



Market Release

Newcrest Mining Limited

1 April 2010

NEWCREST PROPOSED COMBINATION WITH LIHIR

Newcrest Mining Limited ("Newcrest") today confirmed that it approached the Board of Lihir Gold Limited ("Lihir") with a proposal to combine the two companies to create the world's fourth largest gold company¹, with a portfolio of low cost, long life, high margin assets.

The proposal put to the Lihir Board was for a scrip and cash transaction at a fixed ratio of one Newcrest ordinary share for every 9.0 ordinary shares in Lihir plus A\$0.225 cash per Lihir share, inclusive of any interim dividend declared by Lihir for the half year ending 30 June 2010, through a scheme of arrangement (the "Proposal").

Newcrest believes that the Proposal would be compelling for Lihir shareholders and represents full and fair value for Lihir shareholders. The Proposal, dated 29 March 2010, follows an initial approach to Lihir on 15 February 2010, and represents:

- A 35% premium to Newcrest and Lihir's closing share prices on 12 February 2010, the last trading day prior to Newcrest's approach in February;
- A 31% premium based on Newcrest and Lihir's 1 month VWAP to 29 March 2010;
- A 32% premium based on Newcrest and Lihir's 3 month VWAP to 29 March 2010., and
- A 12% increase from the earlier proposal of 15 February 2010.

The Proposal would result in Lihir shareholders owning approximately 35% of the combined organisation², and sharing in the benefits of the combination.

Newcrest has noted Lihir's announcement this morning of rejection of Newcrest's Proposal. Newcrest will be talking to its shareholders and is keen to hear their views of the Proposal. Newcrest and Lihir have around 50% common share ownership. Newcrest remains willing to discuss the Proposal with Lihir

As disclosed by Lihir, Newcrest has conducted a short desk top and limited high level due diligence on the Lihir Island operation. Subsequent to this due diligence Newcrest increased the value of its proposal to Lihir, on 29 March 2010, from the initial approach on February 15 which was at a ratio of 1 Newcrest share for every 9.5 ordinary shares in Lihir with no cash consideration. The new proposal envisaged a friendly deal and included requirements of site due diligence and agreement of a Merger Implementation Agreement on terms and conditions customary for transactions of this type and size including the obtaining of all necessary regulatory approvals.

¹ Based on the pro-forma market capitalisation of A\$24.5 billion

² Based on the existing issued capital of both companies as at 31 March 2010

OTHER BENEFITS TO LIHIR SHAREHOLDERS

In addition to the highly attractive premium, Newcrest believes the Proposal would provide significant value for Lihir shareholders through exposure to Newcrest scrip, and consequently participating in:

- Asia-Pacific's leading gold producer, with a standout portfolio of long life, high margin, tier one gold assets;
- A more diversified asset and geographic profile;
- A combined organisation in the lowest quartile of cash costs globally;
- A stronger and more diversified organic growth portfolio;
- A powerful financial position from which to invest in future growth and development;
- Estimated potential synergies to a combined organisation of A\$85m p.a. pre -tax; and
- Further longer term upside through sharing of highly complementary skills.

Lihir shareholders would also be expected to receive CGT roll-over relief.

Additionally, the combined organisation would remain committed to continuing both Lihir's and Newcrest's programs in PNG and working closely with local communities. A PNG listing would be retained.

CONDITIONS TO THE PROPOSAL

Newcrest Proposal was subject to normal terms and conditions for a transaction of this nature, including:

- Unanimous recommendation from the Lihir Board in favour of the Proposal;
- Execution of a Merger Implementation Agreement ("MIA") on acceptable terms;
- Prior to execution of the MIA, the ability to conduct site visits and other key due diligence; and
- A confirmatory due diligence period following signing and public announcement of the MIA.

Prior to undertaking the limited high level due diligence exercise, Newcrest and Lihir entered into a mutual confidentiality deed which, amongst other things, contains standstill provisions on the part of Newcrest for a period of 9 months but subject to a number of exceptions usual in agreements of this nature.

