



Newcrest Mining Limited | Sustainability Report  
Summary 2005

# Vision and Strategy



In 2005, Newcrest became a world-class gold producer with improving performances in gold and copper production and an increase in net profit after tax. We continued to expand our operating platform with the commissioning of the Telfer and Cracow mines, and our gold reserves inventory increased by 18 percent to 33 million ounces. As we look to the year ahead, we remain focussed on our vision to be a low-cost producer of gold and copper.

## Our Vision

We intend to maintain our position as a leading producer of gold and copper with our key goal of creating shareholder wealth in a manner that also benefits our employees, the communities and the environment in which we operate.

## Our Values

Newcrest has formulated and adopted five key values to guide its employees in the conduct of the Company's activities.

- We act with integrity and honesty.
- We seek high performance in ourselves and others.
- We work together.
- We value innovation and problem solving.
- We care about people.

## Our Strategy

Our first GRI-based Sustainability Report covering the 2003/04 financial year was released at the end of 2004. Our Sustainability Reports are hosted on our website and provide a comprehensive overview of our economic, social and environmental performance. We chose to present our reports in electronic format so that we could provide links to important additional material necessary for an understanding of our overall performance. We are committed to public sustainability reporting, and will continue to develop and refine the report in coming years to cater for the diverse requirements of our key stakeholder groups.

**Tony Palmer**  
Managing Director and Chief Executive Officer

## About this Report

This Sustainability Report has been produced for our key stakeholders, including shareholders, local communities, employees and contractors, and capital market participants. It also meets our obligation for external reporting as a signatory to the Australian Minerals Industry Sustainability Code *Enduring Value*.

This is a condensed Report. It outlines the key elements of our sustainability approach, which is given in more detail in our GRI-based Sustainability Report. This Report is available on our website at [www.newcrest.com.au](http://www.newcrest.com.au).

Unless otherwise stated, data presented in this Report cover the 2004/05 reporting period and all costs are in Australian dollars.

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# Profile

**Newcrest is now positioned as a world-class gold producer. This has been achieved through many years of hard work and dedication on the part of our management team and workforce**

Newcrest maintains a strategy of developing low-cost, long-life and small high-margin mines. We aim to operate projects in the lowest cost quartile in order to maximise profitability and minimise the impact from commodity price variation. Exploration remains the key element of our business building strategy.

### Who are we

Newcrest Mining Limited is an Australian publicly owned company and is listed on the Australian Stock Exchange. As at 31 August 2005, it had 26,293 shareholders.

Newcrest operates predominantly in the gold mining industry and derives its revenue from the sale of gold doré and gold/copper concentrate. We sell the gold doré into the Australian and Asian markets, and gold/copper concentrate to Japan and Korea.

### Our people

Our people are fundamental to the achievement of Newcrest's long-term business strategy. The past year has seen a significant change in the workforce with a 30 percent increase in the number of employees and a 9 percent reduction in contractors. The major drivers for this changing profile were:

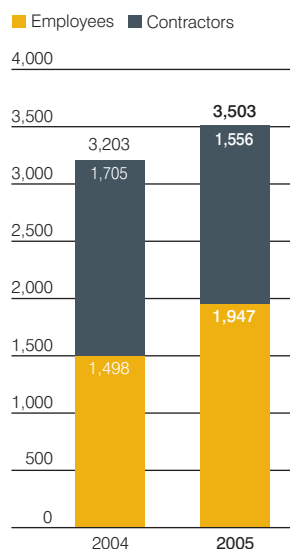
- commissioning of the Telfer open pit operation, which necessitated an increase in the Company's operational workforce;
- demobilisation of a major proportion of the Telfer construction team;
- commencement of owner mining at Ridgeway in April 2005, which resulted in a significant increase in the number of employees and a corresponding reduction in the number of contractors; and
- commencement of the Kencana underground project, which necessitated an increase in both employees and contractors at Gosowong.

Newcrest aspires to have the best trained, coordinated and led staff, all acting in line with Newcrest's values and engaged in delivering the Company's business strategy.

The people strategy that supports the business strategy is based on two foundations:

- engaging with and organising our staff to deliver the business strategy that will release the Company's full potential; and
- having the right people with the appropriate talent and skills when the Company needs them.

