



## ASX/MEDIA ANNOUNCEMENT

15 August 2008

### **Maiden profit follows Paddington acquisition Results for Announcement to the Market**

#### **Key points**

- ▷ EBITDA for FY2008 of \$26.5M on revenue of \$115M at average A\$911 per oz
- ▷ NPAT of \$9.2M for FY2008
- ▷ 2.9 cents earnings per share for FY2008
- ▷ June cash balance \$27M; cash flow from operations of \$35.1M
- ▷ Total assets (excl. Hedge tax adj and net of rehabilitation) of \$137.6M
- ▷ Project pipeline set to unlock shareholder value:
  - Mount Morgan Mine Project: approval pending
  - Homestead underground development: approval pending
  - Paddington: 10-year Life of Mine Plan
  - Sienna Coal Project: 60-hole drilling program underway to define Resources
- ▷ FY2009 a development year providing the basis for 250,000 oz production in FY2010

Norton Gold Fields Limited (Norton), one of the largest ASX-listed (ASX: NGF) Australian gold producers, posted a net profit after-tax of \$9.238M for the financial year ending 30 June and represents a turnaround of some \$14M on the previous financial year.

The maiden profit marked Norton's first year of production from its strategically located Paddington Gold Mine in the Kalgoorlie region of Western Australia. Importantly, this profit was against a backdrop of substantial challenges in the Australian gold mining industry including strong cost pressures and energy supply issues from the Varanus Island gas explosion.

In addition to \$16M on deposit which secures Norton's environmental obligations, the Company had \$27M cash at bank as of 30 June.

"The Company's fast track into the black since acquiring the Paddington Gold Mine, is a credit to the capability and efforts of the Company's executive team and staff," said Jon Parker, the Managing Director.

"Shareholders can see that the board and management have not only recognised assets with substantial potential but also successfully transformed Norton through to profitable production.

"Acquiring Paddington was the second step in Norton's strategy of becoming a major gold company following the acquisition of the Mount Morgan Mine Project in Queensland.

"Norton's Mount Morgan Mine Project is progressing on track. In July, the Board approved the refurbishment and relocation of the Company's Kundana plant to the Mount Morgan site in anticipation of final Queensland Government approvals.

"Mount Morgan is planned to produce an initial 35-40,000 oz per year from FY2010 to augment Norton's current annual production of 150,000 oz.

"We have also made significant progress in our planning towards commencing underground operations at Paddington in FY2009 which will help us ramp up production to 250,000 oz in FY2010.

Mr Parker said Norton expected to increase its landholding in the Gold Fields region with the acquisition of the Bellamel gold assets.

"I am confident we can apply to the Bellamel assets the same combination of management and technical expertise now in use at Paddington. Bellamel shareholders will benefit from Norton's organisational, management and financing capabilities through Norton's mining and production business at Paddington. The combined entity will have significant JORC Code-compliant Reserves and Resources in one of the world's foremost gold provinces, together with a major low cost processing plant.

"We are very happy with the level of acceptances which as of today is 22.64%. Norton's offer of four (4) Norton shares for every five (5) Bellamel shares is open to Bellamel shareholders until 29 August, unless extended," Mr Parker concluded.

**The accounts and Appendix 4e (Rule 4.2A) Preliminary Report are attached.**

### **About Norton Gold Fields**

Norton Gold Fields Limited is Australia's fourth largest ASX-listed Australian gold producer. It also has active gold, copper, and coal exploration projects.

Norton's all-share offer to acquire Bellamel Mining Limited will, if accepted, add 1.68 Moz of gold to the Paddington Resources, and further extend the life of the Paddington Mine. Bellamel also has the potential to develop a 40-50,000 oz per year gold heap leach operation. Additionally, the Bellamel properties are highly prospective for underground development.

The Company operates the Paddington Gold Mine near Kalgoorlie in Western Australia and is planning to develop the Mount Morgan Mine Project in Queensland. Paddington has a 5Moz resource and a 3 Mtpa CIP plant capable of producing more than 150,000 oz of gold per year. With the planned addition of underground operations in FY2010, production is expected to lift to 250,000 oz of gold per year.

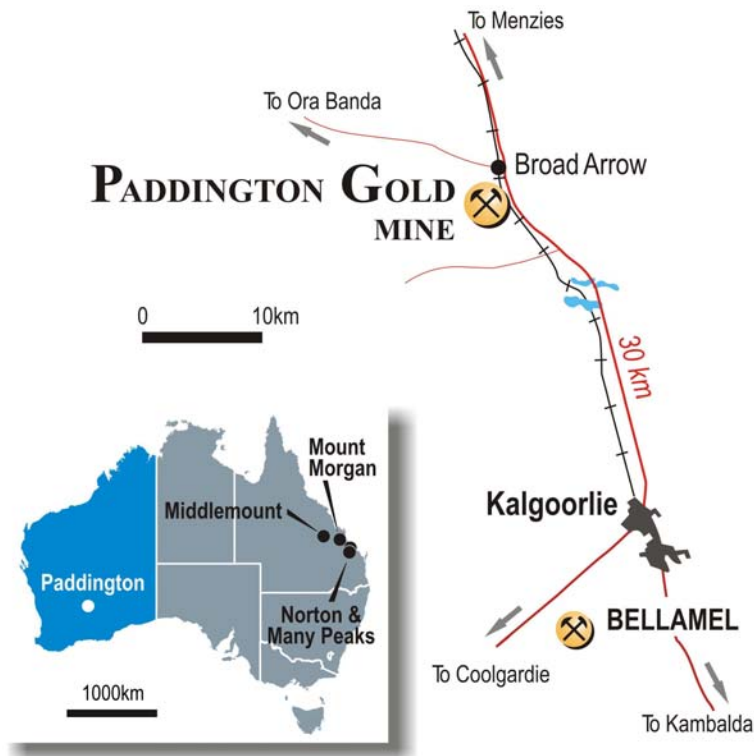
Norton plans to augment this with up to 40-50,000 oz of gold annually from the Mount Morgan Mine Project.

**For further information**

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**Competent Person's Statement**

The Mineral Resource statement, with the exception of the Mt Pleasant Mineral Resource estimate, has been compiled by Mr Ian Copeland who is a Member of the Australasian Institute of Mining and Metallurgy, and qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ian Copeland is a full time staff member of Norton Goldfields and consents to the inclusion in the release of the matters based on the information in the form and context in which it appears.

The Mt Pleasant Mineral Resource estimate, with the exception of the Homestead Mineral Resource estimate, has been compiled with the consent of Mr David Williams, who is a Member of the Australasian Institute of Mining and Metallurgy, and qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr David Williams is a full time staff member of CSA Australia Pty Ltd and consents to the inclusion in the release of the matters based on the information in the form and context in which it appears. The Homestead Mineral Resource estimate was compiled with the consent of Mr Ian Copeland.

The Mineral Resource estimate is tabulated inclusive of Ore Reserves. Cut-off grades used to estimate the Mineral Resource vary by deposit, ranging from 0.7g/t Au up to 1.0g/t Au. Note rounding errors may occur in the tabulation of the Mineral Resource estimate.

Measured Resources are 0.65Mt at 1.7 g/t for 35,000 oz, Indicated Resources are 41.66Mt at 2.0 g/t for 2,720,000 oz and Inferred Resources of 29.64Mt at 2.2 g/t for 2,070,000 oz. Proven Reserves are 0.12Mt at 1.2 g/t for 4,700 oz, and Probable Reserves are 17.74Mt at 1.8 g/t for 1,007,700oz.

The information in this report that relates to the Mineral Resources of Bellamel Mining Limited is based on information provided by Mr Matthew Wood who is a Member of the Australian Institute of Mining and Metallurgy. Mr Wood is the Chairman of Bellamel Mining Limited. Mr Wood has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Wood consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Measured Resources are 9.137Mt at 1.13 g/t for 331,075 oz, Indicated Resources are 12.54Mt at 1.41 g/t for 567,040 oz and Inferred Resources of 22.30Mt at 1.10 g/t for 784,265 oz

Appendix 4E (Rule 4.2A)  
Preliminary Final Report  
For the year ended 30 June 2008

Results for announcement to the market  
(all comparisons are to the year ended 30 June 2007)

	\$'000	Up/down	%movement
Revenue from ordinary	115,002	up	328,577
Profit/(Loss) from ordinary activities (NPAT)	9,238	up	Note 1

#### Notes

1. The NPAT of \$9.238M represents a movement up of \$14.395M. Since the movement was from a loss a percentage calculation cannot be reliably calculated. There are no minority interests.

#### Audit

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

#### Acquisitions and disposals

Details of acquisitions are provided in the attached Annual Financial report

#### Commentary on results for the period

The company acquired and operated the Paddington Gold Mine from 25 August 2007, producing 125,526 oz of gold. A detailed summary of the years operations is provided in the June quarterly report released on 1 August 2008.

Commentary on the results is also provided in the ASX release accompanying this statement.

#### Dividends

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

#### Net tangible assets per share (fully diluted)

The net tangible assets per share were 5.75 cents for 2008 and 4.76 cents for 2007. The relevant numbers excluding the accounting for the hedge position are 12.23 cents for 2008 and 4.76 cents for 2007.

#### Additional 4E disclosures

Additional disclosures requirements can be found in the Directors Report and consolidated financial report attached to this report.



# Annual Financial Report 2008

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## Directors' Report

Your Directors present their report together with the financial report of Norton Gold Fields Limited (the Company) and of the Group, being the entities it controlled and the Group's interest in associates and joint ventures for the financial year ended 30 June 2008.

### 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:

**A. Anthony McLellan** (Non-executive Chairman)

**Jon B. Parker** (Non-executive Director to 23 January 2008; Managing Director from 24 January 2008)

**A. Timothy Prowse** (Managing Director to 23 January 2008; Executive Director from 24 January 2008)

**Mark McCauley** (appointed Non-executive Director on 4 September 2007)

In addition, the following person was appointed alternate Director:

**Ian McCauley** (Alternate Director to Mark McCauley, appointed 14 February 2008)

### Principal activities

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

- Production of gold and exploration at Paddington in Kalgoorlie
- Acquisition, exploration and feasibility evaluation of the Mount Morgan Mine Project
- Exploration of the Sienna and Electra coal projects located near Middlemount in Queensland
- Evaluation of other exploration and business development opportunities including an Offer for the acquisition of Bellamel Mining Limited.

Significant changes in the nature of the principal activities occurred during the financial year:

#### Mining at Paddington Gold Pty Ltd

The acquisition of Paddington Gold Pty Ltd contributed revenues of \$111,783,000 and net profit before tax of \$22,500,000 to the Group for the period from 24 August 2007 to 30 June 2008.

### Business strategies and prospects for the future

Norton Gold Fields Limited is Australia's second largest ASX-listed Australian gold producer. It also has active gold, copper and coal exploration projects.

Norton's all-share offer to acquire Bellamel Mining Limited ("Bellamel") will, if accepted, add 1.68 Moz of gold to Paddington's Resources and extend the life of the Paddington Mine. Bellamel also has the potential to develop a 40-50,000 oz per year gold heap leach operation. Additionally, the Bellamel properties are highly prospective for underground development.

The Company operates the Paddington Gold Mine near Kalgoorlie in Western Australia and is planning to develop the Mount Morgan Mine Project in Queensland. Paddington has a 5.0Moz Resource and a 3 Mtpa CIP plant capable of producing more than 150,000 oz of gold per year. With the planned addition of underground operations in FY2010, production is expected to lift towards 250,000 oz of gold per year. Norton plans to augment this with up to 40-50,000 oz per year of gold from the Mount Morgan Mine Project.

## Financial position of the entity

Net Assets of the Group have increased from \$4,933,000 at 30 June 2007 to \$32,363,000 at 30 June 2008. This change is largely the result of:

### *Increase*

- A profit after tax of \$9,238,000 for the financial year
- Capital raising of \$75,000,000 in August 2007 (\$35M ordinary shares and \$40M from convertible notes)

### *Decrease*

- Net Liabilities at 30 June 2008 of gold put options, forward gold hedges and the associated deferred tax.

## 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 tenements and milled gold resulting in a profit after tax of \$9,238,000 (2007 – loss \$4,609,000), and undertook the following:

- Transaction to acquire the Paddington Gold Mine
- Transaction to acquire the Mount Morgan Mine Project
- Definition of coal targets at Sienna and Electra (Middlemount) in Queensland

## 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) Increase in contributed equity  
An increase in contributed equity of \$50,346,000 (from \$10,049,000 to \$60,395,000) primarily as a result of a capital raising of \$75,000,000 in August 2007 (\$35M ordinary shares and \$40M from convertible notes) for the Paddington acquisition.
- (b) Acquisition of Paddington Gold Pty Ltd  
On 24 August 2007, Norton Gold Fields Limited acquired all of the issued shares in Paddington Gold Pty Ltd, owner of an operating gold mine in Kalgoorlie, WA, for a total cash consideration of \$38,285,000 (including cash costs of acquisition). See Note 24 of the Accounts.
- (c) Acquisition of assets relating to Mount Morgan Mine Project  
On 28 November 2007, Norton Gold Mine Pty Ltd acquired certain tenements and mining information relating to the proposed Mount Morgan Mine Project in central Queensland for a total of \$4,525,000.
- (d) Merger with Bellamel Mining Limited  
On 29 May 2008, the Directors of Norton Gold Fields Limited and Bellamel Mining Limited agreed to merge the two companies by means of an off-market takeover offer by Norton for all the shares in Bellamel. This acquisition is subject to a number of conditions, including Norton receiving acceptances of 90 percent from Bellamel shareholders. The offer closes on 29 August 2008.

## Matters subsequent to the end of the financial year

Further details of events subsequent to balance date are outlined at Note 34 of the Financial Report.

At an Extraordinary General Meeting held on 1 July 2008, a loan funded share scheme was approved for the Managing Director J. Parker for the issue of 9,900,000 ordinary shares. These shares vest on various service and market price hurdles.

## Likely developments and expected results from operations

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

- Continuation of exploration for, and production of, gold at Paddington in Kalgoorlie
- Subject to final feasibility, development of the Mount Morgan Mine Project
- Continuation of exploration of the Sienna and Electra coal projects (Middlemount) in Queensland
- Completion of the take-over of Bellamel Mining Limited
- Continuation of the evaluation of other exploration and business development opportunities.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## 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.

