NORTON GOLD FIELDS LIMITED

ASX/MEDIA ANNOUNCEMENT

17 July 2009

Trading Update and Accounting for Gold Hedge

Key points

- **Forecast EBITDA [1] for FY2009 of $20m to $24m using the hedge recognition basis applied to the 30 June 2008 accounts, and represents:**
  - **an increase of $15m to $19m for the half-year ended 30 June 2009 over the half-year ended 30 June 2008**
  - **a turnaround of $21m to $25m over the half-year ended 31 December 2008.**

- **The hedge currently fails the effectiveness test. Accordingly, Norton's accounting policy requires the method of recognition in the financial statements to change, so that:**
  - **sales will be recorded at spot**
  - **the fair value at the last point of effectiveness will remain in equity and be allocated to revenue over the life of the forwards**
  - **fair value movements will be recognised in the income statement.**

- **These changes to the recognition of the hedge will increase the forecast EBITDA[2] to:**
  - **$30m to $35m for the six months to 30 June 2009**
  - **$32m to $37m for the financial year ended 30 June 2009.**

- **Changes in the recognition of this non-cash expense could result in a profit becoming a loss.**

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[1] Due to the changes detailed herein, this information is specifically provided to enable a like for like comparison between the financial years ended 30 June 2008 and 2009. The Company will only be in a position to provide profit guidance using the changed recognition method, once the fair value of the hedge derivatives are known.

[2] Excluding fair value movements post 15 September 2008 (the date the hedge became ineffective), which are reflected below the EBIT line.

Background

As previously announced, on 29 August 2007, Norton Gold Fields Limited (ASX:NGF) ("Norton" or the "Company") entered into a gold hedging agreement ("Hedge") with Lehman Brothers Commercial Corporation ("LBCC") as part of a general equity and debt fundraising transaction.

Norton has forward sold approximately 70,000 ounces per year, until June 2012, at a price of A$875 per ounce as part of the Hedge component of the financing transaction.

On 15 September 2008, Lehman Brothers Holdings Inc ("LBHI"), which acts as Credit Support Provider of LBCC under the Hedge, filed a petition under Chapter 11 of the United States Bankruptcy Code in the United States. On 5 October 2008, LBCC also filed a petition under Chapter 11 of the U.S. Bankruptcy Code.

As a result of these actions:

- events of default under the Hedge by virtue of both LBHI's and LBCC's (collectively "Lehman Brothers") bankruptcy filings have occurred, and are continuing

- under the terms of the Hedge each event of default entitles, but does not require, Norton to terminate the Hedge

- pursuant to the terms of the Hedge, Norton is not required to make any hedge payments which may otherwise be due to LBCC under the Hedge, while either of the events of default continues.

Provided Norton is not itself in default (which would provide LBCC with certain rights), Norton's position is that it would only become liable to settle any outstanding amounts with respect to the Hedge if both LBCC and LBHI emerge from Chapter 11, the Hedge is successfully assigned to a third party, or the US Bankruptcy Court otherwise orders Norton to do so. For a fuller explanation, see the Company's announcement of 29 April 2009.

Hedge accounting policies

Norton's accounting policies require that, in the event a cash flow hedge fails the effectiveness test, hedge accounting is to cease. Hedge accounting refers to the method of recognising movements in the fair value of the hedge through the balance sheet. Notwithstanding the status of LBHI and LBCC, Norton has been advised that the Hedge should continue to be recognised in the Group financial statements until the financial liability is extinguished; that is, the obligation is discharged, cancelled, or expired.

Hedge accounting will be discontinued from the date now considered to be when the Hedge was last effective; that is, 15 September 2008.

The method of recognising the hedge in the financial statements will be as follows:

- sales of gold will be recorded at spot prices, rather than reflecting the hedge adjusted rate

- the amount in the Hedge reserve account at 15 September 2008 will be fixed and expensed as a charge to revenue through the income statement over the remaining life of the Hedge

- forwards (settlements scheduled between the reporting date and 30 June 2012) will be recorded at fair value in the financial statements

- all movements in the fair value of the unsettled hedge money and the forwards will be accounted for through the income statement. The movement in the fair value of the hedge may lead to the recognition of a non-cash expense that could change a profit to a loss.

Australian Accounting standards require derivatives and embedded derivatives to be measured in accordance with accepted market valuation practices. Having regard to the uncertainties surrounding Lehman Brothers, the directors have engaged independent advisers to assist them in determining the fair value of the Hedge at the relevant reporting dates. When the valuations have been determined, the Company will update this guidance and the accounts for the financial year ended 30 June 2009 will be finalised. At that time, Norton will also disclose the effect, if any, of the changed accounting principles on the 31 December 2008 results.

This method of recognition is likely to result in volatility, and has the potential to result in significant non cash adjustments to the accounts issued by the Company subsequent to 15 September 2008. In the event that the fair value of the hedge derivatives (as at the accounts balance date) exceeds the value at 15 September 2008, the Company will record a non-cash expense in its income statement. This amount may be substantial and could lead to a profit the Company would otherwise have made becoming a loss. The amount will not be known until the fair value of the hedge derivatives are determined.

Any changes to the accounting profits will not affect cash flows.

Trading update

Norton forecasts an EBITDA of $20m to $24m for the financial year to June 2009 applying the method of hedge recognition in operation as at 30 June 2008. Due to the accounting changes outlined above, this information is specifically provided to enable a like for like comparison between the financial years ending 30 June 2008 and 2009. The final number is subject to completion of calculations related to share based payments, accrued expenses, certain capital items, and allocation of the Hedge reserve.

The Company expects to be in a position to provide guidance on the likely profit for the financial year ended 30 June 2009 applying the new accounting principles, once it has determined the fair value of the Hedge at the relevant reporting dates in conjunction with its advisors, which assessment is currently in progress.

Cash

Notwithstanding Norton's capital program, including the development of its Homestead underground project, as at 30 June 2009, the Company was holding approximately $45.3m in cash. In addition, the Company had $17.8m on deposit, securing environmental bonds.

About Norton

Norton Gold Fields Limited is one of the largest ASX-listed domestically-owned gold producers.

Norton produces around 150,000 oz per year from its open cut operations at Paddington near Kalgoorlie in Western Australia. The current mine life is in excess of 10 years. Output is expected to increase towards 200,000 oz per year during FY2010 with the development of the Homestead underground mine now underway.

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

Completion of Homestead and Mount Morgan mines will drive total gold production to 230,000 to 250,000 oz per year and diversify production sources.

Visit us at www.nortongoldfields.com.au

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