NEWCREST BACKGROUND INFORMATION

NEWCREST are an Australian mining, exploration company who acquired their current name in 1990. Their main focus is gold, but they also mine copper and silver. They are Australia’s largest gold mine company, with four working mines. Newcrest’s largest mining operation is the Lihir Goldmine on Lihir Island, Papua New Guinea which was purchased in August 2010.

Newcrest are 14% shareholders of Solgold (a subsidiary of DGR Global) and 27.1% owners of Lundin Gold. Lundin Gold are developing the Fruta del Norte gold and copper mine in Ecuador which is expected to open in 2019.

In 2016 Newcrest Mining agreed to pay shareholders $36m to settle class-action claims around its gold production guidance. Shareholders alleged they lost a lot more than that in 2013 as a result of the way the company handled gold production forecasts and the practice of discreetly massaging analyst forecasts. This was an out-of-court settlement a week before the case was to be heard at the Federal Court. This meant that Newcrest avoided the possibility of having to pay hundreds of millions of dollars in claims. Newcrest were the first large company in Australia to receive a fine of $1.2 million by ASIC over disclosure.

PAST CONTROVERSIES:
Bonkero (Ivory Coast), Gosowong (Indonesia),
Hidden Valley and Lihir (PNG)

EXPLORATION CONTROVERSIES:
Namosi Mine (Fiji), Karangahake (New Zealand)

LOOMING CONTROVERSIES:
Fruta Del Norte (Ecuador), Wafi-Golpu (PNG)

Newcrest have a twenty year record of environmental and human rights abuses in Africa, Papua New Guinea, Indonesia, and now Ecuador. They receive generous incentives from compliant governments when planning, constructing and running their mines, which are almost always against the wishes of indigenous people. Despite claims to the contrary, they have little to no environmental or social responsibility, with negative impacts from their mines lasting for generations.
NEWCREST BACKGROUND INFORMATION

Newcrest has successfully secured interests in a number of emerging exploration prospects through joint ventures in Australia (Qld and WA), Papua New Guinea, Cote d’Ivoire, New Zealand, Indonesia (Antam Alliance), United States, Mexico, Ecuador, Chile, Argentina and Nicaragua.


They were 50/50 owners of the controversial Hidden Valley gold mine in PNG before being bought out by Harmony Gold in August 2016. They sold their 90% stake in Ivory Coast’s Bonikro mine in December 2017 for $81m. Bonikro supplied 5% of Newcrest’s total gold production in 2016/17.

NEWCREST TOP TEN SHAREHOLDERS

CURRENT DIRECTORS:


Peter Hay: Independent Non-Executive Chairman. Appointed to Board August 2013. Specialities: business, corporate law, finance and investment banking advisory work, with particular expertise in relation to mergers and acquisitions.


Roger Higgins: Independent Non-Executive Director. Appointed to Board October 2015. Ex Managing Director of Ok Tedi Mining Limited in Papua New Guinea, Teck Resources Limited, BHP Billiton Base Metals Customer Sector Group, BHP Billiton in Chile.

Lihi is located in an inactive volcanic crater across the Bismarck Sea from Port Moresby. Lihi represents 55% of Newcrest's book value, 40% of its reserve base and 35% of its production profile. Newcrest spent $1.3b developing Lihi. Since production commenced at the mine in 1997, the site has produced more than 10 million ounces of gold.

Lihi Gold Limited were incorporated in 1995 to raise capital to construct the Lihi Island Gold Mine. It merged with Newcrest in August 2010. Australian economist Ross Garnaut was Chairman of Lihi Gold Limited from 1995-2010. The purchase of Lihi Gold cost Newcrest $9.5 billion. This was an inflated price, as Newcrest did not properly take into account of mining in an area near a hot, but inactive volcano. Newcrest also inherited poor relations with local landowners.

“The Lihi transaction and subsequent execution of a proposed plan has been very, very poor... It makes it very hard to have a positive investment case on a company where the biggest asset of the company is just washing its face (breaking even) and you are just going to keep it running on stockpiles.”

