

ASX/MEDIA ANNOUNCEMENT

27 February 2013

December 2012 Appendix 4E

Unaudited Results for announcement to the market

Key Points for the 6-months ended 31 December 2012

- Net cash from operations \$10.3M
- December cash balance \$19M

The financial report and Appendix 4E (Rule 4.3A) Preliminary Report is attached.

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Company Secretary Norton Gold Fields Limited

^{*} Gross profit accounts for all operating costs along with changes in inventories, depreciation and amortisation.



Appendix 4E (Rule 4.3A)

Preliminary Final Report

For the six month period ended 31 December 2012

Results for announcement to the market

	6-months ended	6-months ended		
	31 Dec 2012	31 Dec 2011	Increase/	%
	\$'000	\$'000	Decrease	movement
Revenue	114,079	118,950	Decrease	4.1
Loss for the period attributable to the owners of the parent entity	(21,143)	5,786	Decrease	465.42

Current reporting period: 6-months ended 31 December 2012*

Previous corresponding period: 12-months ended 30 June 2012*

*The Australian Securities and Investments Commission (ASIC) granted relief to enable the company to change its financial year end date from 30 June to 31 December. The change of year end enables Norton Gold Fields Limited to align its financial year end date with that of its ultimate parent company, Zijin Mining Group Company Limited ("Zijin"). The granting of this relief means that the financial year of the company is a transitional one from 1 July 2012 to 31 December 2012 (6 months). As such the amounts presented in the financial report are not entirely comparable. The results for the 6 month period to 31 December 2011 are presented above as the comparable period, rather than the previous corresponding period which is 12 months. Effective 1 January 2013 the financial years of the company are for the 12 months periods ending 31 December. The 12 month period for the December 2013 financial year will be compared with the following results:

	12-months ended
	31 Dec 2012
	\$'000
Revenue	241,041
Loss for the period attributable to the owners of the parent entity	(15,102)



Audit

This report is based on the consolidated financial report which is in the process of being audited.

Financial report

The attached financial report meets the disclosure requirements not specifically identified in this document. The terms used in listing rule 4.3A reconcile to the financial report as follows:

Required

Statement of financial performance

Consolidated statement of comprehensive income

Statement of financial position

Consolidated statement of financial position

Statement of cash flows

Consolidated statements of cash flows

Statement of retained earnings

Consolidated statement changes in equity

Acquisitions and disposals

There were no acquisitions or disposals in the six month period ending December 2012.

Commentary on results for the year

Operating results

The consolidated loss of the group after tax for the six months ended 31 December 2012 is \$21.143 million (12-months ended 30 June 2012: a profit after tax of \$11.828 million).

The loss for the period reflects:

- gold sales revenue of \$113.713 million
- gross loss of \$6.583 million
- impairment of inventory \$11.033 million
- one-off expenses of \$7.000 million relating to change in control
- loss before tax \$28.945 million

As previously announced in the financial results update on 31 January 2013, the loss for the current reporting period compared to the previous corresponding period was a result of the impairment of stockpile inventory of \$11.033 million, one-off expenses of approximately \$7.000 million due to the change in control of the company and repayment of the higher interest bearing Merrill Lynch loan to reduce interest costs in financing. In addition, the Paddington operations experienced lower throughput and production due to unexpected maintenance and repairs needed on the ball mill trunnion during the current reporting period which impacted gold sales revenues.



The impairment of the inventory of \$11.033 million was the result of writing down the stockpiles to their net recoverable values. Management performed a detailed analysis on the stockpiles based on the gold grade, recoverability, and additional costs expected to be incurred. The result of the analysis was that the pre-written down carrying values exceeded the net recoverable values, therefore an impairment was recognised. This is not relevant to any operational performance.

Financial Position

Net assets of the group have decreased from \$164.088 million at 30 June 2012 to \$128.042 million at 31 December 2012, reflecting decreased cash reserves, as a result of payment of dividends and loss for the financial period.

During the period Norton secured a US\$105.000 million credit facility through the ICBC. The credit facility has a term of three years and is secured by a letter of guarantee issued by the Zijin.

Dividends

On 3 August 2012 the directors recommend payment of a special dividend of \$0.02 per share in connection with the off-market takeover made by Jinyu (H.K.) International Mining Company Limited "Jinyu". The \$0.02 dividend declared is unfranked with a record date of 15 August 2012 and payment date of 24 August 2012.

No other dividend was paid during the year or the previous corresponding period.

Net tangible assets per share (fully diluted)

The net tangible assets per share were 14.86 cents for December 2012 and 18.49 cents for June 2012.

Additional 4E disclosures

Additional disclosure requirements can be found in the consolidated financial report attached to this report.



Unaudited Financial Report

For The Six Month Period Ended 31 December 2012 ACN 112 287 797

Financial Report 31 December 2012

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General information

These financial statements are the consolidated financial statements of the consolidated entity consisting of Norton Gold Fields Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Norton Gold Fields Limited ("Norton" or "the company") is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. Its registered office and principal place of business is:

Registered office Level 1 101 Edward Street Brisbane QLD 4000 Principal place of business Level 36 Exchange Plaza 2 The Exchange Perth WA 6000

The financial statements of the company for the six months ended 31 December 2012 covers the consolidated entity consisting of the company and its subsidiaries ("the group") as required by the Corporations Act 2001. The ultimate parent company of Norton is Zijin Mining Group Co., Ltd (Zijin). A wholly owned subsidiary of Zijin, Jinyu (H.K.) International Mining Company Limited, acquired directly and through its subsidiary companies an 89.15 % interest in Norton on 2 August 2012.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of these financial statements.

Norton Gold Fields Limited

Consolidated statement of comprehensive income

For the six months ended 31 December 2012

	Notes	6 months to 31 December 2012 \$'000	12 months to 30 June 2012 \$'000
Revenue Cost of sales	4 5	114,079 (120,662)	245,912 (201,500)
Gross (loss)/profit		(6,583)	44,412
Other income Administrative expenses Impairment of inventory Hedging loss	6 7 24	356 (5,148) (11,033)	637 (9,506) - (10,618)
(Loss)/Profit before net finance costs		(22,408)	24,925
Finance income	9	1,335	4,323
Finance costs	9	(7,872)	(9,284)
(Loss)/Profit before tax		(28,945)	19,964
Income tax benefit / (expense)	10	7,802	(8,136)
(Loss)/Profit for the year attributable to the owners of the parent entity		(21,143)	11,828
Other comprehensive income: Items that will not be reclassified to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss: Reclassification adjustment for the deferred hedging loss included in profit or loss Income tax relating to items that may be reclassified	24 10	- -	10,618 (3,186)
Other comprehensive income for the year, net of tax			7,432
Total comprehensive income for the year attributable to owners of the parent entity		(21,143)	19,260
Earnings per share Basic (loss)/earnings per share Diluted (loss)/earnings per share	36 36	Cents (2.5) (2.5)	Cents 1.4 1.4

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

Norton Gold Fields Limited

Consolidated statement of financial position

As at 31 December 2012

	Notes	31 December 2012 \$'000	30 June 2012 \$'000
Assets Current Assets Cash and cash equivalents Trade and other receivables Inventories Other assets Total Current Assets	11 12 13 18	19,018 13,469 21,336 9,798 63,621	55,891 6,460 35,900 9,337 107,588
Non-current Assets Deferred tax assets Exploration and evaluation assets Capitalised mining costs Property, plant and equipment Other assets	14 15 16 17 18	16,237 74,801 43,318 29,465 20,882	10,278 71,210 39,128 28,112 19,737
Total Non-current Assets		184,703	168,465
Total Assets		248,324	276,053
Liabilities Current Liabilities Trade and other payables Provisions Financial liabilities Total Current Liabilities	19 20 21	37,661 1,072 38,000 76,733	32,837 2,425 3,738 39,000
Non-current Liabilities Financial liabilities Provisions Deferred tax liabilities	21 20 22	11,568 23,897 8,084	40,808 22,231 9,926
Total Non-current Liabilities		43,549	72,965
Total Liabilities		120,282	111,965
Net Assets	,	128,042	164,088
Equity Contributed equity Reserves Accumulated losses	23 24 24	176,652 10,493 (59,103)	174,252 10,564 (20,728)
Total Equity		128,042	164,088

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

Consolidated statement of changes in equity

For the six months ended 31 December 2012

	Contributed equity \$'000	Hedge reserve \$'000	Share-based payments reserve \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 July 2011	142,633	(7,432)	10,223	(32,556)	112,868
Comprehensive income - Profit for the year after tax - Other comprehensive income Total comprehensive income for the year	- - -	7,432 7,432	- - -	11,828 - 11,828	11,828 7,432 19,260
Transactions with owners in their capacity as owners Contributions of equity, net of transaction costs and deferred tax Non-cash share based payments	31,619 -	- -	- 341	- -	31,619 341
At 30 June 2012	174,252	-	10,564	(20,728)	164,088
Comprehensive income - Loss for the period after tax - Other comprehensive income Total comprehensive income for the period	- - -	- -	- -	(21,143) - (21,143)	(21,143) - (21,143)
Transactions with owners in their capacity as owners Contributions of equity, net of transaction costs and deferred tax Non-cash share based payments Dividends paid	2,400 - -	- - -	- (71) -	- - (17,232)	2,400 (71) (17,232)
At 31 December 2012	176,652	-	10,493	(59,103)	128,042

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the six months ended 31 December 2012

	Notes	6 months to 31 December 2012 \$'000	12 months to 30 June 2012 \$'000
Cash flows from operating activities Receipts in the course of operations Payments in the course of operations Interest received Interest and borrowing costs paid Taxes received/(paid) Other receipts Net cash provided by operating activities	35	118,826 (104,089) 1,200 (6,001) - 356 10,292	263,147 (202,854) 3,287 (5,115) 400 643 59,508
Cash flows from investing activities Payments for plant and equipment Proceeds on disposal of exploration assets Exploration and mine development costs Payment for security deposits Net cash used in investing activities		(2,623) - (30,615) (1,145) (34,383)	(1,512) 5,000 (35,532) (967) (33,011)
Cash flows from financing activities Proceeds from issue of shares Proceeds from borrowings Repayment of borrowings Dividends paid Net cash used in financing activities		2,400 49,568 (47,518) (17,232) (12,782)	27,619 - (35,000) - (7,381)
Net increase/(decrease) in cash and cash equivalents Cash and cash equivalents at the beginning of the period		(36,873) 55,891	19,116 36,775
Cash and cash equivalents at the end of the period	11	19,018	55,891

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Norton Gold Fields Limited

Notes to the consolidated financial statements

For the six months ended 31 December 2012

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Norton Gold Fields Limited and its subsidiaries.

