---|---|---|---|---|
| | | | 2011 | 2010 |
| | | | % | % |
| Paddington Gold Pty Ltd | Australia | Ordinary | 100 | 100 |
| 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 |
| Norton Coal Pty Ltd | Australia | Ordinary | 100 | 100 |
| Bellamel Mining Pty Ltd | Australia | Ordinary | 100 | 100 |
| Mount Morgan Mine Pty Ltd | Australia | Ordinary | 100 | 100 |

**Relief from preparation of financial reports for wholly owned Australian subsidiaries**

A deed of cross guarantee between Norton Gold Fields Limited, Paddington Gold Pty Ltd, Norton Gold Mines Pty Ltd and Norton Gold Holdings Pty Ltd was enacted during the 2009 financial year and relief was obtained from preparing a financial report for the wholly owned subsidiaries under ASIC Class Order 98/1418. Under the deed, each entity guarantees to support the liabilities of each other entity. The above companies represent the closed group under the class order and as there are no other parties to the deed of cross guarantee that are consolidated by Norton Gold Fields Limited, they also comprise the extended closed group.

**36. Subsidiaries (continued)**

The following information summarises the consolidated statement of comprehensive income, the consolidated statement of financial position as at 30 June 2011 and the statement of changes in equity for the closed group as described above.

**Consolidated statement of comprehensive income**

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Revenue | 211,685 | 173,106 |
| Cost of sales | (147,879) | (154,114) |
| **Gross profit** | **63,806** | **18,992** |
| Other income | 40,045 | 1,408 |
| Administrative expenses | (8,772) | (6,797) |
| Write off/ Impairment | (11,211) | (12,900) |
| Fair value adjustments | - | (32,844) |
| Hedging loss | (10,618) | (10,618) |
| **Profit (loss) before net finance costs** | **73,250** | **(42,759)** |
| Finance income | 3,470 | 3,741 |
| Financial expense | (12,447) | (4,877) |
| **Profit (loss) before tax** | **64,273** | **(43,895)** |
| Income tax (expense) benefit | (19,028) | 10,580 |
| **Profit (loss) for the year** | **45,245** | **(33,315)** |
| **Other comprehensive income** | | |
| Cash flow hedges: | | |
| Deferred hedging loss | 10,618 | 10,618 |
| Income tax on items of other comprehensive income | (3,185) | (3,185) |
| **Other comprehensive income for the year, net of tax** | **7,433** | **7,433** |
| **Total comprehensive income (loss) for the year** | **52,678** | **(25,882)** |

**36. Subsidiaries (continued)**

**Statement of financial position**

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | 36,725 | 68,464 |
| Trade and other receivables | 5,170 | 4,060 |
| Inventories | 18,549 | 28,411 |
| | 60,444 | 100,935 |
| Asset classified as held for sale | 9,609 | - |
| Total Current Assets | 70,053 | 100,935 |
| **Non-current Assets** | | |
| Trade and other receivables | 55,962 | 13,428 |
| Deferred tax assets | 15,461 | 28,288 |
| Other financial assets | 11,773 | 11,700 |
| Exploration and evaluation assets | 56,986 | 64,778 |
| Capitalised mining costs | 14,534 | 21,991 |
| Property, plant and equipment | 24,510 | 19,588 |
| Other assets | 29,282 | 16,075 |
| Total Non-current Assets | 208,508 | 175,848 |
| Total Assets | 278,561 | 276,783 |
| **Current Liabilities** | | |
| Trade and other payables | 28,274 | 26,361 |
| Provisions | 1,604 | 1,655 |
| Total Current Liabilities | 29,878 | 28,016 |
| **Non-current Liabilities** | | |
| Financial liabilities | 80,272 | 37,092 |
| Provisions | 22,138 | 22,015 |
| Deferred tax liabilities | 1,639 | 5,091 |
| Derivative financial instruments | - | 107,000 |
| Total Non-current Liabilities | 104,049 | 171,198 |
| Total Liabilities | 133,927 | 199,214 |
| **Net Assets** | **144,634** | **77,569** |
| **Equity** | | |
| Contributed equity | 142,633 | 129,454 |
| Reserves | 3,266 | (5,375) |
| Accumulated losses | (1,265) | (46,510) |
| **Total Equity** | **144,634** | **77,569** |

