

NEWMONT MINING CORP /DE/
Form 10-Q
October 30, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-31240

NEWMONT MINING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

84-1611629
(I.R.S. Employer
Identification No.)

Edgar Filing: NEWMONT MINING CORP /DE/ - Form 10-Q

6363 South Fiddler's Green Circle
Greenwood Village, Colorado 80111
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (303) 863-7414

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12-b2 of the Exchange Act.

Large accelerated filer Accelerated filer
(Do not
check if a
smaller
reporting
Non-accelerated filer company.) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Exchange Act). Yes No

There were 498,795,641 shares of common stock outstanding on October 22, 2014.

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I</u>	
ITEM 1. <u>FINANCIAL STATEMENTS</u>	1
<u>Condensed Consolidated Statements of Operations</u>	1
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	2
<u>Condensed Consolidated Statements of Cash Flows</u>	3
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
ITEM 2. <u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION</u>	41
<u>Overview</u>	41
<u>Selected Financial and Operating Results</u>	43
<u>Consolidated Financial Results</u>	43
<u>Results of Consolidated Operations</u>	49
<u>Liquidity and Capital Resources</u>	57
<u>Environmental</u>	60
<u>Accounting Developments</u>	60
<u>Non-GAAP Financial Measures</u>	60
<u>Safe Harbor Statement</u>	68
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	69
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	71
<u>PART II</u>	
ITEM 1. <u>LEGAL PROCEEDINGS</u>	72
ITEM 1A. <u>RISK FACTORS</u>	72
ITEM 2. <u>ISSUER PURCHASES OF EQUITY SECURITIES</u>	72
<u>DEFAULTS UPON SENIOR SECURITIES</u>	72

ITEM 3.

ITEM 4. MINE SAFETY DISCLOSURES 72

ITEM 5. OTHER INFORMATION 73

ITEM 6. EXHIBITS 73

SIGNATURES 74

EXHIBIT INDEX 75



Table of Contents

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.
NEWMONT MINING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in millions except per share)

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	2014	2013	2014	2013
Sales (Note 3)	\$1,746	\$2,020	\$5,275	\$6,226
Costs and expenses				
Costs applicable to sales ⁽¹⁾ (Note 3)	1,185	1,078	3,328	3,817
Depreciation and amortization	318	299	922	981
Reclamation and remediation (Note 4)	20	20	61	56
Exploration	44	60	119	195
Advanced projects, research and development	36	67	120	165
General and administrative	45	48	138	158
Write-downs (Note 5)	5	3	18	2,265
Other expense, net (Note 6)	58	84	161	260
	1,711	1,659	4,867	7,897
Other income (expense)				
Other income, net (Note 7)	79	290	128	366
Interest expense, net	(89)	(76)	(276)	(211)
	(10)	214	(148)	155
Income (loss) before income and mining tax and other items	25	575	260	(1,516)
Income and mining tax benefit (expense) (Note 8)	47	(161)	22	(54)
Equity income (loss) of affiliates	-	1	2	(6)
Income (loss) from continuing operations	72	415	284	(1,576)
Income (loss) from discontinued operations (Note 9)	3	(21)	(16)	53
Net income (loss)	75	394	268	(1,523)
Net loss (income) attributable to noncontrolling interests (Note 10)	138	4	225	176
Net income (loss) attributable to Newmont stockholders	\$213	\$398	\$493	\$(1,347)
Net income (loss) attributable to Newmont stockholders:				
Continuing operations	\$210	\$419	\$509	\$(1,400)
Discontinued operations	3	(21)	(16)	53
	\$213	\$398	\$493	\$(1,347)
Income (loss) per common share (Note 11)				
Basic:				

Edgar Filing: NEWMONT MINING CORP /DE/ - Form 10-Q

Continuing operations	\$0.42	\$0.84	\$1.02	\$(2.82)
Discontinued operations	0.01	(0.04)	(0.03)	0.11
	\$0.43	\$0.80	\$0.99	\$(2.71)
Diluted:				
Continuing operations	\$0.42	\$0.84	\$1.02	\$(2.82)
Discontinued operations	0.01	(0.04)	(0.03)	0.11
	\$0.43	\$0.80	\$0.99	\$(2.71)
Cash dividends declared per common share	\$0.025	\$0.250	\$0.200	\$1.025

⁽¹⁾ Excludes Depreciation and amortization and Reclamation and remediation.

