



Corporate Governance Statement

The directors and management of Norton Gold Fields Limited (“Norton” or “the company”) are committed to following the principles issued by the Australian Securities Exchange (“ASX”) underpinning corporate governance best practice.

In responding to the principles and associated best practice recommendations, Norton has given due and careful regard to its particular circumstances and the best interests of its shareholders.

ASX Listing Rules require listed companies to disclose in their annual report the extent to which ASX best practice recommendations have been followed; identify which recommendations have not been followed; and provide reasons for their decisions.

As detailed in this corporate governance statement, Norton considers that its current governance practices largely comply with the ASX recommendations. Where arrangements differ from the recommendations, the directors and management believe this is appropriate to the company’s circumstances and represents good practice.

A full set of Norton’s corporate governance related policies and charters are available on the company’s website at www.nortongoldfields.com.au.

The company will continuously review the recommendations and decisions will be based on what is in the best interests of shareholders.

The remainder of this statement sets out each principle, associated best practice recommendations, and the company’s response.

Principle 1: Lay solid foundations for management and oversight

Principle 2: Structure the board to add value

Principle 3: Promote ethical and responsible decision-making

Principle 4: Safeguard integrity in financial reporting

Principle 5: Make timely and balanced disclosure

Principle 6: Respect the rights of shareholders

Principle 7: Recognise and manage risk

Principle 8: Remunerate fairly and responsibly.

Principle 1: Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendations and response:

R1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The board has defined the specific functions reserved for the board and its committees and those matters delegated to management.

The board is accountable to shareholders for Norton's performance. It oversees and guides management in protecting and enhancing the interests of shareholders and other stakeholders. It sets the strategic direction of the company, establishes goals for management and monitors progress towards those goals.

The board's functions encompass:

- providing input into developing performance objectives, goals and corporate direction, and providing final approval
- adopting, and monitoring progress regarding agreed plans, budgets and financial and other reporting
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures
- ensuring adequate internal controls are in place and appropriately monitored for compliance
- ensuring significant business risks are identified and managed
- setting compensation arrangements for executive directors and senior management
- encouraging ethical behaviour throughout the organisation
- appointing the chief executive officer/managing director, and where appropriate, effecting his/her removal and that of other senior executives including the company secretary
- liaising with external auditors

The board has delegated day-to-day management of the company to the managing director who is responsible for Norton's operating and financial performance, developing and recommending corporate strategy to the board, and its subsequent implementation. Specific accountabilities are set out in the chief executive officer's role description encompassing strategy, operating performance, new business projects, risk management, systems, performance culture and the company's image and reputation.

The managing director holds the executive team individually and collectively accountable for contributing to discharging his delegated accountabilities. The specifics are set out in explicit role descriptions for each executive function.

Each director and senior executive has a formal letter of appointment setting out the key terms and conditions relative to their appointment.

R1.2 Companies should disclose the process for evaluating the performance of senior executives.

The board is accountable for the proper oversight of executive directors and senior management. A process is in place for reviewing senior management performance and continuously improving the contributions executives make to the company.

Performance objectives and business plans for the company are set at least annually and refreshed each quarter in line with Norton's business strategy. The board monitors performance against plan and on this basis monitors and assesses the performance of the chief executive officer.

The process in place for monitoring senior executive performance is based on explicit role accountabilities encompassing regular systematic performance reporting, feedback and formal assessment. This is on a fortnightly, quarterly and annual basis. There is a strategic review at least annually.

R1.3 Companies should provide the information indicated in the guide to reporting on principle 1.

Performance evaluation of senior executives has taken place in the financial year and is in accordance with the process as set out in R1.1 and R1.2 above.

Principle 2: Structure the board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendations and response:

R2.1 A majority of the board should be independent directors.

Norton recognises the importance of having a board of the appropriate composition, size and commitment for it to discharge its responsibilities and duties and believes that its board has a balance of skills, experience and independent thinking appropriate to the nature and scope of the company's operations.

A director is regarded as independent if that director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with the independent exercise of their judgment. When determining the independent status of a director, the board has considered whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company. A substantial shareholder is considered to be a person or entity whose total votes attaching to their shareholding is 5% or more of the total number of votes attaching to voting shares in the company
- is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the board
- has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided
- is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- has a material contractual relationship with the company or another group member other than as a director.