## 36. Subsidiaries (continued)

**Consolidated statement of changes in equity**

| | Contributed equity $'000 | Hedge reserve $'000 | Share-based payments reserve $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| **At 1 July 2009** | **70,994** | **(22,298)** | **9,287** | **(13,195)** | **44,788** |
| Comprehensive income | | | | | |
| - Net loss after tax | - | - | - | (33,315) | (33,315) |
| - Allocation of hedge reserves | - | 7,433 | - | - | 7,433 |
| **Total comprehensive income** | **-** | **7,433** | **-** | **(33,315)** | **25,882** |
| Contributions of equity, net of transaction costs and deferred tax | 58,460 | - | - | - | 58,460 |
| Non-cash share based payments | - | - | 203 | - | 203 |
| **At 30 June 2010** | **129,454** | **(14,865)** | **9,490** | **(46,510)** | **77,569** |
| Comprehensive income | | | | | |
| - Net profit after tax | - | - | - | 45,245 | 45,245 |
| - Allocation of hedge reserves | - | 7,433 | - | - | 7,433 |
| **Total comprehensive income** | **-** | **7,433** | **-** | | **52,678** |
| Contributions of equity, net of transaction costs and deferred tax | 13,179 | - | - | - | 13,179 |
| Non-cash share based payments | - | - | 1,208 | - | 1,208 |
| **At 30 June 2010** | **142,633** | **(7,432)** | **10,698** | **(1,265)** | **144,634** |

## 37. Events occurring after the balance sheet date

Mr Mark Wheatley resigned as the company's chairman and director on 20 July 2011. Mr Tim Prowse was elected as chairman on 20 July 2011.

On 26 July 2011 Norton Gold Fields Limited entered into a subscription agreement with Zijin Mining Group Co, Ltd for the private placement of 138,350,000 ordinary shares at a price $0.20 per share (a 31% premium to the 15 day VWAP), which will raise $ 27.670 million on completion.

The placement will consist of two tranches:

- **Tranche 1 –** the issue of 72,100,000 shares at $0.20 per share to raise $14,420,000, resulting in a shareholding of 9.96%. The funds were received on 27 July 2011.

- **Tranche 2 –** the issue of 66,250,000 shares at $0.20 per share to be issued no later than 16 September 2011, raising $13,250,000. The issue of the tranche 2 shares is conditional upon: Zijin receiving the necessary Chinese regulatory approvals; FIRB approval, which was obtained on 15 August 2011; and Norton shareholder approval. A shareholders meeting is scheduled for 31 August 2011. At the completion of tranche 2, Zijin will have shareholding in Norton of 16.98%.

The tranche 1 funds have been used to make a voluntary prepayment of $15.000 million against the company's debt facility with Merrill Lynch as announced on 15 August 2011.

Except for the matters mentioned above, no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the group, the result of those operations, or the state of affairs of the group in future financial years.

## 38. Reconciliation of profit (loss) after income tax to net cash from operating activities

For the purpose of the statement of cash flow, cash and cash equivalents includes cash on hand and in banks and short term deposits. Full details of cash and cash equivalents are disclosed in note 13.

