



5 February 2010

Appendix 4D (Rule 4.2A.3)
Financial Report
For the half -year period ended 31 December 2009

Results for announcement to the market
(all comparisons are to the half-year ended 31 December 2008)

	\$'000	Up/Down	% movement
Revenue	69,492	Up	11.5%
Loss after income tax (NPAT)	(12,880)	Up	35.7%

Audit

This report is based on the consolidated half-year financial report which has been reviewed.

Acquisitions and disposals

There were no acquisitions or disposals in the period

Commentary on results for the period

The profit before interest, tax, depreciation and amortization (EBITDA) has increased significantly from a small loss the previous half year period to a positive \$11.910 million for the six months ended 31 December 2009. This was largely due to a higher gold price, and no impairment charges during the period. The September and December Quarterly Reports provide details of the key operating issues during the period.

The operating loss after income tax of the Group (NPAT) for the half-year was \$12.880 million (2008: loss of \$9.489 million). The increase in loss after income tax is mainly attributable to the negative movement in the fair value of the hedge increasing by \$18.463 million as at 31 December 2009.

The company placed shares worth \$40.500 million to sophisticated investors in Canada, USA, UK and Hong Kong at 32.83 cents per share. The placement provides significant funding for the Company's growth plans. The placement was conducted in two tranches to international resource funds Sprott Asset Management (Canada), Libra Advisors (USA), Baker Steel (UK) and Goldmax Asia Investments (Hong Kong). The first tranche of 60.95 million shares was issued in October 2009 utilising the Company's placement capacity under Listing Rule 7.1. The second tranche of 62.420 million shares was issued, following shareholder approval at the Company's Annual General Meeting held on 30 November 2009.

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 half 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 10.1 cents for 31 December 2009 and 6.97 cents for 30 June 2009.

Additional 4D disclosures

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



NORTON GOLD FIELDS LIMITED

ACN 112 287 797

Interim Financial Report for the half-year ended 31 December 2009

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Norton Gold Fields Limited during the interim reporting period in accordance with the continuous disclosure requirements of the ASX.

Directors' report

The directors present their report on the Norton Gold Fields Limited Consolidated Group (the Group) consisting of Norton Gold Fields Limited (the Company) and the entities it controlled at the end of or during the half-year ended 31 December 2009.

Directors

The following persons were directors of Norton Gold Fields Limited during the half-year period and up to the date of this report:

A. Anthony McLellan (Non-executive Chairman)
Jon Parker (Managing Director resigned 14 January 2010)
A. Timothy Prowse (Executive Director)
Mark McCauley (Director and Chief Executive Officer appointed CEO 14 January 2010)
Ian McCauley (Alternate Director)

Review of operations

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Rounding of amounts

The consolidated group has applied the relief available to it in Australian Investments and Securities Commission (ASIC) Class Order 98/100 and accordingly certain amounts in the financial report and the Directors' Report have been rounded off to the nearest \$1,000.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 forms part of this half year financial report and is set out on page 2.

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



Mark McCauley
Director and Chief Executive Officer
5 February 2010

5 February 2010

The Directors
Norton Gold Fields Limited
Level 1
79 Hope Street
SOUTH BRISBANE QLD 4101

Dear Directors

DECLARATION OF INDEPENDENCE BY CHRISTOPHER SKELTON TO THE DIRECTORS OF NORTON GOLD FIELDS LIMITED AND ITS CONTROLLED ENTITIES

As lead auditor for the review of Norton Gold Fields Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

