NORTON GOLD FIELDS LIMITED

ASX/MEDIA ANNOUNCEMENT

30 September 2010

2010 Annual report and results – Norton enters new era

Results for announcement to the market

Key Points

- **Record production at 140,436 ounces**
- **Gross profit for FY2010 of $21.4m**
- **June cash balance $68.5m**
  - **Net cash from operations $22.7m**
  - **Raised net proceeds of $57.5m at a significant market premium**
  - **Cash used in investing activities $57.0m**
- **Non-cash hedge adjustment resulted in a loss of $32.8m**
- **Post 30 June events, Norton enters new era:**
  - **Now unhedged**
  - **Convertible notes redeemed and partially converted**
  - **Mining started in long-life base load open cut mines**
  - **Homestead underground in production**

Gold producer Norton Gold Fields (ASX:NGF) is pleased to advise shareholders of the release of the company's Annual Report.

Andre Labuschagne, Managing Director of Norton Gold Fields Limited said: "In 2010 gold production was a record 140,436 ounces, Norton raised capital at a premium to the market, two new mines were established and the company is now unhedged."

"2010 was a challenging year for the company however a number of positive milestones were achieved."

"2011 will see a renewed focus on improving production and reducing cash operating costs, and as seen by the redemption and conversion of the Convertible Notes earlier this week, we will continue to seek opportunities to reduce our debt position."

The annual report including the annual financial report is attached.

Further information

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

Warrick Hazeldine
Purple Communications
61 (0) 8 6314 6300 / +61 (0) 417 944 616

whazeldine@purplecom.com.au

About Norton

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

In 2010, Norton produced approximately 140,000 oz of gold from its open cut and underground operations at Paddington, near Kalgoorlie in Western Australia. The Paddington operations include a 3.0 Mt pa processing facility and Norton continues to toll treat ore, over and above the company's own ore, to optimise the capacity of this facility.

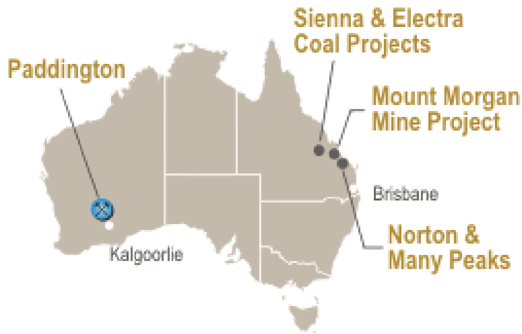
Norton has recently added two new mining operations, the Homestead underground mine and the Navajo Chief open cut, to supply ore to its processing facility.

The company holds granted mining and exploration leases in the Kalgoorlie region in excess of 1100 km^2 and has Resources of around 5.5M oz, of which over 1.2M oz are also classified as Reserves. The current mine life is in excess of 10 years. Kalgoorlie is the pre-imminent gold region in Australia.

The company continues to assess development options for the Mount Morgan Mine Project in Queensland. The project has all the requisite regulatory approvals and subject to suitable funding being arranged, can be in operation within 12 months producing between 30,000 to 35,000 oz pa.

The company'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 REPORT **2010**

contents

Directors and officers

Mark Wheatley
Chairman

Andrè Labuschagne
Managing Director

Mark McCauley
Non-executive Director

Tim Prowse
Non-executive Director

Tim Sun
Non-executive Director

David Franklin
Non-executive Director

Anne Bi
Non-executive Director

Leni P. Stanley
Robert Brainsbury
Co-company Secretary

Paddington: Navajo Chief open pit

company overview

Norton is a major ASX listed gold producer

Norton produced over 140,000 oz of gold in FY2010 from its open cut and developing underground operations at Paddington near Kalgoorlie in Western Australia.

With the smooth progression of the Homestead underground project from development to stope production now completed, gold production from Paddington is expected to increase in the coming year.

Paddington has around 5.5M oz of resources, of which over 1.2M oz are also classified as reserves. This ensures the project has many years of operation to come.

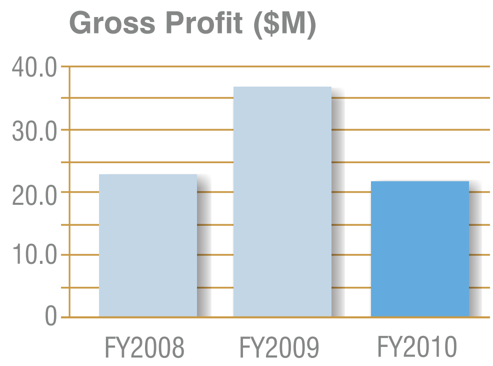
Options to optimise the value of the Mount Morgan Mine project are being assessed. The project will have annual gold production of between 30,000 to 35,000 oz and has all the requisite regulatory approvals in place. The project can be in production within 12 months, subject to suitable funding being arranged.

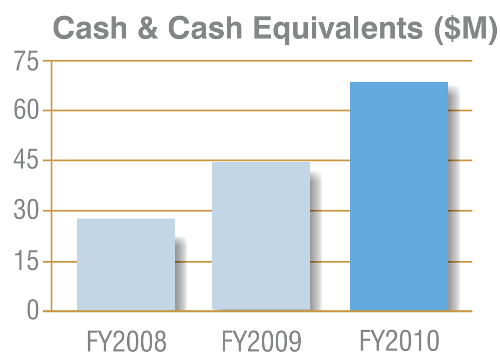
Norton is an unhedged gold producer offering very good leverage to the gold price. The company's growth will come from optimising existing operations and acquiring, developing and operating assets which add extra value.

"Norton is an unhedged gold producer offering very good leverage to the gold price"

highlights

- **Gold production** new record at 140,436 ounces
- **Homestead** decline development completed on time and within budget with first ore from stoping delivered in June. Positive drilling results underpin Homestead's potential to increase gold production and reduce costs at Paddington operations
- **Navajo Chief** base load project commenced in March with pre-strip and ore delivery in early FY2011. Agreement reached to construct a rail underpass which will deliver significant savings on haulage costs
- **Raised net proceeds of $57.5 million** at a significant market premium from two separate share placements to a number of strategic investors
- **Enterprise** feasibility study commenced investigating the development of a potential long-life base load supply
- **Now unhedged** as a result of the litigation settlement with Lehman Brothers Commercial Corporation in July 2010
- **Debt reduction** with the $38 million (face value) of Convertible Notes being redeemed and partially converted. The transaction saved the company $18 million in redemption and non-deductible interest payments.
- **Strong cash position** with plan in place to reduce operating costs





strategy

Optimise the significant asset base at Paddington

- Consolidate the move into long-life, lower cost, base load open pits at Paddington
- Move the higher grade Homestead underground into full scale production phase to increase total gold production at Paddington
- Implement initiatives focused on increasing operational efficiencies and reduce operating costs and overheads
- Continue to explore opportunities to purchase higher margin ore from surrounding mines to maximise the strategic utility of the Paddington mill

Replenish ore reserves at Paddington with a focus on expanding the life of the base load pits

- Continue active exploration of greenfield projects in the Kalgoorlie region
- Investigate the inclusion of higher grade satellite projects into the Paddington production schedule
- Finalise the feasibility study on the Enterprise Project
- Investigate the potential for a heap leach plant to process low grade oxide material from the Binduli camp
- Investigate regional corporate opportunities which might add value to the Paddington operations

Extract maximum value from the Mount Morgan Mine project and Sienna and Electra Coal projects

Continue to be a positive community participant in areas where Norton has, or is likely to have, an active presence

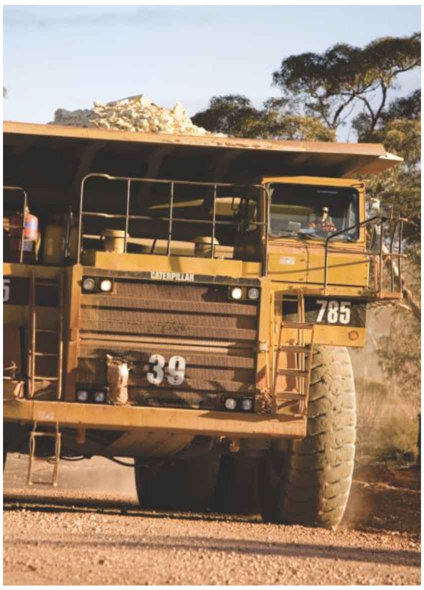
Homestead underground operations

chairman's letter

As the recently appointed Chairman of the board of Norton Gold Fields, the past financial year has certainly been a significant challenge. Despite this, the company stood firm and has made some important and successful decisions to confront these challenges. As a result, we are now a more efficient operation which is sharply focused on the resumption of our development path. It was encouraging to see the final quarter's production topping 42,000 ounces of gold and our plans are to consistently deliver around this rate.

Continued uncertainty from the Lehman Brothers hedge litigation understandably weighed heavily on our share's value, and the company's overall financial results were simply not good enough given the strong gold price environment. Clearly something had to change. We have since restructured the company and taken a number of strategic decisions to strengthen the balance sheet and chart a positive direction forward.

For instance, we undertook a comprehensive review of Norton's assets before deciding to place the coal and Mount Morgan projects with investment banks to allow their project value to be optimised by sale or joint venture.



Paddington: Mining haul truck

During the year we faced the confronting situation of having a large, out-of-the-money hedge position with a counter-party in administration. The decision to settle with Lehman's was difficult to make, but under the prevailing circumstances it represents the best interests of our company and equity holders. By converting the hedge liability to a debt with a fixed value, a material discount has been achieved on the full mark-to-market value of the hedge. In doing so, a cloud of uncertainty was removed and we were able to move forward.

The repayment profile of the debt is such that the bulk of the principal repayments are not due until years 3 and 4, thereby creating a window of opportunity for the company to generate sufficient cash to make these repayments. This restructure leaves the company 100% unhedged with full leverage to any future gold price upside. Already we have good liquidity with almost $70 million in the bank. However, as further cash becomes available our debt position will nevertheless be strategically managed down.

The good news is the tough and most unpalatable decisions have already been made, and with reforms now embedded the company is well positioned to deliver value to shareholders from its assets. Paddington is a large and low cost mill, and is our strategic cornerstone asset. Our focus is to achieve economies of scale from our mining operations in order to capitalise on the throughput capacity and low operating cost of the mill. To achieve this, our mining strategy will now focus on bigger open pits. This will allow Paddington's future production to be always underpinned by a large base load project.

The possibility of ore purchases from third parties is also being embraced as a strategy to generate value from the mill, and we have successfully achieved this during the past year. The site team is working with an ever-growing list of prospectors, explorers, miners and tenement holders to create relationships which provide added value to both parties.

With these operating fundamentals in place, management can now rightfully focus on the relentless pursuit of further cost-control efficiencies across the entire operation. In a high volume, low grade operation, even a small improvement in unit costs will have a significant beneficial impact on final operating margin.

Over the short to medium term, the grade performance at the recently developed base load Navajo Chief open pit project will be critical to the company's success. Also, the smooth progression from development to production of the high grade Homestead underground project is a priority.

Furthermore, work is well under way to assess development options for the large Enterprise orebody. While this feasibility study will not be completed until 2011, it already indicates an underground, sub-level cave that could potentially offer a base-load feed at low-cost for the Paddington mill from 2012. The Norton board recognises that this mining method presents challenges, so the option will only be progressed if the risk to return ratio warrants it.

The board is well aligned with those shareholders that have expressed interest in value creation through mergers and acquisitions. We can offer real synergies to other companies within the catchment area of the mill, and are certainly now better placed to participate in any potential corporate consolidation to the mutual benefit of all shareholders.

I would like to take this opportunity to thank our employees for their continued outstanding commitment to the company during what has been a difficult year. We are now in a much stronger position as a result.

Special thanks must go to Mark McCauley for his decisive leadership as acting CEO in repositioning the company over the last six months, and from this improved foundation, I am confident under new managing director Andre Labuschagne, we will continue to move in the right direction. Most importantly, I wish to thank our shareholders for their trust, commitment and continued support.

Mark Wheatley

Mark Wheatley
Chairman

managing director's report

I am pleased to report on the progress of the company over the past year, on what has been achieved and also on what is being done to improve our future performance.

In particular, the last six months of the year has been spent refining the Paddington production strategy and extracting operational improvements at the project level. This focused on making better use of the existing equipment and skill base. For example, the larger 300 tonne digger was recommissioned to load 150 tonne trucks. This maintained maximum mining flexibility, minimised capital outlay and drove cost reductions from increased economies of scale.

At Paddington we are placing much emphasis on extracting more value from new, large scale, long-life mining areas. This should lead to reductions in unit costs and hence production costs over the medium to long-term. For instance, we are setting up the Binduli area with the Navajo Chief and Janet Ivy pits providing base load ore for the next three or more years.

Considerable effort has been spent in getting the right people in the right roles and I think this is reflected in the team we now have in place at Paddington.

After the serious financial situation we faced, settling the hedge was a major step for the company. This now the balance sheet of this issue allows our management team to focus on the new strategy of producing gold at an ever-decreasing real cost.

I would like to think we will look back over the second half of FY2010 and view it as a watershed for the company. The positive outcome is we are now much better structured and fully focused on the sharper efficiency required to achieve our goals. In doing so, this will be the start of the period where all stakeholders begin to earn the rewards which have been anticipated for so long.

I must make mention of the very disappointing event in September 2009 when two of our valued Paddington employees were seriously injured. This was disturbing for everybody in the company and the entire team expresses its genuine support for their full recovery. We value our employees and safety and this will continue to be our highest priority.

FINANCIALS

Norton generated revenue of $177.4 million, up $15.5 million on the previous year. The key drivers for the improvement in revenue were higher gold production and higher gold prices.

Operating costs of $156.0 million were $31.0 million above the previous year. This is largely attributed to an additional $17.9 million spent on mining activities and $4.6 million on mill maintenance. This increase in mining costs reflects the increased material moved, whilst the additional mill expenditure will ensure this facility is maintained in first-class working order.

Gross profit for the year was $21.4 million, down $15.6 million on the previous year. Net cash flow from operations was $22.7 million, down $25.8 million.

Net profit after tax was a loss of $32.8 million, impacted by one-off non-cash entries including achieving a fair value loss of $32.8 million on the market position of the hedge and a $12.9 million impairment against the Homestead underground.

Norton strengthened its balance sheet during the year by raising net proceeds of $57.5 million through two separate private placements. These funds have improved Norton's working capital position and provided additional funding towards exploration and capital works activities. The company finished with $68.5 million cash at bank and gearing of around 67%.

Reducing gearing over the next 18 months is a key focus for the company.

Paddington: Mining operations

OPERATIONS

Safety and environment

The health and safety of employees, the environment in which operations are undertaken, and the community in which we live, are key areas of focus for Norton Gold Fields.

The company is committed to ensuring its employees and contractors work in a safe environment and are provided with the training and tools necessary to undertake their tasks in an efficient and safe manner. Fostering a culture of firstly 'thinking safe' and secondly 'acting safe' is an essential part of running a sustainable operation.

Safety must be an inseparable part of day-to-day activities for all personnel within the company. Norton is bolstering this culture through the implementation of structured programmes, fit-for-purpose safety management strategies and the selection of personnel who fully embrace this concept. The company's stated goal is to record a Lost Time Incident Frequency Rate (LTIFR) below comparable industry average and zero Serious Potential Incidents.

In FY2010 Norton recorded eight Lost Time Incidents for an LTIFR of just under ten and seven Serious Potential Incidents including an incident in September which caused serious injury to two employees. This performance must be improved upon to ensure Paddington's sustainability.

Norton is committed to adhering to its environmental obligations and undertakes continual mine site rehabilitation as mining areas are completed. Norton has over $18 million lodged with various authorities to cover its outstanding rehabilitation liabilities. The company had no environmental breaches for the year.

Norton is committed to being an active participant in the communities in which it operates. This includes sponsorship of appropriate community activities and also includes participation in community discussions and the positive promotion of the mining industry in general.

