



Financial Results

Newcrest Mining Limited

Twelve months ending 30 June 2007

Overview

Key Financial Points

- Net profit after tax and minority interest ("net profit") from continuing operations of \$72.0M was 45% below FY2006. This amount includes a hedge accounting charge of \$122.5M.
- Adjusted net profit before hedge accounting charge of \$194.5M was an increase of 40% over FY2006.
- Cash flow from operations increased by 47% to \$387.4M (\$263.8M).
- The major factors influencing earnings were higher achieved gold and copper prices partially offset by higher mine costs and depreciation costs.
- Legacy copper hedging positions were completed.
- Gearing reduced to 46% (50%).
- Dividend maintained at 5 cents per share, unfranked.

Key Operational Points

- Telfer and Gosowong (Kencana) underground mines were commissioned.
- Cadia Valley, Gosowong and Cracow performed in-line with plan.
- Exploration highlights; Namosi Joint Venture (Fiji) MOU signed and initial resource estimate announced for Marsden (NSW).

Financial Highlights	30 June 2007 \$M	30 June 2006 \$M	Change %
Operating Results			
Operating EBIT	211.7	259.4	(18%)
Net profit after tax and minority interest from continuing operations	72.0	131.3	(45%)
Net profit after tax and minority interest ⁽¹⁾	72.0	349.5	(79%)
Cash flow from operations	387.4	263.8	47%
Operating Results from continuing operations before hedge restructure impact⁽²⁾			
Operating EBIT before hedge restructure	362.8	270.4	34%
NPAT before hedge restructure and after minority interest	194.5	139.0	40%

(1) Net profit for 2006 includes \$218.2M profit from the sale of the Boddington Gold Mine Joint Venture interest.

(2) Excludes the impact of the November 2006 and prior year hedge restructures which are non-cash accounting adjustments.

(Numbers in brackets reflect comparable figures for the year ended 30 June 2006, unless negative values. Dollar figures refer to Australian dollars unless stated otherwise).

Financial Statements

Income Statement

12 Months Ending	30 June 2007 \$M	30 June 2006 \$M	Change %
Gold sales	1,110.4	845.4	
Copper sales	573.0	515.2	
Silver sales	20.8	14.1	
Concentrate sales adjustments from prior year	1.9	29.4	
Gross Operating Sales Revenue	1,706.1	1,404.1	22%
Losses on restructured hedges	(151.1)	(11.0)	
Total Sales Revenue	1,555.0	1,393.1	12%
Treatment, realisation & royalty	(241.5)	(245.2)	
Net Sales Revenue	1,313.5	1,147.9	14%
Mine cost of sales	(788.2)	(657.1)	
Gross Operating Margin	525.3	490.8	7%
Exploration expense	(47.2)	(41.7)	
Administration costs	(38.2)	(42.9)	
Net other income and expenses	(3.8)	39.8	
Operating EBITDA	436.1	446.0	(2%)
Depreciation & amortisation	(224.4)	(186.6)	
Operating EBIT	211.7	259.4	(18%)
Borrowing costs	(84.4)	(75.4)	
Borrowing costs – hedge restructure	(23.9)	-	
Net profit before tax	103.4	184.0	(44%)
Tax expense	(62.9)	(50.2)	
Tax benefit – unwind discount on hedge restructure	52.5	3.3	
Net profit after tax from continuing operations	93.0	137.1	(32%)
Profit after tax from discontinued operation	-	218.2	
Net profit after tax	93.0	355.3	(74%)
Minority interest in controlled entity	(21.0)	(5.8)	
Net profit after tax attributable to members of the Company	72.0	349.5	(79%)

The hedge restructure accounting effectively represents the mark to market position of the original gold forwards that were existing before matching positions were established to neutralise these contracts. New bullion sales were established to extend the maturities and reduce the overall percentage hedged in any one year. The impact on profit of the hedge restructures is a non-cash item. In the above financial statements the net (\$122.5M) impact relating to the hedge restructure is disclosed as (\$151.1M) in sales revenue, (\$23.9M) in finance costs and \$52.5M benefit in tax expense. The table over provides a reconciliation of Operating Results excluding the hedge restructure impact. EBITDA and EBIT have been adjusted by \$151.1M and NPAT by \$122.5M. The comparative year also has an impact from prior period hedge restructures. For 2006, EBITDA and EBIT have been adjusted by \$11.0M and NPAT by \$7.7M.