In the context of director independence, "materiality" is considered from both the group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the group's loyalty.

Following these considerations, the majority of the directors on the board did not meet the ASX definition of independence. Of the five board members as at 30 June 2011, Mr Mark Wheatley, met the definition.

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

| Director | Position | Independent | Reason |
|---------------------------------|---|--------------------|--|
| <i><u>Current directors</u></i> | | | |
| Mark Wheatley | Non-executive chairman (resigned on 20 July 2011) | Yes | Mr Wheatley is free of any relationship that could, or could be seen to materially interfere with the independent exercise of judgment. |
| W. André Labuschagne | Managing director | No | Mr Labuschagne was appointed to the position of managing director effective 13 September 2010. |
| A. Timothy Prowse | Non-executive director (appointed chairman on 20 July 2011) | No | Mr Prowse was previously employed by the company in an executive capacity as technical director and there has not been a period of at least three years between Mr Prowse ceasing employment and serving on the board. |
| Anne Bi | Non-executive director | No | Ms Bi is not considered independent as she is directly associated with Goldmax Asia Investments Limited, a substantial shareholder in the company. |
| Dr Allen Wu | Non-executive director (appointed on 28 October 2010) | No | Dr Wu is not considered independent as he is employed by China Precious Metal Resources Holdings Ltd, a substantial shareholder in the company. |
| <i><u>Former directors</u></i> | | | |
| Mark McCauley | Non-executive director (resigned on 22 June 2011) | No | Mr McCauley held the position of acting managing director during the period. See below for further disclosure in relation to Mr McCauley. |
| Tim Sun | Non-executive director (resigned on 17 May 2011) | No | Mr Sun is not considered independent as he is directly associated with China Precious Metals Resource Holdings Co. Ltd, a substantial shareholder in the company. |
| David Franklin | Non-executive director (resigned on 11 April 2011) | No | Mr Franklin is not considered independent as he is directly associated with Sprott Asset Management LP, a substantial shareholder in the company. |
| Ian McCauley | Alternate non-executive director (resigned on 7 September 2010) | No | Mr Ian McCauley is not considered independent as he is directly associated with PR Norton, a top 20 shareholder in the company. |

The board is of the view that the board's composition during the reporting period served the interests of shareholders for the following reasons:

- The chairman, Mr Wheatley, is an independent non-executive director.
- Having regard for the size of China Precious Metals Resource Holdings Co. Ltd and Goldmax Asia Investments Limited investments and the absence of any other relationships with the company, the board believes that the interests of these shareholders are independent of management and are aligned with those of all shareholders.
- The board protocol sets out how actual or potential conflicts of interests are to be dealt with.

Disclosures in relation to Mr Mark McCauley

Mr Mark McCauley is related to (the son of) Mr Ian McCauley. Ian McCauley is the controller of BPI Norton Pty Ltd, a Top 20 shareholder and a Convertible Note holder in Norton.

Mr Mark McCauley is also the principal of the investment banking and consulting firm, RMM Capital Pty Ltd. RMM Capital has provided consultancy services to Norton which the board considers to be of an immaterial nature.

In relation to these matters, the board has been advised by Mr Mark McCauley that:

- From time to time, RMM Capital provides services, including investment advice, to Top 20 shareholders and Convertible Note holders in Norton, namely BPI Norton and PR Norton Pty Ltd (Holders);
- From time to time, Mr Mark McCauley holds a power of attorney to perform administrative tasks on behalf of those Top 20 Holders;
- Mr Mark McCauley does not control the Holders and RMM Capital merely acts on instructions from Holders.

The board recognises that there are occasions when the board or directors believe that it is in their interests and the interests of the company to seek independent professional advice. Directors can seek independent professional advice at the company's expense in furthering their duties. The first point of contact for a director in need of external advice is the company secretary.

R2.2 The chairman should be an independent director.

During the reporting period the chairman, Mr Wheatley, was an independent director. Mr Wheatley resigned on 20 July 2011 and Mr Prowse was appointed non-executive chairman. Mr Prowse is not considered to be independent as he was previously employed by the company in an executive capacity as technical director. The board believes that Mr Prowse is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of chairman and that the group as a whole benefits from his long standing experience of its operations and business relationships.