## Information on directors

### A. Anthony McLellan

Chairman – Non-executive

#### *Experience and expertise:*

Mr McLellan lived abroad for more than twenty-five years where he served as the Chief Executive of a number of companies, including as president and CEO of the predecessor of Barrick Gold, headquartered in Toronto. With a passion for the poor, Mr McLellan serves as chairman for Habitat for Humanity Australia Inc, and is a Director of Opportunity International Australia.

#### *Other current directorships:*

Allomak Limited (Non-executive Director and Chairman since 2006)

#### *Former directorships in last three years:*

Felix Resources Limited (Non-executive Director from 2003 to 2007)

Bemax Resources Limited (Non-executive Director and Chairman until July 2008)

#### *Special responsibilities:*

Chairman

#### *Interests in shares and options:*

5,000,000 options over ordinary shares in Norton Gold Fields Limited

**Jon Parker**

Managing Director

*Experience and expertise:*

Honours degree in Physical Chemistry from Sydney University in 1969 and Graduate Diploma of Business Administration from Curtin University in 1979.

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

*Other current directorships:*

Sundata Pty Ltd (Non-executive Chairman since July 2007)

JP Strategic Insights Pty Ltd (Director since March 2006)

*Former directorships in last three years:*

ITPM Pty Ltd (Non-executive Chairman from 2003 to 2007)

Felix Resources Limited (Managing Director from 2002 to 2006)

*Special responsibilities:*

None

*Interests in shares and options:*

4,196,000 ordinary shares in Norton Gold Fields Limited

2,000,000 options over ordinary shares in Norton Gold Fields Limited

9,900,000 ordinary shares with various future vesting periods via Loan Funded Share Scheme (approved 1 July 2008)

**A. Timothy Prowse**

Executive Director

*Experience and expertise:*

Honours degree in mining engineering from Sydney University in 1978, Member of the Australian Institute of Mining and Metallurgy. Holder of a first class South African Mine Manager's certificate.

Over 26 years' experience in the mining industry, primarily in gold, but with broad experience in coal and base metals.

*Other current directorships:*

None

*Former directorships in last three years:*

Gold Aura Limited

*Special responsibilities:*

None

*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

## **Mark McCauley**

Non-executive Director

### *Experience and expertise:*

Currently Managing Director of RMM Capital, a Queensland-based private equity firm. Previous professional experience includes four years as Chief Financial Officer for a large Australian coal producer, Director Strategic Development for a private resource investment company, along with various technical and operational roles with Mount Isa Mines Limited. A mining engineer and holder of a first class Queensland Metaliferous Mine Manager's certificate and graduate of the Harvard Business School's Advanced General Management program. Completed a Master of Business Administration at Bond University in 1994.

### *Other current directorships:*

RMM Capital Pty Limited (Executive Director since May 2007)  
Ausmin Australia Pty Ltd (Non-executive Chairman January 2008)

### *Former directorships in last three years:*

Monto Minerals Limited (Non-executive Director from October 2007 to June 2008)

### *Special responsibilities:*

Chairman of Audit and Risk Management Committee

### *Interests in shares and options:*

None

## **Ian McCauley**

Non-executive Alternate Director to Mark McCauley

### *Experience and expertise:*

Mr McCauley has had a distinguished career in the resources industry both as an executive and investor. Amongst other things, he previously has been Chairman and a major shareholder of Felix Resources Limited, and a Non-executive Director of Queensland Nickel Limited. Holds a Bachelor of Engineering (Mining).

### *Other current directorships:*

Belmont Park Investments Pty Ltd (including subsidiaries)  
Clermont Bulk Haulage Pty Ltd

### *Former directorships in last three years:*

Chairman of Felix Resources Limited

### *Special responsibilities:*

None

### *Interests in shares and options:*

Mr McCauley is a Director and Shareholder of BPI Norton Pty Ltd, an entity that holds the following equity in Norton Gold Fields Limited:

- 64,550,000 ordinary shares
- 50 Convertible Notes (total convertible to 20,000,000 ordinary shares)

## **Company Secretary**

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

Co-company secretary is Mr Simon Brodie B.Bus CPA ACIS. A graduate of the Queensland University of Technology, Mr Brodie is an accomplished finance executive with a strong background in the resources industry. Mr Brodie was appointed company secretary on 18 December 2007.

## Meetings of directors

The number of meetings of the Norton Gold Fields Limited's Board of Directors and the Audit and Risk Management Committee held during the year and the number of meetings attended by each director were:

	Board Meetings		Audit and Risk Management	
	Eligible	Attended	Eligible	Attended
A. Anthony McLellan	9	9	3	3
A. Timothy Prowse	9	9	-	-
Jon Parker	9	9	-	-
Mark McCauley	8	8	3	3

## Remuneration Report

This remuneration report, set out under the following main headings, has been audited and comprises pages 8 to 15:

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

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

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

#### Directors and Key Management Personnel

The following persons acted as Directors of the Company during or since the end of the financial year:

- A. Anthony McLellan* (Non-executive Chairman)
- Jon B. Parker* (Managing Director)
- A. Timothy Prowse* (Executive Director)
- Mark McCauley* (Non-executive Director)
- Ian McCauley* (Alternate Director to Mark McCauley)

The term "Senior Management" used in this report refers to the following persons, who in conjunction with the Directors form the group of Key Management Personnel:

- Simon Brodie* (Chief Financial Officer)
- W. Andre Labuschagne* (Project Director)
- Jonathan Price* (General Manager Paddington Gold)

The members of Key Management Personnel also include the five highest remunerated group executives.

## **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 length of service, relevant market conditions, knowledge and experience within the industry, organisational experience, performance of the Company 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. For the prior year ended 30 June 2007, Mr Prowse was the only executive of the Group.

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

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 within the framework of the Employee Share Option Plan and Employee Share Ownership Plan. The equity component is determined taking into account various market and/or non market conditions before vesting. The details of shares and options and their vesting conditions are set out below.

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

## **Relationship with company performance and shareholder wealth**

The Company matches 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 directly to the Company's share price rather than earnings.

In certain circumstances, remuneration is tied to the achievement of specific performance against strategic project outcomes. Each of the strategic project outcomes are reported directly through to the Board. As a result, each performance condition is directly assessed by the Board.

## **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 are benchmark with relevant organisations.

## **B. Details of remuneration**

Details of the nature and amount of remuneration of the directors and key management personnel of the Company and the consolidated entity are provided in the tables over the page.

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

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payment		Total
	Directors fees \$	Cash salary and fees \$	Non-monetary \$	Superannuation \$	Termination \$	Long service leave \$	Shares \$	Options \$	
<b>2008</b>									
<b>Directors</b>									
A. Anthony McLellan	60,000	-	-	5,400	-	-	-	-	65,400
Jon Parker <sup>1</sup>	-	169,516	-	42,496	-	-	-	376,867	588,879
A. Timothy Prowse <sup>2</sup>	-	160,083	9,716	100,000	-	2,145	-	-	271,944
Mark McCauley	49,667	-	-	4,470	-	-	-	-	54,137
Ian McCauley	-	-	-	-	-	-	-	-	-
<b>Senior Management</b>									
Simon Brodie <sup>3</sup>	-	133,590	16,549	26,111	-	-	336,322	-	512,572
W. Andre Labuschagne <sup>4</sup>	-	130,000	-	6,564	-	-	203,716	228,111	568,391
Jonathan Price <sup>5</sup>	-	187,059	-	10,941	-	-	240,840	-	438,840
	109,667	780,248	26,265	195,982	-	2,145	780,878	604,978	2,500,163
<b>2007</b>									
<b>Directors</b>									
A. Anthony McLellan	60,000	-	-	5,400	-	-	-	203,000	268,400
A. Timothy Prowse	-	160,000	-	14,400	-	-	-	-	174,400
Jon Parker	60,000	-	-	5,400	-	-	-	-	65,400
Jack Tan <sup>6</sup>	-	15,256	-	-	50,000	-	-	-	65,256
	120,000	175,256	-	25,200	50,000	-	-	203,000	573,456

1. Non-Executive Director until 23 January 2008
2. Managing Director until 23 January 2008
3. Appointed 6 November 2007
4. Appointed 1 January 2008
5. Appointed 5 September 2007
6. Resigned 14 November 2006

The relative proportions of remuneration that are linked to corporate performance (ie. share price vesting conditions for options and shares) and those that are fixed are as follows:

	Fixed Remuneration		Options		Shares	
	2008	2007	2008	2007	2008	2007
<b>Directors</b>						
A. Anthony McLellan	100%	24%	-	76%	-	-
Jon Parker	36%	100%	64%	-	-	-
A. Timothy Prowse	100%	100%	-	-	-	-
Mark McCauley	100%	-	-	-	-	-
Ian McCauley	-	-	-	-	-	-
Jack Tan *	-	-	-	-	-	-
<b>Senior management</b>						
Simon Brodie	34%	-	-	-	66%	-
W. Andre Labuschagne	24%	-	40%	-	36%	-
Jonathan Price	45%	-	-	-	55%	-

\* resigned 14 November 2006

## C. Service Agreements

Remuneration and other terms of employment for the Managing Director are formalised in a service agreement. The contractual arrangements contain certain provisions typically found in contracts of this nature. Other major provisions of the agreements relating to the remuneration are set out below. Non-executive Directors do not have formal service agreements. Terms of employment for other key management personnel are set out below.

### J Parker

#### *Managing Director*

Salary: Base salary of \$400,000 per year inclusive of superannuation, indexed at CPI.  
 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:

- 3,300,000 ordinary shares vesting provided Mr Parker remains employed by the Company on 1 January 2009
- 3,300,000 ordinary shares vesting when the VWAP20 is at least 85 cents (\$0.85) per ordinary share
- 3,300,000 ordinary shares vesting when the VWAP20 is at least 120 cents (\$1.20) per ordinary share.

### A T Prowse

#### *Executive Director*

Salary: Base salary of \$300,000 per annum inclusive of superannuation plus \$12,000 motor vehicle allowance per annum.  
 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.

### A A McLellan

#### *Non-executive Chairman*

Base Salary of \$75,000 (plus 9 percent superannuation) per annum. Consulting fees of \$1,800 per day for additional consulting services as requested from time to time by the Managing Director.

### M McCauley

#### *Non-executive Director*

Base Salary of \$60,000 (plus 9 percent superannuation) per annum. Consulting fees of \$1,800 per day for additional consulting services as requested from time to time by the Managing Director.

### **I McCauley**

*Alternative Non-executive Director to Mark McCauley*

Nil remuneration.

### **S Brodie**

*Chief Financial Officer*

Salary: Base salary package of \$270,000 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:

- 875,000 ordinary shares vesting twelve months after commencement
- 750,000 ordinary shares vesting after the Issuer Conversion Right is exercisable on the Convertible Notes
- 875,000 ordinary shares vesting when the VWAP of the ordinary share price reaches \$0.70 for 5 consecutive trading days.

### **W A Labuschagne**

*Project Director*

Salary: Base salary package of \$260,000 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:

- 500,000 ordinary shares vesting on completion of the Mount Morgan feasibility study
- 500,000 ordinary shares vesting when the VWAP of the ordinary share price reaches \$1.00 for 5 consecutive trading days
- 500,000 share options vesting six months after commencement
- 500,000 share options vesting twelve months after commencement.

### **Mr J Price**

*General Manager Paddington Gold*

Salary: Base salary package of \$240,000 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 twelve months after commencement
- 600,000 ordinary shares vesting after the Issuer Conversion Right is exercisable on the Convertible Notes
- 700,000 ordinary shares vesting when the VWAP of the ordinary share price reaches \$0.70 for 5 consecutive trading days.

## **D. Share Based Compensation**

### **Shares**

The table over the page sets out the information on shares granted as remuneration to key management personnel in the financial year and the performance conditions required for vesting.

	Granted No.	Grant Date	Fair Value per share at grant date \$	Vested at 30 June 2008 No.	Vesting conditions	Expiry
<b>2008</b>						
S. Brodie	875,000	6/8/07	\$0.280	nil	12 months after employment date	nil
S. Brodie	750,000	6/8/07	\$0.280	nil	Issuer Conversion Right available on Convertible Notes	nil
S. Brodie	875,000	6/8/07	\$0.280	nil	VWAP of Ordinary Shares is 70c for 5 consecutive days	nil
W. A. Labuschagne	500,000	1/12/07	\$0.493	nil	Completion of Mount Morgan feasibility study	nil
W. A. Labuschagne	500,000	1/12/07	\$0.493	nil	VWAP of Ordinary Shares is \$1.00 for 5 consecutive days	nil
J. Price	700,000	5/9/07	\$0.240	nil	12 months after employment date	nil
J. Price	600,000	5/9/07	\$0.240	nil	Issuer Conversion Right available on Convertible Notes	nil
J. Price	700,000	5/9/07	\$0.240	nil	VWAP of Ordinary Shares is 70c for 5 consecutive days	nil

The Issuer Conversion Right on the Convertible Notes requires that nine months elapse from the issue of the Convertible Notes (ie. from 27 August 2007 to 27 May 2008) and that the share price is 37.5c or higher for 20 consecutive trading days.

Of the shares disclosed above, the percentage that vested in the financial year and the percentage forfeited are set out below.

Name	Year granted	Vested %	Forfeited %	Unvested
S. Brodie	2008	-	-	100%
W. A. Labuschagne	2008	-	-	100%
J. Price	2008	-	-	100%

## 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.

Details of options over ordinary shares in the Company provided as remuneration to each director of Norton Gold Fields Limited and each of the key management personnel of the parent entity and the Group are set out on the table over the page. When exercisable, each option is convertible into one ordinary share of Norton Gold Fields Limited. Further information on the options are set out in Note 25 and Note 27 to the financial statements.

