



# Market Release

## Newcrest Mining Limited

29 July 2013

## Moody's Rating Change - 29 July 2013

Newcrest Mining Limited notes the announcement by Moody's that it has revised its credit rating of Newcrest from Baa2 to Baa3 with a negative outlook.

Newcrest confirms that there are no triggers in Newcrest's existing debt arrangements that result in any change to Newcrest's cost or availability of funds under those arrangements as a consequence of Moody's announcement.

A copy of the Moody's announcement is attached.

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**Rating Action: Moody's lowers Newcrest Mining to Baa3; negative outlook**

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Global Credit Research - 29 Jul 2013

**Approximately \$2.0 Billion of Debt Securities Affected**

Sydney, July 29, 2013 -- Moody's Investors Service has today downgraded to Baa3 from Baa2 the issuer rating of Newcrest Mining Limited and senior unsecured rating of Newcrest Finance Pty Ltd (guaranteed by Newcrest Mining). The outlook on the ratings is negative. This concludes the review for downgrade we initiated on June 7 2013, following Newcrest's announcement of its most recent production guidance for FY14 and expectation for around AUD5-6 billion in asset write-downs.

**RATINGS RATIONALE**

"The downgrade to Baa3 primarily reflects our expectation for weaker operating and financial metrics over the next 2 to 3 years, following a series of production disappointments, future guidance reductions and rising cash costs", says Matthew Moore, a Moody's Vice President -- Senior Analyst, adding, "these production disappointments come at a time of increased volatility and sharp declines in gold price, which at previously elevated levels helped insulate some of the company's past operating issues".

Lower production levels and inflated costs combined with sharp declines in gold prices have contributed to contracting margins and weakened credit metrics to levels that are no longer consistent with the previous rating level.

"The negative outlook reflects our expectation that Newcrest's credit metrics will continue to be challenged over the next 12 to 18 months, with Debt-to-EBITDA peaking at around 3.5x-4.0x in FY14", Moore says, adding, "this level is beyond the tolerance range for the current Baa3 rating level". "The negative outlook incorporates the potential for execution challenges in achieving lower cost production and the announced cost reduction initiatives."

The rating remains supported by the company's scale, reflecting the still solid, albeit reduced gold production volume and very large base of gold reserves and copper by products. The rating also reflects the completion of major projects, which combined with an increased focus on capital discipline should lead to reduced capital expenditure requirements, therefore easing pressure on liquidity and preserving cash flow in a lower gold price environment.

Newcrest is currently undertaking a number of other initiatives to improve costs and cash flow generation in response to the lower gold price environment. These initiatives include, focusing on lower cost ounces to preserve cash flow and reducing capital expenditure, exploration expenditure, site operating costs and corporate and labour costs (including the closure of its Brisbane office). The rating outlook could revert to stable if Newcrest completes these initiatives and its financial metrics improve to levels that are consistent with its Baa3 rating on a sustainable basis.

"On the other hand, the rating could be further downgraded should the company be unable to execute on its production and cost reduction plans, such that debt-to-EBITDA is sustained above 3.25 x or RCF-to-Net Debt is sustained below 20%" says Moore. The rating could also be downgraded if the company is unable to reduce costs to a level where it will be free cash flow neutral/positive in the current gold price environment.

The principal methodology used in this rating was the Global Mining Industry Methodology published in May 2009. Please see the Credit Policy page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

Headquartered in Melbourne, Australia, Newcrest Mining Limited (Newcrest) is Australia's largest gold producer with sales of \$3.9 billion for the twelve months ended 31 December 2012. Newcrest is one of the world's largest gold mining companies based on gold production of 2.1 million ounces (Moz) for the 12 months ended 30 June 2013.

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