Managing Director's Review

The 2013 financial year was a period of transition, where both Cadia East and the Lihir plant expansion moved to commercial production, concluding three years of construction and investment of A$2.05 billion at Cadia East and US$1.37 billion at Lihir.

The Cadia East Project achieved commercial production in January 2013 following the development of Panel Cave 1 and completion of the plant expansion and materials handling systems. The new process plant at Lihir was handed over to operations in February 2013. Both projects were completed on time and within 8 percent of their budget and both projects performed to expectation and will underpin the Company's long-term gold and copper production.

The year was also characterised by a very volatile gold market and some technical operating challenges which, in combination, resulted in outcomes for the year falling short of our expectations. Gold production was 8 percent below expectation, principally due to maintenance issues in the older plant at Lihir and highly variable ground conditions at Gosowong. Copper production, capital expenditure and total operating costs were within guidance levels for the 2013 financial year.

During the year, the Safety ReNew program focussed on mobile plant and equipment safety initiatives and the roll-out of the Behavioural Based Safety program across the Company. Overall safety performance improved with the number of Serious Potential Incidents reduced by more than half compared with the previous year. Our safety performance was, however, marred by the unfortunate death of a labourer at Lihir who died in January 2013 following an accident involving a truck.

The gold price declined throughout much of the 2013 financial year, falling by approximately one third from a high of almost US$1,800 per ounce in early October 2012 to a low of US$1,200 per ounce in late June 2013. In response to commodity prices materially lower than earlier expectations, a detailed business review of capital, costs and production was conducted with the objective of maximising free cash flow.

The lower, more volatile gold price and the compression in gold valuation multiples in financial markets combined with the continuing higher cost environment for some assets resulted in the decision by the Board to impair or write-down the carrying value of some assets by a combined A$6.2 billion. Cash flow was not impacted by these accounting write-downs. The majority of this impairment was associated with the A$3.49 billion write-down of Lihir's accounting goodwill which arose from the scrip merger with Lihir Gold Limited in 2010. Since this merger, the Lihir gold mine has contributed 1.89 million ounces of gold to Newcrest's production profile and added a further 15.7 million ounces of gold in Mineral Resources. The Lihir deposit, in terms of size and grade, is significant by world standards and the Lihir mine is expected to play an important role in Newcrest's future production and earnings.

Higher cost assets, including Telfer and Hidden Valley, were also impaired in the lower price, higher cost environment.

As a result, Newcrest reported a statutory loss of A$5,778 million for the 12 months ending 30 June 2013 after significant items totalling A$6,229 million after tax. Underlying profit for the period was lower than the previous year at A$451 million, primarily reflecting lower than planned production at Lihir and Gosowong and a decline in commodity prices. Operating cash flow was A$707 million.

Over the last four years, Newcrest has paid A$992 million in dividends and invested A$5.9 billion in development and capital projects and A$537 million in exploration related activities. These investments, and the loss for the year, have resulted in gearing increasing from an expected 20 percent to 29 percent as at 30 June 2013. Newcrest retains a sound balance sheet with significant financial liquidity and has no debt facilities to be refinanced in the 2014 financial year.

Newcrest's focus on cash flow maximisation resulted in a revision to mine plans to focus on lower cost, higher margin ounces, reducing exploration, studies and projects expenditure and rationalising corporate costs. The focus on maximising cash flow has resulted in lower production at some assets where higher cost ounces have been postponed but remain available for future production. Lower gold prices and higher gearing also led to the decision not to pay a final dividend this year. Newcrest will maintain its focus on reducing gearing.

Importantly, our growth options have been maintained and our strategy of focussing on predominantly long-life, low-cost gold assets, primarily in Australia, Asia and the Pacific Region, remains unchanged. Compared with the 2013 financial year, capital expenditure is expected to decline from A$1.9 billion to A$0.8 billion, excluding production stripping, and exploration expenditure from A$152 million to A$85 million for the 2014 financial year. Critical exploration programs at Wafi-Golpu, Telfer and Gosowong will be the focus of exploration activity during the 2014 financial year. Project activity and expenditure is focussed on the continued underground expansion of Cadia East and optimisation of the pre-feasibility at Wafi-Golpu.

At an executive management level, Geoff Day was appointed as EGM Sustainability & External Affairs, succeeding Stephen Creese who retired from his role of EGM Corporate Affairs, and Craig Jones assumed the role of EGM of Australia and Indonesia Operations following the departure of Peter Smith due to the Brisbane office closure. We thank Stephen and Peter for their positive contributions and hard work for Newcrest.

This has been a difficult year for Newcrest, our shareholders and the broader gold sector. I would like to acknowledge the drive and commitment of our employees during this period of significant challenge. I remain confident in the delivery of shareholder value from our portfolio of operations, development options and exploration activity. I also look forward to the year ahead where we begin to reap the full benefits from the last several years of Newcrest's major project development program.

Greg Robinson
Managing Director and Chief Executive Officer