Paddington

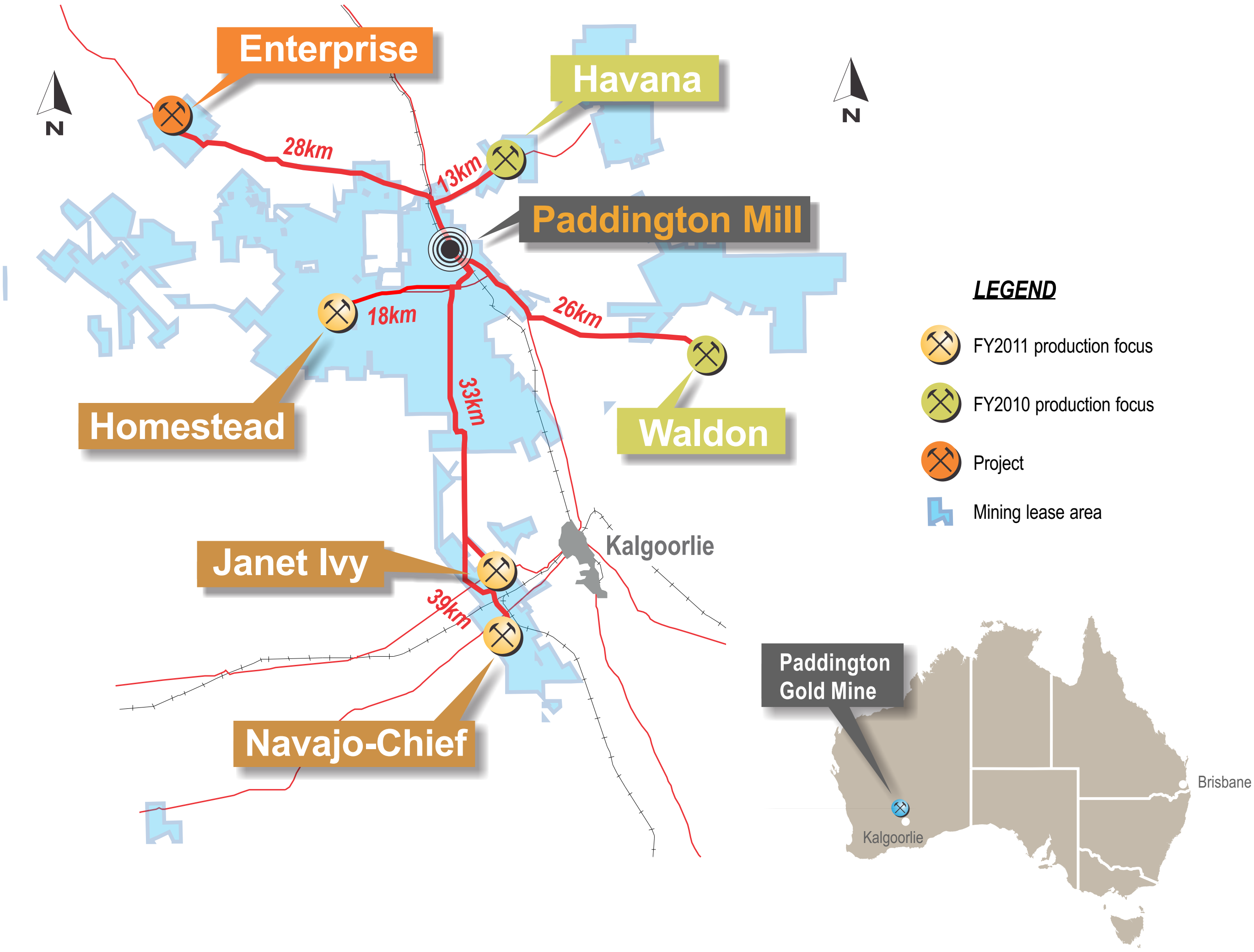
Paddington operates conventional open cut and underground mines and a central carbon-in-pulp (CIP) processing operation with capacity to process over 3.0 Mt of ore annually.

Located 35 km north of Kalgoorlie, the Paddington mill operates 24 hours a day, 365 days a year. Most staff reside in Kalgoorlie, which is a major regional centre and the excellent support hub for mining in the central gold fields.

In FY2010, Paddington produced 140,436 oz of gold against a public forecast of 140,000 oz.

Operating performance is summarised on the table and graphs following.

Paddington: Mining haul trucks

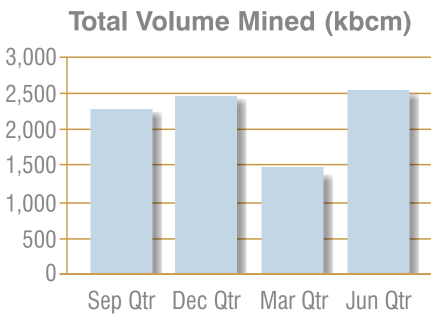


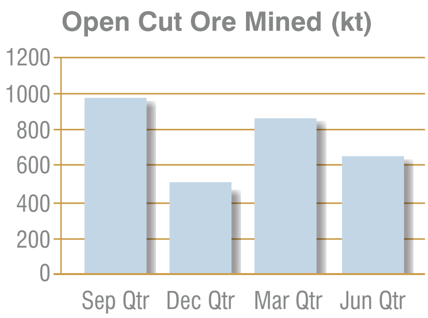
		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	FY2010	FY2009
Volume mined	(kbcm)	2,290	2,468	1,480	2,505	**8,743**	**5,897**
Open cut ore mined	(kt)	966	498	860	646	**2,969**	**2,615**
Underground ore mined	(kt)	0	5	24	36	**65**	**0**
Total ore mined	(kt)	966	503	884	682	**3,034**	**2,615**
Open cut ore grade	(g/t)	1.40	1.45	1.26	1.26	**1.34**	**1.43**
Underground ore grade	(g/t)	0.00	3.60	5.31	5.64	**5.37**	**0.00**
Ore milled	(kt)	793	751	877	833	**3,254**	**3,208**
Mill feed grade	(g/t)	1.30	1.52	1.23	1.71	**1.44**	**1.45**
Recovery	(%)	93.3	93.9	94.5	94.2	**94.0**	**91.0**
Gold shipped	(oz)	30,064	34,086	33,811	42,475	**140,436**	**135,067**
Cash operating cost	(A$/oz)	918	896	1,024	988	**963**	**791**

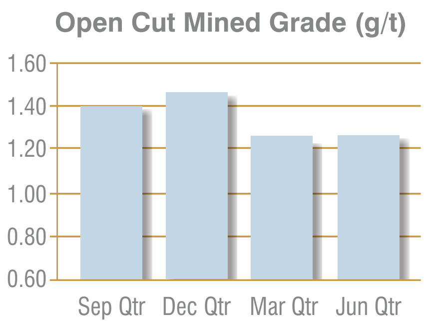
Open Cut Mining

Open Cut mining is generally carried out using two fleets of equipment, consisting of a 300 tonne excavator loading 150 tonne rear dump trucks and a 120 tonne excavator loading 100 tonne rear dump trucks. Both fleets are supported by appropriate ancillary equipment (eg dozers, graders, water trucks). These fleets can be worked on varying rosters depending on workload required in the mining schedule.

Open cut mining provided 2.969 Mt of ore grading 1.34 g/t from a total material movement of 8.743 Mbcm.







During the year these mining fleets worked at the Havana, Waldon, Janet Ivy and Navajo Chief open cut operations. Havana was completed in June and Waldon is being wound down with mining scheduled to be completed in the first quarter of FY2011.

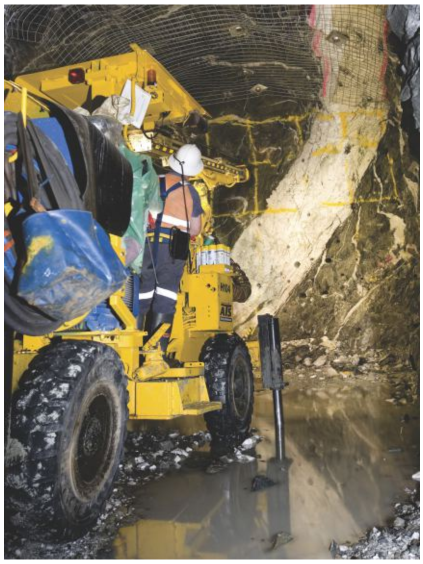
Ore was mined from Janet Ivy in the first half of the year and this pit will recommence providing ore throughout 2011. Pre-stripping commenced at Navajo Chief in March, however no ore was mined during the year from this pit. Navajo Chief is a long-life, base load project with ore mining commencing in the first quarter of FY2011 and expected to continue for several years.

Underground Mining

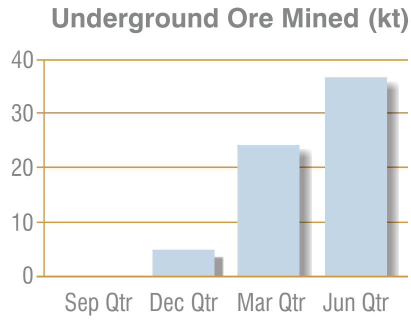
During the financial year Paddington developed its first underground mine at Homestead. Construction of the surface infrastructure and development of the access inclines to the orebody was completed on time and within budget with first ore being delivered to the mill in December 2009. Clever design and the tactical use of used equipment made this project a template which the company can utilise on future projects.

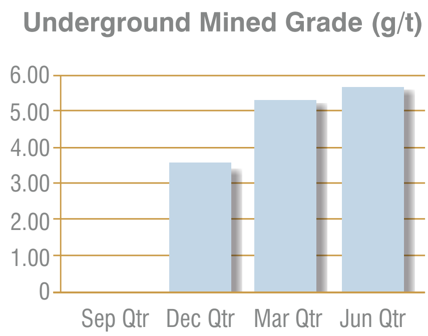
Early development however showed unexpected variability in the primary ore body with a new structure identified trending perpendicular to the main Homestead Shear Zone. Development was slowed and stoping delayed to allow a drilling program to confirm the block modelling of the known orebody and better delineate the new structure. This yielded positive results with a return to planned development levels in May 2010.

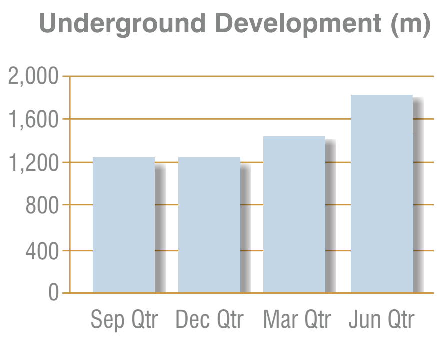
During the year, 65.5 kt of ore grading 5.37 g/t was mined, and 5,902m of development was completed.



Homestead underground

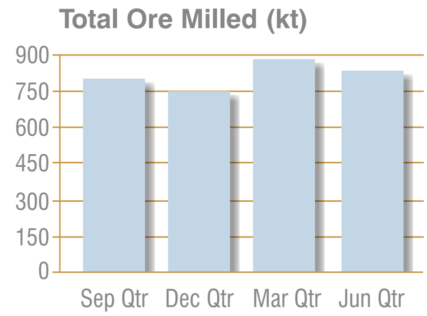


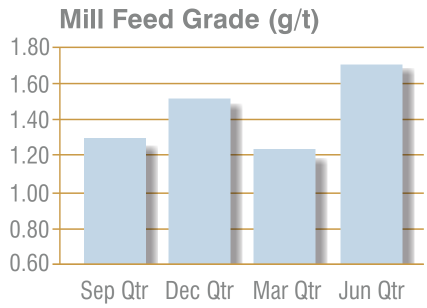


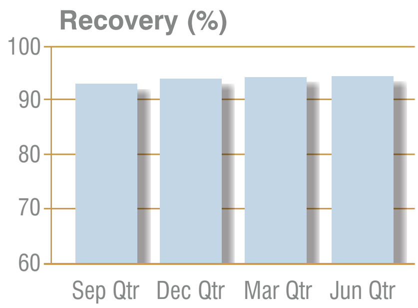


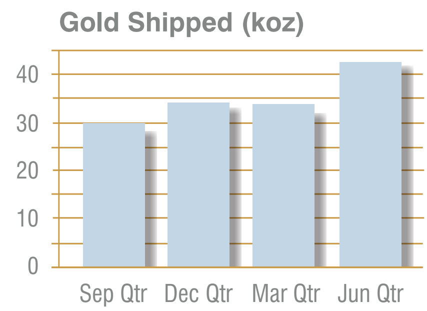
Processing

During the year 3.254 Mt of ore grading 1.44 g/t was processed to produce 140,436 oz of gold.









Mill performance met expectation yielding an average recovery of 94.0% for the year.

In the June quarter, a parcel of ore of 16 kt at 11.19 g/t was purchased from a third party, providing approximately 5,600 oz of gold at good cash margins. Paddington views the potential to purchase external sources of ore to augment its own production as a genuine means of maximising the utility of the Paddington processing facility. This can also assist regional gold explorers to add immediate value to their discoveries.

From time-to-time as appropriate, the mill also sources ore feed from the extensive low grade, low cost stockpiles that Paddington has in its inventory.

Plant refurbishment work continued with structural overhaul in the milling and CIP area, with major works including a new 11 MW transformer, a new hydrochloric acid facility, mill relines, and work on the SAG mill and primary crusher units. This will ensure continued long-term plant availability.

Paddington: Open Cut Mine Manager

Exploration

During FY2010, $8.5 million was spent on exploration expenditure with 45,238 metres of air core, RC and diamond core drilled. Exploration activities focused on the Kalgoorlie West, Mount Pleasant, Ora Banda and Lady Bountiful areas.

Paddington's exploration strategy in FY2011 is to focus on incrementally converting resources to additional reserves in the current base load open pit mining areas at Navajo Chief and Janet Ivy. In the longer term additional dollars will be allocated to more greenfields exploration to increase resources and prove up prospective greenfields projects.

In August 2010, the company released an updated Reserve and Resource Statement. Mining Reserves remain above 1.2Moz despite mining depletion, indicating good scope for long-term production at current or better mining rates.

The Life of Mine plan is in continuous review and being optimised based on new information from drilling programs.

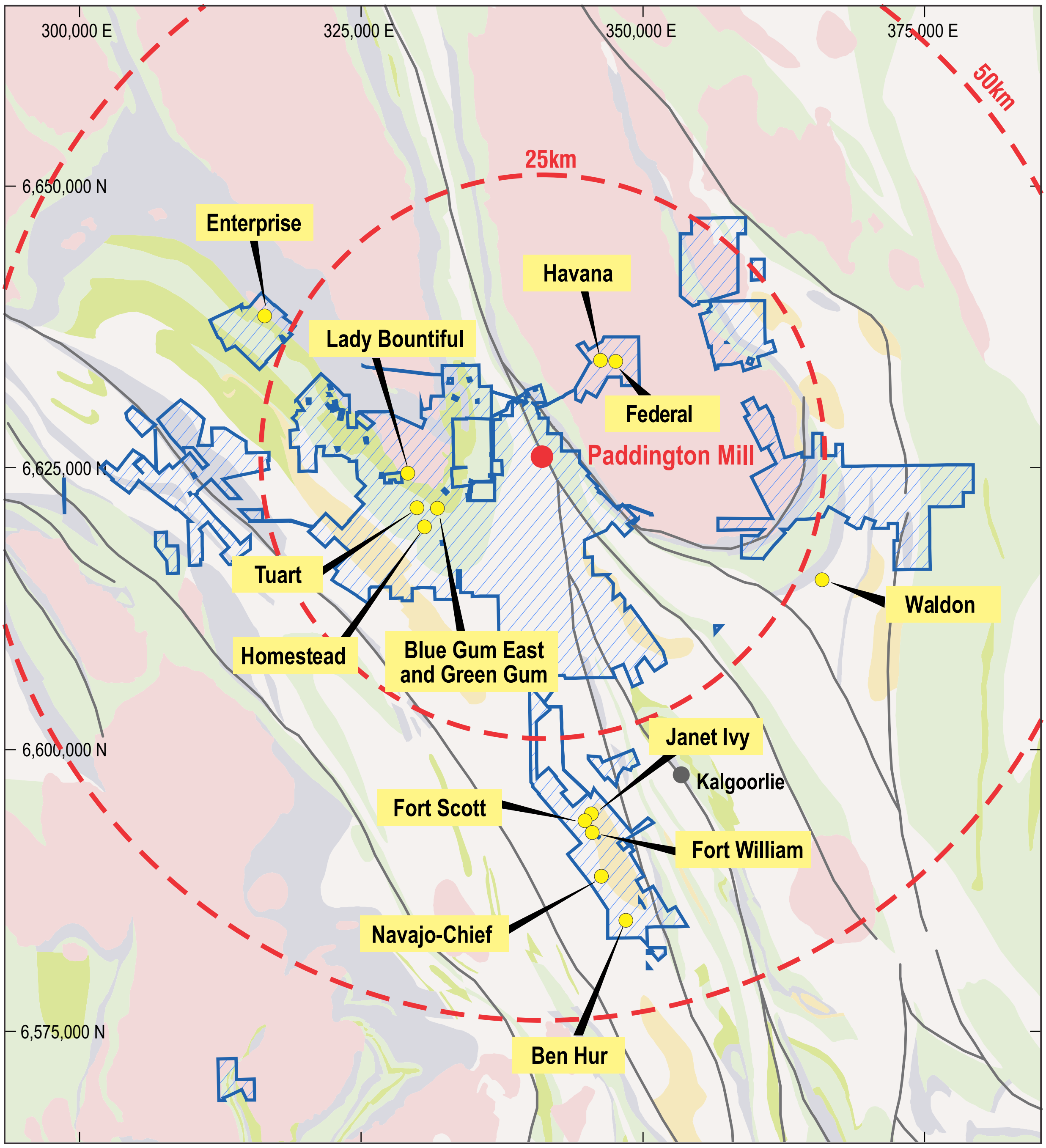
Paddington Global Mineral Resource Inventory

Resource category	Million tonnes	Grade (g/t)	Gold (koz)
Measured	0.14	1.58	7
Indicated	49.76	1.87	2,986
Inferred	38.09	2.06	2,526
Total Mineral Resource	**88.00**	**1.95**	**5,519**

Paddington Ore Reserve Inventory

Reserve category	Million tonnes	Grade (g/t)	Gold (koz)
Proven	0.09	1.34	4
Probable	19.79	1.89	1,203
Total Ore Reserve	**19.88**	**1.89**	**1,207**

Paddington: Gold pour



Life of Mine Projects

Mining Lease Area

Granitoids

Mafics

Ultramafics

Felsic volcaniclastics

Sedimentary sequences

0 10 20km

Gold Exploration over Paddington

OTHER PROJECTS

The Mount Morgan Mine Project

In FY2010, Norton remained active in progressing the Mount Morgan Mine project.

