NEWCREST MINING LIMITED

FINANCIAL RESULTS TO 30 JUNE 2002
TELECONFERENCE TRANSCRIPT

28 August 2002

CONFERENCE CO-ORDINATOR: Welcome to the Newcrest Mining Financial Results Presentation.

I would now like to introduce the presenter for today, Mr Tony Palmer. Mr Palmer, please go ahead.

MR TONY PALMER: Thank you, and thank you, everybody, for joining us. First of all, let me apologise for the delay. We have had - a number of things have happened to us, not the least of which was we sent this stuff off to the ASX some good little while ago now, and we have only just this second got confirmation back that they actually got it. So I am a bit concerned that not too many people have seen the results to date, but it is on the website, so if you wanted to and you don't have it, you can just open up our website and there it will be.

So whilst it's less than optimal, I will run through a brief presentation that I intended to make about the result, and hopefully it won't be too disjointed for you.

I have with me today Jeff Smith, who is the Chief Financial Officer for the company, and Peter Reeve, and when the time comes for questions we will have both of those people and myself available to you.

We have laid out the release this year such that each of the lines in the P&L and the cash flow statement is referred to in its own paragraph by way of trying to make things a little more clear, and hopefully that will make things much more easy for you to understand.

The earnings number we are talking about is a loss of $53 million. This is clearly not something that we are pleased with, and it has been strongly affected by non-cash provisions in relation to the hedge book and accounting relation issues.

We have had people go all the way through every single transaction that has been made in the hedge book over the last little while, and we are convinced that had we have looked at all of them and that there are no further accounting issues that are in front of us, but, nevertheless, the outworkings of all of that is the loss of $53 million.

The underlying profit of $20.9 million is clearly lower than it was last year and it has been affected by a number of things: lower ounces produced, which I guess really comes out because of the closure of Telfer mine and the cessation of operations from Boddington through the year; a lower achieved gold price this year as compared with last; obviously the foreign exchange hedging and the contingent knockings in the gold book have played a role there. But I guess pleasingly from our perspective is that the cash cost and the total production cost continue the trend which has now been established for some four or five years can form one skin.

Then the non-cash provisions, which we have detailed in today's releases are an $80.6 million loss, which we announced on June 11 and relates to the provision for foreign exchange losses in the 2003 and 2004 years - I think you will recall we said that it was going to be about $80 million but would depend on the spot price on the day - and a further $25 million, which relates to a whole swag of smaller additional provisions which arose from this look at all the hedge transactions or Treasury transactions that we have done over the last little while.

Clearly, as I said earlier, we have now looked at every single transaction that has happened. I guess we have been faced with some accounting issues. The accounting for these things often aren't black letter law, and so we have gone through a considerable amount of drama trying to make sure we have got it right. But what you do need to understand is that this is a clearing of the decks. We don't believe there's anything else on the accounting front that can hurt us, and, more importantly, that all of those changes are non-cash changes.

It remains for us I think to follow up now with our look at the hedge book and just to see what else needs to be done by way of maybe some restructuring of what we believe the risk profile is and the derivatives there are not satisfactory, but we don't see that as being a big issue and certainly not something that I am terribly concerned about, but we will get on with it whilst we are on the job.

On a positive note, the operations are obviously performing very well. Cadia and Ridgeway continue to provide the company with a strong outlook. As I said, earlier, the cash costs have been falling now year on year for a number of years, and we have seen that again in the fourth quarter of the last financial year. Of course, so far this year we have indications that these things, the cash cost and the production cost, are going to continue to fall. But these improvements are what is driving the business case that we believe we have established with our company at the time.

What we can rely on at Newcrest is the strong margin that these operations are delivering, and clearly, with Telfer included, by the end of the calendar year 2004 we remain confident of a much more profitable future, given the strong margin that we have been establishing.

A decision was taken to maintain the dividend of five cents. I know some people have wondered about the advisement of declaring a dividend at a time when we clearly are trying to raise money, but I think the board was of a mind that it was important to maintain the dividend stream, and that is the story, that there will be a five cent dividend, and details of when it is to be paid is obviously in the announcement.

