

Committee Secretary,
Senate Economics Committee
Department of Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

15 September 2008

Via email: economics.sen@aph.gov.au

Dear Mr Hawkins:

INQUIRY INTO MATTERS RELATING TO THE GAS EXPLOSION AT VARANUS ISLAND, WESTERN AUSTRALIA

In relation to the impact on Newcrest's Western Australian operations of the gas explosion at Varanus Island in June this year, I tender the following information:

- Newcrest operates the Telfer gold mine located in the Great Sandy Desert, Western Australia, approximately 450 kilometres east-south-east of Port Hedland
- Gas from Varanus Island is the primary fuel source for the power station located at Telfer. This power station comprises three gas turbines and provides electrical power to meet requirements for mining, ore processing and site infrastructure.
- Mining and processing activities at Newcrest's Telfer operation were disrupted as a result of the interruption to its gas supply following the explosion at Varanus Island.
- This reduced the production and sale of gold and copper concentrate from Telfer during this period.
- Significant additional costs were incurred as alternate sources of fuel were secured in order to minimise the impact on normal operations of the gas explosion at Varanus Island.
- The extent of these impacts has been communicated in market releases by Newcrest. The relevant sections are presented in Attachment I.
- The supply of gas from Varanus Island to Telfer has been restored; however current supply is not yet at the same level of surety as existed prior to the explosion.

Planning and implementing appropriate commercial and technical responses to the gas supply interruption was made more difficult by shortcomings in communications from key stakeholders, both government and private enterprise.

Thank you for the opportunity to tender a submission to this inquiry.

Yours sincerely

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General Manager, Corporate Affairs

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Attachment I

Market Release
4 June 2008

Telfer Gas Supply Interruption

The explosion that occurred yesterday at Apache Energy's Varanus Island gas export facility in WA has interrupted gas supplies to the Telfer power station.

Action is being taken to minimise the impact on operations at Telfer, including drawing down diesel fuel stocks to operate the power station. Available diesel fuel stocks on site are, however, limited.

At this stage, the likely duration of this gas supply interruption is unknown.

Continuing communication is being maintained with the gas supplier and the situation is being monitored closely.

The market will be kept advised of developments.

Market Release
10 June 2008

Telfer production impacted by gas supply interruption

The explosion that occurred at Apache Energy's Varanus Island gas export facility has interrupted gas supplies to the Telfer power station. It is unclear how long the gas supply outage will continue.

Newcrest has secured access to an alternative source of gas which is sufficient to operate one of the two processing trains. This gas has been procured under a short term contract at elevated prices, reflecting the current limited supply of gas in Western Australia.

Operation of the second processing train requires the use of diesel to meet the total fuel requirements of the power station.

The gas outage has resulted in strong competition for diesel fuel in Western Australia. Supplies are limited and delivery resources are currently stretched, making security of supply uncertain. As a consequence, Newcrest will take the opportunity to bring forward the scheduled maintenance programs on the Telfer processing facility.

At this stage, the overall impact of the gas supply interruption is estimated to reduce Telfer's production by up to 30,000 ounces of gold plus associated copper. The combined result of higher diesel and gas prices and the earlier than planned maintenance program will lead to an increase in production costs. Newcrest's insurers are being kept informed of the situation.

All other Newcrest sites are performing in line with recent guidance. Lower Telfer production will, however, impact on the achievement of Newcrest's current year production guidance of above 1.8 million ounces.

**Excerpt from June Quarter Report
24 July 2008**

As previously indicated Telfer's production and costs were impacted by the gas supply interruption caused by the explosion at Apache Energy's Varanus Island gas plant.

Quarterly production was affected by the gas supply interruption caused by the explosion at Apache Energy's Varanus Island gas plant and bringing forward the planned maintenance shut on the Telfer processing facility.

**Market Release
8 August 2008**

Telfer switches to Apache Gas as supply partially restored

Partial gas supplies from Apache's Varanus Island facility in Western Australia have begun flowing to Newcrest Mining Limited's Telfer mine – two months after the explosion that interrupted gas supplies across much of the state.

The resumption of gas supplies this week from the Varanus Island facility means that up to 50% of Telfer's normal gas requirements will be available under its original supply contract with Apache. Telfer's remaining requirements are expected to be supplied by Apache around mid-August as it further increases its gas supplies.

As a result, Newcrest has terminated part of its interim gas supply arrangements with North West Shelf, but will continue to draw some gas from North West Shelf until Apache resumes normal supplies to Telfer later this month

**Excerpt from Full Year Financial Results
(For the year ending 30 June 2008)
19 August 2008**

Telfer's costs were impacted by the Apache gas supply disruption in June 2008 which increased maintenance and energy costs by \$9.3m.