NEWCREST
MINING LIMITED

Concise Annual Report 2006

Newcrest Mining Limited ABN: 20 005 683 625 Concise Annual Report 2006

Contents

Annual General Meeting

The 26th Annual General Meeting of Newcrest Mining Limited will be held at the ANZ Pavillion, Victorian Arts Centre, St Kilda Road, Melbourne, Victoria on Thursday 26 October 2006 at 10.00am.

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Newcrest Mining Limited

Newcrest is a leading gold and copper producer. It provides investors with an exposure to low-cost, long-life and small, high-margin gold and copper mines. It aims to be in the lowest quartile for costs. Newcrest has technical skills and mining experience to deliver strong financial returns and growth through exploration success.

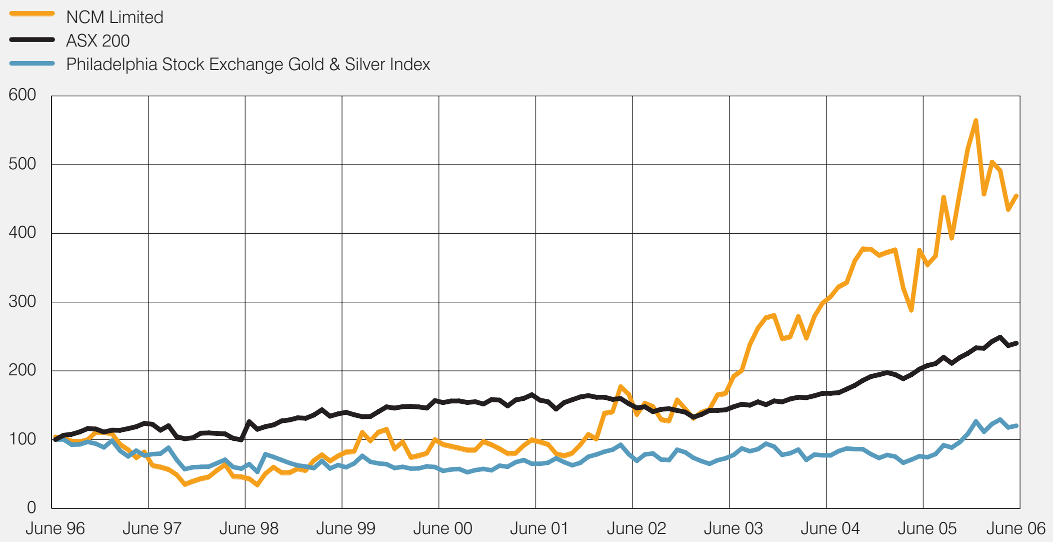
Ten years in review 1997–2006

During the last ten years, Newcrest has evolved from within the Australian domestic gold sector to become a major international gold and copper producer with a significant growth profile, through a strong commitment to exploration and development.

Key achievements over that interval have been:

- Strong organic growth – Newcrest discovered all the mines that it operates.
- Mineral Resources increased fourfold and Ore Reserves eightfold.
- A mining industry leader in safety.
- Seven new mines built and commissioned – an excellent skill base developed in large-scale open cut and bulk underground mining techniques.
- Gold and copper production substantially increased to more than 1.5 million ounces of gold and 100,000 tonnes of copper per annum.
- Total production costs down from A$542 per ounce in 1997 to A$365 per ounce in 2006.
- Market capitalisation up from A$1.2 billion to A$7 billion – share price up from A$5.10 to A$21.08.

Relative Share Price Performance Index – 10 Years (A$)

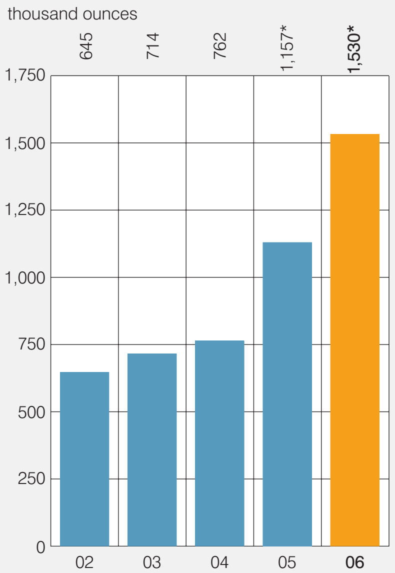


Performance in Brief 2005–06

- 1,529,866 ounces of gold and 100,521 tonnes of copper produced
- Group cash costs (at achieved prices) increased to A$246 per ounce
- Total costs (at achieved prices) increased to A$365 per ounce
- Gold Ore Reserves at continuing operations increased by 8 percent to 33 million ounces of gold
- Copper Ore Reserves at continuing operations increased by 27 percent to 2.4 million tonnes
- First full year of production from Telfer open pit and Cracow mines
- Telfer underground production commenced
- Kencana underground mine constructed and commissioned
- Full year profit after tax was A$349.5 million
- Full year profit after tax from continuing operations was A$131.3 million
- A 5 cent unfranked final dividend declared
- Group safety and environmental performance improved

Group Gold Production

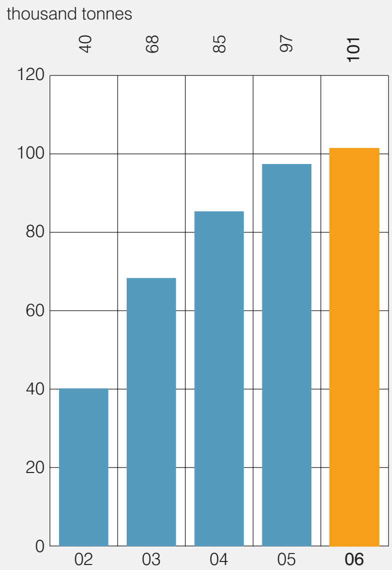
32% Increase



* Includes commissioning production.

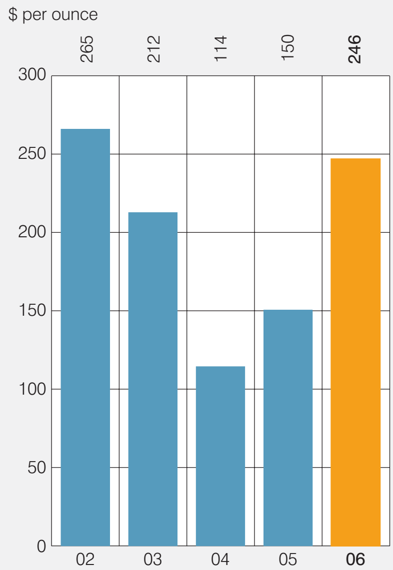
Group Copper Production

3% Increase



Group NAGIS Cash Cost (at achieved prices)

64% Increase

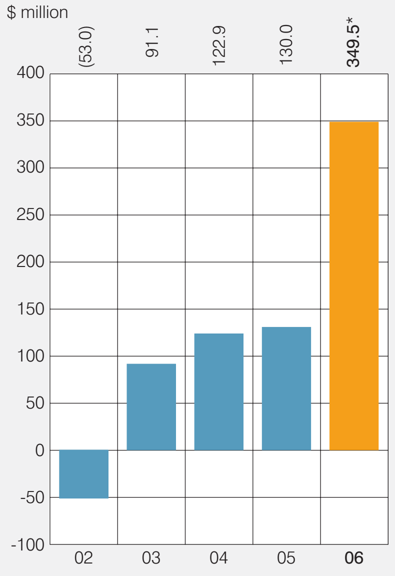


		30 June 2006	30 June 2005
Gold produced	(ounces)	**1,529,866**	1,157,520
Copper produced	(tonnes)	**100,521**	96,785
Gold price realised	($ per ounce)	**564**	576
Sales revenue	($ million)	**1,404.1**	985.5
Earnings before borrowing costs, tax, depreciation and amortisation (EBITDA)	($ million)	**441.4**	356.7
Net profit after tax attributable to members of the Company	($ million)	**349.5**	130.0
– continuing operations		**131.3**	130.0
– discontinued operation (Boddington)		**218.2**	–
Capital expenditure (cash flow basis including exploration)	($ million)	**545**	687
Basic earnings per share	(cents per share)	**105.3**	39.4
Basic earnings per share (from continuing operations)	(cents per share)	**39.6**	39.4
Return on capital employed (ROCE) (EBIT/average capital employed)	(percent)	**8.4**	8.8
Net debt/net debt plus equity	(percent)	**50**	55

(All $ are Australian denominated unless stated otherwise.)

Profit/(Loss) After Tax

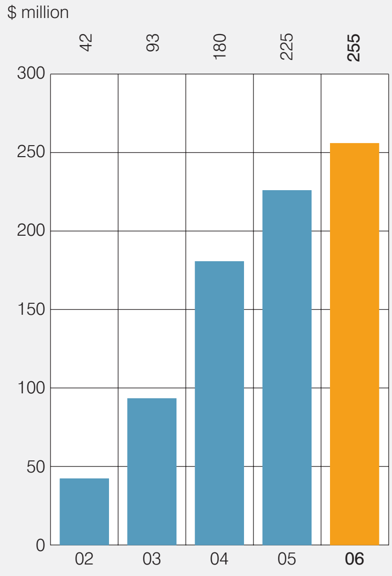
169% Increase



* Includes profit on sale of Boddington interest.

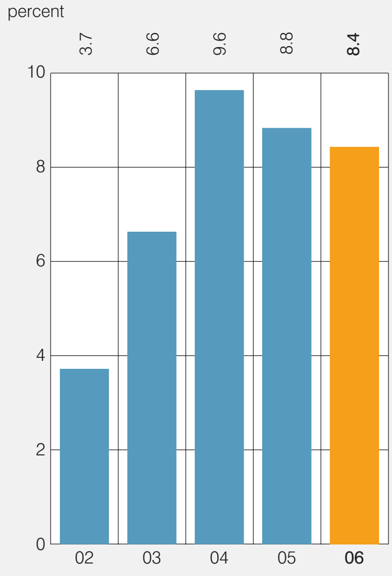
EBIT

13% Increase



Return on Capital Employed

0.4% Decrease



Chairman's Report

Since its formation in 1990 Newcrest has discovered more than 65 million ounces of gold and 5 million tonnes of copper. Newcrest ranks as the most successful gold explorer of our time, far outstripping the world's major gold producers in the identification of new gold deposits.

This outstanding record reflects a constant and Company-wide commitment to exploration. Consistent exploration expenditure and an environment that attracts first-class explorationists have provided a flow of discoveries that have formed the basis of Newcrest's growth.

For the first few years of its existence Newcrest had annual production of around 700,000 ounces of gold and a minor amount of copper from the Telfer mine and a number of smaller operations. By the mid 1990s these operations were maturing with production falling and costs increasing. Construction of the Cadia Hill mine began in 1996 on the site of the Company's first major exploration success. Also in that year Newcrest made an attempt to join with Normandy. This was unsuccessful and the market reaction was strong. Newcrest's market capitalisation reduced from almost $1.5 billion to around $500 million and there were significant Board and management changes. But the exploration successes continued.

In 1997–98 it was decided that Newcrest would pursue aggressive growth through development of those discoveries, where possible retaining one hundred percent, or majority control, of its projects. Given the Company's situation at that time, the scale of those developments and the rate at which it was proposed to bring them into production required substantial financing.

This was funded principally by debt and the Company has had a debt to debt plus equity ratio above 50 percent during this period.

In the past 10 years Newcrest has spent almost $3 billion building seven new mines. Debt of this magnitude could only be obtained on acceptable terms by hedging future gold production and a large hedge book was created. This has prevented the Company from benefiting from recent high gold prices. Existing hedge commitments will reduce in the next few years. To date it has enabled the building of long-life mines with low production costs. This year those mines produced more than 1.5 million ounces of gold and 100,000 tonnes of copper. Higher production is expected in 2007 and significantly Telfer, Cadia, Cracow and Gosowong can now all be described as gold provinces, and will be in production for many years.

Consistent exploration expenditure and an environment that attracts first-class explorationists have provided a flow of discoveries that have formed the basis of Newcrest's growth.

This first-class production base is reflected in the Company's current market capitalisation of more than $6 billion. As the Company continues to grow, future developments such as the large Cadia East deposit now being evaluated will be able to be financed with less onerous conditions than previously.

The aggressive strategy of the past 10 years was recognised as high risk/ high reward. The first four new mines constructed, Cadia Hill, Ridgeway, Gosowong and Cracow, were all completed broadly on time and on budget and have functioned well. The fifth and largest development, the new Telfer, has had problems due to boom time conditions of the past two years and some errors by us. The new Telfer operation comprises an open cut and an underground mine. The open cut commenced production in March 2005 on supergene ore. It is widely known that supergene material can be difficult to assess and to treat and we underestimated the difficulties. As essentially all production so far at the new Telfer has been from supergene ore, production has fallen well short of plan. Operations on supergene ore have improved, but further improvement is required. Supergene ore is confined to the open cut and its proportion of total ore treated will progressively reduce each year. A significant event will be when production from the underground mine reaches its planned 4 million tonne annual rate by March 2007.

While the impact of the difficulties encountered at Telfer cannot be overlooked, they must not be permitted to overshadow the many positive achievements of the year.

In 2006, Cadia Hill and Ridgeway combined to produce 615,000 ounces of gold and 62,000 tonnes of copper from the Cadia Valley. Cracow reached its planned production of 78,000 ounces of gold (Newcrest's share). At Gosowong, 187,000 ounces of gold were produced from the last areas of Toguraci and the new Kencana underground mine, which commenced production.

The full year net profit after tax and minority interests of $350 million includes $218 million realised on the sale of the Company's interest in the Boddington gold mine joint venture. Profit after tax from continuing operations was steady at $131 million.

The proceeds from the Boddington sale were used to reduce debt and this will remain a focus for the Company in the near term until overall debt levels are reduced to a more sustainable level.

The Company's safety performance was its best ever recorded. Its inventory of gold and copper continued to grow net of depletions and after allowing for the sale of Boddington. The market capitalisation of Newcrest also continued to rise on a full year basis.

As with any successful Company, the employees of Newcrest have continued to strive on many fronts to ensure that the Company's performance was optimised. They are to be thanked and commended for their performance during the year in review.

Ian Renard has retired as a Director of the Company after eight years' outstanding service. He has contributed much to the Company, especially in the demanding role of Chairman of the Audit Committee.

After eight years as Chairman of Newcrest I have decided it is time for me to step down and I shall not be seeking re-election to the Board at the Company's 2006 Annual General Meeting. Subject to shareholder approval, this will enable a new Chairman, Mr Don Mercer, and Mr Ian Smith, who was recently appointed as the new Managing Director and Chief Executive Officer, to lead the Company through its next phase of development – something that I am confident it is well placed to undertake.

Ian Johnson
Chairman

Managing Director and Chief Executive Officer's Review

Newcrest is in a unique position to consolidate itself as Australia's leading independent gold producer.

It is appropriate that I outline for shareholders my initial thoughts since joining the Company in mid July, and identify the major issues that will be addressed during the 2006–07 year.

Newcrest is in a unique position to consolidate itself as Australia's leading independent gold producer.

Our operations include two large long-life sites at Telfer and Cadia Valley, whilst Cracow and Gosowong provide exposure to high-grade epithermal deposits.

We have experience running large open cut mines as well as bulk and underground mines. Our processing knowledge in both fine and coarse grained ores provides a platform for optimising the extraction of value from a varied array of opportunities.

A proven track record of exploration success adds spice to the operational background of knowledge and experience. The current Reserves base is such that the production profile exhibited over the 2005–06 year could be sustained for over 20 years without further addition. Such a resource picture is rare in the gold sector.

The impressive improvement in the Company's safety statistics is to be further enhanced by widening our approach to the vitally important areas of safety and health. We will continue to consolidate the current focus on behavioural safety, but enhance the emphasis on physical control through the application of risk analysis.

Planning will be strengthened by resourcing a five year strategic planning process that will outline how improvement projects are intertwined with our operational budgets. By incorporating benchmarked milestones, the key drivers for the business can be continually optimised.

We have identified each area of the Telfer operation that displays opportunity for improvement. Project teams have been deployed to reduce the gap between displayed performance and a more effective profile. Such a focussed approach will enhance our ability to reach greater stability as we commission the underground mine and optimise the process plant's effectiveness.

Costs, throughputs and revenues will be reviewed across our business looking for opportunities to improve margins and enhance productivity.

Newcrest has the fundamentals in place for further expansion with all of our existing sites providing upside opportunities as well as there being a suite of additional targets we are pursuing. I look forward to a bright future.

Ian Smith
Managing Director and
Chief Executive Officer

Financial Report

Over the past few years available cash has been used to finance the development of Telfer and other projects.

Jeff Smith
Executive General Manager
Finance

Summary of Year's Financial Results

For the 2005–06 year the Company produced a full year profit after tax of $345.9 million, which included $218.2 million from the sale of its interest in the Boddington Joint Venture. Profit after tax from continuing operations remained steady at $131.3 million. Sales volumes increased by 41 percent, however, a significant proportion of sales were hedged, preventing the Company from benefiting fully from recent high commodity prices. The financial overview of the Company's performance is shown in the following table.

Please refer to the Discussion and Analysis of the Financial Statements on page 69 for a detailed review of these results.

	30 June 2006	30 June 2005
Net profit after tax	**$349.5 million**	$130.0 million
– net profit from continuing operations	**$131.3 million**	$130.0 million
– net profit from the sale of Boddington	**$218.2 million**	–
Basic earnings per share from continuing operations	**39.6 cents**	39.4 cents
Return on capital employed	**8.4 percent**	8.8 percent
Return on members' equity (EBIT/equity)*	**17.5 percent**	20.5 percent
Gearing (net debt/(net debt + equity))*	**50 percent**	55 percent
Dividend per share	**5 cents**	5 cents

* Equity adjusted for the impact of AIFRS derivatives included in equity.

Cash Management Initiatives

Last year the Company restructured its borrowings to provide greater liquidity and flexibility and also simplified the hedge book into easily understood forward sales commitments. Attention has now been turned to driving a medium-term cash management strategy that maximises cash generation from operations and applies those cash flows to the most appropriate mix of:

- reinvestment in new projects to sustain and grow the Company
- reduction of debt levels
- returns to shareholders.

Generating Higher Cash Flows

Once Telfer is operating at full capacity from both open pit and underground operations, revenues should increase significantly given current commodity prices. This will provide greater opportunity to manage these demands on cash flow. Cash flow from the Gosowong operations is also expected to improve.

The Company is also addressing the operating cost base at all sites with a number of initiatives already in place aimed at increasing operating margins. In 2005–06 there was significant pressure on the cost of major inputs into our operations, in particular labour, fuels and lubricants, power and grinding media. In total these major inputs increased in price by almost 9 percent. Efforts are being made to bring about productivity improvements to minimise future cost increases.

Funding New Projects

The Company has a number of new projects currently being developed in our existing mining provinces. These include Ridgeway Deeps, Kencana, Cadia East open pit and Cadia East Underground.

Funds have been budgeted to ensure that these projects are brought to feasibility and commissioned in an appropriate time frame to ensure that the existing mill capacities are fully utilised in the longer term.

Reducing Debt Levels

Debt levels are currently higher than anticipated caused by the late start and the cost overruns associated with the Telfer project. Gearing levels are currently at 50 percent on a net debt to net debt plus equity basis and the priority focus of the Company in the short term is to reduce debt to more normal levels.

It is expected that debt levels will be reduced over the next two or three years as the expected cash flows from operating activities exceed the reinvestment requirements of new projects.

This lowers the risk of servicing debt and provides greater flexibility to pursue any growth opportunities that present themselves.

Increasing Dividends

Over the past few years available cash has been used to finance the development of Telfer and other projects and therefore dividend payments have necessarily been limited. It was considered prudent to restrict dividend payments during this period of significant investment in new projects.

Once a higher and sustainable level of profit and cash flow has been established, Directors intend to increase the dividend payout ratio to a more meaningful level.

Operations

Telfer
Cadia
Ridgeway
Cracow
Gosowong

Tony O'Neill
Executive General Manager
Operations and Marketing

Operations
Telfer Mine

2006 Telfer Statistics

Location			North-west Western Australia
Mine type			Open cut and underground
Material mined (open pit and underground)		49.8	million tonnes
Nominal treatment rate		17.0 20–22	million tonnes pa on hard ore million tonnes pa on soft ore
Tonnes treated		20.4	million tonnes
Grade	– gold – copper	1.19 0.28	grams per tonne percent
Recovery	– gold – copper	81.4 66.6	percent percent
Production	– gold – copper	650,016 38,374	ounces tonnes
Cash cost (at achieved prices)		$315	per ounce
Total cost (at achieved prices)		$442	per ounce

In 2005–06 Telfer completed the first full year of production since its redevelopment. The key focus of activity was on the ramp-up in production from the open pit and commencement of production from underground. The open pit operations produced 639,607 ounces of gold (2005: 217,740 ounces) and 37,775 tonnes of copper-in-concentrate (2005: 24,628 tonnes) for the year.

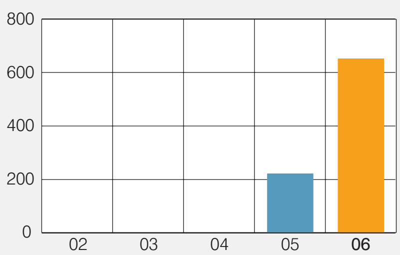
Underground production contributed a further 10,409 ounces of gold and 599 tonnes of copper-in-concentrate. The overall unit cash cost of production was $315 per ounce (2005: $203 per ounce) with a total cost of production of $442 per ounce (2005: $333 per ounce). The increase in costs was due to lower than planned production levels compounded by unit cost increases in key inputs and a higher cost structure as the site transitions from a project to an operation.

Total material movement from the open pit increased to 49.6 million tonnes of which 23.8 million tonnes was ore. Five additional haul trucks were transferred from Cadia Valley Operations to Telfer during the first half of the year to meet increases in the mining rate.

The main operational issues related to the mine to mill grade reconciliation and performance of the processing plant, particularly in the area of copper and gold recoveries. Due to the complex nature of the orebody in the supergene zone of the open pit, reverse circulation (RC) drilling and an intensive sampling regime were introduced to significantly improve the predictability of ore grades and the definition of ore/waste boundaries.

Telfer Gold Production

thousand ounces



Lower than expected production levels of gold and copper in the supergene portion of the resource compared to the feasibility study estimates are partially attributable to grade underperformance of the orebody. This is reflected in the updated resource and reserve estimate for Telfer released in August 2006 where the gold and copper grades in the supergene zone were reduced.

The processing plant exceeded expectations in its first full year of operation with achieved throughput rates exceeding nameplate capacity. Mill throughput during the year was 20.4 million tonnes. Throughout the year work focussed on further optimising performance of the processing plant to treat the complex supergene ore.

A number of circuit modifications were made in the processing plant to increase gravity gold recovery and to produce concentrates of an appropriate quality to ensure revenue is maximised.

By the last quarter, preparations for ramp-up of underground production from the sub-level caving operation were well advanced. First ore was produced from the undercut in March 2006. Production from the underground is expected to reach an equivalent annualised rate of 4 million tonnes by March 2007. The commissioned pyrite circuit will be fully operational once sufficient ore is delivered from the underground mine.

During 2006–07 gold production is expected to increase by 20 percent compared to 2005–06. Work will continue on optimising concentrate quality and improving processing plant recoveries. Further improvements in the utilisation and productivity of the mobile fleet will also continue to be a key focus.

Page 10 left
Mechanical Engineers Mark Oborne and Jonathan Connell on the grinding mill platform at the Telfer processing plant.

Page 10 right
Mark Oborne taking a process sample for density measurement.

Page 11 top
Main dome, Telfer open pit.

Page 11 left
Telfer processing facility.

Page 11 right
Excavator with magnetic attachment removing old steel from underground workings from the open pit ore prior to crushing.

Operations
Cadia Hill Mine

2006 Cadia Hill Statistics

Location			Central New South Wales
Mine type			Open cut
Material mined		51.7	million tonnes
Nominal treatment rate		17.0	million tonnes pa
Tonnes treated		15.5	million tonnes
Grade	– gold	0.65	grams per tonne
	– copper	0.17	percent
Recovery	– gold	76.8	percent
	– copper	85.1	percent
Production	– gold	248,312	ounces
	– copper	22,209	tonnes
Cash cost (at achieved prices)		$387	per ounce
Total cost (at achieved prices)		$484	per ounce

The Cadia Hill mine delivered a solid performance during the year producing 248,312 ounces of gold (2005: 308,516 ounces) and 22,209 tonnes of copper-in-concentrate (2005: 29,250 tonnes). The lower overall production resulted from a reduction in concentrator throughput and a decrease in average head grade processed. This was largely in line with the mine plan.

The completion of the North Wall Cutback and Cutback 1 in 2005, combined with the mining of Cutback 2 during the period, were the principle causes of the planned reduction in tonnes mined. Total material movement was 51.7 million tonnes (2005: 77.1 million tonnes). Mobile fleet numbers were adjusted to match the lower material movements with several haul trucks transferred to Telfer.

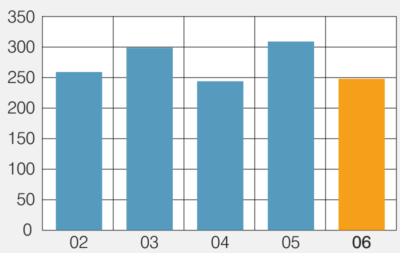
The mining of Cutback 2 made it necessary to process some lower grade stockpiles. Midway through the year, severe thunderstorms affected pit access particularly to areas of higher-grade ore. In combination, these factors led to a decrease in ore head grade presented to the mill.

All Cadia Hill ore is processed through the low-grade concentrator. Concentrator throughput during the year was lower due to a planned major shutdown of the concentrator in July 2005. Significant work was done to optimise the shutdown schedule, reduce shutdown costs and downtime and enhance concentrator performance and availability for the remainder of the period.

Concentrator throughput was 15.5 million tonnes (2005: 16.5 million tonnes) with achieved copper and gold recoveries consistent with lower-grade ore extracted from the open pit. Gold and copper production was lower as a result of the reduced concentrator throughput and the decrease in mined ore grade.

Cadia Hill Gold Production

thousand ounces



The achieved cash cost of production was $387 per ounce (2005: $300 per ounce) with total unit costs of production of $484 per ounce (2005: $424 per ounce). Cash costs were higher than the previous year due to the lower production levels, combined with the increase in the cost of key inputs.

A strong focus on continuous improvement at Cadia Hill was maintained with major production and cost improvement initiatives identified and implemented. At the nearby Blayney concentrate filtration plant there was a reduction in operating costs.

As part of a wider cost-reduction program, Newcrest will be looking at methods to improve cost margins and enhance productivity at Cadia Hill in 2006–07. A further minor reduction in tonnes mined is anticipated as a result of the continued mining of Cutback 2. Concentrator throughput is anticipated to be higher with a slight decrease in gold production and slight increase in copper production as a result of a variation in the grade profile in those areas of the pit that are planned to be mined.

Page 12 left
Gold/Copper ore being dumped into the primary crusher.
Page 12 right
Ore recycling plant with concentrator building in background.
Page 13 top
Shift change via the truck access platform at the Cadia Hill truck bay.
Page 13 lower left
Low grade coarse ore stockpile and recycle crushers.
Page 13 lower right
Dave Coates, Mine Services Engineer and Peter Morgan, CVO Senior Mine Geotechnician.

Operations
Ridgeway Mine

2006 Ridgeway Statistics

Location			Central New South Wales
Mine type			Underground
Material mined		5.7	million tonnes
Nominal treatment rate		5.60	million tonnes pa
Tonnes treated		5.5	million tonnes
Grade	– gold	2.4	grams per tonne
	– copper	0.79	percent
Recovery	– gold	86.2	percent
	– copper	91.1	percent
Production	– gold	366,520	ounce
	– copper	39,938	tonnes
Cash cost (at achieved prices)		negative $51	per ounce
Total cost (at achieved prices)		$114	per ounce

The Ridgeway underground mine has established itself as a world-class low cash cost of operation with consistent and reliable production delivery. Owner mining, which commenced in April 2005, continued to deliver the expected productivity and cost outcomes.

Ridgeway maintained its strong operational results in 2006 with the production of 366,520 ounces of gold (2005: 382,034 ounces) and 39,938 tonnes of copper-in-concentrate (2005: 42,907 tonnes).

The achieved cash cost of production was negative $51 per ounce (2005: negative $47 per ounce) with a total cost of production of $114 per ounce (2005: $119 per ounce). Cash costs continued to be negative due to strong by-product revenue resulting from high copper prices. The increased copper revenue significantly offset increases in key cost inputs.

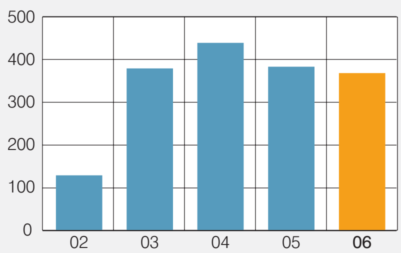
Mining at Ridgeway took place from three production levels during the year, with the lowest level, RL 5100, situated some 800 metres below surface and only 30 metres above the crusher level.

As foreshadowed in the mine plan, grades continued to decline with increasing depth. A revised sub-level cave draw model, which better reflects the draw performance of the cave, was utilised throughout the year and grade performance was in accordance with expectations.