(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*. Norton Gold Fields Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report is presented in Australian dollars unless otherwise stated.

Compliance with IFRSs

The consolidated financial statements of the group also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial period beginning 1 July 2012 affected any of the amounts recognised in the current period or any period prior and are not likely to affect future periods.

Historical cost convention

The financial report has been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group'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.

Summary of significant accounting policies (continued)

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December each year and for the year then ended.

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 acquisition method of accounting is used to account for business combinations by the group (refer to note 1 (h)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

(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 the group'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 profit or loss.

(e) Revenue recognition

Fine gold metal and fine silver metal revenue is measured at the fair value of the consideration received and 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.

Interest revenue is recognised using the effective interest rate method.

Summary of significant accounting policies (continued)

(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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Norton Gold Fields Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) 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. 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 interest rate on the finance balance outstanding.

The property, plant and equipment acquired under finance leases are 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 profit or loss on a straight-line basis over the lease term.

1. Summary of significant accounting policies (continued)

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) Impairment

Non-financial assets

Tangible and intangible assets (excluding inventories, current and deferred tax assets, and financial assets) are measured using the cost basis and are written down to recoverable amount where their carrying value exceeds recoverable amount.

Intangible assets with an indefinite useful life are not subject to amortisation and are tested on an annual basis for impairment, or where an indication of impairment exists. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable.

At each reporting date, the group assesses whether there is any indication that an asset may be impaired. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

In determining value in use, management judgement is applied in establishing forecasts of future operating performance, as well as the selection of growth rates, terminal rates and discount rates. These judgements are applied based on management's understanding of historical information and expectations of future performance. The expected net cash flows included in determining recoverable amounts of our assets are discounted to present values using a market determined, risk adjusted, discount rate.

Financial assets

At each reporting date the group assesses whether there is objective evidence to suggest that any of the group's financial assets are impaired. For financial assets held at cost or amortised cost (trade and other receivables), the financial asset is considered to be impaired when there is objective evidence as a result of one or more events that the present value of estimated discounted future cash flows is lower than the carrying value. Any impairment losses are recognised immediately in profit or loss.

Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term and 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.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost, less provision for doubtful debts. Trade and other receivables are generally due for settlement no more than 30 days from the date of recognition. Due to their current nature, the carrying amount of trade and other receivables (note 12) approximates fair value.

Collectability 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. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, where debt collection procedures have been commenced, or there is a fair probability that the debtor will be put into administration or liquidation. 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 original effective interest rate. When receivables for which an impairment allowance has previously been recognised are determined to be uncollectible, they are written off against the allowance account. The amount of the impairment allowance is recognised in the profit and loss. Receivables are determined to be uncollectible when there is no expectation of recovering any additional cash. This may occur when a final distribution has been made from administrators/liquidators, or where unsuccessful attempts have been made to recover the debt through legal actions or debt collection agencies and the prospect of recovering any additional cash is remote.

(I) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of raw materials and stores is determined on the weighted average cost basis. Inventories of gold in circuit and ore stock piles are physically measured or estimated and cost comprises direct costs and an appropriate proportion of fixed and variable production overheads. Net realisable value is assessed monthly based on the amount estimated to be obtained from sale of items of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

(m) Financial assets

Trade and other receivables (note 12), deferred receivables and security deposits (note 18) are classified under the financial asset category, 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 reporting date, which are classified as non-current assets.

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Summary of significant accounting policies (continued)

(n) 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 profit or loss during the financial period in which they are incurred.

Depreciation of assets is calculated on a straight-line basis 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% Buildings improvements 2% - 10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 (i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(o) Exploration and evaluation costs

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable
 assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation
 to, the area of interest is continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

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. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment. To the extent that there are insufficient, un-depleted resource ounces relating to the particular area of interest, the capitalised costs relating to the area of interest are written off against income in the year. Exploration costs capitalised in relation to areas that have sufficient un-depleted resource ounces are reclassified to capitalised mining costs once a decision to proceed with development is made.

Summary of significant accounting policies (continued)

(p) Capitalisation and amortisation of mining costs

Mining expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the estimated economic life of the mine on a units-of-production basis. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortised over the estimated life of that specific ore block or area.

Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations are dealt with on a prospective basis. Adjustments to expected life-of-mine production are taken up as an adjustment to the remaining amortisation rate. Potential adjustments are reviewed on a quarterly basis.

Open pit mines

In conducting the mining operations it is necessary to remove overburden and other waste materials to access the ore body of open pit mines. The costs of removing overburden and waste materials are referred to as "pre-strip costs".

The group's policy for each open pit mine is to capitalise all pre-strip costs of mining until the average strip ratio (i.e. the total pit ratio of waste to ore over the life of the pit) is achieved.

Underground mining

Underground mining occurs progressively in various stages.

Underground mining costs are capitalised based on an average development metre rate multiplied by the development metre(s) for the period attributed to mining activities not occurring directly within the orebody (e.g. general mine access development and infrastructure development).

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Due to the current nature of trade and other payables the carrying amount (note 19), approximates fair value. Trade and other payables are classified in the category, financial liabilities at amortised cost.

(r) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the time the proceeds are received, net of direct issue costs.

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.

1. Summary of significant accounting policies (continued)

(r) Financial liabilities and equity instruments (continued)

Convertible Notes

The component of Convertible Notes that exhibits the characteristics of a liability is recognised as a liability in the statement of financial position.

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 liability on the amortised cost basis until extinguished on conversion or repayment.

The remainder of the proceeds are 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 profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities

The group de-recognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

(s) Rehabilitation provision

Provisions are made for mine rehabilitation and restoration when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for rehabilitation costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and milling facilities is capitalised into the cost of the related asset and depreciated/amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

1. Summary of significant accounting policies (continued)

(t) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured 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 certain 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 hedged 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.

The fair value of 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 other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in the hedge reserve in equity are reclassified to profit or loss in the periods when the hedged item affects 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

(u) Employee benefits

(i) Wages and salaries, annual and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised 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 included 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. 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.

1. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(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 is set out in note 37.

The fair value of shares 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, from the date of the modifications, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) they are treated as if vesting occurred on cancellation or settlement, and any unrecognised expenses are taken immediately to profit or loss. 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.

(vi) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(v) 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.

If the entity re-acquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Summary of significant accounting policies (continued)

(w) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(x) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(y) 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 statement of financial position.

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 flows.

(z) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2012 reporting periods. The group's assessment of the impact of the relevant new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards arising from AASB 9 — Mandatory Effective Date (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The standard and its amendments, introduce new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use
 of fair value is optional in some limited circumstances).
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being
 recognised in profit or loss.
- All other instruments (including all derivatives) are measured at fair value with changes recognised in profit or loss.
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument
 must be classified and measured in accordance with the above guidelines.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

1. Summary of significant accounting policies (continued)

(bb) New accounting standards and interpretations (continued)

The group does not currently have any equity investments, other financial assets which may qualify for classification at fair value through profit or loss or financial assets with embedded derivatives. Therefore no impact is anticipated with regard to financial assets.

Financial liabilities are currently carried at amortised cost. The new standard retains this basis of measurement of financial liabilities, but permits designation of financial liabilities on inception at fair value through profit or loss as an option if certain criteria are met. Based on the criteria required for measurement of financial liabilities at amortised cost, it is not anticipated that the group's current business model would meet the criteria for the optional designation. Therefore no impact upon the recognition and measurement of financial liabilities is anticipated on adoption of the new standard.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation — Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group is still assessing the impact of these amendments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 31 December 2013.

(iii) AASB 13 Fair Value Measurements and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13(effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 December 2013.

Summary of significant accounting policies (continued)

(bb) New accounting standards and interpretations (continued)

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The impact on the group financial statements has not yet been assessed.

Consequential amendments were also made to other standards via AASB 2011-10.

The amendment will have to be implemented retrospectively.

(v) Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)

In November 2011, the AASB issued Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine which is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

The group currently accounts for stripping costs as part of capitalised mining costs and depreciates it over the expected useful life of the mine to which it relates to, rather than the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity asset.

Interpretation 20 clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories if benefits from the stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current stripping activity asset if certain recognition criteria are met. In such cases, the stripping activity asset must be accounted for as an addition to, or enhancement of, an existing asset, and will be classified as either tangible or intangible, according to the classification of the assets of which it forms a part. It will be amortised over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

When this interpretation is first adopted for the 31 December 2013 financial year end, retrospective restatement is only required from the beginning of the earliest period presented, i.e. 1 July 2012. The company has not yet assessed the impact of the interpretation.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

i. Summary of significant accounting policies (continued)

(cc) Parent entity financial information

The financial information for the parent entity, Norton Gold Fields Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Norton Gold Fields Limited.

(ii) Tax consolidation legislation

Norton Gold Fields Limited and its wholly-owned Australian entities have implemented the tax consolidation legislation.

The head entity, Norton Gold Fields Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Norton Gold Fields Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Norton Gold Fields Limited for any current tax payable assumed and are compensated by Norton Gold Fields Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Norton Gold Fields Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(iii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

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 group and that are believed to be reasonable under the circumstances. The key 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.

2. Critical accounting estimates and judgements (continued)

Capitalised mining costs

Capitalised mining costs are assessed for impairment when facts and circumstances suggest that the carrying amount of mine properties may exceed the recoverable amount. Management takes into consideration future price of gold, future cash flow of the specific mining property, an estimated discount rate and estimates of remaining life of a particular mining asset. Management considers the facts and circumstances at each reporting period that would indicate whether the consolidated entity should test mine properties for impairment.

The impairment assessment was based on future estimated cash flows expected over the life of mine, using a gold price of \$1,600 per oz (30 June 2012: \$1,600 per oz) and pre-tax discount rate of 15% (30 June 2012: 15%).