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

BDO Audit (QLD) Pty Ltd



Chris Skelton
Director

**Consolidated statement of comprehensive income
for the half-year ended 31 December 2009**

	Note	Half-year 2009 \$'000	Half-year 2008 \$'000
Revenue			
Revenue		69,492	62,302
Other income		4,672	3,073
Total income		74,164	65,375
Expenses			
Mining expenses		(23,336)	(24,713)
Milling expenses		(13,646)	(14,377)
Maintenance		(8,887)	(6,188)
Technical and support services		(5,931)	(6,138)
Selling expenses		(1,933)	(2,187)
Administration and corporate expenses		(7,892)	(6,450)
Professional and consulting fees		(629)	(605)
Impairment of assets		-	(4,720)
Profit/(Loss) before interest, tax, depreciation and amortisation		11,910	(3)
Depreciation and amortisation expense		(8,022)	(8,790)
Profit/(Loss) before interest, tax and movement in fair value of derivatives		3,888	(8,793)
Movement in fair value of derivatives		(18,463)	(1,157)
Finance costs		(2,495)	(2,201)
Loss before income tax		(17,070)	(12,151)
Income tax benefit		4,190	2,662
Net Loss after tax	3	(12,880)	(9,489)
Other comprehensive income			
Net gains/loss on cashflow hedges		-	(48,907)
Income tax on items of other comprehensive income		-	14,672
Other comprehensive income for the half-year, net of tax		-	(34,235)
Total comprehensive income for the half-year attributable to owners of the parent entity		(12,880)	(43,724)
		Cents	Cents
Earnings per share for profit/(loss) for the half-year			
Basic earnings/(loss) per share		(2.9)	(2.5)
Diluted earnings/(loss) per share		(2.6)	(2.5)

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

**Consolidated statement of financial position
for the half-year ended 31 December 2009**

	31 December 2009 \$'000	30 June 2009 \$'000
Note		
Assets		
Current Assets		
Cash and cash equivalents	62,785	45,356
Trade and other receivables	3,770	3,073
Inventories	28,066	19,642
Deferred tax asset	8,114	5,343
	<u>102,735</u>	<u>73,414</u>
Total Current Assets		
Non-current Assets		
Deferred tax assets	39,794	37,704
Exploration costs and purchased mine properties	72,063	67,949
Capitalised mining costs	33,655	20,844
Property, plant and equipment	18,217	15,184
Other assets	19,194	18,451
	<u>182,923</u>	<u>160,132</u>
Total Non-current Assets		
	<u>285,658</u>	<u>233,546</u>
Total Assets		
Liabilities		
Current Liabilities		
Trade and other payables	25,443	22,659
Provisions	3,592	3,567
Deferred tax liability	2,334	2,402
	<u>31,369</u>	<u>28,628</u>
Total Current Liabilities		
Non-current Liabilities		
Financial liabilities	36,744	36,413
Provisions	23,835	23,550
Deferred tax liabilities	27,310	25,677
Derivative financial instruments	92,619	74,156
	<u>180,508</u>	<u>159,796</u>
Total Non-current Liabilities		
	<u>211,877</u>	<u>188,424</u>
Total Liabilities		
	<u>73,781</u>	<u>45,122</u>
Net Assets		
Equity		
Contributed equity	5 108,029	70,994
Reserves	6 (8,507)	(13,011)
Retained earnings/(Accumulated losses)	7 (25,741)	(12,861)
	<u>73,781</u>	<u>45,122</u>
Total Equity		

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

**Consolidated statement of changes in equity
for the half-year ended 31 December 2009**

	Contributed equity \$'000	Retained earnings / (Accumu- lated losses) \$'000	Derivatives reserve \$'000	Share- based payments reserve \$'000	Total equity \$'000
At 1 July 2008	60,395	3,914	(38,070)	6,124	32,363
Contributions of equity, net of transaction costs and deferred tax	10,579	-	-	-	10,579
Non-cash share based payments	-	-	-	2,151	2,151
Comprehensive income	-	(9,489)	(34,235)	-	(43,724)
At 31 December 2008	70,974	(5,575)	(72,305)	8,275	1,369
Contributions of equity, net of transaction costs and deferred tax	20	-	-	-	20
Non-cash share based payments	-	-	-	1,012	1,012
Comprehensive income	-	-	-	-	-
- Net loss after tax	-	(7,286)	-	-	(7,286)
- Allocation of hedge reserves	-	-	50,007	-	50,007
At 30 June 2009	70,994	(12,861)	(22,298)	9,287	45,122
Contributions of equity, net of transaction costs and deferred tax	37,035	-	-	-	37,035
Non-cash share based payments	-	-	-	788	788
Comprehensive income	-	-	-	-	-
- Net loss after tax	-	(12,880)	-	-	(12,880)
- Allocation of hedge reserves	-	-	3,716	-	3,716
At 31 December 2009	108,029	(25,741)	(18,582)	10,075	73,781