For Telfer I think we can now say that the project study is eventually complete. Bruce Price and his people have been out to tender for basically everything now that they need to make all the final decisions. They are in the throes now simply of writing the study up. We don't think that there are any more issues there that we need to address, and so we now sort of come to the boring part, if you will, of the study when we have to write all this thing up. Each section, the metallurgy section, the mining section, the underground section, the infrastructure section, are all being written up and, of course, the difficulty for us is that we have to make sure that there's a major editing process happens so that all those reports actually talk to each other in a coherent way.

You will remember that we did announce earlier that we had started work on some of the infrastructure, the roads upgrade and some work in the camp and so on, and we are getting ourselves ready to let an underground development contract in short order. So we believe that we are going to make a strong start to the project on time.

I am not sure if there's too much else I wanted to say. I am not sure how many of you have been able to go and access the actual announcement that we made, but perhaps the time has come for now any questions to be asked. As I say, I have both Peter and Jeff Smith with me. So if the person running our conference could organise the questions now, we will take them.

CONFERENCE CO-ORDINATOR: Thank you. Ladies and gentlemen, we will now begin the question and answer session. If you wish to register a question, please press star followed by one on your Touch Tone phone, and to cancel your question please press star followed by two. The first question comes from Mr Sean Skicko from UBS. Go ahead, please.

QUESTION: Oh, Tony, good afternoon. You will have to excuse me. I actually haven't seen any of the details of the result and I am a little bit disappointed, mate. Just a question in terms of earnings consistency. I have been doing some considered thinking about Newcrest's track record, and over the last 10 years I guess looking at consensus earnings estimates, seven of those 10 years have seen consistent earnings downgrades. I mean, can you give us some indication or some range of the sort of profit that you think you might be able to achieve in the current year?

MR TONY PALMER: That's a fair question, Sean, especially with the build-up you gave me before I started. I think there's a number of things that we need to get straight before we can do that. The first is that out at Ridgeway we have now been in a position to replace the motor that blew up on us on the mill when we first commissioned the thing, and we have a bigger mill there. We are extremely encouraged by what that new mill may be doing for us, and we need to get organised over the next few weeks and just make sure we understand exactly what that mill wants to do for us, so I think that obviously has the potential to make a difference.

The other thing, of course, which is always difficult at this time of the year is to predict what our achieved gold price might be by the end of the year. So whilst I hear what you are saying, I am not sure at this point in time of the year that I'm really in the position to say to you it's going to be X dollars. What I can say is clearly that at the moment we have a 55-cent dollar. That's good news for us. We think that our gold book will continue to perform reasonably well. It's the foreign exchange which I think makes our achieved gold price difficult to predict going forward.

So as much as I would love to help you, Sean, sitting where I do halfway through the first quarter of the year, I have not quite yet got an understanding of what Ridgeway is going to do for us nor what the achieved gold price is going to be, and I am not about to stick my neck out and build up what the costs will be at the end year.

CONFERENCE CO-ORDINATOR: The next question comes from Mr Warren Edney from ABN Amro. Go ahead, please.

QUESTION: Hi, Tony. I've only just got the results so I guess my question is more on the hedging contracts and the provisions that you have already announced and the additional ones that you announced today.

MR TONY PALMER: Yes, Warren.

QUESTION: Can you give us some indication of what's going to happen going out in time, particularly with this additional $25 million and just what it is pre and post tax, please?

MR TONY PALMER: Well, I will get Jeff to tell you about the pre and post tax thing in a minute. In terms of what's going to happen in the future, clearly at the time of these various contracts actually coming to fruition, then the $25 million, and the $80 million to that extent, get written back into the amount, so you actually get a big fat free kick, of course, at the time.

The $25 million write-off is really the sum of a number of restructures that were entered into by the company recently and, you know, I have got five or six things that are in my mind now which sort of collectively add up to that $25 million.