Rehabilitation provision

Paddington Gold Pty Ltd and Bellamel Mining Pty Ltd are 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. Refer to note 20.

Recoverability of deferred tax assets

In determining the recoverability of the recognised deferred tax assets, management prepared and reviewed an analysis of estimated future results which support the future realisation of the deferred tax assets. The estimated future results have been derived from estimates also used for impairment assessments referred to in the notes to the consolidated financial statements. To the extent that cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets reported at the reporting date could be impacted.

JORC Compliant Resources and Reserves affecting amortisation

Accounting policy 1(p) 'Capitalisation and amortisation of mining costs' states that the capitalised mining costs are amortised over the estimated economic life of the mining assets, on a units-of-production basis. The units-of-production basis is based on 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. The life of mine has due regard to both its physical life limitations and the present assessments of economically recoverable reserves of the mine property at which it is located. As a result, future amortisation rates may increase or decrease dependent upon changes to a mine's mineral resources and ore reserves over the life of that mine.

3. Segment information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed by the chief operating decision makers (the board of directors) in assessing performance and in determining the allocation of resources.

The group 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

The consolidated entity has identified its reportable operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and in determining the allocation of resources. Its reporting is on an operational basis.

The reportable segments broadly align with two geographical locations in Australia as this is the source of the consolidated entity's major assets and operating activities which has the most effect on rates of return. The reportable segments are identified as follows:

- 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 tailings recovery and processing operation in Queensland.

Segment information

The following table presents information for reportable segments for the reporting periods ended 31 December 2012 and 30 June 2012:

	Paddington operations \$'000	Mount Morgan project \$'000	Total \$'000
Year ended 31 December 2012 Total segment revenue Intersegment revenue	114,079	-	114,079
Revenue from external customers	114,079		114,079
Segment result Intersegment eliminations	17,843 -	(660)	17,183
Group allocated segment result	17,843	(660)	17,183
Year ended 30 June 2012 Total segment revenue Intersegment revenue	245,912	- -	245,912
Revenue from external customers	245,912	-	245,912
Segment result Intersegment eliminations	85,695 -	(361)	85,334
Group allocated segment result	85,695	(361)	85,334

The focus is on both the revenue and operating costs incurred by the operations which does not include any inter group charges. Hence, the board monitors segment performance based on the segment result (which excludes certain profit or loss items as well as other comprehensive income that relate to that incurred by the corporate office).

3. Segment information (continued)

Reconciliation of segment result to profit (loss) before income tax is as follows:

	31 December 2012 \$'000	30 June 2012 \$'000
Group allocated segment result	17,183	85,334
Hedging loss	-	(10,618)
Impairment of inventory	(11,033)	-
Depreciation and amortisation	(24,110)	(40,676)
Finance income	1,335	4,323
Finance costs	(7,872)	(9,284)
Corporate office activities	(4,380)	(8,994)
Other	(68)	(121)
(Loss)/Profit before income tax	(28,945)	19,964

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

J 17	Paddington operations \$'000	Mount Morgan project \$'000	Total \$'000
Total segment assets			
Year ended 31 December 2012	190,828	12,397	203,225
Year ended 30 June 2012	187,812	12,395	200,207

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

	31 December 2012 \$'000	30 June 2012 \$'000
Group allocated assets	203,225	200,207
Unallocated:		
Trade and other receivables	382	487
Cash and cash equivalents	18,387	55,460
Deferred tax assets	16,237	10,278
Exploration and evaluation assets	652	652
Property, plant and equipment	48	36
Deferred settlement receivable (refer note 18)	9,798	9,337
Other assets	37	38
Other	(442)	(442)
Total assets	248,324	276,053

3. Segment information (continued)

Information on additions to non-current assets associated with segments is provided on a regular basis to the board of directors.

Total segment non-current asset additions	Paddington operations \$'000	Mount Morgan project \$'000	Total \$'000
31 December 2012	33,213	-	33,213
30 June 2012	37,025	-	37,025

The liabilities measure is not disclosed as the board does not focus on liabilities at a segment level for the purposes of making strategic decisions about the allocation of resources.

Revenue of \$114.079 million (30 June 2012: \$245.912 million) is derived from a single domestic customer The Perth Mint.

Assets are located in Australia.

4.	Re۱	<i>i</i> en	ρ

	31 December 2012 \$'000	30 June 2012 \$'000
Sales revenue		
Gold sales	113,713	244,858
Silver sales	366	1,054
Total sales revenue	114,079	245,912
5. Cost of sales		
Mining expenses	37,358	83,978
Milling costs	20,515	35,492
Maintenance	12,062	19,444
Haulage	8,843	20,356
Royalties	3,448	6,554
General site costs	10,539	12,060
Change in inventories	3,799	(17,005)
Depreciation and amortisation	24,098	40,621
Total cost of sales	120,662	201,500
6. Other income		
Other	356	637
	356	637
7. Administrative expenses		
Office expenditure	3,568	5,919
Depreciation	12	55
Rental expense	70	139
Insurance	153	102
Directors' fees	137	276
Professional and consulting fees	1,208	3,015
	5,148	9,506