Work undertaken during the year included discussions with the Queensland Government regarding how to work together on the site on environmental remediation matters. Optimisation of the project flow sheet was undertaken, which was completed during the March quarter.

Norton remains active in exploring how best to create shareholder value from this asset with several options being investigated including outright sale, bringing in a joint venture partner and/or entering a pyrite off-take agreement.

Mount Morgan Global Mineral Resource Inventory

Resource category	Million tonnes	Grade (g/t)	Gold (koz)
Measured	-	-	-
Indicated	2.49	1.59	0.127
Inferred	5.86	1.07	0.199
Total Resource	**8.35**	**1.23**	**0.326**

Sienna and Electra Coal Project (EPC1033)

Norton holds a 100% equity stake in coal tenement EPC1033 in the Bowen Basin, central Queensland. In FY2010, no further drilling programs were undertaken on the Sienna and Electra Coal project (EPC1033).

The company remains active in considering how to best position these assets, and has engaged a corporate adviser to assist with the strategic positioning of these projects.

Sienna Coal Resource Inventory

	Cumulative Ply Thickness (m)	Mt
North	8.77	29.1
South	10.09	28.0
Total	**9.42**	**57.0**

COMPETENT PERSON STATEMENTS

Paddington

The information in this report that relates to Mineral Resources is based on information compiled by Peter Ruzicka and Andrew Bewsher. The information in this report that relates to Mineral Reserves is compiled by Ian Paynter.

Peter Ruzicka and Ian Paynter are members of the Australian Institute of Mining and Metallurgy and fulltime employees of Norton Gold Fields Limited. Andrew Bewsher is a member of the Australian Institute of Geoscientists and a full-time employee of BM Geological Services PL, a consulting group to Norton Gold Fields Limited.

Messrs. Ruzicka, Bewsher and Paynter all have sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this report, and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Peter Ruzicka, Andrew Bewsher and Ian Paynter all consent to the inclusion in this report of matters based on their information in the form and context in which it appears.

Mount Morgan Mine Project

The information in this report that relates to the Mineral Resources of the Mount Morgan Mine project was prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Troy Lowien, Resource Geologist, of consultants Coffey Mining Pty Ltd, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM") and has a minimum of five years of experience in the estimation, assessment and evaluation of Mineral Resources of this style and is the Competent Person as defined in the JORC Code. Troy Lowien conducted the geological modelling, statistical analysis, variography, grade estimation and report preparation. This report accurately summarises and fairly reports his estimations and he has consented to the resource report in the form and context in which it appears.

Sienna Coal Project

The estimates of Coal Resources for the Sienna Coal project presented in this report have been carried out in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), 2004, prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metal-lurgy (AusIMM) and the Australasian Institute of Geoscientists and Minerals Council of Australia, December 2004. The Information in this report that relates to Sienna Coal resources, is based on information reviewed by Mr Harry Seitlinger, who is a Member of The AusIMM and is a full time employee of NSW Geology. Mr Harry Seitlinger has sufficient experience which is relevant to the style and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Harry Seitlinger consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Andrè Labuschagne
Managing Director












annual financial report

contents

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 (the company) and the entities it controlled at the end of or during the year ended 30 June 2010.

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:

Mark McCauley

A. Timothy Prowse

Jon Parker, the Managing Director ("MD") resigned on 14 January 2010.

Mark McCauley assumed the position of Acting Chief Executive Officer ("CEO") from 14 January 2010 until 12 September 2010.

Tim Sun, Mark Wheatley, David Franklin and Anne Bi were appointed as directors on 5 March 2010, 24 March 2010, and 25 May 2010 respectively and continue in office at the date of this report.

A. Anthony McLellan resigned as Chairman and Non- Executive Director on 4 June 2010.

Mark Wheatley assumed the role of Chairman on 4 June 2010.

Ian McCauley, an Alternate Director, resigned on 6 September 2010.

W. Andrè Labuschagne was appointed as Managing Director on 13 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
- feasibility evaluation of the Mount Morgan Mine project
- evaluation of the Sienna and Electra coal projects located near Middlemount in Queensland
- evaluation of other exploration and business development opportunities.

Business strategies and prospects for the future

Norton Gold Fields Limited is one of the largest Australian Securities Exchange (ASX) listed Australian gold producers. It also has active gold and coal exploration projects.

In FY2010 the company produced around 140,000 oz of gold from its Paddington Gold Mine 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 operations 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
- a fully informed market.

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

Norton Gold Fields Limited's decision-making and behaviour, in everything we do, will be consistent with the above.

Financial position of the entity

Net assets of the group have increased from $45.122 million at 30 June 2009 to $77.906 million at 30 June 2010. This change is largely the result of raising net proceeds of $57.5 Million in capital during the year which:

Increased

- cash and cash equivalents
- exploration costs and purchased mine properties
- capitalised mining costs
- property, plant and equipment

Offsetting this was a decrease caused by:

- a loss after tax of $32.837 million for the financial year
- increase in the gold hedge liability.

Dividend

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

Review of operations and operating results

During the year the group conducted exploration and mining activities on the group's mining tenements to produce gold resulting in a gross profit of $21.380 million (2009: $36.939 million) and a loss after tax of $32.837 million (2009: loss after tax of $16.775 million), and undertook the following:

- production of 140,436 oz of gold
- Homestead underground mine development and its commencement of gold production
- continued assessment of the Mount Morgan Mine project feasibility and the investigation of funding opportunities
- restructuring of senior management and the board
- hedge litigation settlement negotiation with Lehman Brothers.

Significant changes in the state of affairs

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

(a) An increase in contributed equity of $58.460 million (from $70.994 million to $129.454 million) primarily as a result of two separate share placements.

(b) There has been a significant change in senior management and board composition in the second half of the year. The company saw the managing director, chief financial officer and Paddington general manager resigning and the technical director moved from an executive director's role to a non-executive director. The chairman resigned in June and there were four new non executive directors appointed to the board.

(c) The company has entered into agreement to settle the LBCC hedge litigation as announced on 19 July 2010, which followed the 13 May 2010 announcement that the litigation process had been adjourned until 14 July 2010 allowing the parties to pursue mediation sanctioned by the US Bankruptcy Court. Final execution took place as announced on 6 September 2010. Please refer to the matters subsequent to the end of financial year comments.

Matters subsequent to the end of the financial year

On 19 July 2010 Norton Gold Fields Limited entered into an agreement to settle its hedge litigation with Lehman Brothers Commercial Corporation ('LBCC'). The gold hedge with LBCC was cancelled in exchange for payment to LBCC of $10 million upfront and the issuance of a Senior Secured Note for $97 million to be repaid over 4 years. In the view of the board the agreement represents the best available outcome for the shareholders. The settlement offers the company greater certainty and will allow the group to move forward and focus on expanding production and reducing costs. The settlement was completed as announced on 6 September 2010.

Part of the hedge finalisation process included the company making an offer to convertible note holders for the redemption and partial conversion of the $38 million (face value) in convertible notes on issue. All of the convertible note holders accepted the company's offer. The company redeemed $23.8 million worth of convertible notes at the August 2011 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 25 cents per share resulting in the issue of 56.8 million shares.

Mr W. Andrè Labuschagne was appointed as the Managing Director and Mr Robert Brainsbury as Chief Financial Officer ("CFO") of the company effective from 13 September 2010.

Mr Labuschagne has held various senior financial roles and operating roles with the company over the past three years, including CFO and Deputy CEO. He has more than 20 years experience in the resources industry and was previously employed in senior roles with both Durban Roodepoort Deep Limited and AngloGold Ashanti Limited.

Mr Brainsbury has held senior operational and finance roles with several blue chip industrial and resources companies including MIM Holdings Limited, Xstrata Plc, Rio Tinto Limited and Brambles Limited.

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 consolidated group, the result of those operations, or the state of affairs of the consolidated group in future financial years.

Likely developments and expected results from operations

Future developments and business strategies of the group will be as follows:

- move towards larger tonnage, longer-life open pits
- bring the Homestead underground operation to full production status
- focus on operational efficiencies and reduction of unit costs
- maximising the capacity of the Paddington mill through investigating opportunities to purchase high margin ore from surrounding tenements
- continue active exploration with a focus on expanding near mine resources
- finalise the feasibility study on the Enterprise Project
- 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 and the *Mining Act 1978* in Western Australia (Department of Industry and Resources). 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 2009 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 2010 report is due to be submitted by 31 October 2010.

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* in the current financial year as its energy consumption exceeded the 0.5 petajoule registration threshold. The group is registered with the Department of Resources, Energy and Tourism and was required to complete an Assessment and Reporting Schedule by 31 December 2009. The schedule will assist in assessing the energy usage of the group and identify opportunities for the group to reduce its energy consumption. The 2010 report is due to be submitted by 31 December 2010.

Information on directors

Mark Wheatley
Chairman – Non-executive Age 49

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 AurionGold Limited. AurionGold 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 continues as non executive director of Uranium One Inc 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)
Gold One International Limited (Non-executive Director and Chairman)

Directorships of listed companies - past three years:
Nil

Special responsibilities
Chairman of the Board
Chairman of the Audit committee

Interests in shares and options
Nil

Information on directors (continued)

W. Andrè Labuschagne
Managing Director Age 43

Experience and expertise
Mr Labuschagne graduated in 1989 from Potchefstroom University in South Africa with a Bachelor of Commerce degree. He has over 20-years' experience in the mining industry at operational and corporate levels. He is a director and owner of Pacific Horizons Solutions, a business development and change management agency, and a director of QPS Pty Ltd, a financial planning company.

In 2002, he was appointed the Head of Finance and Administration for DRD Gold, and in 2004 he opened DRD Gold Australasia's Brisbane office. His recent experience includes acting chief operating officer of Emperor Mines Limited which involved the successful turnaround of the Vatukoula mine in Fiji, and initiation of a turnaround strategy for the Tolukuma Gold Mine in PNG.

Directorships of other listed companies - current:
None

Directorships of listed companies - past three years:
None

Special responsibilities
None

Interests in shares and options
181,000 ordinary shares in Norton Gold Fields Limited
1,500,000 ordinary shares in Norton Gold Fields Limited vesting on reaching certain specified market conditions

Mark McCauley
Non-Executive Director Age 42

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 a large Australian coal producer and director of strategic development for a private resource investment company.

He has 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:
Nil

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

Special responsibilities
Acting CEO from 14 January 2010 to 13 September 2010

Interests in shares and options
None

Information on directors (continued)

A. Timothy Prowse
Non-Executive Director Age 53

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:
None

Directorships of listed companies - past three years:
None

Special responsibilities
Member of Audit Committee

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

Tim Sun
Non-Executive Director Age 48

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 Age 40

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

Mr Franklin is a Market Strategist with Sprott Asset Management LP - 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 Audit committee

Interests in shares and options
None

Anne Bi
Non-Executive Director Age 45

Experience and expertise
Ms Bi has a Bachelors Degree from the Nanjing Institute of Tourism and Hospitality, 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 business and investment. Anne is currently a director of Hong Kong-based Goldmax Asia Investment Limited, a major shareholder in the company, Citiglory Corporation Limited, a major shareholder of Venture Minerals Limited and was previously a major shareholder in FerroWest Limited. Anne is also managing director of Glory Property Development in Australia and China, as well as director and major shareholder of Dongfang New Century Construction (Beijing) Co Ltd China.

Anne is actively involved in a number of charities, both in Australia and in China.

Directorships of other listed companies - current:
Goldmax Asia Investment Limited
Glory Property Development
Dongfang New Century Construction (Beijing) Co Ltd
Citiglory Corporation Limited

Directorships of listed companies - past three years:
None

Special responsibilities
None

Interests in shares and options
None

Company Secretary
The role of the company secretary is jointly managed by:

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.

Mr Robert Brainsbury B. Bus, CPA. Mr Brainsbury is an accomplished finance executive with a strong background in the resources industry. Mr Brainsbury was appointed co-company secretary on 14 September 2010.

Meetings of directors

	Board Meetings		Audit and Risk Management	
	Eligible	Attended	Eligible	Attended
Mark Wheatley	10	9	-	-
Mark McCauley	16	16	2	1
A. Timothy Prowse	16	15	-	-
T. Sun	10	9	-	-
D. Franklin	10	9	-	-
A. Bi	5	5	-	-
A. Anthony McLellan	12	11	2	2
Jon B. Parker	4	4	-	-

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 23 to 31:

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

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

The board of directors is responsible for determining and reviewing compensation arrangements for the directors and senior executives.

Directors and Key Management Personnel

The key management personnel of the group are the directors of Norton Gold Fields Limited and those executives that report directly to the CEO being:

W. Andrè Labuschagne (CFO and Deputy CEO until 13 September 2010)
Simon Brodie (Chief Financial Officer resigned 14 January 2010)
Jonathan Price (General Manager Paddington Gold resigned 13 October 2009)
Terence Moylan (General Manager Paddington Gold appointed 10 March 2010)
Peter Ruzicka (Exploration Manager Paddington Gold reported directly to the CEO from 1 February 2010)

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 company, or has the capacity to affect significantly the company's financial standing.

Changes since the end of the reporting period:

- Mark McCauley stepped down as Acting CEO on 12 September 2010 and will retain his position as a Non-executive Director.
- W. Andrè Labuschagne was appointed Managing Director effective 13 September 2010.

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

Directors and Key Management Personnel (continued)

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.

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.

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

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, also called performance 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.

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.

		2006	2007	2008	2009	2010
Share price at year-end	$/share	0.14	0.24	0.25	0.20	0.16
Revenue	$'000	582	709	115,002	161,939	177,416
Net profit/(loss) after tax	$'000	(651)	(4,609)	9,238	(16,775)	(32,837)

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 page.