**Consolidated statement of cash flows
for the half-year ended 31 December 2009**

	Half-year 2009 \$'000	Half-year 2008 \$'000
Cash flows from operating activities		
Receipts from customers	74,868	70,370
Payments to suppliers and employees	(66,340)	(62,585)
Payments relating to hedge contracts	-	(1,734)
Interest received	1,364	1,479
Interest and other costs of finance paid	(2,160)	(2,188)
	<hr/>	<hr/>
Net cash provided by operating activities	7,732	5,342
Cash flows from investing activities		
Payments for exploration and development	(24,264)	(9,945)
Payments for property, plant and equipment	(3,716)	(2,941)
Proceeds on disposal of property, plant and equipment	20	-
Payments for purchase of controlled entity, net of cash acquired	-	3,392
Payments for security deposits	(743)	-
	<hr/>	<hr/>
Net cash used in by investing activities	(28,703)	(9,494)
Cash flows from financing activities		
Proceeds from share issue	38,400	-
	<hr/>	<hr/>
Net cash provided by financing activities	38,400	-
Net increase / (decrease) in cash held	17,429	(4,152)
Cash at the beginning of the reporting period	45,356	26,944
	<hr/>	<hr/>
Cash at the end of the reporting period	62,785	22,792

Notes to the financial statements for the half-year ended 31 December 2009

Note 1. Basis of preparation of the half-year report

This financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The historical cost basis has been used, except for derivatives which have been measured at fair value. Capitalised mining costs are measured at the lower of carrying amounts and recoverable amounts.

This interim financial report does not include all the disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this interim financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Norton Gold Fields Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted are consistent with those of the most recent annual financial report and have been consistently applied by entities in the Group.

Where required by Australian Accounting Standard AASB 134 *Interim Financial Reporting*, comparative figures have been adjusted to conform to changes in presentation for the current period.

Note 2 Segment reporting

Identification of reportable segments

The Group has adopted Australian Accounting Standard AASB 8 *Operating Segments* from 1 July 2009 whereby segment information is presented using a 'management approach'. The Company has identified its operating segments based on the internal reports that are reviewed by the chief operating decision makers (the Chief executive officer and executive management team) in assessing performance and in determining the allocation of resources.

The Company operates in the gold mining industry and derives virtually all revenue from the sale of gold. The operating segments identified by management are Paddington operations and Mount Morgan project.

Description of segments

Management has determined the operating segments based on reports reviewed by the Chief Executive Officer and executive team (comprising the Technical Director and Chief Financial Officer) for making strategic decisions. The Chief Executive Officer and executive team monitor the business based on product and geographic factors and have identified the following reportable segments:

- Paddington operations: this segment involves the Paddington and Bellamel tenements in Western Australia engaged in exploration, gold mining, processing of ore, and selling of gold bullion.
- Mount Morgan project: Mount Morgan is engaged in the evaluation, development, construction and eventual operation of a gold mine and mill in Queensland.

The remaining business operations/activities (including corporate office activities) are classified as 'Other' to facilitate reconciliation to Group results.

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

Notes to the financial statements for the half-year ended 31 December 2009

Note 2 Segment reporting (cont)

Accounting policies and inter-segment transactions

In reporting segments, the Company has used the same accounting policies as those contained in Note 1 to the annual financial report for the year ended 30 June 2009.