	Granted No.	Grant Date	Value per Option at Grant Date \$	Vested at 30 Jun 2008	Vesting Conditions	Exercise Price \$	Expiry
<b>2008</b>							
J. Parker	3,000,000	23/8/07	\$0.084	3,000,000	Ordinary Share price reaches \$0.20	\$0.12	6 mths post cessation of appointment
J. Parker	2,000,000	23/8/07	\$0.063	2,000,000	Ordinary Share price reaches \$0.30	\$0.20	6 mths post cessation of appointment
W. A. Labuschagne	500,000	1/12/07	\$0.297	nil	Six months from grant date	\$0.40	nil
W. A. Labuschagne	500,000	1/12/07	\$0.297	nil	Twelve months from grant date	\$0.40	nil
<b>2007</b>							
A. Anthony McLellan	3,000,000	14/4/07	\$0.045	3,000,000	Ordinary Share price reaches \$0.20	\$0.12	6 mths post cessation of appointment
A. Anthony McLellan	2,000,000	14/4/07	\$0.034	2,000,000	Ordinary Share price reaches \$0.30	\$0.20	6 mths post cessation of appointment

All options were granted for nil consideration. Options carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

Options granted during the year were part of remuneration. The number of options over ordinary shares in the Company held during the financial year by key management personnel of the Group, including personally related entities, are set out below.

Name	Balance at start of year	Granted during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of year
<b>2008</b>					
<b>Directors</b>					
A. Anthony McLellan	5,000,000	-	-	5,000,000	5,000,000
Jon Parker	-	5,000,000	(3,000,000)	2,000,000	2,000,000
A. Timothy Prowse	8,680,000	-	-	8,680,000	8,680,000
Mark McCauley	-	-	-	-	-
Ian McCauley	-	-	-	-	-
<b>Senior management</b>					
Simon Brodie	-	-	-	-	-
W. Andre Labuschagne	-	1,000,000	-	1,000,000	-
Jonathan Price	-	-	-	-	-
Total	13,680,000	6,000,000	(3,000,000)	16,680,000	15,680,000

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

Name	Balance at start of year	Granted during the year	Resignation during the year	Balance at end of year	Vested and exercise able at end of year
<b>2007</b>					
<b>Directors</b>					
A. Anthony McLellan	-	5,000,000	-	5,000,000	5,000,000
A. Timothy Prowse	8,680,000	-	-	8,680,000	8,680,000
Jack Tan	2,905,200	-	(2,905,200)	-	-
Jon Parker	-	-	-	-	-
<b>Total</b>	<b>11,585,200</b>	<b>5,000,000</b>	<b>(2,905,200)</b>	<b>13,680,000</b>	<b>13,680,000</b>

### Shares Issued on Exercise of Compensation Options

Options exercised during the financial year that were granted as compensation in current or prior periods:

	No. of Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
<b>Key Management Personnel</b>			
J. Parker	3,000,000	\$0.12	-

The value of these options, which were exercised on 31 August 2007, was \$0.13 per share. The options disclosed above, the percentage that vested in the financial year and the percentage forfeited are set out below.

	Year granted	Vested %	Forfeited %	Total value of grant unvested
J. Parker	2008	100%	-	-
W. A. Labuschagne	2008	-	-	100%
A. Anthony McLellan	2007	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 27 and 37 of the financial report.

The audited section of the Remuneration Report ends here.

## Shares under option

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

Date options granted	Vesting date	Expiry date	Exercise price	Number under option
25/2/2005	25/2/2005	8/8/2010	\$0.20	9,526,800
30/4/2005	30/4/2005	8/9/2010	\$0.20	2,094,800
17/6/2005	17/6/2005	8/8/2010	\$0.20	6,013,200
15/9/2005	15/9/2005	8/10/2010	\$0.20	8,281,400
14/11/2006	14/4/2007	6mths after termination	\$0.12	3,000,000
14/11/2006	14/4/2007	6mths after termination	\$0.20	2,000,000
23/8/2007	When VWAP* equals \$0.30 or 6 months after grant	earlier of 6mths after termination or 8 September 2010	\$0.20	2,000,000
24/8/2007	24/8/2007	24/8/2009	\$0.20	1,570,000
27/8/2007	27/8/2007	27/8/2009	\$0.20	35,386,528
1/12/2007	1/7/2008	nil	\$0.40	500,000
1/12/2007	1/1/2009	nil	\$0.40	500,000
15/3/2008	15/3/2009	15/3/2010	\$0.50	700,000
				71,572,728

\*VWAP means the volume weighted average trading price of Shares on ASX over a five business day period. No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

## Shares issued on the exercise of options

The following ordinary shares of Norton Gold Fields Limited were issued during the year ended 30 June 2008 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
25/2/2005	\$0.20	100,000
30/4/2005	\$0.20	830,200
17/6/2005	\$0.20	680,000
15/9/2005	\$0.20	12,000
14/11/2006	\$0.20	800,000
23/8/2007	\$0.12	3,000,000
		5,422,200

## Indemnification of directors and officers

The Company has entered into agreements to indemnify Directors and Company Secretary's 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 and no contracts insuring officers of the Company have been entered into.

The Company does not provide an indemnity to any auditor.

The Company has paid premiums to insure each of the Directors 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 of the Company. The policy requires that the premium paid be kept confidential.

### **Proceedings on behalf of company**

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

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

### **Non-audit services**

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

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

The Board of Directors has considered the position and, in accordance with the advice received from the Audit 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 Kendalls, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

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

## Assurance services

	2008 \$'000	2007 \$'000
<b>1. Audit services</b>		
BDO Kendalls:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	174	15
	-----	-----
<i>Total remuneration for audit services</i>	174	15
<b>2. Non-audit services</b>		
BDO Kendalls:		
Taxation advice	7	4
	-----	-----
<i>Total remuneration for non-audit services</i>	7	4
	-----	-----
<b>Total remuneration for services</b>	181	19
	=====	=====

## Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

## Rounding of amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

## Auditor

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

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



Jon Parker  
Managing Director  
Brisbane  
14 August 2008


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

As lead auditor of Norton Gold Fields Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

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

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

**BDO Kendalls (QLD)**



**C J Skelton**  
Partner

Brisbane  
Dated: 14 August 2008

## Corporate Governance Statement

Norton's approach to corporate governance is to have a set of values and behaviours that ensure transparency and fair dealing and protect stakeholder interests. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document, 'Principles of Good Corporate Governance and Best Practice Recommendations' ('Guidelines') applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets. The Board believes that the Company's policies and practices comply with the Guidelines, any divergence from the guide lines is detailed in the assessment below.

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

The Board's primary role is the protection and enhancement of shareholder value. The Board takes responsibility for the overall operation and stewardship of the Company, which includes overseeing Norton's corporate governance program. The Board Charter sets out the following responsibilities of the Board:

- Input into and approving the strategic direction of the Company
- Approving and monitoring budgets and capital expenditure
- Monitoring of financial performance, including the review and approval of significant financial and other reporting
- Reviewing and ratifying the systems in place that manage the material risks to the Company
- Appointing, remunerating, removing and setting succession policies for the Managing Director, Directors and senior executives
- Establishing and monitoring the achievement of management's goals
- Encouraging ethical behaviour throughout the organisation.

The Board has delegated responsibility for the operation and administration of the Company to the Managing Director and the executive management team. The Managing Director is accountable to the Board for the authority that is delegated by the Board. The Board Charter supports all delegations of responsibility. The Board has formally defined the specific functions reserved for the Board and its committees, and those matters delegated to management.

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

The Corporate Governance Charter requires the Board to comprise a minimum of three Directors, at least half of which must be non-executive. It also requires the Chairman to be independent. The Directors believe that the current four member composition of the Board adds value by ensuring there is a broad range of experience, expertise, skills, qualifications and contacts relevant to the size, scale and business of the Company. The roles of Chairman (A. Anthony McLellan) and Managing Director (Jon Parker) are not exercised by the same individual. The Corporate Governance Charter sets out a Corporate Code of Conduct. Norton's Board evaluates directors' actions against that code.

Norton's Board currently performs the functions of a nomination committee and where necessary will seek the advice of external advisors in relation to this role. Norton's Board shall, upon Norton reaching the requisite corporate and commercial maturity, approve the constitution of a nomination committee to assist the Board in relation to the appointment of Directors and senior management

The Audit and Risk Management Committee has two members who are non-executives. Norton is of the view that this structure is suitable for the effective discharge of the responsibilities of the Audit and Risk Management Committee. The Chairman (Mark McCauley) is an independent director and is not the Chairman of Norton's Board.

The Board has determined that all Non-executive Directors, including the Chairman, are independent

and free of any relationship which may conflict with the interests of the Company. The Board defines 'independence' in accordance with the ASX Recommendations. In order to ensure that any 'interests' of a Director in a matter to be considered by the Board are known by each Director, each Director has contracted with the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

Norton has a process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of Norton concerning the performance of directors. Directors visit Norton's mining operations and meet with management to gain a better understanding of the business on a regular basis. During 2008 the Board and Audit and Risk Management Committee visited Paddington on several occasions.

Directors are given access to continuing education opportunities to update and enhance their skills and knowledge. Directors have right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent advice from a suitably qualified adviser at Norton's expense.

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

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

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

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

An audit and risk management committee has been established by the Board and is governed by its own charter. The Managing Director and Chief Financial Officer have each declared in writing to the Board that the financial records of the Company for the year have been properly maintained and present a true and fair view of the Company's financial condition and operation results, in accordance with the Corporations Act and the relevant accounting standards. In addition the Audit Committee is charged with the responsibility of assisting the Board in ensuring and monitoring the financial risks of the Company. The Committee reviews and assesses the adequacy of the Company's internal control and financial risk management systems, and accounting and business policies. The Committee is given further assurance on the Company's financial risk management systems through Norton's independent audit function (see Principle 7). The members of the Committee and its function are disclosed under Principle 2 of this statement.

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

Norton is committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Act. The Board has implemented a continuous disclosure process to ensure that information considered material by the Company is immediately lodged with the ASX. Other relevant information, including Company presentations and updates by senior management, is also disclosed to the ASX and on the Company website. The Norton website contains recent and historical information, including ASX announcements, financial reports and presentations.

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

The Board in adopting a continuous disclosure process ensures that shareholders are provided with up-to-date Company information. Communication to shareholders is facilitated by the production of the annual report, quarterly reports, public announcements, and the posting of ASX releases on Norton's website immediately after their disclosure to ASX. In addition, all shareholders are encouraged to attend the AGM and use the opportunity to ask questions. The Company makes every endeavour to respond to all questions. The external auditor attends the meeting and is available to answer questions in relation to the conduct of the audit. The Board and senior management also respond to a range of shareholder enquiries through a variety of means, including telephone, email, facsimile and in writing. The Board has adopted an internal communication strategy. A summary of the strategy is described above.

### **Principle 7 - Recognise and manage risks**

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

The Charter of the Audit and Risk Management Committee requires the Managing Director to state in writing to the Board that the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

### **Principle 8 - Encourage enhanced performance**

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

The criterion for the evaluation of each Director is their contribution to specific Board objectives, including the following:

- Setting corporate strategies
- Identification, analysis and responses to risks and issues
- Monitoring of the Company's progress against its business objectives
- Understanding and analysis of the Board papers presented by management
- Use of industry, financial and broad knowledge to add value to the deliberations of the Board.

In addition the Board monitors and evaluates the performance of the Managing Director and other senior executives as appropriate. Further details in relation to Director and executive performance are set out in the Remuneration Report on pages 8 to 15.

### **Principle 9 - Remunerate fairly and responsibly**

The total annual remuneration paid to Non-executive Directors may not exceed the limit set by the shareholders at an 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 significant proportion of each senior manager's remuneration is linked to his or her performance and the Company's performance. Performance reviews are conducted regularly to determine the proportion of remuneration that will be 'at risk' for the upcoming year. Norton executives participate in an option scheme that is linked to Norton's shares performance. Remuneration is also benchmarked against the Company's peers in the resources industry. Further details in relation to Director and executive remuneration are set out in the Remuneration Report on pages 8 to 15.

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

Norton takes its responsibility to its stakeholders seriously. In addition to the policies and values described under Principle 3, Norton has adopted a number of policies that address the interests of all stakeholders, including the Code of Conduct, equal opportunity policy, environmental policy, community relations policy and health and safety policy, to ensure all stakeholder interests are recognised. In addition, the interests of stakeholders at our sites are specifically considered to ensure that our business is conducted having regard to the local communities and to the environment in the areas in which we operate. The Board believes that the Group and its policies and practices comply with the Guidelines in this area.