	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	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 Acting CEO from 14 January 2010 to 12 September 2010
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, directors fees are not paid to Mr Franklin directly but are paid to Sprott Asset Management LP
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 28 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 year. Please refer to note 28 for further details
^ Denotes one of the 4 highest paid executives / senior managers of the company during the year, as required to be disclosed under the *Corporations Act 2001,* there were no other executives

	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 $
2009									
Non-executive directors									
A. Anthony McLellan	84,250	-	-	7,583	-	-	-	-	91,833
Mark McCauley	60,000	-	-	5,400	-	-	-	-	65,400
Sub-total non-execurive directors	144,250	-	-	12,983	-	-	-	-	157,233
Executive directors									
Jon B. Parker	-	413,858	2,252	13,745	-	-	-	717,460	1,147,315
A. Timothy Prowse	-	207,393	22,436	100,000	748	-	-	-	330,577
Other key management personnel									
Simon Brodie	-	236,953	30,866	40,000	-	-	236,230	-	544,049
W. Andrè Labuschagne	-	267,079	6,075	13,745	-	-	127,602	68,433	482,934
Jonathan Price	-	252,308	60,997	13,745	-	-	149,008	-	476,058
	144,250	1,377,591	122,626	194,218	748	-	512,840	785,893	3,138,166

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	
	2010	2009	2010	2009	2010	2009
Directors						
Mark Wheatley	100%	-	-	-	-	-
A. Anthony McLellan	100%	100%	-	-	-	-
Mark McCauley	100%	100%	-	-	-	-
A. Timothy Prowse	100%	100%	-	-	-	-
Tim Sun	100%	-	-	-	-	-
David Franklin	100%	-	-	-	-	-
Anne Bi	100%	-	-	-	-	-
Jon B. Parker	#	37%	#	63%	-	-
Other key management personnel						
W. Andrè Labuschagne	69%	60%	-	14%	31%	26%
Terence Moylan	50%	-	-	-	50%	-
Peter Ruzicka	64%	-	-	-	36%	-
Simon Brodie	#	57%	-	-	#	43%
Jonathan Price	#	69%	-	-	#	31%

All remuneration for the financial year 2010 was non-performance based.

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 up to 6 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.

Mark Wheatley
Chairman
Base fee of $75,000 (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 CEO.

Mark McCauley
Acting CEO
Salary: Base salary of $40,000 per month inclusive of superannuation.
Term: No fixed term.
Termination: 13 September 2010

Director:
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 CEO.

A. Timothy Prowse
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 CEO.

Tim Sun
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 CEO.

C. Service agreements (continued)

David Franklin
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 CEO.

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 CEO.

Ian McCauley
Alternative Non-executive Director to Mark McCauley
Nil remuneration.

W. Andrè Labuschagne
CFO and Deputy CEO
Salary: Base salary package of $370,000 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:

- 750,000 ordinary shares vesting on reaching 37.5 cents per share for 20 consecutive days
- 750,000 ordinary shares vesting when the VWAP5* reaches 70 cents

The board reviewed Mr Labuschagne's remuneration focusing on market relativity, and as a result, has cancelled prior options and shares based compensation granted and replaced with the above share based compensation. Details of the replacement are as follows:

Previous	New
500,000 shares, hurdle 100 cents per share	750,000 shares, hurdle 37.5* cents per share * Closing price of shares over 20 consecutive days
1,000,000 options at 40 cents per share	750,000 shares, hurdle 70** cents per share ** VWAP over 5 consecutive days

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 70 cents

C. Service agreements (continued)

Peter Ruzicka
Exploration Manager Paddington Gold

Salary: Base salary package of $180,000 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 70 cents

For Key Management Personnel who resigned during the year the following service agreements were in place:

Jonathan Price
General Manager Paddington Gold resigned 13 October 2009

Salary: Base salary package of $270,000 per annum inclusive of superannuation.
Term: No fixed term - resigned 13 October 2009.
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 12 months after commencement
- 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 70 cents.

Jon B. Parker
Managing Director resigned 14 January 2010

Salary: Base salary of $420,567 per year (commenced January 2008 and resigned 14 January 2010) inclusive of superannuation, indexed at CPI.
Term: No fixed term - resigned 14 January 2010
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:

- 3,300,000 ordinary shares vesting provided Mr Parker is employed on 1 January 2009
- 3,300,000 ordinary shares vesting when the VWAP20** is at least 85 cents
- 3,300,000 ordinary shares vesting when the VWAP20** is at least 120 cents.

Simon Brodie
Chief Financial Officer resigned 14 January 2010

Salary: Base salary package of $315,000 per annum inclusive of superannuation.
Term: No fixed term - resigned 14 January 2010
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:

- 875,000 ordinary shares vesting 12 months after commencement
- 750,000 ordinary shares vesting after the Convertible Note Issuer Conversion Right is exercisable on the Convertibe Notes
- 875,000 ordinary shares vesting when the VWAP5* reaches 70 cents.

* 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.

A. Anthony McLellan
Non-executive Chairman resigned 4 June 2010

Base salary of $75,000 (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.

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 year and the performance conditions required for vesting.

Name	Granted No.	Grant date	Fair value per share at grant date $	Vested at 30 June 2010 No.	Vesting conditions	Possible vesting date
2010						
Terence Moylan	700,000	10/03/2010	$0.205	Nil	12 months after employment date	March 2011
	600,000	10/03/2010	$0.205	Nil	Issuer Conversion Right available on convertible notes	December 2010
	700,000	10/03/2010	$0.205	Nil	VWAP of ordinary shares is 70c for 5 consecutive days	June 2013
W. Andrè Labuschagne	750,000	01/09/2009	$0.195	Nil	37.5 cents per share closing price for 20 consecutive days	December 2010
	750,000	01/09/2009	$0.195	Nil	VWAP of ordinary shares is 70c for 5 consecutive days	June 2013
2009						
Jon B. Parker	3,300,000	03/07/2008	$0.2513	3,300,000	Vested 1 January 2009	January 2009
	3,300,000	03/07/2008	$0.2513	Nil	VWAP5* is 85c	June 2012
	3,300,000	03/07/2008	$0.2513	Nil	VWAP5* is 120c	June 2014

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

The shares issued to Jon B. Parker are subject to dealing restrictions until fully paid for. 6,600,000 shares issued in prior year have been forfeited, due to his resignation on 14 January 2010. Refer to Note 28 of the financial statements for further information on accounting treatment of these shares as options due to the limited recourse loan outlined in the note.

D. Share-based compensation (continued)

Shares (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 %	Financial years in which shares may vest	Maximum total value of shares yet to vest
Terence Moylan	2010	-	-	30/06/2011	143,500
	2010	-	-	30/06/2011	123,000
	2010	-	-	30/06/2013	143,500
W. Andrè Labuschagne	2010	-	-	30/06/2011	146,250
	2010	-	-	30/06/2013	146,250
	2008	100%	-	n/a	-
	2008	-	Cancelled	n/a	-
Jon B. Parker	2009	33%	67%	n/a	-
Jonathan Price	2008	100%	-	n/a	-
	2008	-	100%	n/a	-
	2008	-	100%	n/a	-
Simon Brodie	2008	100%	-	n/a	-
	2008	-	100%	n/a	-
	2008	-	100%	n/a	-

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.

There were no options issued as remuneration to directors and Key Management Personnel in the current or previous financial year.

Further information on the options are set out in Note 28 and Note 39 to the financial statements.

Name	Balance at start of year	Granted during the year	Cancelled during the year	Other changes*	Balance at end of year	Vested and exercisable at end of year
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
Senior management						
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

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

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

The percentage associated with options issued to directors and Key Management Personnel that vested in the financial year and the percentage forfeited are set out below.

Name	Year granted	Vested	Cancelled	Total value of grant unvested
W. Andrè Labuschagne	2008	-	100%	-

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 binomial option pricing 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 28 and 39 of the financial statements.

Shares issued on exercise of compensation options

No options were exercised during the financial year, that were granted as compensation in current or 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
25/02/2005	25/02/2005	08/08/2010	$0.20	15,321,000
30/04/2005	30/04/2005	08/09/2010	$0.20	2,094,800
15/09/2005	15/09/2005	08/10/2010	$0.20	8,275,400
14/11/2006	14/04/2007	6 months after termination	$0.12	3,000,000
14/11/2006	14/04/2007	6 months after termination	$0.20	2,000,000
23/08/2007	When VWAP* equals $0.30 or 6 months after grant	8/09/2010	$0.20	2,000,000
14/04/2008	14/04/2009	14/04/2011	$0.50	100,000
10/10/2008	10/10/2008	10/10/2010	$0.20	740,000
29/04/2009	29/04/2009	28/04/2011	$0.20	760,000
29/04/2009	29/04/2009	31/12/2011	$0.30	1,000,000
29/04/2009	29/04/2009	31/12/2011	$0.35	300,000
10/12/2009	25/05/2010	31/12/2010	$0.20	600,000
10/12/2009	13/07/2010	30/06/2011	$0.21	600,000
				36,791,200

*VWAP means the volume weighted average trading price of shares on ASX over a five 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 2010 on the exercise of options. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
15/09/2005	$0.20	6,000
25/02/2005	$0.20	219,000
14/04/2008	$0.20	325,000
10/10/2008	$0.20	200,000
		750,000

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 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	**2010**	**2009**
	$	**$**
1. Audit services		
BDO Audit (QLD) Pty Ltd:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	115,528	178,727
Total remuneration for audit services	115,528	178,727
2. Non-audit services		
BDO Audit (QLD) Pty Ltd:		
Litigation assistance	7,295	-
Total remuneration for non-audit services	7,295	-
Total remuneration for services	122,823	178,727

Auditors' independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 35.

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.

Andrè Labuschagne
Managing Director

Brisbane
30 September 2010

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 CHRISTOPHER J SKELTON TO THE DIRECTORS OF NORTON GOLD FIELDS LIMITED AND ITS CONTROLLED ENTITIES

As auditor of Norton Gold Fields Limited and its controlled entities for the year ended 30 June 2010, 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
- no contraventions of any applicable code of professional conduct in relation to the audit.

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

BDO Audit (QLD) Pty Ltd

Christopher J Skelton
Director

Brisbane
30 September 2010

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 managed
- setting compensation arrangements for executive directors and senior management
- encouraging ethical behaviour throughout the organisation
- appointing the 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 managing director'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 managing director.

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 FY2010 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 judgement. 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.

Following these considerations, the majority of the directors on the board do not meet the ASX definition of independence. One of the six board members, Mr Mark Wheatley, meets the definition.

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

Director	Position	Independent	Reason
Mark Wheatley	Non-executive Chairman [1]	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.
Mark McCauley	Non-executive Director [2]	No	Mr Mark McCauley held the position of acting chief executive officer during the period. See below for further disclosure in relation to Mark McCauley.
A. Timothy Prowse	Non-executive Director [3]	No	Mr Prowse was previously employed by the company in an executive capacity as technical director.
Tim Sun	Non-executive Director [4]	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 [5]	No	Mr Franklin is not considered independent as he is directly associated with Sprott Asset Management LP, a substantial shareholder in the company.
Anne Bi	Non-executive Director [6]	No	Ms Bi is not considered independent as she is directly associated with Goldmax Asia Investments Limited, a substantial shareholder in the company.
Ian McCauley	Alternate Non-executive Director [7]	No	Mr Ian McCauley is not considered independent as he is directly associated with PR Norton, a Top 20 shareholder in the company.

Notes

1. Mr Wheatley was appointed a director on 24 March 2010, and appointed acting chairman on 4 June 2010, and appointed full chairman on 30 July 2010.
2. Mr Mark McCauley was appointed acting chief executive officer on 14 January 2010, having previously been an independent non-executive director.
3. Mr Prowse was appointed a non-executive director on 14 May 2010, having previously held the role of technical director, an executive appointment.
4. Mr Sun was appointed a non-executive director on 5 March 2010.
5. Mr Franklin was appointed a non-executive director on 24 March 2010.
6. Ms Bi was appointed a non-executive director on 25 May 2010.
7. Mr Ian McCauley was an alternate director (for Mr Mark McCauley), he resigned on 6 September 2010. Although the board has not included alternate directors for the purposes of determining compliance with Recommendation 2.1, for the avoidance of doubt, given Mr Ian McCauley's relationship with PR Norton, the board considers that Mr Ian McCauley would not be independent.

During the first half of the year, Mr Jon Parker held the position of managing director until stepping down on 14 January 2010, on the same date Mr Mark McCauley assumed the role of acting chief executive officer. Subsequent to year end the company announced the appointment of Mr W. Andrè Labuschagne to managing director, effective from 13 September 2010. On this same date Mr Mark McCauley resumed the role of non-executive director.

The board is of the view that the board's current composition serves 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, Sprott Asset Management LP 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 noteholder in Norton.

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 Mark McCauley that:

- from time to time, RMM Capital provides services, including investment advice, to Top 20 shareholders and noteholders in Norton, namely BPI Norton and PR Norton Pty Ltd (Holders)
- from time to time, Mark McCauley holds a power of attorney to perform administrative tasks on behalf of those Top 20 Holders
- 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 chair should be an independent director.

The Chairman, Mr Wheatley, is an independent director.

R2.3 The roles of chair 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 is exercised by Mr Wheatley and 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 secretary is accountable to the board, through the chair, 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.

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 Policy for Trading in the company's securities restricts the times and circumstances in which directors and senior executives may purchase or sell shares in the company.

Directors and senior executives are required to promptly advise the company secretary of their activities regarding trading in Norton shares so this can be notified to the ASX (where required).

Subject at all times to not being in possession of insider information, directors and officers may not deal in the company's securities twenty-one (21) days prior to release of the company's full year financial results, and of the company's half year financial results or such shorter periods as approved by the board.

Other periods when directors and employees cannot trade in the company's securities include two (2) business days after the release of half-yearly and annual reports to the market and three (3) business days after the release of price sensitive information.

The chairman may allow trading outside of these windows in appropriate cases.

A full copy of the company's Policy for Trading is available under the Corporate Governance section of the company's website.

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 chair, who is not chair of the board**
- **has at least 3 members.**

The committee comprises three directors, namely, Mr Wheatley, a non-executive director who is chair of the committee, Mr Franklin a non-executive director and Mr Prowse a non-executive director. Mr Wheatley meets the ASX test of independence and is chair of the board. Mr Wheatley has been appointed chair of the audit committee as he is the only independent director, which the company feels is beneficial as chair of the committee despite his being chair of the board. Details of the experience, qualifications and attendance at committee meetings for each member of the committee are presented in the Directors' Report.

Norton does not comply with R4.2 as the majority of committee are not independent. At this time due to the current composition of the board, compliance with this Recommendation is not possible. 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 chair 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 analyst 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.

Due to the present size and nature of the board, the company has not established a separate committee or charter for this purpose. Rather the board acts as a Remuneration Committee under established general guidelines for evaluating the performance of this function in a formal Board Protocol and incorporates remuneration into the Board Nomination Charter – both are available in the Corporate Governance section of the company's website.

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.