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Reconciliation from the net loss after tax to the net cash from operating activities** | | |
| Net profit (loss) for the year | 13,142 | (32,837) |
| *Adjustments for:* | | |
| Depreciation and amortisation | 23,226 | 20,896 |
| Impairment of capitalised mining costs | - | 12,900 |
| Interest on unwinding of Convertible Notes discount | 180 | 679 |
| Exploration and evaluation assets written off | 12,999 | - |
| Rehabilitation estimates capitalised to mining properties | - | (3,500) |
| Debt settlement income | (358) | - |
| (Loss) / profit on disposal of property plant and equipment | 5 | (15) |
| Reclassification of hedge reserve | 10,618 | 10,618 |
| Imputed interest on deferred settlement receivable | (361) | - |
| Fair value movement of forward gold hedges | - | 32,844 |
| Non-cash share based payment | 1,208 | (272) |
| Gain on sale of exploration assets | (24,933) | - |
| Gain on refinance of Lehman Note | (9,063) | - |
| Accrued interest on Senior Note | 272 | - |
| *Changes in operating assets and liabilities* | | |
| (Increase)/decrease in trade and other receivables | 10,025 | (6,237) |
| (Increase)/decrease in inventories | (722) | (4,613) |
| (Increase)/decrease in deferred tax | 7,524 | (10,903) |
| Increase/(decrease) in current payables | 1,884 | 3,741 |
| Decrease in current provisions | (109) | (1,372) |
| Increase in non-current provisions | 179 | 752 |
| **Net cash from operating activities** | 45,716 | 22,681 |

## 39. Non-cash investing and financing activities

| | | |
|---|---|---|
| **Investing activities** | | |
| Settlement of derivative financial instrument into Lehman Note (refer note 26) | 107,000 | - |
| **Financing activities** | | |
| Convertible Note conversion (refer note 24) | 11,924 | - |

| 40. Earnings (loss) per share | 2011 Cents | 2010 Cents |
|---|---|---|
| Basic earnings (loss) per share | 2.0 | (6.3) |
| Diluted earnings (loss) per share | 1.9 | (6.3) |

**Information concerning earnings per share:**

(a) Earnings used for basic and diluted earnings per share are a profit after tax of $13,142,000 (2010: loss after tax of $32,837,000).

(b) Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The average share price for the year was $0.18 which is below the exercise price of current options on issue and therefore not dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 41.

(c) Norton Gold Fields Limited has exercised its right to pay the 5% subscription fee payable under the Senior Note with Merrill Lynch, by issuing 25.000 million shares. The issue of shares is subject to Merrill Lynch obtaining FIRB approval, which was obtained subsequent to the year end. The issue of these shares are considered dilutive and have been included in the determination of diluted earnings per share. The share issue has not been included in the determination of basic earnings per share.

(d) The reconciliation of weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is as follows:

| | 2011 Number | 2010 Number |
|---|---|---|
| Number used in calculating basic earnings per share | 670,199,051 | 524,207,754 |
| Weighted average number of dilutive options outstanding | | - |
| Subscription shares to be issued to Merrill Lynch | 25,000,000 | - |
| Number used in calculating diluted earnings per share | 695,199,051 | 524,207,754 |

As explained in note 37, the company had entered into a subscription agreement and has issued 72,100,000 shares at $0.20 per share to raise $14.420 million subsequent to year end.

## 41. Share-based payments

### (a) Options

The group has an ownership-based compensation scheme for all employees of the group. In accordance with the provisions of the Employee Share Option Plan as approved by shareholders on 29 November 2005, employees are granted options to purchase ordinary shares as recommended by senior management and approved by the board of directors. The exercise price is set at a price similar to the market price of Norton Gold Fields Limited's ordinary share capital at the time of recommendation. Vesting conditions, if any, are determined by senior management and the board of directors. No amounts are paid or payable by the recipient on receipt of the option. Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