So I think there's two things for us to say about the future. The first is that I am quite confident at this stage that we have got a comprehensive look at all the transactions and that all the accounting issues now have been brought to account, and the second thing is that because we are having this major review of the hedge book that any derivatives in there that we believe that have a risk profile which is unacceptable we will look to restructure, terminate in some way, and with a view to eliminating any undue risk that is there.

Going forward, we clearly will have a policy that we will restrict our Treasury greatly on the number of or the types of derivatives which they can enter into and, therefore, the exotic nature and the contingent nature of stuff that we have seen in the past just simply won't happen in the future. Perhaps I might just get Jeff to talk a little about the accounting issues around our $25 million write-down.

MR JEFF SMITH: Thanks, Tony. I am not quite sure what you meant by the before and after tax. The $25 million is obviously the before tax-number, and that should be just tax effective in the normal way. I can't add too much more to what Tony said. The $25 million is only a provision. It's a non-cash provision. It's caused by the application of fairly recent accounting guidance which essentially says that if you are restructuring something, you effectively terminate the old and start anew and you have to deal with the effect of the old over the new life of the restructured contract. As Tony said, though, provisions will come back over time and at the end of the day there is no profit effect. It just affects year on year.

QUESTION: Sorry, the $25 million --

MR JEFF SMITH: Yes.

QUESTION: -- is that then treated in the way the others are treated and comes back in a year's time or is that apparently written off as you would the rest?

MR JEFF SMITH: No, the 25 will come back over time. It's over a number of years.

QUESTION: Okay. Are you going to publish a new hedge book if you have been restructuring the hedge book so that we have got some idea of what you have done?

MR TONY PALMER: Well, we haven't been restructuring it yet, Warren. What's happened is they have gone right through it to make sure we have all the accounting treatments correct and make sure it has been done right and, you know, the next thing we will do is go back through it and have a look to see whether there is any restructuring that's warranted, if there are any risk profiles there that are perhaps growth that we would like to see. But that's the next stage, and, yes, look obviously, we are in a mindset to try to make these things more transparent and so on for all you guys out there. So clearly whenever we do any sort of restructure going forward, there will be a full disclosure of that on the website to try to make it clear what we have done and why we have done it and the cost that's associated with it.

QUESTION: A final question on the hedging and then I'll stop. That's does the $25 million include the additional part of the hedge book right back from the first half or is that somewhere else hidden in the year or something like that?

MR JEFF SMITH: You are talking about the 8.9?

QUESTION: Yeah.

MR JEFF SMITH: No, the 8.9 was backed in those two halves and was quite separate.

MR TONY PALMER: It was already backed back in the second half of the year, Warren. And that's the thing about these accounting issues. The accountants (inaudible) when there has been a restructure done, they look at it as a termination of the original contract and the entering into of another one, and so what we are doing is taking a sort of market-to-market loss on the day now, and what happens in the future is that that loss will be backed back in when the original contract would have expired and then the normal treatment happens. So they are not permanent write-offs. The accountant is taking a view on what the loss would be today. I have to say that I struggle with the concept of this, but I am sure the rest of you have got it absolutely.

CONFERENCE CO-ORDINATOR: The next question comes from Mr Michael Slifirski from Credit Suisse First Boston. Go ahead, please.

QUESTION: Thank you, Tony. I must admit I struggle with it as much as you do. I just want to make quite clear that the $25 million provision is not indicative of a $25 million cash outlay to restructure the book.

MR TONY PALMER: There's absolutely no cash involved. This is not a restructure. This is accounting for past restructures. It is absolutely not a cash thing. That's the first thing. And, secondly, it will get written back in at the time when those restructured contracts expire or would have expired.

QUESTION: When the total 105, or 105.6 is written back will it be clear how it's coming back? Will it be in terms of a higher average price received than is what is actually being delivered or will it be detailed separately as a - well, I know we don't have abnormals any more but as an item that we can pick up to show what's real profit and, again, what's this mythical stuff?