Norton Gold Fields Limited and its subsidiaries
Consolidated statement of comprehensive income
For the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Revenue	6	177,416	161,939
Cost of sales	7	(156,036)	(125,000)
Gross profit		**21,380**	**36,939**
Other income		87	1,776
Administrative expenses	8	(7,189)	(8,046)
Impairment	16,17	(12,900)	(4,720)
Fair value adjustments - derivative financial instruments		(32,844)	(35,547)
Hedging loss	27	(10,618)	(8,372)
Loss before net finance costs		**(42,084)**	**(17,970)**
Finance income	10	3,760	2,730
Finance expense	10	(4,877)	(5,384)
Loss before tax		**(43,201)**	**(20,624)**
Income tax benefit	11	10,364	3,849
Loss for the year attributable to the owners of the parent entity		**(32,837)**	**(16,775)**
Other comprehensive income			
Cash flow hedges:			
Gain arising on hedge during the year		-	14,160
Reclassification adjustment for the deferred hedging loss included in profit and loss		10,618	8,372
Income tax on items of other comprehensive income		(3,185)	(6,760)
Other comprehensive income for the year, net of tax		**7,433**	**15,772**
Total comprehensive loss for the year attributable to owners of the parent entity		**(25,404)**	**(1,003)**
Loss per share		**Cents**	**Cents**
Basic loss per share	38	(6.3)	(4.2)
Diluted loss per share	38	(6.3)	(4.2)

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

Norton Gold Fields Limited and its subsidiaries
Consolidated statement of financial position
As at 30 June 2010

	Notes	Consolidated 2010 $'000	2009 $'000
Assets			
Current Assets			
Cash and cash equivalents	12	68,517	45,356
Trade and other receivables	13	15,737	9,502
Inventories	14	17,828	13,213
Total Current Assets		102,082	68,071
Non-current Assets			
Deferred tax assets	15	28,330	19,438
Exploration and evaluation assets	16	76,077	67,949
Capitalised mining costs	17	34,661	20,844
Property, plant and equipment	18	19,699	15,184
Other assets	19	18,770	18,451
Total Non-current Assets		177,537	141,866
Total Assets		279,619	209,937
Liabilities			
Current Liabilities			
Trade and other payables	20	26,400	22,659
Current tax liability		-	540
Provisions	21	1,655	3,027
Total Current Liabilities		28,055	26,226
Non-current Liabilities			
Financial liabilities	22	37,092	36,413
Provisions	21	24,302	23,550
Deferred tax liabilities	23	5,264	4,470
Derivative financial instruments	24	107,000	74,156
Total Non-current Liabilities		173,658	138,589
Total Liabilities		201,713	164,815
Net Assets		**77,906**	**45,122**
Equity			
Contributed equity	26	129,454	70,994
Reserves	27	(5,850)	(13,011)
Accumulated losses	27	(45,698)	(12,861)
Total Equity		**77,906**	**45,122**

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

Norton Gold Fields Limited and its subsidiaries
Consolidated statement of changes in equity
For the year ended 30 June 2010

	Contributed equity $'000	Hedge reserve $'000	Share-based payments reserve $'000	Accumulated losses $'000	Total equity $'000
At 1 July 2008	**60,395**	**(38,070)**	**6,124**	**3,914**	**32,363**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs and deferred tax	10,599	-	-	-	10,599
Non-cash share based payments	-	-	3,163	-	3,163
Comprehensive income					
- Loss for the year after tax	-	-	-	(16,775)	(16,775)
- Other comprehensive income	-	15,772	-	-	15,772
Total comprehensive loss for the year	-	15,772	-	(16,775)	(1,003)
At 30 June 2009	**70,994**	**(22,298)**	**9,287**	**(12,861)**	**45,122**
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)
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)
At 30 June 2010	**129,454**	**(14,865)**	**9,015**	**(45,698)**	**77,906**

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

Norton Gold Fields Limited and its subsidiaries
Consolidated statement of cash flows
For the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash flows from operating activities			
Receipts in the course of operations		169,191	163,119
Payments in the course of operations		(144,873)	(112,010)
Interest received		3,098	3,133
Hedge loss		-	(1,444)
Interest and borrowing costs paid		(4,195)	(4,369)
Taxes paid		(540)	-
Net cash provided by operating activities	37	22,681	48,429
Cash flows from investing activities			
Payments for plant and equipment		(6,004)	(7,936)
Receipts on disposal of plant and equipment		26	-
Exploration and mine development costs		(50,763)	(24,203)
Acquisition of subsidiaries	25	-	3,126
Cash collateral for security deposits		(319)	(608)
Net cash used in investing activities		(57,060)	(29,621)
Cash flows from financing activities			
Proceeds from issue of shares		57,540	20
Repayment of borrowings		-	(416)
Net cash provided by / (used in) financing activities		57,540	(396)
Net increase in cash and cash equivalents		23,161	18,412
Cash and cash equivalents at the beginning of the year		45,356	26,944
Cash and cash equivalents at the end of the year	12	**68,517**	**45,356**

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

1. General information

Norton Gold Fields Limited ("the company") is a company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The addresses of its registered office and principal place of business are disclosed in the corporate directory in the annual report.

The financial statements of the company for the year ended 30 June 2010 covers the consolidated entity consisting of the company and its subsidiaries ("the group") as required by Corporations Act 2001. Separate financial statements for the company as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001, however limited financial information for the company as an individual entity is included in note 34.

2. Adoption of new and revised Accounting Standards

(a) Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period.

Standards affecting presentation and disclosure

AASB 101 *Presentation of Financial Statements (as revised in September 2007)*, AASB 2007-8 *Amendments to Australian Accounting Standards arising from* AASB 101 *and* AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from* AASB 101.	AASB 101(September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
AASB 8 *Operating Segments*	AASB 8 is a disclosure Standard that has resulted in a redesignation of the group's reportable segments (see note 5).
AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
AASB 3 *Business Combinations (as revised in 2008)*	In accordance with the relevant transitional provisions, AASB 3 (2008) has been applied prospectively to business combinations for which the acquisition date is on or after 1 July 2009. There was no impact on the current consolidated financial statements of the group.

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 statements comprise the consolidated financial statements of the group.

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. Cost is based on the fair values of the consideration given in exchange for assets.

Norton Gold Fields Limited and its subsidiaries
Notes to the consolidated financial statements
For the year ended 30 June 2010

3. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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.

Financial statement presentation
The group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

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

Rounding of amounts
The group has applied the relief available to it under ASIC Class Order 98/100 and, accordingly, amounts in the financial report have been rounded off to the nearest thousand dollars ($'000), where applicable.

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.

(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 35.

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.

3. Summary of significant accounting policies (continued)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors.

Change in accounting policy
The group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. There has been no impact on the measurement of the group's assets and liabilities. Comparatives for 2009 have been restated.

(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 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.

(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 subsidiaries
Notes to the consolidated financial statements
For the year ended 30 June 2010

3. Summary of significant accounting policies (continued)

(f) Income tax (continued)

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.

Tax consolidation legislation
Norton Gold Fields Limited and its wholly owned Australian controlled entities have decided not to implement the tax consolidation legislation. Norton Gold Fields Limited and its wholly owned Australian controlled entities have significant tax losses. Deferred tax balances are recognised in those entities where the recovery of losses (and temporary differences) is probable.

(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 is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

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

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business 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.

3. Summary of significant accounting policies (continued)

(h) Business combinations (continued)

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

Change in accounting policy

A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax.

The changes were implemented prospectively from 1 July 2009. There was no impact in the current financial year, as there were no relevant business combinations.

(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 purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 22% that reflects current market assessments of the time value of money and the risks specific to the asset. Other key assumptions applied in the impairment assessment are a gold price of $1,200 per oz and reserve and resource statements. 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 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.

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3. Summary of significant accounting policies (continued)

(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.

Collectibility 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.

(l) Inventories

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

Raw materials and stores are physically measured by using their weighted average purchased cost.

Inventories of gold in circuit and ore stock piles are physically measured or estimated and valued at the lower of cost and net realisable value.

Cost comprises direct material, direct labour and transportation expenditure in bringing such inventories to their existing location and condition, together with an appropriate portion of manufacturing overhead based on normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs.

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 of an asset but not exceeding any cumulative impairment losses previously recognised.

3. Summary of significant accounting policies (continued)

(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.

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.

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3. Summary of significant accounting policies (continued)

(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	2.5% - 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 and the balance is then reclassified to capitalised mining costs.

(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.

(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 (ie. 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.

In these operations an estimate is made of the project average underground cost per tonne of ore mined to expense underground ore mining costs in the statement of comprehensive income. Underground mining costs incurred during the year are deferred to the extent that the actual cost per tonne of the ore mined on a level in the year, exceeds the project average cost per tonne.

Norton Gold Fields Limited and its subsidiaries
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For the year ended 30 June 2010

3. Summary of significant accounting policies (continued)

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

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.

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.

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

3. Summary of significant accounting policies (continued)

(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.

(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 transferred to profit or loss in the periods when the hedged item will affect 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 transferred 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.

Norton Gold Fields Limited and its subsidiaries
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3. Summary of significant accounting policies (continued)

(x) Employee benefits

(i) *Wages and salaries, annual and sick leave*
Liabilities for wages and salaries, including non-monetary benefits 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.

(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 39.

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 modification, 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.

3. Summary of significant accounting policies (continued)

(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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires 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.

(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 issuing 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.

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3. Summary of significant accounting policies (continued)

(dd) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below. These standards and interpretations have not been adopted in the financial report for 30 June 2010.

(i) AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or service regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the group's financial statements.

(ii) AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's financial statements.

(iii) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. The group has not yet decided when to adopt AASB 9.

(iv) 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 removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. 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, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

(v) AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

3. Summary of significant accounting policies (continued)

(dd) New accounting standards and interpretations (continued)

(vi) AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011).

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's financial statements. The group intends to apply the amendment from 1 July 2011.

(vii) AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139].

AASB 2010-3 is applicable to annual reporting periods beginning on or after 1 July 2010. There will be no impact on initial adoption as these requirements are mostly only required to be applied prospectively.

(viii) AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13].

AASB 2010-4 is applicable to annual reporting periods beginning on or after 1 January 2011. There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer or more detailed disclosures only.

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 entity and that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred exploration and evaluation
Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of deferred exploration and evaluation assets may exceed recoverable amount. Management considers the facts and circumstances at each reporting period that would indicate whether the consolidated entity should test deferred exploration and evaluation assets for impairment. Refer to Note 16.

Mine properties
Mine properties are assessed for impairment when facts and circumstances suggest that the carrying amount of mine properties may exceed recoverable amount. Management considers the facts and circumstances at each reporting period that would indicate whether the consolidated entity should test mine properties for impairment. Refer to Note 17.

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

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 Binomial 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 39.

Norton Gold Fields Limited and its subsidiaries
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4. Critical accounting estimates and judgements (continued)

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 21.

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) relating the same taxation authority and the same subsidiary against which the unused tax losses can be utilised and that for those entities that did not have sufficient taxable temporary differences that there will be 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 those notes.

Derivative financial instruments
The group carries its derivative instruments at fair value with changes in the fair value recognised in the profit or loss. For details of the accounting policy refer to note 3(w) and for fair value measurement and assumptions used please refer to Note 24 and Note 30.

JORC Compliant Resources and Reserves affecting amortisation
Accounting policy 3(s) 'Capitalisation and amortisation of mining costs' states that amortisation in the period is based upon 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 by the Concept to Closure Committee. 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 adopted Australian Accounting Standard AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach'. 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 geographical locations 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.

The reportable segments differ from the previous annual report for the financial year ended 30 June 2009 which reflected one reportable segment, being gold, copper and coal exploration and mining in Australia.

5. Segment information (continued)

Segment information
The following table presents information for reportable segments for the years ended 30 June 2010 and 30 June 2009:

	Paddington operations $'000	Mount Morgan project $'000	Total $'000
Year ended 30 June 2010			
Total segment revenue	177,416	-	177,416
Intersegment revenue	-	-	-
Revenue from external customers	177,416	-	177,416
Segment EBITDA	42,112	(322)	41,790
Intersegment eliminations	-	-	-
Group allocated EBITDA	42,112	(322)	41,790
Year ended 30 June 2009			
Total segment revenue	161,939	-	161,939
Intersegment revenue	-	-	-
Revenue from external customers	161,939	-	161,939
Segment EBITDA	53,500	-	53,500
Intersegment eliminations	-	-	-
Group allocated EBITDA	53,500	-	53,500

The focus is on both the revenue and operating costs of the operations. Hence, the board monitors segment performance based on EBITDA (which excludes certain profit or loss items as well as other comprehensive income).

Reconciliation of EBITDA to loss before income tax is as follows:

	Consolidated 2010 $'000	Consolidated 2009 $'000
Group allocated EBITDA	41,790	53,500
Gold hedging losses	-	(1,444)
Allocation of hedge reserve	(10,618)	(8,372)
Impairment of assets	(12,900)	(4,720)
Movement in fair value of financial derivatives	(32,844)	(35,547)
Depreciation and amortisation	(20,896)	(16,219)
Finance income	3,760	2,730
Finance costs	(4,877)	(5,384)
Corporate office activities	(6,590)	(4,863)
Other	(26)	(305)
Loss before income tax	(43,201)	(20,624)

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 2010	169,029	12,440	181,469
Year ended 30 June 2009	146,952	11,175	158,127

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5. Segment information (continued)

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

	Consolidated 2010 $'000	Consolidated 2009 $'000
Group allocated assets	181,469	158,127
Unallocated:		
Trade and other receivables	936	244
Cash and cash equivalents	67,144	42,488
Deferred tax assets	28,288	19,354
Exploration and evaluation assets	2,042	1,658
Property, plant and equipment	182	346
Consolidation eliminations:		
Intercompany receivables	-	(11,406)
Other	(442)	(874)
Total assets	279,619	209,937

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 2010	55,644	717	56,361
Year ended 30 June 2009	30,650	1,423	32,073

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 $177,416 million (2009: $161,939 million) is derived from a single customer The Perth Mint.

6. Revenue

	Consolidated 2010 $'000	Consolidated 2009 $'000
Sales revenue		
Gold sales at spot	172,596	160,692
Silver sales	666	949
Gold dorè bar movement	4,154	298
Total sales revenue	177,416	161,939

7. Cost of sales

	2010	2009
Mining expenses	73,700	47,512
Milling costs	28,722	28,649
Maintenance	18,920	14,297
Haulage	13,802	12,809
Royalties	4,654	5,134
Change in inventories	(4,615)	427
Depreciation and amortisation	20,853	16,172
	156,036	125,000

	Consolidated	
8. Administrative expenses	**2010 $'000**	**2009 $'000**
Office expenditure	4,803	5,976
Depreciation	43	47
Rental expense	134	159
Insurance	134	105
Directors' fees	192	145
Professional and consulting fees	1,883	1,614
	7,189	8,046
9. Employee benefits comprises		
Salaries, wages, and on-costs including executive directors	20,678	11,625
Non-cash share based payments	420	1,722
Superannuation contributions	1,822	1,004
	22,920	14,351
10. Net finance costs		
Interest received	(3,760)	(2,730)
Convertible note interest	4,198	4,192
Unwinding of discount	679	1,192
	1,117	2,654
11. Income tax		
Income tax benefit		
Current tax		
- current tax	-	(540)
- adjustment for previous years	-	663
Deferred tax		
- origination and reversal of temporary differences	11,661	4,389
- adjustments for previous years	(1,297)	(663)
Total income tax benefit	10,364	3,849
Reconciliation of income tax benefit to prima facie tax		
Loss before income tax benefit	43,201	20,624
Tax benefit at 30% (2009: 30%)	12,960	6,187
Tax effect of amounts which are not (deductible) / taxable in calculating taxable income		
Entertainment	(2)	(1)
Share-based payments	81	(978)
Interest	(1,463)	(1,627)
Other	-	(1)
Investment allowance	85	169
Research and development tax offset	-	100
	11,661	3,849
(Under) /over provision in prior years	(1,297)	-
Income tax benefit	10,364	3,849

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11. Income tax (continued)	Consolidated 2010 $'000	Consolidated 2009 $'000
Deferred income tax 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 income tax on transaction costs of issuing equity instruments credited directly to equity	920	-
	920	-
Deferred income tax relating to items of other comprehensive income		
Reclassification adjustment for the hedging loss included in profit and loss	(3,185)	(6,760)
Deferred income tax		
Deferred tax assets have not been recognised in respect of the following:		
Capital gains tax losses not recognised for accounting purposes	91,711	91,711
	91,711	91,711
Potential benefit at 30% (2009: 30%)	27,513	27,513

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

12. Current assets – Cash and cash equivalents	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash at bank and in hand	8,517	15,257
Term deposits	60,000	30,099
	68,517	45,356

Cash at bank and deposits at call earn interest at floating rates based on daily bank deposit rates. The interest rates range from 2.9% to 4.55% per annum (2009: 2.90% to 3.05% per annum). The term deposits have fixed interest rates of 5.48% to 6.52% per annum (2009: 3.85% to 4.50% pe annum) and have a weighted average maturity of 20 days (2009: 48 days).

13. Current assets – Trade and other receivables

	Consolidated 2010 $'000	Consolidated 2009 $'000
Trade receivables	10,583	6,429
Other receivables	3,663	2,351
Interest receivable	841	179
Prepayments	650	543
	15,737	9,502

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. The interest receivable is due from major financial institutions (National Australia Bank, Suncorp Metway, Westpac, Bank of Western Australia and ANZ). None of these current assets are past due or impaired.