Segment information

The following table presents information for reportable segments for the half-year ended 31 December 2009 and 31 December 2008:

	Paddington operations \$'000	Mount Morgan project \$'000	Other \$'000	Total \$'000
Half-year ended 31 December 2009				
Total segment revenue	78,090	-	1,383	79,473
Intersegment revenue	-	-	-	-
Revenue from external customers	<u>78,090</u>	<u>-</u>	<u>1,383</u>	<u>79,473</u>
Segment EBITDA	18,858	(236)	(1,403)	17,219
Intersegment eliminations	-	-	-	-
Group allocated EBITDA	<u>18,858</u>	<u>(236)</u>	<u>(1,403)</u>	<u>17,219</u>
Half-year ended 31 December 2008				
Total segment revenue	71,057	-	1,696	72,753
Intersegment revenue	-	-	-	-
Revenue from external customers	<u>71,057</u>	<u>-</u>	<u>1,696</u>	<u>72,753</u>
Segment EBITDA	13,113	-	(889)	12,224
Intersegment eliminations	-	-	(129)	(129)
Group allocated EBITDA	<u>13,113</u>	<u>-</u>	<u>(1,018)</u>	<u>12,095</u>

The focus is on both the revenue and operating costs of the operations. Hence, the Chief Executive Officer and executive management team monitors segment performance based on EBITDA (which excludes other comprehensive income).

Reconciliation of revenue from external customers to Total income is as follows:

	Half-year 2009 \$'000	Half-year 2008 \$'000
Revenue from external customers	79,473	72,753
Gold hedge losses	-	(7,378)
Allocation of hedge reserve	(5,309)	-
Total Income	<u>74,164</u>	<u>65,375</u>

**Notes to the financial statements
for the half-year ended 31 December 2009**

Note 2 Segment reporting (cont)

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

	Half-year 2009 \$'000	Half-year 2008 \$'000
Group allocated EBITDA	17,219	12,095
Gold hedge losses	-	(7,378)
Allocation of hedge reserve	(5,309)	-
Impairment of assets	-	(4,720)
Movement in fair value of financial derivatives	(18,463)	(1,157)
Depreciation and amortization	(8,022)	(8,790)
Finance costs	(2,495)	(2,201)
Profit/(Loss) before income tax	<u>(17,070)</u>	<u>(12,151)</u>

Segment assets are allocated based on the operations of the segment and which segment enjoys the risk and benefits of ownership (as opposed to legal ownership).

	Paddington operations \$'000	Mount Morgan project \$'000	Other \$'000	Total \$'000
Total segment assets				
Half-year ended 31 December 2009	<u>188,364</u>	<u>11,408</u>	<u>166,464</u>	<u>366,236</u>
Year ended 30 June 2009	<u>167,422</u>	<u>11,175</u>	<u>124,951</u>	<u>303,548</u>

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

	31 December 2009 \$'000	30 June 2009 \$'000
Group allocated assets	366,236	303,548
Consolidation eliminations	<u>(80,578)</u>	<u>(70,002)</u>
Total assets	<u><u>285,658</u></u>	<u><u>233,546</u></u>

Information on additions to non-current assets associated with segments is provided on a regular basis to the Chief Executive Officer and executive management team.

	Paddington operations \$'000	Mount Morgan project \$'000	Other \$'000	Total \$'000
Additions to non-current assets				
Half-year ended 31 December 2009	<u>27,296</u>	<u>362</u>	<u>322</u>	<u>27,980</u>

The liabilities measure is not disclosed as the Chief Executive Officer and executive management team does not focus on liabilities at a segment level for the purposes of making strategic decisions about the allocation of resources.

Notes to the financial statements for the half-year ended 31 December 2009

Note 3 Individually significant items

	Half-year 2009 \$'000	Half-year 2008 \$'000
Loss before income tax includes the following individually Significant expenses:		
Impairment of non-core Queensland mine and exploration assets	-	4,720
Movement in fair value of financial derivatives		
Gold put options	-	1,157
Forward gold hedge contracts	18,463	-
Total movement in fair value of financial derivatives	18,463	1,157

Note 4 Critical accounting estimate and judgment

As previously announced, on 29 August 2007, Norton Gold Fields Limited ('Norton') entered into a gold hedging agreement ('Hedge') with Lehman Brothers Commercial Corporation (LBCC) as part of a general equity and debt fundraising transaction entered into by Norton and certain Lehman entities to fund Norton's acquisition of the Paddington Gold Mine. (Refer to Note 8 for details on the legal status.)