COMBINATION LOGIC

The combined organisation would create a standout portfolio of long-life, low-cost, tier-one gold assets. It would have an enviable selection of brownfield and larger greenfield growth options. Backed by a pro-forma market capitalisation of around A\$24.5 billion and minimal net debt of A\$200 million, the combined company would have a powerful platform to deliver superior financial performance and to capture and deliver future growth for shareholders.

“While we believe the logic of the combination to be compelling, this is not a ‘must do’ transaction for Newcrest, and we will only pursue it if we believe it will create value for Newcrest shareholders and is supported by Newcrest and Lihir shareholders.” said Newcrest Chairman, Don Mercer.

Newcrest Managing Director and CEO, Ian Smith, said the complementary portfolios, operational and technical capabilities, and the financial strength of both organisations would make the combination attractive to investors, employees, communities and other stakeholders of both companies.

“Together, Newcrest and Lihir would have a lot to offer, with significant opportunities for growth and performance improvement which would benefit all shareholders,” said Mr Smith.

“However, Newcrest has a well established organic growth platform which we expect will deliver us at least a 40% increase in annual gold production and a decline in costs over the next five years. This excludes significant other development opportunities which are currently being defined and evaluated.”

Further details of the benefits of the proposed combination are set out in **APPENDIX 1**.

This announcement does not constitute an offer to Lihir shareholders and there can be no assurance that any combination will result.

Newcrest is being advised by Lazard, Merrill Lynch and Allens Arthur Robinson.

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APPENDIX 1**BENEFITS OF THE PROPOSED COMBINATION OF NEWCREST AND LIHIR****i) Creates a portfolio with one of the largest global gold reserves**

The combined organisation would have:

- 73.4 million ounces of gold reserves and 4.7 million tonnes of copper reserves and 26.7 million ounces of silver reserves, ranking it fourth in world gold equivalent reserves;
- 131.8 million ounces of gold resources, and 211.8 million ounces of gold equivalent resources, ranking it fifth in the world; and
- Gold production of approximately 2.8 million ounces per annum (based on FY09 results), ranking it the fifth largest gold producer in the world.

In addition, there is the potential for future upgrades and substantial production growth.

ii) Geographical and asset diversification

The combined organisation would operate in five countries with 10 mines across South East Asia and West Africa³.

A combination with Newcrest would provide immediate diversification for Lihir shareholders into a high quality larger entity with lower operational and sovereign risk. Lihir Island currently represents 94% of Lihir's reserve base and 77% of its 2009 EBITDA.

In the combined organisation:

- No asset would represent more than 45% of the reserve base or more than 31% of combined 2009 EBITDA; and
- Australia would represent 63% of the combined reserve base (PNG 34%) and 47% of the combined 2009 EBITDA (PNG 31%).

iii) Lowest quartile position on the global cost curve

With cash costs of US\$348/oz (quarter ending December 2009), the combined company would have costs in the industry's lowest quartile. Lihir's overall position on the global cash cost curve would improve from second quartile at US\$454/oz (quarter ending December 2009), to first quartile. Newcrest believes that the combined company would have complementary skill sets that would enhance the focus on cost reduction and productivity improvements. Newcrest has a demonstrated track record of cash cost reduction.

iv) Stronger and more diversified organic portfolio

The combined organisation would have a pipeline of committed projects to deliver substantial growth over the next five years. Production is forecast to grow 6.0% per annum compound to 3.75 million ounces by FY2014.

Newcrest has forecast that its gold production is expected to increase by 40% and copper production by 30% over the next five years from existing brownfield expansion projects at Ridgeway Deeps, Cadia East, Hidden Valley, Telfer and Gosowong.

3. Countries – Australia, PNG, Indonesia, Fiji, Cote D'Ivoire. Mines – Australia (Cadia Hill, Ridgeway, Telfer Underground, Telfer Open Pit, Cracow, Mt Rawdon), PNG (Lihir Island, Hidden Valley), Cote D'Ivoire (Bonikro), Indonesia (Gosowong).

Lihir's contribution to growth over the next 5-plus years is expected to be realised through completion of its Lihir Island Million Ounce Plant Upgrade project (MOPU), and potential further development of its West African operations.