14. Inventories at cost

	Consolidated 2010 $'000	Consolidated 2009 $'000
Raw materials and stores	8,840	8,631
Provision for obsolescence	(803)	(803)
	8,037	7,828
Ore stockpile	6,875	3,869
Gold-in-circuit	2,916	1,516
	17,828	13,213

15. Deferred tax assets

	2010	2009
Deferred tax assets are attributed to the following:		
Derivative financial instruments – forward hedge	25,771	15,919
Derivative financial instruments – put options	-	1,131
Capital costs	1,557	1,238
Property, plant and equipment	3,762	4,855
Rehabilitation provision	7,641	7,835
Mining information	7,620	7,689
Tax losses	10,749	3,820
Trade payables	30	30
Employee benefits	576	530
	57,706	43,047
Set-off of deferred tax assets pursuant to set-off provisions	(29,376)	(23,609)
Net deferred tax assets	28,330	19,438

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15. Deferred tax assets (continued)

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

Movements – 2009	Opening balance $'000	(Charged)/ Credited to profit or loss $'000	Acquisition of subsidiary $'000	(Charged)/ Credited directly to equity $'000	(Charged)/ Credited directly to other comprehensive income $'000	Closing balance $'000
Derivative financial instruments	16,961	6,849	-	-	(6,760)	17,050
Capital costs	1,655	(417)	-	-	-	1,238
Property, plant and equipment	6,392	(1,537)	-	-	-	4,855
Rehabilitation provision	7,340	(57)	552	-	-	7,835
Mining information	7,957	(268)	-	-	-	7,689
Tax losses	1,370	479	1,971	-	-	3,820
Trade payables	30	-	-	-	-	30
Employee benefits	445	85	-	-	-	530
	42,150	5,134	2,523	-	(6,760)	43,047

16. Non-current assets – Exploration and evaluation assets

	Consolidated 2010 $'000	Consolidated 2009 $'000
Geological, geophysical, drilling and other costs for exploration and purchased mine properties – at cost	79,220	70,134
Accumulated amortisation	(3,143)	(2,185)
	76,077	67,949
The costs carried forward above have been determined as follows:		
Opening balance	67,949	61,841
Acquired in Bellamel Mining Pty Ltd	-	7,249
Costs incurred during the year	9,086	5,034
Transferred to capitalised mining costs	-	(3,740)
Amortisation	(958)	(1,327)
Exploration written off	-	(1,108)
Closing balance as shown above	76,077	67,949

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.

17. Non-current assets – Capitalised mining costs

	Consolidated 2010 $'000	Consolidated 2009 $'000
Capitalised mining costs - at cost	80,907	39,342
Impairment	(12,900)	(3,612)
Accumulated amortisation	(33,346)	(14,886)
	34,661	20,844
The capitalised mining costs carried forward above have been determined as follows:		
Opening balance	20,844	14,287
Costs incurred during the year	45,177	19,168
Transfer from exploration costs and mine properties	-	3,740
Impairment of mine properties	(12,900)	(3,612)
Amortisation during the year	(18,460)	(12,739)
Closing balance as shown above	34,661	20,844

Significant item of expense

The carrying amount of the Homestead underground mining operations, which is included in the Paddington operating segment, has been 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 use 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 currently estimated at 18 months. No other class of asset was considered impaired based on an analysis prepared and reviewed by management.

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	Consolidated	
18. Non-current assets – Property, plant and equipment	**2010 $'000**	**2009 $'000**
Plant and equipment		
- Cost	24,473	18,495
- Accumulated depreciation	(4,875)	(3,459)
	19,598	15,036
Building improvements		
- Cost	738	738
- Accumulated depreciation	(637)	(590)
	101	148
Total written down value	19,699	15,184

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 2008	8,756	444	9,200
Additions	7,934	2	7,936
Acquisitions through business combinations	201	-	201
Depreciation	(1,855)	(298)	(2,153)
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

	Consolidated	
19. Non-current assets – Other assets	**2010 $'000**	**2009 $'000**
Security deposits	18,770	18,451
	18,770	18,451

Included in security deposits is $18 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 ranging from 4.8% to 5.8% per annum (2009: 3.60% to 4.0% per annumr) and have a weighted average maturity of 160 days (2009: 141 days). These deposits are not released until the rehabilitation conditioning of the group is satisfied.

	Consolidated	
20. Current liabilities – Trade and other payables	**2010 $'000**	**2009 $'000**
Unsecured liabilities		
Trade payables	8,014	8,926
Other payables and trade accruals	17,982	13,332
Accrued interest	404	401
	26,400	22,659

21. Provisions

	2010 $'000	2009 $'000
Current		
Rehabilitation	1,655	3,027
	1,655	3,027
Non Current		
Employee benefits	484	460
Rehabilitation	23,818	23,090
	24,302	23,550
Total provisions	25,957	26,577

Movements in provisions are set out in the table below:

	Mine rehabilitation $'000	Employee benefits provision $'000	Total $'000
Consolidated group			
Opening balance at 1 July 2009	26,117	460	26,577
Provision utilised	(644)	-	(644)
Additional provisions	-	24	24
Balance at 30 June 2010	25,473	484	25,957

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.

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22. Non-current liabilities – Financial liabilities	Consolidated 2010 $'000	Consolidated 2009 $'000
Convertible notes	37,092	36,413

On 27 August 2007, a total of 400 Convertible notes ('notes') were issued by the company each with a $100,000 face value to raise $40,000,000 in cash. The notes have a fixed interest rate of 11.0% per annum with interest payable quarterly. The notes mature on 27 August 2011. To the extent of the face value of the notes, the noteholders have a fixed and floating charge over the assets of the group. The carrying amount of total assets of the group at 30 June 2010 is $279.619 million (2009: $209.937 million).

In the FY2008, a total of $1,600,000 cash was paid in success fees on the completion of the notes issue. These costs are netted against the notes balance.

The noteholders may convert the notes into ordinary share capital at any time up to five days before maturity at a conversion price of $0.25. The company can force conversion of the notes any time after 27 May 2008 if the closing price of the ordinary share capital for 20 consecutive days before conversion is greater than $0.375.

On issue of the notes, the value of the conversion right, which is the difference between the face value of the notes and the fair value of the liability component, was valued at $1,109,000 and credited to equity (see Note 26). On conversion of the notes to equity, the value of the liability and accrued interest charges is credited to equity.

20 notes were converted into equity in previous financial years resulting in 380 notes outstanding at 30 June 2010. At a conversion price of $0.25, the maximum number of ordinary shares to be issued on conversion of the notes is 152,000,000 at 30 June 2010.

The convertible notes have been settled subsequent to year end, please refer to Note 36 for further details.

23. Deferred tax liabilities	Consolidated 2010 $'000	Consolidated 2009 $'000
Deferred tax liabilities comprise temporary differences:		
Deferred exploration and evaluation costs	21,857	21,216
Mine properties	10,120	4,461
Inventories	2,411	2,348
Other receivables	252	54
	34,640	28,079
Set-off of deferred tax liabilities pursuant to set-off provisions	(29,376)	(23,609)
Net deferred tax liabilities	5,264	4,470

	Opening balance $'000	Charged/ (Credited) to profit or loss $'000	Charged/ (Credited) directly to other comprehensive income $'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

23. Deferred tax liabilities (continued)

	Opening balance $'000	(Credited) Charged to profit or loss $'000	Acquisition of subsidiary $'000	Charged/ (Credited) directly to other comprehensive income $'000	Closing balance $'000
Movements – 2009					
Deferred exploration and evaluation costs	20,941	(1,933)	2,208	-	21,216
Mine properties	1,033	3,428	-	-	4,461
Inventories	2,317	31	-	-	2,348
Other receivables	174	(120)	-	-	54
	24,465	1,406	2,208	-	28,079

24. Derivative financial instruments

	Consolidated 2010 $'000	2009 $'000
Fair value of hedge contract financial liabilities	107,000	74,156

As announced to the market on 19 July 2010, the company entered into an agreement subsequent to 30 June 2010 to settle the Lehman Brothers Commercial Corporation ("LBCC") hedge litigation. This agreement will result in the replacement of the hedge with a loan note. Final agreement has been reached as announced on 6 September 2010.

The fair value of the hedge for financial reporting purposes at 30 June 2010 has been calculated as the fair value of the secured note facility that will replace the hedge as the agreement to settle was substantially agreed to by 30 June 2010 and is the best evidence of the likely ultimate settlement of the hedge. The fair value of the hedge at 30 June 2009 was determined using forward gold prices, interest rates and exchange rates to perform a discounted cash flow analysis. The discounted cash flow analysis incorporated adjustments, which were not based on directly observable market data as explained in Note 30.

LBCC will retain a first ranking fixed and floating charge over the assets of the group.

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25. Acquisition of subsidiaries

30 June 2009 – acquisition of Bellamel Mining Pty Ltd (formerly known as Bellamel Mining Limited)

On 11 September 2008, Norton Gold Fields Limited acquired all of the issued shares in Bellamel Mining Limited. Total consideration for the acquisition was the issue of 72,000,021 fully paid ordinary shares assigned a fair value of $10.579 million based on the closing share prices on the date of each share issue transaction. Bellamel Mining Limited was delisted on 31 December 2008 following the compulsory acquisition and has subsequently been converted to a private company: Bellamel Mining Pty Ltd (Bellamel Mining).

Bellamel Mining currently holds gold projects in Kalgoorlie, Western Australia. The principal activity of Bellamel Mining was exploration.

The acquired business contributed revenues of $223,000 and net loss before tax of $413,000 to the group for the period from 11 September 2008 to 30 June 2009. The amounts of revenue and net profit for the full year, if Bellamel Mining had been acquired at the start of the financial year, could not be practicably measured.

Details of net assets acquired are as follows:	2009 $'000
Purchase consideration	
Shares issued as consideration	10,579
Direct costs relating to the acquisition – paid in cash	370
Direct costs relating to the acquisition – accrual	250
Total purchase consideration	11,199
Fair value of net identifiable assets acquired (refer below)	11,199

The group has taken up the fair value of the assets and liabilities of Bellamel Mining Pty Ltd at acquisition. Fair values are based on discounted cash flows where applicable.

The assets and liabilities arising from the acquisition are as follows:

	Fair value $'000
Cash	3,496
Receivables	204
Deferred tax asset	2,523
Other assets	1,804
Property, plant and equipment	201
Exploration, development and mine properties	7,249
Payables	(230)
Provisions	(1,840)
Deferred tax liability	(2,208)
Net identifiable assets acquired	11,199

26. Contributed equity

	2010 $'000	2010 Shares	2009 $'000	2009 Shares
(a) Share capital				
Fully paid ordinary shares	128,345	619,221,158	69,885	420,566,344
Convertible note equity component	1,109	-	1,109	-
	129,454	619,221,158	70,994	420,566,344

(b) Movements in ordinary share capital

	Note	Number of shares	Issue price $	$'000
Balance – 30 June 2008		334,601,323		59,286
Bellamel takeover consideration	*(i)*	68,839,380	0.15	10,326
Bellamel takeover consideration	*(i)*	3,160,641	0.08	253
Employee employment contract performance share issues	*(ii)*	3,965,000	-	-
Employee options exercised	*(iii)*	100,000	0.20	20
		410,666,344		69,885
J. Parker employee share scheme issue	*(iv)*	9,900,000	-	-
Balance – 30 June 2009		420,566,344		69,885
Employee employment contract performance share issues	*(ii)*	1,305,000	-	-
Employee options exercised	*(iii)*	750,000	0.20	150
Placement	*(v)*	123,369,229	0.33	40,500
Placement	*(vi)*	79,830,585	0.25	19,957
Forfeit of J Parker employee share scheme issue	*(iv)*	(6,600,000)	-	-
				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

(i) *Bellamel takeover consideration*
See Note 25 for further information.

(ii) *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 39 for further information.

(iii) *Exercise of Options*
See Note 39 for further information for options issued in the current or previous financial year.

(iv) *J. Parker Employee Share Scheme Issue*
See Note 28 for further information.

(v) *Share placement of $40.500 million*
The company raised $40.500 million as announced on 19 October 2009, via a share placement at 32.83 cents per share with international investors Sprott Asset Management LP, Libra Advisors LLC, Baker Steel Capital Managers LL Pand GoldMax Asia Investment Limited.

(vi) *Share placement of $19.95 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 25 cents per share.

26. 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) Equity component of convertible notes

This equity component relates to the value of conversion rights relating to the 11% convertible notes included in non-current financial liabilities (refer Note 22).

(e) 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 39.

As at 30 June 2010, the number of options to purchase ordinary shares in the company were as follows:

Type	Number of options at 30 June 2010	Number of options at 30 June 2009	Exercise price	Expiry date
Type 1	8,275,400	8,281,400	$0.20	8 October 2010
Type 2 and 3	17,415,800	17,634,800	$0.20	8 August 2010
Type 5	3,000,000	3,000,000	$0.12	4 December 2010
Type 6	2,000,000	2,000,000	$0.20	4 December 2010
Type 7	-	35,386,528	$0.20	27 August 2009
Type 9	2,000,000	2,000,000	$0.20	14 August 2010
Type 10	-	1,210,000	$0.20	14 April 2010
Type 11	100,000	500,000	$0.50	14 April 2011
Type 12	-	1,000,000	$0.40	31 December 2012
Type 13	740,000	1,165,000	$0.20	10 October 2010
Type 14	760,000	890,000	$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
	36,791,200	74,367,728		

26. Contributed equity (continued)

(f) 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.

The capital structure of the group consists of debt in the form of convertible notes as disclosed in Note 22, 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.

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 (convertible notes) less cash and cash equivalents. Total capital is calculated as total equity less net debt. At 30 June 2010 the group's cash and cash equivalents exceeded its total debt resulting in the zero gearing ratio. However the conversion of the group's gold hedge derivative into a senior note (refer Note 36) subsequent to 30 June 2010, will result in a significant increase in the gearing ratio. The group will seek to reduce this increase in the gearing ratio over the short to medium term down to an appropriate level. The group's gearing ratios at 30 June 2010 and 30 June 2009 were as follows:

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Total debt	22	37,092	36,413
Less: cash and cash equivalents	12	(68,517)	(45,356)
Net debt		(31,425)	(8,943)
Total equity		77,906	45,122
Total capital		46,481	36,179
Gearing ratio		(67%)	(25%)

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

27. Reserves and accumulated losses

(a) Reserves

	2010	2009
Hedge reserve	(14,865)	(22,298)
Share-based payment reserve	9,015	9,287
	(5,850)	(13,011)

Movements:

	2010	2009
Hedge reserve		
Balance 1 July	(22,298)	(38,070)
Mark-to-market net adjustment	-	14,160
Deferred tax	-	(4,248)
Allocation of reserve recognised in profit / (loss)	10,618	8,372
Deferred tax	(3,185)	(2,512)
Balance 30 June	(14,865)	(22,298)
Share-based payments reserve		
Balance 1 July	9,287	6,124
Option expense	(272)	3,163
Balance 30 June	9,015	9,287

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27. Reserves and accumulated losses (continued)

(b) Retained earnings / (Accumulated losses)	Consolidated 2010 $'000	Consolidated 2009 $'000
Movements in retained earnings /(accumulated losses) were as follows:		
Balance 1 July	(12,861)	3,914
Net loss for the year	(32,837)	(16,775)
Balance 30 June	(45,698)	(12,861)

(c) Nature and purpose of reserves

Hedge reserve
The hedge reserve represents the amount fixed at 15 September 2008 (refer Note 24) and is reclassified as a separate line item through the consolidated statement of comprehensive income over the remaining life of the hedge agreement.

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.

28. Key Management Personnel disclosures

i. Key Management Personnel compensation	Consolidated 2010 $	Consolidated 2009 $
Short term employee benefits	1,886,790	1,644,467
Post employment benefits	191,100	194,965
Termination benefits	938,658	-
Share based payments	(442,643)	1,298,734
Total	2,573,905	3,138,166

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 but unexercisable options at the end of the financial year.

Name	Balance at start of 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

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

28. Key Management Personnel disclosures (continued)

ii. Equity instrument disclosures relating to Key Management Personnel (continued)

Name	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Balance at end of year Number	Vested and exercisable at end of year Number
2009					
Directors					
A. Anthony McLellan	5,000,000	-	-	5,000,000	5,000,000
Jon B. Parker	2,000,000	-	-	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	1,000,000
Total	16,680,000	-	-	16,680,000	16,680,000

Share holdings

The numbers of shares in the company held during the financial year by Key Management Personnel of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at start of year Number	Net changes – purchases (sales) 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 / senior management 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	Remuneration during the year Number	Balance at end of year Number	Balance held nominally Number
2009						
Directors						
Jon B. Parker	4,195,500	-	9,900,000	-	14,095,500	4,195,500
A. Timothy Prowse	21,700,001	-	-	-	21,700,001	-
Ian McCauley	64,550,000	(5,000,000)	-	-	59,550,000	59,550,000
Other Key Management Personnel						
Simon Brodie	-	-	-	875,000	875,000	-
W. Andrè Labuschagne	300,000	-	-	500,000	800,000	-
Jonathan Price	-	-	-	700,000	700,000	-
Total	90,745,501	(5,000,000)	9,900,000	2,075,000	97,720,501	63,745,500

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28. Key Management Personnel disclosures (continued)

ii. Equity instrument disclosures relating to Key Management Personnel (continued)

Mr I. McCauley, as a director and shareholder of BPI Norton Pty Ltd, also controls 50 convertible notes (total convertible to 20,000,000 ordinary shares).

iii. Loans with Key Management Personnel

In the previous financial year, 9,900,000 ordinary shares were issued to Jon Parker, of which 6,600,000 shares were subject to share price conditions. On the resignation of Mr Parker the 6,600,000 shares were forfeited and as a result the company have bought back the shares in 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 loan is repaid.