**41. Share-based payments (continued)**

**(a) Options (continued)**

Set out below is a summary of options granted that are exercisable or have been exercised at 30 June 2011:

| | Grant date | Expiry Date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Options cancelled during the year Number | Expired during the year Number | Balance at end of the year Number | Exercisable at end of the year Number |
|---|---|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | | | |
| Type 19A | 18/11/2010 | 13/09/2015 | $0.20 | - | 13,000,000 | - | - | - | 13,000,000 | - |
| Type 19B | 02/03/2011 | 13/09/2015 | $0.20 | - | 4,000,000 | - | - | - | 4,000,000 | - |
| Type 17 | 25/05/2009 | 31/12/2010 | $0.20 | 600,000 | - | - | - | (600,000) | - | - |
| Type 18 | 13/07/2009 | 30/06/2011 | $0.21 | 600,000 | - | - | - | (600,000) | - | - |
| Type 16 | 29/04/2009 | 31/12/2011 | $0.35 | 300,000 | - | - | - | - | 300,000 | 300,000 |
| Type 15 | 29/04/2009 | 31/12/2011 | $0.30 | 1,000,000 | - | - | - | - | 1,000,000 | 1,000,000 |
| Type 14 | 29/04/2009 | 28/04/2011 | $0.20 | 760,000 | - | - | - | (760,000) | - | - |
| Type 13 | 10/10/2008 | 10/10/2010 | $0.20 | 740,000 | - | - | - | (740,000) | - | - |
| Type 11 | 14/04/2008 | 14/04/2011 | $0.50 | 100,000 | | | | (100,000) | | |
| Type 9 | 23/08/2007 | 14/08/2010 | $0.20 | 2,000,000 | - | - | - | (2,000,000) | - | - |
| Type 6 | 14/11/2006 | 04/12/2010 | $0.20 | 2,000,000 | - | - | - | (2,000,000) | - | - |
| Type 5 | 14/11/2006 | 04/12/2010 | $0.12 | 3,000,000 | - | (3,000,000) | - | - | - | - |
| Type 3 | 30/04/2005 | 08/09/2010 | $0.20 | 2,094,800 | - | - | - | (2,094,800) | - | - |
| Type 2 | 25/02/2005 | 08/08/2010 | $0.20 | 15,321,000 | - | - | - | (15,321,000) | - | - |
| Type 1 | 15/09/2005 | 08/10/2010 | S0.20 | 8,275,400 | - | - | - | (8,275,400) | - | - |
| | | | | 36,791,200 | 17,000,000 | (3,000,000) | | (32,491,200) | 18,300,000 | 1,300,000 |

| | Cents |
|---|---|
| **Weighted average exercise price of share options for each of the following groups are:** | |
| Balance of options at start of the year | 19.8 |
| Options granted during the year | 20.0 |
| Options exercised during the year | 12.0 |
| Options cancelled during the year | - |
| Options expired during the year | 19.3 |
| Balance of options at the end of the year | 20.8 |
| Option exercisable at the end of the year | 31.2 |

## 41. Share-based payments (continued)

### (a) Options (continued)

Set out below is a summary of options granted that are exercisable or have been exercised at 30 June 2010:

| | Grant date | Expiry Date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Options cancelled during the year Number | Expired during the year Number | Balance at end of the year Number | Exercisable at end of the year Number |
|---|---|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | | | |
| Type 17 | 25/05/2009 | 31/12/2010 | $0.20 | - | 600,000 | - | - | - | 600,000 | 600,000 |
| Type 18 | 13/07/2009 | 30/06/2011 | $0.21 | - | 600,000 | - | - | - | 600,000 | 600,000 |
| Type 16 | 29/04/2009 | 31/12/2011 | $0.35 | 300,000 | - | - | - | - | 300,000 | 300,000 |
| Type 15 | 29/04/2009 | 31/12/2011 | $0.30 | 1,000,000 | - | - | - | - | 1,000,000 | 1,000,000 |
| Type 14 | 29/04/2009 | 28/04/2011 | $0.20 | 890,000 | - | - | - | (130,000) | 760,000 | 760,000 |
| Type 13 | 10/10/2008 | 10/10/2010 | $0.20 | 1,165,000 | - | (200,000) | - | (225,000) | 740,000 | 740,000 |
| Type 12 | 01/12/2007 | 31/12/2012 | $0.40 | 1,000,000 | - | - | (1,000,000) | - | - | - |
| Type 11 | 14/04/2008 | 14/04/2011 | $0.50 | 500,000 | - | - | (400,000) | - | 100,000 | 100,000 |
| Type 10 | 14/04/2008 | 14/04/2010 | $0.20 | 1,210,000 | - | (325,000) | - | (885,000) | - | - |
| Type 9 | 23/08/2007 | 14/08/2010 | $0.20 | 2,000,000 | - | - | - | - | 2,000,000 | 2,000,000 |
| Type 7 | 27/08/2007 | 27/08/2009 | $0.12 | 35,386,528 | - | - | - | (35,386,528) | - | - |
| Type 6 | 14/11/2006 | 04/12/2010 | $0.20 | 2,000,000 | - | - | - | - | 2,000,000 | 2,000,000 |
| Type 5 | 14/11/2006 | 04/12/2010 | $0.12 | 3,000,000 | - | - | - | - | 3,000,000 | 3,000,000 |
| Type 3 | 30/04/2005 | 08/09/2010 | $0.20 | 2,094,800 | - | - | - | - | 2,094,800 | 2,094,800 |
| Type 2 | 25/02/2005 | 08/08/2010 | $0.20 | 15,540,000 | - | (219,000) | - | - | 15,321,000 | 15,321,000 |
| Type 1 | 15/09/2005 | 08/10/2010 | S0.20 | 8,281,400 | - | (6,000) | - | - | 8,275,400 | 8,275,400 |
| | | | | 74,367,728 | 1,200,000 | (750,000) | (1,400,000) | (36,626,528) | 36,791,200 | 36,791,200 |

| | Cents |
|---|---|
| **Weighted average exercise price of share options for each of the following groups are:** | |
| Balance of options at start of the year | 16.5 |
| Options granted during the year | 20.5 |
| Options exercised during the year | 20.0 |
| Options cancelled during the year | 42.9 |
| Options expired during the year | 12.3 |
| Balance of options at the end of the year | 19.8 |
| Option Exercisable at the end of the year | 19.8 |

The weighted average remaining contractual life of the share options outstanding at the end of the period was 3.86 years (2010: 3.94 years).

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2011 was $0.23 (2010: Nil).

**41. Share-based payments (continued)**

Set out below are summaries of shares granted during the previous financial year that are accounted for as options:

**2011**

| | Grant date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised/ Forfeit during the year Number | Expired during the year Number | Balance at end of the year Number | Exercisable at end of the year Number |
|---|---|---|---|---|---|---|---|---|---|
| JP T1 | 3/07/2008 | 2/7/2018 | $0.2513 | 3,300,000 | - | - | - | 3,300,000 | 3,300,000 |

**2010**

| | Grant date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised/ Forfeit during the year Number | Expired during the year Number | Balance at end of the year Number | Exercisable at end of the year Number |
|---|---|---|---|---|---|---|---|---|---|
| JP T1 | 3/07/2008 | 2/7/2018 | $0.2513 | 3,300,000 | - | - | - | 3,300,000 | 3,300,000 |
| JP T2 | 3/07/2008 | 2/7/2018 | $0.2513 | 3,300,000 | - | (3,300,000) | - | - | - |
| JP T3 | 3/07/2008 | 2/7/2018 | $0.2513 | 3,300,000 | - | (3,300,000) | - | - | - |
| | | | | 9,900,000 | - | (6,600,000) | - | 3,300,000 | 3,300,000 |

In 2009 financial year, 9,900,000 ordinary shares were issued to the managing director at the time, of which 6,600,000 shares were subject to price conditions. On the resignation of the previous managing director the 6,600,000 shares were forfeited and as a result the company had bought back the shares under the terms of the employee share scheme buy-back arrangement approved and announced on 12 May 2010. The vested 3,300,000 ordinary shares are subject to dealing restrictions until the limited recourse loan is repaid.