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 US Bankruptcy Code.

In accordance with the Consolidated Group's hedge accounting policy (refer Annual Report 2009, Note 1(m)(iv)), hedge accounting has been 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 is as follows:

- sales of gold is recorded at spot prices, rather than reflecting the hedge adjusted rate;
- the amount in the Hedge reserve account at 15 September 2008 has been fixed and is 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; and,
- all movements in the fair value of the unsettled hedge money and the forwards are accounted for through the income statement.

The fair value of the Hedge as at 31 December 2009 has been determined on the same basis as that used at 30 June 2009. The fair value of the Hedge as at 30 June 2009 was determined, for the purposes of the financial statements using forward gold prices, interest rates and exchange rates to perform a discounted cash flow analysis. In addition, the discounted cash flow analysis incorporated the following adjustments, which were not based on directly observable market data:

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

Notes to the financial statements for the half-year ended 31 December 2009

Note 4 Critical accounting estimate and judgement (cont)

Gold price spread

The underlying price of the Hedge is the London Gold PM Fix spot price. A forward curve for this gold price is not available. Therefore, the average historical spread between the 100 oz (USD/troy ounce) gold price and the London Gold PM Fix spot price was determined and applied against the 100 oz (USD/troy ounce) forward curve. A spread of US\$0.83/oz (30 June 2009: US\$0.82/oz), which represents the average two-year spread, was used in the valuation.

Credit risk adjustment

The valuation of the Hedge has utilised an upper and lower credit spread ranging from 0% to 25% (30 June 2009: 0% to 25%). Twenty-five percent (30 June 2009: twenty-five percent) was determined as the current credit spread based on analysis of comparable bonds of similar sized resource companies as Norton.

Probability of payment

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 the events of default of both LBHI and LBCC continue. Provided the Company is not itself in default, which would provide LBCC with certain rights, including the ability to force a close out of the hedge, the Company's position is that it would only become liable to settle any outstanding amounts with respect to the Hedge if both LBCC and LBHI emerge from Chapter 11, the Hedge is successfully assigned to a third party, or the US Bankruptcy Court otherwise orders Norton to do so (Payment Events).

For the purposes of these financial statements, a probability of payment has been incorporated into the fair value of the Hedge. An upper and lower probability ranging from 95% to 100% (30 June 2009: 87.5% to 100%) (fair value multiplied by the probability percentage) has been used. If no Payment Events ever occur, the liability will revert to nil value, accordingly the actual range is 0% to 100%.

Determination of the Hedge fair value

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

The valuation is summarised below:

	Asset/(Liability) 31 December 2009 \$'000	Asset/(Liability) 30 June 2009 \$'000
Upper range		
- This is based on a credit spread of 0% and probability of payment of 100%	(103,895)	(87,126)
Lower range		
- This is based on a credit spread of 25% and probability of payment of 87.5%	(81,343)	(61,186)
Mid point used as the valuation in the financial statements	(92,619)	(74,156)

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

Notes to the financial statements for the half-year ended 31 December 2009

Note 4 Critical accounting estimate and judgment (cont)

Sensitivity analysis

(i) Change in market based inputs

The following table summarises the sensitivity of the Hedge fair value to management's assessment of reasonably possible changes in gold prices and interest rates. The sensitivity to gold prices and interest rates have been applied independently.

	Profit will increase/(decrease) by: 31 December 2009 \$'000	Profit will increase/(decrease) by: 30 June 2009 \$'000
Interest rates:		
- 50 basis point increase	372	343
- 50 basis point decrease	(376)	(348)
Gold price:		
- 10% increase	(18,515)	(19,737)
- 10% decrease	18,515	19,737

It should be noted that the above sensitivity relates to the Hedge only, and should the gold price increase, for example, the Company's profits are expected to increase overall.