Due to the loan being limited recourse, equity contributions are only recognised on receipt of loan repayments.

Loan repayments of $nil were received during the financial year.

iv. Other transactions with Key Management Personnel

Consulting fees of $134,950 (2009: $11,700) were paid to A. Anthony McLellan on normal commercial terms and conditions.

Consulting fees of $70,600 (2009: $143,000) were paid to J P Strategic Insights, an entity associated with Jon Parker, on normal commercial terms and conditions.

Consulting fees of $52,009 (2009: nil) were paid to Bokiboo, an entity associated with Simon Brodie, on normal commercial terms and conditions.

Consulting fees of $5,500 were paid to Mark Wheatly prior to his appointment as non-executive director.

During the financial period, the group engaged RMM Capital to provide assistance with share placements. Services were provided at an arm's length basis at market prices to the group. A total of $14,870 (2009: $41,000) was paid during the financial year. Mark McCauley is ane executive director of RMM Capital.

29. 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:

	Consolidated 2010 $	Consolidated 2009 $
(a) Audit services		
BDO Audit (QLD) Pty Ltd		
Audit and review of financial reports	115,528	178,727
Total remuneration for audit services	115,528	178,727
(b) Non-audit services		
BDO Audit (QLD) Pty Ltd		
Litigation assistance	7,295	-
Total remuneration for non -audit services	7,295	-
Total remuneration	122,823	178,727

30. 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 the group

	Consolidated	
	2010 $'000	**2009 $'000**
Financial assets		
Cash and cash equivalents	68,517	45,356
At amortised cost		
Other receivables	3,663	2,351
Interest receivable	841	179
Other assets	18,770	18,451
	91,791	66,337
Financial liabilities		
At amortised cost		
Trade creditors and other payables	26,400	22,659
Convertible notes	37,092	36,413
At fair value		
Derivative instruments	107,000	74,156
	170,492	133,228

(c) Price risk

The group is predominantly exposed to gold price risk see Note 30(g). 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.

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30. Financial instruments (continued)

(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 policies for deposit transactions require deposit with financial institutions holding a benchmark credit rating. At balance date, cash and deposits were held with National Australia Bank, Suncorp-Metway, Westpac, Bank of Western Australia and ANZ. 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 the Perth Mint which is perceived as reliable and has short contractual payment terms. For other receivables refer to Note 13.

(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 maturity 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
Group, 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	-
Group, 30 June 2009						
Trade and other payables	22,659	22,659	22,659	-	-	-
Convertible notes	36,413	47,024	2,107	2,073	42,844	-
Derivative instruments	74,156	74,156	-	-	-	74,156
Total	133,228	143,839	24,776	2,073	42,844	74,156

A significant portion of financial liabilities are within 1 to 3 years. 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.

Subsequent to year end the derivative has been settled and replaced with a new note facility please refer to Note 36 for more detail.

30. 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. Details on interest rates and maturities are located at Note 12 and Note 19.

The group's interest rate risk in liabilities is primarily due to the convertible notes, which are fixed at an 11% rate for the life of the Note and borrowings (equipment loans) fixed at the prevailing rate for one year.

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

(g) Fair value of financial instruments

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

As of 1 July 2009, the company has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) 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
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table present the group's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group, 30 June 2010				
Financial assets				
Cash and cash equivalents	68,517	-	-	68,517
Other receivables	3,663	-	-	3,663
Interest receivable	841	-	-	841
Other assets	18,770	-	-	18,770
Total financial assets	91,791	-	-	91,791
Financial liabilities				
Trade creditors and other payables	26,400	-	-	26,400
Convertible notes	-	37,092	-	37,092
Derivative instruments	-	-	107,000	107,000
Total financial liabilities	26,400	37,092	107,000	170,492

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 current the group has determined the fair value of:
  - convertible notes using estimated discounted cash flows included in level 2.
  - derivative instruments with LBCC are calculated using observable and non-observable inputs, included in level 3.

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30. Financial instruments (continued)

(g) Fair value of financial instruments (continued)

The changes in level 3 for the year ended 30 June 2010 are as follows:

	Derivative instrument $'000
Opening balance	74,156
Loss recognised in profit or loss	32,844
Closing balance	107,000

The reported fair values of derivative instruments do not represent an admission of liability or an agreement to make payment.

The fair value of the derivative instrument as at 30 June 2010 of $107 million, has been calculated as the fair value of the secured note facility entered into after year end, as explained in note 24. The secured note is fair valued using the payment schedule below, assuming no prepayment.

<u>Payment terms of new secured note</u>
The principal will be paid in four instalments with $5 million to be paid in 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 will be compounded half yearly on all outstanding amounts at an annualised interest of 4%.

<u>Sensitivity analysis</u>
As settlement was reached with the derivative instrument contract counter part, the company will recognise the notes at as a fixed interest bearing liability and will subsequently record the liability at amortised cost. As a fixed interest bearing liability the note will not be sensitive to interest rate changes.

2009
The fair value of the derivative instrument as at 30 June 2009 has been calculated for the purposes of these financial statements, using forward gold prices, interest rates and exchange rates to perform a discounted cash flow analysis. In addition, the discounted cash flow analysis incorporated the following adjustments, which were not based on directly observable market data:

- a gold price spread applied to the gold futures curve to derive a London Gold PM Fix forward curve
- a credit adjustment based on an appropriate credit spread for the company, and
- the probability of the company being required to make payment of the fair value of the Hedge.

<u>Gold price spread</u>
The underlying price of the derivative instrument is the London Gold PM Fix spot price. A forward curve for this gold price is not available. Using the Gold, 100 oz (USD/troy ounce) forward curve, an average historical spread was calculated over the last two years of US$0.82/oz to the London Gold PM Fix price to derive a London Gold PM Fix forward curve.

<u>Credit risk adjustment</u>
The valuation of the derivative instrument has utilised an upper and lower credit spread ranging from 0% to 25%. Twenty-five percent was determined as the current credit spread based on analysis of comparable bonds of similar sized resource companies as the company.

<u>Probability of payment</u>
Pursuant to the terms of the derivative instrument, the company is not required to make any hedge payments which may otherwise be due to LBCC under the derivative instrument, while the events of default of both LBHI and LBCC continue. Provided the company is not itself in default (which would provide LBCC with certain rights), the company's position is that it would only become liable to settle any outstanding amounts with respect to the Hedge if both LBCC and LBHI emerge from Chapter 11, the derivative instrument is successfully assigned to a third party, or the US Bankruptcy Court otherwise orders the company to do so.

For the purposes of these financial statements, a probability of payment has been incorporated into the fair value of the derivative instrument. A probability of 87.5 to 100% of fair value was used in determining the fair value of derivative instrument at 30 June 2009.

30. Financial instruments (continued)

(g) Fair value of financial instruments (continued)

Determination of the derivative instrument fair value
The valuation has been set at the midpoint of the upper and lower levels of the valuation, after taking into account the possible credit spread and probability ranges outlined above. The midpoint has been selected as any acquirer taking on this liability would expect a reasonable spread to justify the risks associated with both the ongoing legal case and the company's credit risk and gold price fluctuation.

The valuation is summarised below:

	Asset/(liability) 2009 $'000
Upper range	
- This is based on a credit spread of 0% and probability of payment of 100%	(87,126)
Lower range	
- This is based on a credit spread of 25% and probability of payment of 87.5%	(61,186)
Mid point	(74,156)

The reported fair values of derivative instruments do not represent an admission of liability or an agreement to make payment.

Sensitivity analysis
(i) Change in market based inputs
The following table summarises the sensitivity of the derivative instrument fair value to management's assessment of reasonably possible changes in gold prices and interest rates. The sensitivity to gold prices and interest rates have been applied independently.

	Profit will increase/(decrease) by 30 June 2009 $'000
Interest rates:	
- **50 basis point increase**	343
- **50 basis point decrease**	(348)
Gold price:	
- **10% increase**	(19,737)
- **10% decrease**	19,737

(ii) Change in inputs not based on observable market data
The upper and lower ranges in the valuation as outlined above represent the fair value impact of reasonably possible changes in inputs not based on observable market data.

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31. Contingencies

The group had no contingent liabilities at 30 June 2010.

	Consolidated	
	2010	2009
32. Commitments	$'000	$'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	132	127
Later than one year but not later than five years	102	234
	234	361

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.

	Consolidated	
	2010	2009
	$'000	$'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	8,252	7,094
Later than one year but not later than five years	27,989	23,670
Later than five years	54,771	45,667
	91,012	76,431

So as to maintain current rights to tenure of various exploration tenements, the entity 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.

	Consolidated	
	2010	2009
Capital commitments	$'000	$'000
Commitments for payments for capital expenditure contracted at the reporting date but not recognised as liabilities payable are estimated as follows:		
Within one year	-	96
Later than one year but not later than five years	-	-
Later than five years	-	-
	-	96

33. 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 35.

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 28 and Note 39.

(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, other than that disclosed in Note 28.

34. Parent entity information

The requirements of the *Corporations Act* to prepare parent entity (Norton Gold Fields Limited) financial statements where consolidated financial statements are prepared have been removed and replaced by the new regulation 2M.3.01 which requires that only the following should be disclosed in respect to the parent entity. 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).

	Consolidated	
Norton Gold Fields Limited	**2010**	**2009**
	$'000	**$'000**
Current assets	68,011	47,821
Non-current assets	136,803	103,805
Total assets	204,814	151,626
Current liabilities	2,175	14,166
Non-current liabilities	144,348	110,572
Total liabilities	146,523	124,738
Net assets	58,291	26,888
Contributed equity	129,454	70,994
Reserves	(5,850)	(13,011)
Accumulated losses	(65,313)	(31,095)
Total shareholders' equity	58,291	26,888
Loss for the year	(34,215)	(19,713)
Total comprehensive loss	(26,782)	(3,941)

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 35.

Contractual commitments

The only contractual commitment entered into is that of the lease of property, the details are disclosed in Note 32.

Contingent liabilities

Please refer to Note 31 for details on contingent liabilities for the group that also includes the parent entity.

Norton Gold Fields Limited and its subsidiaries
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35. 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	
			2010	2009
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 comprised the Extended Closed Group.

35. Subsidiaries (continued)

The following information summarises the consolidated statement of comprehensive income and movements in accumulated losses for the year ended 30 June 2010 and the consolidated statement of financial position as at 30 June 2010 for the Closed Group as described above.

Consolidated statement of comprehensive income

	2010 $'000	2009 $'000
Revenue	173,106	161,640
Cost of sales	(154,114)	(124,263)
Gross profit	**18,992**	**37,377**
Other income	1,408	1,776
Administrative expenses	(6,797)	(7,381)
Impairment	(12,900)	(4,720)
Fair value adjustments	(32,844)	(35,548)
Hedging loss	(10,618)	(9,816)
Loss before net finance costs	**(42,759)**	**(18,312)**
Finance income	3,741	2,507
Financial expense	(4,877)	(5,384)
Loss before tax	**(43,895)**	**(21,189)**
Income tax benefit	10,580	4,080
Loss for the year	**(33,315)**	**(17,109)**
Other comprehensive income		
Cash flow hedges:		
Gains/ (losses) arising on hedge during the year	-	14,160
Deferred hedging loss	10,618	8,372
Income tax on items of other comprehensive income	(3,185)	(6,760)
Other comprehensive income for the year, net of tax	**7,433**	**15,772**
Total comprehensive loss for the year	**(25,882)**	**(1,337)**

Norton Gold Fields Limited and its subsidiaries
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35. Subsidiaries (continued)

Consolidated statement of financial position

	2010 $'000	2009 $'000
Current Assets		
Cash and cash equivalents	68,464	45,001
Trade and other receivables	4,060	2,959
Inventories	28,411	19,642
Total Current Assets	100,935	67,602
Non-current Assets		
Trade and other receivables	13,428	1,344
Deferred tax assets	28,288	19,353
Other financial assets	11,700	11,199
Exploration costs and purchased mine properties	64,778	59,467
Capitalised mining costs	21,991	19,420
Property, plant and equipment	19,588	15,022
Other assets	16,075	16,644
Total Non-current Assets	175,848	142,449
Total Assets	276,783	210,051
Current Liabilities		
Trade and other payables	26,361	22,438
Financial liabilities	-	2,547
Provisions	1,655	3,567
Total Current Liabilities	28,016	28,552
Non-current Liabilities		
Financial liabilities	37,092	36,413
Provisions	22,015	21,673
Deferred tax liabilities	5,091	4,469
Derivative financial instruments	107,000	74,156
Total Non-current Liabilities	171,198	136,711
Total Liabilities	199,214	165,263
Net Assets	**77,569**	**44,788**
Equity		
Contributed equity	129,454	70,994
Reserves	(5,375)	(13,011)
Accumulated losses	(46,510)	(13,195)
Total Equity	**77,569**	**44,788**

35. Subsidiaries (continued)

Consolidated statement of changes in equity

	Contributed equity $'000	Hedge reserve $'000	Share-based payments reserve $'000	Retained earnings / (Accumulated losses) $'000	Total equity $'000
At 1 July 2008	**60,395**	**(38,070)**	**6,124**	**3,914**	**32,363**
Contributions of equity, net of transaction costs and deferred tax	10,599	-	-	-	10,599
Non-cash share based payments	-	-	3,163	-	3,163
Comprehensive income					
- Net loss after tax	-	-	-	(17,109)	(17,109)
- Allocation of hedge reserves	-	15,772	-	-	15,772
At 30 June 2009	**70,994**	**(22,298)**	**9,287**	**(13,195)**	**44,788**
Contributions of equity, net of transaction costs and deferred tax	58,460	-	-	-	58,460
Non-cash share based payments	-	-	203	-	203
Comprehensive income					
- Net loss after tax	-	-	-	(33,315)	(33,315)
- Allocation of hedge reserves	-	7,433	-	-	7,433
At 30 June 2010	**129,454**	**(14,865)**	**9,490**	**(46,510)**	**77,569**

36. Events occurring after the balance sheet date

On 19 July 2010 Norton Gold Fields Limited entered into an agreement to settle its hedge litigation with Lehman Brothers Commercial Corporation. The gold hedge with Lehman Brothers Commercial Corporation (Lehman) was cancelled in exchange for payment to Lehman of AUD $10 million upfront and the issuance of a Senior Secured Note for AUD $97 million to be repaid over 4 years. The agreement represents the best available outcome for the shareholders. The settlement offers the company greater certainty and will allow the group to move forward and focus on expanding production and reducing costs.

The settlement was finalised as announced on 6 September 2010.

Part of the hedge finalisation process included the company making an offer to convertible note holders for the redemption and partial conversion of the $38 million (face value) in convertible notes on issue. All of the convertible note holders accepted the company's offer. The company redeemed $23.8 million worth of convertible notes at the August 2011 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 25 cents per share resulting in the issue of 56.8 million shares.

Except for the settlement on hedge litigation and convertible notes settlement discussed 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 consolidated group, the result of those operations, or the state of affairs of the consolidated group in future financial years.

Norton Gold Fields Limited and its subsidiaries
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37. Reconciliation of loss after income tax to net cash from operating activities

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and short term deposits. Full details of cash and cash equivalents is at Note 12.