*Fair value of options granted*
The assessed fair value at grant date of options granted during the year ended 30 June 2011 was determined using a Monte Carlo Simulation 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 2011 included:

**Type 19A – options to Norton Gold Field employees**
(a) options are granted for no consideration
(b) exercise price $0.20
(c) grant date: 18 November 2010
(d) vesting over 3 years if VWAP20 reach $0.30
(e) expiry date: 13 September 2015
(f) share price at grant date: $0.20
(g) expected price volatility of the shares: 108.6% in the expected life of option
(h) expected dividend yield: 0%
(i) risk-free interest rate: 4.72%
(j) fair value estimated: $729,726

**Type 19B – options to Norton Gold Field employees**
(a) options are granted for no consideration
(b) exercise price $0.20
(c) grant date: 2 March 2011
(d) vesting over 3 years if VWAP20 reach $0.30
(e) expiry date: 13 September 2015
(f) share price at grant date: $0.19
(g) expected price volatility of the shares: 109.1% in the expected life of option
(h) expected dividend yield: 0%
(i) risk-free interest rate: 5.41%
(j) fair value estimated: $198,888

The weighted average fair value per option is $0.05 (2010: $0.12)

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 from publicly available information.

**41. Share-based payments (continued)**

**(b) Ordinary Shares**

(i) *Key management personnel*

The table below sets out the information on shares granted as remuneration to key management personnel in the current and prior financial year and the performance conditions required for vesting. The board in its discretion determines the conditions of the shares including number, expiry and vesting conditions.

| Name | Granted No. | Grant date | Fair value per share at grant date $ | Vested at 30 June 2011 No. | Other changes at 30 June 2011 | Vesting conditions | Possible vesting date |
|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | |
| Nil | | | | | | | |
| **Prior financial years** | | | | | | | |
| Terence Moylan | 700,000 | 10/03/2010 | $0.205 | 700,000 | - | 12 months after employment date | March 2011 |
| | 600,000 | 10/03/2010 | $0.205 | Nil | 600,000 | Issuer conversion right available on Convertible Notes | n/a |
| | 700,000 | 10/03/2010 | $0.205 | Nil | - | VWAP of ordinary shares is $0.70 for 5 consecutive days | June 2013 |
| W. Andrè Labuschagne | 750,000 | 1/09/2009 | $0.195 | Nil | 750,000 | $0.375 per share closing price for 20 consecutive days | December 2010 |
| | 750,000 | 1/09/2009 | $0.195 | Nil | 750,000 | VWAP of ordinary shares is $0.70 for 5 consecutive days | June 2013 |
| Peter Ruzicka | 490,000 | 31/01/2009 | $0.12 | 490,000 | - | JORC compliant reserves 1.5 million ounces before 30 June 2010* | June 2010 |
| | 420,000 | 31/01/2009 | $0.12 | Nil | 420,000 | Issuer conversion right available on Convertible Notes | n/a |
| | 490,000 | 31/01/2009 | $0.12 | Nil | - | VWAP of ordinary shares is $0.70 for 5 consecutive days | June 2013 |
| **Total** | **4,900,000** | | | **1,190,000** | **2,520,000** | | |

*The vesting criteria had not been reached, the shares were however still issued upon approval by management and the board.

VWAP means the volume weighted average trading price of shares on ASX over a period of time.

Fair value per share is calculated as the closing share price of Norton Gold Fields Limited on grant date.

No shares have vested and issued to key management personnel in the prior year.

*Other changes explained:*

The Issuer conversion right on the Convertible Notes requires that the issue of Convertible Notes take place and that the ordinary share price for Norton Gold Fields Limited is over $0.375 for 20 consecutive trading days. Due to early redemption of Convertible Notes and the share price not reaching $0.375 for 20 consecutive trading days, the vesting condition will no longer occur.