In addition to the already committed projects, Newcrest has a suite of undeveloped deposits with the potential to grow into large, long-life projects. These include:

- Wafi-Golpu in PNG (Newcrest 50% ownership) with an existing resource base of 9.2 million ounces of gold and 1.8 million tonnes of copper and recent significant exploration results. Wafi Golpu is expected to have a material resources upgrade by 30 June, 2010;
- Within the Morobe province in PNG (Newcrest 50% ownership), Newcrest has a significant exploration footprint with over 3,200 square kilometres of acreage;
- Namosi in Fiji (Newcrest 69.94% ownership) with a total current resource of 5.7 million ounces of gold and 5.5 million tonnes of copper, has numerous targets that are scheduled to be drilled in the short term. Recent results have been promising with higher gold and copper grade intersections at Waivaka; and
- The Telfer gold/copper mine in Western Australia has the potential to develop into a sizeable polymetallic region. Opportunities such as O'Callaghan's polymetallic discovery should reduce Telfer's operating cost further and continue to add longer-term value.

The combination would also enhance longer term growth potential through Newcrest's recognised gold/copper porphyry development capabilities:

- Newcrest has significant production and technical expertise in copper and has a strong track record in discovering and developing gold/copper porphyries and importantly, marketing copper concentrates; and
- Given that much of the world's undeveloped gold reserves are contained in copper/gold porphyry deposits, the combination would widen the range of growth and development opportunities open to shareholders.

v) **Greater scale and financial capabilities to capture future large-scale growth opportunities**

With a market capitalisation of A\$24.5 billion, no net debt and strong operating cash flows, the combined entity would have greater scale and financial capability to invest in future growth and development.

The combined entity would also benefit from:

- Lower cost of debt
 - The combined entity would seek to maintain gearing levels commensurate with a strong investment grade credit rating, which should result in achieving improved debt funding spreads; and
 - Access to all other capital markets would be improved, with the increased size, diversity and liquidity of the combined portfolio also potentially reducing the cost of equity capital.
- Improved stock market positioning
 - As the leading Asia Pacific gold major, the enhanced scale, coverage and weighting in indices is likely to result in:
 - Stronger investment support from both Australian and Asian investors;
 - Improved liquidity; and
 - Potential re-rating to a level similar to that of other global gold majors; the scrip for scrip proposal would ensure any re-rating benefits all shareholders.

vi) Substantial potential synergies

Newcrest's preliminary view is that the combined organisation would benefit from potential synergies of A\$85m per annum (pre-tax) which represents approximately 4% of the combined group cost base.

Integration of the two companies is expected to result in natural synergies from: supply chain efficiencies, fleet and equipment utilisation, productivity improvements, ability to sharpen the focus of the projects and exploration spend, lower funding costs and removal of duplicated corporate costs. Synergy estimates are based on public information and will be refined if Lihir chooses to engage further with Newcrest.

In the longer term, the combination of the two group's technical teams could reap other valuable improvements. The combined group would have a more complete set of technical skills to continue adding value through cost reduction, productivity improvements and capture of new projects (refer vii) below.

vii) Strong operational and management capabilities to create further synergies

Newcrest and Lihir have highly complementary skill sets which would add value to the combined entity's assets and development opportunities. Newcrest believes that its skills are likely to add value to the combined organisation through:

- Recognised industry-leading capabilities in both greenfield and brownfield exploration – as well as having discovered all existing mining provinces other than in PNG, Newcrest has developed second and third mines at Cadia Valley, Telfer and Gosowong. Newcrest's experience in Western Australia around greenstone gold belts should add valuable perspective to Lihir's initiatives in West Africa;
- Leadership in bulk surface and underground mining and selective mining techniques for smaller scale high grade deposits. These skills should be useful as Lihir contemplates multiple pit outcomes in West Africa and the ramp up of Lihir Island production;
- Technical focus on innovation and automation and leading industry knowledge of bulk underground mining methods, specifically sub level and block caving;
- Recognised strength in low cost, fast underground development rates;
- Newcrest's maintenance focus delivering cost reductions and productivity improvements;
- Strengths in copper processing and concentrate marketing, and particularly polymetallic metallurgical skills; and
- Newcrest's strong centralised technical and commercial support base.

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