Ridgeway ore is processed in the high-grade concentrator. Concentrator throughput of 5.5 million tonnes during the year was in line with expectations. Initiatives to improve gold and copper recoveries included a reduction in grind size, changes to the liner design in the regrind mill and the implementation of visual indicators in the flotation circuit.

Ridgeway Gold Production

thousand ounces



In 2006–07, concentrator throughput is expected to remain steady at 5.6 million tonnes per annum. The foreshadowed steady decline in gold and copper grades is expected to continue. Mining costs are expected to increase reflecting the maintenance schedule of the mobile fleet.

Although Ridgeway is a low-cost operation, it is continually seeking ways to optimise its business performance. As part of a wider Newcrest cost-reduction program, Ridgeway will be investigating opportunities to further improve cost margins and enhance productivity.

Page 14 left
Anthony Seddon, Acting Production Shift Supervisor. Mario Fantin, Senior Underground Surveyor. Michael Yelf, Graduate Mining Engineer.
Page 14 right
Loading underground ore at Ridgeway.
Page 15 top
Travis Moore, Surveyor.
Page 15 lower left
Drill bits for the underground drill rig.
Page 15 lower right
Richie O'Callaghan controlling the underground drill rig.

Operations
Cracow Mine

(A joint venture owned 70 percent Newcrest and 30 percent Sedimentary Holdings)

2006 Cracow Statistics

Location		Central Queensland
Mine type		Underground
Ore mined	0.32	million tonnes
Nominal treatment rate	0.30	million tonnes pa
Tonnes treated	0.32	million tonnes
Grade – gold	11.57	grams per tonne
Recovery – gold	94.3	percent
Production – gold	77,702	ounces
Cash cost	$307	per ounce
Total cost	$420	per ounce

All numbers are on 100 percent basis except for production and costs which reflect Newcrest's 70 percent interest.

The Cracow underground mine successfully completed its first full year of production with significant achievements in mill performance and gold production.

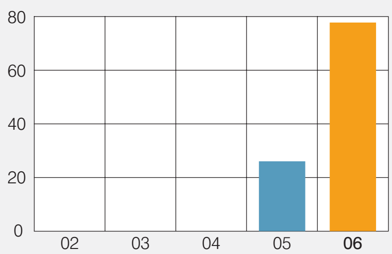
Cracow produced 77,702 ounces of gold (2005: 26,128 ounces) for Newcrest during the year at a cash cost of $307 per ounce (2005: $363 per ounce) and a total cost of $420 per ounce (2005: $483 per ounce). The decrease in costs can be attributed to the impacts of achieving the design production rate and optimising performance of the mill, which allowed the processing rate to be increased.

The positive working relationship with the mining contractor was a significant factor in production exceeding plan. Ore production from development and stoping activities totalled 322,000 tonnes. The upper part of the Royal orebody was the principal source of ore for much of the year, with the first development ore from the Crown orebody delivered in March 2006.

Decline development during the year totalled 1,624 metres and was evenly distributed between the Royal decline, which advanced 806 metres, and the Crown decline, which advanced 818 metres. Orebody access and other infrastructure development for the Royal and Crown orebodies totalled 1,325 metres. Total lateral development in the Royal and Crown orebodies was 5,260 metres.

Cracow Gold Production

thousand ounces



Page 16 left
Crown ore drive.
Page 16 right
Cable bolting in the ore drive.
Page 17 top
Cracow processing plant at night.
Page 17 lower left
Jumbo operator installing rock bolts for ground support.
Page 17 lower right
Ore haulage to the Cracow processing plant.

Mill throughput for the year was 316,000 tonnes. Throughput was approximately 15 percent above nameplate capacity with an average gold recovery of 94.3 percent (2005: 89.7 percent). Cracow will continue its efforts to identify and implement opportunities to improve cost margins and increase productivity.

In 2006–07, it is expected that capital development on the Crown orebody will be completed and development activity for the Sovereign orebody will commence. Gold production is expected to be similar to 2005–06. Exploration activities, including drilling, will continue in the Cracow area.

Operations
Gosowong Mine

(Pt Nusa Halmahera Minerals (PTNHM) a joint venture company owned 82.5 percent Newcrest and 17.5 percent PT Aneka Tambang)

Toguraci open pit

2006 Gosowong Statistics – Toguraci and Kencana

Location			Halmahera Island, Indonesia
Mine type			Open pit and underground
Material mined		7.3	million tonnes
Nominal treatment rate		0.35	million tonnes pa
Tonnes treated	– open cut	239	kilotonnes
	– underground	28	kilotonnes
Gold grade	– open cut	19.7	grams per tonne
	– underground	49.6	grams per tonne
Gold recovery		96.5	percent
Gold production	– open cut	145,808	ounces
	– underground	41,508	ounces
Cash cost		$377	per ounce
Total cost		$419	per ounce

Toguraci Mine showing current Damar pit and backfilled Midas pit (background), with waste dumps (foreground) under progressive reclamation back to the original landform.

The Toguraci open pit operation has performed well over the period of its life with total tonnes of ore mined exceeding both the reserve model and feasibility estimates. During the year Toguraci recorded a solid production result as mining moved into the final stages. As expected, gold grades declined as the remaining ore was depleted. Gold production for the year was 145,808 ounces (2005: 223,102 ounces). The cash cost of production was $377 per ounce (2005: $238 per ounce) with a total cost of $419 per ounce (2005: $270 per ounce).

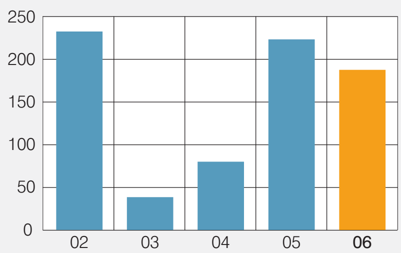
The Toguraci mine plan outlines the mining of two discrete pits that exploit four high-grade epithermal shoots. During the year, mining at Toguraci moved from the lower-grade zone of the Kayu Manis and Damar orebodies to the higher-grade Bod orebody.

By year end, mining at Kayu Manis was complete and a quantity of ore remained to be mined from the Damar and Bod orebodies. Production during the latter half of the year was adversely impacted by the combination of a wall failure at the north end of the pit, unexpected recharge of hot artesian water (80°C) in the floor of the pit and unseasonally high rainfall. During this period it was necessary to blend ore from the pit with ore from lower-grade stockpiles to maintain target production. This resulted in higher total mill throughput of 267 kilotonnes (2005: 252 kilotonnes) and a lower head grade. Production costs also increased as a consequence.

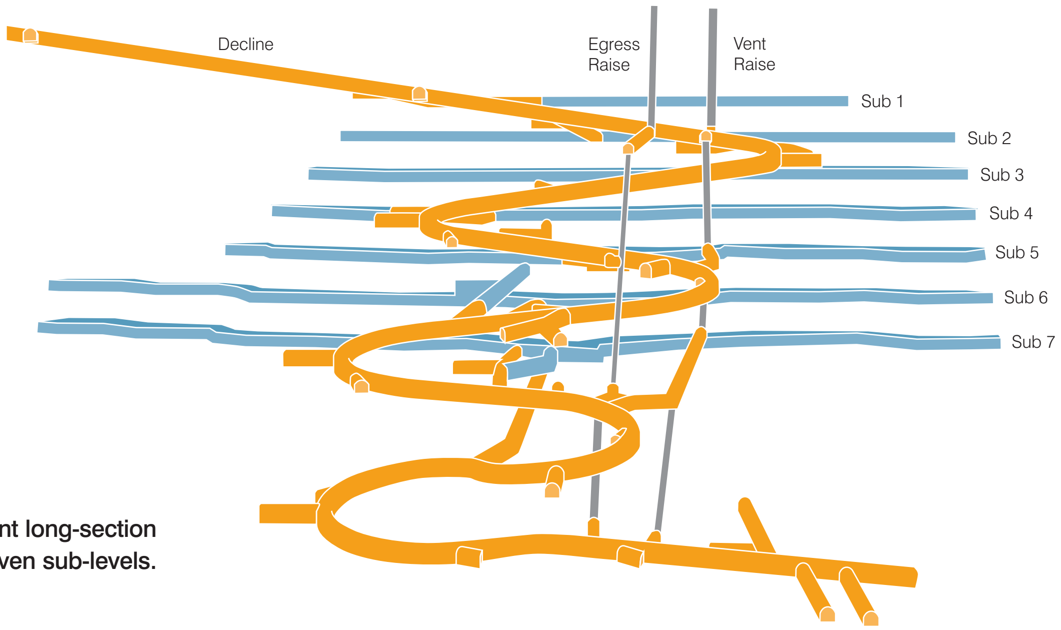
At the end of the year an estimated 19,000 ounces of gold remained in the Toguraci pit. It is anticipated that this will be mined during the September quarter 2006 as mill feed transitions to the underground operation at Kencana.

Gosowong Gold Production

thousand ounces



Kencana underground mine



Kencana development long-section showing initial seven sub-levels.

The Kencana gold mine is Newcrest's first underground mine in Indonesia and is located approximately 1 kilometre south of the original Gosowong pit. The operation is based on mining a high-grade epithermal vein system.

Decline development at Kencana commenced in July 2005 and by March 2006 ore was accessed on the first sub-level located some 80 metres below surface. By the end of June 2006, Kencana had produced 41,508 ounces of gold. Decline development had advanced 922 metres, ore had been produced from the first two sub-levels and access to the third sub-level had commenced.

Ground conditions encountered during initial development at Kencana were poor and required substantial ground support, however, conditions have been as predicted and appear to be improving with depth. Preliminary indications on the performance of the reserve model are positive.

The mining method used for initial production at Kencana is the undercut and fill method. This method is suited to situations where ground conditions are difficult and common mining methods are not suitable. A key feature of this mining method is the backfilling of mined areas with a concrete paste fill material so that mining can proceed immediately beneath the fill. At Kencana, paste fill is produced in a purpose-built paste plant by adding cement to locally mined tuff and then transferring the paste to the underground mine via a borehole.

Kencana underground mine

Kencana underground mine portal and ventilation shafts.

Establishment of key mine infrastructure is advancing following the construction of the paste backfill plant and the main ventilation shaft.

Modifications to the nearby Gosowong process plant, including installation of a gravity gold recovery circuit, are well advanced and will allow ore with elevated grades to be processed at higher processing rates than was previously possible.

Kencana will be the sole source of mill feed once open pit reserves at Toguraci are depleted during the September quarter 2006.

Production at Kencana is expected to ramp up during 2006–07 as higher grade ore is accessed. Mining costs are anticipated to increase as the underhand cut and fill mining process becomes fully established. Depreciation costs will also increase as capital expenditure associated with development is written off.

The area surrounding the Kencana Mineral Resource remains highly prospective and discovery of additional resources has the potential to extend the mine's life significantly.

Projects

Telfer Underground
Ridgeway Deeps
Cadia East

Paul Hallam
Executive General Manager
Development and Projects

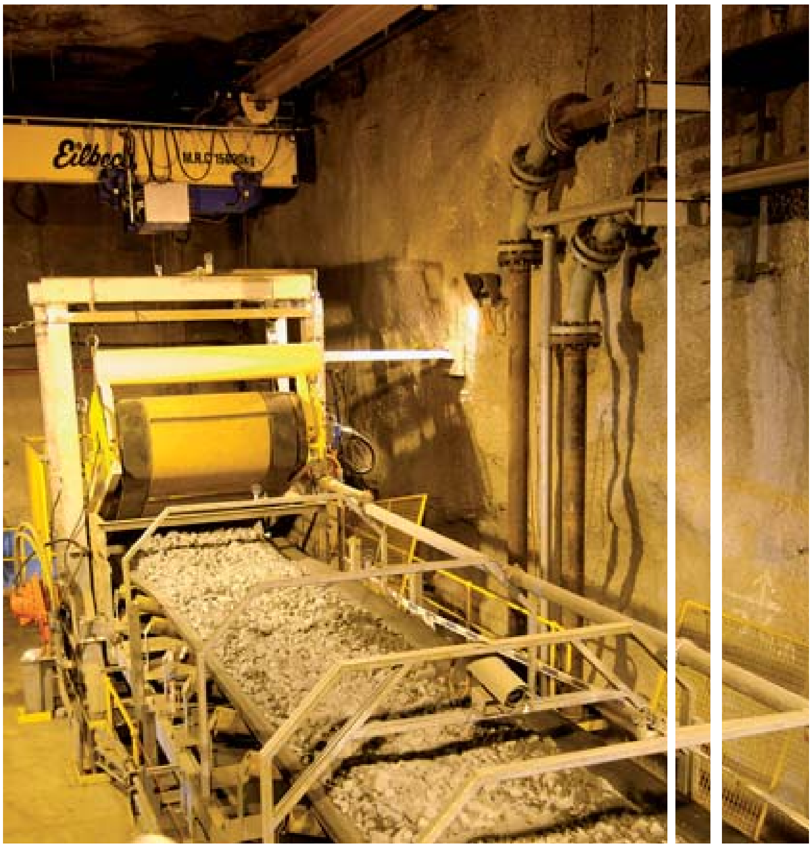
Projects
Telfer Underground

Location		North-west Western Australia, 450 kilometres inland from Port Hedland
Ownership		100 per cent Newcrest Mining Limited
Status		Project construction underway
Mineral Resource	5.2	million ounces gold
	0.3	million tonnes copper
Ore Reserve	3.7	million ounces gold
	0.22	million tonnes copper

The Telfer underground mine will be a large-scale mine operating below the massive Main Dome open pit. Significant progress was made during the year towards completion of the second stage of the Telfer redevelopment with the commissioning of major underground infrastructure components and commencement of ore production from underground. The major infrastructure development activities undertaken during the year included:

- development of a new decline on the eastern side of the orebody as the pre-existing decline intersects the orebody and will be consumed as the cave propagates upwards
- commissioning of the shaft and haulage system in late 2005 which had a positive impact on development rates
- completion of the underground ore handling system in late 2005 from crushing, underground conveying, loading, hoisting, overland conveyor to stacking. Commissioning of this system commenced in June 2006 and was successfully completed in July with performance trials achieving design rates
- installation of the underground dewatering system to mitigate the possible impact of the cyclone season.

Underground development rates improved significantly with the commencement of a new mining contractor in September 2005. The alliance relationship established allows Newcrest greater flexibility and has increased the certainty in delivering production targets. Productivity levels have increased and skilled labour turnover rates have decreased.



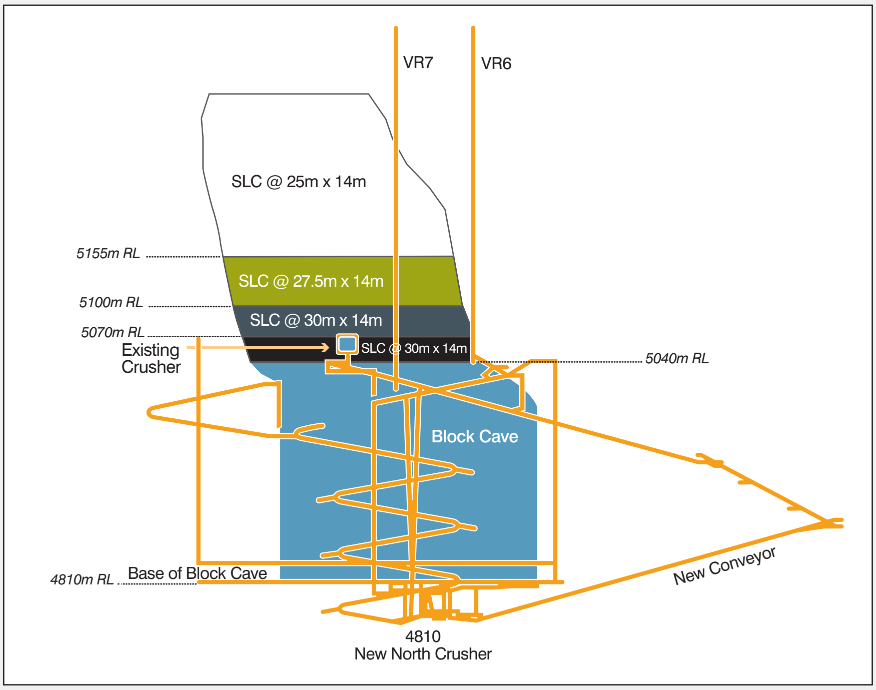
Page 22
Main dewatering pump station for the underground mine.
Page 23 left
Telfer Headframe and skyshaft.
Page 23 right
Underground conveyor at Telfer.

The sub-level cave development commenced with extraction of the undercut in March 2006. By year end development was well advanced on the undercut level and the first production level immediately below. Successful extraction of the undercut level and initiation of caving are the critical issues in achieving target production. Caving is expected to commence during the third quarter of 2006–07 and production rates are expected to reach 4 million tonnes per annum by March 2007.

Ridgeway Deeps

Location		Central New South Wales, below existing Ridgeway mine
Ownership		100 per cent Newcrest Mining Limited
Status		Feasibility and construction
Mineral Resource	2.6 0.33	million ounces gold million tonnes copper
Ore Reserve	1.3 0.15	million ounces gold million tonnes copper

Schematic mine design for Ridgeway Deeps Block Cave underneath existing sub-level cave.



The Ridgeway Deeps project involves development of the Mineral Resource below the current Ridgeway mine. The project will extend the depth of the original mine by up to 300 metres to 1,300 metres below the surface and extend the life of the combined Ridgeway/Ridgeway Deeps mine to beyond 2016.

The pre-feasibility study completed in January 2006 identified a 230 metre block cave below the existing Ridgeway sub-level cave as the preferred mining option. The block cave method enhances the economic return of the project and is better suited to the geometry and geotechnical characteristics of the Ridgeway Deeps mineralisation. This will be Newcrest's first block caving operation and will build on the existing caving expertise within the Company.

The feasibility phase for Ridgeway Deeps commenced in February 2006 and will be completed in early 2007. It will define the optimal business case for the transition from sub-level cave to block cave mining at Ridgeway. Due to scheduling considerations, development work to extend the decline and upgrade the ventilation system has been taking place in parallel with work on the detailed feasibility study.

Projects
Cadia East

Location		Central New South Wales, adjacent to Cadia Hill
Ownership		100 per Newcrest Mining Limited
Status		Open pit – pre-feasibility Underground – feasibility
Mineral Resource	21.9 3.6	million ounces gold million tonnes copper
Ore Reserve	9.1 1.38	million ounces gold million tonnes copper

Cadia East is a mineralised system located on the eastern flank of the Cadia Hill mine, within the Cadia mineralised corridor, where it is proposed that an open pit and underground gold-copper mine will be developed.

The Cadia East deposit is a porphyry zone of gold-copper mineralisation adjacent to the eastern edge of the Cadia Hill orebody and extending up to 2.5 kilometres east. The system is up to 600 metres wide and extends to 1.9 kilometres below the surface.

The Cadia East Mineral Resource is estimated to contain 21.9 million ounces of gold and 3.6 million tonnes of copper and comprises two zones – an open pit zone and an underground zone. An updated Ore Reserve estimate for the underground zone of 7.3 million ounces of gold and 0.75 million tonnes of copper was released concurrently with the initial open pit Ore Reserve of 1.8 million ounces of gold and 0.63 million tonnes of copper. These estimates are supported by drilling totalling over 220 kilometres from more than 255 holes. The Cadia East mineralised system remains open to the east, west and at depth.

During the year, an open pit concept study identifying several viable business cases was completed. A pre-feasibility study to identify the preferred business case commenced and will continue with data collection activities and further investigation of the identified mining strategies.

Progress on the Cadia East Underground Panel Cave feasibility study continued with a focus on decline development. Industry leading mining strategies were implemented to enable rapid development of the decline which advanced 1.5 kilometres of the total 7 kilometres that is required to access the orebody. Study activities concentrated on business case enhancement, and geological data collection from a surface drilling campaign.

By early 2008 the decline is expected to access the orebody allowing further detailed geological and metallurgical investigations to be undertaken, including underground drilling, bulk sampling and geotechnical investigations.

Cadia East's Panel Cave will be Australia's largest underground mine with world-class Ore Reserves and an expected mine life of over 30 years. This will extend the useful life of the existing Cadia Valley infrastructure.

This project will enhance Newcrest's strategic capabilities in low-cost caving methods. Panel caving capabilities are being acquired and developed with several leading Chilean panel caving practitioners joining the project during the year.

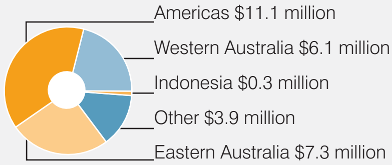
Engineering studies have commenced to investigate alternative processing strategies to maximise the value from integrating Cadia East deposits with the existing Cadia Valley ore sources.

Exploration

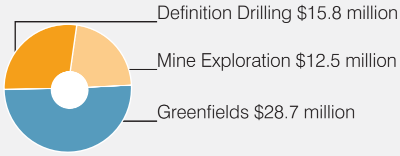
Dan Wood
Executive General Manager
Exploration

The success of Newcrest's exploration strategy has seen its Mineral Resources increase fourfold and its Ore Reserves eightfold over the past decade.

Greenfields Exploration Expenditure
$28.7M



Total Exploration Expenditure
$57.0M



Strategy

Since the mid 1990s the rate of discovery of major gold deposits throughout the world has fallen considerably, continuing a trend that began in the 1970s. There has also been extensive consolidation within the gold mining industry. Considering the natural scale of orebodies, it could be argued that most gold companies will struggle to sustain long-term production at current levels. This is due to the difficulty in achieving reserve replacement objectives through discovery, and as the opportunities for mergers and acquisitions diminish.

An international study in 1995 concluded that the threshold for a world-class gold deposit (defined as being in the top 10 percent by size of all known deposits throughout history up to the present day) was a Mineral Resource containing only 3.2 million ounces of gold. For a world-class copper deposit the threshold was only 2 million tonnes of copper. As only 50–70 percent of a Mineral Resource is recovered from an orebody on average, a company producing 2 million ounces of gold per year would need to discover the equivalent of an entry-level world-class gold deposit every year.

In 2005–06 Newcrest produced more than 1.5 million ounces of gold and 100,000 tonnes of copper. To sustain gold production at that level without depleting the Company's inventory, the exploration strategy needs to deliver the equivalent of an entry-level world-class gold deposit nearly every year, on average. The Company's record over the past 15 years exceeded this requirement, and at the same time added a copper production capacity of about 100,000 tonnes per year.

Since 1991 Newcrest's exploration strategy has targeted deposits that contain both gold and copper.

The success of that strategy is demonstrated by the increased contribution of copper to the Company's revenue base. Copper production has risen from a little over 3,000 tonnes in 1991 to 100,000 tonnes in 2005–06.

Over the past two years the Company's exploration strategy has been broadened and the range of targets now includes copper-dominant gold deposit types as well as copper mineralisation which might have related copper-gold mineralisation at depth. The latter includes secondary copper mineralisation styles.

2005–06 Year in Review

At Gosowong and Cracow discovery and resource definition drilling led to significant advances in geological understanding. Additions to the Mineral Resource inventories at these sites are expected over the next three years. At Cadia, infill drilling commenced to progressively upgrade mineralisation presently classified as an Inferred Mineral Resource in the Cadia East deposit.

Exploration continued

Mine Area Exploration

Cadia District, New South Wales

Cadia East

At Cadia East, infill resource definition drilling upgraded the classification of the Inferred Mineral Resource previously identified as having open pit mining potential in the north-western part of the deposit. The open pit Mineral Resource is now estimated to contain 5.9 million ounces of gold and 1.4 million tonnes of copper.

In the deeper part of the Cadia East deposit, to the south-east, a program of closer-spaced deep drilling commenced to better define the part of the deposit classified as an Inferred Mineral Resource. When completed, this drilling will enable a re-estimation and re-classification of this part of the Cadia East Mineral Resource.

Ridgeway

At Ridgeway, drilling to investigate previously recorded high-grade gold-copper mineralisation (18m @ 9.6g/t Au and 3.2% Cu) below the Mineral Resource envelope failed to intersect comparable mineralisation.

Junction Reefs (51 percent)

Following completion of expenditure for Newcrest to earn its 51 percent interest in the Junction Reefs joint venture, future exploration will be conducted as a joint venture with Barrick Gold and Climax Mining. A reduced program of investigation is anticipated for 2006–07.

Gosowong, Indonesia (82.5 percent)

Gosowong Extended (Kencana deposit)

Ongoing drilling has established the basic geological framework for gold distribution in the K1, K2 and K-Link structures, which so far comprise the Kencana deposit. An upgraded Mineral Resource was estimated for the K1 mineralisation and initial Mineral Resource estimates were completed for the K2 and K-Link mineralisation. These estimates are contained in the Mineral Resource section of this Report.

Other Gosowong

Discovery drilling was conducted in the Tobobo area located some 2 kilometres north-west of the Gosowong mill. Evidence of high-grade, epithermal style gold mineralisation was encountered in the 12 hole drilled in the area, with an intersection of 2.95m @110g/t Au from 90.2m in hole TOD12. Further investigation of the epithermal structure at Tobobo is warranted as well as a comprehensive regional appraisal of the prospectivity of the area south of the Tobobo River, which hosts the Gosowong, Toguraci and Kencana mineralisation.

Telfer District, Western Australia

Telfer regional exploration

A review of the accumulated geological knowledge from exploration and mining in the Telfer district was completed to assist with ongoing exploration. The results of this review are being used to identify possible drilling targets, in conjunction with Induced Polarisation (IP) geophysics and airborne magnetics which have been demonstrated as useful techniques. An airborne magnetic survey was flown in the latter part of the year. Targets developed from interpreting this data will be investigated by drilling, as will untested IP anomalies in the southern part of Trotman's Dome.

Cracow, Queensland (70 percent)

Investigations focussed on the Kilkenny structure where discovery and resource definition drilling continued with the objective of defining a gold shoot. The drilling established the presence of two zones of higher-grade gold mineralisation. Resource definition drilling is closing the hole spacing down to about 50 metres to enable an Inferred Mineral Resource to be estimated.

Exploration work in 2006–07 will continue the search for additional bodies of high-grade gold mineralisation, focussing mostly on extensions to the Kilkenny, Klondyke, Sovereign and Sterling structures.

Greenfields Exploration

Ashburton, Western Australia (earning up to 80 percent)

Widely spaced discovery drilling has identified numerous gold anomalies in oxidised sediments scattered over a 200 kilometre distance in the Ashburton district. During the year, geological mapping, sampling and drilling sought to distinguish the main structural controls on the extensive gold-bearing weathered zones at the Merlin, Romulus and Xanadu project areas. Better results from reverse circulation percussion drilling in the Merlin area include 108m @ 0.61g/t Au from 20m and 68m @ 0.76g/t Au from 8m.

The information in this Report that relates to exploration results is based on information compiled by Dan Wood, Executive General Manager Exploration for Newcrest Mining Limited who is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of Newcrest Mining Limited. Mr Wood has sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*. Mr Wood consents to the inclusion in the Report of the matters based on this information in the form and context in which they appear.

Page 29 top
Diamond drilling at Cadia District.
Page 29 lower left
Contract driller at Cadia District.
Page 29 lower right
Glen Balog, Graduate Geotechnical Engineer measuring the orientation of the joint surface of the rock at the Telfer Mine.

Similar results were achieved from drilling at the Big Bend prospect in the Xanadu area, with best results of 83m @ 0.64g/t Au from 127m and 82m @ 0.53g/t Au from 72m.

Gradient IP geophysical surveys in a corridor extending south-east from the Mt Olympus mine have identified several chargeability anomalies. Drilling is scheduled in early 2006–07 to investigate these anomalies.

Marsden, New South Wales

Widely spaced drilling by Newcrest at the Marsden prospect near West Wyalong in the late 1990s identified a faulted section of porphyry-style copper-gold mineralisation located under 100 metres or more of alluvial cover. A review of the results in 2005–06 led to the drilling of several additional holes, some of which recorded higher copper and gold grades, with one hole returning 86m @ 1.1% Cu and 0.91g/t Au. Further drilling will be conducted in 2006–07.

Nevada, United States of America

Newcrest has a number of early-stage exploration projects in recognised gold districts in Nevada. Drilling at the Redlich epithermal prospect near Tonopah recorded additional low-grade gold mineralisation with a hole drilled into a gravel-covered area returning two better-grade intervals of 74.7m @ 1.0g/t Au and 1.5m @ 67g/t Au. Further drilling in the covered area is planned in 2006–07. At the Gabbs property near the old Paradise Peak gold mine, reverse circulation percussion drilling has indicated the presence of erratically distributed gold mineralisation. Investigations in 2006–07 will include further drilling in this area and at the small Sullivan mine where evidence of porphyry-style gold-copper mineralisation was recorded by previous explorers.

Antaña, Peru (earning 80 percent)

At Antaña, drilling confirmed the presence of reasonably widespread, but discontinuous and metallurgically difficult, low to medium-grade gold mineralisation. As a result the potential to discover a deposit of sufficient size and quality to be of interest to Newcrest was diminished and the property was returned to the owner.

Outlook

The budget strategy for 2006–07 will maintain an aggressive drilling program at Gosowong to extend the Kencana system, follow up the recently discovered high-grade mineralisation in the Tobobo area and identify new deposits. The search for significant new deposits will continue in the Western Pacific and the Americas.

Exploration

Mineral Resources and Ore Reserves

Total Mineral Resources at year end for the Group, net of mining depletion, is estimated at 59 million ounces of gold and 5.5 million tonnes of copper, which is a decrease in the resource of 2 million ounces of gold and an increase of 0.6 million tonnes of copper compared with June 2005.