The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents

NEWMONT MINING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited, in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income (loss)	\$75	\$394	\$268	\$(1,523)
Other comprehensive income (loss):				
Unrealized gain (loss) on marketable securities, net of \$0, \$36, \$(1) and \$151 tax benefit (expense), respectively	(24)	(134)	(110)	(413)
Foreign currency translation adjustments	(11)	(6)	(9)	(28)
Change in pension and other post-retirement benefits, net of \$(1), \$(61), \$(3) and \$(69) tax benefit (expense), respectively	4	113	7	124
Change in fair value of cash flow hedge instruments, net of \$(33), \$(35), \$(20) and \$110 tax benefit (expense), respectively	(38)	48	(4)	(189)
Net change from periodic revaluations	1	(4)	(12)	(39)
Net unrecognized gain (loss) on derivatives	(37)	44	(16)	(228)
Other comprehensive income (loss)	(68)	17	(128)	(545)
Comprehensive income (loss)	\$7	\$411	\$140	\$(2,068)
Comprehensive income (loss) attributable to:				
Newmont stockholders	\$145	\$414	\$365	\$(1,893)
Noncontrolling interests	(138)	(3)	(225)	(175)
	\$7	\$411	\$140	\$(2,068)

The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents

NEWMONT MINING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in millions)

	Nine Months Ended September 30,	
	2014	2013
Operating activities:		
Net income (loss)	\$268	\$(1,523)
Adjustments:		
Depreciation and amortization	922	981
Stock based compensation and other non-cash benefits	42	55
Reclamation and remediation	61	56
Loss (income) from discontinued operations	16	(53)
Write-downs	18	2,265
Impairment of marketable securities	4	52
Deferred income taxes	(183)	(523)
Gain on asset and investment sales, net	(92)	(282)
Other operating adjustments and write-downs	507	697
Net change in operating assets and liabilities (Note 24)	(674)	(550)
Net cash provided from continuing operations	889	1,175
Net cash used in discontinued operations	(10)	(14)
Net cash provided from operations	879	1,161
Investing activities:		
Additions to property, plant and mine development	(766)	(1,528)
Acquisitions, net	(28)	(13)
Sale of marketable securities	25	588
Purchases of marketable securities	(1)	(1)
Proceeds from sale of other assets	191	55
Other	(13)	(38)
Net cash used in investing activities	(592)	(937)
Financing activities:		
Proceeds from debt, net	596	1,262
Repayment of debt	(581)	(1,060)
Proceeds from stock issuance, net	-	2
Sale of noncontrolling interests	71	32
Acquisition of noncontrolling interests	(6)	(13)
Dividends paid to noncontrolling interests	(4)	(2)
Dividends paid to common stockholders	(102)	(509)
Other	(27)	(4)
Net cash used in financing activities	(53)	(292)
Effect of exchange rate changes on cash	(11)	(18)
Net change in cash and cash equivalents	223	(86)
Cash and cash equivalents at beginning of period	1,555	1,561

Cash and cash equivalents at end of period \$1,778 \$1,475

The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents

NEWMONT MINING CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in millions)