MR TONY PALMER: You've got a way with words, Mike. Look, I will let Jeff answer that just because he is here and he has to earn his crust.

MR JEFF SMITH: I think I am hearing from you that you would like to see it separately identified as it comes back, and we will endeavour to do that.

QUESTION: Thank you. Then this is the last question. It's on what sort of assumptions have you made about production, in particular Ridgeway out-performance and whether Toguraci is in or out when you decide what hedging is actually surplus for the next two years?

MR TONY PALMER: Okay. What we have done is that we have decided that for the moment we are going to pretend that Toguraci is not going to happen. We have taken the conservative view on that. We have also not allowed at all for any improvement that might come from Ridgeway. Yeah, the whole thing is very conservative and, as I say, from my perspective going forward, I would expect that it's going to make life a lot easier.

What you will see, and what will be confusing I think for all of us, every half, is that all of these write-downs, as I understand it, will be adjusted depending on what the spot price is for new stakes and what the original thing was. So some you will see written back in because the contracts are going to expire, but you will see little change each half year because the spot price moves a bit too. So it's going to take us some little while before these mythical numbers are behind us, Mike.

QUESTION: Okay, thank you.

CONFERENCE CO-ORDINATOR: The next question comes from Mr Joe Walsh from Royal Bank of Canada. Go ahead, please.

QUESTION: Hi, Tony. Just continuing the theme on the hedge book here, you obviously have done a lot of examining of this. How do you see that - how robust do you see this hedge book being in the future from this point on? You have obviously made some changes but with these provisions you are intending to make more. How strong is the hedge book going to be? What's the downside risk to it?

MR TONY PALMER: Well, the first thing, as I say, we really haven't restructured the hedge book. In fact, I don't think we've done any restructuring since I've been here. We have just been delivering into the hedge book and closing it out, and you would see that if you looked at the quarter-on-quarter amount of hedging we've got. You will see that it has gone down by the last quarter's production. So we have done nothing about restructuring at all.

What we have done in the last month or six weeks is made an intense effort to try to make sure that the emerging accounting issues here in Australia are properly catered for, and it is an emerging science. I think we all believe that if this mooted international standard comes out in 2005 that we are going to see everybody's hedge book on the balance sheet, all the hedges will be on the balance sheet, and we are sort of staggering towards that in some sort of a way.

What's the strength of the hedge book? I think if you recall back to our last quarterly results, you will see that our gold book actually performed very well. We - I just can't remember the numbers. I think we've got 620 Australian, or maybe more. I just can't remember. If the foreign exchange cover that we've got is the issue, and we have got a lot of that this year, a lot of it next year and then it just drops away quickly after that.

So I suppose that's the point, that if the Australian dollar was to firm up, then obviously we are left exposed to that. Until such time as the Australian dollar goes through 63, and then at that stage we wouldn't have a foreign exchange problem at all.

So I think that fundamentally whilst the book is complex, it has - the gold book in particular has done okay. What I think we want to go through it now and have a look to see, having done all the accounting bits and pieces, we want to go through it and see if there are any restructures that are warranted because of the risk profile, but, really, when you are in the middle of a foreign exchange thing the way we are, there's just nothing you can do about it. I mean, if you go to a counter-party that's sitting there with a contract like that and try to buy your way out of it, it's going to cost you to buy out of it what it's worth if you don't. We are just going to have to look at the foreign exchange, but we will look across at some of the contingent natures of the bits and pieces in our book just to see if the risk profile of those needs to be addressed.

QUESTION: So there's nothing in place to give you a very slight contraction like in you do get, if we do see the currency weaken and ultimately, say, fall down below 50 cents?

MR TONY PALMER: Yeah, we have a floor under a good bit of our business. I think it's about 50 cents, if I can remember the details. So the market will continue. If the Australian dollar fell below 50, we would actually get a better gold price.

QUESTION: Okay. And those contracts have been put in the not too distant past. Is that correct?

MR TONY PALMER: I think last December we put a floor in under the Australian dollar, yes.