There were significant decreases in the Mineral Resources inventory caused by the sale of Newcrest's share of the Boddington Gold Mine (4.4 million ounces of gold and 0.18 million tonnes of copper) during the year, and the adjustment down of the weathered/transitional resource at the Telfer open pit (0.7 million ounces of gold and 23 kilotonnes of copper). Significant increases in the inventory occurred at Cadia East Underground (1.7 million ounces of gold and 0.34 million tonnes of copper), Cadia East open pit (1.5 million ounces of gold and 0.44 million tonnes of copper) and at Kencana underground (0.8 million ounces of gold).

Total Ore Reserves at year end for the Group, net of mining depletion, are estimated at 33 million ounces of gold and 2.4 million tonnes of copper, which maintains the reserve of gold and represents a significant increase of 0.4 million tonnes of copper compared with June 2005.

There were significant decreases in the total Ore Reserves as a result of the sale of Newcrest's share of the Boddington Gold Mine (2.4 million ounces of gold and 0.11 million tonnes of copper) in the period, the reduction of the weathered/transitional reserve at the Telfer open pit (0.7 million ounces of gold and 23 kilotonnes of copper) and the change of mining method from sub-level cave (SLC) to block cave (BC) at Ridgeway (0.4 million ounces of gold and 45 kilotonnes of copper). Significant increases in Ore Reserves occurred at Cadia East in both the open pit (1.8 million ounces of gold and 0.63 million tonnes of copper) and underground (1.3 million ounces of gold and 0.12 million tonnes of copper).

The statement of Mineral Resources and Ore Reserves conforms to the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves December 2004 (The Joint Ore Reserves Committee Code). Ore Reserves are a sub-set of Mineral Resources. External and internal audits are conducted on completed estimates. All costs and prices are in Australian dollars unless stated otherwise. Some of the increase in Mineral Resources and Ore Reserves can be attributed to an increase in metal prices used for reporting. In general, the metal prices used for reporting were $600 per ounce of gold and $1.60 per pound of copper. Open pit resources were constrained by a conceptual pit-shell generated at $800 per ounce of gold and $2.00 per pound of copper. Relevant information on the methods and parameters used to estimate Mineral Resources and Ore Reserves is presented in the Newcrest Supplementary Information Booklet located in the Annual Report section on the Company's website at www.newcrest.com.au.

Cadia Valley Operations

Cadia Hill

The Cadia Hill Mineral Resource and Ore Reserve were depleted by 16 million tonnes by mining during the period. Re-evaluation of the Mineral Resource at the new metal prices resulted in a net increase of 36 million tonnes for 0.375 million ounces of gold.

The net impact of metal price increases and production depletion on the Ore Reserve was a reduction of 4 million tonnes for 0.22 million ounces of gold and 10 kilotonnes of copper.

Cadia Extended

Open pit mining of Cadia Extended was completed in the year 2003–04. Evaluation of the remaining resource is continuing and the resource has not been changed from the previous year.

Cadia Stockpiles

There was a net depletion of 2 million tonnes of Cadia stockpiles for 0.03 million ounces of gold. This result is net of mining additions and material reclaimed for processing.

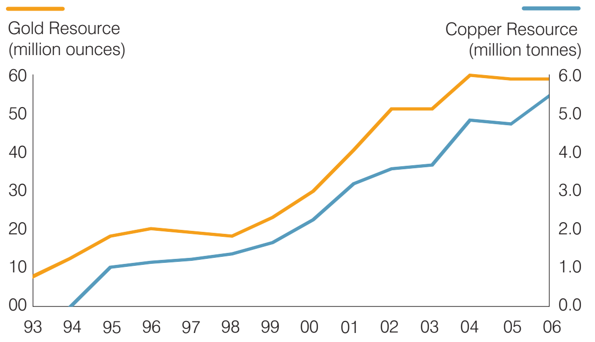
Ridgeway SLC Underground

In previous resource statements the Ridgeway Underground Mineral Resource and Ore Reserve applied to the whole deposit. Work completed recently indicates that the lower section of the orebody can be mined more economically using a BC mining method. Therefore, the statement has been revised to cover the SLC and BC portions of the orebody separately.

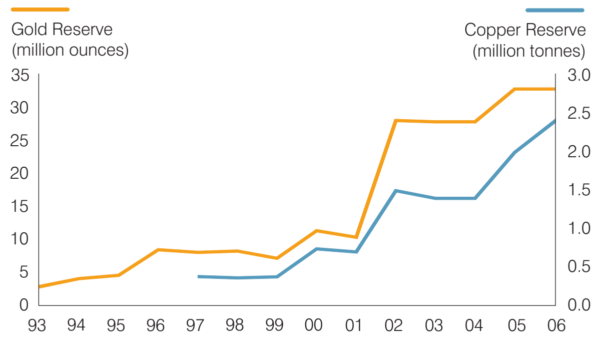
2006
Gold: 59 million ounces **Copper:** 5.5 million tonnes

2006
Gold: 33 million ounces **Copper:** 2.4 million tonnes

Growth in Mineral Resources



Growth in Ore Reserves



The Ridgeway SLC Underground Mineral Resource and Ore Reserve apply to the SLC portion of the orebody only for June 2006. Depletions for mining have been applied to this Mineral Resource and Ore Reserve and, together with updated metal price assumptions and changes in cut-off criteria, have resulted in a reduction of 0.12 million ounces of gold and a small increase of 25 kilotonnes of copper.

The Ridgeway resource model was updated to incorporate a $650 per ounce gold price with a copper price of $2.60 per pound as per Newcrest's shorter-term economic forecasts. A cut-off value of $16 per tonne was used to report Mineral Resources.

A Datamine macro based on the previously used Ridgeway SLC draw simulator spreadsheet was used to calculate the SLC material within the Ore Reserve. The draw simulator has been calibrated against SLC performance observed to date and full-scale draw marker trials conducted over the past 3 years.

The Mineral Resource and Ore Reserve have been depleted for mine.

Ridgeway Deeps

The Ridgeway Deeps Mineral Resource and Ore Reserve have been separated from the Ridgeway SLC Underground as this planned mining development will now use a BC mining method rather than SLC. The level separation is 5,040m RL and the BC extends down to 4,810m RL. Material below 4,810m RL has been excluded from the Ore Reserve, as has mineralisation to the west, resulting in a reduction of 0.38 million ounces of gold and 0.45 kilotonnes of copper from the previous Ridgeway Underground Ore Reserve.

The Ridgeway Deeps resource model was updated to incorporate longer-term metal price assumptions of $600 per ounce of gold and $1.60 per pound of copper. A cut-off value of $11 per tonne was used to report Mineral Resources. Diamond drilling within and around the deposit continues to increase the level of confidence in the resource estimate.

A Datamine macro and the PCBC draw control package were used to estimate the production grades from the BC component of the Ore Reserve.

The Mineral Resource and Ore Reserve have not been depleted as there has been no mine production from Ridgeway Deeps.

Cadia East Open Pit

A revised Mineral Resource was estimated for Cadia East open pit following a resource definition diamond drilling program, which was completed in the period. The estimate resulted in an increase in the resource of 1.5 million ounces of gold and 0.34 million tonnes of copper over the June 2005 estimate. An increase in confidence in the estimate has resulted in changes in classification, and 2.7 million ounces of gold and 0.82 million tonnes of copper have been elevated from Inferred Resource to Indicated Resource. The re-evaluation of the estimate also took into account the potential production of molybdenum.

An Ore Reserve was estimated for Cadia East open pit for the first time this period. Mining will be by large-scale, low-cost mining methods consistent with practices at Cadia Valley Operations. Geotechnical factors determined overall pit design. The Ore Reserve was 140 million tonnes for 1.8 million ounces of gold and 0.63 million tonnes of copper.

Cadia East Underground

A diamond drilling program in the period provided the basis for upgrading an additional 100 metres of strike length from the previous Inferred Resource to Indicated Resource. Re-evaluation of the resource also took into account potential production of molybdenum.

The revised resource and classification elevated 2 million ounces of gold and 0.25 million tonnes of copper from Inferred Resource to Indicated Resource, and also resulted in an increase of 1.7 million ounces of gold and 0.44 million tonnes of copper over the June 2005 estimate.

Based on pre-feasibility mining studies and the selection of Panel Cave methodology, an updated Ore Reserve was estimated. This Ore Reserve represents an increase of 35 million tonnes for 1.3 million ounces of gold and 0.11 million tonnes of copper over the June 2005 estimate.

An access decline will reach the orebody in early 2008 and will provide a platform for resource definition drilling and bulk sampling.

Telfer

The Telfer Mineral Resource estimates comprise a total of 25 million ounces of gold and 0.83 million tonnes of copper net of mining depletions, changes to metal price and an adjustment made to reflect the mine's performance against expectation during the period. The Telfer Mineral Resource is comprised of resources in Main Dome, West Dome, satellite deposits and stockpiles.

Mineral Resources and Ore Reserves continued

Telfer continued

The total Telfer Ore Reserve comprises 17 million ounces of gold and 0.59 million tonnes of copper also net of mining depletions, updates to reserve parameters and metal price and incorporates the adjustment made to the Mineral Resource to reflect the mine's performance against expectation during the period.

Open Pit

The Telfer Mineral Resources and Ore Reserves for the open pit include Main Dome and West Dome. Processing of open pit material from Main Dome commenced in November 2004. To date, no material has been mined from West Dome.

The Mineral Resource and Ore Reserve in Main Dome were depleted for mining during the period with an additional adjustment made to reflect the under-performance of the feasibility study estimate in the weathered and transitional portions of the Mineral Resource. The negative adjustment was made by changing the calibration applied to weathered and transitional domains, resulting in a reduction of 0.7 million ounces of gold and 23 kilotonnes of copper to the Main Dome Mineral Resource and Ore Reserve. No other calibrations have been adjusted. This is supported by reconciliation of 1.2 million tonnes from the sulphide portion of the Mineral Resource with grade control that has demonstrated close correlation with the feasibility estimate.

Reconciliation continues to assess improvements being made to the recovery and treatment of the weathered/transitional ore types in the concentrator, in addition to ongoing reviews of the modifying factors used in the Ore Reserve generation.

The Ore Reserve is based on the updated resource with a lower calibration in the Main Dome supergene area. All other areas of Main Dome and West Dome use the same calibration factors as used in 2005 Ore Reserve estimates.

The open pit Ore Reserve is based on the use of conventional bulk mining methods to expand the Main Dome and West Dome pits.

The Telfer open pit Ore Reserve is constrained within pit designs for mining based on detailed geotechnical modelling and practical mining considerations and depleted up to 30 June 2006. Ore Reserves are defined using cut-off grades assessed using a profit algorithm approach. Cost and recovery estimates have been made based on experience to date, feasibility study information and anticipated performance in the future.

The combined impact of increased metal prices, modified Mineral Resource, depletion and modified cost and metallurgical models at Main Dome has been to decrease the Ore Reserve by 1.6 million ounces of gold and 85 kilotonnes of copper.

The combined impact of increased metal prices, modified cost and metallurgical models at West Dome has been to increase the Ore Reserve by 0.82 million ounces of gold and 15 kilotonnes of copper.

Underground

The underground Mineral Resource is based on the resource reported in the feasibility study and the Telfer Deeps Western Flank resource, which was first reported last year.

The underground Ore Reserve is based on parameters consistent with the SLC mining technique.

The Telfer Deeps Mineral Resource has been depleted for mining for the period.

The Telfer Deeps Mineral Resource is amenable to an SLC mining method. The mine is in the process of ramping up to full production following commissioning of the hoisting system.

The Telfer Deeps Ore Reserve is based on the feasibility resource model with no additional positive or negative factoring of grade and assumes current reserve factors are correct. The calibrations contribute approximately 40 percent of the gold metal within the total Ore Reserve.

The Telfer Deeps Ore Reserve has increased by 0.3 million ounces of gold due to the increase in metal prices. The grade has reduced due to the application of the latest Ridgeway recovery curves and the inclusion of lower-grade ore from the higher metal price.

Gosowong

At Toguraci the remaining reserve was depleted during the year. In the very final stages of the open pit, difficulties associated with high groundwater inflow and pit-slope instability hampered mining, resulting in a small revision (20,000 ounces) of deposit classification from reserve to resource given the ultimate extraction uncertainties. Studies are planned to investigate the feasibility of extracting the remnant resource at Toguraci using underground methods. In 100 percent equity terms, to date Toguraci open pit has successfully recovered in excess of 0.45 million ounces of gold and a similar amount of silver. Life-of-mine, Gosowong production has exceeded 1.2 million ounces of gold.

An updated Mineral Resource and Ore Reserve statement for the Kencana deposit was reported with the December 2005 quarterly report. Since that time, the Kencana system has grown with the discovery of two new shoots located adjacent to the existing Kencana (K1) Shoot. In 100 percent equity terms these discoveries add approximately 0.82 million tonnes at an average grade of 34g/t Au and 15g/t Ag for 0.9 million ounces of gold and 0.4 million ounces of silver. This brings the total size of the Kencana epithermal deposit to a world-class 3 million ounces (Newcrest equity 2.6 million ounces). Since that time the orebody (K1) has also been accessed underground on two levels exposing high-grade ore with good results.

The global mine design has been based on a cut-off grade of 13g/t Au with an incremental cut-off grade of 6g/t Au. The Ore Reserve has been updated based on additional drilling, technical studies and orebody development on Subs 1 and 2. Dilution parameters used in the estimate have been revised as a result, leading to the addition of approximately 0.23 million tonnes at 4.1 g/t Au. It is expected that this underhand cut-and-fill (UCAF) mine will ramp-up to full capacity in the coming year.

Cracow

Remodelling of the Royal and Crown shoots has resulted in a decrease in the Cracow Mineral Resource of 0.12 million ounces, net of mining depletion, to 0.55 million ounces. The Sovereign and Klondyke North resources remain unchanged.

Ore milled during the year was 0.221 million tonnes containing 82,000 ounces of gold, the bulk of which was sourced from the Royal shoot. Mining depletions resulted in a decrease in the Cracow Mineral Resources of 0.184 million tonnes for 85,000 ounces.

Mining of the Royal resource continued with the bulk of the ore mined for the period sourced from ore drive development and stope production from the Royal shoot. Only the bottom level ore drive remains to be completed in the Royal shoot. Infill underground diamond core drilling has also been completed in the Royal shoot. The additional underground diamond drilling and ore drive development in the middle and lower parts of the Royal shoot have resulted in minor changes to the global resource figure. The bulk of the Royal resource has been converted to Measured and Indicated categories. Minor Inferred blocks still remain in areas on the orebody margins.

Mining of the Crown resource commenced in March 2006 and three upper levels are in progress between the 2,000m RL to the 1,964m RL. Initial infill drilling of the Crown resource commenced during the year and is approximately 20 percent complete. No changes to the resource categories have been made.

Reconciliation of the mine production estimate (calculated from uncut face sample assays) to the mill reconciled gold production is within 2.5 percent.

The Ore Reserve has been depleted and an update evaluation completed based on actual mining experience, costs and dilution.

2006 Mineral Resources

	Measured Resource			Indicated Resource			Inferred Resource			Gold In situ	Copper In situ	Competent Person
Gold and Copper Resources	Dry Tonnes (million)	Gold Grade (g/t Au)	Copper Grade (% Cu)	Dry Tonnes (million)	Gold Grade (g/t Au)	Copper Grade (% Cu)	Dry Tonnes (million)	Gold Grade (g/t Au)	Copper Grade (% Cu)	(million ounces)	(kilo-tonnes)	
Cadia Valley Operations												
Cadia Hill Open Pit	200	0.69	0.15	27	0.54	0.17	40	0.49	0.11	5.5	400	1
Cadia Extended	–	–	–	36	0.40	0.22	4	0.39	0.17	0.52	87	1
Open Pit Stockpiles	10	0.43	0.15	–	–	–	–	–	–	0.14	15	1
Ridgeway SLC	17	1.9	0.63	–	–	–	–	–	–	1.0	110	1
Underground Stockpiles	0.061	2.3	0.72	–	–	–	–	–	–	0.0045	0.44	1
Ridgeway Deeps	17	1.4	0.54	27	1.3	0.53	20	1.0	0.45	2.6	330	1
Cadia East Open Pit	–	–	–	220	0.38	0.37	210	0.46	0.29	5.9	1,400	1
Cadia East Underground	–	–	–	300	0.92	0.35	390	0.53	0.29	16	2,200	1
Total Gold and Copper	**240**	**0.81**	**0.22**	**620**	**0.70**	**0.36**	**670**	**0.52**	**0.29**	**32**	**4,700**	
Telfer												
Open Pit	130	1.2	0.11	200	1.6	0.13	97	1.1	0.12	19	510	2
Telfer Deeps Underground	–	–	–	47	2.9	0.54	11	2.4	0.44	5.2	300	2
Satellites	–	–	–	0.57	4.2	0.03	1.7	2.6	0.08	0.22	1.5	2
Open Pit Stockpiles	11	0.86	0.13	3.6	0.9	0.21	–	–	–	0.41	22	2
Total Gold and Copper	**140**	**1.2**	**0.11**	**250**	**1.8**	**0.20**	**110**	**1.3**	**0.15**	**25**	**830**	
Gosowong												
Toguraci Open Pit (inc Stockpiles)	–	–	–	0.02	24	–	–	–	–	0.02	–	3
Kencana Underground	–	–	–	0.66	52	–	1.7	28	–	2.6	–	3
Total Gold	**–**	**–**	**–**	**0.68**	**51**	**–**	**1.7**	**28**	**–**	**2.6**	**–**	
Cracow												
All Resources	0.08	11	–	0.27	11	–	1.4	9.4	–	0.55	–	4
Total Gold	**0.08**	**11**	**–**	**0.27**	**11**	**–**	**1.4**	**9.4**	**–**	**0.55**	**–**	
Total Gold and Copper										**59**	**5,500**	

1. D. Fredericksen, 2. G.R. Howard, 3. D. Sims, 4. G.N. Petersen

Rounding, conforming to the JORC Code, may cause some computational discrepancies. The gold and copper grades totals in the resources are weighted averages.

Information in this Report that relates to Mineral Resources is based on and accurately reflects reports prepared by the Competent Person named beside the information. All these persons are full-time employees of Newcrest Mining Limited or the relevant subsidiary, who consent to the inclusion of material in the form and context in which it appears. This resource report is compiled by Mr J. F. Leckie, Chief Geologist Mining and Development, Newcrest Mining Limited. All the Competent Persons are Members or Fellows of The Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and have the relevant experience in relation to the mineralisation being reported on by them to qualify as Competent Persons as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves.

Newcrest retained Mr Peter Stoker of Hackchester Pty Ltd to act as an external auditor for the Newcrest Mineral Resources up to the 31 December 2005. External audits have been completed for all Newcrest Mineral Resources and Mr Stoker has stated that he is not aware of any issues that materially affect the reported Mineral Resources. Mr Stoker is a geologist with 35 years' experience in mine geology, Mineral Resource and Ore Reserve estimation, feasibility studies, project evaluation and mineral exploration.

AMC Consultants Pty Ltd was engaged to conduct audits on Mineral Resource estimates for Kencana, Cracow, Cadia East underground and resource depletion at Toguraci, Cracow, Cadia Hill and Ridgeway. AMC Consultants is not aware of any issues that materially affect these reported Mineral Resources. AMC Consultants was also engaged to audit resource depletion at Telfer and changes made to calibrations at Telfer Main Dome open pit in response to poor reconciliation with grade control and concentrator production. Newcrest has implemented programs to identify the cause of and solutions to these issues. AMC is satisfied that depletions and changes to calibrations have been correctly applied. AMC cannot be certain that further adjustment to calibrations will not be necessary in the future.

2006 Ore Reserves

Gold and Copper Reserves	Proved Reserve Dry Tonnes (million)	Proved Reserve Gold Grade (g/t Au)	Proved Reserve Copper Grade (% Cu)	Probable Reserve Dry Tonnes (million)	Probable Reserve Gold Grade (g/t Au)	Probable Reserve Copper Grade (% Cu)	Gold In situ (million ounces)	Copper In situ (kilo-tonnes)	Competent Person
Cadia Valley Operations									
Cadia Hill Open Pit	120	0.79	0.17	1.6	0.45	0.20	3.0	210	1
Open Pit Stockpiles	10	0.43	0.15	–	–	–	0.14	15	1
Ridgeway SLC	10	2.0	0.67	4.5	1.9	0.67	0.92	97	2
Underground Stockpiles	0.061	2.3	0.15	–	–	–	0.004	0.4	3
Ridgeway Deeps	5.1	0.97	0.41	28	1.2	0.46	1.3	150	4
Cadia East Open Pit	–	–	–	140	0.40	0.44	1.8	630	1
Cadia East Underground	–	–	–	200	1.1	0.37	7.3	750	5
Total Gold and Copper	**140**	**0.86**	**0.21**	**380**	**0.86**	**0.40**	**14**	**1,800**	
Telfer*									
Open Pit	140	1.1	0.10	200	1.3	0.11	13	350	6
Telfer Deeps Underground	–	–	–	46	2.5	0.48	3.7	220	5
Open Pit Stockpiles	10	0.9	0.14	–	–	–	0.32	15	6
Total Gold and Copper	**150**	**1.1**	**0.10**	**240**	**1.5**	**0.18**	**17**	**590**	
Gosowong									
Toguraci Open Pit (inc Stockpiles)	0.006	9.9	–	–	–	–	0.002	–	7
Kencana Underground	–	–	–	0.86	38	–	1.1	–	8
Total Gold	**0.006**	**9.9**	**–**	**0.86**	**38**	**–**	**1.1**	**–**	
Cracow									
Royal Shoot (inc Stockpiles)	0.068	10	–	0.22	11	–	0.10	–	9
Total Gold	**0.068**	**10**	**–**	**0.22**	**11**	**–**	**0.10**	**–**	
Total Gold and Copper							**33**	**2,400**	

1. L. Sprengel, 2. L. Manca, 3. D. Fredericksen, 4. G. Dunstan, 5. J. May, 6. G. R. Howard, 7. D. Sims, 8. G. P. Mah, 9. J. Woodward

Rounding, conforming to the JORC Code, may cause some computational discrepancies. The gold and copper grades totals in the reserves are weighted averages.

Information in this Report that relates to Ore Reserves is based on and accurately reflects reports prepared by the Competent Person named beside the information. All these persons are full-time employees of Newcrest Mining Limited or the relevant subsidiary, and consent to the inclusion of material in the form and context in which it appears. C. F. Moorhead, Group Manager Reserves Growth, Newcrest Mining Limited is the Competent Person who has compiled this reserve statement. All the Competent Persons are Members of The Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and have the relevant experience in relation to the mineralisation being reported on by them to qualify as Competent Persons as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

AMC Consultants Pty Ltd was engaged to conduct audits on the process used for Ore Reserve estimation for the Ore Reserves. AMC Consultants is not aware of any issues with the process used that may materially affect the reported Ore Reserve.

* Copper grades and in situ copper tonnes are for concentrator ore only whereas dry tonnes, gold grades and in situ gold ounces also include dump leach ore. A small proportion (approximately 5 percent) of the Telfer open pit reserves fall within pit increments, which are dependent on the inclusion of Inferred Resources to meet the economic criteria for production. It is expected that further drilling that is planned will upgrade these Inferred Resources.

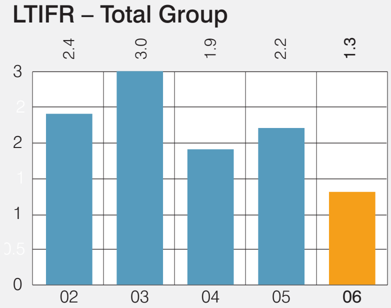
Sustainability
Health and Safety

Strong emphasis on the ***Target Zero*** initiative continued throughout the year, reinforcing the principle that every injury and incident is preventable by modifying the behaviour of all employees and contractors.

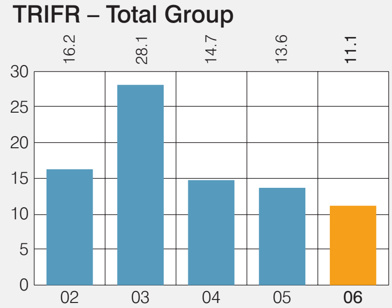
Site Safety Performance

	Lost Time Injury Frequency Rate (LTIFR)		Total Recordable Injury Frequency Rate (TRIFR)	
Site	**2006**	**2005**	**2006**	**2005**
Cadia Valley	**1.5**	1.8	**14.7**	16.1
Cracow	**0.0**	7.8	**24.2**	39.2
Gosowong	**0.3**	0.0	**6.4**	8.1
Telfer	**4.1**	3.3	**13.1**	10.5
Exploration	**0.0**	1.2	**23.4**	28.9
Total	**1.3**	**2.2**	**11.1**	**13.6**

LTIFR – Total Group



TRIFR – Total Group



Target Zero Update

Strong emphasis on the *Target Zero* initiative continued throughout the year, reinforcing the principle that every injury and incident is preventable by modifying the behaviour of all employees and contractors.

The structure required to achieve this goal was established during the previous year and has now been implemented across the Company. Key features of the initiative include:

- establishing clear targets for lagging measures of safety performance including Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR)
- establishing consistent leading measures of safety performance including near miss and hazard reporting
- maintaining an effective safe behaviour observation program
- maintaining active working groups at a corporate and site level with meaningful involvement of both employees and contractors
- training line managers in safety leadership
- providing employees and contractors with safety skills training to improve their knowledge of how to work safely.

During the year, several Newcrest employees and contractors visited sites managed by the DuPont company, an acknowledged leader in the field of health and safety performance. The visits reaffirmed the approach that Newcrest is taking to achieve improved and sustainable health and safety performance.

Contractor Alignment

Contractors play an important role at Newcrest and their active involvement in the safety initiative is essential in order to lift overall health and safety performance across the Company. Over the past year, several alliances have been established with key contractors. Alignment of safety objectives and commitment to the *Target Zero* initiative form an integral part of the broader contractual obligations. Contractor involvement has been a critical factor in the successful outcome of work undertaken by a number of *Target Zero* working groups.

Holistic Health and Safety Approach

An important aspect of the *Target Zero* initiative has been to raise the safety awareness of our workforce outside the workplace. Newcrest believes that if its employees and contractors improve their approach to safety away from the workplace, this will not only benefit families and the community, it will also encourage improved safety outcomes in the workplace. Newcrest has implemented several home safety initiatives. These include a formal Wellness Program implemented at Cadia and Ridgeway and the distribution of home safety bulletins. These initiatives have been well received and will be continued and their scope broadened over the coming year.

Page 37 top
Safety and Production board at Cadia.
Page 37 lower left
Jason Grace, Open Pit Mining Manager at Cadia.
Page 37 lower right
Daily safety meeting participants at Cadia.

Engagement and Recognition

Systems that promote safety improvements and recognise and reward individuals and groups for their engagement and efforts are an important aspect of encouraging appropriate health and safety behaviour. In the past year each Newcrest site has implemented a monthly safety award system that recognises significant safety initiatives identified and implemented at that site. A Company-wide assessment of these initiatives takes place on a quarterly basis and culminates in the presentation of the Managing Director's Health and Safety Award.

Future Direction

Notwithstanding improved trends in health and safety performance attributable to the *Target Zero* initiative, Newcrest continues to work to eliminate all injuries and incidents from its workplaces. This is a significant challenge that Newcrest plans to achieve in the future. Much has been done to improve health and safety systems and to eliminate risk. Greater focus is now being placed on programs to modify individual health and safety behaviour and to instil a collective commitment to eliminating every injury and incident across the Company.

Key initiatives planned for 2006–07 include:

- reaffirming the *Target Zero* message and program under the leadership of the new Managing Director and Chief Executive Officer
- conducting a comprehensive independent external audit of Newcrest's Corporate Health and Safety Standards
- developing a program that 'personalises safety' by increasing the profile of the human aspect of health and safety performance
- continually improving the effective sharing of health and safety knowledge and learning across the Company.

Statistical Health and Safety Performance

The impact of *Target Zero* is reflected in generally improved safety performance for the Company in the 2005–06 year:

- no fatalities at any Newcrest operation during the year
- a decrease in LTIFR by 41 percent from 2.2 to 1.3 Lost Time Injuries per million exposure hours. Despite the decrease and Newcrest comparing favourably with its industry peers for this measure, the continued presence of Lost Time Injuries remains unacceptable to Newcrest
- TRIFR decreased by 18 percent from 13.6 to 11.1.

Sustainability
Community Relations

Maintaining sound relationships with surrounding communities is an important focus for each of Newcrest's operations.

Throughout the year a number of initiatives were successfully implemented in consultation with local and regional communities.

Telfer

At Telfer, the community relations program is centred on health, education and training initiatives as well as support for a broad range of community sporting and cultural activities. Good progress is being made with the employment of Martu and other Indigenous people at Telfer, both directly by Newcrest and by its principal contractors.

Telfer also actively supports eduction and skills development programs through the Pilbara TAFE including sponsoring places for Indigenous people in hospitality, horticulture and plant machinery courses.

Telfer is a participant in the Western Desert Dialysis Program and this is progressing well towards establishing a dialysis unit in the Jigalong community.

From a cultural perspective, Telfer sponsors a number of key positions through the Western Desert Land Aboriginal Corporation and Pilbara Native Title Services. This includes sponsorship of community development, business development, community liaison, and heritage officers. Cultural awareness programs are also conducted for non-Indigenous employees at Telfer, and training is underway that will enable local Martu people to take a lead role in presenting these courses in the future.