	At September 30, 2014	At December 31, 2013
ASSETS		
Cash and cash equivalents	\$ 1,778	\$ 1,555
Trade receivables	127	230
Accounts receivable	264	252
Investments (Note 16)	82	78
Inventories (Note 17)	846	717
Stockpiles and ore on leach pads (Note 18)	689	805
Deferred income tax assets	323	246
Other current assets (Note 19)	1,379	1,006
Current assets	5,488	4,889
Property, plant and mine development, net	13,901	14,277
Investments (Note 16)	323	439
Stockpiles and ore on leach pads (Note 18)	2,758	2,680
Deferred income tax assets	1,760	1,478
Other long-term assets (Note 19)	891	844
Total assets	\$ 25,121	\$ 24,607
LIABILITIES		
Debt (Note 20)	\$ 143	\$ 595
Accounts payable	440	478
Employee-related benefits	252	341
Income and mining taxes	30	13
Other current liabilities (Note 21)	1,646	1,313
Current liabilities	2,511	2,740
Debt (Note 20)	6,630	6,145
Reclamation and remediation liabilities (Note 4)	1,495	1,513
Deferred income tax liabilities	734	635
Employee-related benefits	318	323
Other long-term liabilities (Note 21)	334	342
Total liabilities	12,022	11,698
Commitments and contingencies (Note 26)		
EQUITY		
Common stock	798	789
Additional paid-in capital	8,654	8,538
Accumulated other comprehensive income (loss)	(310)	(182)
Retained earnings	1,239	848

Edgar Filing: NEWMONT MINING CORP /DE/ - Form 10-Q

Newmont stockholders' equity	10,381	9,993
Noncontrolling interests	2,718	2,916
Total equity	13,099	12,909
Total liabilities and equity	\$ 25,121	\$ 24,607

The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

NOTE 1 BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements (“interim statements”) of Newmont Mining Corporation and its subsidiaries (collectively, “Newmont” or the “Company”) are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included. The results reported in these interim statements are not necessarily indicative of the results that may be reported for the entire year. These interim statements should be read in conjunction with Newmont’s Consolidated Financial Statements for the year ended December 31, 2013 filed on June 13, 2014 on Form 8-K. The year-end balance sheet data was derived from the audited financial statements and, in accordance with the instructions to Form 10-Q, certain information and footnote disclosures required by United States generally accepted accounting principles (“GAAP”) have been condensed or omitted. References to “A\$” refer to Australian currency, “C\$” to Canadian currency and “NZ\$” to New Zealand currency.

On February 18, 2014 the Company redeemed all outstanding exchangeable shares (other than those held by Newmont and its affiliates). On the date of the redemption, holders of exchangeable shares received, in exchange for each exchangeable share, one share of common stock of Newmont. At December 31, 2013, the value of the remaining outstanding exchangeable shares was included in Additional paid-in capital and Common shares.

Certain amounts in prior years have been reclassified to conform to the 2014 presentation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Risks and Uncertainties

As a global mining company, our revenue, profitability and future rate of growth are substantially dependent on prevailing prices for gold, copper and, to a lesser extent, silver. Historically, the commodity markets have been very volatile, and there can be no assurance that commodity prices will not be subject to wide fluctuations in the future. A substantial or extended decline in commodity prices could have a material adverse effect on our financial position, results of operations, cash flows, access to capital and on the quantities of reserves that we can economically produce. The carrying value of our property, plant and mine development assets, inventories, stockpiles and ore on leach pads, and deferred tax assets are particularly sensitive to the outlook for commodity prices. A decline in our long term price outlook from current levels could result in material impairment charges related to these assets.

In September 2014, PT Newmont Nusa Tenggara (“PTNNT”) and the Government of Indonesia signed a Memorandum of Understanding (“MoU”) that resulted in PTNNT receiving a six-month permit to export copper concentrate. Effective with the signing of the MoU, PTNNT agreed to pay export duties set forth in a new regulation issued in July 2014, provide a \$25 surety bond to demonstrate its support for smelter development, and pay royalties of 4 percent for copper, 3.75 percent for gold, and 3.25 percent for silver. On July 25, 2014, the Minister of Finance revised its

January 2014 regulations to reduce export duties on copper concentrate providing for export duties on copper concentrate to reduce as smelter development progresses, with duties initially at 7.5 percent, then declining to 5 percent when development progress exceeds 7.5 percent and finally to 0 percent when smelter progress exceeds 30 percent. The MoU also outlines terms for the six main elements of the Contract of Work renegotiation, which will be incorporated into an amendment of the Contract of Work. The six areas are: concession area size; royalties, taxes and export duties; domestic processing and refining; ownership divestment; utilization of local manpower, domestic goods and services; and duration of the Contract of Work. Negotiations between PTNNT and the Government of Indonesia to amend the Contract of Work remain on-going. No assurances can be made at this time with respect to the outcome of such negotiations. Future amendments to the Contract of Work and/or failure to successfully renegotiate the Contract of Work prior to the expiration of the export permit may negatively impact future operations and financial results at Batu Hijau.