(ii) Change in inputs not based on observable market data

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

Note 5 Equity securities issued

	Half-year 2009 Shares	30 June 2009 Shares	Half-year 2009 \$'000	30 June 2009 \$'000
(a) Share Capital				
Fully paid ordinary shares	539,429,072	420,566,344	106,920	69,885
Convertible note equity component	-	-	1,109	1,109
	<u>539,429,072</u>	<u>420,566,344</u>	<u>108,029</u>	<u>70,994</u>
(b) Movements in ordinary share capital				
Opening balance 1 July	420,566,344	334,601,323	69,885	59,286
Issues of ordinary shares during the half-year				
Shares issued	118,137,728	72,000,021	38,461	10,579
Shares issued to employees under share ownership plan	-	3,965,000	-	-
Options exercised	725,000	100,000	145	20
Share issue cost (net of deferred tax)	-	-	(1,571)	-
	<u>539,429,072</u>	<u>410,666,344</u>	<u>106,920</u>	<u>69,885</u>
J. Parker Employee Share Scheme Issue	-	9,900,000	-	-
Closing balance	<u>539,429,072</u>	<u>420,566,344</u>	<u>106,920</u>	<u>69,885</u>

**Notes to the financial statements
for the half-year ended 31 December 2009**

Note 6 Reserves

	Half-year 2009 \$'000	30 June 2009 \$'000
Share option reserve		
Opening balance 1 July	9,287	6,124
Share and option expense	788	3,163
Closing balance	<u>10,075</u>	<u>9,287</u>
Derivative reserve		
Opening balance 1 July	(22,298)	(38,070)
Mark-to-market net adjustment	-	14,160
Deferred tax	-	(4,248)
Allocation of reserve recognised in profit/(loss)	5,309	8,372
Deferred tax	(1,593)	(2,512)
Closing balance	<u>(18,582)</u>	<u>(22,298)</u>
Total reserves	<u>(8,507)</u>	<u>(13,011)</u>

Note 7 Retained earnings/ (accumulated losses)

	Half-year 2009 \$'000	30 June 2009 \$'000
Opening balance 1 July	(12,861)	3,914
Profit/(loss) for the period / year	(12,880)	(16,775)
Closing balance	<u>(25,741)</u>	<u>(12,861)</u>

Note 8 Contingencies

Other than the following matter, there has been no material change in any contingent liabilities since the last annual report. No material losses are expected in relation to any contingent liabilities.

Lehman Brothers

On 29 August 2007, Norton Gold Fields Limited entered into a gold hedge with Lehman Brothers Commercial Corporation (LBCC). The agreement was to expire on 30 June 2012. On 15 September 2008, Lehman Brothers Holdings Inc (LBHI), the credit support provider of LBCC under the Hedge, filed a bankruptcy petition in the United States. In October 2008, LBCC also filed a petition. The filing of a bankruptcy petition by either LBCC or LBHI is an event of default under the hedge agreement.

Provided the Company is not itself in default (which would provide LBCC with certain rights, including the ability to force a close out of the hedge), the Company's position is that it would only become liable to settle any outstanding amounts with respect to the Hedge if both LBCC and LBHI emerge from Chapter 11, the Hedge is successfully assigned to a third party, or the US Bankruptcy Court otherwise orders Norton to do so. The relevant accounting treatment is provided at Note 4.

Notes to the financial statements for the half-year ended 31 December 2009

Note 8 Contingencies (cont)

The current status of the Company's obligations under the gold hedge is summarised in the Company's ASX release dated 29 April 2009. As set out in that announcement, on 13 November 2008, LBHI, LBCC and its affiliated entities filed a Motion (the '2008 Motion') seeking permission from the Bankruptcy Court to allow those entities to transfer, assign or terminate their derivative contracts in accordance with certain procedures outlined in the 2008 Motion, which, if granted, would obviate the need for further court approvals for such transfer, assignment or termination. The Hedge is a derivative contract which falls under the ambit of the relief sought by the Lehman entities in the 2008 Motion.

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

In the event that the US Bankruptcy Court grants the relief sought in Lehman's 2008 Motion with respect to Norton and the hedge is ultimately assigned pursuant thereto Norton's hedge will likely cease to be subject to an event of default.