### Employee Statistics



Over the year, engagement with Newcrest employees has focussed on Company values, leadership and ensuring that roles in Newcrest are clearly defined and add value. This effort has built on our highly productive relationship with our employees, which in turn is built on flexible and efficient workplace arrangements. In November 2004, the Executive Committee developed Newcrest's People Framework, which outlines what is fundamental to the Company's values and its relationship with its employees – ethically-based leadership, Newcrest's values, a focus on the right work at every level and clearly defined roles.

### Exploration

We remain committed to exploration, which we believe is crucial to sustaining current production levels and future growth. Brownfields exploration successes, particularly at Kencana and Cadia East, were the most significant examples of the success of this strategy during the year.

Newcrest exploration has had great success with resource discovery throughout the provinces we operate in and we will continue to focus on maximising the value of the mineral endowment in these provinces. These endowments include both existing identified resources and advanced exploration properties.

## Profile



The newly constructed Telfer processing facility.

### Operations

Newcrest now has five operating mines: Cadia Hill, Ridgeway, Toguraci, Telfer and Cracow, located in four distinct mineral provinces.

	2005 Production	
	Gold (oz)	Copper (t)
<p><b>Cadia Hill</b></p> <p><b>Central NSW – open cut gold/copper mine</b></p> <p>Cadia Hill's robust gold production result was the second highest in the mine's seven-year history. After three years of significantly higher material movement, the North Wall Cutback is essentially complete.</p>	308,516	29,250
<p><b>Ridgeway</b></p> <p><b>Central NSW – underground gold/copper mine</b></p> <p>The world-class Ridgeway sub-level cave underground mine again achieved a high productivity level and low cash costs and continues to be a strong cash contributor to the Group.</p>	382,034	42,907
<p><b>Gosowong (Toguraci)</b></p> <p><b>Halmahera Island, Indonesia – open cut gold mine</b></p> <p>Toguraci, our Indonesian mine, achieved its first full year of operation and continued its strong operating performance.</p>	223,102	
<p><b>Telfer</b></p> <p><b>North-western WA – open cut gold/copper mine</b></p> <p>We reached an important milestone during the year with the commencement of commercial production of the large, redeveloped gold/copper Telfer mine on 1 February 2005. The commissioning of the two processing trains at Telfer was delayed, starting in November 2004 for the first train and February 2005 for the second train. The delay reduced the expected output for the year, however, the plant is now achieving expected throughput with metallurgical performance still being optimised.</p>	217,740	24,628
<p><b>Cracow</b></p> <p><b>Central Queensland – underground gold mine</b></p> <p>In Queensland, with our joint venture partner Sedimentary Holdings, we successfully commissioned the smaller but higher-grade underground Cracow mine on time and on budget. The operation began in November 2004 and production ramped up progressively during the remainder of the period.</p>	26,128	

Newcrest has a 22.2 percent minority equity interest in the Boddington Gold Mine in Western Australia. Boddington data are not included in this Report, but information can be accessed via its own report at [www.bgm.com.au](http://www.bgm.com.au).

# Governance Structure and Management Systems

**The Newcrest Board believes that adherence by the Company and its people to the highest standards of corporate governance is critical**

The Company has a formal Code of Conduct, which all Newcrest Directors, employees and contractors are required to observe, and a comprehensive range of corporate policies (Risk Management, Communities, Safety and Health and Environmental) which detail the framework for acceptable corporate behaviour. These set out procedures employees are required to follow in a range of areas including share trading, employment practices and compliance. The Company policies are reviewed periodically to ensure that they meet evolving stakeholder expectations and community standards, and have been translated into Bahasa Indonesian to facilitate adoption at our Indonesian operation.

## Corporate governance

Newcrest's Board currently comprises seven Directors – the Managing Director and six Non-Executive Directors. The Board has determined that all Non-Executive Directors, including the Chairman, are independent and free of any relationship which might conflict with the interests of the Company. In doing so the Board adopted the definition suggested in the ASX Best Practice Recommendations.