As a result of the on-going Contract of Work renegotiations at Batu Hijau, we have evaluated, and will continue to evaluate, the need for asset impairments, inventory write-downs, tax valuation allowances and other applicable accounting charges due to the status of the mine.

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

Discontinued Operations

In April 2014, FASB Accounting Standards Codification (“ASC”) guidance was issued related to Discontinued Operations which changed the criteria for determining which disposals can be presented as discontinued operations and modified related disclosure requirements. The updated guidance requires an entity to only classify discontinued operations due to a major strategic shift or a major effect on an entity’s operations in the financial statements. The updated guidance will also require additional disclosures relating to discontinued operations. The Company early adopted this guidance prospectively at the beginning of fiscal year January 1, 2014. Adoption of the new guidance did not have an impact on the consolidated financial position, results of operations or cash flows.

Presentation of an Unrecognized Tax Benefit

In July 2013, ASC guidance was issued related to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The updated guidance requires an entity to net its unrecognized tax benefits against its jurisdictional deferred tax assets related to net operating loss carryforward, a similar tax loss, or tax credit carryforwards. A gross presentation will be required only if such carryforwards are not available or would not be used by the entity to settle any additional income taxes resulting from disallowance of the uncertain tax position. Adoption of the new guidance, effective for the fiscal year beginning January 1, 2014, had no impact on the consolidated financial position, results of operations or cash flows.

Foreign Currency Matters

In March 2013, ASC guidance was issued related to foreign currency matters to clarify the treatment of cumulative translation adjustments when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. The updated guidance also resolves the diversity in practice for the treatment of business combinations achieved in stages in a foreign entity. Adoption of the new guidance, effective for the fiscal year beginning January 1, 2014, had no impact on the consolidated financial position, results of operations or cash flows.

Recently Issued Accounting Pronouncements

Stock based compensation

In June 2014, ASU guidance was issued to resolve the diversity of practice relating to the accounting for stock based performance awards that the performance target could be achieved after the employee completes the required service period. The update is effective prospectively or retrospectively beginning January 1, 2015. The Company does not expect the updated guidance to have an impact on the consolidated financial position, results of operations or cash flows.

Revenue Recognition

In May 2014, ASU guidance was issued related to revenue from contracts with customers. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. The ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods and is to be retrospectively applied. Early adoption is not permitted. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements.

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

NOTE 3 SEGMENT INFORMATION

The Company's reportable segments are based upon the Company's management structure that is focused on the geographic region for the Company's operations. Geographic regions include North America, South America, Australia/New Zealand, Indonesia, Africa and Corporate and Other. Segment results for 2013 have been retrospectively revised to reflect a change in our reportable segments to align with a change in the chief operating decision makers' evaluation of the organization, effective in the first quarter of 2014. The Nevada operations have been revised to reflect Carlin, Phoenix, and Twin Creeks segments and Other Australia/New Zealand operations have been revised to reflect Tanami, Jundee, Waihi and Kalgoorlie segments. The Conga development project will be reported in the Other South America segment. The Nimba and Merian development projects, historically reported in Other Africa and Other South America, respectively, will be reported in Corporate and Other. The financial information relating to the Company's segments for all periods presented have been updated to reflect these changes.

On July 1, 2014, the Company completed the sale of its Jundee underground gold mine in Australia to Northern Star Resources Limited for total cash proceeds of \$94.

On October 6, 2014, the Company completed the sale of its 44% interest in La Herradura to Fresnillo plc for total cash proceeds of \$450. At September 30, 2014, total assets and total liabilities were \$520 and \$133, respectively.