	Consolidated	
	2010	**2009**
Reconciliation from the net loss after tax to the net cash from operating activities	**$'000**	**$'000**
Net loss	(32,837)	(16,775)
Adjustments for:		
Depreciation and amortisation	20,896	16,219
Impairment of mine properties	12,900	3,612
Interest on unwinding of convertible notes discount	679	1,122
Exploration written off	-	1,108
Rehabilitation estimates capitalised to mining properties	(3,500)	-
Tax amounts related to financial instruments not in operating activities	-	(5,657)
Profit on disposal of property plant and equipment	(15)	-
Reclassification of hedge reserve	10,618	8,372
Fair value movement of gold put options	-	1,618
Fair value movement of forward gold hedges	32,844	33,929
Non-cash share based payment	(272)	3,163
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(6,237)	4,365
(Increase)/decrease in inventories	(4,613)	259
(Increase)/decrease in deferred tax	(10,903)	105
Increase/(decrease) in current payables	3,741	(5,595)
Decrease in current provisions	(1,372)	(852)
Decrease in current financial derivative liabilities	-	(9,044)
Increase in non-current provisions	752	1,824
Decrease in non-current financial derivative liabilities	-	(5,116)
Increase in hedge reserve	-	15,772
Net cash from operating activities	22,681	48,429

38. Loss per share	Consolidated 2010 Cents	2009 Cents
Basic loss per share	(6.3)	(4.2)
Diluted loss per share	(6.3)	(4.2)

Information concerning earnings per share:

(a) Earnings used for basic and diluted EPS is a loss after tax of $32,837,000 (2009: $16,775,000).
(b) The convertible notes are not considered dilutive as the impact of interest expense makes these potential shares anti-dilutive.
(c) In 2010, the options are not considered dilutive as the company and group made a loss for the year, and are therefore not included in the calculation of diluted earnings per share. The options disclosed in Note 28 and 39 could potentially dilute basic earnings per share in the future.
(d) Reconciliation of weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is as follows:

	2010 Number	2009 Number
Number used in calculating basic earnings per share	524,207,754	399,200,813
Weighted average number of options outstanding	-	-
Number used in calculating diluted earnings per share	524,207,754	399,200,813

39. 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.

Norton Gold Fields Limited and its subsidiaries
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39. 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	Cancelled during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Issued in 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
Issued in prior years										
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

Weighted average exercise price of share options for each of the following groups are:	Cents
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 share options outstanding at the end of the period was 0.28 years (2009: 1.86 years).

39. Share-based payments (continued)

(a) Options (continued)

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

	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
2010									
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

	Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2009									
JP T1	3/7/2008	2/7/2018	$0.2513	-	3,300,000	-	-	3,300,000	3,300,000
JP T2	3/7/2008	2/7/2018	$0.2513	-	3,300,000	-	-	3,300,000	-
JP T3	3/7/2008	2/7/2018	$0.2513	-	3,300,000	-	-	3,300,000	-
				-	9,900,000	-	-	9,900,000	3,300,000

Refer Note 28 for further information on shares issued to Jon B. Parker, which are accounted for as options.

Fair value of options granted
The assessed fair value at grant date of options granted was determined using a Binomial 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 2010 included:

Type 17 – options to Norton Gold Field employees
(a) options are granted for no consideration
(b) exercise price $0.20
(c) grant date: 25 May 2009
(d) vesting after 12 months employment
(e) expiry date: 31 December 2010
(f) share price at grant date: $0.1475
(g) expected price volatility of the shares: 100% in the expected life of option
(h) expected dividend yield: 0%
(i) risk-free interest rate: 4%
(j) fair value estimated: $87,138

Type 18 – options to Norton Gold Field employees
(a) options are granted for no consideration
(b) exercise price $0.21
(c) grant date: 13 July 2009
(d) vesting after 12 months employment
(e) expiry date: 30 June 2011
(f) share price at grant date: $0.195
(g) expected price volatility of the shares: 100% in the expected life of option
(h) expected dividend yield: 0%
(i) risk-free interest rate: 4%
(j) fair value estimated: $58,200

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

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39. 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 Number	Grant date	Fair value per share at grant date $	Vested at 30 June 2010 Number	Vesting conditions	Possible vesting date
2010						
Terence Moylan	700,000	10/03/2010	$0.205	Nil	12 months after employment date	March 2011
	600,000	10/03/2010	$0.205	Nil	Issuer Conversion Right available on convertible notes	December 2010
	700,000	10/03/2010	$0.205	Nil	VWAP of ordinary shares is 70c for 5 consecutive days	June 2013
W. Andrè Labuschagne	750,000	01/09/2009	$0.195	Nil	37.5c per share closing price for 20 consecutive days	December 2010
	750,000	01/09/2009	$0.195	Nil	VWAP of ordinary shares is 70c for 5 consecutive days	June 2013
2009						
Jon B. Parker	3,300,000	03/7/2008	$0.251	3,300,000	Vested 1 January 2009	January 2009
	3,300,000	03/7/2008	$0.251	Nil	VWAP5 is 85c	June 2012
	3,300,000	03/7/2008	$0.251	Nil	VWAP5 is 120c	June 2014

The Issuer Conversion Right on the convertible notes requires the issue of the convertible notes takes place and that the ordinary share price for NGFL shares is over 37.5c for 20 consecutive trading days.

VWAP means the volume weighted average trading price of shares on the 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 were issued to Key Management Personnel, during the current financial year.

There were no shares issued in the previous financial year except those issued to Mr Jon Parker.

39. Share-based payments (continued)

(b) Ordinary Shares (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 2010, and are included in share capital at Note 26. The table below outlines whether the shares were vested at 30 June 2010. The value of the shares are 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 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 70c for five consecutive days	Nil
Paddington Gold employee	350,000	01/02/2010	0.20	-	-	12 months after employment date	Nil
Paddington Gold employee	490,000	03/01/2009	0.285	-	-	12 months after employment date	Nil
Paddington Gold employee	420,000	03/01/2009	0.285	-	-	Issuer Conversion Right available on convertible notes	Nil
Paddington Gold employee	490,000	03/01/2009	0.285	-	-	VWAP of ordinary shares is 70c for five consecutive days	Nil
Paddington Gold employee	490,000	01/09/2009	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 70c for five consecutive days	Nil

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39. Share-based payments (continued)

(b) Ordinary Shares (continued)

2009	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
Paddington Gold employee	490,000	15/08/08	0.21	490,000	-	12 months after employment date	Nil
Paddington Gold employee	420,000	15/08/08	0.21	-	(420,000)	Issuer Conversion Right available on convertible notes	Nil
Paddington Gold employee	490,000	15/08/08	0.21	-	(490,000)	VWAP of ordinary shares is 70c for five consecutive days	Nil
Paddington Gold employee	490,000	18/08/08	0.22	490,000	-	12 months after employment date	Nil
Paddington Gold employee	420,000	18/08/08	0.22	-	-	Issuer Conversion Right available on convertible notes	Nil
Paddington Gold employee	490,000	18/08/08	0.22	-	-	VWAP of ordinary shares is 70c for five consecutive days	Nil
Paddington Gold employee	175,000	07/01/09	0.09	175,000	-	12 months after employment date	Nil
Paddington Gold employee	150,000	07/01/09	0.09	150,000	-	Homestead underground set up, decline developed and ore production	Nil
Paddington Gold employee	175,000	07/01/09	0.09	-	-	VWAP of ordinary shares is 70c for five consecutive days	Nil
Paddington Gold employee	490,000	04/02/09	0.12	490,000	-	JORC compliant reserves of 1.5Moz before 30 June 2010	Nil
Paddington Gold employee	420,000	04/02/09	0.12	-	420,000	Issuer Conversion Right available on convertible notes	Nil
Paddington Gold employee	490,000	04/02/09	0.12	-	490,000	VWAP of ordinary shares is 70c for five consecutive days	Nil

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 Norton Gold Fields Limited shares is over 37.5c for 20 consecutive trading days.

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 28c (2009: 17c) per share.

39. 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:

	Consolidated 2010 $'000	2009 $'000
Ordinary shares issued	134	2,257
Options (cancelled or forfeit) / issued	(406)	906
	(272)	3,163

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

Directors' Declaration

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 2010 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 managing director and chief financial officer required by section 295A.

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 35 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.

W. Andrè Labuschagne
Managing Director

Brisbane
30 September 2010

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

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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 opinions.

Independence

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

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

Auditor's Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 23 to 31 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Norton Gold Fields Limited for the year ended 30 June 2010 complies with section 300A of the Corporations Act 2001.

BDO Audit (QLD) Pty Ltd

BDO

Chris Skelton

Christopher J Skelton
Director

Brisbane
30 September 2010

Shareholder Information

The shareholder information set out below was applicable as at 31 August 2010.

(a) Distribution of equity securities

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

Range of fully paid ordinary shares	Number of shareholders	Number of shares held	% of issued capital
1 – 1,000	118	49,302	0.01
1,001 – 5,000	631	1,999,162	0.32
5,001 – 10,000	586	5,136,927	0.83
10,001 – 100,000	1,211	45,084,898	7.28
100,001 and over	246	566,676,945	91.56
		618,947,234	100.00

Range listed options	Number of option holders	Number of options held	% of listed options
1 – 1,000	0	0	0.00
1,001 – 5,000	137	549,200	6.64
5,001 – 10,000	50	446,000	5.39
10,001 – 100,000	68	2,438,082	29.46
100,001 and over	13	4,842,118	58.51
		8,275,400	100.00

There were 401 holders of less than a marketable parcel of ordinary shares and no holders of less than a marketable parcel of options.

(b) Equity security holders

Twenty largest quoted equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

Name	Ordinary shares Number held	Ordinary shares Percentage of issued shares
ANZ Nominees Limited	142,554,571	23.03
HSBC Custody Nominees (Australia) Limited	96,662,356	15.62
Gold Max Asia Investments Limited	92,638,461	14.97
National Nominees Limited	41,890,711	6.77
Citicorp Nominees Pty Limited	36,833,501	5.95
BPI Norton Pty Ltd	17,800,000	2.88
Micona Mining Pty Limited	17,200,000	2.78
PR Norton Pty Ltd	12,800,000	2.07
Mr Meng Luo and Mrs Lan Liu	8,751,999	1.41
Micona Investments Pty Ltd	4,500,000	0.73
Jon Brereton Parker and Pamela Jean Parker	4,196,000	0.68
Jon Brereton Parker	3,300,000	0.53
JP Morgan Nominees Australia Limited	3,266,009	0.53
McNeil Nominees Pty Limited	3,016,112	0.49
Bond Street Custodians Limited	2,407,500	0.39
HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,054,601	0.33
Kahuna Clothing and Trading Co Pty Ltd	2,000,449	0.32
Mr Robert Mackay Buchan	2,000,000	0.32
Fitel Nominees Limited	1,701,906	0.27
Mr Hang Tat Kwok	1,700,000	0.27
	497,319,176	80.35

Twenty largest quoted equity security holders (continued)

Name	Options Number held	Options Percentage of issued options
Kaymac Nominees Pty Ltd	852,711	10.30
LW Kernot Pty Ltd	676,700	8.18
Jacobs Corporation Pty Ltd	579,711	7.01
Dr Laurence William Kernot	428,000	5.17
Mr Jeremy David Henson	422,000	5.10
Mr Anthony John Vetter	400,000	4.83
Isaiah Sixty Pty Ltd	397,196	4.80
Mr Douglas John Lawrence	250,000	3.02
Techinvest Holdings Pty Ltd	235,000	2.84
Mr Khoon Ho Kuok	200,000	2.42
Isaiah Sixty Pty Ltd	150,000	1.81
Mc Geachie & Rickard ESP Pty Ltd	125,800	1.52
RRRMKA Pty Ltd	125,000	1.51
Mrs Natalie Nina Fox	100,000	1.21
Ms Cynthia Sue Johnson	100,000	1.21
M Paglia Pty Ltd	100,000	1.21
Mr Peter John Bartter and Mrs Jennifer Ann Bartter	80,000	0.97
Etrade Australia Nominees Pty Limited	73,000	0.88
The Herbert Group Pty Ltd	72,000	0.87
Mr John Peter Janes and Mrs Lynette Monica Janes	70,000	0.85
	5,437,118	65.70

Unquoted equity securities

	Number on issue	Number of holders
Unquoted options	8,900,000	56

Holders of greater than 20% of unquoted equity securities

Name	Unlisted options Number held	Unlisted options Percentage of unquoted options
A. Anthony McLellan	5,000,000	59.8%

(c) Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage of issued shares
Ordinary shares		
Gold Max Asia Investments	92,638,461	14.97
Sprott Asset Management LP	86,585,582	14.00
China Precious Metal Resources Holdings Co. Ltd	79,830,585	12.90
Baker Steel Capital Managers LLC	54,477,438	8.80

(d) Voting rights

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

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

(b) Options
No voting rights.

glossary

Australian dollar	Currency of Australia
ASX	Australian Securities Exchange
Cash operating cost	Cash operating costs reflect all the cash spent in the specified period at the Paddington site. A measure of the average cost of producing an ounce of gold, calculated by dividing attributable cash operating costs in a period by attributable total gold production (in ounces) over the same period. Total cash costs include site costs for all mining, processing, administration, royalties and production taxes, as well as contributions from by-products but are exclusive of depreciation, depletion and amortization, rehabilitation, employment severance costs, corporate administration costs
CIP	Carbon-in-Pulp. A method of gold treatment whereby gold is leached conventionally from a slurry of gold ore with cyanide in agitated tanks. The leached slurry then passes into the CIP circuit where carbon granules are mixed with the slurry and gold is adsorbed on to the carbon. The granules are separated from the slurry and treated in an elution circuit to remove the gold
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPC	Exploration Permit for Coal
FY	Financial year ending 30 June
g/t	The quantity of gold contained within a unit weight of gold-bearing material generally expressed in grams per metric tonne (g/t)
Head grade	The grade of material fed into the processing plant
Indicated Resource	As defined under the JORC Code (2004 Edition)
Inferred Resource	As defined under the JORC Code (2004 Edition)
ISDA master agreement	The International Swaps and Derivatives Association (ISDA) over-the-counter derivatives master agreement drawn up by the New York-based trade association in 1987 and revised from time to time
JORC Code	The Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 Edition)
koz	Thousand ounces
kt	Thousands tonnes
LBCCA	Lehman Brothers Commercial Corporation Asia
Life of Mine (LoM)	Number of years that the operation is planning to mine and treat ore
Mbcm	Million bank cubic metres
Mineral Resource	As defined under the JORC Code (2004 Edition)
Moz	Million ounces of gold
Mt	Million tonnes
NPAT	Net profit after tax
Ore grade	The physical measurement of the characteristics of the material of interest in samples or products
Ore Reserve	As defined under the JORC Code (2004 Edition)
oz	Ounces
pa	Per annum
PCI	Pulverised coal injection
Pre-strip	The amount of waste to be removed before the ore body can be accessed
Probable Resource	As defined under the JORC Code (2004 Edition)
Proven Resources	As defined under the JORC Code (2004 Edition)
Quartz veins	A finite volume of Quartz within a rock vein
Recovery	Refers to the percentage of the material of interest that is extracted during mining and/ or processing. A measure of mining or processing efficiency. Also commonly referred to as 'yield'
SMP	Small mining projects
sq km	Square kilometres
Strike	The direction on surface of an outcropping rock unit or structure
Strip ratio	The ratio of waste tonnes to ore tonnes mined calculated as total tonnes mined less ore tonnes mined divided by ore tonnes mined.
Total cash cost	Total cash costs includes cash operating costs and all capital costs of exploration, development, pre-strip and capital works other than new project development (Homestead)
US dollar	Currency of the United States of America

corporate directory

Directors and officers

Mark Wheatley
Non-executive Chairman

Andrè Labuschagne
Managing Director

Mark McCauley
Non-executive Director

Tim Prowse
Non-executive Director

Tim Sun
Non-executive Director

David Franklin
Non-executive Director

Anne Bi
Non-executive Director

Leni P. Stanley
Robert Brainsbury
Co-company Secretary

Registered office

Level 1, 101 Edward Street
Brisbane Qld 4000
Ph: +61 (0)7 3221 6022

Business office

Level 1, 79 Hope Street
South Brisbane Qld 4101
Ph: +61 (0)7 3846 9200

Share registry

Link Market Services
Level 15, 324 Queen Street
Brisbane Qld 4000
Ph: 1300 554 474 (from Australia only)

Legal advisors

HopgoodGanim Lawyers
Level 8, Waterfront Place
1 Eagle Street
Brisbane Qld 4000

Auditor

BDO Audit (QLD) Pty Ltd
Level 18, 300 Queen Street
Brisbane Qld 4000

www.nortongoldfields.com.au

Norton Gold Fields Limited

Level 1, 79 Hope Street
South Brisbane Qld 4101
Ph: +61 (0)7 3846 9200

www.nortongoldfields.com.au