R2.3 The roles of chairman and managing director should not be exercised by the same individual.

The role of chairperson and the managing director are not exercised by the same individual.

The role of chairperson was exercised by Mr Wheatley during the reporting period to 30 June 2011 and following his resignation on 20 July 2011, the role of chairperson is exercised by Mr Prowse. The role of managing director is exercised by Mr Labuschagne.

R2.4 The board should establish a nominations committee.

The board itself acts as the nominations committee rather than having a separate committee constituted for that purpose. The directors believe that this is appropriate in light of the size of the board and the particular circumstances of the company.

The nominations process involves working within a formal procedure for the nomination, selection, appointment and re-election of directors. The procedure is set out in the *nomination committee charter* located on the corporate governance section of the company website.

The size and composition of the board, and its mix of skills and capabilities is expected to change as Norton delivers on its strategy and as the company evolves. The board, as a whole, aims to ensure that it always has an appropriate diversity of experience and expertise consistent with the objectives of the company and this is continuously reviewed by the board.

R2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The board does not have a formal process for evaluating the performance of the board, its committees and individual directors.

However, there is a process for continuously improving the board's systems, procedures and quality of decision-making. This process encompasses continuous attention to all matters that provide an opportunity to improve the creation of value to the company's shareholders via actions of the board, its committees and individuals in developing strategy, decision-making and monitoring the company's performance. The chairman is accountable for ensuring this improvement process is effective and works closely with the company secretary and managing director in implementing the improvements.

The company secretaries are accountable to the board, through the chairman, on all governance matters.

The directors believe that the approach being followed, as described above, is appropriate in light of the current size of the board and the particular circumstances of the company and honours the spirit of recommendation R2.5.

R2.6 Companies should provide the information indicated in the guide to reporting on principle 2.

The directors and management section of the company's website and the directors' report sets out:

- the skills, experience, expertise and tenure of each board member relevant to their role as a director
- the basis on which independent directors have been identified by the board
- how the functions of a nomination committee are carried out by the board.

The period of office held by each director is disclosed in the directors' report.

Departures from recommendations R2.1, R2.4 and R2.5 are explained above.

Principle 3: Promote ethical and responsible decision-making

Actively promote ethical and responsible decision-making.

Recommendations and response:

R3.1 Establish a code of conduct to guide the directors, the managing director (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

- the practices necessary to maintain confidence in the company's integrity
- the practices necessary to take into account their legal obligations and the expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.



The board and management are committed to establishing and maintaining a high degree of integrity among those who set or influence the company's strategy and financial performance, together with responsible and ethical decision-making that take into account legal obligations as well as significant stakeholder interests.

The company has adopted a code of conduct to provide guidelines to all company employees, including the company's executives and directors, for exercising a high degree of integrity. The board has ultimate responsibility for setting the ethical tone of the company.

The *code of conduct* is available under the corporate governance section of the company's website.

R3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The company's securities dealing policy restricts the times and circumstances in which Norton employees (directors, employees, contractors and consultants) may purchase or sell shares in the company.

Any designated officer (company directors and members of the executive team) who proposes dealing in company securities must, before dealing occurs, notify the company secretary of the proposed dealing. As required by the ASX Listing Rules, the company notifies the ASX of any transactions completed by directors in the securities of the company.

Norton employees must not deal in company securities during any of the following blackout periods:

- The period between 1 July and the close of business on the second day after Norton announces its preliminary final results (Appendix 4E);
- The period between 1 January and the close of business on the second day after Norton announces its half year results (Appendix 4D);
- The period between the commencement of a month when Norton is required to announce its quarterly activities report and the close of the second business day after the respective quarterly activities report is announced;
- The period ending at the close of the third day after Norton announces price sensitive information.

A full copy of the company's securities dealing policy is available under the corporate governance section of the company's website. This policy was updated during December 2010 to align with the new listing rule ASX LR 12.9.

R3.3 Companies should provide the information indicated in the guide to reporting on principle 3.

Information related to principle 3 is presented above.