Telfer has recently entered into a community partnership program with the town of Port Hedland. Through this program a number of community projects will be sponsored in Port Hedland.

Cadia Valley Operations

Significant progress was made on a reclamation project jointly sponsored by the Flyers Creek Landcare Group and Cadia Valley Operations. Initiated by Cadia Valley Operations in 2003, the aim of this project is to return a 3 kilometre stretch of Flyers Creek in the Cadia district back to its natural state, eliminating introduced species.

Cadia Valley Operations runs an active program of site tours for educational, business and general interest groups throughout the year. In May this year, a public open day was held at Cadia that attracted over 3,000 visitors to the mine.

A number of important community initiatives have also been successfully launched including the 'Good Onya!' community relations program, which encourages and recognises employees for their contributions to their local community through volunteer work. Local community organisations receive the benefit of both the efforts of the volunteer workers as well as a direct grant from Cadia Valley Operations.

The Cadia Valley Operations Community Partnership program also made significant contributions to local community groups, health organisations, schools and charities. A major achievement of this program was the establishment of the Smith Family Learning for Life program in Orange.

This youngster is the envy of his friends as he sits perched up high with clown Andy Brown during the Parnngurr Sports Carnival sponsored by Newcrest in association with the WA Department of Sport and Recreation.

Gosowong

At Gosowong, excellent progress was made with local community-related projects and programs. Among the more significant of these was the construction of two sports complexes at nearby villages. These comprised soccer fields, basketball courts and stadiums. Health-related initiatives included the establishment of numerous water bores in surrounding villages.

A standout achievement was the setting up of a local community run business to mine and deliver volcanic tuff required to produce fill material for the Kencana underground mine. This involves the use of up to 40 local trucks to transfer the tuff material from the quarry to the backfill plant.

Ongoing dialogue has been maintained with local and provincial government departments with the objective of maximising the benefits and effectiveness of community development programs in the local communities.

Cracow

During the year, Cracow gold mine established a medical centre in Cracow, providing an important facility that was not previously available to the residents of the town and surrounding district.

Recognising a need for additional sporting facilities, tennis courts were also constructed in the town centre and are used by both local residents and mine employees.

Following the implementation of an Indigenous Land Use Agreement in 2004 with the traditional owners of the land, during 2005–06 the mine employed five Aboriginal trainees and awarded 10 High School Scholarships to Aboriginal students, including the award of a laptop computer to the student attaining the best academic result for 2005.

Environmental planning adopts a longer-term focus, which provides opportunities for community involvement and development.

Newcrest is emerging from an intense period of project development. In the last few years we have seen the development and commissioning of the Ridgeway underground mine in the Cadia Valley, the Cracow underground mine in central Queensland, underground and open cut mines at Telfer and the Toguraci open cut and Kencana underground mines at Gosowong in Indonesia.

Each of these developments has been subject to a significant assessment examining potential impacts on the environment and local community.

As we move from construction to operations, the environmental and community management functions also evolve. Construction is a period of rapid change, with an emphasis on minimising adverse environmental impacts. Once in production the emphasis changes to developing and implementing management plans that seek to promote positive impacts and mitigate adverse impacts. Environmental planning adopts a longer-term focus, which provides opportunities for community involvement and development.

In the production phase there is also an increased focus on developing systems that will sustain the mine through its operating life. An effective environmental management system is essential to support the levels of environmental performance we demand from our operations. We have developed our environmental management systems in accordance with ISO 14001, and are progressively implementing these across operations. A third-party audit of the corporate environmental management system was conducted in early 2006 and audits will continue in the future.

Significant Aspects of the Year's Activities

The number of reported environmental incidents fell significantly to 44 compared with 71 in the previous year. There were no Category IV or V incidents in 2006. 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 a significant decrease in environmental incidents per million hours worked. This decrease was from 7.12 incidents per million hours in 2005 to 3.91 incidents per million hours in 2006. Most of the improvement has occurred at Telfer where more effective controls in the process plant have resulted in a reduction in the number of small process spills.

We have become a member of the Federal Government's Greenhouse Challenge Plus program. This voluntary program is designed to encourage companies to reduce their greenhouse gas emissions. Each year we will put forward a number of greenhouse gas abatement plans and then publicly report progress against these plans in the following year. In the past we have managed greenhouse gas emissions indirectly, by focussing on improved energy management. In the future we will consider a wider range of measures to directly reduce greenhouse gas emissions.

Our second Global Reporting Initiative-based Sustainability Report covering the 2004–05 financial year was posted on our website. We have chosen to publish our Sustainability Report online because it enables readers to access links to a range of supporting documentation. These documents provide greater detail on key aspects of our environmental performance.

Page 41 top
Amie Martin, Graduate Environmental Scientist, measuring the groundwater level at the Telfer Dump leach pad.
Page 41 lower left and right
Amie Martin feeding rehabilitated Yellow-throated Miners in the pre release aviary on-site at the Telfer Mine.

We will continue to build our Sustainability Report in coming years to cater for the diverse requirements of our key stakeholder groups. In response to stakeholder feedback, we now produce translations of our summary report in Indonesian and Spanish.

Telfer is revising its mine closure plan in recognition of the uniqueness of the surrounding east Pilbara environment. Through research and development, Telfer plans to assess the viability of designing and constructing the 1.3 billion tonne southern waste dump as a 'mesa'. The objective is to move away from the current standard 'berm-and-bench' design to one that more closely resembles the local landforms. Little is known about the eco-hydrology of mesas. Consequently, Telfer has embarked on a five year scientific research study proposal in partnership with the University of Western Australia's Plant Biology and Soil Physics Departments, the Mining and Energy Research Institute of Western Australia and the Australian Research Council Linkage. The goal of this project is to provide vital information that will assist in the design and rehabilitation of waste rock dumps at Telfer and to suggest best possible land-forming, soil-structuring and revegetation practices.

Cadia Valley, in collaboration with the University of Queensland, has initiated a research project on the development of innovative landform and closure designs for waste rock dumps. Instrumentation has been integrated into a purpose-built waste dump to monitor infiltration, seepage from the base of the dump and oxidation parameters (oxygen and temperature) within the dump. Monitoring data will provide a measure of performance for the various cover systems and so enable the selection of the most effective approach for the rehabilitation of Cadia Valley's waste dumps.

The feasibility study and Environmental Impact Assessment (AMDAL) for Kencana have been approved by the Indonesian central and provincial governments. Following these two approvals, a construction permit was granted by the Indonesian

Department of Energy and Mineral Resources. An operations permit is now being sought from this department.

At the proposed Cadia East project, initial baseline environmental assessments have been undertaken over the central project impact zone. As project infrastructure details become available, most notably the tailings and waste rock management options, these baseline studies will be expanded. Modelling of key impacts such as noise, dust and visual impact will be undertaken following establishment of project details. This is also supported by a structured community consultation program is an integral component of the community relations strategy recently adopted for the broader Cadia district.

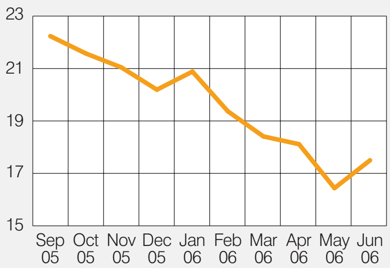
Sustainability
Human Resources

The overall effectiveness of Newcrest's People Strategy is dependent upon the Company's ability to establish and maintain a high level of engagement with its workforce.

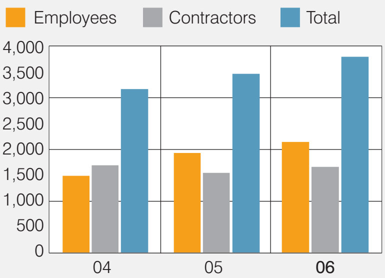
Matthew Butlin
Executive General Manager
Organisation Effectiveness

Employee Turnover (12 month rolling average)

Annual Turnover %



Workforce Statistics



Overview

The current tightness of the skilled labour market in Australia, particularly in the resources sector, requires that Newcrest continues to develop and implement its People Strategy.

The Strategy is founded on two key principles:

- building an organisation capable of implementing and delivering the business strategy based on leadership capability, structure, critical people-based systems and required technical skills
- having the talent needed for the business, which is based on attracting, developing and renewing capability.

During the year, Newcrest made significant progress in implementing key elements of the Strategy and, in particular, strengthening its ability to attract, retain and develop its people. The overall effectiveness of Newcrest's People Strategy is dependent upon the Company's ability to establish and maintain a high level of engagement with its workforce.

Attraction

Newcrest sought to ensure a more sustainable supply of talent by:

- engaging with local secondary schools, supporting student activities in mining-related university faculties and awarding tertiary scholarships to successful vacation employees
- commencing an apprenticeship scheme with an initial intake of 12 new apprentices based at Cadia Valley Operations, and working closely with the local TAFE college.

Retention

Steps taken to enhance the effectiveness of Newcrest's retention strategies included:

- implementing a redesigned remuneration system that reinforces the direction of Newcrest's ethically based high-performance culture and strengthens the link between personal work performance and remuneration
- maintaining a sustainable and competitive position in remuneration levels by responding to changes in pay relativities, both across the industry and within specific professional disciplines
- introducing improved roster arrangements at fly-in/fly-out sites where changes met the dual requirements of being more attractive to employees and delivering improved business outcomes
- tracking employee turnover trends to identify key talent risks and improvement opportunities. This included adopting measures that enable the Company to better identify indicators and causes of turnover.

Development

A number of actions were taken to enhance development opportunities for employees. More significant among these were the following:

- implementing the Work Performance System to enable managers and employees to set and review performance against clear work objectives
- adopting a more systemic approach to succession management and talent identification
- providing high potential employees with targeted development opportunities.

Page 43 top
Sharyl Edwards, truck driver at Cadia.
Page 43 lower left
Michael Yelf, Graduate Mining Engineer. Marina, Graduate Geotechnical Engineer. Ben Sharpe, Graduate Mechanical Engineer at Cadia.
Page 43 lower right
Jamie Dennis, Underground Area Manager – Projects.

Employee Engagement

An Employee Opinion Survey was conducted to assess employee opinions across the Company on a range of work and related issues. The response rate (just under 70 percent) and overall results from the survey were positive. The perceived strengths of Newcrest included:

- commitment to safety and the Company's values
- attention to operating efficiency
- reputation and image, especially in the area of local community relations
- job satisfaction, particularly in relation to morale and contributing to the Company's objectives.

Results were provided to local management teams so that they could develop appropriate actions in areas where the survey identified opportunities for improvement.

Leadership Development

The Company maintains a multi-layered approach to developing leadership capability. Newcrest's focus on leadership development includes:

- rolling out the Newcrest Leadership Program to almost 300 managers across the organisation
- expanding delivery of Front-line Leadership Programs that give employees at supervisor level the opportunity to achieve a nationally accredited Certificate IV in Front-line Management.

Graduate Program

Newcrest's Graduate Program has continued to develop through:

- refinements to the program structure for current graduate employees
- a higher profile approach to attracting applicants for the 2007 intake.

Workforce Profile and Turnover

The 2005–06 year has seen a trend towards lower overall employee turnover at Newcrest. In the current industry environment, however, turnover levels remain volatile, and continued attention to reduction in employee turnover remains an important objective.

Workforce Statistics

During the year Newcrest's workforce continued to grow, which reflected, in particular, expanded operational and project activities at Kencana and Telfer.

The Year Ahead

The strong demand for skilled labour in the Australian resources sector will intensify in 2006–07 and beyond. Attracting and retaining capable employees will continue to be a key challenge for the Company's People Strategy. Developing Newcrest's employees, promoting from within and providing challenging opportunities will continue to be hallmarks of the Company's approach.

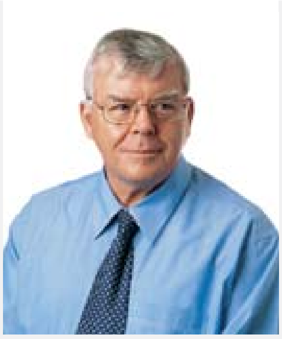
Board of Directors

Ian Johnson

Ian Smith

Bryan Davis

	Qualifications, Experience and Special Responsibilities	Other Directorships
Ian Johnson *Non-Executive Chairman*	Bachelor of Science (Hons) from the University of New England. Mr Johnson is a former Chief Executive Officer of Newcrest Mining Limited and former Group Executive of CRA Limited. A Fellow of AusIMM and a Fellow of the Australian Institute of Company Directors, Mr Johnson was appointed to the Board on 2 September 1998 and elected Chairman on 28 October 1998. He is Chairman of the Remuneration Committee and a member of the Nomination, Governance and Ethics Committee.	Argo Investments Limited – *current, appointed March 2006* John Holland Group Pty. Ltd. – *current, appointed February 2000* Leighton Holdings Limited – *ceased, appointed September 1997 to June 2004* Fonterra Co-operative Group Limited – *ceased, appointed September 2004 to November 2005*
Ian Smith *Managing Director and Chief Executive Officer*	Bachelor of Engineering (Hons) from the University of New South Wales, Bachelor of Financial Administration from the University of New England. Mr Smith was formerly the Global Head of Operational and Technical Excellence of Rio Tinto plc, based in London, and prior to that was the Managing Director, Aluminium Smelting, within the Rio Tinto Group. He commenced as CEO of Newcrest on 14 July 2006, and was appointed Managing Director on 19 July 2006. Mr Smith is also a member of the Australian Institute of Company Directors and the Australian Mines and Metals Association. He is a member of the Remuneration Committee.	
Bryan Davis *Non-Executive Director*	Bachelor of Science Technology (Mining) from the University of New South Wales. Mr Davis is a former Executive Director of Pasminco Limited. A Fellow of AusIMM and a member of the Australian Institute of Company Directors, Mr Davis was appointed to the Board in March 1998. He is Chairman of the Safety, Health and Environment Committee and a member of the Audit and Remuneration Committees.	OneSteel Limited – *current, appointed December 2004* Coal & Allied Industries Ltd – *current, appointed September 2000* Bendigo Mining Limited – *ceased, appointed September 2004 to January 2006* Indophil Resources N.L. – *ceased, appointed November 2000 to April 2005*


Ronald Milne


Michael O'Leary


Ian Renard


Nora Scheinkestel

	Qualifications, Experience and Special Responsibilities	Other Directorships
Ronald Milne *Non-Executive Director*	Member of Certified Practising Accountants Australia. Mr Milne was appointed to the Board in November 1995 and has a management career extending through the manufacturing, merchant banking and oil exploration industries. He is Chairman of the Finance Committee and a member of the Remuneration, Audit and Safety, Health and Environment Committees.	Brambles Industries Limited *– ceased, appointed June 1985 to November 2004* Brambles Industries plc *– ceased, appointed August 2001 to November 2004*
Michael O'Leary *Non-Executive Director*	Bachelor of Science (Technology) from the University of New South Wales. Mr O'Leary is a former Chairman and Managing Director of Argyle Diamond Mines and Hamersley Iron and former Director of CRA Limited and Rio Tinto plc. A Fellow of AusIMM and Fellow of the Australian Institute of Company Directors, he was appointed to the Board in September 2003. Mr O'Leary is a member of the Remuneration, Finance and Safety, Health and Environment Committees.	Santos Limited *– current, appointed October 1996* Bank West Ltd *– ceased, appointed May 1996 to September 2004*
Ian Renard *Non-Executive Director*	Bachelor of Arts and Master of Laws Degrees from the University of Melbourne. Mr Renard is Chancellor of the University of Melbourne. A Fellow of the Australian Institute of Company Directors, he was appointed to the Board in May 1998. Mr Renard is Chairman of the Audit Committee and a member of the Remuneration and Nomination, Governance and Ethics Committees.	CSL Limited *– current, appointed August 1998* Hillview Quarries Pty Ltd *– current, appointed August 1998* SP Ausnet Transmission Ltd *– current, appointed October 2005* SP Ausnet Distribution Ltd *– current, appointed May 2005* SP Ausnet (RE) Limited *– current, appointed September 2005* AMP Limited *– ceased, appointed August 1998 to August 2003*
Nora Scheinkestel *Non-Executive Director*	Bachelor of Laws (Hons) and PhD from the University of Melbourne. Dr Scheinkestel is an Associate Professor at the Melbourne Business School at the University of Melbourne and a Fellow of the Australian Institute of Company Directors. She was appointed to the Board in August 2000 with a management background in international banking and project finance. Dr Scheinkestel is Chairman of the Nomination, Governance and Ethics Committee and a member of the Remuneration and Finance Committees.	PaperlinX Limited *– current, appointed February 2000* AMP Limited *– current, appointed September 2003* Mayne Pharma Limited *– current, appointed October 2005* Orica Limited *– current, appointed August 2006* Mayne Group Limited *– ceased, appointed July 2005 to November 2005* South East Water Ltd *– ceased, appointed July 2002 to August 2005*

Corporate Governance

Bernard Lavery
Executive General Manager
Corporate Services

Newcrest's vision is to maintain its position as a leading producer of gold and copper, creating shareholder wealth in a manner which also benefits our employees and the communities and environment in which we operate. The Newcrest Board believes that adherence by the Company and its people to the highest standards of corporate governance is critical in order to achieve this vision.

Following is a summary of Newcrest's corporate governance practices during the year to 30 June 2006, in accordance with the Principles of Good Corporate Governance and Best Practice Recommendations issued by the Australian Stock Exchange Corporate Governance Council (ASX CGC Recommendations).

Principle 1 – Lay Solid Foundations for Management and Oversight

On behalf of the shareholders, the Board:

- sets the Company's strategic goals and objectives
- oversees the management and performance of the Company's business

These and other functions of the Board, and by exception the functions delegated to management, have been formalised through the adoption of a formal Board Charter. The Board Charter can be found at www.newcrest.com.au/corporate.asp.

The Board Charter defines the Board's role and responsibilities in relation to strategic, financial, operational and governance matters. It makes it clear that the role of the Board is not to manage the Company but to set, on behalf of the owners, the strategic direction of the Company and to review, oversee and monitor the management and performance of the business by the Company's management team. All Directors have direct access to the Company's senior managers. The Board has adopted a formal policy that ensures Directors also have access to independent external advisers when necessary at the Company's expense. All Directors are encouraged to visit the Company's operating sites annually.

To facilitate the execution of its responsibilities, the Board has established a number of Committees, which provide a forum for a more detailed analysis of key issues. All Directors (including the Managing Director) receive all Committee papers and minutes and are welcome to attend any Committee meeting. Each Committee reports its deliberations to the next Board meeting.

The current Committees of the Newcrest Board, their membership and functions are as follows.

Audit Committee

Members: Ian Renard (Chairman), Bryan Davis, Ronald Milne

Function: ensures compliance with all accounting and financial reporting obligations of the Group and reviews internal financial controls and the role of the internal and external auditors, including the independence of the external auditors, and the Company's risk management activities.

Remuneration Committee

Members: Ian Johnson (Chairman), all Directors

Function: deals with all matters relating to the Company's remuneration policy, executive and employee remuneration levels and remuneration matters generally.

It should be noted that the Managing Director, although a member of the Remuneration Committee, absents himself from all discussions relating to his remuneration.

Finance Committee

Members: Ronald Milne (Chairman), Nora Scheinkestel, Michael O'Leary

Function: formulates and monitors policies and procedures for treasury practices and considers the Company's funding requirements.

Nomination, Governance and Ethics Committee

Members: Nora Scheinkestel (Chairman), Ian Johnson, Ian Renard

Function: considers candidates for the Board, reviews corporate governance issues and processes and human resources issues (excluding remuneration) and monitors the ethical framework for the Company.

Safety, Health and Environment Committee

Members: Bryan Davis (Chairman), Ronald Milne, Michael O'Leary

Function: monitors the Company's safety, health and environmental management practices and ensures that the Company has appropriate policies in place to provide a framework for compliance with all relevant laws, regulations and standards.

Charters for all Board Committees can be found at www.newcrest.com.au/corporate.asp. Details of the number of meetings of the Board and of each Committee held during the financial year, and of each Director's attendance at those meetings (as relevant), are set out on page 52 of this Report.

Principle 2 – Structure the Board to Add Value

Newcrest's Board currently comprises seven Directors – the Managing Director, Mr Ian Smith, and six Non-Executive Directors, being Mr Ian Johnson (Chairman) and Messrs Bryan Davis, Ronald Milne, Michael O'Leary, Ian Renard and Dr Nora Scheinkestel. Details of each Director's skills, experience and relevant qualifications and expertise, as well as the term of office held by that Director as at the date of this Report, are set out on pages 44 and 45. As a general rule, a Non-Executive Director who has served on the Board for 12 years or more will not seek re-election.

The Board has determined that all Non-Executive Directors, other than Mr Davis, are independent and free of any relationship which might conflict with the interests of the Company. In doing so the Board has adopted the definition of independence set out in the ASX CGC Recommendations and formed the view that the materiality thresholds set out in that definition would be breached only if a Director received, as a consultant to the Company, fees exceeding $250,000 per annum, was a principal or partner of a professional adviser that billed more than $3 million per annum during the last three years, or was a Director or Officer of a supplier or customer that held contracts with the Company for an aggregate value exceeding 10 percent of Newcrest's annual revenue.

Based on the definition of independence set out in the ASX CGC Recommendations, the Board has determined that Mr Davis ceased to be an independent Director as a result of his employment by the Company in an executive capacity, as Interim Managing Director and Chief Executive Officer, upon Mr Palmer's departure from the Company on 3 May 2006. Mr Davis acted in this role from 4 May to 19 July 2006, pending Mr Ian Smith's commencement as the Company's new Managing Director. The terms of Mr Davis' appointment during that time, including remuneration, are set out on page 60 of this Report.

Mr Davis was granted leave of absence as a Non-Executive Director and stood down as a member of the Audit Committee during his tenure as Interim Managing Director and Chief Executive Officer. As a consequence, during that time the Audit Committee comprised only two members, rather than three as recommended by the ASX CGC Recommendations. The Board did not appoint an additional Non-Executive Director to the Audit Committee during Mr Davis' tenure as Interim Managing Director and Chief Executive Officer due to the short-term nature of his absence from the Committee. The Audit Committee met only once during that period.

Subsequent to the end of the financial year, the Board has also considered the potential impact on Dr Scheinkestel's status as an independent Non-Executive Director of the Company following her appointment as a non-executive director of Orica Limited on 1 August 2006.

The Board has determined that, notwithstanding that Orica is a supplier of chemicals and explosives to the Company, Dr Scheinkestel remains independent on the basis that the annual aggregate value of Newcrest's contracts with the Orica group is below the applicable materiality threshold adopted by the Board for the purpose of determining Director independence, as outlined above.

The Board will continue to monitor the independence of each Director and the materiality thresholds that it has set to ensure that they remain appropriate.

The Board regularly reviews its membership to ensure that it offers the range of business skills and expertise demanded by the Company's operations.

When a Board position becomes vacant or additional Directors are required, candidates are identified, with professional advice taken if necessary. Candidates are initially considered by the Nomination, Governance and Ethics Committee and then by the full Board. Appointment of the Managing Director is made by the full Board, with professional advice taken if necessary. All Board appointments are subject to shareholder approval.

Principle 3 – Promote Ethical and Responsible Decision-making

Ethics and Values

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 which detail the framework for acceptable corporate behaviour. These set out the procedures that personnel are required to follow in a range of areas including share trading, employment practices and compliance. The Company policies are reviewed periodically.

Newcrest has formulated and adopted five key values to guide its Directors and 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.

An extensive training program has been developed to educate employees in the Newcrest values and to encourage them to do the right thing in accordance with these values.

Directors' and employees' shareholdings and share trading are subject to the Company's Share Trading Policy, which restricts the times when a Director or employee can purchase or sell Company securities, and prohibits short-term trading.

A copy of the Share Trading Policy, as well as the Company's Code of Conduct and other policies, can be found online at www.newcrest.com.au/corporate.asp.

Principle 4 – Safeguard Integrity in Financial Reporting

Newcrest's Managing Director and Executive General Manager Finance have each provided written statements to the Newcrest Board in relation to both the half year to 31 December 2005 and the full financial year to 30 June 2006 that the Company's financial reports present a true and fair view of the Company's financial condition and operational results, are in accordance with relevant accounting standards, and that the Company's financial records have been properly maintained in accordance with the requirements of the Corporations Act.

In relation to the year ended 30 June 2006, Newcrest's Executive General Manager Finance has also provided a written statement to the Board that the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control, and that the system is operating efficiently and effectively in all material respects. It should be noted that, while Newcrest's Chief Executive Officer has previously also provided a written statement in these terms in prior years, Mr Ian Smith has not done so this year on account of his employment with the Company commencing after the end of the 2005–06 financial year.

These statements support the Audit Committee in discharging its role of reviewing the integrity of Newcrest's financial reporting, and reporting to the Board on the status of the Company's risk management and control systems. The Audit Committee is given further assurance regarding the integrity of the Company's control systems by the internal audit team, led by the General Manager Risk and assisted by KPMG, which provides a majority of the internal audit reports.

Ernst & Young has provided the Audit Committee with a confirmation of its independence for the financial year. During the financial year Ernst & Young did not perform any non-audit services. The Newcrest policy on auditor independence sets out guiding principles to avoid circumstances where the independence of the Company's auditors may be impaired, namely where:

- the non-audit services would normally be subject to scrutiny as part of the external audit process
- the fees for the non-audit services would be considered significant compared to the audit fees
- the non-audit services could be considered to be in conflict with the role of the external auditor, by their nature or by their means of compensation.

Principle 5 – Make Timely and Balanced Disclosure

The Board recognises the importance of keeping the market fully informed of the Company's activities and of communicating openly and clearly with all stakeholders. The Company has a formal Continuous Disclosure Policy in place to ensure that this occurs, a copy of which is available at www.newcrest.com.au/corporate.asp.

Pursuant to the Policy, Company information considered to be material is announced immediately through the ASX and key presentations given by Company personnel to investors and institutions are also lodged with the ASX. The Executive General

Corporate Governance continued

Manager Corporate Services has primary responsibility for coordinating disclosure in accordance with the Policy.

All key communications are placed immediately on the Company 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.

The Company is currently undertaking a review of its Continuous Disclosure Policy and disclosure practices to ensure that they comply with the Company's legal obligations and the ASX CGC Recommendations.

Principle 6 – Respect the Rights of Shareholders

It is the Board's aim that the Company implements effective communication with its shareholders. Under the guidance of Newcrest's Company Secretary and its Head of Investor Relations, this is achieved through:

- complying with ASX listing rules and Corporations Act reporting requirements
- webcasting half year and full year financial results and quarterly report presentations
- ensuring continuous disclosure compliance
- holding an accessible and informative Annual General Meeting
- posting on the Company's website all other ASX announcements including analysts' briefings and presentations by the Company to public forums.

The Company has adopted the practice of alternating the location of its Annual General Meeting to facilitate the maximum possible attendance by shareholders. At each meeting the Company's auditors are available to answer questions relating to the audit of the Company's Financial Statements and the accounting policies adopted by the Company in the preparation of its Financial Statements. The Newcrest Chairman encourages shareholder questions at the Company's Annual General Meeting and shareholders unable to attend are given the opportunity to submit questions to the Chairman prior to the meeting.

Principle 7 – Recognise and Manage Risk

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.

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 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 areas. An internal audit function, which reviews and reports to the Audit Committee on the effectiveness of those mechanisms, is also maintained.

These reporting and control mechanisms underpin the written statements given by the Managing Director and Executive General Manager Finance to the Board each half year. Details of these statements are set out in the section of this corporate governance statement dealing with Principle 4.

Principle 8 – Encourage Enhanced Performance

The Company has in place a performance appraisal and remuneration system for the Board, the Board's Committees, individual Directors and Executives, that is designed to encourage performance. Further details regarding the Newcrest performance management system for the period 2005–06 are set out in the Remuneration Report on pages 53 to 66. The Company also receives an annual confidential market report benchmarking Board and Company performance and standing relative to comparable 'peer group' companies.

Principle 9 – Remunerate Fairly and Responsibly

Board Remuneration

Remuneration of the Non-Executive Directors is fixed rather than variable. It is determined so that Board membership of an appropriate calibre is maintained and is in accordance with remuneration trends in the marketplace. Remuneration levels and trends are assessed with the assistance of professional independent remuneration consultants.

Total annual remuneration paid to all Non-Executive Directors may not exceed the maximum amount authorised by the shareholders in a general meeting (currently $1,300,000). The Board has also adopted a policy that each Director must personally hold a minimum of 3,000 shares in the Company. In addition to the minimum shareholding, each Director is required to participate in the Non-Executive Directors' Share Plan, pursuant to which at least 10 percent of each Director's annual remuneration must be used to buy shares in the Company, on market and at pre-determined times. Both of these measures align Directors' personal interests with shareholders' interests.

Each Non-Executive Director appointed prior to 2003 entered into a deed with the Company which provides that, upon retirement, that Director will be eligible to receive a retirement benefit being an amount equivalent to the fees paid to that Director during the preceding three years less superannuation benefits attributable to Company contributions. In 2003 the Board determined that the practice of providing retirement benefits be discontinued, and that all benefits accrued as at December 2003 should be frozen at that date.