Earnings Before Hedge Accounting Charge from Continuing Operations

	30 June 2007 \$M	30 June 2006 \$M	Change %
EBITDA	587.2	456.6	29%
EBIT	362.8	270.4	34%
NPAT	215.5	144.8	49%
NPAT and Minority Interest	194.5	139.0	40%

Statement of Cash flows

	30 June 2007 \$M	30 June 2006 \$M
Operating activities		
Sales receipts	1,709.9	1,384.8
Payments to suppliers and employees	(1,223.8)	(1,038.6)
Interest received	4.5	4.6
Borrowing costs paid	(81.2)	(56.8)
Income taxes paid	(22.0)	(30.2)
Net operating cash flows	387.4	263.8
Investing activities		
Exploration	(59.9)	(57.0)
Fixed assets, evaluation and mine development expenditure	(276.0)	(398.0)
Capitalised pre-commissioning and borrowing costs	(64.8)	(89.9)
Proceeds on sale of non-current assets	0.7	3.2
Proceeds on disposal of interest in joint venture	-	224.6
Net investing cash flows	(400.0)	(317.1)
Financing activities		
Proceeds from borrowings	394.0	531.5
Repayment of finance lease principal	(4.5)	(87.3)
Repayment of borrowings	(482.8)	(300.4)
Dividend paid	(24.6)	(15.6)
Proceeds from share issues	12.7	13.4
Net financing cash flows	(105.2)	141.6
Net (decrease) / increase in cash	(117.8)	88.3

Balance Sheet

	30 June 2007 \$M	30 Jun 2006 \$M
Cash	34.3	153.0
Trade and other receivables	298.9	245.1
Inventories	163.4	178.2
Financial derivative assets	386.2	35.1
Tax receivable	4.1	16.2
Other	99.4	24.6
Current assets	986.3	652.2
Other receivables	9.1	9.4
Inventories	1.6	1.8
Property, plant and equipment	1,472.0	1,434.2
Exploration, evaluation and development	1,351.9	1,241.3
Deferred tax assets	514.8	638.3
Other	286.9	280.2
Non-current assets	3,636.3	3,605.2
Total Assets	4,622.6	4,257.4
Trade and other payables	216.4	233.5
Borrowings	35.0	65.4
Provisions	32.3	30.5
Financial derivative and other financial liabilities	500.8	634.6
Income tax payable	4.8	0.5
Current liabilities	789.3	964.5
Borrowings	1,318.9	1,564.3
Deferred tax liabilities	396.7	267.5
Provisions	47.9	32.3
Financial derivative and other financial liabilities	1,060.1	1,192.3
Other	68.9	75.9
Non-current liabilities	2,892.5	3,132.2
Total Liabilities	3,681.8	4,096.7
Net Assets	940.8	160.7
Share capital	834.5	819.0
Retained earnings	711.5	656.2
Reserves	(626.7)	(1,327.4)
Minority interest in controlled entity	21.5	12.9
Total Equity	940.8	160.7
Gearing (Net Debt / Net Debt + Equity) ⁽¹⁾	46%	50%

⁽¹⁾ Net debt is borrowings less cash. Equity is adjusted to remove the impact under AIFRS of the recognition of financial derivatives and other financial liabilities.

Financial Commentary

Profit Overview

Net profit after tax and minorities from continuing operations decreased 45% from \$131.3M to \$72.0M. This year's profit includes a significant non-cash accounting adjustment of \$122.5M after tax for the November 2006 hedge book restructure.

The objective of restructuring the gold hedge book was to increase exposure to higher spot gold prices to enable additional cashflow for debt reduction and capital reinvestment. To gain this exposure, 1.6 million ounces of hedges from the initial four years were deferred into the three subsequent years, resulting in a more acceptable risk profile for Newcrest.

To assess the impact on future years' profits, the mark to market details of gold ounces sold forward are included in the annual accounts.