Principle 4: Safeguard integrity in financial reporting

Have a structure to independently verify and safeguard the integrity of the company's financial reporting.

Recommendations and response:

R4.1 The board should establish an audit committee.

The board has established an audit and risk management committee which assists it to ensure that:

- the systems of control which management has established effectively safeguard tangible and intangible assets of the company
- financial information provided to shareholders and others is reliable
- effective risk management systems are in place

The ultimate responsibility for the integrity of the company's financial reporting rests with the board.

R4.2 Structure the audit committee so that it consists of:

- **only non-executive directors**
- **a majority of independent directors**
- **an independent chairman, who is not chairman of the board**
- **has at least 3 members**

The composition of the audit and risk management committee changed during the reporting period. The members of the audit and risk management committee during the reporting period were:

From 1 July 2010 to 7 December 2010

Mr Wheatley (Chairman)
Mr Franklin
Mr Prowse

From 7 December 2010 to 22 June 2011

Mr M McCauley (Chairman)
Mr Wheatley
Mr Prowse

From 22 June 2011

Mr Wheatley (Chairman; resigned on 20 July 2011)
Mr Prowse
Ms A Bi

Mr Wheatley meets the ASX test of independence and was chairman of the board and audit and risk management committee until his resignation on 20 July 2011. Mr Wheatley was appointed chairman of the audit and risk management committee as he was the only independent director. Details of the experience, qualifications and attendance at committee meetings for each member of the committee are presented in the directors' report.

During the reporting period the company does not comply with R4.2 as the majority of the audit and risk management committee are not independent and the chairman of the committee was also chairman of the board. Due to the current composition of the board compliance with this recommendation is not possible. However the board expects to address some of these non-compliance matters during the 30 June 2012 reporting period by the appointment of additional directors to the board.

The directors believe that the approach being followed, as described above, is appropriate in light of the current size of the board and the particular circumstances of the company.

R4.3 The audit committee should have a formal charter.

The audit and risk management committee, which operates under a charter approved by the board, provides advice and assistance to the board in fulfilling its responsibility relating to the company's financial statements, internal audit, external audit, risk management and such other matters as the board may request from time to time.

The members of the committee have direct access to any employee, financial and legal advisers and the auditors without management being present.

The committee reports to the board on the following:

- consideration of whether external reporting is consistent with committee members' information and knowledge and is adequate for meeting shareholder requirements
- assessing the appropriateness of the accounting principles applied by management in the preparation and presentation of financial reports and approving all significant accounting policies
- assessment of management processes supporting external reporting

- control the company's financial reporting and disclosure processes and the outputs of that process
- approving the audit plan of the external auditors, monitoring the effectiveness and independence of the external auditor and, obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standard procedures for the selection and the appointment of the external auditor, rotation of external audit engagement partners, removal and appointment of the external auditors and review of the terms of engagement
- providing recommendations to the board as to the role of the internal auditor/internal audit function, if any, and recommendations for the appointment or, if necessary, the dismissal of the head of internal audit
- evaluating the adequacy, effectiveness and appropriateness of the company's administrative, operating and accounting control systems and policies

The audit and risk management committee charter describes the authority, role and responsibility of the committee, and outlines the composition and frequency of annual meetings.

The audit and risk management committee charter is available under the corporate governance section of the company's website.

R4.4 Companies should provide the information indicated in the guide to reporting on principle 4.

Information related to principle 4 and departure from recommendation R4.2 is presented above.

Principle 5: Make timely and balanced disclosure

Promote timely and balanced disclosure of all material matters concerning the company.

Recommendations and response:

R5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

Norton has a continuous disclosure policy which aims to provide a timely and balanced picture of all material matters and which requires disclosure of any information concerning Norton that a reasonable person would expect to have a material effect on the price or value of the company's securities.