From time to time individual Directors may be asked by the Board to undertake extra duties, usually involving their specialist skills or knowledge, to assist the Board to monitor, review or direct key aspects of the Company's business. No conflict of interest or loss of independence arises in this situation because any Director who undertakes such extra duties does so only at the request and direction of the Board, rather than management.

Executive Remuneration

The Board has a formal Remuneration Policy in place which defines and directs the Company's remuneration practices. The Board reviewed and revised the way in which executive remuneration is structured during 2005–06, although the underlying principles of risk and reward for performance remain unchanged. Details of these structural changes are set out on page 55 of the Remuneration Report. The Remuneration Policy recognises the different levels of contribution within management to the short-term and long-term success of the Company. A key element of the Remuneration Policy is the principle of reward for performance, with a significant proportion of each senior manager's remuneration placed 'at risk' – that is, dependent upon both personal and Company performance. Every employee undergoes a formal performance appraisal each year which is used, in part, to determine that employee's remuneration in the year ahead.

The Board has established with the Managing Director appropriate and specific personal and corporate performance objectives for the short and long term. The performance of the Managing Director is formally assessed against these objectives annually. The assessment is used to determine, in part, the level of 'at risk' remuneration paid to the Managing Director.

Details of the Company's policies and practices in relation to both Director and employee remuneration, and how they relate to Company performance, are set out in the Remuneration Report on pages 53 to 66.

Principle 10 – Recognise the Legitimate Interest of Stakeholders

Newcrest has a formal Code of Conduct which sets out 12 standards for appropriate ethical and professional behaviour for Directors and employees of the Company, and which confirms the values that underpin all of Newcrest's relationships with its stakeholders.

Sustainability is an important part of Newcrest's vision to develop successful mining operations through balancing economic prosperity, environmental quality and social responsibility. Newcrest is a signatory to the AMI Code for Environmental Management (2000). A Sustainability Report detailing the Company's environmental and social performance is prepared each year. A copy of the Report can be found on the website at www.newcrest.com.au/sus_report.asp.

Concise Financial Report
For the year ended 30 June 2006

The 2006 Concise Financial Report is an extract from the full Financial Report for the year ended 30 June 2006. The financial statements and specific disclosures included in the Concise Financial Report have been derived from the full Financial Report.

The Concise Financial Report does not, and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Newcrest Mining Limited and its controlled entities as the full Financial Report.

2006 Full Financial Report
A copy of Newcrest Mining Limited's 2006 Annual Financial Report, together with the Independent Audit Report, is available to all shareholders free of charge upon request. The financial statements can be requested by telephone, by internet or email.

The Directors present their report together with the financial report of Newcrest Mining Limited ('the Company') and of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2006 and the Auditor's Report thereon.

Directors

The Directors of the Company at any time during the financial year and until the date of this report are:

Ian Johnson
Non-Executive Chairman

Ian Smith
Managing Director and Chief Executive Officer
(appointed 14 July 2006)

Bryan Davis
Non-Executive Director

Ronald Milne
Non-Executive Director

Ian Renard
Non-Executive Director

Nora Scheinkestel
Non-Executive Director

Michael O'Leary
Non-Executive Director

Anthony Palmer
Previous Managing Director and Chief Executive Officer
(resigned 3 May 2006)

Appointment and Qualifications of Directors

Details of the Directors' qualifications, experience and special responsibilities appear on pages 44 and 45. All directors held their position as a Director throughout the entire year and up to the date of this Report except as follows:

- Ian Smith was appointed Chief Executive Officer on 14 July 2006 and as Managing Director on 19 July 2006.
- Anthony Palmer was the Managing Director and Chief Executive Officer from the beginning of the financial year up to his resignation on 3 May 2006.
- Bryan Davis was acting Managing Director and Chief Executive Officer for the period 4 May 2006 to 19 July 2006 during which period he served as an Executive Director.

Company Secretary

Bernard Lavery – Bachelor of Laws and Bachelor of Jurisprudence.

Mr Lavery has been the Company Secretary of Newcrest Mining Limited for 10 years.

Principal Activities

The principal activities of the Consolidated Entity during the year were exploration, development, mining and the sale of gold and gold/copper concentrate. There were no significant changes in those activities during the year.

Consolidated Result

The profit of the Consolidated Entity for the year ended 30 June 2006 after income tax and outside equity interest amounted to $349.5 million (2005: $130.0 million).

Dividends

The following dividends of the Consolidated Entity have been paid, declared or recommended since the end of the preceding year:

- Final dividend franked to 49 percent for 30 June 2005 of 5 cents per share, amounting to $16.6 million was paid on 14 October 2005.
- Dividend of $2.2 million was paid to minority interests.
- Final unfranked dividend for 30 June 2006 of 5 cents per share, amounting to approximately $16.7 million has been declared and will be paid on 13 October 2006 to shareholders registered by close of business on 22 September 2006 (refer Note 3).

Operating and Financial Review

Overview of Operating Results for the Year

Net profit after tax and minority interests was $349.5 million (2005: $130.0 million). The reported results for 2006 include $218.2 million profit on sale of Consolidated Entity's 22.22 percent interest in the Boddington Gold Mine Joint Venture.

Net profit after tax from continuing operations and after minority interest was $131.3 million (2005: $130.0 million). Higher sales volumes were achieved from the first full year of production from the recommencement of Telfer open pit operations. Sales revenue increased to $1,404.1 million (2005: $985.5 million), however hedging commitments reduced the Consolidated Entity's ability to fully benefit from the recent higher spot gold and copper prices resulting in an achieved gold price of $564 per ounce (2005: $576 per ounce) and an achieved copper price of $2.22 per pound (2005: $1.85 per pound). The overall operating gross margin was impacted by an increase in mining costs associated with higher production volumes from Telfer open pit and Cracow operations. Costs were also adversely impacted by price increases of key inputs specifically labour, maintenance, realisation, royalties, steel and diesel costs. Per unit costs were also impacted by lower than expected production volumes from the Telfer open pit operations due to grade underperformance in the weathered and transitional portion of the ore body, lower metallurgical recoveries and mining dilution issues.

The financial highlights of the 2005–06 year are summarised in the following table:

	2006	2005
Net profit after tax from continuing operations and after minority interests	**$131.3 million**	$130.0 million
Net profit after tax from discontinued operation (Boddington)	**$218.2 million**	–
Total net profit after tax and minority interests	**$349.5 million**	$130.0 million
Basic earnings per share from continuing operations after minority interests	**39.6 cents**	39.4 cents
Total basic earnings per share after minority interests	**105.3 cents**	39.4 cents
Return on members equity (EBIT)*	**17.5 percent**	20.5 percent
Return on members equity (Net profit after tax)*	**8.9 percent**	11.6 percent
Gearing (net debt/(net debt-plus-equity))*	**50 percent**	55 percent

*Calculations based on profit from continuing operations after minority interest and after excluding the impact of AIFRS derivatives included in equity.

Further information on the operating results are included in the Chairman's Report, Managing Director and Chief Executive Officer's report and the Financial Statements section of the Annual Report and the discussion and analysis section in the Concise Accounts.

Review of Financial Condition

The introduction of Australian Equivalents to International Financial Reporting Standards ('AIFRS') has meant that the balance sheet of the Consolidated Entity has changed substantially from 30 June 2005 with the key changes principally relating to the impact of recognising financial derivatives.There was no change to the 30 June 2005 comparatives in respect of derivatives as the Consolidated Entity has elected to apply the option available under AASB 1 First-time adoption of Australian equivalents to International Financial Reporting Standards to adopt AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005. Major changes as at 30 June 2006 were:

- Included in total liabilities is $1,791.9 million relating to the recognition of the fair value of the derivative financial instruments.
- A deferred tax asset of $559.1 million was recognised relating to the fair value of derivative financial instruments.
- Recognised in the equity hedge reserve is negative $1,334.0 million which represents the tax effected movement in the fair value of derivative financial instruments being deferred as these derivatives qualify as effective hedges and the recognition of deferred foreign exchange losses on US dollar borrowings designated as an effective hedge of future US dollar commodity sales.

Excluding the AIFRS impact of derivative financial instruments, the financial condition of the Consolidated Entity remains relatively unchanged in the current period with an additional increase in net borrowings of $101 million to fund operations and existing investing activities of Newcrest. The gearing ratio (net debt/(net debt + equity)), adjusted to exclude the balance sheet impact of derivatives under AIFRS, shows that gearing decreased from 55 percent at 30 June 2005, to 50 percent at 30 June 2006. The reduction was mainly due to the use of the Boddington sale proceeds and the increase in equity from the net profit on the sale of Boddington. The impact of AIFRS adjustments relating to derivatives are also excluded from the Consolidated Entity's borrowing covenants as agreed with counterparties.

With the successful completion of the majority of the funding restructure in the prior financial year, the main changes in funding in the current year include:

- Finalisation of additional Bilateral debt facilities taking total available Bilateral facilities to US$969.0 million with 14 banks.
- Replacing $243.5 million of short-term loan and stand-by facilities by using longer term US Dollar Bilateral debt proceeds.
- Repaid $87.3 million of finance lease liabilities.

Newcrest has a higher level of gearing than anticipated primarily due to the delay in the start–up of commissioning at Telfer. The Consolidated Entity is focussed on a reduction in gearing levels to more modest levels given the strong cash flow forecast from Telfer and other operations over the next few years and the focus of the Capital Management Plan will be on finding the right mix between reinvestment in existing development projects, reduction of debt and returns to shareholders.

Further information on the financial condition of the Consolidated Entity is included in the Financial Statements section of the Annual Report and the discussion and analysis section in the Concise Accounts.

Likely Developments, Business Strategies and Future Prospects

The Consolidated Entity will see the benefits of the commissioning of the Telfer Underground project and Kencana having a material impact with increases in key financial results and measures expected for the 2006–07 full financial year. The most significant areas of development, strategies and prospects for Newcrest are:

- Commissioning of the Telfer Underground and production ramp–up.
- Ongoing improvements in the Telfer open pit from improved predictability of ore grade and the definition of ore/waste boundaries and the metallurgical treatment performance is expected to have a positive effect on the future level of production.
- Kencana will continue production ramp-up in Q1 of the 2006–07 financial year.
- Higher grades are expected from Cadia Hill in Q4 of 2006–07 and 2007–08.
- Feasibility and development work to continue at Cadia East and Ridgeway Deeps.
- Commitment to exploration activities to continue.

Further information on likely developments and future prospects for the operations of Newcrest known to the date of this report have also been covered in further detail in the Chairman's Report and the Managing Director and Chief Executive Officer's Report which are included in the Annual Report. Any further information of this nature has been omitted as it would unreasonably prejudice the interests of the Consolidated Entity.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year were as follows:

(i) The 2005–06 financial year was a significant year with the operating results including an increase in sales ounces due to this being the first full period of operations at Telfer since open cut mining recommenced.

(ii) Telfer Underground and the infrastructure construction was completed in the June 2006 quarter and Underground operations focused on the preparation for production ramp–up in the first quarter of 2006–07. Revenue and operating costs incurred during the pre-commissioning phase which are necessary to bring the Telfer Underground to a stage for its intended use are included in the capital cost of construction.

(iii) During the year Newcrest Mining Limited announced that it had signed an agreement with Newmont Mining Corporation for the sale of its 22.22 percent interest in the Boddington Joint Venture for consideration of $225 million. The sale generated a post-tax profit of $218.2 million after taking into account the carrying value of the investment (including the reversal of environmental provisions), transaction costs and tax.

(iv) This is the first full year financial report that complies with AIFRS. The introduction of AIFRS has resulted in a substantial change to the composition of the balance sheet mainly due to the recognition of the fair value of derivative financial instruments. Refer further information above in the Review of Financial Condition section and in Note 8 to the Concise Financial Statements.

Subsequent Events

On 28 August 2006, the directors of Newcrest Mining Limited declared a final unfranked dividend on ordinary shares in respect of the 2006 financial year. The total amount of the dividend is $16.7 million, which represents an unfranked dividend of 5 cents per share. The dividend has not been provided for in the 30 June 2006 financial statements.

There are no other matters or circumstances which have arisen since 30 June 2006 that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

Environmental Regulation and Performance

The operations of the Consolidated Entity in Australia are subject to environmental regulation under the laws of the Commonwealth and the States in which those operations are conducted. The operation in Indonesia is subject to environmental regulation under the laws of the Republic of Indonesia and the Province in which it operates. It is the policy of the Consolidated Entity to comply with all relevant environmental regulations in the other countries in which it operates.

Each mining operation is subject to particular environmental regulation specific to the activities undertaken at that site as part of the licence or approval for that operation. There is also a broad range of industry specific environmental laws which apply to all mining operations and other operations of the Consolidated Entity. The environmental laws and regulations generally address the potential impact of the Consolidated Entity's activities in relation to water and air quality, noise, surface disturbance and the impact upon flora and fauna.

The Consolidated Entity has a uniform internal reporting system across all sites. All environmental events, including breaches of any regulation or law, are ranked according to their actual or potential environmental consequence. Five levels of incidents are recognised (based on Australian Standard AS4360): I (insignificant), II (minor), III (moderate), IV (major) and V (catastrophic). Data on Category I incidents are only collected at a site level and are not reported in aggregate for the Consolidated Entity.

The number of events reported in each category during the year are shown in the accompanying table below. In all cases environmental authorities were notified of those events where required and remedial action was undertaken. There was a significant decrease in Category II (minor) incidents compared with the previous year. Most of the reduction occurred at Telfer where improved controls on the process plant significantly reduced small process spills.

Category	II	III	IV	V
2006 – No. of incidents	40	4	–	–
2005 – No. of incidents	66	5	–	–

The Managing Director reports monthly to the Board on all environmental and health and safety incidents. The Board also has a Safety, Health and Environment Committee which reviews the environmental and safety performance of the Consolidated Entity. The Directors are not aware of any environmental matters which would have a materially adverse impact on the overall business of the Consolidated Entity.

Directors' Meetings

The number of Directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Finance Committee Meetings		Nomination, Governance and Ethics Committee Meetings		Safety, Health and Environment Committee Meetings	
	A	B	A	C	A	C	A	C	A	C	A	C
I. R. Johnson	11	15	–	–	1	3	–	–	7	8	–	–
A. J. Palmer (ceased employment 3 May 2006)	13	13	–	–	2	2	–	–	–	–	–	–
N. L. Scheinkestel	15	15	–	–	3	3	4	4	8	8	–	–
R. B. Davis	15	15	3	4	3	3	–	–	–	–	4	4
R. C. Milne	15	15	4	4	3	3	4	4	–	–	4	4
I. A. Renard	14	15	4	4	3	3	–	–	7	8	–	–
M. A. O'Leary	15	15	–	–	3	3	4	4	–	–	4	4

Column A – Indicates the number of meetings attended.
Column B – Indicates the number of meetings held whilst a Director.
Column C – Indicates the number of meetings held whilst a member.

The details of the functions and memberships of the Committees of the Board are presented in the Statement of Corporate Governance.

Directors' Interests

The relevant interest of each Director in share capital of the Company, as notified by the Directors to the Australian Stock Exchange in accordance with Section 235(1) of the *Corporations Act 2001*, at the date of this report, is as follows:

	Chief Entity or Related Body Corporate	Number of Ordinary Shares	Nature of Interest	Number of Rights/Options Over Ordinary Shares
I. R. Johnson	Newcrest Mining Limited	45,914	Direct and Indirect	–
I. K. Smith	Newcrest Mining Limited	–	–	–
R. B. Davis	Newcrest Mining Limited	16,082	Direct and Indirect	–
R.C. Milne	Newcrest Mining Limited	9,924	Direct	–
I. A. Renard	Newcrest Mining Limited	17,391	Direct	–
N. L. Scheinkestel	Newcrest Mining Limited	73,482	Direct and Indirect	–
M. A. O'Leary	Newcrest Mining Limited	13,812	Direct	–

Remuneration Report

Remuneration Report

1. About this Report

This entire Remuneration Report is designated as audited.

This Report outlines the overall remuneration strategy, framework and practices adopted by Newcrest Mining Limited (the **Company**) for the period 1 July 2005 – 30 June 2006. Included are specific details of the remuneration arrangements for the Company's Key Management Personnel during this period, in accordance with the requirements of Section 300A of the Corporations Act 2001 and AASB 124. Key Management Personnel as defined in AASB 124 comprise the Company's Directors whose names appear in Table 9.1 and the Executive General Managers whose names appear in Table 9.2. In sections of this Report where remuneration arrangements are dealt with separately for Directors and for the Executive General Managers, for clarity the term Directors is used and the term Key Management Personnel refers to Executive General Managers only.

2. The Role of the Remuneration Committee

The Remuneration Committee (the Committee) is responsible for approving and overseeing the implementation of the Company's remuneration policies and practices. The Committee holds the full delegated authority of the Board, including the power of decision-making, in relation to the duties and responsibilities set out in the Board Charter. The Charter is available on the Company's website at www.newcrest.com.au.

References in this Report to matters considered or decided by the Committee should be taken as matters considered or decided by the Board.

2.1 Duties and Responsibilities

The key duties and responsibilities of the Committee are to consider and make decisions in relation to:

- the broad remuneration strategies of the Company
- the remuneration of Executive Officers on an annual basis, including incentive schemes
- the implementation and administration of major components of the Company's remuneration strategy such as superannuation, share plans, incentive and bonus payments
- performance management practices and outcomes
- the remuneration policies and practices of the Company, including contract terms, retirement and termination entitlements of Executive Officers
- the remuneration framework for Directors.

2.2 Composition

The Committee comprises all Non-Executive Directors and the Managing Director and is chaired by the Chairman of the Board. Other usual attendees at meetings include the Executive General Manager Organisation Effectiveness and the Company Secretary (Committee Secretary).

The Managing Director does not participate in any Committee deliberations or decisions in relation to his own position or remuneration. Non-Executive Directors are permitted to consider remuneration arrangements applicable to themselves pursuant to an ASIC relief order. However, they do not participate in any discussions or decisions taken by the Committee relating to their personal remuneration arrangements such as payment of fees for additional services.

A minimum of two thirds of the Committee members are required for a quorum.

2.3 Meetings

The Committee meets at least three times a year to review the structure and implementation of the Company's remuneration strategy including:

- fixed remuneration
- at risk remuneration
- Short Term Incentive (**STI**) plans
- equity-based remuneration (including Long Term Incentive (**LTI**) and Medium Term Incentive (**MTI**) plans).

Each of these components of remuneration is described later in this Report.

3. Directors and Key Management Personnel

3.1 Directors

Directors comprise the Managing Director and Non-Executive Directors.

The remuneration of the Managing Director is made up of fixed remuneration and at risk remuneration. At risk remuneration for the Managing Director includes both short-term and long-term incentives.

Non-Executive Directors are remunerated only by the payment of fixed fees and, where applicable, fees for extra services. A minimum of 10 percent of fixed fees must be directed to the purchase of Company shares under the Non-Executive Directors' Share Plan. Mandatory superannuation contributions are deducted from each Non-Executive Director's fees. No short-term, medium-term or long-term incentives are paid to Non-Executive Directors.

3.2 Rotation and Re-election

Under the Company's Constitution, each Director, other than the Managing Director, is required to retire by rotation every third year at a minimum. A Director retiring by rotation is eligible to stand for re-election if he or she chooses to do so.

It is Board policy that a Non-Executive Director who has served on the Board for 12 or more years will not seek re-election.

3.3 Key Management Personnel

Key Management Personnel (other than the Directors) are the six Executive General Managers who are members of the Company's Executive Committee. Executive General Managers, together with the Managing Director, exercise the greatest control over the management and strategic direction of the Company and are also the highest paid individuals in both the parent entity and consolidated entity.

The remuneration of Key Management Personnel comprises fixed remuneration and at risk remuneration. At risk remuneration for Key Management Personnel includes short-term, medium-term and long-term incentives.

4. Non-Executive Directors' Remuneration

4.1 Fees

Non-Executive Directors, including the Chairman, are paid fixed fees for their services to the Company. Those fees are inclusive of any contribution to superannuation that a Non-Executive Director wishes to make or which the Company is required by law to make on behalf of a Non-Executive Director. The level and structure of fees is based upon:

- the need for the Company to be able to attract and retain Non-Executive Directors of an appropriate calibre
- the demands of the role
- prevailing market conditions.

The aggregate amount of fees paid is within the overall amount approved by shareholders in general meeting. The last determination made was at the Annual General Meeting held on 27 October 2005, at which shareholders approved an aggregate amount of $1,300,000 per annum.

In 2005–06, Mr Milne was paid an amount of $5,000 in addition to his fixed fee as a Non-Executive Director for acting as Chairman of the Company's Superannuation Policy Committee.

Under the Company's Constitution, Non-Executive Directors may be remunerated for extra services, for example, if they undertake specialist or consulting work on behalf of the Company outside the scope of their normal Director's duties. During the course of 2005–06, three Directors received additional remuneration for undertaking specialist work at the direction of the Board. Details of those payments are included in Table 3 of this Report. (Note that Mr Bryan Davis' remuneration as Interim Managing Director is not treated as remuneration for extra services performed by a Director, but as payment pursuant to a Services Agreement, details of which are set out under the heading *Managing Director's Remuneration* in this Report).

4.2 Non-Executive Directors' Share Plan

Non-Executive Directors do not receive any performance related remuneration and are not entitled to participate in the Company's Executive Share Option Plan or the Executive Performance Share Plan. Each Non-Executive Director is, however, required to participate in the compulsory Non-Executive Director Share Plan pursuant to which a minimum 10 percent of each Non-Executive Director's fees must be used to buy shares in the Company on market at the prevailing market price (with no discount). All Directors, including the Managing Director, are required to hold a minimum of 3,000 shares in the Company. Such shares must be acquired no later than one month after a Director is appointed to the Board subject to the Company's Share Trading Policy.

4.3 Retirement Benefits

During 2003, the Board made a decision to discontinue, as from 31 December that year, the practice of paying Non-Executive Directors a retirement benefit. Each of the Non-Executive Directors in office at that time, whose retirement benefits are contractually established in their formal terms of engagement with the Company, agreed to have those benefits, consisting of a cash payment and the amount of each individual's Company-funded superannuation, frozen with effect from 31 December 2003 in respect of the services they had provided up to that date. Retirement benefits will not be provided to any new Non-Executive Director, nor to Mr O'Leary who was appointed in September 2003 after the decision to discontinue the retirement benefits scheme had been taken. Each Non-Executive Director eligible for a retirement benefit will receive on retirement an amount consisting of the frozen cash payment amount less the value (at 31 December 2003) of any Company-funded superannuation entitlement.

5. Executive Reward Strategy

5.1 Executive Reward Strategy

As part of the Company's overall remuneration strategy, the Executive Reward Strategy deals with the Company's approach to remuneration for its senior and Executive management. It covers all employees at the level of Manager, General Manager, Executive General Manager and Managing Director. The structure of remuneration arrangements for the Key Management Personnel and the Managing Director are in broad terms no different from those for other senior management in the Company. The main differences relate to the weighting and trigger points for the receipt of different components of their remuneration.

In formulating the Company's Executive Reward Strategy, the Committee has recognised that the Company operates in a competitive environment where the key to achieving sustained improvements in the Company's performance is through its people.

The key principles of the Executive Reward Strategy during 2005–06 were to:

- provide market competitive levels of remuneration to employees having regard both to the level of work and to the impact those employees can potentially have on the Company's performance
- reward and recognise the personal performance of employees
- adopt performance measures that align performance incentives of employees with the interests of shareholders
- adopt a remuneration structure that provides the appropriate balance in risk and reward sharing between the employee and the Company.

5.2 Executive Reward Structure

During 2005–06, the Company adopted a revised version of the total remuneration system, which had been used up to that time. It consists of three elements:

- *Base Salary* (formerly known as Total Employment Cost (TEC))
- *Salary at Risk*
- *Equity-based remuneration*.

Base Salary includes cash salary, superannuation and any benefits (grossed up where necessary to include fringe benefits tax) provided under a salary sacrifice arrangement. This remuneration is fixed and, apart from incremental adjustment at the annual remuneration review, does not directly depend on personal or Company performance.

Salary at Risk (SaR) is an annual performance-dependent cash payment based on personal and Company performance relative to target performance. Above-target performance leads to an above-target payment, and below-target performance to a below-target payment.

Equity-based remuneration consists of LTI and MTI components.

Target Salary is the sum of Base Salary and SaR. The Company's policy in 2005–06 was to set Target Salary for each employee (measured at target performance) at the 75th percentile of Target Salary of a relevant comparator group of companies, with supplements for mining-specific roles as determined from surveys of mining industry remuneration and assessed by appropriate expert consultants. The proportion of SaR is set by the Company and increases according to the seniority of role.

At Risk Remuneration is the sum of SaR and equity-based remuneration. Both components of At Risk Remuneration are tied to achievement of, and determined by measurement against, various personal and corporate performance measures. The Company takes the view that At Risk Remuneration provides tangible incentives for employees to improve Company performance in both the short and long term for the benefit of shareholders. A further objective, stimulated by the sharp tightening of labour markets in the resources sector, has been to retain highly productive and capable employees in the face of external employment opportunities.

5.3 Determining Fixed Remuneration

The Committee annually reviews and determines the Target Salary for the Managing Director. The Managing Director reviews and recommends to the Committee the Target Salary for Key Management Personnel. The Key Management Personnel review and in turn recommend to the Managing Director, the Target Salary for other senior management, according to the annual cycle of performance review and salary adjustment specified under the Company's Work Performance System and Remuneration System.

Fixed remuneration is set by this process because, at each level, Base Salary is fixed as a proportion of Target Salary. Currently, in the case of the Managing Director, Base Salary is 50 percent of Target Salary, and for Key Management Personnel, Base Salary is 75 percent of Target Salary.

Target Salary Remuneration for each employee is set by reference to appropriate industry benchmark information (taking into account an individual's responsibilities, performance and experience).

For 2005–06 the benchmark group was a group of comparable companies, including those companies used in the comparator group for the MTI and LTI. The Company drew on the services of independent remuneration consultants in formulating recommendations on Base Salary for the Managing Director, Key Management Personnel and other senior management. Further sector specific information was obtained where necessary from specialist remuneration consultants.

5.4 Determining Variable Remuneration

Variable remuneration comprises SaR and the MTI/LTI. The Committee takes the view that these are important elements of employee remuneration, which provide tangible incentives for employees to improve the Company's performance in both the short term and the long term for the benefit of shareholders. The SaR and LTI plans are designed to encourage superior performance of employees with their level of personal reward directly linked to the interests of shareholders. The MTI plan, which was introduced in 2005 in response to the sharp tightening of labour markets in the resources sector, is designed to retain highly productive and capable employees and provide a level of reward commensurate with corporate performance.

The percentage of variable remuneration that is earned is determined by a combination of personal performance, the Company's performance against budget Net Profit After Tax (NPAT) and the Company's relative performance against a comparator group of companies. The Committee considers external benchmarking data to assess the Company's relative performance. In this regard, a particular challenge in recent years has been the disappearance of Australian gold producers of a size and complexity similar to the Company. This has meant the comparator group largely comprises Australian companies of broadly similar size to the Company, only some of which operate in the energy and resources sector. The 2005–06 peer group is set out under the 'Company performance criteria' heading in the 'Medium Term Incentive' section.

5.5 Salary at Risk (SaR)

How SaR is awarded

The extent to which Company performance and individual performance combine to determine a SaR award varies according to the employee's role and capacity to influence Company performance. For the Managing Director, Company performance and individual performance is given equal weighting. For Key Management Personnel, one-third weighting is given to Company performance and two-thirds weighting is given to personal performance.

Company performance criteria for SaR

The measure of Company performance for the purposes of SaR is NPAT. The Company performance criterion requires achievement of 95 percent or better of the budget NPAT. If NPAT is less than 95 percent of the budget, then the Managing Director, Key Management Personnel and senior management receive no payment for the Company performance component of SaR, but they remain eligible to receive their component of SaR based on personal performance. (SaR for the Company's middle managers depends only on personal performance and not on Company performance.)

Individual performance criteria

For the Managing Director, the individual performance criteria are determined by the Committee at the start of the financial year and are set in terms of the employee's personal contribution towards the performance of the business.

The criteria are measured against a matrix of personal work objectives and key performance indicators (KPIs) that are directly aligned with the Company's business strategy. These measures include specific business outcomes as well as the Company's safety performance, the Company's values and other priorities.

Performance criteria and objectives for Key Management Personnel are set by the Managing Director on the same basis as outlined above.

Objectives and KPIs for Mr Ian Smith, who commenced as Chief Executive Officer and Managing Director in mid July 2006, are to be agreed with the Board once he has completed his initial review of the Company's operations and will be set according to the above criteria.

Rationale

Company and individual performance criteria were chosen so that each eligible employee has a clear incentive to strive for high personal performance and to contribute to high Company performance. This provides a clear alignment between the interests of shareholders and the level of reward for eligible employees.

Amount

The potential amount of SaR is as follows:

	Percentage of Base Salary	
Level	**Target***	**Maximum****
Managing Director	50%	100%
Key Management Personnel	33.3%	64%

* Target performance for Key Management Personnel is achieved when the Company meets 95 percent of the budget NPAT and the individual is rated as fully competent in the annual final appraisal of work performance.

** Maximum award of Salary at Risk is achieved when NPAT is at or greater than 120 percent of budget and the individual achieves an outstanding performance assessment.

If Company performance measured against budget or individual performance falls below target levels, then the amount of SaR awarded is progressively reduced. If individual performance is unsatisfactory then no SaR is awarded and any unvested grants of MTI lapse. SaR is paid in October each year in respect of the preceding financial year's performance.