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

	Sales	Costs Applicable to Sales	Depreciation and Amortization	Advanced Projects and Exploration	Pre-Tax Income (Loss)
Three Months Ended September 30, 2014					
Carlin	\$304	\$ 206	\$ 40	\$ 5	\$ 49
Phoenix:					
Gold	78	47	9		
Copper	34	25	4		
Total	112	72	13	3	20
Twin Creeks	116	43	7	-	65
La Herradura	58	44	10	5	(1)
Other North America	-	-	-	8	5
North America	590	365	70	21	138
Yanacocha					
Yanacocha	314	125	74	8	93
Other South America	-	-	-	9	(9)
South America	314	125	74	17	84
Boddington:					
Gold	201	150	26		
Copper	44	40	6		
Total	245	190	32	-	29
Tanami	100	67	17	3	16
Jundee	2	-	-	-	25
Waihi	47	20	7	3	19
Kalgoorlie	102	71	4	1	30
Other Australia/New Zealand	-	-	4	1	(18)
Australia/New Zealand	496	348	64	8	101
Batu Hijau:					
Gold	9	26	8		
Copper	61	227	64		
Total	70	253	72	-	(272)
Other Indonesia	-	-	-	-	-

Edgar Filing: NEWMONT MINING CORP /DE/ - Form 10-Q

Indonesia	70	253	72	-	(272)
Ahafo	138	56	13	4	66
Akyem	138	38	20	-	78
Other Africa	-	-	-	1	(3)
Africa	276	94	33	5	141
Corporate and Other	-	-	5	29	(167)
Consolidated	\$1,746	\$ 1,185	\$ 318	\$ 80	\$ 25

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

	Sales	Costs Applicable to Sales	Depreciation and Amortization	Advanced Projects and Exploration	Pre-Tax Income (Loss)
Three Months Ended September 30, 2013					
Carlin	\$352	\$ 165	\$ 30	\$ 12	\$ 141
Phoenix:					
Gold	109	47	8		
Copper	37	15	3		
Total	146	62	11	1	70
Twin Creeks	157	61	18	1	77
La Herradura	70	40	9	10	12
Other North America	-	-	-	11	(17)
North America	725	328	68	35	283
Yanacocha					
Yanacocha	346	159	87	9	50
Other South America	-	-	-	18	(19)
South America	346	159	87	27	31
Boddington:					
Gold	204	152	28		
Copper	42	29	5		
Total	246	181	33	1	26
Tanami	132	64	22	2	39
Jundee	89	49	23	-	18
Waihi	30	21	6	2	(1)
Kalgoorlie	106	68	5	-	32
Other Australia/New Zealand	-	-	4	3	(9)
Australia/New Zealand	603	383	93	8	105
Batu Hijau:					
Gold	16	11	3		
Copper	136	122	24		
Total	152	133	27	2	(14)
Other Indonesia	-	-	-	-	-
Indonesia	152	133	27	2	(14)

Edgar Filing: NEWMONT MINING CORP /DE/ - Form 10-Q

Ahafo	194	75	19	12	86
Akyem	-	-	-	2	(3)
Other Africa	-	-	-	1	(7)
Africa	194	75	19	15	76
Corporate and Other	-	-	5	40	94
Consolidated	\$2,020	\$ 1,078	\$ 299	\$ 127	\$ 575

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

	Sales	Costs Applicable to Sales	Depreciation and Amortization	Advanced Projects and Exploration	Pre-Tax Income (Loss)	Capital Expenditures (1)
Nine Months Ended September 30, 2014						
Carlin	\$865	\$ 607	\$ 118	\$ 16	\$ 113	\$ 169
Phoenix:						
Gold	220	116	23			
Copper	105	81	12			
Total	325	197	35	4	79	22
Twin Creeks	373	147	27	4	238	86
La Herradura	148	86	28	11	22	20
Other North America	-	-	-	20	(11)	11
North America	1,711	1,037	208	55	441	308
Yanacocha	819	530	259	24	(47)	59
Other South America	-	-	-	26	(41)	30
South America	819	530	259	50	(88)	89
Boddington:						
Gold	611	425	75			
Copper	121	112	18			
Total	732	537	93	-	93	63
Tanami	324	185	52	8	77	58
Jundee	181	85	34	1	83	15
Waihi	132	58	19	4	50	10
Kalgoorlie	316	213	14	4	85	16
Other Australia/New Zealand	-	-	13	3	(43)	4
Australia/New Zealand	1,685	1,078	225	20	345	166
Batu Hijau:						
Gold	27	43	13			
Copper	162	338	94			
Total	189	381	107	2	(356)	44
Other Indonesia	-	-	-	-	(1)	-
Indonesia	189	381	107	2	(357)	44
Ahafo	435	182	46	18	181	72
Akyem	436	120	62	-	240	14