This does not apply to particular information where all of the following are satisfied:

- a reasonable person would not expect the information to be disclosed
- the information is confidential and ASX has not formed a contrary view
- one or more of the following applies:
 - it would be a breach of the law to disclose the information
 - the information concerns an incomplete proposal or negotiation
 - the information comprises matters of supposition or is insufficiently definite to warrant disclosure
 - the information is generated for internal management purposes
 - the information is a trade secret

The company's continuous disclosure policy is as follows:

- the board holds the managing director accountable for communication with ASX in relation to all listing rule matters
- executives are required to monitor all relevant information regarding the company's affairs and test it against the continuous disclosure policy on a day-to-day basis. If a potential disclosure obligation arises, it is brought to the attention of the managing director and, in his absence, the company secretary
- required disclosures are made to the ASX and posted on the company's website
- if matters are not clear-cut, the managing director confers with another director and/or the company's legal counsel to determine whether disclosure is required

- the chairman and managing director are the only persons authorised to make statements to the media on behalf of the company. The exception is site-specific matters where the site general manager and, where applicable the project director, are authorised to make statements relevant to the local community
- Norton is committed to communicating with investors in an effective and timely manner and supports communication by the managing director with shareholders, potential investors and analysts at company presentations, briefings and shareholder meetings, such as the annual general meeting and road show presentations
- in addition, the company's external auditors are invited to attend the annual general meeting to answer questions from shareholders about the conduct of the audit and content of the audit report and the company's financial reports.

R5.2 Provide the information indicated in guide to reporting on principle 5.

Information related to principle 5 is presented above.

Principle 6: Respect the rights of shareholders

Respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendations and response:

R6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

Norton seeks to enable shareholders to be well informed about the performance and affairs of the company.

The company communicates with shareholders through a variety of means, including ASX releases, annual, half-yearly and quarterly reports, the company website, general meetings and direct communication.

R6.2 Companies should provide the information indicated in the guide to reporting on principle 6.

Information related to principle 6 is presented above.

Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

Recommendations and response:

R7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Norton recognises the importance of risk management and manages risk through effective oversight and internal control involving board and management systems that encompass:

- a regulatory compliance program supported by approved guidelines and standards for such matters as safety, the environment, legal and insurance
- guidelines and approval limits for capital expenditure and investments
- an insurance program reviewed annually
- policies and procedures for management of financial risk and treasury operations including exposures to foreign currencies and cash management
- annual budgeting and monthly reporting systems for all businesses to monitor progress against performance targets and to evaluate trends
- appropriate due diligence procedures for acquisitions and divestments
- accountability of management (to the board) for the group's internal control and risk management through the audit and risk management committee charter
- a crisis management system in use and progressively updated to match emerging circumstances
- a policy that precludes the company's auditors from providing any other service to the company.

This function is assisted by the audit and risk management committee. The audit and risk management committee charter is available under the corporate governance section of the company's website.

R7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Business risk is a standing agenda item for board meetings where the effectiveness of the company's risk management systems and activities are reported on and assessed. The risk management process is an enterprise wide risk analysis and includes:

- risk identification
- analysis and evaluation
- risk mitigation/treatment.

R7.3 The board should disclose whether it has received assurance from the managing director (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The board requires the managing director and chief financial officer to confirm in writing that declarations provided in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively.

R7.4 Companies should provide the information indicated in the guide to reporting on principle 7.

Information related to principle 7 is presented above.

Principle 8: Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendations and response:

R8.1: The board should establish a remuneration committee.

Norton knows that recognition and reward are key factors in attracting and retaining the skills required to achieve the performance expected by the board, management and shareholders.

On 7 December 2010 the board agreed to establish a remuneration committee. However as the remuneration charter has not been finalised, the board continued to act as a remuneration committee during the reporting period. The board anticipates that the remuneration charter will be finalised during the 30 June 2012 reporting period.

The directors believe that the approach being followed, as described above, is appropriate in light of the current size of the board and the particular circumstances of the company.

R8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Total remuneration paid to non-executive directors may not exceed the limit set by shareholders at the annual general meeting (currently \$400,000). The remuneration of the non-executive directors is fixed rather than variable. In relation to executive remuneration, the board takes advice regarding the nature and direction for the company's remuneration practices. The board ensures that a proportion of each senior manager's remuneration is linked to his or her performance and the company's performance. Remuneration is also benchmarked against the company's peers in the resources industry.

The remuneration structure for directors and senior executives is reported in the remuneration section of the company's annual report.

R8.3: Companies should provide the information indicated in the guide to reporting on principle 8.

Information related to principle 8 is presented above.