Excluding the hedge book accounting, net profit after tax and minorities from continuing operations of \$194.5M (2006 - \$139.0M) increased 40% compared to the corresponding period.

Higher gold sales volumes from Gosowong and improved achieved gold and copper prices were partially offset by lower copper sales volumes. Pressure on key input costs and higher depreciation expenses unfavourably impacted profitability. In addition, the current period was adversely impacted by lower copper pricing finalisations on prior year shipments partially offset by higher silver revenue by \$20.8M and lower net other income by \$43.6M.

The table below outlines the principal differences between last year's financial result and this year's.

	\$M
Operating EBIT for the year ended 30 June 2006	259.4
Changes in revenues:	
Volume ⁽¹⁾ :	
- gold	87.7
- copper	(104.6)
Price:	
- gold	177.3
- copper	162.4
Prior year concentrate sales adjustments & silver	(20.8)
Losses on hedge restructures	(140.1)
Changes in mine costs:	
Mine cost of sales	(131.1)
Treatment, realisation and royalty	3.7

<u>Other costs:</u>	
Exploration	(5.5)
Corporate administration	4.7
Depreciation	(37.8)
Net other income	(43.6)
Operating EBIT for year ended 30 June 2007	211.7
Add accounting adjustment for hedge restructure	151.1
EBIT before hedge restructure	362.8

⁽¹⁾ Volume variances have been calculated excluding Telfer pre-commissioning sales

Volume

The impact of higher gold sales volumes was more than offset by lower copper volumes. The net effect decreased EBIT before hedge restructure by \$16.9M.

Gold sales volumes were higher due to the commencement of production at Gosowong and Telfer underground operations. These increases were offset by lower production at the Cadia Valley operations and the Telfer pit. Cadia Valley was in-line with plan for the year. Telfer production was adversely impacted by the combination of a power supply disruption, heavy rainfall associated with cyclonic events and a lower grade and recovery profile.

Copper volumes decreased due to lower copper grades at all three copper producing sites. Again, Cadia Valley operations were consistent with plan. Telfer was below plan due to grade and recovery issues during the year.

Prices

Higher copper and gold prices combined with lower hedging levels increased EBIT before hedge restructure by \$339.7M.

The achieved gold price was 21% higher at \$682/oz (\$564/oz). The hedge book restructure completed in November 2006 decreased the proportion of gold sales hedged to 55% compared to 93% in the corresponding period. The average spot price received increased 15% to \$814/oz (\$708/oz). The non-cash accounting adjustment for the hedge restructure was \$151.1M.

A 32% increase in achieved copper price to \$2.94/lb (\$2.22/lb) was a result of lower hedging level of 40% compared to 90% in the corresponding period. The spot copper price received increased 11% to \$4.08/lb (\$3.69/lb). Newcrest's legacy copper hedging commitments were completed in June 2007.

Finalisation of prior year concentrate sales and silver revenue decreased EBIT by \$20.8M. The prior period benefited from favourable pricing adjustments on prior year shipments of \$29.4M compared with \$1.9M in the current year. Silver revenue increased to \$20.8M (\$14.1M) due to higher spot prices received and volumes.

Physical Production, Sales & Inventory

Stock levels were lower than the corresponding period as sales volumes exceeded production.

The following table summarises production sales and inventory balances:

12 months 30 June	2007		2006	
	Gold (oz)	Copper (t)	Gold (oz)	Copper (t)
Opening Inventory	86,986	3,375	66,055	8,036
Production ⁽¹⁾	1,617,251	88,940	1,529,866	100,521
Sales ⁽¹⁾	1,655,895	91,031	1,508,935	105,182
Closing Inventory	48,342	1,284	86,986	3,375

⁽¹⁾ 2007 includes Telfer pre-commissioning sales of 28,916 oz of gold and 2,594 t of copper that have been capitalised with project costs.