Edgar Filing: NEWMONT MINING CORP /DE/ - Form 10-Q

Other Africa	-	-	-	6	(11)	-
Africa	871	302	108	24	410	86
Corporate and Other	-	-	15	88	(491)	42
Consolidated	\$5,275	\$ 3,328	\$ 922	\$ 239	\$ 260	\$ 735

⁽¹⁾ Includes a decrease in accrued capital expenditures of \$31; consolidated capital expenditures on a cash basis were \$766.

10

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

	Sales	Costs Applicable to Sales	Depreciation and Amortization	Advanced Projects and Exploration	Pre-Tax Income (Loss)	Capital Expenditures (1)
Nine Months Ended September 30, 2013						
Carlin	\$993	\$ 513	\$ 89	\$ 31	\$349	\$ 182
Phoenix:						
Gold	242	125	23			
Copper	73	41	8			
Total	315	166	31	8	103	105
Twin Creeks	511	193	58	7	249	56
La Herradura	231	122	22	31	57	82
Other North America	-	-	-	32	(43)	18
North America	2,050	994	200	109	715	443
Yanacocha						
Yanacocha	1,221	520	254	32	326	136
Other South America	-	-	-	23	(26)	184
South America	1,221	520	254	55	300	320
Boddington:						
Gold	782	578	129			
Copper	156	139	29			
Total	938	717	158	1	(2,059)	81
Tanami	313	203	55	7	(73)	67
Jundee	318	154	60	7	98	33
Waihi	114	74	22	4	11	9
Kalgoorlie	336	266	18	2	54	10
Other Australia/New Zealand	-	-	9	11	(46)	4
Australia/New Zealand	2,019	1,414	322	32	(2,015)	204
Batu Hijau:						
Gold	42	81	18			
Copper	305	582	114			
Total	347	663	132	13	(495)	82
Other Indonesia	-	-	-	-	2	-

Edgar Filing: NEWMONT MINING CORP /DE/ - Form 10-Q

Indonesia	347	663	132	13	(493)	82
Ahafo	589	226	56	36	273	139
Akyem	-	-	-	7	(10)	201
Other Africa	-	-	-	7	(24)	-
Africa	589	226	56	50	239	340
Corporate and Other	-	-	17	101	(262)	80
Consolidated	\$6,226	\$ 3,817	\$ 981	\$ 360	\$(1,516)	\$ 1,469

⁽¹⁾Includes a decrease in accrued capital expenditures of \$59; consolidated capital expenditures on a cash basis were \$1,528.

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

NOTE 4 RECLAMATION AND REMEDIATION

The Company's Reclamation and remediation expense consisted of:

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
Reclamation	\$-	\$ 3	\$-	\$ 3
Accretion - operating	18	15	54	45
Accretion - non-operating	2	2	7	8
	\$20	\$ 20	\$61	\$ 56

At September 30, 2014 and December 31, 2013, \$1,427 and \$1,432, respectively, were accrued for reclamation obligations relating to operating properties. In addition, the Company is involved in several matters concerning environmental obligations associated with former, primarily historic, mining activities. Generally, these matters concern developing and implementing remediation plans at the various sites involved. At September 30, 2014 and December 31, 2013, \$152 and \$179, respectively, were accrued for such obligations. These amounts are also included in Reclamation and remediation liabilities.