All shares issued to W. Andrè Labuschagne subject to vesting conditions in the prior year, have been cancelled and replaced with 8,000,000 options, as explained in the service agreements section in the remuneration report, upon his appointment as managing director.

**41. Share-based payments (continued)**

(ii) *Employees (other than key management personnel)*

The table below sets out the information on shares granted as remuneration to employees in the current and previous financial year and the performance conditions required for vesting. The board in its discretion determines the conditions of the shares including number, expiry and vesting conditions.

Some of these shares had vested at 30 June 2011, and are included in share capital at note 28. The table below outlines whether the shares were vested at 30 June 2011. The value of the shares is expensed on a pro-rata basis from grant date to the expected vesting date.

| | Granted Number | Grant date | Value per share at grant date $ | Vested and issued at 30 June 2011 Number | Other changes 30 June 2011 Number | Vesting conditions | Expiry |
|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | |
| Paddington Gold employee | 350,000 | 01/10/2009 | $0.245 | 350,000 | - | 12 months after employment date | Nil |
| Paddington Gold employee | 350,000 | 01/10/2009 | $0.245 | - | 350,000 | VWAP of ordinary shares is $0.70 for five consecutive days | Nil |
| Paddington Gold employee | 350,000 | 01/02/2010 | $0.20 | - | - | 12 months after employment date | Nil |
| Paddington Gold employee | 350,000 | 03/01/2009 | $0.285 | 350,000 | - | 12 months after employment date | |
| Paddington Gold employee | 300,000 | 03/01/2009 | $0.285 | - | 300,000 | Issuer conversion right available on Convertible Notes | Nil |
| Paddington Gold employee | 350,000 | 03/01/2009 | $0.285 | - | - | VWAP of ordinary shares is $0.70 for five consecutive days | Nil |
| Paddington Gold employee | 490,000 | 01/09/2009 | $0.195 | 490,000 | - | 12 months after employment date | Nil |
| Paddington Gold employee | 420,000 | 01/9/2009 | $0.195 | - | 420,000 | Issuer conversion right available on Convertible Notes | Nil |
| Paddington Gold employee | 490,000 | 01/09/2009 | $0.195 | - | 490,000 | VWAP of ordinary shares is $0.70 for five consecutive days | Nil |
| Paddington Gold employee | 420,000 | 18/08/2008 | $0.22 | - | 420,000 | Issuer conversion right available on Convertible Notes | Nil |
| Paddington Gold employee | 490,000 | 18/08/2008 | $0.22 | - | - | VWAP of ordinary shares is $0.70 for five consecutive days | Nil |
| **Total** | **4,360,000** | | | **1,190,000** | **1,980,000** | | |

*Other changes explained:*
The Issuer conversion right on the Convertible Notes requires that nine months elapse from the issue of the Convertible Notes (i.e. from 27 August 2008 to 27 May 2009) and that the ordinary share price for NGFL shares is over $0.375 for 20 consecutive trading days. Due to the early redemption of Convertible Notes and the share price not reaching $0.375 the vesting condition has not occurred. Other changes reflect employee’s forfeiture upon resignation.

