Chairman's Report

After a decade of sustained increases, the gold price fell during the year, with a significant and rapid price decline occurring early in the final quarter of financial year 2013. The decline triggered major adjustments to business and operating plans by gold producers around the world. This, along with lower than expected production, made 2013 a very challenging year for Newcrest. The Company's performance was impacted, disappointing your Board, management and shareholders alike.

The Company responded decisively to the weakness in the gold price, culminating in the 7 June announcement of a range of key actions as we moved to manage for the best cash outcome rather than maximum production. These actions included a reduction in capital expenditure for 2014, the elimination of higher cost ounces from the production profile, the acceleration of significant cost reduction programs across the business and the decision not to pay a final dividend for the 2013 financial year.

Growth options have been preserved and can be reactivated should conditions improve.

Like many other gold mining companies, Newcrest reviewed the carrying value of its assets in response to the rapid decline in the gold price. This resulted in significant non-cash accounting charges of A$6.2 billion after tax, relating to asset impairments, the write-down of higher cost assets and inventory, a write-down of the investment in Evolution Mining Limited and business restructuring costs.

A large part of the write-downs related to 'goodwill' recognised on the acquisition of former Lihir Gold Limited assets. 'Goodwill' for a mining asset has always to be written off eventually. The Lihir orebody, in terms of size and grade, is one of the great orebodies of the world. We are very positive about Lihir and the improved contribution it is now making to Newcrest. Newcrest has the longest reserve life of its global peer group.

For other parts of the business, such as Telfer and Hidden Valley, the write-downs reflect the materially lower gold price, reduction in valuation multiples and the resulting fall in the market value of these assets.

Newcrest remains well placed financially, with a sound balance sheet and investment grade credit ratings. Gearing has increased to 29.1 percent, mainly due to the investment in projects at Cadia East and Lihir, as well as the recent impairments. This level is acceptable in the present circumstances. Our longer-term objective is to keep gearing under 15 percent. This provides a buffer for the Company to weather significant adverse events such as the plunge in metal prices, which occurred in 2013. From a liquidity point of view, as at 30 June 2013, Newcrest had around A$950 million in cash and undrawn bilateral bank facilities.

During the year, the investments in the Cadia East underground mine and Lihir plant expansion were largely completed. Cadia and Lihir are large, long-life, lower-cost assets which underpin future production and shareholder returns. They are big drivers of our value and we are very confident that the benefits are beginning to flow. These investments are in shareholders' long-term interests, but we acknowledge that some shareholders would have welcomed a larger share of the substantial operating cashflows that the Company enjoyed during the peak price period.

You may be aware of various claims about Newcrest 'selectively briefing' market analysts during the lead up to the 7 June announcement of its business review. Newcrest took this accusation very seriously. It is a Company with strong values that attaches great importance to its compliance and governance obligations in every country in which it operates. Former Australian Securities Exchange Chairman, Dr Maurice Newman, was engaged by the Board to conduct an independent review of the Company's disclosure and investor relations practices and to make recommendations in relation to any improvements or changes that might be required to address any issues identified by him. Dr Newman's report was released to the market on 5 September. The Australian Securities and Investments Commission initiated its own investigation into these matters and we are cooperating fully with them.

During the year, two new Non-Executive Directors joined the Board. Mr Philip Aiken has extensive experience in the resources sector, both within Australia and internationally. Mr Peter Hay brings experience in the business, corporate law and investment banking sectors. These two additional directors add to the capability of the Board.

We continue to believe that the outlook for gold is positive. Asian demand for gold is very strong. However, predicting the gold price is a personal judgement. Experienced gold investors view gold shares as a fundamental part of their portfolio, as a hedge against external uncertainty.

Finally, I make a point about our people. Right across the Company, action was taken with speed and good sense to position the Company for a lower price environment. An extraordinary effort was demanded of a great many of our employees to undertake this work. Regrettably many employees lost their jobs as a result of the ensuing changes. Executives and our people in management roles will receive nil to very low incentive rewards this year. I take this opportunity to thank our employees for their efforts in the face of these exceptional circumstances and note that they too share with shareholders a financial disappointment.

We continue to place a high priority on employee safety, community relationships and environmental management. The Sustainability Report is a record of our activities in this regard and can be viewed at www.newcrest.com.au/sustainability/current-sustainability-report.

Newcrest has the flexibility to make more changes should the gold price decline further. On the other hand, should conditions improve, we retain a range of options for growth and better margins having reset the Company's cost base.

Don Mercer
Chairman