The following table summaries sales volumes by site:

	12 months to 30 June 2007		12 months to 30 June 2006	
	Gold (oz)	Copper (t)	Gold (oz)	Copper (t)
Cadia	243,638	22,872	257,288	23,306
Ridgeway	315,235	38,080	379,148	42,218
Gosowong	355,978	-	174,013	-
Cracow	83,812	-	76,492	-
Telfer:				
Open Pit	521,706	21,354	611,585	39,059
Underground ⁽¹⁾	72,947	6,131	-	-
Dump Leach	33,663	-	-	-
Total	1,626,979	88,437	1,498,526	104,583

⁽¹⁾ 2007 excludes pre-commissioning sales of 28,916 oz of gold and 2,594 t of copper.

CostsMine cost of sales

The increase in mine costs of \$131.1M was principally due to higher costs experienced at the Telfer site and to a lesser extent higher input costs at all sites. The main components of the higher costs are:

- The commencement of Telfer's underground operation added \$34M to costs;
- The power plant breakdown in October 2006 and costs associated with cyclonic rainfall event resulted in one off additional costs for the year of \$18M.
- Unit price increases of 5.5% over the prior period accounted for \$46M of the overall \$131.1M cost increase. The cost inputs experiencing the largest

increases were contract maintenance, labour and consumables specifically explosives and tyres.

- The commencement of underground mining at Gosowong increased the absolute costs associated with this site by \$19M.

Newcrest is committed to a significant set of activities to improve productivity and reduce costs. The principal improvement methodologies are Lean and Six Sigma and closer attention to group purchasing power, consistency of mobile equipment and improved management of key contracts.

Administration Costs

Administration costs of \$38.2M were \$4.7M lower mainly due to the higher costs associated with corporate restructuring and redundancies in the corresponding period.

Depreciation

Depreciation and amortisation increased to \$224.4M (\$186.6M) reflecting higher gold sales volumes. The unit rate of depreciation on sales increased from \$125/oz to \$138/oz due mainly to the commissioning of the Telfer underground mine.

Exploration

Exploration expense of \$47.2M was \$5.5M higher than the corresponding period.

Net Other Income

Net other income was a loss of \$3.8M (\$39.8M gain), reducing EBIT before hedge restructure by \$43.6M compared to the corresponding period. The primary reasons for the difference were:

- a reduction in the mark-to-market movement on the gold lease swap rate (\$26.2M unfavourable) and
- the appreciation of the AUD/USD exchange rate resulting in a foreign exchange loss on concentrate receivables of \$18.5M compared to a gain in the corresponding period of \$5.6M.

These were partly offset by a \$12.3M refund of prior year royalty payments to Cadia Valley Operations.

	2007	2006
	\$M	\$M
Fair value adjustment on gold lease rate swap	1.6	27.8
Fair value adjustment on 'copper sales' forward exchange contracts	2.7	-
Net foreign exchange gain / (loss)	(18.5)	5.6
Prior year CVO royalty refund	12.3	-
Interest received	4.5	4.6
Other income	1.8	10.3
Other expenses	(8.2)	(8.5)
Net Other Income	(3.8)	39.8

Borrowing Costs

Gross borrowing costs were higher at \$96.7M (\$89.8M). Interest of \$84.4M (\$75.4M) was expensed and \$12.3M (\$14.4M) was capitalised. The increase in interest costs was mainly due to higher average interest rates compared to the corresponding period.

Tax Expense

The effective tax rate was 10.4%, excluding the hedge restructure the effective tax rate was 22.6%. The difference between this rate and the statutory rates in both Australia and Indonesia of 30% was mostly due to additional concessional deductions on research and development activity in Australia.

Hedge Restructure Accounting Adjustments

The impact on pre-tax profit is fixed each year as set out below:

	2007	2008	2009	2010	2011	2012	2013
	A\$'M	A\$'M	A\$'M	A\$'M	A\$'M	A\$'M	A\$'M
Nov 2006 restructure	(182)	(208)	(189)	(120)	64	258	377
Prior year restructures	7	-	17	18	22	1	-
Total restructures	(175)	(208)	(172)	(102)	86	259	377

Cash Flow – Operating Activities

Cashflows from operating activities increased \$123.6M to \$387.4M (\$263.8M). Increased cash flows were due to higher achieved prices received, increased gold sales volumes, lower taxes paid and positive working capital adjustments. Lower copper volumes, higher mine site costs and borrowing costs combined to offset part of this increase.

