



19 July 2010

## **NORTON AGREES TO SETTLE HEDGE LITIGATION WITH LEHMAN BROTHERS COMMERCIAL CORPORATION**

### ***NORTON NOW 100% UNHEDGED***

Norton Goldfields ("Norton" or the "Company"), is pleased to announce today that it has entered into an agreement to settle the Lehman Brothers Commercial Corporation hedge litigation. This follows the 13 May 2010 announcement that the litigation process had been adjourned until 14 July allowing the parties to pursue mediation sanctioned by the US Bankruptcy Court.

Norton's gold hedge with Lehman Brothers Commercial Corporation (Lehman) will be cancelled in exchange for payment to Lehman of AUD\$10M upfront and the issuance of a Senior Secured Note for AUD\$97M (the "Note") to be repaid over four years.

Norton CEO Mark McCauley said the agreement represents the best available outcome for Norton shareholders.

"The settlement of the hedge litigation offers the Company greater certainty and will allow Norton to move forward and focus on expanding gold production and reducing costs," Mr McCauley said.

"The replacement of the hedge, expiring June 2012 with a loan note due 4 years after Closing (expected to be August 2014) with a repayment program which sees most of the repayments in the latter years, provides the opportunity for Norton to fund these repayments out of cash flow.

"Our existing cash balance provides a robust financial position from which to move forward," Mr McCauley said.

#### **Terms of the Note**

The Note will be paid over four years with AUD\$5M to be paid in Feb 2013 and Aug 2013 and the remaining principal to be paid in equal instalments in Feb 2014 and Aug 2014.

Cash interest will be paid half yearly on all outstanding amounts at an annualised rate of 12%. Interest payable in kind will be compounded into principal of the Note half yearly on all outstanding amounts at an annualised interest of 4%.

Norton will have first right of refusal to purchase the loan note should Lehman decide to on-sell it. There will be limited provision for prepayment of the loan in year 1 with penalties for early repayment applying during the term of the loan. Normal financial covenants for this type of loan note will apply with Lehman retaining a first ranking, fixed and floating charge over all of Norton's and its subsidiaries assets. Attached below is a summary of key note terms and covenants.

At the time of the Lehman bankruptcy in September 2008 Norton had a hedge in place for delivery of 280,000 ounces at AUD\$875 per ounce to be sold in even quarterly parcels through until June 2012. Norton ceased delivery into these contracts upon Lehman's bankruptcy.

### Gold Production and Financial Status

Norton will shortly release its Quarterly Activity Report for the June 2010 quarter, which is expected to confirm that production targets for FY2010 have been met, with strong fourth quarter production.

The Company currently has approximately \$70M cash at bank and existing debt of \$38M, in the form of convertible notes redeemable in August 2011 with a conversion price of \$0.25 per share.

The closing of the settlement is subject to, amongst other things certain approvals (including approval by Norton's existing convertible noteholders), which is anticipated by mid August 2010.

### Further information

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## SUMMARY OF ECONOMIC AND KEY NOTE TERMS

### I. Economic Terms

<b>Note Issuance</b>	AUD\$97,000,000
<b>Note Term</b>	4 years
<b>Interest Rate</b>	12% p.a., payable semi-annually, plus 4% p.a. payment in kind, compounding semi-annually payable in year 4
<b>Amortization</b>	AUD\$5,000,000 on each semi-annual payment date (February and August) with equal amounts on last two payment dates. First payment is due February 9, 2013 (assuming an August 2010 closing).
<b>Prepayment Penalties</b>	No prepayment in first year other than mandatory prepayment (described below); 110% if prepay between August 9, 2011 through August 8, 2012; declining to 106% from August 9, 2012 through August 8, 2013; declining to 104% from August 9, 2013 until the day prior to the maturity date <sup>1</sup> .
<b>Governing Law</b>	New York.
<b>Right of First Refusal</b>	In the event that LBCC as a debtor-in-possession or as a reorganized debtor (and including any trustee or other fiduciary for the estate of LBCC appointed in the plan process) wishes to assign, transfer or otherwise dispose of all or part of the Note, Norton shall have an exclusive right of first refusal to purchase the Note on the same terms as are offered by or to the potential third party purchaser for the Note.
<b>Mandatory Repayment Events</b>	Norton is required to pre-pay the Note (or part of the Note as applicable) in the following circumstances: <ul style="list-style-type: none"> <li>• Where the trigger price under Norton's existing \$38m convertible notes is satisfied (Norton's share price is at least 37.5 cents for 20 trading days) – Norton must pre-pay \$20m in August 2011;</li> <li>• Where there is a change in control<sup>2</sup> of Norton – Norton must repay the entire outstanding Notes (and accrued</li> </ul>

<sup>1</sup> Assuming an August 2010 closing

<sup>2</sup> Change in Control is defined to mean:

- a) a takeover bid is made by a Person to acquire all or some of Norton's Shares and the offers under the takeover bid are, or become, unconditional and:
  - i. the bidder has a Relevant Interest in more than 45% of the shares on issue; or
  - ii. the Board unanimously recommends acceptance of the offers under the takeover bid (whether with or without conditions);
- b) a court approves a compromise or arrangement under Part 5.1 of the Corporations Act that, when implemented, will result in a Person having a Relevant Interest in more than 45% of Norton's Shares on issue
- c) a Person acquires a Relevant Interest in more than 45% of Norton's Shares on issue;
- d) Norton ceases to control any material Subsidiary that is controlled by Norton as at the Issue Date; or

	<p>interest) plus a premium (of 15% if the change in control occurs in year 1, with the premiums in years 2 – 4 to be in accordance with the prepayment penalties section above (“Mandatory Prepayment Premiums”))</p> <ul style="list-style-type: none"> <li>• Where Norton disposes of assets in excess of \$10m per year (in which case the excess of proceeds above \$10m are to be used to repay the Note (with the Mandatory Prepayment Premiums to apply). If Norton elects to apply the first \$10m to repayment of the Note, no premium applies.</li> </ul>
<b>Key Financial Covenants</b>	<p>In addition to Norton’s existing covenants securing the existing convertible notes, the Notes will carry additional negative and positive covenants in favour of the Noteholders, including without limitation the following:</p> <ul style="list-style-type: none"> <li>• Limitations on entering into indebtedness or granting security;</li> <li>• Limitations on certain acquisitions out of cash flow (limited to \$1m for single acquisitions and a total of \$5m for the period of the Note), however there is no restriction on acquisitions paid for by equity (or out of the proceeds of equity) so long as a Change of Control is not triggered;</li> <li>• Limitations on expanding current budgeted and planned capital expenditure programs during the life of the Note, with authorised capital expenditure reducing to nominal levels in the event that a gold reserve/gold price to total debt ratio is breached in years 3 and 4 of the Note;</li> <li>• Prohibitions on capital returns, buy backs and payment of dividends;</li> <li>• Restrictions on asset dispositions</li> </ul>
<b>Other provisions</b>	<p>The Note contains usual events of default and representations, warranties and indemnities in favour of the Noteholder typical of a transaction of this nature.</p>

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- e) Norton and/or any of its material Subsidiaries Disposes of all, or substantially all of its assets without the requisite consent of the Note Holders.