Jo Battershill, UBS Analyst, May 2014

Newcrest dumps hundreds of millions of tonnes of waste rock into the ocean. The Lihi mining operation also discharges mine waste directly into the sea to a depth of 125m, 1.5km from the island via a STD pipe. 340,000 tonnes of mine waste will be piped into the ocean over the life of the mine. Cyanide and heavy metals are also piped into the ocean.

Mining stopped due to protests by the Lihi Mining Area Landowners' Association (LMALA) in August 2012, when they placed traditional taboo ‘gorgor’ markers around the mining site in response to the continuously arrogant attitude of the company.

Newcrest incurred $3.6 billion in writedowns at Lihi in 2013. The difference is what Newcrest paid in 2011 in its $9.2 billion takeover over the actual value of the assets acquired.

More landowner protests occurred in June 2015, when the mine was shut down for 36 hours due to gorgor placements, traditionally use to highlight grievances. The dispute stemmed from negotiations over benefits paid to landowners near the mine. Grievances were still occurring in 2017 between landowners, provincial and national government.
CURRENT GOLD MINES • CADIA VALLEY MINE (NSW)

Operating on Wiradjuri land in NSW, Cadia is a series of underground and open cut mines. It is the second largest gold mine in Australia. Development of the mine started in the 1990’s. The Ridgeway underground mine is located in close proximity. The mine has approximately 10% of local town Orange’s rural workforce (population 40,000).

Due to a prolonged drought, in May 2007 the company needed 90% of Orange’s drinking water to prevent closure of the mine. The company had already warned the stock market about their water concerns.

After a vigorous debate, Council decided 8-4 in May 2007 to supply the company with 450ML (5ML/day for 90 days) from Lake Canobolas and Gosling Creek (city’s secondary supply) over a three month basis. At the time, some farmers were on zero allocations and the town was on water restrictions with local dam levels at 52 per cent.

“Operators of the Cadia Valley mine in the central west, say they will have to shut down in three weeks unless the council agrees to sell them water. Orange, already on level three restrictions, has about 18 months' supply of drinking water left.”

Sydney Morning Herald, 6 May 2007

Concerns about long-term water supply had been raised as early as 2002. There were also concerns in the late 1990’s regarding Cadia receiving all of Orange’s 8 million litres of treated effluent “waste water” for no charge. In 2009, when the company pushed to expand the mine (Cadia East Project), Orange City Council raised concerns about Newcrest’s access to water supply – an additional 6ML/day – potentially impacting on aquifers feeding into Orange’s water supply. 350 football fields of native vegetation would also be lost.

In April 14 2017, a magnitude 4.3 earthquake just west of the mine caused it to be evacuated and closed for 3 months under a Prohibition Notice. The quake caused $33m damage to a conveyer belt at the mine. Production started again in June, although full production did not occur until 6 months later. A 3.5 magnitude earthquake then occurred in late November 2017. The April 2017 quake cut Newcrest’s first half profit by 48% to $98m. Newcrest received a $209m insurance payout in June 2018.

On March 9 2018, two earthquakes, including a nearby magnitude 2.7 earthquake, caused the partial collapse of a 270m x 100m retaining wall on one of the tailings dams at the site. Production was stopped for a few weeks. An old open pit was used to store tailings as a short term solution in order to allow production to begin again. No major pollution to Belabula River occurred during these events.
CURRENT GOLD MINES • GOSOWONG (INDONESIA)

Operated by PT Nusa Halmahera Minerals; 75% owned by Newcrest. Expected to operate until 2021. Three weeks after opening in 2002, the Gosowong open pit mine was shut down for five days after conflict with local villagers. Conflict increased significantly and in late 2000, Newcrest loaned a helicopter to the notorious Indonesian military unit TNI to transport troops and ammunition. 250,000 people were eventually displaced, with 3000 people were killed.

In July 2003, 38 village leaders expressed concerns about the Newcrest mine expansion by writing to the Indonesian President. Increasing population and associated environmental problems were a core concern, including damage to farming, fishing grounds and poor worker conditions. Newcrest ignored their pleas.