Cash Flow – Investing Activities

Capital Expenditure

Capital expenditure for the period of \$340.8M was 30% lower than the corresponding period of \$487.9M. Two major projects, Telfer Underground and Kencana, were completed during the period.

Good progress was made on the three growth projects located in Cadia Valley.

- The Ridgeway Deeps project was approved at a cost of \$545.0M.
- The Cadia East open pit and underground projects progressed on schedule and budget.

Major areas of capital expenditure were:

12 months ended 30 June 2007	\$M
Sustaining	74.0
Projects	105.0
Development	38.0
Finalisation of Telfer Project	59.0
Capitalised pre-commissioning costs	64.8
Total	340.8

Exploration

Exploration expenditure totalled \$59.9M (\$57.0M), of which \$47.2M (\$41.7M) was expensed. Exploration capitalised for the year related to Kencana, Cadia East and Cracow.

On a geographical basis, the greenfields exploration was largely in Australia and the Americas while the brownfields included \$7.3M for Gosowong (Kencana).

A breakdown of exploration expenditure was:

12 months ended 30 June 2007	\$M
Greenfields	29.7
Brownfields	14.9
Project resource definition	
– CVO	6.8
– Kencana	7.2
– Other	1.3
Total	59.9

Cash Flow – Financing Activities

Net debt reduced by \$157.1M to \$1,319.6M due to net repayments of \$93.3M, a foreign exchange gain of \$182.5M on the restatement of US\$ debt offset by a lower cash balance as at 30 June 2007. Net debt repayments consisted of:

12 months ended 30 June 2007	\$M
Proceeds from US\$ Bilaterals	393.7
Proceeds from Loan from Minority Interests	0.3
Debt repayments	
Gold loan	(33.5)
Finance leases	(4.5)
US Dollar loan	(41.6)
US\$ Bilateral facilities	(402.0)
Loan from minority interest	(5.7)
Net debt repayments	(93.3)

Movements in net debt during the period:

	\$M
Net debt at 30 June 2006 (Gearing 50%)	1,476.7
Net repayment of debt	(93.3)
Foreign exchange (gain)	(182.5)
Decrease in cash balances	118.7
Net debt at 30 June 2007 (Gearing 46%)	1,319.6

Note: Net debt is borrowings less cash

Dividend Payments

The Dividend Reinvestment Plan reduced the net dividend payment to \$13.8M from \$16.7M. In addition a \$10.7M dividend was paid to the minority shareholder of Newcrest's Indonesian operation.

Dividend

The Company has declared a final unfranked dividend of 5 cents per share for the year ended 30 June 2007. For non resident shareholders the dividend will be paid from conduit foreign income and is exempt from withholding tax. The dividend is payable to shareholders on 27 September 2007. Shareholders registered as at the close of business on 6 September 2007 will be eligible for the dividend. The DRP remains in place and will be offered to shareholders at market price.

Balance Sheet

The group's Net Assets and Total Equity increased during the current period by \$780.1M to \$940.8M. This was mostly due to a reduction in the mark-to-market value of the hedge book recorded on balance sheet at 30 June 2007 by \$570.9M net of deferred taxes. In addition, the foreign exchange gain on US\$ debt (net of deferred taxes) of \$127.4M and net profit after tax for the period of \$72.0M increased net assets.

Hedging

The hedge book consists of a series of sold gold forwards and gold bullion sale contracts out to FY2013. Newcrest's copper forward commitments were completed in June 2007.

The mark-to-market of the hedgebook (including gold loan) as at 30 June 2007 was as follows:

	30 June 2007 \$M	30 June 2006 \$M
Gold	(1,168)	(1,548)
Copper	-	(244)
Total	(1,168)	(1,792)

The decrease in the mark-to-market is mainly due to a reduction in gold and copper hedging through deliveries during the period.

Total gold hedge commitments (including gold loan) represent 13% of reserves and 7% of resources.

For further information on hedging please refer to the Newcrest website.

I K Smith
Managing Director and
Chief Executive Officer