On behalf of the shareholders, the Newcrest Board:

- sets the Company's strategic goals and objectives;
- oversees the management and performance of the Company's business;
- determines broad issues of policy; and
- sets an appropriate framework of corporate governance for management.

These and other functions of the Board, and by exception the functions of management, have been formalised through the adoption of a formal Board Charter.

## Board Committees

To facilitate the execution of its responsibilities, the Board's Committees provide a forum for a more detailed analysis of key issues. All Directors receive all Committee papers and minutes. Each Committee reports its deliberations to the next Board Meeting. All Directors are welcome to attend any Committee meetings.

All Directors have direct access to the Company's senior managers. The Board has adopted a formal policy which ensures that Directors also have access to independent external advisers when necessary. All Directors are encouraged to visit the Company's operating sites annually.



Terry Pilch, Manager External Services at Gosowong with Rachel Benton, Project Manager, Gosowong Exploration.

The Board **Safety, Health and Environment Committee** monitors the Company's safety, health and environmental management practices and ensures that the Company has appropriate policies in place. The Committee met three times in 2005.

## Risk management

The Board recognises that risk management and compliance are fundamental to sound management and that oversight of such matters is a key responsibility of the Board.

Reporting and control mechanisms underpin written certifications given by the Managing Director and Executive General Manager Finance to the Board each half year, that the Company's financial reports fairly reflect its financial condition, operational results are in accordance with relevant accounting standards, and that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company has a formal Risk Management Policy approved by the Board and a comprehensive reporting system which seeks to identify, at the earliest opportunity, any significant business risks. The objective of our risk management program is to increase confidence in achieving planned outcomes.

The Company also has specific reporting and control mechanisms in place to manage significant risks and a formal compliance program to monitor compliance levels in key risk areas. An internal audit function, which reviews and reports to the Audit Committee on the effectiveness of those mechanisms, is also maintained.

## Enduring Value

In late 2004, the Minerals Council of Australia decided to replace the Code for Environmental Management with a more comprehensive code called *Enduring Value*. *Enduring Value* is a sustainability code based on the International Council on Mining and Metals (ICMM) *Framework for Sustainable Development*. *Enduring Value* adopts the ICMM *Framework* principles and elements and provides

## Governance Structure and Management Systems



Frank Reid and Sam Booth inspect the Semi-Autogenous Grinding Mill at Telfer.

implementation guidance in an Australian context. It reflects the three pillars of sustainability (economic, social and environmental), with a strong governance framework. Newcrest became a signatory to *Enduring Value* in May 2005. As a signatory we have three commitments:

- progressive implementation of the ICMM principles and elements;
- public reporting of site level performance at least once a year, with reporting metrics self-selected from the GRI, the GRI Mining and Metals Sector Supplement or self-developed; and
- assessment of the systems used to manage key operational risks.

### Our stakeholders

Newcrest recognises that there is a wide range of stakeholders who have an interest in our activities. We have identified four groups (shareholders, local communities, employees and contractors, and capital market participants) as our major stakeholders because we believe that they are the most influential of our stakeholders, both in number and in their involvement with the successful operation of our business. Other stakeholders, including customers, suppliers, regulators and NGOs, are also important to us.

At 31 August 2005 the Company had 26,293 **shareholders**, all holding ordinary shares. The shareholder base continued to evolve over the year with the proportion of the total issued shares owned by shareholders outside Australia growing from 52 percent to 60 percent. This occurred as Newcrest transformed its business into one which competes strongly with its globally based gold peer group.

Each of our operations identifies a distinct **local community** (including indigenous communities) within their area of influence. We recognise, respect and support the right of local communities to be consulted on matters which potentially impact on their culture and livelihoods.

Over the year, engagement with Newcrest **employees** has focussed on Company values, leadership and ensuring that roles in Newcrest are clearly defined and add value. This effort has built on our highly productive relationship with our employees, which in turn is built on flexible and efficient workplace arrangements.

We recognise a diverse group of **capital market participants** and their impact on our business. These include banks and other lending institutions, mainstream equity analysts, and socially responsible investment analysts. Increasingly these stakeholders are requesting information on the sustainability performance of large organisations such as ourselves, and building these criteria into their investment and lending decisions.