Nathan Schulz from Brisbane newspaper "The Courier Mail" reported that mining executives assembled at the Brisbane Mining Club in November 2003 had laughed when then-Newcrest chief executive Tony Palmer outlined plans to use Indonesian militia to deal with the protestors.

Australian embassy officials had been involved in pressuring Indonesian government ministers to use the military to the satisfaction of Newcrest. Both DFAT and Newcrest were unrepentant in their actions.

“We pay upkeep and an expenses type service fee,” Newcrest General Manager of Corporate Affairs, Peter Reeve, said of the military’s involvement.

IPS News, 9 January 2004
ENS-Newswire, 10 February, 2004

Between October 2003 and January 2004, 2000 indigenous people blockaded the Toguraci mine on Halmahera, shutting it down for five weeks, after Newcrest clearfelled the protected forest despite Indonesian Forestry laws banning open cut mines in protected forest areas.

This law was amended by President Megawati in January 2004 despite the concerns of landholders.

Subsequently, Newcrest paid the Indonesian military Bribob Unit $US35,000 per year to patrol the mine. Two protestors were killed in January 2004 at a rally of 850 people. One was shot and one beaten to death.

Tremors and seismic activities are common in the region. A miner was trapped underground at Gosowong’s Kencama Mine in February 2016. Two were trapped for 8 days in December 2010. Toguraci mine was closed for two months in early 2016 due to geotechnical matters. Kencana mine started production again in June 2016.

Newcrest argued with the Indonesian Government in February 2017 about implementation of a new tax rate for the Gosowong mine. The Government had been applying a higher tax than stated in the mines contract, meaning that Newcrest had paid an additional $95m from 2010-16. Newcrest wanted the money returned. Changes to mining laws in January 2017 meant that Newcrest had to reduce its ownership of Gosowong from 75% to 49% in January 2018.
The Telfer Mine is a copper gold mine located in the Great Sandy Desert/Pilbara – Martu country, employing 434 people and 1154 contractors, including 75 Aboriginal workers. Gold deposits were discovered in 1972, with the mine opening in 1975. Purchased in 1990 by Newcrest, in 2016 they spent $12.5m searching for gold at Telfer.

In 2015, Newcrest entered into a land use agreement, guaranteeing the Martu people $18 million over 5 years. Some Martu are concerned that if the mine closes they will lose services and a link to the outside world.

The W.A. Government proposed a tax increase from 2.5% to 3.75% starting in January 2018. Newcrest argued that a tax hike could jeopardise the future of the mine. In October 2017, Newcrest went public claiming that gold was running out at Telfer. Without expanding the mine, the mine wouldn’t last past 2020.

The tax hike was blocked in the upper house of WA parliament in October 2017. One week later, Newcrest invested $93 million into Telfer to extend its life until 2023. In February 2018, rumours circulated again that Telfer could close.

Bonikro was a secondary asset absorbed by Newcrest when Newcrest purchased Lihir Gold in 2010. Construction of the mine began in 2007 with the eventual relocation of 360 people from Bonikro village and 200 people from Bandamankro villages amid violent protests. The mine itself took in land from 5 surrounding villages, with some people forcibly evicted.

Reports from 2015 Action pour la Protection des Droits de l’Homme suggest that Newcrest had been contributing to social problems in and around Hire, including human rights abuses. Because of the mine, arable land was lost to farmers, drinking water was polluted with cyanide, community access was not allowed in land under the control of the company, and appropriate compensation, particularly for those people relocated, was not satisfactory.

Local roading, drinking water and health facilities were poor or neglected, and communities near the mine were left powerless due to absence of civil society organisations and indifference from administrative authorities. (Newcrest had been accused of redefining administrative boundaries).