For 2005–06, the Board determined that the Company performance hurdle was not met and therefore that there would be no award to eligible employees in relation to the Company performance component.

In relation to the personal performance component, awards were made (other than to Key Management Personnel) in accordance with the SaR plan.

The personal performance SaR awards for Key Management Personnel will be made in September 2006, following completion by the Managing Director of personal performance assessments of the Executive General Managers. In the meantime, to assist shareholders, Table 4 in this Report sets out figures reflecting what the relevant SaR awards would be if the personal performance of each of the Key Management Personnel was assessed to be at are at target level. The actual awards to be made in September could be higher or lower depending on performance assessments.

5.6 Medium Term Incentive (MTI)

Following a review of the Company's overall approach to remuneration, the Board recognised the strategic need for a Company of Newcrest's size to attract and retain capable and experienced managers and technical staff in the face of the current personnel shortage caused by the resources boom. In 2005–06 the Company had on average 1,328 direct employees (excluding employees of partially owned subsidiaries). The loss of key staff is a key business risk that the Company has sought to address through the use of equity-based remuneration.

As a result, the Board established a new MTI plan in 2005–06 designed to enhance the retention of capable personnel in a manner that aligns the incentives for staff with the interests of shareholders. In 2005, the Company introduced the Restricted Share Plan (the **MTI Plan**), which has operated in respect of the Managing Director, Key Management Personnel and other employees who were also eligible for grants of the LTI (described in section 5.8 of this Report) in 2005–06.

Under the MTI Plan, the Company may grant eligible employees conditional rights (**Rights**) to receive ordinary fully paid shares in the Company (**Shares**) by way of issue or transfer. This is usually done in November each year following the Company's Annual General Meeting.

The value of Rights actually granted to an eligible employee is determined by assessing the performance of the Company during the preceding financial year. By way of example, the Rights granted in November 2005 were calculated based on Total Shareholder Returns (**TSR**) in 2004–05. To receive any grant of Rights, the Company's TSR performance has to have been at or above the median performance of TSR for the comparator group. TSR was chosen as the performance hurdle for the MTI because it incorporates capital returns as well as dividends notionally reinvested and it was therefore considered by the Committee as the most appropriate means of measuring Company performance. The TSR results are obtained by an independent third party, Equity Strategies Pty Ltd, from data provided by Standard & Poor's, which measures the Company's TSR performance over the relevant period against the comparator group.

The maximum number of Rights that may be granted to an eligible employee is determined by the level of equity-based remuneration applicable to each employee's overall remuneration. This component is determined as a percentage of Target Salary commencing at 13 percent for middle management, 24 percent for senior management, 32 percent for Key Management Personnel and 50 percent for the Managing Director.

Performance at the median results in only 30 percent of the maximum award being granted to each eligible employee, rising on a linear basis to 100 percent of the maximum award when the Company's TSR performance is at the 75th percentile (or better) of the comparator group. The following is a more detailed breakdown of the relationship between Company performance and the allocation of Rights:

- zero percent allocation if the Company TSR performance is below the threshold 50th percentile of the comparator group
- 30 percent allocation if the Company TSR performance is at the 50th percentile of the comparator group
- 100 percent allocation when 75th percentile performance is achieved
- straight line allocation between the 50th and 75th percentile.

Once granted, Rights will not vest in an employee until expiry of a period determined by the Board. This is currently set at three years from the date of grant. Vesting is also subject to an eligible employee achieving a personal performance rating of at least 'Meets Most Requirements' in each annual final performance review under the Company's Work Performance System during the vesting period.

The MTI is designed to provide a linkage between Company performance, individual performance and employee retention in a way that remains connected to future Company performance, and in particular the level of reward that an eligible employee may receive, on a deferred basis.

5.7 Company Performance Criteria

Historically for the STI (this year replaced by SaR), Company performance has been measured using the TSR relative to the Australian Gold Index. However, since the delisting of Normandy Mining following its takeover by Newmont in 2004, the Australian Gold Index has been discontinued. Accordingly, in late 2004 the Committee reviewed a wide range of measures of relative Company performance for 2003–04, and agreed on TSR of the Company compared with a designated group of comparator companies. This group was further updated to reflect ongoing changes among potential comparator companies for the 2005–06 MTI Plan.

The broad comparator group criterion is to include ASX200 companies that are capitalised within the range of 50 percent to 200 percent of the Company's market capitalisation (excluding property trusts). This criterion requires that the group be regularly updated to reflect ongoing changes among potential comparator companies, as was done for the 2005–06 MTI Plan. As a consequence, reviews by the Committee during 2005–06 resulted in the following changes to the comparator group:

- Lihir Gold was removed due to the (then) market capitalisation falling below the range
- Alinta and Placer Dome were added
- CSR, Gunns, Iluka, Smorgon Steel, Sims Group, Oxiana and PaperlinX were removed.

In November 2005, the Company's TSR performance for the 2004–05 period was assessed at the 53rd percentile of the comparator group and being in line with the criteria referred to above resulted in a grant of 38.2 percent of the maximum possible Rights.

5.7 Company Performance Criteria continued

The comparator group for the 2005–06 MTI Plan comprises:

Alinta	Australian Gas Light
Boral	Coal and Allied Industries
CSL	James Hardie
Leighton Holdings	Lend Lease
Mirvac Group	Lion Nathan
Orica	Oil Search
Placer Dome	Origin Energy
Santos	Toll Holdings
Transurban	

This comparator group is also used for setting Target Salary at the 75th percentile level in relation to the Managing Director and Key Management Personnel. For many other Executives the Company utilises mining industry specific remuneration surveys that provide direct comparisons for roles unique to the mining industry.

Each company in the group has been selected by the Committee as being of broadly similar size to Newcrest, including several that are engaged in industries that bear some comparability to the activities of the Company. These activities include mining, exploration, construction and commodity marketing. The rationale for use of this comparator group has been that it reflects key aspects of the Company's strategy, including the Company's goal of being a mining business that earns industrial-quality returns. The Committee reviews the comparator group from time to time to ensure that it remains adequate for and relevant to, the purposes to which it is applied.

In relation to previous LTI options or grants in respect of which Rights remain current, the relevant comparator group or index is set out in Table 8.

5.8 Long Term Incentive (LTI)

Since 1997, the Company has had in place an LTI arrangement which has sought to align Executive performance and therefore remuneration with the long-term interests of shareholders. In 2004, the Company introduced the Executive Performance Share Plan, that is currently the basis on which LTI awards may be made.

LTI in 2005–06

There was no LTI awarded in 2005–06. The Company decided to apply MTI in its place during this period. The LTI remains available, however, as an ongoing reward option that may be applied at the Company's discretion as part of the Executive Remuneration Strategy.

How the LTI is awarded

Each year during which LTI applies, eligible employees are issued with a conditional entitlement (a Performance Right) to a fully paid ordinary share in the Company. The entitlement is contingent on the Company achieving a performance hurdle over a performance period. The performance hurdle and period are determined by the Board at the time of issue. The conditional entitlements are issued after each Annual General Meeting.

At the end of the performance period, the performance hurdle is tested. To the extent that the performance hurdle is achieved, each conditional entitlement can be converted into an ordinary share.

Lapsing of entitlements

Where the performance hurdle has not been satisfied by the end of the performance period, the entitlements will lapse. There is no ability to re-test whether or not it has been satisfied once the performance period has ended.

Applicable entitlements will also generally lapse on an eligible employee's resignation or dismissal. The LTI plan provides for the preservation of the conditional entitlements on a pro-rata basis in circumstances of incapacity due to ill-health, retirement or retrenchment.

In the case of a change of control of the Company, the Board shall, notwithstanding any other provisions of the rules of the LTI plan, determine whether the performance hurdle would have been satisfied over the period ending at a date when the Board considers that a change of control is likely to occur.

LTI up to 2003

Until 2003 the LTI arrangement (put in place in 1997) for the Company's senior management allocated eligible managers, including Key Management Personnel and the Managing Director, five year options with performance hurdles and exercise conditions. Options issued could be exercised to a maximum of 25 percent of the options granted in each subsequent year to the exercise date, subject always to the performance hurdles being satisfied. Re-testing of satisfaction of performance hurdles was not permitted after expiry of the performance period.

Details of the performance hurdles for those options are set out at Table 1.

Details of the vesting of options are set out in Tables 7 and 8. Options from tranches that vested during 2005–06 comprised:

- 25 percent tranche of option grant of 3 November 2000
- 25 percent tranche of option grant of 8 November 2001 (Parcels A and B)
- 25 percent tranche of option grant of 6 February 2003 and
- 25 percent tranche of option grant of 2 December 2003.

In each of the above cases the performance hurdles for the tranches were met.

Table 1: Executive Share/Option Plan Performance Hurdles 1999–2005

Year	Grant Date	Performance Hurdle
2005	8 Nov 2005	The performance hurdle is based on the TSR Ranking of the Company. If at a Grant Date the TSR Ranking of the Company is:
		(a) less than the 50th percentile, the number of rights that is granted is zero.
		(b) equal to the 50th percentile, the number of rights that is granted is 50 percent of the rights comprised in the grant.
		(c) equal to or greater than the 75th percentile, the number of rights that is granted is 100 percent of the rights comprised in the grant.
		(d) greater than the 50th percentile and less than the 75th percentile, then in addition to the rights exercisable under paragraph (b) above, further rights are granted, the number being calculated on the basis that for each whole percentile point above the 50th percentile a further 2 percent of rights comprised in the parcel are granted.
2004	5 Nov 2004	The performance hurdle is based on the TSR Ranking of the Company. If at a Performance Date the TSR ranking of the Company is:
		(a) less than the 50th percentile, the number of rights that vest is zero.
		(b) equal to the 50th percentile, the number of rights that vest is 50 percent of the rights comprised in the grant.
		(c) equal to or greater than the 75th percentile, the number of rights that vest is 100 percent of the rights comprised in the grant.
		(d) greater than the 50th percentile and less than the 75th percentile, then in addition to the rights exercisable under paragraph (b) above, further rights vest, the number being calculated on the basis that for each whole percentile point above the 50th percentile a further 2 percent of rights comprised in the parcel vest.
2003	2 Dec 2003 6 Feb 2003	The performance hurdle is based on the TSR Ranking of the Company. If at a Performance Date the TSR Ranking of the Company is:
		(a) less than the 50th percentile, the number of options comprised in the relevant tranche that may be exercised is zero.
		(b) equal to the 50th percentile, the number of options that may be exercised is 50 percent of the total number of options comprised in the relevant tranche.
		(c) equal or greater than the 75th percentile, the number of options that may be exercised is 100 percent of the total number of options comprised in the relevant tranche.
		(d) greater than the 50th percentile and less than the 75th percentile, the number of options that may be exercised is calculated on a pro-rata, straight line basis between 50 percent to 100 percent of the total number of options comprised in the relevant tranche.
2001	8 Nov 2001(A) 8 Nov 2001(B)	Parcel 'A' Options – TSR growth of the Company must have at least equalled the median TSR growth of the companies in the group of companies (excluding Newcrest) at the Grant Date comprised in the S&P/ASX 200 and classified in the Global Industry Classification Standard Gold Sub-Industry within the Materials Accumulation Index ('Gold Index'). Any company removed from the Gold Index at any time after Grant Date shall not thereafter be included in the comparator group.
		Parcel 'B' Options – TSR growth of the Company over the period from Grant Date to the Performance Date must exceed 10 percent per annum compound growth.
2000	3 Nov 2000	TSR growth of the Company must have at least equalled the median TSR growth of companies in the group of companies (excluding the Company) included in the Gold Accumulation Index published by the Australian Stock Exchange (ASX) ('Comparator Group').

6. Relationship of Incentives to Newcrest's Financial Performance

The SaR outcomes and the MTI/LTI allocations are tied to Company performance. Over the period from June 2001 to June 2006, the Company has created substantial value for shareholders by identifying, developing and bringing into operation a succession of new mining projects. This wealth creation has been financed by a combination of internal cash flow and borrowings. Over this period of rapid growth, the performance of the Company has most appropriately been measured by TSR and Table 2 shows the strong performance in TSR. LTI and MTI outcomes for eligible Executives have been aligned to TSR performance.

Whilst the Committee has relied upon TSR as a measure of Company performance for the purpose of assessing entitlement to LTI and MTI components of remuneration, other measures of financial performance over the same period support the view that the Company has achieved a substantial increase in shareholder wealth over that time frame. Details of those other measures for the period are also shown in Table 2.

Table 2: Newcrest's financial performance

Year Ended 30 June	2002	2003	2004	2005	2006
Basic EPS* (cents)	(19.2)	29.6	37.5	39.4	39.6
Dividends (cents)	5.0	5.0	5.0	5.0	5.0
Share Price at 30 June ($)	7.58	7.65	13.78	17.38	21.08
Share Price Increase** ($)	3.09	0.07	6.13	3.60	3.70
Total Shareholder Returns ^ (%)	49.2	16.5	82.4	32.8	38.4

* Basic earnings per share (EPS) is calculated as net profit after tax from continuing operations, after minority interests, divided by the weighted average number of ordinary shares.
** Share price movement during the financial year.
^ Defined as the growth in the share price over the financial year ending 30 June plus dividends notionally reinvested. The share price is measured as the volume weighted average share price for the six months ending 30 June compared with the same period a year earlier.

6. Relationship of Incentives to Newcrest's Financial Performance continued

During the period June 2001 to June 2006, the Company's TSR performance (relative to the comparator group or index chosen for each financial year) was better than average for the comparator group or index applicable to each year.

Consequently, awards were made under the SaR Plan and the amount of SaR awarded varied according to a combination of individual and Company performance criteria.

In relation to MTI, the TSR performance achieved and the percentage of options vested is set out in Table 8.

In 2005–06, the Company's NPAT performance was below the level required to trigger payment of the Company performance component of SaR. This meant that SaR payments to Key Management Personnel were solely determined by their performance against the key performance indicators applicable to their personal performance.

7. Service Agreements

The Company has entered into a Service Agreement with the Managing Director and each of the Key Management Personnel. The contracts are not fixed term and generally provide for the following:

- remuneration and employment conditions
- powers and duties
- external activities
- a requirement that the Company provides two years' written notice of termination, or payment in lieu of notice, in the case of each of the Key Management Personnel other than the Managing Director (including in the case of actual or, in limited circumstances, asserted constructive dismissal) and one year's written notice of termination, or payment in lieu of notice, in the case of the current Managing Director. In either case, in the event of summary termination (for due cause) these notice periods will not apply
- a requirement that the employee provides three months' written notice of termination.

In addition to any entitlements conferred on them by their Service Agreements, the Managing Director and each of the Key Management Personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave together with any superannuation benefits. The Managing Director and each of the Key Management Personnel are not entitled to receive any other additional termination payments, other than those previously mentioned.

8. Managing Director's Remuneration

The former Managing Director, Mr Tony Palmer, ceased employment with the Company on 3 May 2006. The Company has appointed a new Managing Director, Mr Ian Smith, whose appointment commenced on 14 July 2006. From the time Mr Palmer ceased his employment until the date on which Mr Smith commenced his employment with the Company, Mr Bryan Davis (a Non-Executive Director) was appointed as Interim Managing Director. Details of relevant Service Agreements for Mr Palmer, Mr Davis and Mr Smith are presented below.

Service Agreement – Mr Tony Palmer

Upon his appointment in 2001, Mr Palmer entered into a Service Agreement with the Company. The Agreement, which was not fixed term, outlined:

- duties and responsibilities
- remuneration arrangements upon appointment
- LTI entitlement for his first three years of service
- requirements in relation to any external activities and directorships
- entitlements upon termination
- other customary provisions.

In September 2005, the Board reviewed remuneration arrangements and levels for the position of the Company's Managing Director and CEO. As a result of that review, overall remuneration was set at $2,500,000 per annum, comprising Base Salary of $1,700,000 and SaR of $800,000 (at Target Performance). In addition, an LTI component of 75 percent of Base Salary was confirmed as appropriate.

Under Mr Palmer's Service Agreement, in the event of termination by the Company with notice, Mr Palmer was entitled to payment of an amount equivalent to 24 months of Base Salary (but not SaR or LTI) plus any accrued statutory entitlements.

Upon cessation of his employment contract on 3 May 2006, Mr Palmer was paid a total amount of $4,400,000, made up of an amount of $3,400,000 being equivalent to 24 months of his Base Salary, plus an amount of $1,000,000 to settle all further obligations of the Company to him, including claims made by him against the Company with respect to options and performance shares previously issued to him, which were cancelled by the Company on termination of his employment.

Service Agreement – Mr Bryan Davis

Mr Davis commenced his appointment as Interim Managing Director and Chief Executive Officer on 4 May 2006.

The Service Agreement between the Company and Mr Davis reflected both the short-term and critical nature of the role. The Agreement provided that Mr Davis would continue in the role until such time as a permanent Managing Director and Chief Executive Officer was appointed and an appropriate hand-over of responsibilities was effected, subject to termination by either the Company or Mr Davis upon one month's notice.

Mr Davis received remuneration at the rate of $200,000 per month plus the customary provisions for annual leave and sick leave. The Company also met Mr Davis' accommodation expenses in Melbourne. During this time Mr Davis was granted leave of absence as a Non-Executive Director and was therefore not entitled to receive any fees as a Non-Executive Director nor participate in the Non-Executive Directors' Share Plan.

Service Agreement – Mr Ian Smith

Mr Smith commenced employment with the Company on 14 July 2006, pursuant to a letter of appointment. It is proposed that Mr Smith enter into a detailed Service Agreement the terms of which are to be finalised between Mr Smith and the Board.

The key terms of the letter of appointment are summarised below and will be reflected in the Service Agreement.

- The appointment is for an indefinite duration. Mr Smith may resign at any time on giving three (3) months' written notice, and the Company may terminate Mr Smiths' employment on giving twelve (12) months' written notice, or payment in lieu of notice.
- The letter sets out Mr Smith's duties and responsibilities.
- A base salary of $1,700,000 per annum is to be reviewed annually.
- Salary at Risk (SaR) of up to 100 percent of base salary is dependent upon Mr Smith meeting specified personal and Company performance targets, where 100 percent is only achievable for 'outstanding' performance.

- Mr Smith has been offered a sign on award of 165,000 Performance Rights under the Company's 2004 Executive Performance Share Plan as an incentive to join the Company. The performance hurdle for those Rights will be the achievement of initial performance objectives determined in advance by the Board. The performance hurdle will be measured as part of an interim review of Mr Smith's performance to be undertaken by the Board 180 days after his appointment. If the initial performance objectives are determined by the Board to have been achieved, the Performance Rights will vest and become convertible to Newcrest ordinary shares on the third anniversary of Mr Smith's appointment. The deferred vesting of Performance Rights, even if the objectives are achieved, provides alignment between Mr Smith's interests and those of shareholders during the three year period. If the objectives are not considered to have been achieved within 180 days of his appointment, the Performance Rights will lapse. If a change of control occurs and Mr Smith's performance has been assessed as having achieved the initial performance objectives, the Performance Rights can vest prior to the third anniversary.
- Mr Smith will also be offered an annual award in accordance with the Company's Remuneration Policy in relation to LTI (or MTI to the extent that it operates in place of LTI) equal to 75 percent of base salary.
- Award of both the initial grant of 165,000 Performance Rights and annual LTI (and MTI entitlements where applicable) are subject to shareholder approval.
- Statutory entitlements upon termination of employment of accrued annual and long service leave together with any superannuation benefits.

9. Remuneration Details

9.1 Directors

Details of the nature and amount of each major element of the remuneration of each Director of the Company are as follows:

Table 3: Directors' remuneration

	Short term				Post Employment	Share-based Payments					
$'000	Salary & Fees (A)	Salary at Risk (B)	Cash Bonus (C)	Other Benefits/ Services (D)	Superannuation Contributions (E)	Value of Options (F)	Value of Performance Rights (G)	Termination Benefits (H)	Total	Equity Compensa-tion Value % (I)	Performance Related Remuneration % (J)
2005–06											
Executive Director											
A. J. Palmer (Chief Executive Officer and Managing Director. Employment ceased 3 May 2006)	1,327	–	–	15	83	–	–	4,735	6,160	0.0	0.0
R. B. Davis (Interim Chief Executive Officer and Managing Director from 4 May 2006)	307	–	–	–	74	–	–	–	381		
Non-Executive Directors											
I. R. Johnson (Chairman)	345	–	–	33	23	–	–	–	401		
R. B. Davis (Until 3 May 2006)	105	–	–	–	10	–	–	–	115		
R. C. Milne	125	–	–	55	12	–	–	–	192		
I. A. Renard	125	–	–	–	12	–	–	–	137		
N. L. Scheinkestel	125	–	–	32	12	–	–	–	169		
M. A. O'Leary	130	–	–	19	7	–	–	–	156		
	2,589	–	–	154	233	–	–	4,735	7,711		
2004–05											
Executive Director											
A. J. Palmer	1,259	440	2,000	15	91	380	69	–	4,254	10.6	67.9
Non-Executive Directors											
I. R. Johnson	313	–	–	3	28	–	–	–	344		
R. B. Davis	125	–	–	2	11	–	–	–	138		
R. C. Milne	125	–	–	13	12	–	–	–	150		
I. A. Renard	125	–	–	–	11	–	–	–	136		
N. L. Scheinkestel	125	–	–	–	11	–	–	–	136		
M. A. O'Leary	125	–	–	5	11	–	–	–	141		
	2,197	440	2,000	38	175	380	69	–	5,299		

9.2 Other Key Management Personnel

Details of the nature and amount of each major element of remuneration for the Company's Key Management Personnel in 2005–06 are as follows:

Table 4: Key Management Personnel remuneration

	Short-term			Post Employment	Share-based Payments					
$'000	Salary & Fees (A)	Salary at Risk (B)	Other Benefits/ Services (D)	Superannuation Contributions (E)	Value of Options (F)	Value of Performance Rights (G)	Termination Benefits (H)	Total	Equity Compensation Value % (I)	Performance Related Remuneration % (J)
2005–06										
J. Smith Executive General Manager Finance	562	151	–	101	81	60	–	955	14.8	30.6
T. O'Neill Executive General Manager Operations and Marketing	630	151	5	12	143	54	–	995	19.8	35.0
D. Wood Executive General Manager Exploration	457	128	4	109	143	51	–	892	21.7	36.1
B. Lavery Executive General Manager Corporate Services	405	111	5	87	143	44	–	795	23.5	37.5
M. Butlin Executive General Manager Organisation Effectiveness	406	113	5	96	–	45	–	665	6.8	23.8
P. Hallam Executive General Manager Development and Projects	466	128	5	100	–	53	–	752	7.0	24.1
	2,926	782	24	505	510	307	–	5,054		
2004–05										
J. Smith	602	157	–	12	82	22	–	875	11.9	29.8
T. O'Neill	520	136	4	12	144	20	–	836	19.6	98.1
D. Wood	434	136	3	98	144	20	–	835	19.6	35.9
B. Lavery	431	94	4	29	144	17	–	719	22.4	35.5
M. Butlin	377	98	4	93	–	17	–	589	2.9	19.5
B. Price Executive General Manager Development and Projects (Employment ceased 10 December 2004)	251	–	51	16	144	–	2,138	2,600	5.5	5.5
P. Hallam (Commenced 14 February 2005)	191	45	2	15	–	20	–	273	7.3	
	2,806	666	68	275	658	116	2,138	6,727		

Notes to Tables 3 and 4:

(A) Salary & Fees comprise cash salary and available salary package options grossed-up by related fringe benefits tax where applicable. The Company's superannuation contributions made on behalf of Key Management Personnel are disclosed separately.

(B) Salary at Risk relates to the Managing Director's and Key Management Personnel's performance in the 30 June 2006 year and for comparatives, the 30 June 2005 year. Allocations of SaR for 2005–06 shown in Table 4 are estimates based on what those allocations would be if the personal performance of each of the Key Management Personnel was assessed to be at target level. Actual award levels will be determined in September 2006 as discussed in section 5.5 of this Report.

(C) Cash bonus awarded to the Managing Director in 2004–05.

(D) Includes extra services provided by Directors plus non-monetary benefits such as travel, parking and applicable fringe benefits tax payable on benefits.

(E) Represents Company contributions to superannuation under the Superannuation Guarantee legislation (SGC) and any additional contribution made through salary sacrifice by Directors and Key Management Personnel.

(F)(G) The total value of options and rights included in remuneration for the year is calculated as follows:

- The fair value of options is calculated at the grant date using an option pricing model, which combines both Black-Scholes and binomial methodologies. To determine the amount disclosed as remuneration, the fair value is allocated evenly over the period from the grant date to the vesting date.
- The fair value of rights, comprising rights over unissued shares, granted under the Restricted Share Plan has been valued as European call options as at grant date, making use of the Black-Scholes formula for option valuation.

- The following factors and assumptions were used in determining the fair value of options and rights on the grant date:

	Rights – Nov 2005	Rights – Nov 2004	Options – Dec 2003	Options – Feb 2003	Options – Nov 2001
Fair value	$18.78	$10.55	$4.11	$2.06	$0.70
Exercise price	–	–	$12.29	$6.62	$3.36
Estimated volatility	34%	33%	37%	43%	46%
Risk-free interest rate	5.42%	5.25%	6.33%	4.97%	4.80%
Dividend yield	0.40%	0.40%	0.39%	0.75%	1.5%
Expected life of award/option	3 years	3 years	5 years	5 years	5 years

(H) Termination payment includes payment in lieu of notice and applicable STI and LTI payments, statutory and accrued annual leave and long service leave entitlements.
(I) Represents the value of options and rights included in remuneration as a percentage of total remuneration.
(J) Represents performance related remuneration as a percentage of total remuneration.

10. Options and Rights Held by Executive Directors and Key Management Personnel

10.1 Options

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the Executive Option Plan.

There were no new options granted during the 2005–06 year.

The movements during the year in the number of options over ordinary shares in the Company held by each Executive Director and each of the Key Management Personnel, as part of their remuneration, are as follows:

Table 5: Movement in options for Executive Directors and Key Management Personnel 2005–06

					Movement During the Year						
Executive Director Key Management Personnel	Grant Date	Expiry Date	Exercise Price	Balance at 30 June 2005	Options Exercised	Amount Paid to Exercise Options	Options Lapsed or Cancelled	Balance at 30 June 2006	Options Vested During the Year	Vested and Exercisable at 30 June 2005	Non-Vested
A. Palmer	8-Nov-01	8-Nov-06	$3.36	125,000	–	–	(125,000)	–	–	–	–
	6-Feb-03	6-Feb-08	$6.62	125,000	–	–	(125,000)	–	–	–	–
	2-Dec-03	2-Dec-08	$12.29	250,000	–	–	(250,000)	–	–	–	–
Total				*500,000*	–	–	*(500,000)*	–	–	–	–
J. Smith	2-Dec-03	2-Dec-08	$12.29	100,000	–	–	(2,000)	98,000	23,000	23,000	75,000
Total				*100,000*	–	–	*(2,000)*	*98,000*	*23,000*	*23,000*	*75,000*
T. O'Neill	8-Nov-01 Parcel A	8-Nov-06	$3.36	100,000	–	–	–	100,000	25,000	75,000	25,000
	8-Nov-01 Parcel B	8-Nov-06	$3.36	50,000	–	–	–	50,000	12,500	37,500	12,500
	6-Feb-03	6-Feb-08	$6.62	100,000	–	–	–	100,000	25,000	50,000	50,000
	2-Dec-03	2-Dec-08	$12.29	100,000	–	–	(2,000)	98,000	23,000	23,000	75,000
Total				*350,000*	–	–	*(2,000)*	*348,000*	*85,500*	*185,500*	*162,500*
D. Wood	3-Nov-00	3-Nov-05	$3.87	100,000	(100,000)	$387,000	–	–	25,000	–	–
	8-Nov-01 Parcel A	8-Nov-06	$3.36	100,000	–	–	–	100,000	25,000	75,000	25,000
	8-Nov-01 Parcel B	8-Nov-06	$3.36	40,000	–	–	–	40,000	12,500	27,500	12,500
	6-Feb-03	6-Feb-08	$6.62	100,000	–	–	–	100,000	25,000	50,000	50,000
	2-Dec-03	2-Dec-08	$12.29	100,000	–	–	(2,000)	98,000	23,000	23,000	75,000
Total				*440,000*	*(100,000)*	*$387,000*	*(2,000)*	*338,000*	*110,500*	*175,500*	*162,500*
B. Lavery	3-Nov-00	3-Nov-05	$3.87	100,000	(100,000)	$387,000	–	–	25,000	–	–
	8-Nov-01 Parcel A	8-Nov-06	$3.36	100,000	(50,000)	$168,000	–	50,000	25,000	25,000	25,000
	8-Nov-01 Parcel B	8-Nov-06	$3.36	50,000	(25,000)	$84,000	–	25,000	12,500	12,500	12,500
	6-Feb-03	6-Feb-08	$6.62	100,000	–	–	–	100,000	25,000	50,000	50,000
	2-Dec-03	2-Dec-08	$12.29	100,000	–	–	(2,000)	98,000	23,000	23,000	75,000
Total				*450,000*	*(175,000)*	*$639,000*	*(2,000)*	*273,000*	*110,500*	*110,500*	*162,500*

10.2 Rights

All conditional entitlements refer to rights over ordinary shares of the Company, which are exercisable on a one-for-one basis.