# Environmental Performance Indicators

## We are committed to operating our existing mines and developing our new mines in line with leading environmental practice

Newcrest is proud of its environmental performance. We have integrated care of the environment into our business culture; it is part of the way we work. However, it is not enough that we perform to high environmental standards, we must also make sure that our key stakeholders are aware that this is the approach at Newcrest.

### Material use

The total amount of ore processed in 2005 was 31.3 Mt (the majority of which (22.0 Mt) passed through the Cadia Valley process plant). This is a 38 percent increase on the previous year. The increase is largely due to the commencement of ore treatment at Telfer, but also includes a full year of production from Toguraci and eight months of production from Cracow.

Reagents are key consumables used in the processing of our ore. A total of 77,675 tonnes of reagents were used in 2005. As a minimum, reagents are transported, stored, used, and residues disposed of according to the regulations in the jurisdiction in which we operate.

The principal reagents were:

- ammonium nitrate used in combination with fuel oil as a blasting agent;
- quicklime added to the process circuit to modify slurry pH; and
- cyanide used at Gosowong, Cracow and Telfer. At Gosowong and Cracow, cyanide was detoxified before discharge to the tailings dam. At Telfer, discharge was managed to less than 50 mg/L CN<sup>WAD</sup> prior to discharge to the tailings dam. A cyanide recovery plant is being built at Telfer.

### Energy use

The electricity use per tonne of ore treated decreased by 4.3 percent in the current year despite the commencement of production at Telfer and Cracow. Of the electricity used, 68 percent was drawn from the public power grid. The remaining 32 percent was generated by diesel generators at Gosowong, and by both diesel generation and natural gas turbines at Telfer. The major consumers of electricity on the sites are the processing plants. Telfer has traditionally operated on diesel power, however, with the completion of the 440km gas pipeline from Port Hedland, and the construction of an on-site gas-fired power station, Telfer now generates the bulk of its power requirements from natural gas.

The Company used a total of 131,532 kilolitres of diesel during the year, of which 18.1 percent was used for on-site power generation and 81.9 percent for transport purposes (principally hauling ore and waste rock). The total diesel usage is a 26 percent increase on the previous year, reflecting the commencement of production at Telfer. Despite this increase in total diesel used, the diesel used per tonne of ore treated decreased by 8.6 percent.

### Compliance

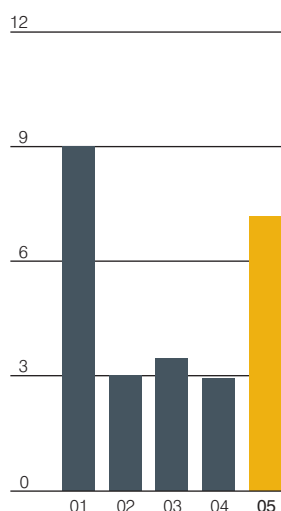
Disappointingly, the number of reported environmental incidents rose significantly compared with the previous year (71 in 2005; 22 in 2004). A large number of the incidents (28) were relatively small process spills at Telfer during the commissioning of the process plant. As we move from commissioning to operations we are seeing a reduction in these incidents. There were no Category IV or V incidents in 2005. A more accurate year-on-year comparison can be made by using the number of hours worked during the year as an indicator of overall Group activity. On this basis there was an increase in environmental incidents per million hours worked from 2.93 in 2004 to 7.12 in 2005 (see graph).

### Greenhouse gas emissions

The total amount of greenhouse gas emissions for the Group for 2005 was 1,277,355 t CO<sub>2</sub>e. This was a significant 39.7 percent increase on the previous year due to the commencement of production at Telfer and Cracow. Despite this increase in total greenhouse gas emissions, there was only a slight (less than 1 percent) increase in greenhouse gas emissions per tonne of ore treated.

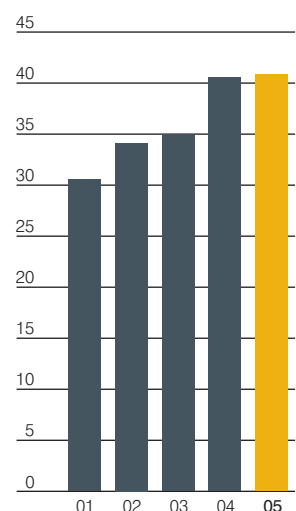
#### Five Year comparison of Environmental Incidents

No. of incidents per million hours worked



#### Greenhouse Gas Emissions

GHG emissions (kg CO<sub>2</sub>e) per tonne



## Environmental Performance Indicators



Seedling planting at Toguraci is undertaken to return disturbed ground to its natural state.

