



THE MELBOURNE MINING CLUB LUNCHEON



7th June, 2007

Ian Smith - CEO Newcrest Mining Limited
Topic: Gold Mining - An Industry In Transition



A record crowd of 585 gathered in Melbourne's Town Hall to hear one of the world's leading gold miners give his thoughts on the Industry. Newcrest is Australia's largest gold producer and a global top 10 gold mining company.

Smith's overview of the industry illustrated South Africa's once dominant position as the world's major gold producer was no more with the United States, China and Australia now in the same league. He also outlined the key trends facing the industry - an upward trending cost curve; the recent discovery rate not keeping pace with production; increased trend to deeper, more 'difficult' deposits; & future reliance on underground bulk mining methods.



Newcrest revenue-sapping hedge book is under review, raising the prospect of a rights issue to cover the \$1.5 billion cost of a complete de-hedging exercise. The aim would be to liberate currently forgone revenue under the group's bad hedges to "put us in a position where we could pursue all of the growth opportunities that are being presented to us". The market reacted warmly to this hypothesizing by driving Newcrest shares up 29c to \$23.90 after the de-hedging option was raised by Mr Smith..

A new formula for working out the price of gold that makes an uncertain equation brutally simple was also touted. "You just work out how much it costs to deliver an ounce of gold to the market and work it up from there". If the Smith model holds true, the rise in the gold price has 'legs'. With much of the available ore close to the surface "in good postcodes" having been mined, the alternatives are to move into riskier countries or build deeper mines but this comes with a cost. Fortunately for Newcrest's leader his figures show the industry average of delivering an ounce of gold at around \$US550, whereas Newcrest is a low cost producer and sneaks under the \$US300 mark.