The movements in the year in the number of rights over ordinary shares in the Company held by each Executive Director and Key Management Personnel as part of their remuneration are as follows:

Table 6: Movement in Performance Rights for Executive Directors and Key Management Personnel 2005–06

Executive Director/Key Management Personnel	Grant Date	Share Price at Grant Date	Balance at 1 July 2005	Rights Granted	Rights Exercised	Rights Lapsed	Balance at 30 June 2006	Vested and Exercisable at 30 June 2006	Non-Vested
A. Palmer	5-Nov-04	$17.30	33,537	–	–	(33,537)	–	–	–
	8-Nov-05	$18.98	–	25,468	–	(25,468)	–	–	–
J. Smith	5-Nov-04	$17.30	10,976	–	–	–	10,976	–	10,976
	8-Nov-05	$18.98	–	5,753	–	–	5,753	–	5,753
T. O'Neill	5-Nov-04	$17.30	9,512	–	–	–	9,512	–	9,512
	8-Nov-05	$18.98	–	5,753	–	–	5,753	–	5,753
D. Wood	5-Nov-04	$17.30	9,512	–	–	–	9,512	–	9,512
	8-Nov-05	$18.98	–	4,890	–	–	4,890	–	4,890
B. Lavery	5-Nov-04	$17.30	8,232	–	–	–	8,232	–	8,232
	8-Nov-05	$18.98	–	4,251	–	–	4,251	–	4,251
M. Butlin	5-Nov-04	$17.30	8,232	–	–	–	8,232	–	8,232
	8-Nov-05	$18.98	–	4,315	–	–	4,315	–	4,315
P. Hallam	5-Nov-04	$17.30	9,942	–	–	–	9,942	–	9,942
	8-Nov-05	$18.98	–	4,890	–	–	4,890	–	4,890
B. Price	5-Nov-04	$17.30	7,318	–	–	–	7,318	–	7,318

10.3 Performance Conditions for Options and Rights

Performance conditions for options and rights are set out in Tables 7 and 8 below.

Table 7: Former Managing Director (Tony Palmer) – Options granted between 8 November 2001 and 2 December 2003, and Rights granted during the 2004–2005 and 2005–06 years

Grant Date	Expiry Date	Performance Hurdle	Strike Price	Performance Date	Percentage Exercisable	Performance Achieved	Percentage Vested
8 Nov 2005	8 Feb 2009	Select Group referred to in the Performance Condition (TSR ranking on sliding scale)	Nil	8 Nov 2008	100% (25,468)	Cancelled	Nil
5 Nov 2004	5 Nov 2009	Select Group referred to in the Performance Condition (TSR ranking on sliding scale)	Nil	5 Nov 2007	100% (33,537)	Cancelled	Nil
2 Dec 2003	2 Dec 2008	Single Event (development of Telfer underground on time and on budget)	$12.29	Date performance condition met	100% (250,000)	Cancelled	Nil
6 Feb 2003	6 Feb 2008	Single Event (development of Telfer underground on time and on budget (tranche 2)	$6.62	Date performance condition met	100% (125,000)	Cancelled	Nil
8 Nov 2001	8 Nov 2006	Single Event (development of Telfer underground on time and on budget (tranche 2)	$3.36	Date performance condition met	100% (125,000)	Cancelled	Nil

Table 8: Key Management Personnel – Options granted between 3 November 2000 and 2 December 2003, and Rights during the 2004–05 and 2005–06 years

Grant Date	Expiry Date	Comparator Group	Strike Price	Performance Date	Performance Achieved	Percentage Vested
8 Nov 2005	8 Feb 2009	Select Group referred to in the Performance Condition (TSR ranking on sliding scale)	Nil	8 Nov 2008	To be determined	n/a
5 Nov 2004	5 Nov 2009	Select Group referred to in the Performance Condition (TSR ranking on sliding scale)	Nil	5 Nov 2007	To be determined	n/a
2 Dec 2003	2 Dec 2008	S&P/ASX 100 Index (TSR ranking on sliding scale)	$12.29	2 Dec 2005 2 Dec 2006 2 Dec 2007 4 Sep 2008	71st percentile To be determined To be determined To be determined	92% n/a n/a n/a
6 Feb 2003	6 Feb 2008	S&P/ASX 100 Index (TSR ranking on sliding scale)	$6.62	6 Feb 2005 6 Feb 2006 6 Feb 2007 9 Nov 2007	>75th percentile >75th percentile To be determined To be determined	100% 100% n/a n/a
8 Nov 2001 Parcel B	8 Nov 2006	Newcrest's TSR (compound growth per annum)	$3.36	8 Nov 2003 8 Nov 2004 8 Nov 2005 10 Aug 2006	>75th percentile >75th percentile >75th percentile To be determined	100% 100% 100% n/a
8 Nov 2001 Parcel A	8 Nov 2006	S&P/ASX 200 GICS gold companies (TSR growth vs comparator group)	$3.36	8 Nov 2003 8 Nov 2004 8 Nov 2005 10 Aug 2006	>75th percentile >75th percentile >75th percentile To be determined	100% 100% 100% n/a
3 Nov 2000	3 Nov 2005	ASX Gold Index* (TSR growth vs comparator group)	$3.87	3 Nov 2002 3 Nov 2003 3 Nov 2004 5 Aug 2005	>75th percentile >75th percentile >75th percentile >75th percentile	100% 100% 100% 100%

Table 9: Value of Options and Performance Rights

Executive Director/ Kay Management Personnel	(A) Value at Grant Date $'000	(B) Value at Exercise Date $'000	(C) Value at Lapse Date $'000	(D) Total of Columns A–C $'000
A. Palmer	478	–	(8,157)	(7,679)
J. Smith	108	–	(18)	90
T. O'Neill	108	–	(18)	90
D. Wood	92	1,320	(18)	1,394
B. Lavery	80	2,500	(18)	2,562
M. Butlin	81	–	–	81
P. Hallam	92	–	–	92

Table 9 shows the total value of any performance rights or options granted, exercised and lapsed in the year in relation to Executive Directors and Key Management Personnel based on the following assumptions:

(A) The value of performance rights granted in the year reflects the fair value of a performance right multiplied by the number of performance rights granted during 2006. (Refer to footnotes F&G to Tables 3 and 4.)

(B) The value at exercise date has been determined by the share price at the close of business on the exercise date less the option exercise price multiplied by the number of options exercised during 2006.

(C) The value at lapse date has been determined by the share price at the close of business on the date the performance right or option lapsed less the exercise price multiplied by the number of performance rights or options that lapsed during the year.

Table 10: Short Term Incentive and allocation of the 2006 Equity Grant

	Short Term Incentive (A) (as a percentage of Target)		Long Term Incentive (B) (Estimates of the maximum remuneration amounts that could be received under the 2006 performance rights grants in future years)			
Executive Director/ Key Management Personnel	Percentage Awarded	Percentage Forfeited	2006–07 $'000	2007–08 $'000	2008–09 $'000	Maximum Total $'000
A. Palmer	–	–	–	–	–	–
J. Smith	–	–	36	36	13	85
T. O'Neill	–	–	36	36	13	85
D. Wood	–	–	31	31	11	72
B. Lavery	–	–	27	27	10	63
M. Butlin	–	–	27	27	10	64
P. Hallam	–	–	31	31	11	72

(A) To be awarded an STI of 100 percent an Executive has to have met target performance.
(B) The maximum value in future years has been determined in relation to the grant of performance rights in 2006 based on the valuation performed at grant date and amortised in accordance with applicable Accounting Standard requirements. The minimum value of the grant is $nil if the performance conditions are not met. No options were granted in 2006.

11. Shares Held by Directors and Key Management Personnel

Table 11: Directors' shareholdings

Directors	Balance at 1 July 2005	Received as Remuneration	Acquired Pursuant to Non-Executive Directors' Share Plan	Acquired on Exercise of Options	Net Change Other	Balance at 30 June 2006
A. J. Palmer	11,097	–	–	–	28	11,125
I. R. Johnson	44,022	–	1,780	–	112	45,914
R. B. Davis	15,487	–	555	–	40	16,082
R. C. Milne	9,281	–	643	–	–	9,924
I. A. Renard	16,705	–	643	–	43	17,391
N. L. Scheinkestel	72,655	–	643	–	184	73,482
M. A. O'Leary	12,375	–	1,405	–	32	13,812
Total	181,622	–	5,669	–	439	187,730

See page 52 of the Directors' Report for the Directors' shareholdings as at the date of this Report.

Table 12: Key Management Personnel shareholdings

Key Management Personnel	Balance at 1 July 2005	Received as Remuneration	Acquired on Exercise of Options	Net Change Other	Balance at 30 June 2006
J. Smith	–	–	–	–	–
T. O'Neill	–	–	–	–	–
D. Wood	86,325	–	100,000	(100,000)	86,325
B. Lavery	118,438	–	175,000	(293,438)	–
M. Butlin	1,450	–	–	3	1,453
P. Hallam	–	–	–	–	–
Total	206,213	–	275,000	(393,435)	87,778

Share Rights and Options

During the year an aggregate of 2,305,161 options were exercised, resulting in the issue of 2,305,161 ordinary shares of the Company at an aggregate consideration of $13.4 million.

At the date of this report there were 3,976,311 unissued shares under rights and options (4,193,211 at 30 June 2006).

Auditor Independence and Non-Audit Services

A copy of the Auditors' Independence Declaration as required under section 370C of the *Corporations Act 2001* is attached. During the year, additional accounting advice and other assurance related services were provided by Ernst & Young (auditor to the Company) – refer Note 34 to the full financial statements. The Directors are satisfied that the provision of these services did not impair the auditor's independence.

Indemnification and Insurance of Directors and Officers

Newcrest maintains a Directors' and Officers' insurance policy that, subject to some exceptions, provides insurance cover to past, present or future Directors, secretaries or executive officers of the Consolidated Entity and its subsidiaries. The Company has paid an insurance premium for the policy. The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liabilities insured.

Rounding of Amounts

Newcrest Mining Limited is a company of the kind referred to in the Australian Securities and Investments Commission class order 98/100, dated 10 July 1998 (amended by ASIC 05/641) and issued pursuant to section 341(1) of the *Corporations Act 2001*. As a result, amounts in the financial report are rounded to the nearest $100,000, except where otherwise indicated.

This report is signed in accordance with a resolution of the Directors.

Ian Johnson
Chairman

Ian Smith
Managing Director and Chief Executive Officer

28 August 2006
Melbourne

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Auditor's Independence Declaration to the Directors of Newcrest Mining Limited

In relation to our audit of the financial report of Newcrest Mining Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Alan I Beckett
Partner
28 August 2006

Discussion and Analysis of the Financial Statements

Review of Results

This discussion and analysis is provided to assist readers in understanding the concise financial report. The concise financial report has been derived from the full 2006 Financial Report of Newcrest Mining Limited.

The Consolidated Entity consists of Newcrest Mining Limited and its controlled entities ('the Consolidated Entity'). The principal activities of the Consolidated Entity during the financial year comprised exploration, development, mining and the sale of gold and gold/copper concentrate.

Overview of Operating Results for the Year

Net profit after tax and minority interests was $349.5 million (2005: $130.0 million). The reported results for 2006 include $218.2 million profit after tax on the sale of the Consolidated Entity's 22.22 percent interest in the Boddington Gold Mine Joint Venture

Net profit after tax from continuing operations and after minority interests was $131.3 million (2005: $130.0 million). Higher sales volumes were achieved from the first full year of production from the recommencement of Telfer open pit operations. Sales revenue increased to $1,404.1 million (2005: $985.5 million), however hedging commitments reduced the Consolidated Entity's ability to fully benefit from the recent higher spot gold and copper prices resulting in an achieved gold price of A$564 per ounce (2005: A$576 per ounce) and an achieved copper price of A$2.22 per pound (2005: A$1.85 per pound). The overall operating gross margin was impacted by an increase in mining costs associated with higher production volumes from Telfer open pit and Cracow operations. Costs were also adversely impacted by price increases of key inputs specifically labour, maintenance, realisation, royalties, steel and diesel costs. Per unit costs were also impacted by lower than expected production volumes from the Telfer open pit operations due to grade under-performance in the weathered and transitional portion of the ore body, lower metallurgical recoveries and mining dilution issues.

The financial highlights of the 2005–06 year are summarised in the following table:

	2006	2005
Net profit after tax from continuing operations and after minority interests	**$131.3 million**	$130.0 million
Net profit after tax from discontinued operation (Boddington)	**$218.2 million**	–
Total net profit after tax and minority interests	**$349.5 million**	$130.0 million
Basic earnings per share from continuing operations	**39.6 cents**	39.4 cents
Total basic earnings per share after minority interests	**105.3 cents**	39.4 cents
Return on members equity (EBIT)*	**17.5 percent**	20.5 percent
Return on members equity (Net profit after tax)*	**8.9 percent**	11.6 percent
Gearing (net debt/(net debt-plus-equity))*	**50 percent**	55 percent

*Calculations based on profit from continuing operations after minority interest and after excluding the impact of AIFRS derivatives included in Equity.

Discussion and Analysis of the Income Statement

Key factors impacting the result for continuing operations in the current year are:

Gold Sales Revenue

Total gold revenue increased significantly to $845.4 million (2005: $610.9 million), which was mainly as a result of increased sales volumes from Telfer open pit. Spot prices received were A$708 per ounce (2005: A$561 per ounce). However, the settlement of hedge book commitments resulted in an achieved gold price received for 2006 of A$564 per ounce (2005: A$576 per ounce).

Total gold sales ounces were 1,498,526 (2005: 1,060,196). This increase of 438,330 ounces was mainly as a result of:

- increase of 464,799 ounces from a full year of operations from the recommenced Telfer open pit operation;
- increase of 52,707 ounces from a full year of operations at Cracow;
- decrease of 45,920 ounces from lower throughput and grade at Cadia Hill;
- decrease of 41,334 ounces from lower grade material at Gosowong; and
- increase of 8,078 ounces from Ridgeway.

Copper and Silver Sales Revenue

Total copper by-product revenue for 2006 increased to $515.2 million (2005: $356.5 million) which was due to increased sales volume from Telfer. The higher average spot copper price received in 2006 of A$3.69 per pound (2005: A$2.00 per pound) was offset by the delivery of copper hedge book commitments which resulted in an achieved copper price received for the Consolidated Entity of A$2.22 per pound (2005: A$1.85 per pound). Silver revenue increased to $14.1 million (2005: $8.7 million).

Other Revenue Factors

Favourable concentrate pricing adjustments were received on prior years sales of $29.4 million (2005: $9.4 million).

Other revenue for 2006 of $42.7 million (2005: $11.7 million) was mainly comprised of an unrealised fair value adjustment for the gold lease rate swaps of $27.8 million (2005: Nil), interest received of $4.6 million (2005: $5.3 million) and other items. The fair value movement in the gold lease swaps was recognised in the income statement as they do not qualify for hedge accounting. No adjustment was made in the 2005 comparative as the Consolidated Entity has taken the exemption available under AASB 1 First-time adoption of AIFRS to apply the financial instruments standards AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005 only.

Profit from Sale of Boddington Interest

A net profit after tax of $218.2 million was made on the disposal of the Consolidated Entity's 22.22 percent interest in the Boddington Gold Mine Joint Venture.

Costs

Gross mine costs (excluding copper by-product revenue) and per unit cash costs were higher compared to the prior year due to higher production volumes from Telfer open pit and Cracow operations. Costs were also adversely impacted by price increases of key inputs specifically labour, maintenance, realisation, royalties, steel and diesel costs. Per unit costs were also impacted by the lower than anticipated production volumes from the first full year of operations from the Telfer open pit due to lower grade and recoveries. Results of mine to mill reconciliations in the weathered and transitional portions of the Mineral Resource since the mill commissioning in November 2004 have shown under-performance relative to the feasibility study estimate. This is reflected in the updated resource and reserve estimate for Telfer.

Depreciation and amortisation on fixed assets totalled $186.6 million (2005: 132.1 million), which is equal to $125 per ounce sold (2005: $126 per ounce sold). Depreciation was higher due to the full year of Telfer operations.

Borrowing costs expensed of $75.4 million (2005: $32.3 million) are net of borrowings costs capitalised to the Telfer Project of $14.4 million (2005: $37.0 million). The increase in borrowing costs relates to the first full year of expensing of borrowing costs associated with Telfer open pit combined with higher debt levels in the 2006 year.

Administration costs increased to $45.2 million (2005: $38.6 million) mainly due to the one-off costs associated with corporate restructuring and payments made to the retiring Chief Executive Officer.

Total exploration expenditure for the year was $57.0 million (2005: $46.0 million) with $41.7 million being charged against income compared to $39.2 million in the previous year. Exploration expenditure capitalised during the period related to Cadia East, Ridgeway Deeps, Kencana, Telfer and Cracow.

Other expenses of $6.9 million (2005: $10.2 million) mainly comprised equity settled compensation expense $4.1 million (2005: $4.5 million) and in the prior year care and maintenance.

An expense of $11.0 million (2005: $17.3 million) was recognised for the ongoing accounting treatment of prior years' hedging restructures previously advised.

Discussion and Analysis of the Balance Sheet

The introduction of Australian Equivalents to International Financial Reporting Standards ('AIFRS') has meant that the balance sheet of the Consolidated Entity has changed substantially from 30 June 2005 with the key changes relating to the impact of recognising financial derivatives. There was no change to the 30 June 2005 comparatives in respect of derivatives as the Consolidated Entity has elected to apply the option available under AASB 1 to adopt AASB 132 and AASB 139 from 1 July 2005.

Major changes as at 30 June 2006 were:

- Included in total liabilities is $1,791.9 million relating to the recognition of the fair value of derivative financial instruments.
- A deferred tax asset of $559.1 million was recognised relating to the fair value of derivative financial instruments.
- Recognised in the equity hedge reserve is negative $1,334.0 million, which represents the tax effected movement in the fair value of derivatives being deferred as these derivatives qualify as effective hedges and the recognition of deferred foreign exchange losses on US dollar borrowings designated as an effective hedge of future US dollar commodity sales.

Excluding the AIFRS impact of derivative financial instruments, the financial condition of the Consolidated Entity remains relatively unchanged in the current period with an additional increase in net borrowings of $189.4 million to fund operations and existing investing activities of Newcrest. The gearing ratio (net debt/(net debt-plus-equity)), adjusted to exclude the balance sheet impact of derivatives under AIFRS, shows that gearing decreased from 55 percent at 30 June 2005, to 50 percent at 30 June 2006. The reduction was mainly due to the use of the Boddington sale proceeds to repay and the increase in equity from the net profit on the sale of Boddington. The impact of AIFRS adjustments relating to derivatives are also excluded from the Consolidated Entity's borrowing covenants as agreed with counterparties.

With the successful completion of the majority of the funding restructure in the prior financial year, the main changes in funding in the current year include:

- Finalisation of additional Bilateral debt facilities taking total available Bilateral facilities to US$969.0 million with 14 banks.
- Replacing $243.5 million of short-term loan and stand-by facilities by using longer term US Dollar Bilateral debt proceeds.
- Repaid $87.3 million of finance lease liabilities.

Newcrest has a higher level of gearing than anticipated primarily due to the delay in the start-up of commissioning of the processing plant at Telfer. Newcrest is focused on a reduction in gearing levels to more modest levels, given the strong cash flow forecast from Telfer and other operations over the next few years and the focus of the Capital Management Plan will be on finding the right mix between reinvestment in existing development projects, reduction of debt and returns to shareholders.

At 30 June 2006 total assets have increased to $4,222.4 million, an increase of $1,118.3 million from the prior year. The majority of this increase represents the recognition of the deferred tax asset on the derivative financial instruments liabilities that were not recognised in the prior year, and capital expenditure associated with the Telfer project.

Total liabilities at 30 June 2006 increased to $4,061.7 million, an increase of $2,088.2 million from the prior year. This was mainly due to the inclusion for the first time of $1,791.9 million liability for the fair value of derivative financial instruments.

Contributed equity increased by $16.6 million during the year from the issue of shares on conversion of employee options and the dividend reinvestment plan.

Discussion and Analysis of the Cash Flow Statement

Cash Flow – Operating Activities

Cash flow from operating activities was steady at $263.8 million (2005: $259.0 million).

Increased receipts from customers arose primarily from higher sales volumes from Telfer.

Payments to suppliers and employees increased due to increased royalty, realisation and diesel costs as well as the higher operating costs base of the Telfer operation.

Increased borrowing costs paid associated with operating activities reflected Telfer open pit operating for the full 2006 year (the borrowing costs were capitalised in investing activities in the prior year).

Higher income taxes paid are the result tax payments made in respect of Gosowong.

Cash Flow – Investing Activities

Major areas of capital expenditure during the financial year were:

- Telfer mine development (including pre-commissioning operating costs and capitalised borrowing costs) – $326.0 million.
- Cadia, Ridgeway, Cadia East expenditure – $81.3 million.
- Cracow mine development – $19.1 million.
- Indonesia capital expenditure – $52.5 million.
- Total exploration and province development – $57.0 million.

Cash Flow – Financing Activities

Capital expenditure programs were largely financed through Bilateral debt proceeds. Major movements in cash flows from financing activities included:

- $525.2 million net drawdown from US Bilateral debt facilities.
- $165.0 million repayment of US 364 day loan.
- $33.3 million repayment of the Gold loan.
- $23.6 million repayment of Nippon USD loan.
- $87.3 million repayment of finance lease principal.
- $78.5 million repayment of bank loan.
- $13.4 million of funds were received from the exercise of share options.

Dividends Paid

Dividends paid of $15.5 million comprised:

- A final dividend payment of 5 cents per share amounting to $16.6 million was paid to Newcrest shareholders on 14 October 2005 in respect of the 30 June 2005 financial year, however, the Dividend Reinvestment Plan reduced the actual cash amount paid to $13.3 million.
- A dividend of $2.2 million was paid to minority interests during the financial year.

Income Statement

For the year ended 30 June 2006	Note	Consolidated 2006 $M	 2005 $M
Continuing operations			
Revenue	2	1,404.1	985.5
Cost of sales		(1,086.6)	(660.4)
Gross profit		317.5	325.1
Other income	2	42.7	11.7
Exploration costs		(41.7)	(39.2)
Corporate administration costs		(45.2)	(38.6)
Finance costs	2	(75.4)	(32.3)
Net foreign exchange gain/(loss)		5.6	(3.7)
Other expenditure		(6.9)	(10.2)
Profit/(loss) on sale of assets	2	(1.6)	2.1
Provision for hedging contract restructures		(11.0)	(17.3)
Profit before income tax expense		184.0	197.6
Income tax expense		(46.9)	(60.9)
Profit after tax from continuing operation		137.1	136.7
Discontinued operation			
Profit after tax from discontinued operation	4	218.2	–
Net profit for the year		355.3	136.7
Net profit attributable to minority interest		(5.8)	(6.7)
Net profit attributable to members of the parent entity		349.5	130.0
Earnings per share (EPS) (cents per share)	5		
– Basic EPS for profit for the year attributable to ordinary equity holders of the parent		105.3	39.4
– Basic EPS for profit from continuing operations attributable to ordinary equity holders of the parent		39.6	39.4
– Diluted EPS for profit for the year attributable to ordinary equity holders of the parent		104.5	39.0
– Diluted EPS from continuing operations attributable to ordinary equity holders of the parent		39.2	39.0
Dividends per share (cents per share)	3	5.0	5.0

The income statement is to be read in conjunction with the discussion and analysis and the accompanying notes to the financial statements.

Balance Sheet

At 30 June 2006	Consolidated 2006 $M	2005 $M
CURRENT ASSETS		
Cash and cash equivalents	**153.0**	64.6
Trade and other receivables	**261.3**	154.5
Inventories	**178.2**	102.5
Other financial assets	**–**	1.2
Other	**24.6**	27.9
Total current assets	**617.1**	350.7
NON-CURRENT ASSETS		
Trade and other receivables	**9.4**	9.1
Inventories	**1.8**	4.8
Property, plant and equipment	**1,434.2**	1,309.4
Exploration, evaluation and development	**1,249.0**	1,083.2
Deferred tax asset	**638.3**	85.9
Other	**272.6**	261.0
Total non-current assets	**3,605.3**	2,753.4
TOTAL ASSETS	**4,222.4**	3,104.1
CURRENT LIABILITIES		
Trade and other payables	**233.5**	156.4
Interest bearing loans and borrowings	**65.4**	321.5
Derivative financial liabilities	**622.0**	–
Income tax payable	**0.5**	8.8
Provisions	**30.5**	13.9
Total current liabilities	**951.9**	500.6
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	**1,564.3**	1,118.8
Derivative financial liabilities	**1,169.9**	–
Deferred tax liabilities	**267.5**	231.9
Provisions	**32.2**	54.8
Other	**75.9**	67.4
Total non-current liabilities	**3,109.8**	1,472.9
TOTAL LIABILITIES	**4,061.7**	1,973.5
NET ASSETS	**160.7**	1,130.6
EQUITY		
Issued capital	**819.0**	802.4
Retained earnings	**656.2**	318.0
Reserves	**(1,327.4)**	1.2
Parent entity interests	**147.8**	1,121.6
Minority interests	**12.9**	9.0
TOTAL EQUITY	**160.7**	1,130.6

The Balance Sheet is to be read in conjunction with the discussion and analysis and the accompanying notes to the financial statements.

Statement of Changes in Equity

At 30 June 2006	Consolidated							
	Attributable to Equity Holders of the Parent						Minority Interest	
	Issued Capital $M	Foreign Currency Translation Reserve $M	Hedge Reserve $M	Equity Settlements Reserve $M	Retained Earnings $M	Total $M	$M	Total Equity $M
Balance at 1 July 2004	791.5	–	–	–	204.5	996.0	8.0	1,004.0
Foreign currency translation	–	(4.7)	–	–	–	(4.7)	(1.0)	(5.7)
Deferred tax on items taken directly to equity	–	1.4	–	–	–	1.4	0.3	1.7
Total income/(expense) recognised directly in equity	–	(3.3)	–	–	–	(3.3)	(0.7)	(4.0)
Net profit for the period	–	–	–	–	130.0	130.0	6.7	136.7
Total recognised income/(expense) for the period	–	(3.3)	–	–	130.0	126.7	6.0	132.7
Share-based payments	–	–	–	4.5	–	4.5	–	4.5
Exercise of options	8.4	–	–	–	–	8.4	–	8.4
Shares issued under the Dividend Reinvestment Plan	2.5	–	–	–	–	2.5	–	2.5
Dividend paid	–	–	–	–	(16.5)	(16.5)	(5.0)	(21.5)
Balance at 30 June 2005	802.4	(3.3)	–	4.5	318.0	1,121.6	9.0	1,130.6
Balance at 1 July 2005*	802.4	(3.3)	(437.3)	4.5	323.3	689.6	9.0	698.6
Deferred FX loss on hedge of USD borrowings	–	–	(34.0)	–	–	(34.0)	–	(34.0)
Deferred loss on cash flow hedges	–	–	(1,236.7)	–	–	(1,236.7)	–	(1,236.7)
Deferred tax on items taken directly to equity	–	(0.6)	374.0	–	–	373.4	(0.1)	373.3
Foreign currency translation	–	1.9	–	–	–	1.9	0.4	2.3
Total income/(expense) recognised directly in equity	–	1.3	(896.7)	–	–	(895.4)	0.3	(895.1)
Net profit for the period	–		–	–	349.5	349.5	5.8	355.3
Total recognised income/(expense) for the period	–	1.3	(896.7)	–	349.5	(545.9)	6.1	(539.8)
Share-based payments	–	–	–	4.1	–	4.1	–	4.1
Exercise of options	13.4	–	–	–	–	13.4	–	13.4
Shares issued under the Dividend Reinvestment Plan	3.2	–	–	–	–	3.2	–	3.2
Dividends paid	–	–	–	–	(16.6)	(16.6)	(2.2)	(18.8)
Balance at 30 June 2006	**819.0**	**(2.0)**	**(1,334.0)**	**8.6**	**656.2**	**147.8**	**12.9**	**160.7**

*The Consolidated Entity has applied AASB 132 and AASB 139 from 1 July 2005 which resulted in ($432.0 million) being initially recognised in equity.

The above consolidated statement of changes in equity should be read in conjunction with the discussion and analysis and the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2006	Consolidated 2006 $M	2005 $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,384.8	929.0
Payments to suppliers and employees	(1,038.6)	(644.6)
Interest received	4.6	5.3
Borrowing costs paid	(56.8)	(23.0)
Income taxes paid	(30.2)	(7.7)
Net cash from operating activities	263.8	259.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(105.6)	(51.5)
Proceeds from sale of non-current assets	3.2	1.0
Exploration and evaluation expenditure	(57.0)	(46.0)
Payments in respect of mine development	(28.6)	(42.9)
Payments in respect of mines under construction	(295.7)	(460.6)
Feasibility expenditure	(45.4)	(46.3)
Borrowing costs paid capitalised to development projects	(12.6)	(39.7)
Proceeds on disposal of interest in joint venture (Note 4)	224.6	–
Net cash used in investing activities	(317.1)	(686.0)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings:		
US Private placement notes	–	459.0
US Bilateral debt	525.2	333.7
US 364 day loan	–	177.3
Loan from minority interest	6.2	–
Repayment of borrowings:		
Bank loan	(78.5)	(6.5)
US 364 day loan	(165.0)	–
Bank loan note	–	(538.1)
US dollar loan	(23.6)	(19.4)
Gold loan	(33.3)	(41.2)
Repayment of finance lease principal	(87.3)	(17.3)
Proceeds from share issues	13.4	8.4
Dividends paid	(15.5)	(19.0)
Net cash from financing activities	141.6	336.9
Net increase/(decrease) in cash and cash equivalents	88.3	(90.1)
Cash and cash equivalents at the beginning of the financial year	64.6	157.0
Effects of exchange rates to changes on cash held	0.1	(2.3)
Cash and cash equivalents at the end of the financial year	153.0	64.6

The Statement of Cash Flows is to be read in conjunction with the discussion and analysis and the accompanying notes to the financial statements.