### Water

Water use in the current year per tonne treated increased by 32.5 percent over the previous year. This was largely due to the commencement of production at Telfer and Cracow.

Cadia Valley uses grey water from Orange, Blayney and Millthorpe (4,896 ML in 2005). This reuse of municipal waste water serves two purposes:

- it allows us to take less water directly from the environment; and
- it reduces waste water treatment and disposal by the local municipalities.

### Rehabilitation

At Newcrest we are committed to progressive rehabilitation. This means that we will attempt to create final landforms as soon as possible in the mining cycle so that we can commence rehabilitation. This reduces the amount of disturbed area on our sites and demonstrates our ability to undertake successful rehabilitation.

At Cadia Valley we have progressed to the point where there are significant areas available for rehabilitation, and this work is currently underway. We have also commenced rehabilitation trials on a representative area of tailings.

At Gosowong rehabilitation on the original Gosowong pit and waste dump is over 80 percent complete, and rehabilitation has commenced on the Toguraci waste dumps. In recognition of this excellent work, Gosowong was given an award for reclamation performance by the Indonesian *Departemen Energi dan Sumber Daya Mineral* (Department of Energy and Minerals Resource of the Republic of Indonesia).



Sediment pond at the toe of the rehabilitated Gosowong waste dump.

# Social Performance Indicators

**As a successful resource business it is imperative that we develop positive, ongoing relationships with our employees, contractors and the local communities in which we operate**

Operating a mine is a partnership between Newcrest and its key stakeholders: its shareholders, employees, government and the local community. Getting it right is important and we believe that our success is reflected in the positive contribution we make to the social and economic fabric of the local communities in which we operate.

## Communication

We recognise the importance of keeping the market fully informed of the Company's activities and of communicating openly and clearly with all stakeholders. A formal Continuous Disclosure Policy is in place to ensure that this occurs.

All key communications, including any Company releases to the ASX, are placed immediately on the Newcrest website and, when necessary, mailed directly to all shareholders. General and historical information about the Company and its operations is also available on the website.

We continue to place a strong emphasis on our interaction with local communities. While particular emphasis is placed on developing and maintaining one-on-one relationships with key stakeholders, we also have in place dedicated structures to enhance our community consultation. These include:

- local representative committees;
- residents meetings;
- open days and site tours; and
- local residents newsletters.



Nedra Burns, Community Relations Superintendent at Cadia Valley.



Assisting local farmers to improve their crops and farming methods, Gosowong.

## Local communities

Engagement with the communities in which we operate remains important before, during and after project development.

**Cadia Valley** continues to be an active member of the local community and has conducted numerous community consultation activities over the reporting period. The Cadia Valley public open day was held in April and was again a great success with 2,500 people visiting the site that day. A further 2,800 visitors also attended educational site tours run for schools and other interest groups during the year. Cadia Valley also established information displays at the Australian National Field Days (October 2005), and the Central West Careers Expo (August 2005).

Direct contributions to local communities around the **Gosowong** operation on Halmahera have increased significantly as the operation continues the development of the Kencana underground mine (which is due to commence production in 2006). A direct contribution was made to the local community of over \$450,000 via the local government projects scheme and many other company funded projects. These included a large civil works program to restore and repair all significant roads in the districts and the building of two large sports complexes, one in each district. Gosowong's participation in the national 'Raskin Program' resulted in a package of rice being distributed to every family in the 64 villages in the mine's area of influence.

With a strong mining heritage and a small local community, the development of the **Cracow** project requires particular attention to the needs of all stakeholders. Land adjacent to the Community Centre has been purchased and will be used for the development of community facilities, including: two tennis courts, relocation of part of the old hospital, and refurbishment of the local medical clinic.

## Social Performance Indicators



Roche Mining Jumbo Operator, Des Motlap, boring an ore development heading at the Cracow underground mine.