**Norton Gold Fields Limited**  
**Income statements**  
**For the year ended 30 June 2008**

	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	4	115,002	709	3,354	35
Mining expenses		(26,089)	(811)	-	(5)
Milling expenses		(29,451)	(23)	-	-
Maintenance		(8,964)	-	-	-
Technical and support services		(10,874)	-	-	-
Selling expenses		(4,286)	-	-	-
Administration and corporate expenses	5	(5,164)	(600)	(1,959)	(329)
Professional and consulting fees		(2,251)	(179)	(458)	(21)
Impairment of assets	5	(313)	(3,971)	-	(5,546)
Other expenses		(1,108)	(509)	(244)	(201)
<b>Earnings/(losses) before interest, tax, depreciation and amortisation</b>		<b>26,502</b>	<b>(5,384)</b>	<b>693</b>	<b>(6,067)</b>
Depreciation and amortisation expense	5	(4,679)	(198)	(7)	-
<b>Earnings/(losses) before interest and tax</b>		<b>21,823</b>	<b>(5,582)</b>	<b>686</b>	<b>(6,067)</b>
Fair value movement of gold put options		(2,151)	-	(2,151)	-
Financing costs	5	(4,269)	(130)	(4,237)	(89)
<b>Profit/(Loss) before income tax</b>		<b>15,403</b>	<b>(5,712)</b>	<b>(5,702)</b>	<b>(6,156)</b>
Income tax (expense)/benefit	6	(6,165)	1,103	545	-
<b>Profit/(Loss) after income year</b>		<b>9,238</b>	<b>(4,609)</b>	<b>(5,157)</b>	<b>(6,156)</b>
		<b>Cents</b>	<b>Cents</b>		
Basic earnings/(loss) per share (cents)	36	2.85	(6.60)		
Diluted earnings/(loss) per share (cents)	36	2.38	(6.60)		

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

**Norton Gold Fields Limited**  
**Balance Sheets**  
**As at 30 June 2008**

	Note	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Current Assets</b>					
Cash and cash equivalents	7	26,944	3,728	26,089	-
Receivables	8	7,443	75	593	20
Inventories	9	19,604	-	-	-
Deferred tax asset	10	4,656	-	3,410	-
Derivative financial instruments	11	407	-	407	-
Total Current Assets		59,054	3,803	30,499	20
<b>Non-Current Assets</b>					
Receivables	12	-	-	9,314	6,395
Deferred tax asset	10	37,494	-	15,530	-
Derivative financial instruments	11	1,211	-	1,211	-
Other financial assets	13	-	-	45,690	563
Exploration costs and purchased mine properties	14	61,841	2,095	-	-
Capitalised mining costs	15	14,287	3,534	-	-
Property, plant and equipment	16	9,200	506	1,661	-
Other assets	17	16,036	5,345	16,000	5,309
Total Non-Current Assets		140,069	11,480	89,406	12,267
Total Assets		199,123	15,283	119,905	12,287
<b>Current Liabilities</b>					
Trade and other payables	18	26,467	386	2,334	166
Borrowings	19	416	538	10,651	-
Provisions	20	4,009	-	-	-
Deferred tax liability	23	2,490	-	174	-
Derivative financial instruments	11	9,044	-	9,044	-
Total Current Liabilities		42,426	924	22,203	166
<b>Non-Current Liabilities</b>					
Borrowings	21	35,291	8,089	35,291	8,089
Provisions	22	21,726	80	2	-
Deferred tax liabilities	23	21,975	1,257	-	-
Derivative financial instruments	11	45,342	-	45,342	-
Total Non-Current Liabilities		124,334	9,426	80,635	8,089
Total Liabilities		166,760	10,350	102,838	8,255
Net Assets		32,363	4,933	17,067	4,032
<b>Equity</b>					
Contributed equity	25	60,395	10,049	60,395	10,049
Reserves	26	(31,946)	208	(31,946)	208
Retained earnings/(Accumulated losses)	26	3,914	(5,324)	(11,382)	(6,225)
Total Equity		32,363	4,933	17,067	4,032

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

**Norton Gold Fields Limited**  
**Statements of recognised income and expense**  
**For the year ended 30 June 2008**

	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Total equity at the beginning of the year</b>		4,933	9,254	4,032	9,900
Net cash flow hedges					
- gain/(loss) taken to equity	26	(38,070)	-	(38,070)	-
Profit/(Loss) for the year		9,238	(4,609)	(5,157)	(6,156)
<b>Total recognised income and expense for the year</b>		(23,899)	(4,645)	(39,195)	(3,744)
Non-cash share based payments	26	5,916	208	5,916	208
Convertible Note equity component	25	1,109	-	1,109	-
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs and deferred tax	25	49,237	80	49,237	80
<b>Total equity at the end of the year</b>		<b>32,363</b>	<b>4,933</b>	<b>17,067</b>	<b>4,032</b>

The above statements of recognised income & expense should be read in conjunction with the accompanying notes.

**Norton Gold Fields Limited**  
**Cash flow statements**  
**For the year ended 30 June 2008**

	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>					
Receipts in the course of operations		111,783	820	-	-
Payments in the course of operations		(70,386)	(1,792)	(764)	(223)
Interest received		2,194	99	814	35
Hedge loss		(4,884)	-	(4,884)	-
Interest and borrowing costs paid		(3,834)	(42)	(3,802)	-
Other receipts		260	-	-	-
Net cash (used in)/provided by operating activities	35	35,133	(915)	(8,636)	(188)
<b>Cash flows from investing activities</b>					
Payments for plant and equipment		(3,606)	(1)	(1,596)	-
Receipts on disposal of plant and equipment		11	-	3	-
Exploration and mine development costs		(24,079)	(256)	-	-
Acquisition of Paddington Gold Mine, net of cash acquired and costs		(33,285)	(284)	(33,285)	-
Payment for deposit – Paddington Gold Mine		-	(5,000)	-	-
Cash collateral for security deposits on environmental bonds		(16,000)	(25)	(16,000)	-
Acquisition of Mount Morgan assets		(4,525)	-	-	-
Net cash used in investing activities		(81,484)	(5,566)	(50,878)	-
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		36,898	80	36,898	80
Proceeds from issue of convertible notes		40,000	-	40,000	-
Ordinary share and convertible notes issue costs paid		(3,440)	-	(3,440)	-
Payment for gold put options		(3,769)	-	(3,769)	-
Proceeds from borrowings		-	8,000	-	-
Repayment of borrowings		(122)	(169)	-	-
(Loans to)/received from related entities		-	-	15,914	(2,064)
Net cash /(used in)/provided by financing activities		69,567	7,911	85,603	(1,984)
<b>Net increase/(decrease) in cash held</b>		23,216	1,430	26,089	(2,172)
Cash and cash equivalents at the beginning of the year		3,728	2,298	-	2,172
<b>Cash and cash equivalents at the end of the year</b>	7	26,944	3,728	26,089	-

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

## 1. Corporate Information and Summary of Significant Accounting Policies

### Corporate Information

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

The financial report for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of Directors on 14 August 2008.

### Summary of Significant Accounting Policies

#### (a) Basis of preparation

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

The financial report is presented in Australian dollars. The accounts are prepared on a going concern basis. Ounces (oz) referred to in this document are troy ounces, where one ounce is approximately 31.103 grams.

#### *Compliance with IFRSs*

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

#### *Historical cost convention*

The financial report has been prepared on an accruals basis and is based on historical cost, modified where applicable by the measurement at fair value of the selected non-current assets, financial assets and financial liabilities.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

#### *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 parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars (\$'000).

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 assets and liabilities of all controlled entities of Norton Gold Fields Limited ("Company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Norton Gold Fields Limited and its subsidiaries together are referred to in the financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. A list of all controlled entities is contained in Note 33.

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

Intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(c) Segment reporting**

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

**(d) Foreign currency translation**

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

**(e) Revenue recognition**

Fine gold metal and fine silver metal revenue is measured at the fair value of the consideration received or receivable at the prevailing spot price. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to the buyer at the time of instructing AGR Matthey to sell the 99.9% pure gold or silver from our fine metal account.

Gold-in-circuit and gold doré bar inventory is estimated at each period end. The variation in movement during the period is recognised as "Other revenue".

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

#### **(f) Income Tax**

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

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

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

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

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

#### *Tax consolidation legislation*

Norton Gold Fields Limited and its wholly owned Australian controlled entities have 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) Inventories**

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

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- consumable stores and spares – purchase cost on weighted average cost;
- gold in circuit and in transit – cost of direct material and labour and a proportion of manufacturing overhead based on normal operating capacity; and
- ore stockpiles – cost of direct material and labour and a proportion of manufacturing overhead based on normal operating capacity.

#### **(h) Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. The corresponding rental obligations, net of finance charges, are

included in liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

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

#### **(i) Acquisitions of assets**

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

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

Where settlement of any part of the debt is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

#### **(j) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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).

#### **(k) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are

readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(l) Trade and other receivables**

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

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. 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. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement.

**(m) Financial Instruments**

*Recognition*

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

*(i) Loans and receivables*

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

*(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These instruments were measured at amortised cost using the effective interest rate 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 taken directly to equity.

*(iv) Financial liabilities*

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

*Impairment*

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined by publicly available information such as quoted market prices or by calculating the net present value of future anticipated cash flows. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

In addition to an allowance account for specific provisions against individually significant financial assets the Group also makes a collective allowance on portfolios of similar assets, that

are individually insignificant, for impairment losses that have been incurred but not yet identified. On confirmation that the financial asset will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms and the collective impairment provision is estimated for any such group where credit risk characteristics of the group of financial assets has deteriorated. Factors such as any deterioration in country risk, industry performance, technological obsolescence as well as identified structural weaknesses or deterioration in cash flows are taken into consideration and the amount of the provision is based on the historical loss pattern within each group, adjusted to reflect current economic change.

Impairment losses on assets measured at amortised cost using the effective interest rate method are calculated by comparing the carrying value of the asset with the present value of estimated future cash flows at the original effective interest rate. Losses are recognised in the income statement and interest on the impaired asset continues to be recognised as part of the unwinding of the discount.

Where there is objective evidence that an available for sale financial asset is impaired (such as a significant or prolonged decline in the fair value of an available for sale financial asset) and the previous decline in the fair value of the asset has been recognised in equity the cumulative loss that has been recognised in equity is transferred to the income statement. The cumulative loss transferred is the difference between the cost of acquisition and the current fair value of the asset included in equity. When a subsequent event reduces the impairment of an available for sale debt security the impairment loss is reversed through the income statement. When a subsequent event reduces the impairment of an available for sale equity instrument the impairment loss is reversed through equity.

#### Derivative Instruments

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 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 hedge 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.

Trading derivatives are classified as current assets. The fair value of all 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 equity in the derivative reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement 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 income statement. 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 income statement.

#### *Share Capital*

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. The Group considers its ordinary share capital, reserves and accumulated retained earnings as capital.

#### **(n) Convertible Notes**

The component of Convertible Notes that exhibits the characteristics of a liability is recognised as a liability in the balance sheet.

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 long term liability on the amortised cost basis until extinguished on conversion.

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 income statement.

#### **(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 balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure

purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. 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 income statement 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%
Land and Buildings	2.5% - 10%

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

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

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

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

**(q) Exploration and evaluation costs**

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

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves and resources.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

**(r) Rehabilitation provision**

Provisions are made for mine rehabilitation and restoration. The present value of estimated restoration obligations is recognised at commencement of the mining operations where a legal or constructive obligation exists at that time. At each reporting date the expected rehabilitation liability is remeasured in line with changes in discount rates and timing or amount of the costs to be incurred.

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

**(s) Trade and other payables**

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

**(t) 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 the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Amounts of unpaid annual leave are disclosed 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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Superannuation*

The Group makes contributions to accumulation superannuation funds. Contributions are recognised as an expense as they become payable.

*(iv) Share-based payments*

Share-based compensation benefits are provided to employees via the Norton Gold Fields Limited Employee Share Ownership Plan (for shares) and the Employee Share Option Plan (for options). Information relating to these schemes are set out in Note 37.

The fair value of share 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. 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, at 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 income statement. 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.

**(u) 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.

**(v) Earnings per share**

*(i) Basic earnings per share*

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

*(ii) Diluted earnings per share*

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

**(w) Borrowing costs**

In general, borrowing costs are expensed. Borrowing costs in relation to business combinations are included as the cost of consideration of the investment.

**(x) Goods and services tax (GST)**

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

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

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

**(y) Mining tenements**

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

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

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

The Group's policy for each mine is to capitalise all pre-strip costs of mining (ie. expenditure incurred to access and produce ore) until the average strip ratio (ie. the total pit ratio of waste to ore over the life of the pit) is achieved. The Concept to Closure committee creates documentation for the basis of capitalisation.

Amortisation of capitalised pre-strip costs is based on gold ounces produced compared to total expected gold production over the life of the mine. Adjustments to expected life of mine production is taken up as an adjustment to the remaining amortisation rate. Potential adjustments are reviewed on a quarterly basis.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

- i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments

The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

- ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 107, AASB 111, AASB 116 & AASB138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the

financial report of the Group, as the Group already capitalises borrowing costs related to qualifying assets.

- iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

- iv) Re-issued AASB 3 Business Combinations

The revised standard introduces more detailed guidance on accounting for step acquisitions, adjustments to contingent consideration, assets acquired that the purchaser does not intend to use, reacquired rights and share-based payments as part of purchase consideration. Also, all acquisition costs will have to be expensed instead of being recognised as part of goodwill. This re-issued standard is not mandatory until reporting periods commencing 1 July 2009. The Group will be most impacted with respect to acquisition costs for any business combinations that occur post-1 July 2009. There is no requirement to retrospectively apply this updated standard when it comes into force.

- v) AASB 2008-1 Amendments to AASB 2 – Share-based Payments – Vesting Conditions and Cancellations

The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share-based payment expense and are treated in a manner similar to market conditions. This amendment applies to periods commencing on or after 1 January 2009.

To date the entity has not issued any shares or options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time.

- vi) IAS 27 Consolidated and Separate Financial Statements, IAS 18 Revenue and IAS 36 Impairment of Assets

These standards, issued May 2008, are to be issued as AASBs in the near future. When issued, these standards will apply for periods commencing on or after 1 January 2009. The impact of the standards is the removal of the definition of the "cost method" in IAS 27, meaning that pre and post-acquisition dividends no longer need to be differentiated and all dividends are to be recognised as revenue. However, whenever a dividend is received from a subsidiary, associate or jointly controlled entity, an impairment test will be required under IAS 36 where there is an indicator for impairment.

## 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and

judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Deferred exploration and evaluation*

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

*Mine properties*

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

*Share based payments*

AASB2 requires the calculation of the fair value of shares or options issued to staff and for that amount to be expensed to the income statement (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 market conditions or otherwise.

*Rehabilitation Provision*

Paddington Gold Pty Ltd is 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.

*Derivative Financial Instruments*

The Group has forward gold hedge contracts and forward put options to partially mitigate the risk in downward gold price movement. At each reporting date, the outstanding derivatives are marked-to-market as an estimate of the future cost to settle such derivatives, based upon parameters at balance date. As the underlying drivers for these estimate are constantly changing, the reported derivative financial assets and liabilities are an estimate that may materially change post balance date.

*JORC Compliant Resources and Reserves affecting amortisation*

Accounting policy 1(z) "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.