Note 1 Accounting Policies

This Concise Financial Report has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1039: *Concise Financial Reports* and applicable Urgent Issues Group Interpretations. The financial statements and specific disclosures required by AASB 1039 have been derived from the Consolidated Entity's full Financial Report for the financial year. Information included in the Concise Financial Report is consistent with the Consolidated Entity's full financial report, and is presented in Australian dollars.

The Concise Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full Financial Report.

From 1 July 2005, the Consolidated Entity prepares its financial statements in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRS'). Due to the requirement to prepare comparative information for the previous corresponding period, the effective date for transition to AIFRS is 1 July 2004. Except for AASB 132 and AASB 139 related balances where the effective date of transition is 1 July 2005.

A full description of the accounting policies adopted by the Consolidated Entity may be found in the Consolidated Entity's full Financial Report.

These accounting policies have been consistently applied by each entity in the Consolidated Entity, with exception of the treatment of financial instruments, where comparative amounts are presented according to the Consolidated Entity's previous AGAAP accounting policy.

Note 2 Revenue and Expenses

	Consolidated	
	2006 $M	2005 $M
Sales revenue		
Gold	845.4	610.9
Copper	515.2	356.5
Silver	14.1	8.7
Concentrate adjustments from prior year sales	29.4	9.4
Total sales revenue	1,404.1	985.5
Other income		
Interest from other persons	4.6	5.7
Less: Interest income capitalised	–	(0.4)
Joint venture management fees	1.2	0.8
Revaluation of investment	–	0.7
Fair value adjustment on gold lease rate swaps	27.8	–
Other	9.1	4.9
Total other income	42.7	11.7
TOTAL REVENUE	1,446.8	997.2
Expenses		
Depreciation and amortisation:		
Depreciation of property, plant and equipment	114.6	77.7
Amortisation of:		
Plant and equipment under finance leases	6.2	11.2
Mine development	57.2	48.1
Deferred feasibility expenditure	8.2	2.2
Deferred mining	0.5	0.9
Less: Capitalised to inventory on hand	(0.1)	(8.0)
Total depreciation and amortisation	186.6	132.1

Note 2 Revenue and Expenses continued

	Consolidated 2006 $M	Consolidated 2005 $M
Employee benefits expense:		
Defined benefit plans expense	**(0.4)**	–
Equity settled share-based compensation payments	**4.1**	4.5
Defined contribution plan expense	**14.6**	9.3
Other employment benefits	**133.9**	86.5
	152.2	100.3
Finance costs:		
Interest costs:		
Interest on loans	**82.8**	54.1
Finance leases	**4.7**	7.5
Other:		
Borrowing costs	**1.1**	5.7
Unwind of rehabilitation provision discount	**1.2**	2.0
	89.8	69.3
Less: Capitalised borrowing costs	**(14.4)**	(37.0)
Total finance costs expensed	**75.4**	32.3
Other Items:		
Operating lease rentals	**5.6**	7.6
Government royalties	**58.4**	28.9
Research and development expenditure	**0.2**	0.6
Stores obsolescence	**(0.2)**	0.8
Foreign exchange gains/(losses):		
Net foreign exchange gain/(loss)	**5.6**	(3.7)
Sales of assets:		
Sales of assets have given rise to the following profits/(losses):		
Proceeds from sale of plant and equipment	**3.2**	2.3
Carrying value of plant and equipment sold	**(4.8)**	(0.2)
Profit/(loss) on sale of plant and equipment	**(1.6)**	2.1

Note 3 Dividends Paid and Proposed

	Cents per share	Total amount $M	Franked/ unfranked	Date of payment
Dividends recognised in the current year by the Company are:				
2006 – Dividend paid during the year for the 30 June 2005 year				
Final – ordinary	5.0	16.6	49% Franked	14 Oct 2005
2005 – Dividend paid during the year for the 30 June 2004 year				
Final – ordinary	5.0	16.5	100% Franked	15 Oct 2004
Subsequent events – Dividend proposed and not recognised as a liability:				
Since the end of the financial year, the Directors declared the following dividends:				
Final – ordinary	5.0	16.7	Unfranked	13 Oct 2006

Dividend franking account

	Consolidated 2006 $M	2005 $M
Franking credit balance		
Franking credits available for the subsequent financial year are:		
Franking account balance as at the beginning of the financial year at 30% (2005: 30%)	2.9	10.2
Current year tax payment instalments and adjustments	1.8	(0.2)
Franked dividends paid	(3.5)	(7.1)
Franking account balance as at the end of the financial year	1.2	2.9

Note 4 Discontinued Operation

On 13 February 2006, the Board of Directors entered into a sale agreement to dispose of its 22.22 percent interest in the Boddington Joint Venture. The disposal of the Boddington interest is consistent with the Consolidated Entity's long-term policy to focus efforts on wholly or majority owned development activities. This disposal was completed on 21 March 2006, by which date all necessary government approvals were obtained and the sale proceeds of $225 million were received.

The results for the discontinued operation for the year until disposal are presented below.

	Consolidated 2006 $M	2005 $M
Consideration received	225.0	–
Net liabilities disposed	1.0	–
Expenses on disposal	(3.3)	–
Gain on disposal of operation	222.7	–
Exploration expenditure from operation before disposal	(0.2)	–
		–
Profit before income tax expense from discontinued operation	222.5	–
Income tax expense	(4.3)	–
Profit after tax from discontinued operation	218.2	–

Note 4 Discontinued Operation continued

The major classes of assets and liabilities of the Boddington Joint Venture are as follows:

	2006 $M
Assets	
Cash	0.4
Receivables	0.1
Property, plant and equipment	0.3
Exploration, evaluation and development	12.3
Deferred tax asset	4.2
	17.3
Liabilities	
Trade and other payables	0.3
Provisions	18.0
	18.3
Net liabilities attributable to discontinued operation	(1.0)
Net cash flow on disposal:	
Cash consideration received	225.0
Less: Cash balance disposed of	(0.4)
Net cash received reflected in the Statement of Cash Flows	224.6

Note 5 Earnings per Share (EPS)

	Consolidated 2006	2005
Basic EPS (cents per share)	105.3	39.4
Diluted EPS (cents per share)	104.5	39.0
Basic EPS from continuing operations after minority interests	39.6	39.4
Diluted EPS from continuing operations after minority interests	39.2	39.0
Basic EPS from discontinued operation	65.7	–
Diluted EPS from discontinued operation	65.2	–

The following reflects the income and share data used in the calculations of basic and diluted EPS:

	Consolidated	
	2006 $M	2005 $M
Net profit after income tax from continuing operations after minority interests	131.3	130.0
Net profit after income tax from discontinued operation	218.2	–
Earnings attributable to ordinary equity holders of the parent used in calculating basic EPS	349.5	130.0
	No. of shares	**No. of shares**
Weighted average number of ordinary shares used in calculating basic EPS	331,868,645	329,614,969
Effect of dilutive securities:		
Share options	2,686,239	4,000,161
Adjusted weighted average number of ordinary shares used in calculating diluted EPS	334,554,884	333,615,130

Note 6 Segment Information

The Consolidated Entity's primary segment reporting format is geographical segments as the Consolidated Entity's risk and rates of return are affected predominantly by the location of the mine sites. The operating businesses are organised and managed separately according to their location.

Geographical Segments (Primary Reporting Format based on location of mine sites)

2006	Cadia Valley Operations $M	Gosowong $M	Telfer (iv) $M	Boddington (iii) $M	Cracow $M	Group and Unallocated $M	2006 Total $M
Sales revenue (i)	1,026.0	127.3	754.6	–	55.5	(559.4)	1,404.1
Other revenue	–	–	–	–	–	42.7	42.7
Total segment revenue	1,026.0	127.3	754.6	–	55.5	(516.7)	1,446.8
Segment result (i)	593.5	61.0	343.3	(0.2)	31.2	(622.3)	406.5
Income tax expense	–	–	–	–	–	(51.2)	(51.2)
Net profit before minority interests	593.5	61.0	343.3	(0.2)	31.2	(673.5)	355.3
Segment assets	1,131.9	148.9	2,087.0	–	106.8	747.8	4,222.4
Segment liabilities (ii)	452.3	40.0	1,479.5	–	0.1	2,089.8	4,061.7
Other segment information							
Acquisition of segment assets	97.5	73.1	309.5	5.7	39.7	33.9	559.4
Depreciation and amortisation of segment assets	90.9	6.4	77.3	–	6.6	5.4	186.6

2005	Cadia Valley Operations $M	Gosowong $M	Telfer (iv) $M	Boddington (iii) $M	Cracow $M	Group and unallocated $M	2006 Total $M
Sales revenue (i)	704.1	123.3	157.9	–	13.5	(13.3)	985.5
Other revenue	–	–	–	–	–	11.7	11.7
Total segment revenue	704.1	123.3	157.9	–	13.5	(1.6)	997.2
Segment result (i)	233.8	63.2	44.0	–	1.6	(145.0)	197.6
Income tax expense	–	–	–	–	–	(60.9)	(60.9)
Net profit before minority interests	233.8	63.2	44.0	–	1.6	(205.9)	136.7
Segment assets	1,036.4	77.6	1,757.2	11.1	66.1	155.7	3,104.1
Segment liabilities(ii)	377.3	27.8	1,223.4	18.7	–	326.3	1,973.5
Other segment information							
Acquisition of segment assets	74.3	27.6	456.9	2.6	28.7	28.9	619.0
Depreciation and amortisation of segment assets	102.5	6.1	20.5	–	2.8	0.2	132.1

(i) Segment sales revenue and segment results by mine location includes gold and copper sales at spot prices. Mine results do not include allocation of hedging and interest costs.
(ii) Group borrowings have been attributed to CVO and Telfer.
(iii) Operations at Boddington were suspended in November 2001 and the mine was placed on care and maintenance. On the 21 March 2006, Newcrest Mining sold its interest in the joint venture.
(iv) Operations at Telfer recommenced in February 2005, prior to this it was under redevelopment.

Geographical Segments (based on location of customers)

	Sales Revenue from External Customers 2006 $M	2005 $M
Australia – Bullion	**263.0**	118.3
Other Asia – Bullion	**127.3**	123.3
Japan – Concentrate	**992.2**	610.0
Korea – Concentrate	**283.9**	122.9
Other Asia – Concentrate	**172.9**	24.3
Europe – Concentrate	**121.7**	–
Hedge losses included in revenue	**(556.9)**	(13.3)
Total sales revenue	**1,404.1**	985.5

Business Segments (Secondary Reporting Format)

The Consolidated Entity operates predominantly in one business segment being the gold mining industry and derives its revenue from the sale of gold and gold/copper concentrate.

Note 7 Subsequent Events

On 28 August 2006, the directors of Newcrest Mining Limited declared a final unfranked dividend on ordinary shares in respect of the 2006 financial year. The total amount of the dividend is $16.7 million, which represents an unfranked dividend of 5 cents per share. The dividend has not been provided for in the 30 June 2006 financial statements.

There are no other matters or circumstances which have arisen since 30 June 2006 that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

Note 8 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

From 1 July 2005, the Consolidated Entity changed its accounting polices to comply with the Australian equivalents to International Financial Reporting Standards ('AIFRS'). Due to the requirement to publish comparative information for the corresponding period the effective date for transition to AIFRS is 1 July 2004. The rules for first time adoption of AIFRS are set out in AASB 1 *First time adoption of AIFRS*. This standard allows certain exemptions from the general requirement to apply AIFRS retrospectively. Where the Consolidated Entity has utilised these exemptions they are noted in the information below.

To explain how the Consolidated Entity's reported income statement and balance sheet are affected by this change, information previously published under Australian generally accepted accounting practice (AGAAP) is restated under AIFRS in the following tables:

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

		Consolidated	
	Explanatory Transition notes	30 June 2005 $M	1 July 2004 $M
Total equity under AGAAP		**1,132.1**	999.8
Adjustments to equity:			
Recognition of pension asset	(b)	(0.2)	(0.4)
Changes in decommissioning expenses	(c)	13.8	12.7
De-recognition of asset not meeting recognition criteria	(d)	(9.1)	(7.5)
Depreciation on assets capitalised	(d)	(3.6)	1.2
Income tax effect of above adjustments	(e)	(0.3)	(1.8)
Foreign currency translation reserve	(f)	(2.1)	–
Total equity under AIFRS		**1,130.6**	1,004.0

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	Explanatory Transition Notes	Consolidated 30 June 2005 $M
Profit after tax as previously reported under AGAAP		**136.1**
Adjustments:		
Recognition of share-based payment expense	(a)	(4.5)
Recognition of pension asset	(b)	0.2
Changes in decommissioning expenses	(c)	1.1
De-recognition of asset not meeting recognition criteria	(d)	(1.6)
Additional depreciation on assets capitalised	(d)	(4.8)
Income tax effect of above adjustments	(e)	1.6
Foreign currency translation reserve	(f)	1.9
Profit after tax under AIFRS		**130.0**

Note 8 Impact of Adopting Australian Equivalents to International Financial Reporting Standards continued

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

(iv) Notes to the reconciliations

(a) Share-based Payments

Costs associated with share-based compensation are charged to the income statement under AASB 2 *Share-based Payment*, but not under AGAAP. In accordance with AASB 2, Newcrest's Executive Rights and Option Plan and Employee Share Acquisition Plan will be treated as equity-settled share-based compensation. Under this approach equity-settled share-based payments in respect of equity instruments issued after 7 November 2002 that were unvested as at 1 January 2005 are measured at fair value at grant date. The fair value determined at grant date is expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will vest.

(b) Defined Benefit Plan

The Consolidated Entity is a sponsor of a defined benefit fund and a defined contribution fund. Under previous AGAAP, cumulative actuarial gains and losses on the defined benefit plan were not recognised on the balance sheet. At the date of transition, a liability is recognised to record the deficit of the defined benefit plan and an adjustment to opening retained earnings. There are only three employees remaining in the defined benefit plan therefore the transitional impact is not material and the future period impacts are not expected to be material.

(c) Provision for Rehabilitation

Under AIFRS, at the commencement of a facilities operation, the present value of rehabilitation obligations are recognised as a non-current provision and the cost of future rehabilitation is capitalised as part of the relevant project. The capitalised cost is amortised over the life of the project and the provision is increased as further disturbance occurs which creates a further obligation to rehabilitate. Associated discounting of the liability unwinds throughout the life of the provision, with this unwind being recognised as a finance expense. This is a change to the former accounting policy under AGAAP, under which a rehabilitation liability was provided for over the life of the operation on an incremental and undiscounted basis. On an ongoing basis, the rehabilitation liability is remeasured at each reporting period in line with the changes in the value of money (recognised as an expense in the income statement and an increase in the provision), and additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability.

(d) Property, Plant and Equipment

In accordance with AASB 116 *Property*, *Plant and Equipment* Newcrest has elected to continue to recognise non-current assets on transition to AIFRS at cost. Consequently there will not be any impact for Newcrest arising from the application of the revaluation model, as non-current assets are currently carried at cost.

Capitalised costs relating to the asset base of $9.1 million have been derecognised from other assets as these did not meet the recognition criteria under AIFRS as a component of property, plant and equipment.

(e) Income Tax

Under previous AGAAP, income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. The tax effect of timing differences, which occurred when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable. Under AASB 112 *Income Taxes*, any difference between the carrying value of an asset or liability and its tax base is recognised as a temporary difference.

(f) Foreign Currency Translation Reserve

The Consolidated Entity has a foreign operation which has a functional currency of US Dollars and maintains its books in this currency. The assets and liabilities of this foreign operation are translated from the foreign operation's functional currency into the Consolidated Entity's presentation currency at exchange rates at reporting date. Items in the income statement of the foreign operation are translated at exchange rates approximating rates at the transaction dates. Any exchange differences arising on translation are recognised in the foreign currency translation reserve.

(g) Derivative Financial Instruments

The Consolidated Entity has taken the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. On 1 July 2005 the adjustments were mainly attributable to commodity hedging derivatives designated as cash flow hedges, which were recorded in the balance sheet at their fair value resulting in the recognition of derivative financial liabilities of $582.9 million on 1 July 2005. From this date changes in fair value of cash flow hedges that meet the detailed hedge accounting requirements will be recognised directly in equity until the hedged transaction occurs. Adjustments were also made on 1 July 2005 for other derivatives that do not qualify for hedge accounting and were recorded in the balance sheet at their fair value on transition. This resulted in the recognition of a derivative financial asset of $7.3 million on 1 July 2005. From this date changes in fair value of these derivatives will be recognised in the income statement. Derivatives recognised at fair value will be subject to tax effect accounting at current tax rates and an applicable deferred tax asset or deferred tax liability will also be recognised on the Balance Sheet. On transition to AIFRS on 1 July 2005 a deferred tax asset of $174.9 million on the derivative financial liabilities and a deferred tax liability of $2.2 million on the derivative financial asset were recognised.

Directors' Declaration

In the opinion of the Directors of Newcrest Mining Limited:

(a) The Concise Financial Report of the Consolidated Entity for the year ended 30 June 2006 is in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*;

(b) The Financial Statements and specific disclosures included in this Concise Financial Report have been derived from the full Financial Report for the year ended 30 June 2006;

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and the companies and the parent entity to the Deed of Cross Guarantee described in note 28 of the full Financial Report will together be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee dated 6 November 1992; and

(d) The Financial Statements and notes are in accordance with the *Corporations Act 2001*, including Sections 296 and 297.

(e) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2006.

This statement has been made in accordance with a resolution of the Directors.

Ian Johnson
Chairman

Ian Smith
Managing Director and Chief Executive Officer

28 August 2006
Melbourne, Victoria

ERNST & YOUNG

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Independent audit report to members of Newcrest Mining Limited

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements and the Directors' Declaration for the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both Newcrest Mining Limited (the company) and the entities it controlled during the year.

The directors of the company are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 *Concise Financial Reports*, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach

We conducted an independent audit on the concise financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, the information to provide evidence supporting that the amounts and disclosures in the concise financial report are consistent with the full financial report; and
- Examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2006. Our audit report on the full financial report was signed on 28 August 2006, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

ERNST & YOUNG

We have given to the directors of the company a written Auditor's Independence Declaration, signed on 28 August 2006 a copy of which is included in the Directors' Report. In addition to our audit of the full and concise financial reports, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

Audit opinion

In our opinion:

1. the concise financial report of Newcrest Mining Limited complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Ernst & Young

Alan I Beckett
Partner
Melbourne
28 August 2006

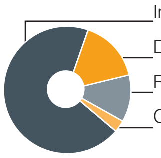
Shareholder Information

Capital
Share capital comprised 333,292,680 shares on 31 August 2006.

Shareholder Details
At 31 August 2006 the Company had 29,344 ordinary shareholders.

There were 567 shareholdings with less than a marketable parcel of $500 worth of ordinary shares (based upon a market price of $19.50 as at 31 August 2006).

Shareholder Breakdown
At 31 August 2006 the shareholder breakdown consisted of the following:



The shareholder base continued to evolve over the year with the international component of the register growing from 60 percent to 69 percent. This occurred as Newcrest transformed its business into one which competes strongly with its globally based gold peer group.

Newcrest Top 20 Investors at 31 August 2006

Name	Current Balance	Issued Capital %
National Nominees Limited	76,559,404	22.97
Westpac Custodian Nominees Ltd	74,306,703	22.29
JPMorgan Nominees Australia Limited	39,064,732	11.72
ANZ Nominees Limited	37,882,327	11.37
Citicorp Nominees Pty Limited	30,766,625	9.23
HSBC Custody Nominees	7,050,146	2.12
Queensland Investment Corporation	3,362,173	1.01
UBS Nominees Pty Ltd	3,200,000	0.96
Cogent Nominees Pty Limited	2,859,763	0.86
Citicorp Nominees Pty Limited	1,945,040	0.58
CS Third Nominees Pty Ltd	1,790,000	0.54
Westpac Financial Services Ltd	1,658,335	0.50
Elise Nominees Pty Limited	1,511,769	0.45
AMP Life Limited	1,169,714	0.35
RBC Dexia Investor Services	948,323	0.28
Bond Street Custodians Limited	891,789	0.27
Merrill Lynch (Australia)	705,151	0.21
Fleet Nominees Pty Limited	684,402	0.21
UBS Wealth Management Australia	562,625	0.17
Bond Street Custodians Limited	527,751	0.16
Total	**287,446,772**	**86.24**

Substantial Shareholders at 31 August 2006

Capital Group Companies, Inc.	45,009,776	13.51
Commonwealth Bank of Australia	27,999,257	8.41
Merrill Lynch Investment Management Group	23,493,865	7.15

Investor Categories

Ranges	Investors	Securities	Issued Capital %
1–1,000	19,492	8,347,897	2.50
1,001–5,000	8,772	18,080,155	5.43
5,001–10,000	648	4,680,823	1.40
10,001–100,000	361	8,960,170	2.69
100,001 and Over	71	293,223,635	87.98
Total	**29,344**	**333,292,680**	**100.00**

Voting Rights

Each ordinary shareholder is entitled to one vote for each share held.

The Company encourages shareholders to express their views on the conduct of business by speaking at shareholder meetings or by writing to the Chairman of the Board of Directors.

Dividends

The Company has declared an unfranked dividend of 5 cents per share. The dividend is payable to shareholders on 13 October 2006. Shareholders registered as at the close of business on 22 September 2006 will be eligible for the dividend. The Dividend Reinvestment Plan remains in place and will be offered to shareholders at market price.

US Investor Information

Newcrest may also be traded in the form of American Depositary Receipts (ADRs). Each ADR represents one Newcrest ordinary share. The program is administered on behalf of the Company by The Bank of New York and enquiries should be directed in writing to: The Bank of New York, Investor Services, P.O. Box 11258, Church Street Station, New York, NY 10286–1258.

ADR holders are not members of the Company but may instruct The Bank of New York as to the exercise of voting rights pertaining to the underlying shareholding.

During the year the net movement for ADRs was positive 3,243,068 and at year end a net 7,800,150 ADRs were outstanding.

Reporting to Shareholders

Newcrest is committed to clear reporting and disclosure of the Company's activities to our shareholders.

Share Registry Information

You can do so much more online

Did you know that you can access – and even update – information about your holdings in Newcrest Mining Limited via the Internet.

Visit Link Market Services' website www.linkmarketservices.com.au and access a wide variety of holding information, make some changes online or download forms. You can:

- check your current and previous holding balances
- elect to receive financial reports electronically
- update your address details
- update your bank details
- confirm whether you have lodged your Tax File Number (TFN), Australian Business Number (ABN) or exemption
- check transaction and dividend history
- enter your email address
- check the share prices and graphs
- download a variety of instruction forms.

You can access this information via a security login using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

Don't miss out on your dividends

Dividend cheques that are not banked are required to be handed over to the State Trustee under the Unclaimed Monies Act. You are reminded to bank cheques immediately.

Better still, why not have us bank your dividend payments for you

How would you like to have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Not only can we do your banking for you, but dividends paid by direct credit hit your account as cleared funds, thus allowing you to access them on payment date.

Contact information

You can also contact the Newcrest Mining Limited share registry by calling 1300 554 474 or from outside Australia +61 (0)2 8280 2261. Share registry contact details are contained in the Corporate Directory of this Report on the inner back cover.

Five Year Summary

For the 12 months ending 30 June	2006	2005	2004	2003	2002
Gold Production (ounces)	*1,529,866	*1,157,520	761,780	714,377	644,626
Cash costs at achieved prices ($ per ounce)	246	150	114	212	265
Total costs at achieved prices ($ per ounce)	365	275	263	350	426
Net profit after tax ($M)	349	130	123	92	(53)
– continuing operations ($M)	131	130	123	92	(53)
– discontinued operation ($M)	218	–	–	–	–
Return on Capital Employed (percent)	8.4	8.8	9.6	6.6	3.7
Gold Production – Newcrest Share (ounces)					
Cadia Hill	**248,312**	308,516	244,261	298,848	258,834
Cracow	**77,702**	* 26,128	–	–	–
Ridgeway	**366,520**	382,034	438,026	377,539	127,665
Telfer	***650,016**	* 217,740	–	–	–
Gosowong	**187,316**	223,102	79,493	37,878	232,297
Boddington	**–**	–	–	112	25,830
Total	**1,529,866**	1,157,520	761,780	714,377	644,626
Copper Production (tonnes)	**100,521**	96,785	84,758	67,738	40,055
Costs per ounce					
By-product basis (NAGIS)					
Cash costs at achieved prices ($ per ounce)	**246**	150	114	212	265
Total costs at achieved prices ($ per ounce)	**365**	275	263	350	426
Co-product basis					
Gold cash costs ($ per ounce)	**332**	304	289	331	330
Copper cash costs ($ per lb)	**1.85**	1.07	0.77	0.75	0.86
Total gold costs ($ per ounce)	**398**	377	379	426	449
Total copper costs ($ per lb)	**2.22**	1.32	1.01	0.96	1.17
Cash flow Expenditure ($M)					
Exploration	**57**	46	45	33	45
Capital	**488**	641	710	232	275
Profit and Loss ($M)					
Sales revenue	**1,404**	986	711	607	480
Cash flow from operations	**264**	259	267	199	90
Depreciation and amortisation	**(187)**	(134)	(111)	(98)	(102)
Income tax (expense)/benefit#	**(47)**	(61)	(51)	(29)	21
Net profit after tax ($M)	**349**	130	123	92	(53)
– continuing operations ($M)	**131**	130	123	92	(53)
– discontinued operation ($M)	**218**	–	–	–	–
Basic earnings per share (cents per share)#	**39.6**	39.4	37.5	29.6	(19.2)
Basic earnings per share (cents per share)	**105.3**	39.4	37.5	29.6	(19.2)
Dividend paid (cents per share)	**5**	5	5	5	5
Financial Position ($M)					
Total assets	**4,223**	3,104	2,566	1,839	1,376
Total liabilities	**4,062**	1,973	1,566	954	836
Shareholders' equity	**161**	1,131	1,000	885	540
Return on Capital Employed (percent)	**8.4**	8.8	9.6	6.6	3.7
Issued Capital (million shares) at year end	**333.1**	330.6	328.6	311.4	276.7
Gold Inventory (million ounces)					
Reserves	**33**	33	28	28	28
Resources	**59**	61	62	53	53

* Includes commissioning production.
\# From continuing operations.

Corporate Directory

Investor Information

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Stock Exchange Listings

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New York ADRs
(Ticker NCMGY)

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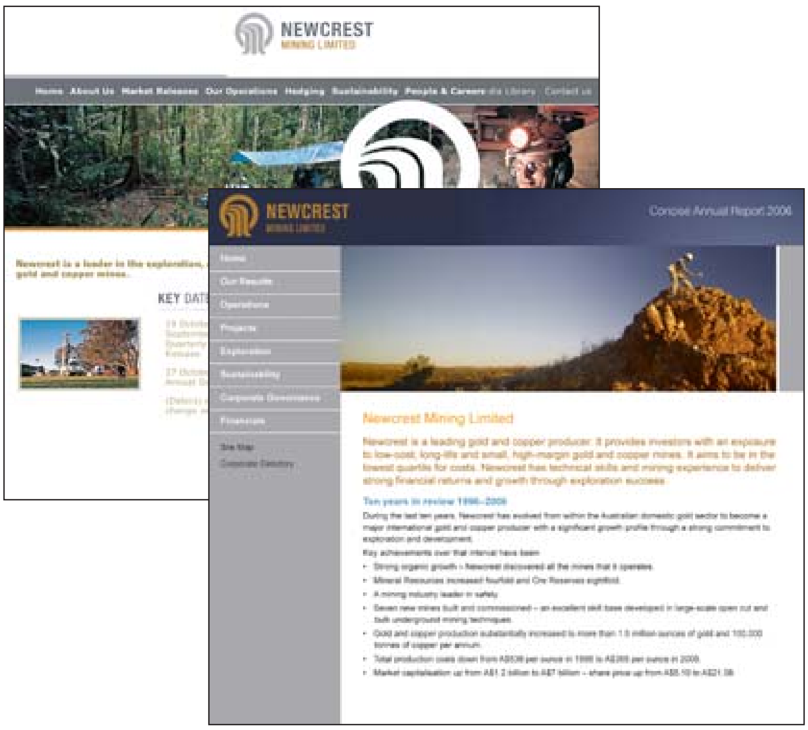
Company Events

26 October 2006
Annual General Meeting at 10.00am
ANZ Pavillion
Victorian Arts Centre
St Kilda Road
Melbourne, Victoria



Visit our website at **www.newcrest.com.au** to view our key dates and features; current share price; market releases; annual, quarterly and financial reports; operations, project and exploration information; corporate, shareholder, hedging, employment and sustainability information.

Concise Annual Report

This is the Company's Concise Annual Report for 2006. The full Financial Report and Auditor's Report are available to members free of charge upon request.

Designed and produced by Amanda Roach Design.