Per the Company's ASX announcement on 23 November 2009, Lehman Brothers entities have filed another Motion before the US Bankruptcy Court with respect to Norton's gold hedge (the '2009 Motion'). The 2009 Motion seeks an order of the US Bankruptcy Court to compel Norton to comply with the Hedge notwithstanding the events of default of Lehman thereunder, to recommence previously scheduled settlements under the Hedge and pay to LBCC all previously withheld monies. Norton's position, as stated in its ASX Release of 29 April 2009 (and subsequent disclosures) is that under the terms of the hedge, Norton is not required to make any hedge payments which may otherwise be due to LBCC, while Lehman Brothers is in default.

Norton lodged an objection against the 2009 Motion which was originally scheduled to be heard by the US Bankruptcy Court in New York on 16 December 2009, but has been adjourned to the hearing to be held before the US Bankruptcy Court on 10 February 2010.

Note 9 Events occurring after the balance sheet date

Except for the matters noted below, no other matters or circumstances have arisen since 31 December 2009 that have significantly affected, or may significantly affect, the Group's operations in future financial years, the results of those operations or the state of affairs in future financial years.

On 14 January 2010 Jon Parker resigned as Managing Director and director of the Company. Mr Parker has been a director of the Company since September 2006. In January 2008 he was appointed Managing Director following the Company's acquisition of the Paddington Gold Mine from Barrick. The Company appointed Mark McCauley as interim Chief Executive Officer pending a permanent appointment. Mr McCauley has been a non-executive director with the Company since September 2007. He is a qualified mining engineer, with more than 20-year experience in developing and operating mines. He has a strong business background, which includes a Masters in Business Administration. Mr McCauley is a graduate of the Advanced Management Programme at Harvard Business School, and a member of the Australian Institute of Company Directors. He is currently Managing Director of RMM Capital, a Brisbane-based private equity firm.

In addition to the above, the Chief Financial Officer (CFO) and Co-Company Secretary Simon Brodie has also resigned. Mr Andre Labuschagne has been appointed as the new CFO, and Deputy CEO. He previously held the role of Chief Operating Officer.

A production update on the Homestead underground mine near Kalgoorlie, WA was released to the ASX on 25 January 2010. It indicates that the ore body is showing greater variability than indicated in the original block model, as a consequence planned development rates have been scaled back to allow further drilling to be undertaken. Due to the planned slowdown in development rates and the need to reinterpret the block model, commencement of stope production at Homestead will be deferred by an estimated four to six months. The previously stated Paddington gold production forecast for FY2010 of 175,000oz will not be achieved.

Notes to the financial statements for the half-year ended 31 December 2009

Note 10 Rounding of amounts

The Company satisfies the requirements of Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to "rounding off" of amounts in the directors' report and the financial report to the nearest thousand dollars. Amounts have been rounded off in the directors' report and financial report in accordance with that Class Order.

Directors' declaration

The directors of the Company declare that:

- (a) The financial statements and notes set out on pages 3 to 15 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of the performance for the half-year ended on that date of the consolidated entity.
- (b) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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:



Mark McCauley
Director and Chief Executive Officer

Brisbane
5 February 2010

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NORTON GOLD FIELDS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Norton Gold Fields Limited, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Norton Gold Fields Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NORTON GOLD FIELDS LIMITED (CONTINUED)

Independence

In conducting our review, 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 this auditor's review report was made.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Norton Gold Fields Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter re derivative liability

Without qualification to the conclusion expressed above, attention is drawn to the matters detailed in Note 4 under the heading "Critical accounting estimate and judgment" and Note 8 under "Lehman Brothers". As detailed in the notes, the fair value of the Group's derivative financial liability has been determined using various inputs and assumptions. As detailed in the notes, the fair value of the hedge has taken into consideration the likelihood of Norton Gold Fields Limited being required to make payment of the fair value of the hedge. The actual fair value to be paid and the timing of payments is dependent on the actual future inputs and the occurrence of a Payment Event as referred to in the note with possible outcomes in the ranges detailed in Note 4.

BDO Audit (QLD) Pty Ltd

BDO

C J Skelton
Director

Brisbane
5 February 2010