Developing and maintaining strong, positive relationships with communities where **exploration** activities are planned and occur is an essential part of the exploration process. We always seek to interact with the local community when conducting exploration activities so as to inform it of the planned exploration, and develop understanding, mutual respect and community support for its work.

### Indigenous relations

As part of the work of re-establishing the Company's **Telfer** mine, an Infrastructure Corridor Agreement was negotiated with a number of Aboriginal groups in the Telfer region. The agreement provides financial compensation, training and job opportunities on an equal opportunity basis, cultural awareness training and heritage monitoring. In addition, a Community Relations Agreement has been negotiated with the Martu people, whose Native Title claim surrounds the Telfer project.

A cultural awareness package was developed for the Telfer pipeline crews. This package has now been modified for the Telfer mine workforce to reflect specific elements of the Martu culture. This package is a living program that will be continually improved as information becomes available. A number of Martu people are currently being trained to deliver this program.

With the Company's **Cracow** mine in Queensland, an Indigenous Land Use Agreement with two claimant groups has been negotiated, thus meeting a condition required in

order for the grant of a mining lease to enable the project to proceed. Benefits of the agreement include a Cultural Heritage Management Plan, monetary compensation for use of land, traineeships, employment consideration on an equal opportunity basis, cultural awareness training and business opportunities as appropriate.

We have been involved in supporting a training program for long-term unemployed Aboriginal people in the Pilbara, and will continue to promote opportunities in this area. We have set up an Aboriginal skills register which has enabled us to identify suitable people for various jobs and training in the future. There are now approximately 40 Aboriginal people employed at Telfer, and a further 13 at Cracow.

### Illegal miners

Since our development of the Toguraci area in 2003, illegal miners have been attempting to enter the site and steal ore. With the removal of the illegal miners from Toguraci in late 2003, the mine resumed operations and has continued to operate unimpeded since.

The illegal mining problem has been greatly reduced this year, however, there are still small numbers of these people entering the Contract of Work area to dig up and steal ore. Trommels in the local area to the east of the mine have been largely eradicated, however, a few units continue to operate and pollute the surrounding streams with mercury. Ongoing operations by the police and local government authorities are helping to keep the illegal miners and the trommel owners to a minimum.

# Health and Safety

## Newcrest's commitment to improved safety continued with the implementation of *Target Zero* during 2005

Newcrest continues to make the provision of a safe and healthy workplace a key priority for employees and contractors. Our belief is that all injuries are preventable so our ultimate goal is to have zero injuries across all areas of the business.

### Target Zero

Newcrest embarked on the *Target Zero* initiative during 2003/04 to ensure that we achieve world's best practice in health and safety. It was recognised that responsibility for safety had to be shared broadly within Newcrest with the involvement of all employees if we were to improve our performance. It was clear that systems development and policies alone were not sufficient. Real and sustainable improvements in safety are achieved only with ongoing commitment to a change in behaviour and attitude by every employee and contractor.

The *Target Zero* project has now been fully implemented across the Group with the following key components of the strategy implemented at our sites over the last 12 months:

- establishing firm reduction targets for total recordable injury frequency rates;
- training all line managers in safety leadership to highlight the importance of behaviour and commitment to achieving our goal;
- training all employees in safety skills designed to improve their knowledge of how to work safely;
- introducing a safe behaviour observation program to give line managers new skills in how to manage the process of behavioural change;
- establishing a safety working group structure to involve a broader cross-section of employees, line managers and contractors in improving safety performance;
- formulating a new contractor management program for roll-out during the coming year; and
- developing a program to increase the reporting of significant potential near miss incidents.

An essential focus of the program this year has been to equip our line managers, employees and contractors with the skills and structures necessary to attain ongoing improvements in our safety performance.

### Health and safety performance

Newcrest's *Target Zero* initiatives are not fully reflected in all safety and health performance indicators. Improvement against some indicators was recorded but there was deterioration against other indicators.