8. Employee benefits 31 Joecamber (2012) 30 June (2012) 2012 2012 2012 2012 2012 2010 2000 2000 2000 2000 2000 2000 2012 30.648 30.048			
Salaries Wages, and related costs (including executive directors) \$100	8. Employee benefits	31 December	30 June
Salaries, wages, and related costs (including executive directors) \$00.6 \$00.6 Non cash share-based payments 71 3.4 Superannuation contributions (defined contribution) 1,502 2,555 P. Net finance costs 31 December 30 June P. Net finance costs 31 December 30 June Pinance income 461 1,131 Unwinding of deferred receivable discount 461 1,131 Interest 874 3,192 Finance costs 1,335 4,323 Secured Note facility 7,872 9,284 Total net finance costs 6,537 4,961 10. Income tax 31 December 30 June 2012 2012 2012 2016 5,037 4,961 10. Income tax 31 December 30 June 10. Income tax (benefit) / expense 2012 2012 Current tax - - Current tax - - - origination and reversal of temporary differences (7,802) 8,136 <td></td> <td></td> <td></td>			
Salaries, wages, and related costs (including executive directors) 21,254 30,648 Non cash share-based payments 71 341 Superannuation contributions (defined contribution) 1,502 2,656 9. Net finance costs 31 December 30 June Finance income 2012 2012 2012 Finance costs 461 1,131 1,131 1,131 1,131 1,131 1,131 1,131 1,132 4,232 4,232 1,232 4,232 4,232 1,232 4,232 4,232 1,232 4,232			
Note as share-based payments 1,502 2,656 22,827 33,645 22,827 33,645 22,827 33,645 22,827 33,645 32,865 32,865 32,865 32,865 32,865 32,865 33,865 34,865	Salaries, wages, and related costs (including executive directors)		•
Superannuation contributions (defined contribution) 1.502 2.656 3.645		•	
P. Net finance costs 31 December 2012 2012 2012 2012 2012 2012 2012 201			
9. Net finance costs 31 December 2012 2012 2012 2012 2010 2010 2010 201			
Same	_	22,027	20,010
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\$ *000 \$ *000 Finance iccore 461 1,131 Unwinding of deferred receivable discount Interest 461 1,335 Interest 874 3,192 Finance costs 7,872 9,284 Secured Note facility 7,872 9,284 Total net finance costs 6,537 4,961 10. Income tax Current tax 31 December 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 2012 <td></td> <td></td> <td></td>			
Finance income Unwinding of deferred receivable discount Interest 461 1,131 1,232 3,292 3,232 4,232 4,232 4,232 5 4,232 4,232 5 4,232 5 5,237 9,284 7,872 9,284 7,802 2,212 2,2012 2,2012 2,2012 2,2012 2,2012 2,2012 2,2012 2,2012 2,2012 2,2012 2,2012 2,2012 2,2012 2,2012 2,201			
Unwinding of deferred receivable discount Interest 461 (3.13) 1,131 (3.19) Finance costs Secured Note facility 7,872 (9.284) Total net finance costs 6,537 (4.961) 10. Income tax Total net finance costs 31 December 2012 (2012 2012 2012 2012 2002 2002 200		\$'000	\$'000
Rinance costs	Finance income		
Finance costs 1,335 4,323 Secured Note facility 7,872 9,284 7,872 9,284 10. Income tax 6,537 4,961 10. Income tax 10. Income tax 10. Income tax (benefit) / expense 31 December 2012 2012 2012 2012 2012 2012 2012 201	Unwinding of deferred receivable discount	461	1,131
Private Costs Private Cos	Interest	874	3,192
Total net finance costs 7,872 9,284 Total net finance costs 6,537 4,961 Total net finance costs 7,872 9,284 Total net finance costs 6,537 4,961 Total net finance costs 7,872 9,284 Total net finance costs 7,802 8,106 Total net finance costs 7,802 8,136 Total net finance costs 7,802 8,136 Total net finance tax (benefit) / expense (benefit) expense (benefit) expense (benefit) expense (benefit) Total net finance costs 7,802 8,136 Total net finance tax (benefit) / expense to prima facie tax Total net finance tax (benefit) / expense to prima facie tax Total net finance costs 7,802 8,136 Total net finance tax (benefit) / expense to prima facie tax Total net finance tax (benefit) / expense to prima facie tax Total net finance costs 7,802 8,136		1,335	4,323
10. Income tax Income			
Total net finance costs 6,537 4,961 10. Income tax 31 December 2012 2012 2012 2012 2012 2012 2012 201	Secured Note facility		
10. Income tax Income tax (benefit) / expense 31 December 2012 2012 2010 2000 30 June 2012 2010 2000 Income tax (benefit) / expense \$'000 \$'000 Current tax - - - current tax - - - adjustment for previous years - - - Deferred tax - <t< td=""><td></td><td></td><td></td></t<>			
Name State	Total net finance costs	6,537	4,961
Name State	40 Income tou		
Current tax	IU. Income tax	21 December	20 June
Name			
Current tax			
Current tax	In come have the anothly I game and	\$ 000	\$ 000
- adjustment for previous years - (683) Deferred tax (7,802) 8,136 Total income tax expense (benefit) (7,802) 8,136 Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense (28,945) 19,964 Tax expense at 30% (30 June 2012: 30%) (8,684) 5,989 Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: 2 1 - Entertainment 2 1 - Share-based payments (21) 101 - Interest 853 347 - Other 48 - Under provision in prior years - 1,698			
Deferred tax - origination and reversal of temporary differences (7,802) 8,136 Total income tax expense (benefit) (7,802) 8,136 Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense (28,945) 19,964 Tax expense at 30% (30 June 2012: 30%) (8,684) 5,989 Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: 2 1 - Entertainment 2 1 - Share-based payments (21) 101 - Interest 853 347 - Other 48 - Under provision in prior years - 1,698			
- origination and reversal of temporary differences (7,802) 8,136 Total income tax expense (benefit) (7,802) 8,136 Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense (28,945) 19,964 Tax expense at 30% (30 June 2012: 30%) (8,684) 5,989 Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: 2 1 - Entertainment 2 1 - Share-based payments (21) 101 - Interest 853 347 - Other 48 - Under provision in prior years - 1,698	Current tax	-	-
Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense Tax expense at 30% (30 June 2012: 30%) Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: - Entertainment - Share-based payments - Interest - Other - Other - Other - Other - Other - Total income tax expense (28,945) - Other - Entertainment - Can 1 - Can	Current tax - current tax - adjustment for previous years	- -	- (683)
Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense (28,945) 19,964 Tax expense at 30% (30 June 2012: 30%) (8,684) 5,989 Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: - Entertainment 2 1 - Share-based payments (21) 101 - Interest 853 347 - Other 48 Under provision in prior years - 1,698	Current tax - current tax - adjustment for previous years	- -	- (683)
(Loss) profit before income tax expense (28,945) 19,964 Tax expense at 30% (30 June 2012: 30%) (8,684) 5,989 Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: 2 1 - Entertainment 2 1 - Share-based payments (21) 101 - Interest 853 347 - Other 48 - Under provision in prior years - 1,698	Current tax - current tax - adjustment for previous years Deferred tax	- - (7,802)	, ,
(Loss) profit before income tax expense (28,945) 19,964 Tax expense at 30% (30 June 2012: 30%) (8,684) 5,989 Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: 2 1 - Entertainment 2 1 - Share-based payments (21) 101 - Interest 853 347 - Other 48 - Under provision in prior years - 1,698	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences		8,136
Tax expense at 30% (30 June 2012: 30%) (8,684) 5,989 Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: 2 1 - Entertainment 2 1 - Share-based payments (21) 101 - Interest 853 347 - Other 48 - Under provision in prior years - 1,698	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences		8,136
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: - Entertainment 2 1 - Share-based payments (21) 101 - Interest 853 347 - Other 48 - Under provision in prior years (7,802) 6,438 Under provision in prior years - 1,698	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit)		8,136
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: - Entertainment 2 1 - Share-based payments (21) 101 - Interest 853 347 - Other 48 - Under provision in prior years (7,802) 6,438 Under provision in prior years - 1,698	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax	(7,802)	8,136 8,136
- Entertainment 2 1 - Share-based payments (21) 101 - Interest 853 347 - Other 48 - Under provision in prior years (7,802) 6,438 Under provision in prior years - 1,698	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense	(28,945)	8,136 8,136
- Share-based payments (21) 101 - Interest 853 347 - Other 48 - Under provision in prior years (7,802) 6,438 Under provision in prior years - 1,698	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense Tax expense at 30% (30 June 2012: 30%)	(28,945)	8,136 8,136
- Interest 853 347 - Other 48 - (7,802) 6,438 Under provision in prior years - 1,698	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense Tax expense at 30% (30 June 2012: 30%) Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:	(7,802) (28,945) (8,684)	8,136 8,136 19,964 5,989
- Other 48 - (7,802) 6,438 Under provision in prior years - 1,698	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense Tax expense at 30% (30 June 2012: 30%) Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: - Entertainment	(7,802) (28,945) (8,684) 2	8,136 8,136 19,964 5,989
Under provision in prior years (7,802) 6,438 - 1,698	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense Tax expense at 30% (30 June 2012: 30%) Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: - Entertainment - Share-based payments	(7,802) (28,945) (8,684) 2 (21)	8,136 8,136 19,964 5,989
Under provision in prior years	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense Tax expense at 30% (30 June 2012: 30%) Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: - Entertainment - Share-based payments - Interest	(28,945) (8,684) 2 (21) 853	8,136 8,136 19,964 5,989
	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense Tax expense at 30% (30 June 2012: 30%) Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: - Entertainment - Share-based payments - Interest	(28,945) (8,684) 2 (21) 853 48	8,136 8,136 19,964 5,989 1 101 347
Income tax (benefit) / expense (7,802) 8,136	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense Tax expense at 30% (30 June 2012: 30%) Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: - Entertainment - Share-based payments - Interest - Other	(28,945) (8,684) 2 (21) 853 48	8,136 8,136 19,964 5,989 1 101 347 - 6,438
	Current tax - current tax - adjustment for previous years Deferred tax - origination and reversal of temporary differences Total income tax expense (benefit) Reconciliation of income tax (benefit) / expense to prima facie tax (Loss) profit before income tax expense Tax expense at 30% (30 June 2012: 30%) Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: - Entertainment - Share-based payments - Interest - Other Under provision in prior years	(28,945) (8,684) 2 (21) 853 48 (7,802)	8,136 8,136 19,964 5,989 1 101 347 - 6,438 1,698

No amounts have been recognised directly in equity.

Income tax expense relating to items of other comprehensive incomeReclassification adjustment for the hedging loss included in profit and loss

3,186

11. Current assets – Cash and cash equivalents

	31 December	30 June
	2012	2012
	\$'000	\$'000
Cash at bank and in hand	19,018	20,891
Term deposits	-	35,000
	19,018	55,891

There were no term deposits at the end of the current year as all funds were on call and included \$11.568 million (US\$12.000 million) of funds drawn down from the US\$105 million ICBC facility. The term deposits had an average weighted remaining maturity at 30 June 2012 of 11 days.

Risk exposure

The group's exposure to interest rate and currency risk is discussed in note 27. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

12. Current assets – Trade and other receivables

	31 December 2012 \$'000	30 June 2012 \$'000
Trade receivables Other receivables	8,972 2,019	3,429 1,908
Interest receivable	107	433
Prepayments	2,371	690
	13,469	6,460

Trade receivables

Trade receivables relate mainly to gold sales. The group has determined the credit risk is low as gold is only sold to Perth Mint which is perceived as reliable and has short contractual payment terms.

Other receivables

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.

Interest receivable

The interest receivable is due from our main financial institution National Australia Bank.

Fair value and credit risk

Due to the short term nature of these receivables, the carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivable mentioned above. None of these current assets are considered past due or impaired. Collateral is not normally obtained.

13. Current assets - Inventories

	31 December 2012 \$'000	30 June 2012 \$'000
Raw materials and stores at cost	10,468	10,200
Provision for obsolescence	(741)	(741)
	9,727	9,459
Ore stockpile	7,696	21,855
Gold in circuit	3,913	4,586
	21,336	35,900

Significant item of expense

Write down of inventories to net realisable value recognised as an expense during the six month period ending 31 December 2012 amounted to \$11.033 million. The expense is separately disclosed on the face of consolidated statement of comprehensive income

14. Deferred tax assets

			3	1 December 2012 \$'000	30 June 2012 \$'000
Deferred tax assets are attributed to the follow	ing:				
Capital costs				190	473
Property, plant and equipment				2,853	3,284
Rehabilitation provision				7,239	7,189
Mining information				2,546	2,608
Mining properties				2,024	-
Inventories				392	-
Tax losses				15,551	10,510
Trade payables				480	673
Other receivables				61	199
Employee benefits				1,473	1,080
				32,809	26,016
Set-off of deferred tax liabilities pursuant to se	et-off provisions (note	22)		(16,572)	(15,738)
Net deferred tax assets		•		16,237	10,278
				(Charged)/ Credited	
		(Charged)/	(Charged)/ Credited	directly to other	
	Opening	Credited to	directly to	comprehensive	Closing
	balance	profit or loss	equity	income	balance
Movements – 31 December 2012	\$'000	\$'000	\$'000	\$'000	\$'000
Capital costs	473	(283)	-	-	190
Property, plant and equipment	3,284	(432)	-	-	2,853
Rehabilitation provision	7,189	50	-	-	7,239
Mining information	2,608	(62)	-	-	2,546
Mining properties	-	2,024	-	-	2,024
Inventories	-	392	-	-	392
Tax losses	10,510	5,042	-	-	15,551
Trade payables	673	(193)	-	-	480
Other receivables	199	(138)	-	-	61
Employee benefits	1,080	393	-	-	1,473
Linple jee benente		0.700			20.000
Employee seneme	26,016	6,793	-	-	32,809
15. Non-current assets – Exploration and		6,793			
, ,		6,793		1 December	30 June
, ,		6,793			·

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.

74,801

71,210

10,217

(6,626)

74,801

71,210

59,742

14,523

(3,055)

71,210

Restatement of comparatives

Costs incurred during the period

Transfer to capitalised mining costs

The costs carried forward above have been determined as follows:

properties – at cost

Opening balance

Closing balance

Australian Accounting Standard AASB 101 'Presentation of Financial Statements' allows an entity to change the presentation or classification of items in its financial statements, if the change in presentation provides information that is reliable and more relevant to the users of the financial statements and the revised structure is likely to continue, so that comparability is not impaired. For the period ended 31 December 2012 the consolidated entity reclassified certain exploration and evaluation assets to capitalised mining costs. These assets represent exploration cost incurred on mined resource areas and the directors consider that this re-classification better reflects value of true exploration and that of capitalised mining costs. The effect of the restatement resulted in a decrease in the carrying value of exploration and evaluation assets and a corresponding increase in the carrying value of capitalised mining costs of \$5,016,000 (1 July 2011: \$8,430,000).