QUESTION: Thank you.

CONFERENCE CO-ORDINATOR: The next question comes from Mr Ian Preston from J. B. Were. Go ahead, please.

QUESTION: Sorry, Tony, I'm still coming back to this hedging. My understanding is that you still have contingent fall positions in place?

MR TONY PALMER: Correct.

QUESTION: And you have made a provision assuming that you were to change those but the change has not yet been made?

MR TONY PALMER: No, no, we haven't made - the provisions we have made to do with past restructures, past restructures.

QUESTION: Okay. So at this point you still have contingent positions in place which could come in?

MR TONY PALMER: Correct.

QUESTION: And you would then make a decision as to whether or not you might restructure those and there could still be further restructuring costs if you were to do that?

MR TONY PALMER: That's correct.

CONFERENCE CO-ORDINATOR: Okay. Thank you. The next question. Mr Brad Potter from Tyndall. Go ahead please.

QUESTION: Yeah, I am just continuing on with the theme. Is there actually - with this accounting standard, is there a tax - do you actually realise or do you actually invoke tax when you are restructuring now?

MR TONY PALMER: I'm not sure if I absolutely understand that question.

MR JEFF SMITH: Are you talking about the restructures that have taken place or the new ones?

QUESTION: Well, the new ones. In the past when you have been able to restructure and push hedging further out it's just sort of hidden away in the book and no tax liabilities - you know, you push the tax liability out or whatever. Does this new standard now mean that if you - when you are restructuring do you actually now invoke a tax liability at the time of restructure?

MR TONY PALMER: It doesn't change the tax situation at all, and most of these ones that we're talking about, the $25 million ones, are just what you said. There's been an overlay or restructuring, however you want to call it, where the underlying transactions aren't really terminated but they are effectively terminated, and that's what's triggering all of this. Under the accounting standard there's an effective termination when in economic terms there isn't and in tax terms there isn't.

QUESTION: Okay, cheers.

CONFERENCE CO-ORDINATOR: The next question come from Mr Michael Slifirski from Credit Suisse First Boston. Go ahead, please.

QUESTION: Thank you. Well, you seem to be enjoying this hedging theme so much that I thought I might just extend it just one dimension further to keep you feeling comfortable. But I think this is an easy one. The Nippon line - is there any form of hedge there or is it purely a cash loan to be paid out of cash proceeds from sales at whatever the price is at the time? There's no embedded contract price within that loan?

MR TONY PALMER: It's a concentrate loan and it depends, I think, on the spot price of gold and copper at the time. Look, I'll tell you what I will do. I'll need to get back - I'll get Peter to get back to you on that one. It's certainly a concentrate loan. So when we start to repay it in the second half of next year, you know, when we send them some concentrate, they just won't send us any money for it. I'll get Peter to let you know exactly how that's calculated. My impression is, my memory tells me that it's just on the spot price at the time, but it may be - in other words, I can't answer your question.

QUESTION: Okay, thank you.

MR TONY PALMER: But Peter will get back to you.

QUESTION: Thanks.

CONFERENCE CO-ORDINATOR: The next question comes from Mr Matthew Starick from Merrill Lynch. Go ahead, please.

QUESTION: It's just a question following on from Brad talking about the tax effect. I was just wondering what was the operating tax in the financial result? I am just having trouble finding it at the moment. So, the provisions that have been taken were actually just put straight through. So obviously there is tax associated with that.

MR TONY PALMER: They have all been tax effective.

QUESTION: So can you tell me what the operating tax on the $20.9 million after tax operating result was?

MR JEFF SMITH: If you take the 105 and tax effect that --

QUESTION: At 30 per cent?

MR JEFF SMITH: Yes. Then I think you should be able to work it out.

QUESTION: Okay. But just to clear up on one. There have been a lot of questions about hedging but in terms of the cash flow impact on the company nothing has changed from the hedge book that was, say, reported six months ago before these provisions were taken other than the options that have expired?

MR TONY PALMER: Absolutely, exactly correct.