Newcrest sold 90% of their stake in Bonikoro in December 2017 to a consortium consisting of F&M Gold Resources Ltd and Africa Finance Corporation.
The Hidden Valley mine in the Morobe Province is the only operating mine in Papua New Guinea with a tailings dam. Constructed by Morobe Mining and Newcrest, it has estimated reserves of 6.4 million ounces of gold. Environmental problems occurring at Hidden Valley included serious erosion and waste filling of the Markham and Watut Rivers. Management of the mine was a 50/50 arrangement between Harmony Mining (SA)/Newcrest, with production starting in 2009.

The mine caused extensive damage to the river system including: massive build-up of sediment; death and damage to plant life, fish, crustaceans and humans; changes in the course of the river; severe aquatic habitat degradation; and deprivation of the Watut River water for bathing, washing, cooking or drinking.

Locals also had a host of other issues, including skin diseases and sores, loss of river transport, and the loss of houses, village areas, gardens and cash crops.

By early 2009, the situation escalated, with two tribes disputing ownership rights of the land associated with a National Park and the Hidden Valley Mine. The event left hundreds homeless from fires and led to three deaths.

Concerns were made in the press in 2010 that heavy metal pollution from the Hidden Valley mine could be worse than the notorious Ok Tedi disaster.

Reports in 2015 included economic, social and environmental concerns for downstream communities, with the Hidden Valley mine seen to have poor social and environmental management.

Mining was suspended at the mine following the death of a worker on July 18. It was the second incident in little over a month where a Newcrest mine in Papua New Guinea was forced to suspend production.

In January 2011, 110 landowners took court action against the mine for the damage to river system. Harmony bought out Newcrest’s share in the Hidden Valley mine in September 2016.
In January 2018, Newcrest bought a 27% stake in Lundin Gold’s FDN project in Southern Ecuador, believed to be Latin America’s largest deposit of gold with 6.8 million ounces of gold in reserve. 75,000 ha of land under concession includes indigenous lands and areas of extremely high ecological significance.

Large-scale protests have erupted in Ecuador since 2012 against ‘Extractivism’ and foreign investment, with thousands of people marching in defence of water and opposition to large scale mining. Increasingly, state security forces have been used to arrest anti-mine campaigners and journalists.

INVESTOR CONTROVERSY

First proposed by Aurelian Resources Inc. in 2007, and purchased by Canadian firm Kincross for $1.2 billion in 2008, the Fruta Del Norte mine has already been through multiple hands. Lukas Lundin from the Vancouver-based Lundin Group formed a shell company Fortress Minerals Corp. in 2014 to buy FDN from Kincross for $240m in cash and stock. Fortress then changed its name to Lundin Gold Inc. Kincross took a $740m writedown when the Government refused to back down on a 70% windfall tax.

In January 2018, Lundin Gold inaugurated two tunnels. A 44km powerline to the mine also received approval.

Newcrest’s $US250m (27.1%) stake will kickstart the Fruta del Norte mine, with production expected to begin at the end of 2019. The two companies also set up a 50% interest over eight exploration licences in Ecuador. Newcrest will invest $20m into these exploration licences.

In December 2014, Shuar indigenous leaders called for an end to mineral extraction, after the assassination of the Shuar leader and anti-mine activist Joseph Tendzetza.

In December 2016, a major confrontation occurred when 60 Shuar people attacked the Chinese owned Exploracobres copper mine, killing at least one policeman and wounding several others.

In 2017, the Worldwide Movement for Human Rights (FIDH), together with its member organisations in Ecuador: Comisión Ecuménica de Derechos Humanos (CEDHU), Fundación Regional de Asesoría en Derechos Humanos (INREDH) and Acción Ecológica, requested the Ecuadorian government cancel the licences, approvals and permits extended to the Panantza-San Carlos, Mirador and Fruta del Norte projects, as they had violated human rights, the territory of peasant communities and indigenous peoples, and caused massive damage to nature.

In February 2018, Ecuarunari, Acción Ecológica, YASunidos and CEDHU proposed that the Government cancel mining concessions in protected areas and populated centers, ensure that the dialogue process is effective, and render open criminal proceedings and arrest warrants null and void. This included Fruta del Norte.
Located in the Morobe Province of Papua New Guinea, Wafi-Golpu will be one of the largest gold mines on earth, with development due to start in 2020.