16. Non-current assets – Capitalised mining costs

Conitalized mining costs, at cost	31 December 2012 \$'000	30 June 2012 \$'000
Capitalised mining costs - at cost Accumulated amortisation	161,650 (118,332)	134,625 (95,497)
Accumulated amortisation	43,318	39,128
The capitalised mining costs carried forward above have been determined as follows:		
Opening balance	39,128	46,021
Costs incurred during the reporting period	20,399	21,008
Assets re-classified (classified) from / as held for sale	-	6,522
Transfer from exploration and evaluation	6,626	3,055
Amortisation	(22,835)	(37,478)
Closing balance	43,318	39,128

Restatement of comparatives

For details of the restatement of comparatives refer to note 15.

17. Non-current assets – Property, plant and equipment

	31 December 2012 \$'000	30 June 2012 \$'000
Plant and equipment	• • • • • • • • • • • • • • • • • • • •	
Cost	40,281	37,658
Accumulated depreciation	(10,928)	(9,668)
	29,353	27,990
Building improvements		
Cost	860	860
Accumulated depreciation	(748)	(738)
	112	122
Total written down value	29,465	28,112

Reconciliation

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial period are set out below:

Plant and equipment	improvements	Total
\$'000	\$'000	\$'000
24,396	174	24,570
1,512	-	1,512
5,228	-	5,228
(3,146)	(52)	(3,198)
27,990	122	28,112
2,625	-	2,625
(3)	-	(3)
(1,259)	(10)	(1,269)
29,353	112	29,465
_	\$'000 24,396 1,512 5,228 (3,146) 27,990 2,625 (3) (1,259)	\$'000 \$'000 24,396 174 1,512 - 5,228 - (3,146) (52) 27,990 122 2,625 - (3) - (1,259) (10)

Duilding

18. Other assets

	31 December 2012 \$'000	30 June 2012 \$'000
Current		
Deferred settlement receivable	9,798	9,337
Non-current		
Security deposits	20,882	19,737
Total other assets	30,680	29,074

Deferred receivable

The deferred settlement receivable relates to the remaining proceeds of \$10 million still to be received at 31 December 2012, in relation the sale of EPC 1033, comprising Norton Gold Fields Limited's Sienna and Electra coal projects, to Boardwalk Sienna Pty Ltd. The remaining funds of \$10 million are to be received on 14 March 2013, and are secured by way of a fixed charge over the tenements. The deferred settlement receivable has been discounted using a rate of 10%.

Security deposits

Included in security deposits is \$ 20.882 million (30 June 2012: \$19.737 million) that has been collateralised against guarantees provided by the National Australia Bank in favour of the West Australian Department of Industry and Resources for rehabilitation costs. These term deposits are at interest rates between 4.36% and 4.64% per annum (30 June 2012: between 5.31% and 6.0%). These deposits are not released until the rehabilitation obligation of the group is satisfied.

Fair value

The fair values of other assets approximate their carrying values. The fair value of the deferred settlement receivable is based on cash flows discounted using a 10% discount rate.

Risk exposure

Information about the group's exposure to credit risk and interest rate risk is provided in note 27.

19. Current liabilities – Trade and other payables			
		31 December 2012 \$'000	30 June 2012 \$'000
Unsecured liabilities			
Trade payables		9,677	11,116
Other payables and trade accruals		27,438	20,073
Accrued interest		546	1,648
	_	37,661	32,837
20. Provisions			
Current			
Rehabilitation		1,072	2,425
Non-current	_		
Employee benefits		841	693
Rehabilitation		23,056	21,538
	_	23,897	22,231
Total provisions	=	24,969	24,656
Movements in provisions are set out in the table below:	Mine rehabilitation \$'000	Employee benefits \$'000	Total \$'000
Opening balance	23,963	4 000 693	24,656
Provision utilised	(1,895)	093	(1,895)
	, ,	148	, , ,
Additional provisions	2,060	841	2,208
Closing balance	24,128	041	24,969

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 10 years.

Employee benefits

The employee benefits provision represents the provision for long service leave. It includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to a pro-rata payment in certain circumstances.

21. Financial liabilities

	31 December 2012 \$'000	30 June 2012 \$'000
Current	,	• • • • • • • • • • • • • • • • • • • •
Senior Note	-	5,000
Subscription fee	-	(1,262)
Jinyu Loan	38,000	
	38,000	3,738
Non-current		
ICBC Bank loans	11,568	-
Senior Note	-	42,388
Net subscription fee		(1,580)
	11,568	40,808
Total financial liabilities	49,568	44,546

Jinvu Loan

Jinyu (H.K.) International Mining Company Limited ("Jinyu") provided the company with a Bridging Term Loan Facility upon triggering the 45% change of control provision of the senior secured note with Merrill Lynch.

The Unsecured Loan Facility has a 12 month term from initial drawdown and an interest rate of 11% p.a., upon securing a US\$105.000 million facility this loan was repaid in January 2013

ICBC Bank Loan

The company secured a US\$105.000 million credit facility through the Perth branch of ICBC (Industrial and Commercial Bank of China Limited). The credit facility has a term of 3 year, attracts interest of Libor plus 2.1% and is secured by a letter of guarantee issued by the company's major shareholder Zijin Mining Group Co.,Ltd. The facility will progressively be drawn down to fund the company's capital spending requirements at its Paddington operations and to repay the \$38.000 million Jinyu loan which was repaid in January 2013. At 31 December 2012 the company had drawn down US\$12.000 million.

Senior Secured Note with Merrill Lynch

On 19 July 2010, the company entered into an agreement to settle the Lehman Brothers Commercial Corporation hedge litigation. This agreement resulted in the replacement of the hedge instrument with a loan note ("Lehman Note").

On 15 April 2011 the company exercised its Right of First Refusal to buy back the Lehman Note. The purchase of the Lehman Note was financed through a Senior Note facility provided by Merrill Lynch ("Senior Secured Note") on more favourable terms.

Merrill Lynch retained a first ranking fixed and floating charge over the assets of the group as security for the Senior Secured Note and imposed certain covenants on the group.

On 13 July 2011, the company issued 25,000,000 shares to Merrill Lynch as a subscription fee under the refinancing. The subscription fee was unwound over the life of Senior Secured Note.

Upon reaching more than 45% through the takeover of the company by the Zijin Group, it triggered a change of control provision which required repayment of the entire secured note facility including a redemption premium. A total payment of \$51.900 million was made on 1 August by drawing down on existing cash reserves and a new \$38.000 million facility provided by Jinyu.

Original payment terms of the Merrill Lynch Senior Note

The principal was to be paid in four instalments with \$5 million to be paid in March 2013 and September 2013 and the balance to be paid in two equal instalments in March 2014 and September 2014. Interest was paid half yearly on all outstanding amounts at an annualised rate of 11%. Additional interest was payable in kind (PIK) and was compounded half yearly on all outstanding amounts at an annualised interest rate of 4%.

22. Deferred tax liabilities

	31 December 2012 \$'000	30 June 2012 \$'000
Deferred tax liabilities comprise temporary differences:		
Deferred exploration and evaluation costs	24,656	22,747
Capitalised mining costs	-	79
Inventories	-	2,838
	24,656	25,664
Set-off of deferred tax liabilities pursuant to set- off provisions (note 14)	(16,572)	(15,738)
Net deferred tax liabilities	8,084	9,926

22. Deferred tax liabilities (continued)				
,		Opening balance \$'000	(Credited) Charged to profit or loss \$'000	Closing balance \$'000
Movements – 31 December 2012		,	,	7 000
Deferred exploration and evaluation costs		22,747	1,909	24,656
Capitalised mining costs		79	(79)	-
Inventories		2,838	(2,838)	-
		25,664	(1,008)	24,656
Movements – 30 June 2012				
Deferred exploration and evaluation costs		21,348	1,399	22,747
Capitalised mining costs		6,262	(6,183)	79
Inventories		2,734	104	2,838
		30,344	(4,680)	25,664
23. Contributed equity				
	31 December	31 Decemb	er 30 June	30 June
	2012	201	2012	2012
	\$'000	Share	s \$'000	Shares
(a) Share capital				
Fully paid ordinary shares	176,652	861,580,26	55 174,252	849,580,265
	176,652	861,580,26	55 174,252	849,580,265

23. Contributed equity (continued)

	Note	Number of shares	Issue price \$	\$'000
(b) Movements in ordinary share capital				
Balance - 30 June 2011		685,880,265		142,633
Shares issued to Zijin for cash-tranche 1	(i)	72,100,000	0.20	14,420
Shares issued to Zijin for cash-tranche 2	<i>(i)</i>	66,250,000	0.20	13,250
Shares issued to Merrill Lynch as a				
subscription fee	(ii)	25,000,000	0.16	4,000
Employee employment contract performance				
share issues	(iii)	350,000	-	-
Share issue costs		-		(51)
Balance - 30 June 2012		849,580,265		174,252
Options exercised	(iv)	12,000,000	0.20	2,400
Balance - 31 December 2012	()	861,580,265		176,652

(i) Shares issued to Zijin for cash

On 26 July 2011, the company announced a private placement with Zijin Mining Group Co., Ltd (Zijin), a Shanghai and Hong Kong listed company of 138,350,000 shares at a price of \$0.20 per share. The placement consisted of two tranches, 72,100,000 shares issued on 29 July 2011 and 66,250,000 shares issued on 2 September 2011.

(ii) Shares issued to Merrill Lynch as a subscription fee In July 2011, the company issued 25,000,000 shares to Merrill Lynch as a subscription fee under the refinancing announced on 18 April 2011.

(iii) Employee Employment Contract Performance Share Issues Ordinary shares were issued to a number of employees (both key management personnel and other employees) as part of their employment contracts subject to various vesting conditions. Nil consideration was paid by the employees.

(iv) Unlisted options exercised

Andre Labuschagne and Robert Brainsbury's options were vested and exercised at 20 cents per share under a take-over clause included in their option agreement

(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. Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised share capital and issued shares do not have a par value.

(d) Options

Information relating to share-based payments, including details of options issued, exercised and lapsed during the financial reporting period and options outstanding at the end of the financial year, is set out in note 37.

As at the reporting date, there were no options to purchase ordinary shares in the company.

23. Contributed equity (continued)

(e) Capital management

The group's objectives when managing capital are to maintain a strong capital base capable of withstanding cash flow variability, whilst providing the flexibility to pursue its goals. The group aims to maintain an optimal capital structure to minimise cost of capital and maximise shareholder returns. The group's capital program is reviewed, updated and approved by the board at least annually. There are no externally imposed capital requirements.

