ASX/MEDIA ANNOUNCEMENT

29 April 2009

Status of Norton's Gold Hedge with Lehman Brothers

KEY POINTS

- **Hedge: ~70,000 oz pa until June 2012 at AUD 875 per oz**
- **LB filed for bankruptcy (Sept and Oct 2008); this is an event of default under the Hedge**
- **The hedge agreement says Norton is not required to make hedge payments while LB is in default and Norton has not done so**
- **Obligations regarding hedge security arrangements remain current**
- **Discussions with LB to buy-out the hedge to maximise financial and strategic clarity have not resulted in a buy-out**
- **Norton continues to operate on a "business as usual" basis**
- **Norton has moved to protect its position in LB bankruptcy proceedings in the US**
- **Norton will monitor progress and take any necessary steps as advised by its legal advisors.**

Background

On 29 August 2007, Norton Gold Fields Limited (ASX:**NGF**) ("Norton") entered into a gold hedging agreement ("Hedge") with Lehman Brothers Commercial Corporation ("LBCC") as part of a general equity and debt fundraising transaction entered into by Norton and certain Lehman entities to fund Norton's acquisition of the Paddington Gold Mine.

Specifically, an Australian Lehman entity, Lehman Brothers Australia Limited (previously known as Grange Securities Limited) (Under external administration and/or controller appointed) ("LB Australia") required Norton to enter into the Hedge in connection with the debt component of the fundraising transaction, which included the issue of convertible notes managed by LB Australia (the "Convertible Notes").

Norton has forward sold approximately half of its production (at current production levels, or approximately 70,000 ounces per year, until June 2012, at a price of AUD875 per ounce as part of the Hedge component of the transaction.

Default by LBCC under the Hedge

On 15 September 2008, Lehman Brothers Holdings Inc ("LBHI"), who acts as Credit Support Provider of LBCC under the Hedge, filed a petition under Chapter 11 of the United States Bankruptcy Code ("U.S. Bankruptcy Code") with the United States Bankruptcy Court for the Southern District of New York. As Credit Support Provider to LBCC under the Hedge, certain conduct by LBHI, including the filing of a bankruptcy petition, constitutes an event of default under the Hedge.

On 5 October 2008, LBCC also filed a petition under Chapter 11 of the U.S. Bankruptcy Code.

As a result of these actions:

(a) LBCC events of default under the Hedge by virtue of both its and LBHI's bankruptcy filings have occurred and are continuing;

(b) under the terms of the Hedge, each event of default entitles, but does not require, Norton to terminate the Hedge; and

(c) under the terms of the Hedge, even if Norton chooses not to terminate the Hedge, Norton is not required to make any hedge payments which may otherwise be due to LBCC under the Hedge, while either of the events of default are continuing.

** Despite the clear position under the terms of the Hedge, it should be noted that LBCC may assert that certain provisions of the U.S. Bankruptcy Code are applicable to limit Norton's reliance on the terms of the Hedge and that LBCC may seek to challenge Norton's actions. Norton takes the position that the U.S. Bankruptcy Code would not affect its right to withhold payment and would, in turn, oppose and challenge any such assertion on the part of LBCC under applicable law.

Termination of the Hedge is currently not in Norton's best interest

While the events of default entitle Norton to terminate the Hedge, termination is not in Norton's best interests for the following reasons:

(a) an early termination would require Norton to pay the accrued amount owing and additional amounts based on the mark to market value of the Hedge, which could result in a significant termination payment to LBCC by Norton; and

(b) as long as LBCC and LBHI remain in default, it is Norton's position that it is not required to make any payments under the Hedge and that it is entitled to retain all of the proceeds of the sale of gold (including amounts Norton would ordinarily pay to LBCC ("Unsettled Hedge Money") if not for the LBCC events of default).

**As noted above, LBCC may assert that certain provisions of the U.S. Bankruptcy Code are applicable to limit Norton's reliance on the terms of the Hedge which apply as a result of the LBCC bankruptcy events of default. Norton takes the position that the U.S. Bankruptcy Code would not affect its right to withhold payment and would, in turn, oppose and challenge any such assertion on the part of LBCC under applicable law.

Further, Norton's position is that it would only be required to repay the retained Unsettled Hedge Money in limited circumstances (including if the default is remedied, for example by both LBCC and LBHI emerging from bankruptcy).

Security arrangements

As previously disclosed by Norton as part of the 2007 financing transaction with the Lehman entities (described above), both the Hedge and the Convertible Notes on issue are secured by a suite of security documents (including fixed and floating charges granted by Norton and its subsidiaries). These security documents place certain obligations on Norton in carrying on its business.