### 3. Segment information

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

#### 4. Revenue

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>From continuing operations</b>				
<i>Sales revenue</i>				
Gold sales at spot	111,158	-	-	-
Gold hedging losses	(4,884)	-	(4,884)	-
Silver sales	625	-	-	-
Other mining sales	-	600	-	-
Total Sales Revenue	106,899	600	(4,884)	-
<i>Other revenue</i>				
Interest	2,776	99	1,396	35
Management fees (Note 32)	-	-	6,842	-
Gold in circuit and doré bar variation	5,067	-	-	-
Other	260	10	-	-
Total Other Revenue	8,103	109	8,238	35
Total Revenue	115,002	709	3,354	35

## 5. Expenses

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit/(Loss) before income tax expense includes the following specific expenses:				
Depreciation of property, plant and equipment	1,708	164	7	-
Amortisation of mine costs	2,113	34	-	-
Amortisation of deferred exploration costs	858	-	-	-
Total depreciation and amortisation	4,679	198	7	-
Rental expense relating to operating leases – minimum lease payments	31	18	31	-
<i>Finance costs</i>				
Interest and finance charges (unrelated parties)	4,269	130	4,237	89
<i>Employee Benefits</i>				
Salaries, wages and on-costs including Directors	11,625	352	1,052	121
Non-cash share based payments	1,722	208	769	208
Defined contribution superannuation expense	1,004	40	138	-
Total employee benefits	14,351	600	1,959	329
Movement in Ore Stockpile inventory	25	-	-	-
<i>Impairment of assets</i>				
Exploration written off	313	294	-	-
Mine properties	-	3,677	-	-
Investments	-	-	-	5,546
Total impairment loss	313	3,971	-	5,546

## 6. Income Tax

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Income tax expense/(credit)</b>				
Current tax	663	-	-	-
Deferred tax				
- origination and reversal of temporary differences	6,120	(1,283)	(257)	-
- adjustments for previous years	(330)	180	-	-
- benefit of tax losses previously unrecognised	(288)	-	(288)	-
Total income tax expense/(credit) in the income statement (continuing operations)	6,165	(1,103)	(545)	-
<b>Reconciliation of income tax expense to prima facie tax</b>				
Profit/(Loss) before income tax expense	15,403	(5,712)	(5,702)	(6,156)
Tax expense/(credit) at 30% (2007: 30%)	4,621	(1,713)	(1,710)	(1,847)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Non-deductible expenses:				
Entertainment	8	-	-	-
Share-based payments	1,067	47	366	47
Interest	1,087	-	1,087	-
Previously unrecognised tax losses now recognised as deferred tax assets	(288)	-	(288)	-
	6,495	(1,666)	(545)	(1,800)
Under/(over) provision in prior years	(330)	180	-	(155)
Deferred tax assets not recognised	-	383	-	1,955
Income tax expense/(credit) at effective rate of 40.0% (2007: 19.3%)	6,165	(1,103)	(545)	-
<b>Deferred income tax recognised directly in equity</b>				
Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to equity:				
Deferred income tax on transaction costs of issuing equity instruments	1,905	-	1,905	-
Net loss on revaluation of cash flow hedges	16,316	-	16,316	-
	18,221	-	18,221	-
<b>Deferred income tax</b>				
Deferred tax assets have not been recognised in respect of the following:				
Deductible temporary differences	-	184	-	1,802
Tax losses	-	834	-	129
	-	1,018	-	1,931
Potential benefit at 30% (2007: 30%)	-	305	-	579

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

## 7. Current Assets – Cash and Cash Equivalents

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	10,845	19	10,089	-
Deposits at call	-	3,709	-	-
Term Deposits	16,099	-	16,000	-
	<u>26,944</u>	<u>3,728</u>	<u>26,089</u>	<u>-</u>

Cash at bank and deposits at call earns interest at floating rates based on daily bank deposit rates. The interest rate was between 0.0% and 7.30% (2007 – 6.1% to 6.45%). The term deposits have fixed interest rates between 7.87% and 8.23% have a weighted average maturity of 60 days.

## 8. Current Assets – Other Receivables

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Other receivables	6,418	66	11	20
Interest receivable	582	-	582	-
Prepayments	443	9	-	-
	<u>7,443</u>	<u>75</u>	<u>593</u>	<u>20</u>

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 two major financial institutions (National Australia Bank and Suncorp). None of these current assets are past due.

## 9. Inventories

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Raw Materials and Stores	8,524	-	-	-
Provision for obsolescence	(803)	-	-	-
Ore Stockpile	3,722	-	-	-
Gold in circuit	2,197	-	-	-
Gold doré	5,964	-	-	-
	<u>19,604</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 10. Deferred Tax Asset

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current	4,656	-	3,410	-
Non-current	37,494	-	15,530	-
	42,150	-	18,940	-
Deferred tax assets are attributed to the following:				
Derivative financial instruments – forward hedge	16,316	-	16,316	-
Derivative financial instruments – put options	645	-	645	-
Capital costs	1,655	-	1,609	-
Land and buildings	6,392	-	-	-
Rehabilitation provision	7,340	-	-	-
Mining information	7,957	-	-	-
Tax losses	1,370	-	318	-
Trade payables	30	-	30	-
Employee entitlements	445	-	22	-
	42,150	-	18,940	-

Movements - consolidated	Opening Balance	Charged/ (credited) to income statement	Acquisition of subsidiary	Charged/ (credited) directly to equity	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Derivative financial instruments	-	645	-	16,316	16,961
Capital costs	-	(250)	-	1,905	1,655
Property, plant and equipment	-	(594)	6,986	-	6,392
Rehabilitation provision	-	24	7,316	-	7,340
Mining information	-	(40)	7,997	-	7,957
Tax losses	-	1,370	-	-	1,370
Trade payables	-	30	-	-	30
Employee entitlements	-	205	240	-	445
	-	1,390	22,539	18,221	42,150

Movements - parent	Opening Balance	Charged/ (credited) to income statement	Acquisition of subsidiary	Charged/ (credited) directly to equity	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Derivative financial instruments	-	646	-	16,316	16,962
Capital costs	-	(297)	-	1,905	1,608
Tax losses	-	318	-	-	318
Trade payables	-	30	-	-	30
Employee entitlements	-	22	-	-	22
	-	719	-	18,221	18,940

## 11. Derivative Financial Instruments

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Gold put options				
Current Assets	407	-	407	-
Non-current Assets	1,211	-	1,211	-
	<u>1,618</u>	<u>-</u>	<u>1,618</u>	<u>-</u>
Forward gold hedge contracts				
Current Liabilities	(9,044)	-	(9,044)	-
Non-current Liabilities	(45,342)	-	(45,342)	-
	<u>(54,386)</u>	<u>-</u>	<u>(54,386)</u>	<u>-</u>

The consolidated entity entered into forward gold hedges where it agreed to sell specified ounces of gold at a predetermined gold price. The objective of these hedges is to match the forward agreements with anticipated cash flows from future gold sales and as such are considered "cash flow" hedges under AASB139. The fair value of all qualifying cash flow hedges is recorded on the balance sheet. Movements in fair value, to the extent the hedges are effective, are recorded as a separate component of equity and released to the income statement at the time the hedged transaction occurs. The ineffective portion is recognised in income immediately. The ineffectiveness in the current year was not significant.

The Company has also purchased gold put options to mitigate the risk of gold price decline. Although the options are "out of the money" at 30 June 2008, the time value of the options is disclosed as an asset.

At 30 June 2008, the Group had the following net derivative instruments (all designated as cash flow hedges). Refer to Note 1(m) for the accounting policy on derivatives. In accordance with AASB132 "Financial Instruments Presentation" paragraph 42, these disclosures are on a net basis as the Company has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis:

Hedging position	Fixed forwards		Bought Put Options	
	Ounces	AUD/oz	Ounces	AUD/oz
Financial year ending 30 June 2009	70,000	875	60,000	760
Financial year ending 30 June 2010	70,000	875	60,000	760
Financial year ending 30 June 2011	70,000	875	-	-
Financial year ending 30 June 2012	<u>70,000</u>	<u>875</u>	<u>-</u>	<u>-</u>
Total	280,000		120,000	

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments. At balance date the estimated value of the gold put options receivable is \$1,618,000. To mitigate the risk, the Group enters into derivative contracts only with high credit quality Australian financial institutions.

To the extent of the financial liability, the counter-party (Lehman Brothers Australia) has a first ranking fixed and floating charge over the assets of the Group.

## 12. Non-current Assets - Receivables

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Loans to related parties	-	-	9,314	6,395
Refer to Note 32 for details.				

The related party loan is an intercompany loan from the parent entity to its subsidiaries with no fixed repayment terms. As such, there is no set due date and the loan is not impaired as at balance date. These loans are to subsidiaries that have underlying net assets sufficient to support the loans. The carrying value of these loans approximate their fair value.

## 13. Non-current Assets – Other Financial Assets

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Shares in subsidiaries (Note 33)	-	-	51,236	6,109
Provision for impairment	-	-	(5,546)	(5,546)
	-	-	45,690	563

The shares in subsidiaries were subjected to an analysis of impairment by reviewing future discounted cash flows. The fair value of the shares in subsidiaries are carried at book value less impairment, which does not exceed the recoverable amount.

## 14. Non-current Assets – Exploration Costs and Mine Properties

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Geological, geophysical, drilling and other costs for exploration and purchased mine properties – at cost	62,699	2,095	-	-
Less: accumulated amortisation	(858)	-	-	-
	61,841	2,095	-	-

The costs carried forward above have been determined as follows:

Opening balance	2,095	2,167	-	-
Acquired in Paddington Gold Pty Ltd	50,996	-	-	-
Purchased from Barrick Gold	3,300	-	-	-
Costs incurred during the year	6,621	222	-	-
Amortisation	(858)	-	-	-
Exploration written off	(313)	(294)	-	-
Closing balance as shown above	61,841	2,095	-	-

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.

## 15. Non-current Assets – Capitalised Mining Costs

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Capitalised mining costs – at recoverable amount	16,434	3,568	-	-
Accumulated amortisation	(2,147)	(34)	-	-
	<u>14,287</u>	<u>3,534</u>	-	-

The capitalised mine costs carried forward above have been determined as follows:

Opening balance	3,534	7,153	-	-
Costs incurred during the year	12,866	92	-	-
Impairment of mine properties	-	(3,677)	-	-
Amortisation during the year	(2,113)	(34)	-	-
Closing balance as shown above	<u>14,287</u>	<u>3,534</u>	-	-

## 16. Non-current Assets – Property, Plant and Equipment

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Plant and Equipment				
- Cost	10,339	677	1,668	-
- Accumulated Depreciation	(1,583)	(171)	(7)	-
	<u>8,756</u>	<u>506</u>	<u>1,661</u>	-
Building improvements				
- Cost	736	-	-	-
- Accumulated depreciation	(292)	-	-	-
	<u>444</u>	-	-	-
Total written down value	<u>9,200</u>	<u>506</u>	<u>1,661</u>	-

### 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	Building improvements	Total
	\$'000	\$'000	\$'000
<b>Carrying value</b>			
Balance at 30 June 2006	668	-	668
Additions	1	-	1
Disposals	-	-	-
Depreciation	(163)	-	(163)
Balance at 30 June 2007	<u>506</u>	-	<u>506</u>
Additions	3,681	-	3,681
Disposals	(11)	-	(11)
Acquisitions through business combinations	5,996	736	6,732
Depreciation	(1,416)	(292)	(1,708)
Balance at 30 June 2008	<u>8,756</u>	<u>444</u>	<u>9,200</u>

A total of \$323,000 of plant and equipment (2007: \$484,000) is pledged against an equipment loan. See Note 19 for further details.

Parent	Plant and equipment \$'000	Building improvements \$'000	Total \$'000
<b>Carrying value</b>			
Balance at 30 June 2007	-	-	-
Additions	1,671	-	1,671
Disposals	(3)	-	(3)
Depreciation	(7)	-	(7)
Balance at 30 June 2008	1,661	-	1,661

## 17. Non-current Assets – Other Assets

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deposit – Paddington Gold Mine acquisition	-	5,000	-	5,000
Costs associated with Paddington Gold Mine acquisition	-	309	-	309
Security deposits	16,036	36	16,000	-
	16,036	5,345	16,000	5,309

In the above table, \$16.0m cash in Term Deposits for both the Consolidated and Parent entity is collateralised against a guarantee by the National Australia Bank in favour of the West Australian Department of Industry Resources for rehabilitation. This term deposit is at 8.07% interest per annum and has a maturity of 55 days. In the Consolidated group, an additional \$36,000 secures our environmental bonds in Queensland.

## 18. Current Liabilities – Trade and Other Payables

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Unsecured liabilities</i>				
Trade payables	12,918	359	1,650	166
Other payables and trade accruals	13,114	27	249	-
Accrued interest	435	-	435	-
	26,467	386	2,334	166

## 19. Current Liabilities – Borrowings

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Secured</i>				
Bank loans	416	538	-	-
<i>Unsecured</i>				
Intercompany loan	-	-	10,651	-
	416	538	10,651	-

As the bank loan represents a chattel mortgage over equipment there is no amount of the facility undrawn and available for use. Loans are effectively secured as rights to the assets recognised in the financial report revert to the lender in the event of default. Weighted average interest rate for loan was 9.39% (2007: 7.57%).

The fair value of on-balance sheet financial liabilities is determined by reference to market prices where they exist or by discounting future cash flows by the current interest rate for liabilities with similar risk profiles.

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>				
Deposits at call	99	99	-	-
<b>Non-current assets</b>				
Property, plant and equipment	323	484	-	-
Total assets pledged as security	422	583	-	-

## 20. Current Liabilities – Provisions

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Employee benefits provision	94	-	-	-
Income Tax Provision	663	-	-	-
Provision for rehabilitation	3,252	-	-	-
	4,009	-	-	-

## 21. Non-current Liabilities – Borrowings

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Convertible Notes	35,291	-	35,291	-
Investment loan	-	8,089	-	8,089
	35,291	8,089	35,291	8,089

### (a) Convertible Notes

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.

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 5 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 average 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 charged to equity (see Note 25). On conversion of the Notes to equity, the value of the liability and accrued interest charges is credited to equity.

During the period, 20 Notes were converted into equity (see Note 25 (b)), resulting in 380 Notes outstanding at 30 June 2008. 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 2008.

#### (b) Investment loan

The loan in 2007 attracted an interest at the higher of 6% p.a. and the cash rate of the Reserve Bank of Australia. Interest was payable in securities. During the year, the loan was repaid via an issue of 8,164,431 convertible notes at a face value of \$1 each. These notes were subsequently converted and 51,027,695 fully paid ordinary shares were issued at \$0.16 each and 25,513,848 options were issued at an exercise price of \$0.20. These options expire on 27 August 2009.