The capital structure of the group consists of debt in the form of financial liabilities as disclosed in note 21, cash and cash equivalents and equity.

The group balances its overall capital structure through the following mechanisms: the issue of new shares, share buy-backs, capital returns, as well as the issue of new debt or redemption of existing debt and cash flow management.

The group's gearing ratio is monitored and maintained at a level that is appropriate for its growth plans. The group calculates its gearing ratio as net debt divided by total capital. Net debt is calculated as debt (refer note 21) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. In the event that cash and cash equivalents are greater than total debt, net debt is taken to be nil. The group's gearing ratios at 31 December 2012 and 30 June 2012 was as follows:

	Notes	31 December 2012	30 June 2012
		\$'000	\$'000
Total debt	21	49,568	47,388
Less: cash and cash equivalents	11	(19,018)	(55,891)
Net debt		30,550	(8,503)
Total equity		128,042	164,088
Total capital		158,592	155,585
Gearing ratio		19.26%	-

The increase in gearing ratio is a result of decrease in group's cash position and loss achieved in current period.

Norton Gold Fields Limited has complied with the financial covenants of its borrowing facilities during the 31 December 2012 and 30 June 2012 reporting periods.

The group has no franking credits available for use.

24. Reserves and accumulated losses

	31 December 2012 \$'000	30 June 2012 \$'000
i. Reserves Share-based payment reserve	10,493	10,564
Movements: Hedge reserve		
Balance at the beginning of the reporting period Reclassification adjustment recognised in profit/(loss)	-	(7,432) 10,618
Deferred tax Balance at the end of the reporting period	<u> </u>	(3,186)
Share-based payments reserve	40.504	40.000
Balance at the beginning of the reporting period Option expense	10,564 (71)	10,223 341
Balance at the end of the reporting period	10,493	10,564
ii. Accumulated losses		
Movements in accumulated losses were as follows:		
Balance at the beginning of the reporting period	(20,728)	(32,556)
Net (loss)/profit for the period Dividends	(21,143) (17,232)	11,828 -
Balance at the end of the reporting period	(59,103)	(20,728)

Nature and purpose of reserves

Hedge reserve

The hedge reserve represents the amount fixed at 15 September 2008 (date as at which the former cash flow hedge reserve became ineffective). The reserve is progressively reclassified to profit and loss over the remaining period for which underlying gold sales occur.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of share based payments provided to employees as part of their remuneration.

Dividends paid

A special unfranked dividend of 2 cents per share in connection with the off market takeover by Jinyu (H.K.) International Mining Company Limited was paid on 24 August 2012.

25. Key management personnel disclosures

20. Roy management personner alcolocates	31 December 2012 \$'000	30 June 2012 \$'000
i. Key management personnel compensation		
Short term employee benefits	1,203,522	1,814,952
Post-employment benefits	74,770	85,739
Long-term benefits	(7,758)	5,986
Termination benefits	635,979	_
Share based payments	(85,506)	401,600
Total	1,821,007	2,308,277

25. Key management personnel disclosures (continued)

ii. Equity instrument disclosures relating to key management personnel

Option holdings

The numbers of options over ordinary shares in the company held during the reporting period by key management personnel of the group, including their personally related entities, are set out below. There were no vested options at the end of the reporting period. No other KMP held options during the 30 June 2012 or 31 December 2012 reporting periods.

	Balance at start of the reporting period Number	Granted as compensation during the reporting period Number	Forfeited during the reporting period Number	Other changes during the reporting period* Number	Balance at end of the reporting period Number	Vested and exercisable at end of the reporting period Number
31 December 2012 Directors W. Andrè Labuschagne Other key management personnel	8,000,000	-	-	(8,000,000)	-	-
Robert Brainsbury	4,000,000	-	-	(4,000,000)	-	-
lan Sheppard	4,000,000	-	(4,000,000)	-	-	-
Total	16,000,000	-	(4,000,000)	(12,000,000)	-	-

lan Sheppard's options were forfeited upon resignation

Andre Labuschagne and Robert Brainsbury's options vested and exercised under a take-over clause in the option agreement.

	Balance at start of the reporting period Number	Granted as compensation during the reporting period Number	Forfeited during the reporting period Number	Other changes during the reporting period* Number	Balance at end of the reporting period Number	Vested and exercisable at end of the reporting period Number
30 June 2012						
Directors						
W. Andrè Labuschagne	8,000,000	-	-	-	8,000,000	-
Mark Wheatley	5,000,000	-	(5,000,000)	-	-	-
Other key management personnel						
Robert Brainsbury	4,000,000	-	_	-	4,000,000	_
lan Sheppard	-	4,000,000	-	-	4,000,000	-
Total	17,000,000	4,000,000	(5,000,000)	-	16,000,000	-

25. Key management personnel disclosures (continued)

Share holdings

The numbers of 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.

	Balance at start of the reporting period Number	Net changes – purchases (sales) on market Number	Exercise of options Number	Other changes* Number	Remuneration during the year Number	Balance at end of the reporting period Number	Balance held nominally Number
31 December 2012							
Directors							
A. Timothy Prowse	19,865,792	(19,865,791)	-	-	-	1	-
W. Andrè Labuschagne	181,000	(8,181,000)	8,000,000	-	-	-	-
Other key management							
personnel							
Robert Brainsbury	-	(4,000,000)	4,000,000	-	-	-	-
Terrance Moylan	700,000	(220,000)	-	-	-	480,000	-
Peter Ruzicka	490,000	(490,000)	-	-	-	-	_
Total	21,236,792	(32,756,791)	12,000,000	-	-	480,001	-

^{*}Represent movements for executives that are no longer in the company's employment at the end of the reporting period.

	Balance at start of the reporting period Number	Net changes —purchases (sales) on market Number	Exercise of options Number	Other changes* Number	Remuneration during the year Number	Balance at end of the reporting period Number	Balance held nominally Number
30 June 2012							
Directors							
A. Timothy Prowse	19,865,792	-	-	-	-	19,865,792	-
W. Andrè Labuschagne	181,000	-	-	-	-	181,000	-
Other key management							
personnel							
Terrance Moylan	700,000	-	-	-	-	700,000	-
Peter Ruzicka	490,000	-	-	_	-	490,000	-
Total	21,236,792	-	-	-	-	21,236,792	-

^{*}Represent movements for executives that are no longer in the company's employment at the end of the reporting period.

iii. Loans with key management personnel

There are no loans with key management personnel.

iv. Other transactions with key management personnel

No Consulting fees were paid to key management personnel in the current year.

30 June 2012

Consulting fees of \$57,500 were paid to Mr Wheatley. Upon Mr Wheatley's resignation it was agreed that the company would engage him as a consultant to assist in an orderly handover to a new chairman and to provide assistance to the managing director for a six month period, commencing upon his date of resignation for a total fee of \$57,500.

Consulting fees \$77,901 were paid to Micona Mining an affiliate company of Tim Prowse.

All transactions with key management personnel were made on terms equivalent to those that prevail in arm's length transactions.

26. 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 practices and non-related audit firms:

	31 December 2012 \$	30 June 2012 \$
(a) Audit services	•	•
BDO Audit Pty Ltd		
Audit and review of financial reports	125,000	166,062
Total remuneration for audit services	125,000	166,062
(b) Non-audit services		
BDO Audit Pty Ltd		_
Total remuneration for non-audit services	-	-
Total remuneration	125,000	166,062

27. Financial instruments

(a) Financial risk management objectives, policies and processes

Risk management is centrally managed by group treasury which operates under a policy framework that involves overview by senior management and the board of directors. Group treasury identify, qualify, evaluate and where considered prudent, manage financial risks in accordance with established written policies covering specific areas. These risks include market risk (including gold price risk, interest rate and currency 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.

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.

(b) Financial instruments held by group

	31 December 2012 \$'000	30 June 2012 \$'000
Financial assets		
Cash and cash equivalents	19,018	55,891
Loans and receivables		
Trade and other receivables	11,098	5,770
Deferred settlement receivable (refer note 18)	9,798	9,337
Security deposits (refer note 18)	20,882	19,737
	60,796	90,735
Financial liabilities At amortised cost		
Trade and other payables	37,661	32,837
Financial liabilities - borrowings	49,568	44,546
	87,229	77,383

(c) Price risk

The group is predominantly exposed to gold price risk from its normal trading activities. The exposure is closely monitored and where it is considered prudent may be managed with financial derivatives in accordance with the approved policy framework. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provides written principles on this risk. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. There were no derivative financial instruments in use at 31 December 2012 and at 30 June 2012.

27. Financial instruments (continued)

(d) Credit risk

The group's carrying amounts of financial assets recognised in the statement of financial position, and disclosed in more detail in the notes to the financial statements, best represent the group's maximum exposure to credit risk at the reporting date.

The group treasury policy for deposit transactions requires deposits with financial institutions holding a benchmark credit rating. At balance date, cash and deposits were held with National Australia Bank, and ICBC. Cash has been spread over these financial institutions to reduce credit risk. The group's trade receivables relate mainly to gold sales. The group has determined that the risk is low, as the gold is only sold to one party, The Perth Mint, which is perceived as reliable and has short contractual payment terms. For other receivables refer to note 12.

Other assets include security deposits and a deferred settlement receivable in relation to the sale of coal assets (refer note 18). The sale agreement was reached with a reputable and reliable third party, who has to date fully complied with the terms of the sale agreement. The deferred settlement receivable is also secured by way of a fixed charge over the tenements. The credit risk is perceived as low.

(e) Liquidity risk

The liquidity position of the group is managed to ensure sufficient liquid funds are available to meet the group's financial commitments in a timely and cost-effective way. The group evaluates operating cash flows regularly and assesses performance against capital commitments to ensure liquidity.

The contractual maturities of the group's financial liabilities are as follows:

Financial liabilities	Carrying Amount \$'000	Contractual Cash flows \$'000	< 6 months \$'000	6 months – 12 months \$'000	1 year to 3 years \$'000	>3 years \$'000
31 December 2012						
Trade and other payables	37,661	37,661	37,661	-	-	-
Financial liabilities	49,568	50,518	38,254	139	12,125	-
Total	87,229	88,179	75,915	139	12,125	-
30 June 2012						
Trade and other payables	32,837	32,837	32,837	-	-	-
Secured Note facility	44,546	62,514	2,563	7,605	52,346	-
Total	77,383	95,351	35,400	7,605	52,346	_

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.