QUESTION: Thanks.

CONFERENCE CO-ORDINATOR: The next question comes from Mr Sean Geercke from UBS. Go ahead please.

QUESTION: Just a quick question on Telfer, Tony. I guess the funding - you must be getting pretty close to formalising that. I mean, can you give us some timing and can you give us an update report on the mix, the product mix, you know, is there going to be some more equities and debt and hedging, just to sort of clear that up in our minds because I've been hearing sort of, you know, a whole series of permutations, and things have changed from week to week.

MR TONY PALMER: Well, it doesn't change from week to week in here, Sean. I guess there's speculation because people are wondering how we are going. I will start from the start. I think I've told you all at the end of the fourth quarter last time that we had come to realise that instead of having one great big mammoth

Cadia similar to the Cadia mill - we were going to have two 236-foot mills - and that really set us back some little while in terms of the study some six, or even eight, weeks, so whereas we very much expected that in by July some time the board would have the finished product in front of it in terms of the feasibility study, we now haven't.

The outworking of that is that on a number of fronts different. On the one hand, in terms of actually what happens on the ground it won't make a lot of difference. We have already started some work up there in terms of the infrastructure and letting underground mining contracts, and really all that was going to happen up there on site between here and Christmas was just some engineering work being done, some tenders being called, and, really, that's progressing anyway.

So in terms of the finishing the feasibility study, yes, the change in the milling circuit has caused the delay. In terms of delaying the actual start of the project, no, it hasn't. Perhaps I might get Jeff just to give you a rundown on what his activities are in terms of the fundraising because it's very much in his bailiwick, and it would be nice to hear him talk about it.

MR JEFF SMITH: Really, this is a major project that is of much interest to a lot of banks, and we are being bombarded every day by people wanting to be part of this, so we are very comfortable that we can raise the necessary funds whichever way we go.

Obviously, a significant amount will be by debt, and looking at our cash flow from our own sources, and obviously equity plays a part in that, but at this point we need to ascertain what the cash flows from the project itself will be and from other parts of the organisation just to see what the requirement is for funds generally and then work out how we are going to fund the thing, what's the most efficient and the optimal way of funding it.

Whilst we are a long way down the track working that through, we've still got a little way to go. But we are getting close. We've got lots of options, and it will just depend on the cash flow that the company is going to generate in the next few years.

So the short answer is, you know, we are not in a position to tell you yet but our efforts in working out the debt of getting quite mature and, you know, we have no reason to doubt that we won't be away and running some time between here and Christmas.

CONFERENCE CO-ORDINATOR: Ladies and gentlemen, just a reminder. If you wish to register a question, please press star followed by one on your Touch Tone phone and to cancel your question, please press star followed by two. I would like to advise that there are no further questions, and I will now hand the conference back to Mr Palmer for closing remarks. Thank you.

MR TONY PALMER: Okay. Look, once again, I'd like to apologise for the delays that have happened. Peter Reeve clearly is available for any of you that want to call him up once you've had a chance to peruse the announcement. I am sure that you've all got his mobile number, but, Pete, just to repeat it.

PETER REEVE: 0417 377 114, but I will be in the office for quite some hours, so call me on that number which is on the release.

MR TONY PALMER: Look, you should all avail yourselves of that situation. So just very quickly to summarise, the write-downs we have done are very much non-cash issues. They're all about things that have already, that have happened in the past with restructures. You can anticipate perhaps in the future there may be some restructuring of the book going forwards, but that will be - we will talk about that in due course.

We want to say that the operations are performing very well. The Cadia Valley is in good shape. With Ridgeway, I think we will eventually have some more news for you there shortly, and, of course, the Telfer thing I have just finished speaking about and we believe that it's on track for a start before Christmas. So I thank you all for that and I will let you bother Peter later in the night if that's what you want to do. Thank you.

CONFERENCE CO-ORDINATOR: Thank you, ladies and gentlemen. This concludes the Newcrest Mining Financial Results Presentation. You may now disconnect.