## 22. Non-current Liabilities – Provisions

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Employee benefits provision	513	-	2	-
Provision for rehabilitation	21,213	80	-	-
	<u>21,726</u>	<u>80</u>	<u>2</u>	<u>-</u>

Movements in total provisions are set out in the table below:

#### Consolidated Group

	Mine Rehabilitation	Employee Benefits	Income Tax	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2007	80	-	-	80
Acquired through Paddington Gold Pty Ltd	24,385	534	-	24,919
Additional provisions	-	73	663	736
Balance at 30 June 2008	<u>24,465</u>	<u>607</u>	<u>663</u>	<u>25,735</u>

#### Parent Entity

Opening balance at 1 July 2007	-	-	-	-
Additional provisions	-	2	-	2
Balance at 30 June 2008	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>

### Provision for 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 20 years.

### Provision for Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report. Annual leave liabilities are classified as other payables under current liabilities.

### Provision for Income Tax

A provision has been recognised for expected income tax based on profits earned in the current financial year.

## 23. Deferred Tax Liabilities

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current	2,490	-	174	-
Non-current	21,975	1,257	-	-
Deferred tax liabilities	<u>24,465</u>	<u>1,257</u>	<u>174</u>	<u>-</u>
Deferred tax liabilities are attributed to the following:				
Deferred exploration and evaluation costs	21,975	1,257	-	-
Inventories	2,316	-	-	-
Other receivables	174	-	174	-
	<u>24,465</u>	<u>1,257</u>	<u>174</u>	<u>-</u>
Movements:				
Balance at start of year	1,257	2,360	-	-
Acquisition of subsidiary	16,316	-	-	-
Debited/(credited) to income statement	6,892	(1,103)	174	-
Balance at end of year	<u>24,465</u>	<u>1,257</u>	<u>174</u>	<u>-</u>

	Opening Balance	Charged/ (credited) to income statement	Acquisition of subsidiary	Charged/ (credited) directly to equity	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Movements - consolidated</b>					
Deferred exploration and evaluation costs	1,257	4,587	15,097	-	20,941
Mine Properties	-	1,033	-	-	1,033
Inventories	-	1,098	1,219	-	2,317
Other receivables	-	174	-	-	174
	<u>1,257</u>	<u>6,892</u>	<u>16,316</u>	<u>-</u>	<u>24,465</u>

Movements - parent	Opening Balance \$'000	Charged/ (credited) to income statement \$'000	Acquisition of subsidiary \$'000	Charged/ (credited) directly to equity \$'000	Closing Balance \$'000
Other receivables	-	174	-	-	174
	-	174	-	-	174

## 24. Acquisition of Paddington Gold Pty Ltd

On 24 August 2007 Norton Gold Fields Limited acquired all of the issued shares in Paddington Gold Pty Ltd, an operating gold mine in Kalgoorlie, WA, for a total net cash consideration of \$38,285,000. \$5,000,000 of this amount was paid in the prior financial year as a cash deposit.

The acquired business contributed revenues of \$111,783,000 and net profit before tax of \$22,500,000 to the Group for the period from 24 August 2007 to 30 June 2008. The amounts of revenue and net profit for the full year, if Paddington Gold had been acquired at the start of the financial year, could not be practicably measured.

Details of net assets acquired are as follows:

	\$'000
Purchase consideration	
Net cash paid / Outflow of cash to acquire subsidiary *	37,316
Direct costs relating to the acquisition - cash	969
Direct costs relating to the acquisition - non-cash	6,127
Total purchase consideration	<u>44,412</u>
Fair value of net identifiable assets acquired (refer below)	<u>44,412</u>

\* Includes \$1,000,000 shares issued at fair value for cash (see Note 25(b)).

The Group has taken up the fair value of the assets and liabilities of Paddington Gold 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
Receivables	10,010
Inventories	11,242
Property, plant and equipment	6,732
Exploration, development and mine properties	50,996
Payables	(9,649)
Provisions	(24,919)
Net identifiable assets acquired	<u>44,412</u>

## 25. Contributed Equity

	2008 Shares	2007 Shares	2008 \$'000	2007 \$'000
<b>(a) Share capital</b>				
Fully paid ordinary shares	334,601,323	70,246,005	59,286	10,049
Convertible Note equity component	-	-	1,109	-
	<u>334,601,323</u>	<u>70,246,005</u>	<u>60,395</u>	<u>10,049</u>

(b) Movements in ordinary share capital	Note	Number of Shares	Issue Price Cents	\$'000
Opening balance – 1 July 2006		69,846,005		9,969
Options exercised		400,000	20.0	80
Balance – 30 June 2007		70,246,005		10,049
Lehman Brothers Placement	(i)	175,000,000	20.0	35,000
RAB Conversion	(ii)	51,027,695	16.0	8,164
Ten3 Share Issue	(i)	20,219,201	24.0	4,853
Barrick Shares issued under Paddington Gold Pty Ltd acquisition	(i)	4,000,000	25.0	1,000
Barrick Shares issued under Paddington Gold Pty Ltd acquisition	(i)	32,258	-	-
J. Parker Options	(iii)	3,000,000	12.0	360
Employee Share Ownership Plan Issue	(iii)	353,964	28.5	101
Issued to A. Labuschagne (before becoming Key Management Personnel)	(iii)	300,000	38.0	114
Seed Options Exercised	(iii)	830,200	20.0	166
Conversion of 20 Convertible Notes with \$100,000 face value each	(iv)	8,000,000	25.0	2,000
Founder and Vendor Options Converted	(iii)	780,000	20.0	156
Listed Options exercised	(iii)	12,000	20.0	2
Employee and Contractor Options Exercised	(iii)	800,000	20.0	160
Share issue costs		-	-	(2,839)
Balance – 30 June 2008		<u>334,601,323</u>		<u>59,286</u>

(i) *Ordinary Share Issue*

Ordinary shares were issued at a price based approximately on volume weighted average price of Norton Gold Fields Limited's share price for five days leading up to the transaction.

(ii) *RAB Conversion*

See Note 21(b) for further information.

(iii) *Exercise of Options*

See Note 37 for further information for options issued in the current or previous financial year.

(iv) *Convertible Notes*

See Note 21(a) for further information.

### (c) Ordinary shares

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

**(d) 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 interest-bearing liabilities (refer Note 21).

**(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 37.

As at 30 June 2008, the number of options to purchase ordinary shares in the Company were as follows:

Type	Number of Options at 30 Jun 2008	Number of Options at 30 Jun 2007	Exercise price	Expiry date
Type 1	8,281,400	8,293,400	\$0.20	8 October 2010
Type 2 and 3	17,634,800	19,245,000	\$0.20	8 August 2010
Type 4	-	800,000	\$0.20	5 June 2008
Type 5	3,000,000	3,000,000	\$0.12	6 months after termination
Type 6	2,000,000	2,000,000	\$0.20	6 months after termination
Type 7	35,386,528	-	\$0.20	27 Aug 2009
Type 8	-	-	\$0.12	6 months after termination
Type 9	2,000,000	-	\$0.20	6 months after termination
Type 10	1,570,000	-	\$0.20	24 Aug 2009
Type 11	700,000	-	\$0.50	15 Mar 2010
Type 12	1,000,000	-	\$0.40	nil
	<u>71,572,728</u>	<u>33,338,400</u>		

## 26. Reserves and Accumulated Losses

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reserves</b>				
Derivative reserve	(38,070)	-	(38,070)	-
Share based payment reserve	6,124	208	6,124	208
	<u>(31,946)</u>	<u>208</u>	<u>(31,946)</u>	<u>208</u>
<b>Movements:</b>				
<i>Derivative reserve</i>				
Balance 1 July	-	-	-	-
Mark-to-market net adjustment	(54,386)	-	(54,386)	-
Deferred tax	16,316	-	16,316	-
Balance 30 June	<u>(38,070)</u>	<u>-</u>	<u>(38,070)</u>	<u>-</u>
<i>Share-based payments reserve</i>				
Balance 1 July	208	-	208	-
Share and Option expense	5,916	208	5,916	208
Balance 30 June	<u>6,124</u>	<u>208</u>	<u>6,124</u>	<u>208</u>
<b>(b) Retained earnings/(Accumulated losses)</b>				
Movements in retained earnings/ (accumulated losses) were as follows:				
Balance 1 July	(5,324)	(715)	(6,225)	(69)
Net profit/(loss) for the year	9,238	(4,609)	(5,157)	(6,156)
Balance 30 June	<u>3,914</u>	<u>(5,324)</u>	<u>(11,382)</u>	<u>(6,225)</u>

### (c) Nature and purpose of reserves

#### *Financial instrument derivative reserve*

The derivative reserve recognises the net amount after tax of unsettled forward gold hedging and put options that are marked-to-market at the end of the period.

#### *Share-based payments reserve*

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

## 27. Key Management Personnel Disclosures

### (a) Key management personnel compensation

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	916	295	599	125
Post-employment benefits	198	25	178	-
Termination benefits	-	50	-	-
Share-based payments	1,386	203	713	203
Total	<u>2,500</u>	<u>573</u>	<u>1,490</u>	<u>328</u>

In accordance with AASB 2008-4 and the change to AASB124 the detailed disclosures of key management personnel have been transferred to the Directors' Report. The relevant information can be found in the remuneration report and includes:

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

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

##### *Option holdings*

The number of options over ordinary shares in the Company held during the financial year by key management personnel of the Group, including their personally related entities, are set out below. Options granted during the year were part of remuneration. There were no vested but unexercisable options at the end of the financial year.

Name	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of year
<b>2008</b>					
<b>Directors</b>					
A. Anthony McLellan	5,000,000	-	-	5,000,000	5,000,000
Jon Parker	-	5,000,000	(3,000,000)	2,000,000	2,000,000
A. Timothy Prowse	8,680,000	-	-	8,680,000	8,680,000
Mark McCauley	-	-	-	-	-
Ian McCauley	-	-	-	-	-
<b>Other KMP</b>					
Simon Brodie	-	-	-	-	-
W. Andre Labuschagne	-	1,000,000	-	1,000,000	-
Jonathan Price	-	-	-	-	-
<b>Total</b>	<b>13,680,000</b>	<b>6,000,000</b>	<b>(3,000,000)</b>	<b>16,680,000</b>	<b>15,680,000</b>

Name	Balance at start of year	Granted during the year	Resignation during the year	Balance at end of year	Vested and exercisable at end of year
<b>2007</b>					
<b>Directors</b>					
A. Anthony McLellan	-	5,000,000	-	5,000,000	5,000,000
A. Timothy Prowse	8,680,000	-	-	8,680,000	8,680,000
Jack Tan	2,905,200	-	(2,905,200)	-	-
Jon Parker	-	-	-	-	-
<b>Total</b>	<b>11,585,200</b>	<b>5,000,000</b>	<b>(2,905,200)</b>	<b>13,680,000</b>	<b>13,680,000</b>

##### *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 1 July (or start date)	Net changes - purchases (sales)	Exercise of options	Resignation during the year	Balance at 30 June	Balance held nominally
<b>2008</b>						
<b>Directors</b>						
A. Anthony McLellan	-	-	-	-	-	-
Jon Parker	199,446	996,554	3,000,000	-	4,196,000	4,196,000
A. Timothy Prowse	21,700,001	-	-	-	21,700,001	-
Mark McCauley	-	-	-	-	-	-
Ian McCauley	64,550,000	-	-	-	64,550,000	64,550,000

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<b>Other KMP</b>						
Simon Brodie	-	-	-	-	-	-
W. Andre	-	-	-	-	-	-
Labuschagne						
Jonathan Price	-	-	-	-	-	-
<b>Total</b>	<b>86,449,447</b>	<b>996,554</b>	<b>3,000,000</b>	<b>-</b>	<b>90,446,001</b>	<b>68,746,000</b>

<b>Name</b>	<b>Balance at 1 July (or start date)</b>	<b>Net changes - purchases (sales)</b>	<b>Exercise of options</b>	<b>Resignation during the year</b>	<b>Balance at 30 June</b>	<b>Balance held nominally</b>
<b>2007</b>						
<b>Directors</b>						
A. Anthony McLellan	-	-	-	-	-	-
A. Timothy Prowse	21,700,001	-	-	-	21,700,001	-
Jon Parker	-	199,446	-	-	199,446	-
Jack Tan	7,263,001	-	-	(7,263,001)	-	-
<b>Total</b>	<b>28,963,002</b>	<b>199,446</b>	<b>-</b>	<b>(7,263,001)</b>	<b>21,899,447</b>	<b>-</b>

As at the reporting date, no vesting conditions had been met for shares to be issued as remuneration.

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

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

No loans to key management personnel were made during the year and no loans were outstanding at the reporting date. Subsequent to year end, a loan was made to J. Parker under the Employee Share Scheme – refer Note 34 Events Occurring after the Balance Sheet Date.

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

Consulting fees of \$nil (2007: \$92,000) were paid to A. Anthony McLellan on normal commercial terms and conditions.

Consulting fees of \$143,000 (2007: \$67,000) were paid to J P Strategic Insights, an entity associated with Jon Parker, on normal commercial terms and conditions.

Jon Parker is on the Advisory Board of Effective Negotiation Skills, a private company that provides services at an arms length basis at market prices to the Norton Gold Fields Limited group. The amount paid to ENS during the year was \$68,000.

Norton Gold Fields Limited has entered into an arrangement during the financial year for Sundata Pty Ltd to provide computer hardware and IT support on normal terms and conditions. Jon Parker is the Non-executive Chairman of Sundata Pty Ltd. Due to his position on the Board of Directors of Sundata Pty Ltd, Jon Parker did not have any involvement in the selection of Sundata Pty Ltd as a supplier. The amount paid to Sundata Pty Ltd during the year was \$29,000.

The Group has engaged RMM Capital to provide assistance in scoping the Mount Morgan Mine Project and advising the group. Services were provided at an arms length basis at market prices to the Group. A total of \$102,000 was paid during the financial year. Mark McCauley is an Executive Director of RMM Capital.