Financing arrangements

The group has access to the following undrawn borrowing facilities at the end of the reporting period:

	31 December 2012 \$'000	30 June 2012 \$'000
Floating rate		
- Expiring within one year	-	-
- Expiring beyond one year (bank credit facility)	89,653	-
	89,653	-

At year end the company had only drawn US\$12.000 million of the facility with US\$93,000 million remaining. Under the facility agreement the company has six months from agreement date to fully draw down all the funds remaining for draw down.

27. Financial instruments (continued)

(f) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature. The group's ICBC Bank loan (refer to note 21 for further detail) is exposed to interest rate risk as it is subject to floating interest rate. As at 31 December 2012 the average interest rate in Norton's bank loan was 2.41%. A 10% increase or decrease in the interest rate on bank loan held at 31 December 2012 would result in a \$2,169 increase or decrease in the company's profit before tax. Management continually monitors the fluctuation of the floating interest rate. The group's fixed interest rate borrowings at 31 December 2012 Jinyu Loan (June 2012: Secured Note facility with Merrill Lynch) are carried at amortised costs and are therefore not subject to interest rate risk as defined in AASB7.

(g) Foreign exchange risk

The group operates principally in Australia. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The group's ICBC bank loan is denominated in US dollar and are therefore subject to fluctuation against the US dollar.

Based on the balances as at 31 December 2012 a 10% increase/decrease in the AUS dollar exchange rate against the US dollar on that date would have resulted in a decrease/increase of approximately \$1.157 million in profit before taxes. At 31 December 2012 the monies drawn down on the facility were held in a USD denominated at call account minimising the currency risk impact at 31 December 2012.

Management continually monitors the fluctuation of the AUS and US dollar foreign exchange rate.

(h) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's assets and liabilities measured and recognised at fair value at 31 December 2012 and 30 June 2012:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2012 Deferred settlement receivable	<u>-</u>	9,798	- -	9,798
At 30 June 2012 Deferred settlement receivable		9,337	-	9,337

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of the deferred settlement receivable is calculated as the present value of the expected cash flows using a discount rate that reflects the credit risk specific to the counterparty (10%). The deferred settlement receivable relates to the remaining proceeds of \$10 million still to be received on 14 March 2013, in relation the sale of EPC 1033, comprising Norton Gold Fields Limited's Sienna and Electra coal projects, to Boardwalk Sienna Pty Ltd (refer note 18).

The aggregate fair values of all other financial assets and liabilities approximate their carrying values at the balance date.

28. Contingencies

The group had no contingent liabilities at 31 December 2012 (30 June 2012: Nil).

29. Commitments

	31 December 2012 \$'000	30 June 2012 \$'000
Lease commitments		
Operating leases		
Commitments in relation to operating leases in existence at the reporting date but not		
recognised as liabilities are payable as follows:		
Within one year	493	192
Later than one year but not later than five years	2,513	459
Greater than five years	101	-
	3,107	651

The property lease is a non-cancellable lease with a four-year term, with rent payable monthly in advance. 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.

	31 December 2012 \$'000	30 June 2012 \$'000
Exploration commitments Commitments for payments under exploration permits at the reporting date but not	·	·
recognised as liabilities payable are estimated as follows:		
Within one year	7,267	7,101
Later than one year but not later than five years	30,431	30,054
Later than five years	52,637	52,651
	90,335	89,806

So as to maintain current rights to tenure of various exploration tenements, the group 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.

30. Capital commitments

The group had no capital commitments for capital expenditure contracted at the reporting date (30 June 2012: Nil).

31. Related party transactions

(a) Parent entity

The parent entity within the group and the ultimate Australian parent entity is Norton Gold Fields Limited. The ultimate parent entity and ultimate controlling party is Zijin Mining Group Co., Ltd (incorporated in China) which at 31 December 2012 owns 89.15% of the issued ordinary shares of Norton Gold Fields Limited through its wholly owned subsidiary Jinyu (H.K.) International Mining Company Limited. Jinyu (H.K.) International Mining Company Limited acquired directly, and through its subsidiary companies the 89.15% interest in Norton Gold on 2 August 2012.

During the period Norton Gold Fields Limited secured a US\$105 million credit facility through the Perth branch of Industrial and Commercial Bank of China Limited (ICBC). The credit facility has a term of three years and is secured by a letter of guarantee issued by the Zijin Mining Group Co., Ltd.

(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 25 and note 37.

(d) Transactions with related parties

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. The company incurred interest payments to Jinyu including establishment fees relating to the bridging term loan facility of \$1,835,955 and a guarantee fee of \$170,402 in relation to the ICBC loan paid to Zijin Mining Group Co., Ltd.

32. Parent entity information

The consolidated financial statements incorporate the assets, liabilities and results of Norton Gold Fields Limited in accordance with the accounting policy described in note 1 (b).

Current assets Non-current assets Total assets	31 December 2012 \$'000 18,437 101,720 120,157	30 June 2012 \$'000 55,651 85,846 141,497
Current liabilities Non-current liabilities Total liabilities	1,608 49,572 51,180	7,943 40,816 48,759
Net assets	68,977	92,738
Contributed equity Reserves Accumulated losses Total shareholders' equity	176,652 10,492 (118,167) 68,977	174,252 10,564 (92,078) 92,738
Loss for the year Total comprehensive loss	(8,857) (8,857)	(17,875) (10,443)

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries except for the deed of cross guarantee referred to in note 33 (30 June 2012: Nil).

Contractual commitments

The parent entity had no contractual commitments to acquire property, plant and equipment as at 31 December 2012 (30 June 2012: Nil).

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2012 (30 June 2012: Nil).

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 ho	olding
	·		31 December 2012 %	30 June 2012 %
Paddington Gold Pty Ltd	Australia	Ordinary	100	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
Norton Coal Pty Ltd	Australia	Ordinary	100	100
Bellamel Mining Pty Ltd	Australia	Ordinary	100	100
Mount Morgan Mine Pty Ltd	Australia	Ordinary	100	100

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 2009 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 comprise the extended closed group.

The following information summarises the consolidated statement of comprehensive income, the consolidated statement of financial position as at 31 December 2012 and the consolidated statement of changes in equity for the closed group as described above.

33. Subsidiaries (continued)

Consolidated statement of comprehensive income

	31 December 2012	30 June 2012
	\$'000	\$'000
Revenue	114,079	245,912
Cost of sales	(120,643)	(125,925)
Gross (loss)/profit	(6,564)	119,987
Other income	355	7,868
Administrative expenses	(4,487)	(9,150)
Impairment of inventory	(11,032)	(10.010)
Hedging loss	-	(10,618)
(Loss)/Profit before net finance costs	(21,728)	108,087
Finance income	1,335	4,268
Financial expense	(7,872)	(9,284)
(Loss)/Profit before tax	(28,265)	103,071
Income tax expense	7,598	(30,351)
(Loss)/Profit for the period	(20,667)	72,720
Items that will not be reclassified to profit or loss:	-	-
Items that may be reclassified subsequently to profit or loss:		
Reclassification adjustment for the deferred hedging loss included in profit or loss	-	10,618
Income tax relating to items that may be reclassified	-	(3,186)
Other comprehensive income for the period, net of tax	-	7,432
Total comprehensive (loss)/income for the period	(20,667)	80,152

33. Subsidiaries (continued)

Consolidation statement of financial position

Consolidation statement of financial position	31 December 2012 \$'000	30 June 2012 \$'000
Current Assets	40.000	55.070
Cash and cash equivalents	19,009	55,878
Trade and other receivables Inventories	23,260 21,335	5,837 35,900
IIIVEITUITES	21,000	35,900
Total Current Assets	63,604	97,615
Non-current Assets		
Trade and other receivables	105,955	106,152
Deferred tax assets	16,237	11,687
Other financial assets	11,773	11,773
Exploration and evaluation assets	64,462	64,807
Capitalised mining costs	28,648	20,520
Property, plant and equipment	29,453	28,089
Other assets	17,810	26,001
Total Non-current Assets	274,338	269,029
Total Assets	337,942	366,644
Current Liabilities Trade and other payables Provisions Financial liabilities	37,655 1,072 38,000	32,826 2,425 3,738
Total Current Liabilities	76,727	38,989
Non-current Liabilities		
Financial liabilities	11,568	40,808
Provisions	21,885	20,219
Deferred tax liabilities	6,587	9,883
Total Non-current Liabilities	40,040	70,910
Total Liabilities	116,767	109,899
Net Assets	221,175	256,745
Equity		
Contributed equity	176,652	174,251
Reserves	10,968	11,039
Retained profit	33,556	71,455
Total Equity	221,175	256,745

33. Subsidiaries (continued)

Consolidated statement of changes in equity

	Contributed equity \$'000	Hedge reserve \$'000	Share-based payments reserve \$'000	Retained profit/ (Accumulated losses) \$'000	Total equity \$'000
At 1 July 2011	142,633	(7,432)	10,698	(1,265)	144,634
Comprehensive income - Net profit after tax - Other comprehensive income Total comprehensive income	- - -	7,432 7,432	- - -	72,720 - 72,720	72,720 7,432 80,152
Contributions of equity, net of transaction costs and deferred tax Non-cash share based payments At 30 June 2012	31,618 174,251	- - -	- 341 11,039	- - 71,455	31,618 341 256,745
Comprehensive income - Net loss after tax - Other comprehensive income Total comprehensive loss	- - -	- - -	- - -	(20,667) - (20,667)	(20,667) - (20,667)
Contributions of equity, net of transaction costs and deferred tax Non-cash share based payments Dividends paid At 31 December 2012	2,400 - - 176,651	- - -	(71) - 10,968	- - (17,232) 33,556	2,400 (71) (17,232) 221,175

34. Events occurring after the balance sheet date

On 9 January the company announced the Norton board has approved capital investment of \$38.000 million for the transition to an Owner Operator model at the Company's Paddington Operations. The funds will be used to purchase mining fleet to replace, over time, the existing equipment hired from contractors. Funding will be sourced from the US105.000 million facility with ICBC.