The procedures and working relationship that existed between Norton and the Lehman entities prior to their bankruptcy filings and other administrative proceedings promoted Norton's strategic plan. Since that time, Norton is now required to deal with multiple proceedings and administrators across multiple jurisdictions.

The status of Norton's payment obligations under the Hedge described above and LBCC's status as a defaulting party under the document, do not effect Norton's obligations to comply with the restrictions under the security documents.

Negotiations to buy out the Hedge

Norton has previously engaged in settlement discussions with LBCC and its administrators to buy out the Hedge in order to maximise financial and strategic clarity for the Company going forward. These discussions have not yet resulted in a satisfactory outcome for Norton.

Current position

Norton may engage in further discussions with the Lehman entities while they continue to deal with the various issues presented as a result of the bankruptcy cases. Specifically, it is Norton's understanding that the Lehman entities have been faced with numerous complex issues in the administration of their bankruptcies, including issues regarding declining asset values, maintenance and adjustment of accounting systems, declining inventory of assets and diminishing operational support. Based on information provided in the bankruptcy cases, Norton understands that as at 14 January 2009, LBHI and its subsidiaries (including LBCC) were parties to 2,122 open hedging agreements (i.e. agreements still on foot) and another 1,808 hedges that were already terminated, however, no hedges were reported settled through negotiations. Due to the complexity of these various issues and in the scheme of all other hedges and all issues concerning the various hedges, Norton believes that the arrangement between Norton and LBCC is probably of relatively low importance (in dollar terms) to LBCC at this time and it could take some additional time before the Norton Hedge issues will be dealt with. Thus, Norton will continue to operate on a "business as usual" basis and review its position vis a vis LBCC from time to time.

Bankruptcy proceedings in the United States

The U.S. Bankruptcy Code provides for a procedure whereby, if certain requirements are met, and the Bankruptcy Court approves the transaction after notice to all parties and a hearing, a company subject to Chapter 11 of the U.S. Bankruptcy Code is entitled to assign its "executory contracts" to third parties in order to, among other things, realise value for such contracts, notwithstanding the objection of the non-debtor counterparty. In general terms and bankruptcy parlance, an "executory contract" is a contract under which both parties have outstanding obligations being more than the simple payment of money. Accordingly, the U.S. Bankruptcy Code enables a debtor to assign agreements and contracts without consent and despite objections from a counterparty. Such a procedure does not exist in Australia.

On 13 November 2008, LBHI, LBCC and its affiliated entities filed a Motion ("Motion") seeking permission from the Bankruptcy Court to allow those entities to transfer, assign or terminate each derivative contract in accordance with certain procedures outlined in the Motion, which, if granted, would obviate the need for further court approvals for such transfer, assignment or termination. The Hedge is a derivative contract which falls under the ambit of the relief sought by the Lehman entities in the Motion.

On 29 November 2008, Norton filed an Objection to the Motion. Among other things, one of the principal points raised in the Objection in opposition to the Motion is that the Hedge is not capable of assignment under the U.S. Bankruptcy Code in that it is an indivisible component of a financial accommodation and transaction, and that any attempt at separation would be inconsistent with the substance of the overall financial transaction and applicable law.

A number of other hedge counterparties also lodged Objections against the Motion.

On the last occasion the Motion was to be heard by the Bankruptcy Court, the hearing was adjourned by the Lehman entities to 3 June 2009 (at which time a further adjournment may be requested by the Lehman entities).

Norton will monitor the progress of the bankruptcy proceedings and will take any necessary steps as advised by its legal advisors with respect to the Motion and any other issues affecting Norton's position.

About Norton Gold Fields

Norton Gold Fields Limited is one of the largest ASX-listed Australian gold producers. It also has active gold, copper and coal exploration projects.

The Company produces around 150,000 oz of gold per year from its Paddington Gold Mine near Kalgoorlie, Western Australia. Output is expected to increase towards 200,000 oz pa during FY2010 with the development of Homestead underground mine now underway.

Development of the Queensland Mount Morgan Mine Project will add a further 30,000 to 35,000 oz pa gold production and has been approved by the Board subject to suitable funding. Mount Morgan can be in production within twelve months.

Completion of Homestead and Mount Morgan mines will drive total gold production to 230,000 to 250,000 oz pa from late 2010 and diversify production sources.

Visit us at www.nortongoldfields.com.au

For further information

Jon Parker
Managing Director
+61 (0) 7 3846 9200