## 28. Remuneration of Auditors

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

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>(a) Audit services</b>				
BDO Kendalls firm				
Audit and review of financial reports	174	15	100	15
Total remuneration for audit services	174	15	100	15
<b>(b) Non-audit services</b>				
BDO Kendalls audit firm:				
Tax assistance	7	4	-	4
Total remuneration for non-audit services	7	4	-	4
Total remuneration	181	19	100	19

## 28. 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.

The Group's management of treasury activities is centralised and governed by policies approved by the Board of Directors. The Chief Financial Officer reports to the Audit and Risk Management Committee at each Committee meeting, and monitors the operating compliance and performance and reports to the Board as required. The Board receives those reports from the Chief Financial Officer, through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Board provides principles for overall risk management, as well as policies covering specific areas, such as identifying risk exposure, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

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.

## Categories of financial instruments

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	26,944	3,728	26,089	-
Other receivables	6,418	66	11	20
Interest receivable	582	-	582	-
Loans to subsidiaries	-	-	9,314	6,395
Derivative instruments	1,618	-	1,618	-
	<u>35,562</u>	<u>3,794</u>	<u>37,614</u>	<u>6,415</u>
<b>Financial Liabilities</b>				
Trade creditors and accruals	26,467	386	2,334	166
Convertible notes 11%	35,291	-	35,291	-
Derivative instruments in designated hedge accounting relationships	54,386	-	54,386	-
Borrowings	416	538	10,651	-
	<u>116,560</u>	<u>924</u>	<u>102,662</u>	<u>166</u>

### (b) Price risk

The Group seeks to partially minimise the effects of gold price risk by using derivative financial instruments to hedge some of this risk exposure. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on this risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group enters into a variety of derivative financial (designated as cash flow hedging) instruments to manage its exposure to gold price risk, including:

- Forward gold contracts in Australian dollars
- Gold put options in Australian dollars

The forward gold contracts are based on a quarter-end settlement whereas actual settlements are made on a weekly basis. As such, there is a timing difference between cash flows of the hedge instrument and a hypothetical perfect derivative. The Board measures the effectiveness of the hedge at least half yearly with the assistance of an external accounting firm. The risk that the hedge will be ineffective is very small given that the timing difference is not significant.

The following table details the Group's sensitivity to a 10% increase and decrease in the spot gold price in Australian dollars. A positive number indicates an increase in profit or other equity while a negative is a decrease in profit or other equity. The tables are based around the spot price of gold of AUD968/oz at 30 June 2008.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Put Options Sensitivity</b>				
<i>10% increase in spot gold price in AUD</i>				
Profit and loss	(791)	-	(791)	-
Derivative financial instrument - asset	827	-	827	-
<i>10% decrease in spot gold price in AUD</i>				
Profit and loss	1,572	-	1,572	-
Derivative financial instrument - asset	3,190	-	3,190	-
<b>Gold Forward Hedges Sensitivity</b>				
<i>10% increase in spot gold price in AUD</i>				
Other equity	(28,083)	-	(28,083)	-
Derivative financial instrument - liability	(82,469)	-	(82,469)	-
<i>10% decrease in spot gold price in AUD</i>				
Other equity	28,083	-	28,083	-
Derivative financial instrument - liability	(26,303)	-	(26,303)	-

### (c) Credit risk

The Group treasury policies for deposit transactions, requires deposit with financial institutions holding a benchmark credit rating.

The credit risk on financial assets which have been recognised on the balance sheets is generally the carrying amount, net of any provisions. At balance date, cash and deposits were held with National Australia Bank and Suncorp-Metway. Cash has been spread over these two major financial institutions to reduce credit risk. For receivables refer to Note 8 and 11.

The counter-party for the derivative financial instruments is Lehman Brothers. The Board has assessed the credit risk of default as minimal as Lehman Brothers is an international financial institution founded in 1850 with major corporate offices in New York, London and Tokyo and leadership positions in equity and fixed income sales, trading and research, investment banking, private investment management, asset management and private equity.

### (d) Liquidity risk

Liquidity risk arises from the Group's management of working capital and finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The contractual maturity of the Group's financial liabilities are as follows:

#### Group, 30 June 2008

Financial Liabilities	Carrying Amount	Contractual Cash flows				
			< 6 months	6mths – 12 mths	1 year to 3 years	>3 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade Creditors	26,467	26,467	26,467	-	-	-
Convertible notes	35,291	38,000	-	-	-	38,000
Gold forwards	54,386	54,386	3,999	5,045	27,935	17,406
Borrowings	416	416	-	416	-	-
Total	116,560	119,269	30,466	5,461	27,935	55,406

Parent entity, 30 June 2008

Financial Liabilities	Carrying Amount \$'000	Contractual Cash flows \$'000	< 6 months \$'000	6mths – 12 mths \$'000	1 year to 3 years \$'000	>3 years \$'000
Trade Creditors	2,334	2,334	2,334	-	-	-
Convertible notes	35,291	38,000	-	-	-	38,000
Gold forwards	54,386	54,386	3,999	5,045	27,935	17,406
Intercompany loans	10,651	10,651	-	-	-	10,651
Total	102,662	105,371	6,333	5,045	27,935	66,057

Group, 30 June 2007

Financial Liabilities	Carrying Amount \$'000	Contractual Cash flows \$'000	< 6 months \$'000	6mths – 12 mths \$'000	1 year to 3 years \$'000	>3 years \$'000
Trade Creditors	386	386	386	-	-	-
Borrowings	538	538	-	538	-	-
Total	924	924	386	538	-	-

Parent entity, 30 June 2007

Financial Liabilities	Carrying Amount \$'000	Contractual Cash flows \$'000	< 6 months \$'000	6mths – 12 mths \$'000	1 year to 3 years \$'000	>3 years \$'000
Trade Creditors	166	166	166	-	-	-
Total	166	166	166	-	-	-

Liquidity risk is managed by regular review of financial assets against financial liabilities. A significant portion of financial liabilities at a Group and Company level are due in greater than three 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.

**(e) 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 7 and Note 17.

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.

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

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.
- the fair value of derivative instruments are calculated using quoted prices.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost (if amortisation is applicable) in the financial statements approximates their fair values.

#### **(g) Debt/Equity Management**

The Group's and the Company's objectives for managing capital are to:

- ensure their ability to operate as a going concern
- maximise returns to stakeholders by maintaining an optimal debt/equity structure via the issuance/redemption of debt or equity as appropriate
- be able to take advantage of opportunities through the issue of debt or equity at short notice

Net Debt consists of:

- convertible notes
- trade creditors
- net derivative hedge liability
- less: Cash and cash equivalents

Total Equity consists of:

- Issued capital
- Reserves
- Retained earnings

### **30. Contingencies**

The parent entity and group had no contingent liabilities at 30 June 2008, except for the following:

#### **Ten3**

The Company has refused to pay a \$1.5m instalment to Ten3 Ventures Limited (Ten3) under an agreement, alleging certain breaches by Ten3 including misrepresentation. Ten3 commenced a claim for such amounts which was answered by the Company with an (as yet unquantified but substantial) counter-claim. Ten3 have since withdrawn their claim. Settlement negotiations are ongoing however no settlement has been reached.

### 31. Commitments

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Lease commitments</b>				
<i>Operating leases</i>				
Commitments in relation to operating leases in existence at the reporting date but not recognised as liabilities are payable as follows:				
Within one year	122	-	122	-
Later than one year but not later than five years	361	-	361	-
	<u>483</u>	<u>-</u>	<u>483</u>	<u>-</u>

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		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Exploration commitments</b>				
<i>Commitments for payments under exploration permits at the reporting date but not recognised as liabilities payable are estimated as follows:</i>				
Within one year	6,839	60	-	-
Later than one year but not later than five years	19,600	45	-	-
Later than five years	30,136	-	-	-
	<u>56,575</u>	<u>105</u>	<u>-</u>	<u>-</u>

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.

### 32. 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 33.

**(c) Key management personnel**

Disclosures relating to key management personnel are set out in Note 27 and Note 37.

**(d) Transactions with related parties**

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Services Provided</b>				
<i>Services provided to subsidiary companies</i>				
Management fee	-	-	1,788	-
Hedge fee	-	-	5,054	-
	-	-	<u>6,842</u>	-
<b>Loans to/from Related Parties</b>				
<i>Loans to subsidiaries</i>				
Beginning of year	-	-	6,395	1,641
Loans advanced	-	-	42,888	4,890
Loan repayments received	-	-	(39,969)	(136)
End of year (Note 12)	-	-	<u>9,314</u>	<u>6,395</u>
<i>Loans from subsidiaries</i>				
Beginning of year	-	-	-	-
Loan advanced from subsidiaries	-	-	(124,649)	-
Loans repaid	-	-	113,998	-
End of year (Note 19)	-	-	<u>(10,651)</u>	-

Inter-group balances set out in Note 12 and Note 19 are interest free, unsecured with no set repayment terms. Unless otherwise stated, all related party transactions are on commercial terms and conditions. During the year, Paddington Gold Pty Ltd paid management fees of \$1,788,000 to Norton Gold Fields Limited in relation to corporate services provided. Paddington Gold also paid \$5,054,000 to Norton Gold Fields Limited in relation to losses on forward gold hedge contracts taken out on behalf of Paddington Gold.

**33. Subsidiaries**

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

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2008 %	2007 %
Paddington Gold Pty Ltd	Australia	Ordinary	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%

i) Acquisition of controlled entities

On 24 August 2007, the parent entity acquired 100% of Paddington Gold Pty Ltd, with Norton Gold Fields Limited entitled to all profits earned from that date, for a purchase consideration of \$37,316,000.

- ii) 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 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.

The consolidated income statement and balance sheet of the entities party to the deed of cross guarantee are the same as presented for the Norton Gold Fields group.

### 34. Events Occurring After the Balance Sheet Date

#### (a) Merger with Bellamel Mining Limited

On 29 May 2008, the Directors of Norton Gold Fields Limited and Bellamel Mining Limited (Bellamel) agreed to merge the two companies by means of an off-market takeover offer by Norton for all the shares in Bellamel.

The consideration is four Norton shares for five Bellamel shares. Based on the closing prices on Tuesday 27 May 2008 of \$0.33 for each Norton share and \$0.205 for each Bellamel share, the Offer values each Bellamel share at \$0.264. The merger ratio of four for five reflects a premium of 30.6% to the volume weighted average price (VWAP) of Bellamel shares versus the VWAP of Norton shares for the three months prior to the announcement.

The Bidders Statement lodged on 25 July 2008 is subject to:

- minimum acceptance of 90% (by number) of the sum of the Bellamel Shares on issue;
- no existing Bellamel agreements affected by a change of control; and
- no material acquisitions, disposals or commitments or other changes occur in Bellamel.

As at the date of this report, this acquisition had not been finalised.

#### (b) Loan Funded Share Scheme to J. Parker

At an Extraordinary General Meeting held on 1 July 2008, a loan funded share scheme was approved for J. Parker for the issue of 9,900,000 ordinary shares (Shares). The issue price of the Shares (Issue Price) was \$0.2513 per share totalling \$2,488,000.

As part of the issue of the Shares, the Issue Price will be loaned by the Company to J. Parker under the terms of the Employee Share Scheme as a limited recourse loan. The loan will be interest free and is provided for a maximum of 10 years. In addition to the conditions described in the general terms of the Employee Share Scheme, the Shares will be subject to the following vesting conditions:

- I. 3.3 million Shares will vest provided Mr Parker remains employed by the Company on 1 January 2009;
- II. 3.3 million Shares will vest when the VWAP20 is at least 85 cents (\$0.85) per Share;
- III. 3.3 million Shares will vest when the VWAP20 is at least 120 cents (\$1.20) per Share.

### 35. Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Full details of cash and cash equivalents is at Note 7.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss)	9,238	(4,609)	(5,157)	(6,156)
<i>Adjustments for:</i>				
Depreciation and amortisation	4,679	198	7	-
Impairment of mine property	-	3,677	-	-
Exploration written off	313	294	-	-
Provision for rehabilitation	-	13	-	-
Provision for impairment of investment	-	-	-	5,546
Tax amounts related to financial instruments not in operating activities	27,343	-	(1,331)	-
Accrual on fitout of premises	(75)	-	(75)	-
Management fee	-	-	(6,842)	-
Fair value movement of gold put options	2,151	-	2,151	-
Non-cash share based payment	1,878	208	922	208
Amount in trade creditors relating to input tax credits on intercompanies	-	-	(694)	-
<i>Balance sheet movements on Paddington Gold acquisition that are in Investing activities:</i>				
Receivables	10,010	-	-	-
Inventories	11,241	-	-	-
Payables	(9,107)	-	-	-
Provisions	(25,461)	-	-	-
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in current receivables	(7,368)	-	(573)	-
(Increase)/decrease in inventories	(19,604)	-	-	-
(Increase)/decrease in other receivables	(37,494)	75	(15,530)	83
(Increase)/decrease in other assets	-	(8)	-	-
Increase/(decrease) in current payables	26,081	340	2,168	131
Increase/(decrease) in current provisions	3,346	-	-	-
Increase/(decrease) in derivative financial liabilities	9,044	-	9,044	-
Increase/(decrease) in non-current provisions	21,646	-	2	-
Increase/(decrease) in deferred tax liabilities	45,342	(1,103)	45,342	-
Increase/(decrease) in derivative reserve	(38,070)	-	(38,070)	-
<b>Net cash from/(used in) operating activities</b>	<b>35,133</b>	<b>(915)</b>	<b>(8,636)</b>	<b>(188)</b>

### Non-cash financing and investing activities

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Holder conversion of 20 Convertible Notes with \$100,000 face value into ordinary share capital	2,000	-	2,000	-
Accrual on fitout of premises	75	-	75	-
Satisfaction of investment loan through issue of equity instruments (Note 21(b))	8,089	-	8,089	-

### 36. Earnings/(Loss) per Share

	Consolidated	
	2008 Cents	2007 Cents
Basic earnings/(loss) per share	2.85	(6.60)
Diluted earnings/(loss) per share	2.38	(6.60)

#### Information concerning earnings per share:

- Earnings used for basic and diluted EPS is a profit after tax of \$9,238,000 (2007: loss of \$4,609,000).
- The convertible notes are not considered dilutive as the impact of interest expense makes these potential shares anti-dilutive.
- Options granted are considered to be potential ordinary shares. Details relating to options are set out in Note 25.
- In 2007, 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 25 could potentially dilute basic earnings per share in the future.
- Reconciliation of weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is as follows:

	2008 Number	2007 Number
Number used in calculating basic earnings per share	324,611,163	69,881,242
Weighted average number of options outstanding	64,295,423	-
Number used in calculating diluted earnings per share	<u>388,906,586</u>	<u>69,881,242</u>

### 37. 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 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.

Set out below are summaries of options granted:

#### 2008

	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
Type 7	27/8/2007	27/8/2009	\$0.20	-	35,386,528	-	-	35,386,528	35,386,528
Type 8	23/8/2007	6 mths post term	\$0.12	-	3,000,000	(3,000,000)	-	-	-
Type 9	23/8/2007	6 mths post term	\$0.20	-	2,000,000	-	-	2,000,000	2,000,000
Type 10	14/4/2008	14/4/2010	\$0.20	-	1,570,000	-	-	1,570,000	1,570,000
Type 11	14/4/2008	14/4/2011	\$0.50	-	700,000	-	-	700,000	-
Type 12	1/12/2007	31/12/2012	\$0.50	-	1,000,000	-	-	1,000,000	-
				-	43,656,528	(3,000,000)	-	40,656,528	38,956,528

#### 2007

	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
Type 4	14/11/2006	05/06/2008	\$0.20	-	800,000	-	-	800,000	800,000
Type 5	14/11/2006	6 mths post term	\$0.12	-	3,000,000	-	-	3,000,000	3,000,000
Type 6	14/11/2006	6 mths post term	\$0.20	-	2,000,000	-	-	2,000,000	2,000,000
	17/06/2005	08/08/2010	\$0.20	3,186,800	-	-	-	3,186,800	3,186,800
				3,186,800	5,800,000	-	-	8,986,800	8,986,800

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.64 years (2007– 1.46 years)

The weighted average exercise price of share options outstanding at the end of the period was \$0.20 (2007 - \$0.17).