## 41. Share-based payments (continued)

(ii) *Employees (other than key management personnel) (continued)*

| | Granted Number | Grant date | Value per share at grant date $ | Vested at 30 June 2010 Number | Other changes 30 June 2010 Number | Vesting conditions | Expiry |
|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | |
| Paddington Gold employee | 350,000 | 01/10/2009 | $0.245 | - | - | 12 months after employment date | Nil |
| Paddington Gold employee | 350,000 | 01/10/2009 | $0.245 | - | - | VWAP of ordinary shares is $0.70 for five consecutive days | Nil |
| Paddington Gold employee | 350,000 | 01/02/2010 | $0.20 | - | - | 12 months after employment date | Nil |
| Paddington Gold employee | 350,000 | 03/01/2009 | $0.285 | - | - | 12 months after employment date | Nil |
| Paddington Gold employee | 300,000 | 03/01/2009 | $0.285 | - | - | Issuer conversion right available on Convertible Notes | Nil |
| Paddington Gold employee | 350,000 | 03/01/2009 | $0.285 | - | - | VWAP of ordinary shares is $0.70 for five consecutive days | Nil |
| Paddington Gold employee | 490,000 | 01/9/2009 | $0.195 | - | - | 12 months after employment date | Nil |
| Paddington Gold employee | 420,000 | 01/09/2009 | $0.195 | - | - | Issuer conversion right available on Convertible Notes | Nil |
| Paddington Gold employee | 490,000 | 01/09/2009 | $0.195 | - | - | VWAP of ordinary shares is $0.70 for five consecutive days | Nil |
| Paddington Gold employee | 490,000 | 15/08/2008 | $0.21 | 490,000 | - | 12 months after employment date | Nil |
| Paddington Gold employee | 420,000 | 15/08/2008 | $0.21 | nil | 420,000 | Issuer conversion right available on Convertible Notes | Nil |
| Paddington Gold employee | 490,000 | 15/08/2008 | $0.21 | nil | 490,000 | VWAP of ordinary shares is $0.70 for five consecutive days | Nil |
| Paddington Gold employee | 490,000 | 18/08/2008 | $0.22 | 490,000 | - | 12 months after employment date | Nil |
| Paddington Gold employee | 420,000 | 18/08/2008 | $0.22 | - | - | Issuer conversion right available on Convertible Notes | Nil |
| Paddington Gold employee | 490,000 | 18/08/2008 | $0.22 | - | - | VWAP of ordinary shares is $0.70 for five consecutive days | Nil |
| Paddington Gold employee | 175,000 | 07/01/2009 | $0.09 | 175,000 | - | 12 months after employment date | Nil |
| Paddington Gold employee | 150,000 | 07/01/2009 | $0.09 | 150,000 | - | Homestead underground set up, decline developed and ore production | Nil |
| Paddington Gold employee | 175,000 | 07/01/2009 | $0.09 | - | 175,000 | VWAP of ordinary shares is $0.70 for five consecutive days | Nil |
| **Total** | **6,750,000** | | | **1,305,000** | **1,085,000** | | |

Other changes reflect employee's forfeiture upon resignation

VWAP means the volume weighted average trading price of shares on the ASX over a period of time.

The value per share is calculated as the closing share price of Norton Gold Fields Limited on grant date.

The weighted average price of shares issued in the financial year to employees was $0.1868 per share 9 (2010:$0. 28).

## 41. Share-based payments (continued)

### (c) Expenses arising from share-based payment transactions

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

| | 2011 $ | 2010 $ |
|---|---|---|
| Ordinary shares issued | 809,762 | 134,471 |
| Options issued (cancelled or forfeit) | 398,933 | (406,123) |
| | 1,208,695 | (271,652) |

100% of share-based payment expenses relate to equity settled share-based payment transactions.

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date.

2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. 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.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The company and its wholly owned subsidiaries identified at Note 36 have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other. At the date of this declaration, there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

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

Andrè Labuschagne
Managing Director

Brisbane
25 August 2011

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457 Brisbane QLD 4001
Australia

# INDEPENDENT AUDITOR'S REPORT

To the members of Norton Gold Fields Limited

## Report on the Financial Report

We have audited the accompanying financial report of Norton Gold Fields Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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. 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.

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

### 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*, which has been given to the directors of Norton Gold Fields Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### 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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3(a).

## Report on the remuneration report

We have audited the remuneration report included in pages 10 to 20 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the remuneration report of Norton Gold Fields Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (QLD) Pty Ltd**

BDO

**C J Skelton**

Director

Brisbane: 25 August 2011