The company announced on 17 January 2013 a significant increase (18%) in its Enterprise mine mineral resource (22.5Mt at 1.69g/t and 1,220koz). Norton committed \$40.000 million to commence the immediate development of the open pit project.

Norton repaid its \$38.000 million Bridging Term Loan facility with Jinyu (H.K.) International Mining Company Limited by drawing down on the US\$ 105.000 million credit facility, with ICBC.

On 29 January 2013, Norton entered into an ore processing agreement with Kalgoorlie Mining Company for the purchase of up to 280 tonnes of ore from the Bullant Gold Mine. Deliveries are expected in April 2013 and expect to continue until December 2014.

Mr Tim Prowse non-executive director retired from the board of directors on 1 February 2013.

Except for the matters mentioned above, no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the group, the result of those operations, or the state of affairs of the group in future financial years.

35. Reconciliation of profit after income tax to net cash from operating activities

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and short term deposits. Full details of cash and cash equivalents are disclosed in note 11.

Paganailiation from the not (loca)/avofit after tay to the not cook from energing	31 December 2012 \$'000	30 June 2012 \$'000
Reconciliation from the net (loss)/profit after tax to the net cash from operating activities		
Net (loss)/profit for the period	(21,143)	11,828
Adjustments for: Depreciation and amortisation Unwinding of subscription fee on Merrill Lynch facility Unwinding of deferred settlement receivable Hedging loss Non-cash share based payment Loss on impairment of inventories	24,104 2,842 (461) - (71) 11,033	40,676 4,171 (1,131) 10,618 341
Changes in operating assets and liabilities (Increase)/decrease in trade and other receivables (Increase)/decrease in inventories (Increase)/decrease in deferred tax Increase/(decrease) in current payables Increase/(decrease) in current provisions Increase/(decrease) in non-current provisions Net cash from operating activities	(7,011) 3,532 (7,801) 4,955 (1,353) 1,666 10,292	(748) (17,351) 8,818 3,655 821 (2,190) 59,508
Non-cash investing and financing activities Financing activities Shares for subscription fee Total financing activities	31 December 2012 \$'000	30 June 2012 \$'000 4,000 4,000

36. Earnings per share

	31 December	30 June
	2012	2012
	Cents	Cents
Basic earnings (loss) per share	(2.5)	1.4
Diluted earnings (loss) per share	(2.5)	1.4

Information concerning earnings per share:

- (a) Earnings used for basic and diluted earnings per share are a loss after tax of \$21,143,000 (30 June 2012: profit after tax of \$11,828,000).
- (b) Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Details relating to the options are set out in note 37.
- (c) The reconciliation of weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is as follows:

	31 December	30 June
	2012	2012
	Number	Number
Number used in calculating basic earnings per share	859,048,758	831,382,314
Weighted average number of dilutive options outstanding	-	1,272,727
Number used in calculating diluted earnings per share	859,048,758	832,655,041

37. Share-based payments

(a) Options

The group has an ownership-based compensation scheme available to 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 Limited's 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.

Norton Gold Fields Limited

Notes to the consolidated financial statements

For the six months ended 31 December 2012

37. Share-based payments (continued)

(a) Options (continued)

Set out below is a summary of options granted at 31 December 2012:

31 December 2012	Grant date	Expiry Date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Options forfeited during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Type 20	09/01/2012	01/09/2017	\$0.20	4,000,000	-	-	(4,000,000)	-	-	-
Type 19A	18/11/2010	13/09/2015	\$0.20	8,000,000	-	(8,000,000)	-	-	-	-
Type 19B	02/03/2011	13/09/2015	\$0.20	4,000,000	-	(4,000,000)	-	-	-	<u> </u>
				16,000,000	-	(12,000,000)	(4,000,000)	-	-	-
			· <u></u>	Cents						
Weighted average following groups	•	f share options for	each of the							
Balance of options	s at start of the year			20						
Options granted di	uring the year			-						
Options exercised	0 ,			20						
Options forfeit dur	0 ,			20						
Options expired du				-						
	s at the end of the yea			-						
Option exercisable	e at the end of the yea	ar		-						

Set out below is a summary of options granted at 30 June 2012:

30 June 2012	Grant date	Expiry Date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Options forfeited during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Type 20	09/01/2012	01/09/2017	\$0.20	-	4,000,000	-	-	-	4,000,000	-
Type 19A	18/11/2010	13/09/2015	\$0.20	13,000,000	-	-	(5,000,000)	-	8,000,000	-
Type 19B	02/03/2011	13/09/2015	\$0.20	4,000,000	-	-	_	_	4,000,000	-
Type 16	29/04/2009	31/12/2011	\$0.35	300,000	-	-	-	(300,000)	-	-
Type 15	29/04/2009	31/12/2011	\$0.30	1,000,000	-	-	-	(1,000,000)	-	-
			_	18,300,000	4,000,000	-	(5,000,000)	(1,300,000)	16,000,000	-
				Cents					·	

Weighted average exercise price of share options for each of the following groups are:

ionowing groups are.	
Balance of options at start of the year	20.8
Options granted during the year	20.0
Options exercised during the year	-
Options forfeit during the year	20.0
Options expired during the year	31.2
Balance of options at the end of the year	20.0
Option exercisable at the end of the year	-

The weighted average remaining contractual life of the share options outstanding at the end of the period was 1 month (2011: 3.86 years) due to the take-over clause being triggered.

Due to a take-over clause in Type 19A and 19B options the options were exercised subsequent to year end. Please see note 25 for further details. Type 20 options were forfeited subsequent to year end due to resignation of employee.

37. Share-based payments (continued)

Set out below are summaries of shares granted during a previous financial year that are accounted for as options:

			Exercised/							
	Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Forfeit during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisabl e at end of the year Number	
ID T4	0.107.10000	0.77.100.40	40.0540	0.000.000				0.000.000	0.000.000	
 JP T1	3/07/2008	2/7/2018	\$0.2513	3,300,000	-	-	-	3,300,000	3,300,000	

In 2009 financial year, 9,900,000 ordinary shares were issued to the managing director at the time, of which 6,600,000 shares were subject to price conditions. On the resignation of the previous managing director the 6,600,000 shares were forfeited and as a result the company had bought back the shares under the terms of the employee share scheme buy-back arrangement approved and announced on 12 May 2010. The vested 3,300,000 ordinary shares are subject to dealing restrictions until the limited recourse loan is repaid.

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2012 was determined using a Monte Carlo Simulation 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 2012 included:

Type 20 - options to Norton Gold Field employees

- (a) options are granted for no consideration
- (b) exercise price \$0.20
- (c) grant date: 9 January 2012
- (d) vesting over 3 years if VWAP20 reach \$0.30
- (e) expiry date: 9 January 2017
- (f) share price at grant date: \$0.20
- (g) expected price volatility of the shares: 72.1% in the expected life of option
- (h) expected dividend yield: 0%
- (i) risk-free interest rate: 3.31%
- (j) fair value estimated: \$272,042

The model inputs for options granted during the year ended 30 June 2011 included:

The weighted average fair value per option is \$0.07

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 from publicly available information.

37. Share-based payments (continued)

(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 current and prior financial reporting periods and the performance conditions required for vesting. The board in its discretion determines the conditions of the shares including number, expiry and vesting conditions.

	Granted Number	Grant date	Value per share at grant date	Vested at 31 Dec 2012	Other changes 31 Dec 2012	Vesting conditions	Expiry
31 December 2012 Nil			\$	Number	Number		
Prior financial reporting periods							
Terence Moylan	700,000	10/03/2010	\$0.205	-	-	VWAP of ordinary shares is \$0.70 for 5 consecutive days	June 2013
Peter Ruzicka	490,000	31/01/2009	\$0.12	-	-	VWAP of ordinary shares is \$0.70 for 5 consecutive days	June 2013
Total	1,190,000			-	-		

VWAP means the volume weighted average trading price of shares on ASX over a period of time.

Fair value per share is calculated as the closing share price of Norton Gold Fields Limited on grant date.

No shares have vested and issued to key management personnel in the prior reporting period.

37. Share-based payments (continued)

(ii) Employees (other than key management personnel)

The table below sets out the information on shares granted as remuneration to employees in the current and previous financial periods and the performance conditions required for vesting. The board in its discretion determines the conditions of the shares including number, expiry and vesting conditions. The value of the shares is expensed on a pro-rata basis from grant date to the expected vesting date.

	Granted Number	Grant date	Value per share at grant date	Vested at 31 Dec 2012	Other changes 31 Dec 2012	Vesting conditions	Expiry
			\$	Number	Number		
31 December 2012							
Paddington Gold employee	350,000	03/01/2009	\$0.285	-	-	VWAP of ordinary shares is \$0.70 for five consecutive days	Nil
Paddington Gold employee	490,000	18/08/2008	\$0.22	-	-	VWAP of ordinary shares is \$0.70 for five consecutive days	Nil
Total	840,000			-	-		

(ii) Employees (other than key management personnel) (continued)

	Granted Number	Grant date	Value per share at grant date	Vested at 30 June 2012	Other changes 30 June 2012	Vesting conditions	Expiry
			\$	Number	Number		
30 June 2012							
Paddington Gold employee	350,000	01/02/2010	\$0.20	350,000	-	12 months after employment date	Nil
Paddington Gold employee	350,000	03/01/2009	\$0.285	-	-	VWAP of ordinary shares is \$0.70 for five consecutive days	Nil
Paddington Gold employee	490,000	18/08/2008	\$0.22	-	-	VWAP of ordinary shares is \$0.70 for five consecutive days	Nil
Total	1,190,000			350,000	-		

Other changes reflect employee's forfeiture upon resignation

VWAP means the volume weighted average trading price of shares on the ASX over a period of time.

The value per share is calculated as the closing share price of Norton Gold Fields Limited on grant date.

The weighted average price of shares issued in the 30 June 2012 financial year to employees was \$0.1868.

37. Share-based payments (continued)

(c) Expenses arising from share-based payment transactions

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

	31 December	30 June
	2012	2012
	\$'000	\$'000
Performance shares	36	(17)
Performance options	(107)	358
	(71)	341

^{100%} of share-based payment expenses relate to equity settled share-based payment transactions.