#### *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 2008 included:

#### **Type 7 – options to RAB and Ten3**

- options are granted for no consideration
- exercise price \$0.20
- grant date: 27 August 2007
- vesting condition: none
- expiry date: 27 August 2009
- share price at grant date: \$0.2525
- expected price volatility of the shares: 120% in the first year gradually decreasing to 90% over the two year life of the option

- (g) expected dividend yield: 0%
- (h) risk-free interest rate: 5.93%

**Type 8 – options to J. Parker**

- (a) options are granted for no consideration
- (b) exercise price \$0.12
- (c) grant date: 23 August 2007
- (d) vesting condition: share price reaches \$0.20
- (d) expiry date: 6 months after termination of employment
- (e) share price at grant date: \$0.255
- (f) expected price volatility of the shares: 120% in the first year gradually decreasing to 80% over the estimated 3.13 year life of the option
- (g) expected dividend yield: 0%
- (h) risk-free interest rate: 5.93%

**Type 9 – options to J. Parker**

- (a) options are granted for no consideration
- (b) exercise price \$0.20
- (c) grant date: 23 August 2007
- (d) vesting condition: share price reaches \$0.30
- (d) expiry date: 6 months after termination of employment
- (e) share price at grant date: \$0.2525
- (f) expected price volatility of the shares: 120% in the first year gradually decreasing to 90% over the two year life of the option
- (g) expected dividend yield: 0%
- (h) risk-free interest rate: 5.93%

**Type 10 – options to Paddington Gold employees**

- (a) options are granted for no consideration
- (b) exercise price \$0.20
- (c) grant date: 24 August 2007
- (d) no vesting conditions
- (d) expiry date: 24 August 2009
- (e) share price at grant date: \$0.2725
- (f) expected price volatility of the shares: 100% in the expected one year life of option
- (g) expected dividend yield: 0%
- (h) risk-free interest rate: 7%

**Type 11 – options to Norton Gold Fields employees**

- (a) options are granted for no consideration
- (b) exercise price \$0.50
- (c) grant date: 28 February 2008
- (d) vesting date: one year from grant date
- (d) expiry date: two years from grant date
- (e) share price at grant date: \$0.45
- (f) expected price volatility of the shares: 100% in the expected two year life of option
- (g) expected dividend yield: 0%
- (h) risk-free interest rate: 7%

**Type 12 – options to W. A. Labuschagne**

- (a) options are granted for no consideration
- (b) exercise price \$0.40
- (c) grant date: 1 December 2007
- (d) vesting date: 500,000 options vest in six months from date of commencement (1 July 2008) and 500,000 options vest in twelve months from date of commencement (1 January 2009)

- (d) expiry date: five years from commencement date, 31 December 2012
- (e) share price at grant date: \$0.4925
- (f) expected price volatility of the shares: 100% in the expected two year life of option
- (g) expected dividend yield: 0%
- (h) risk-free interest rate: 7%

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

### (b) Ordinary Shares

#### (i) Key Management Personnel

The table below sets out the information on shares granted as remuneration to Key Management Personnel in the financial year and the performance conditions required for vesting. These shares were issued in line with the Employee Share Ownership Plan as approved by shareholders. The Employee Share Ownership Plan allows the Board of Directors to invite certain employees to participate in an offer of shares. The Board in its discretion determines the conditions of the shares including number, expiry and vesting conditions.

As these shares had not vested at 30 June 2008, they are not included in share capital at Note 25. The value of the shares is expensed on a pro-rata basis from grant date to the expected vesting date. There were no ordinary shares issued as remuneration in 2007.

	Granted No.	Grant Date	Value per Share at Grant Date \$	Vested at 30 Jun 2008 No.	Vesting conditions	Expiry
<b>2008</b>						
S. Brodie	875,000	6/8/07	\$0.280	nil	12 months after employment date	nil
S. Brodie	750,000	6/8/07	\$0.280	nil	Issuer Conversion Right available on Convertible Notes	nil
S. Brodie	875,000	6/8/07	\$0.280	nil	VWAP of Ordinary Shares is 70c for 5 consecutive days	nil
W. A. Labuschagne	500,000	1/12/07	\$0.493	nil	Completion of Mount Morgan feasibility study	nil
W. A. Labuschagne	500,000	1/12/07	\$0.493	nil	VWAP of Ordinary Shares is \$1.00 for 5 consecutive days	nil
J. Price	700,000	5/9/07	\$0.240	nil	12 months after employment date	nil
J. Price	600,000	5/9/07	\$0.240	nil	Issuer Conversion Right available on Convertible Notes	nil
J. Price	700,000	5/9/07	\$0.240	nil	VWAP of Ordinary Shares is 70c for 5 consecutive days	nil

The Issuer Conversion Right on the Convertible Notes requires that nine months elapse from the issue of the Convertible Notes (ie. from 27 August 2007 to 27 May 2008) and that the Ordinary Share price for NGFL shares is over 37.5c for 20 consecutive trading days.

The value per share is determined by the weighted average of the opening and closing price of Ordinary Shares in NGFL on the grant date.

The weighted average price of shares issued in the financial year to key management personnel was \$0.385 per share.

*(ii) RAB Conversion*

The details of this share based payment are outlined at Note 21(b). The Convertible Notes and associated share options issued approximates the fair value of the investment loan at the time of repayment.

*(iii) Ten3 Share Issue*

A total of 20,219,201 ordinary shares (Note 25 (b)) and 9,872,680 options (Note 37(a)) were issued to Ten3 Ventures Limited for services provided to the Group in the acquisition of Paddington Gold Pty Ltd. The Group has measured the fair value of the services provided at arms-length in determining the amount and price of these equity instruments. The calculated fair value of \$4,853,000 and \$1,126,000 for the ordinary shares and options issued are disclosed as part of the "Direct costs relating to the acquisition" in Note 24.

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

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

	<b>2008</b>	<b>2007</b>
	\$'000	\$'000
Ordinary shares issued	781	-
Options issued	941	208
	<hr/> 1,722	<hr/> 208

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 24 to 73 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 8 to 15 of the Directors' Report for the year ended 30 June 2008 comply with s300A of the *Corporations Regulations 2001*.

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

The Company and its wholly-owned subsidiaries identified at Note 33 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 Board of Directors and is signed for and on behalf of the Directors by:

A handwritten signature in black ink that reads "for J Parker". The signature is stylized and includes a large, sweeping underline that extends to the right.

J Parker  
Managing Director

Brisbane  
14 August 2008



## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF NORTON GOLD FIELDS LIMITED**

#### **Report on the Financial Report**

We have audited the accompanying financial report of Norton Gold Fields Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *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(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF NORTON GOLD FIELDS LIMITED (continued)

#### *Independence*

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

#### *Auditor's Opinion*

In our opinion the financial report of Norton Gold Fields Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

#### **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 8 to 15 of the directors' report for the year ended 30 June 2008. 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 2008, complies with section 300A of the *Corporations Act 2001*.

#### **BDO Kendalls (QLD)**

BDO Kendalls



**C J Skelton**  
Partner

Brisbane  
14 August 2008

## Shareholder Information

The shareholder information set out below was applicable as at 4 August 2008.

### (a) Distribution of equity securities

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

	Class of equity security	
	Ordinary shares	Listed Options
	Shares	
1 – 1,000	52,425	-
1,001 – 5,000	1,602,808	624,200
5,001 – 10,000	4,492,556	518,000
10,001 – 100,000	36,806,996	2,141,004
100,001 and over	301,202,784	4,998,196
	344,157,569	8,281,400

There were 236 holders of less than a marketable parcel of ordinary shares and no holders of less than a marketable parcel of options.

### (b) Equity security holders

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

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

Name	Ordinary shares	
	Number Held	Percentage of issued shares
BPI Norton Pty Ltd	64,550,000	18.76
P R Norton Pty Ltd	64,550,000	18.76
HSBC Custody Nominees (Australia) Limited	34,277,073	9.96
Micona Mining Pty Limited	19,700,000	5.72
ANZ Nominees Limited	17,064,070	4.96
Jon Brereton Parker	9,900,000	2.88
Ten3 Resources Limited	9,297,201	2.70
Bond Street Custodians Limited	4,835,658	1.41
Geraldton Agricultural Services Pty Ltd	4,513,489	1.31
Jon Brereton Parker and Pamela Jean Parker	4,196,000	1.22
Mr Kit Foo Chye	4,000,000	1.16
Somna Kumar and Joseph Jayaraj	3,750,000	1.09
Herbert Group Pty Ltd	2,507,112	0.73
Micona Investments Pty Ltd	2,000,000	0.58
Mr Wei Seong Chin	1,904,365	0.55
Merrill Lynch (Australia) Nominees Pty Ltd	1,852,800	0.54
Scintilla Capital Pty Ltd	1,350,000	0.39
Coastcape Pty Limited	1,170,000	0.34
Memya Pty Limited	1,050,000	0.31
Westpearl Pty Limited	1,035,946	0.30
	253,503,714	73.67

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

Name	Options	
	Number Held	Percentage of issued options
Isaiah Sixty Pty Ltd	1,297,546	15.67
Geraldton Agricultural Services Pty Ltd	1,259,850	15.21
Slade Technologies Pty Ltd	800,000	9.66
Techinvest Holdings Pty Ltd	375,000	4.53
Kwang Hou Hung	365,000	4.41
Isaiah Sixty Pty Ltd <Isaiah S/F A/C>	300,000	3.62
Khoon Ho Kuok	200,000	2.42
Banjo Superannuation Fund Pty Ltd	150,000	1.81
MC Geachie & Rickard ESP Pty Ltd	125,800	1.52
RRRMKA Pty Ltd	125,000	1.51
M Paglia Pty Ltd	100,000	1.21
Dennis William Meyer	100,000	1.21
Goldmisty Pty Ltd	83,948	1.01
PJ & JA Bartter	80,000	0.97
The Herbert Group Pty Ltd	72,000	0.87
Michael Rae and Lilian Rae	62,000	0.75
DNI Investments Pty Ltd	50,000	0.60
Herman Johannus Eldering & Tanja Franziska Eldering	50,000	0.60
J&E Kerr Investments Pty Ltd	50,000	0.60
Gary Buchan-Hepburn & Desley Joan McDonald	50,000	0.60
	<b>5,696,144</b>	<b>68.78</b>

**Unquoted equity securities**

	Number on issue	Number of holders
Unquoted options	63,261,328	405

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

Name	Unlisted options	
	Number Held	Percentage of unquoted options
HSBC Custody Nominees (Australia) Limited A/C 3	25,513,848	40.33%

**(c) Substantial holders**

Substantial holders in the Company are set out below:

	Number Held	Percentage of issued shares
Ordinary shares		
BPI Norton Pty Ltd	64,550,000	18.76
P R Norton Pty Ltd	64,550,000	18.76
HSBC Custody Nominees (Australia) Limited	34,277,073	9.96
Micona Mining Pty Limited	19,700,000	5.72
ANZ Nominees Limited	17,064,070	4.96

**(d) Voting rights**

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

- (a) Ordinary shares  
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options  
No voting rights.

## Corporate Directory

**ACN 112 287 797**

### Directors

A. Anthony McLellan (Non-executive Chairman)

Jon B Parker, B. Sc. (Hons), Graduate Diploma of Business Administration (Managing Director)

A. Timothy Prowse, BE (Mining) Hons (Executive Director)

Mark D. H. McCauley, BE (Mining) Hons. MBA MAICA (Non-executive Director)

Ian McCauley (Alternative Director to M. McCauley)

### Company Secretary

Leni P. Stanley, B.Bus.CA

Simon Brodie, B.Bus CPA ACIS

### Registered Office

First floor, 101 Edward Street,

Brisbane QLD 4000

Ph: (07) 3221 6022

### Business Office

79 Hope Street

South Brisbane QLD 4101

Ph: (07) 3846 9200

### Share Register

Computershare Investor Services Pty Limited

307 Queen Street Brisbane Qld 4000

Ph: 1300 552 270

### Legal Advisors

HopgoodGanim Lawyers

Waterfront Place

1 Eagle Street

Brisbane QLD 4000

Ph (07) 3024 0000

### Auditor

BDO Kendalls

Chartered Accountants

300 Queen Street

Brisbane QLD 4000

### Stock Exchange

Listed on the Australian Securities Exchange as symbol "NGF".