Estimated reserves are 20 million ounces of gold, worth approximately $9.8 billion. PNG’s first planned block mine, it includes 3 caves, and will cost between $4-$5 billion to develop.

Newcrest and South African gold company Harmony Gold share a 50-50 deposit in the mine, which appears dependent on the PNG Government buying a 30% stake. If built, it is expected to operate for 30 years.

Harmony/Newcrest are seeking approval to dump 60 million tonnes of waste into the Huon Gulf via a pipeline to the sea, as the Wafi-Golpu site is far too risky for a tailings dam, due to: “high seismicity and complex geology, including active faulting, which could at some sites result in liquefiable soils. Complex design would be required to partly mitigate such factors, and that would carry high risk and high cost in both construction and ongoing operation”.

*Newcrest Market Release statement, March 2018*

In September 2017, Newcrest signed a Heads of Agreement with the PNG Government regarding collaboration in support of development projects in PNG.

In March 2018, Newcrest increased its forecasted costs for the project by $US170 million to $2.82 billion. Executive Manager at Wafi-Golpu, Craig Jones, was made a director of Solgold in March 2018.

In June 2018, landowners of three groups impacted by the Wofi-Golpu mine (Hengambu Landowners Association, Yanta Development Association, and Babuaf Landowners Association) expressed anger over a newly formed association called the Wafi-Golpu Area Landowners Association. Supposedly established to represent landowner interests, it is made up of people from outside Wofi-Golpu area. A new business entity Wafi-Golpu Holdings Limited, has also been created.
EXPLORATION CONTROVERSIES • NAMOSI MINE (FIJI)

The billion-dollar Namosi Joint Venture (NJV) gold and copper mine is located 30 km west of Suva. It is 70% owned by Newcrest, with 30% Japanese ownership (28% Mitsubishi Materials, 2% Nittetsu). The mine will have an estimated 25-year life span with minerals extracted from two open pits. Annual rainfall at the mine site is 4500mm, making Namosi, if constructed, the wettest gold mine in the world.

The mine is slated to be in the headwaters of the Waidina and Wainimala Rivers, potentially impacting on Navua Delta. Ecologically sensitive site, Bega Lagoon - ‘the soft coral capital of the world’, was considered as a location where tailings could be dumped.

NJV’s cheapest option is to use 5-20% of the Sovi Basin for a waste dump and tailings dam. The Sovi Basin is the largest, most diverse and most scenically outstanding of Fiji’s natural forest and was nominated by the Fijian Government in 1999 as a World Heritage Site. NJV had been accused of changing boundaries of the Sovi Basin to allow waste to be dumped there.

Local residents upset about environmental impacts of exploration work, including water contamination and landslips, blocked mine road access from 2010-12. There were also tensions around land ownership. 40 small villages inhabit the region, which could see 10,000 migrants entering the area to work on the mine. Prime Minister Frank Bainimarama ordered a halt to exploration work in February 2012. The NJV has still not applied to the Fiji Government for a Mining Licence.

EXPLORATION CONTROVERSIES • KARANGAHAKE (NZ)

New Talisman Gold Mines Ltd holds a mining permit over the Talisman gold mine project in the Hauraki gold field. The company also has an agreement, since January 2016, with Newcrest over the Rahu exploration area (80% Newcrest, 20% Rahu). The Rahu tenement lies immediately north of the Talisman mine. In May 2015, 25 protesters from ‘Protect Karangahake’ shut down a Newcrest drill rig 200m from the summit of Mt Karangahake.

Five protesters were issued with trespass notices. A letter of opposition to the mining was sent to Newcrest in Melbourne. At a second protest, two weeks later 7 people were issued with trespass notices, 2 with summons and one arrested for trespass. 25 protesters then re-entered the site. Another protest was organised 3 weeks later and another one in July with 30 people blocked access to the site. 300 people rallied in September 2017 to oppose mining of Mt Karangahake. Newcrest have gone quiet since 2017, but New Talisman are still going ahead with their plans.