- Most importantly there were no fatalities at any Newcrest operation during the last 12 months.
- Lost Time Injury Frequency Rate (LTIFR) increased slightly from 1.9 to 2.2 LTIs per million exposure hours. While this indicator still compares favourably to the most recent industry benchmark (Australian Metalliferous Mining Industry LTIFR of 5 for 2003/04), it is not acceptable to Newcrest.
- Total Recordable Injury Frequency Rate reduced from 14.7 to 13.6.
- The number of Serious Potential Incidents increased from 18 to 31. This was substantially due to the reporting of a number of significant potential near miss incidents and the increase in activity at Cracow, Gosowong and Telfer.

The following key initiatives identified in the *Target Zero* strategy will continue to be implemented during the coming year:

- establish robust safety management systems at our newer operations – Telfer, Cracow and Kencana;
- drive a substantial development in employee and line management involvement through the safety working group structures to improve safety performance;
- establish a Company-wide safety improvement recognition program; and
- roll out the new contractor safety management program to line managers.

### Site safety performance

Site	LTIFR	
	2005	2004
Cadia Valley	1.8	1.1
Cracow	7.8	na
Gosowong	0.0	0.8
Telfer	3.3	2.6
Exploration	1.2	3.8
<b>Total Newcrest</b>	<b>2.2</b>	<b>1.9</b>

# Economic Performance Indicators

## The Company's long-term strategy of operating as a responsible, efficient and low-cost gold and copper producer has been maintained

2005 was an important year for Newcrest as the Company continued to grow. The commissioning of two new mining operations, further exploration successes and the continued re-rating of the Company by the share market were particular highlights.

### Financial performance

The financial highlights for 2005 were:

- Group cash costs steady at A\$124 per ounce;
- total costs reduced to A\$245 per ounce;
- full year after tax profit was A\$136.1 million;
- a 5 cent partially franked final dividend declared; and
- comprehensive debt restructure completed.

A comprehensive analysis of our financial performance can be found in our 2005 Concise Annual Report.

### The future

Newcrest made significant progress in project development and growth in 2005 with the commissioning of the redeveloped Telfer project now well underway and decisions taken to proceed with three new projects.

Development of the **Telfer** underground mine has been slower than anticipated and has been compounded by labour shortages. By June 2005, development rates were at levels that should allow the first stoping ore to be produced in the fourth quarter of 2005/06 and the ramp-up to a full production rate of 4 million tonnes per annum by December 2006.

The discovery of a third orebody, **Kencana**, at our Indonesian operation has added to the longevity of the Gosowong district. In January 2005, the Board approved development of an underground mine to exploit the high-grade gold mineralisation, and development began in the latter part of the year. First production is expected in the fourth quarter of 2006 and will make a strong financial contribution to the Group in subsequent years.

As knowledge of the **Cadia East** field increases, Cadia Valley, which comprises the existing Cadia Hill and Ridgeway mines, is continuing to emerge as a significant world-class mining province. Cadia East has the potential to host a large open pit and underground mine with more than 18 million ounces of gold and 2.9 million tonnes of copper being estimated as a Mineral Resource, and an initial underground Ore Reserve estimated at 6.0 million ounces of gold and



Initial decline works with ventilation at the Kencana underground mine in Indonesia.

0.63 million tonnes of copper. During 2005 the Board approved the commencement of the feasibility stage of the underground portion of this project and mining studies for the open cut portion.

In December 2004, the Board approved the **Ridgeway Deeps** project, which is an extension of the Ridgeway orebody. Development of this project has commenced.

### Mine closure

We are committed to the planned and orderly closure of our operations. All of our operations have closure plans in place and provision is made in the Company accounts for the costs of closure on an annual basis. In preparation for the transition to Australian Equivalents to International Financial Reporting Standards (A-IFRS), a full review of closure cost was conducted in June 2005. Costings and provisioning at each operation were brought into line with A-IFRS requirements.

### Research

Newcrest sponsors a number of research programs in conjunction with individual sites. Our research effort has been directed towards a better understanding of:

- acid rock drainage, including the effectiveness of various cover systems;
- eco-hydrology of mesa landforms in the Pilbara;
- the potential for direct revegetation of tailings;
- development of magnetic separation techniques to improve grinding circuit efficiency;
- design and development of new and improved gravity recovery; and
- continuous caving processes through our involvement in the Mass Mining Technology Study.