The following is a reconciliation of Reclamation and remediation liabilities:

	Nine Months Ended September 30, 2014		2013	
Balance at beginning of period	\$1,611	\$1,539		
Additions, changes in estimates and other	(2)	1		
Liabilities settled	(91)	(41)		
Accretion expense	61	53		
Balance at end of period	\$1,579	\$1,552		

The current portion of Reclamation and remediation liabilities of \$84 and \$98 at September 30, 2014 and December 31, 2013, respectively, are included in Other current liabilities (see Note 21).

NOTE 5 WRITE-DOWNS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Property, plant and mine development				
Carlin	\$ 3	\$ -	\$3	\$-
Phoenix	2	-	2	-
Yanacocha	-	2	-	3
Other South America	-	-	13	-
Boddington	-	-	-	2,107
Tanami	-	1	-	67
Batu Hijau	-	-	-	1
	5	3	18	2,178
Other long-term assets				
Boddington	-	-	-	31
Tanami	-	-	-	56
	-	-	-	87
	\$ 5	\$ 3	\$18	\$2,265

The 2014 year-to-date write-downs are primarily related to non-essential equipment in Carlin, Phoenix and Other South America, specifically for certain assets at Conga that have been sold. The 2013 write-downs were primarily related to Boddington and Tanami and caused by an interim impairment assessment necessitated by a decrease in the Company's long-term gold and copper price assumptions during the second quarter to \$1,400 per ounce and \$3.00 per pound, respectively, and rising operating costs.

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

Goodwill was included in the interim impairment assessment, due to the above conditions in 2013. As a result, the Company recorded an impairment of \$56 at Tanami.

NOTE 6 OTHER EXPENSE, NET

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
Regional administration	\$ 14	\$ 12	\$ 45	\$ 48
Community development	8	42	34	72
Restructuring and other	19	20	32	50
Western Australia power plant	5	3	12	14
Transaction/Acquisition costs	-	-	-	45
Other	12	7	38	31
	\$ 58	\$ 84	\$ 161	\$ 260

NOTE 7 OTHER INCOME, NET

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
Gain (loss) on asset sales, net	\$41	\$1	\$87	\$2
Refinery Income, net	13	20	22	27
Gain on sale of investments, net	-	280	5	280
Interest	1	4	3	10

Edgar Filing: NEWMONT MINING CORP /DE/ - Form 10-Q

Development projects, net	-	1	2	9
Canadian Oil Sands dividends	-	-	-	21
Impairment of marketable securities	(3)	(41)	(4)	(52)
Foreign currency exchange, net	20	19	(5)	56
Other	7	6	18	13
	\$79	\$290	\$128	\$366

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

NOTE 8 INCOME AND MINING TAXES

The Company's income and mining tax expense differed from the amounts computed by applying the United States statutory corporate income tax rate for the following reasons:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Income (loss) before income and mining				
tax and other items	\$25	\$575	\$260	\$(1,516)
Tax at statutory rate	35 % \$9	35 % \$201	35 % \$91	35 % \$(531)
Reconciling items:				
Percentage depletion	(152)% (38)	(1)% (6)	(25)% (66)	7 % (99)
Change in valuation allowance on				
deferred tax assets	(124)% (31)	1 % 7	(36)% (93)	(46)% 698
Tax planning on sale of Canadian Oil Sands and				
Canadian capital gains tax rate	-	- (11)% (61)	-	- 4 % (61)
Mining and other taxes	24 % 6	2 % 11	5 % 14	(3)% 47
Disallowed loss on Midas Sale	-	-	5 % 13	-
Tax impact on Jundee Sale	32 % 8	-	3 % 8	-
Effect of foreign earnings, net of credits	-	- 2 % 9	3 % 8	(3)% 48
Other	(3)% (1)	-	1 % 3	3 % (48)
Income and mining tax expense (benefit)	(188)% \$(47)	28 % \$161	(9)% \$(22)	(3)% \$54

A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized. In determining the amount of the valuation allowance, each quarter the Company considers future reversals of existing taxable temporary differences, estimated future taxable income, taxable income in prior carryback year(s), as well as feasible tax planning strategies in each jurisdiction to determine if the deferred tax assets are realizable. If it is determined that the Company will not realize all or a portion of its deferred tax assets, it will place or increase a valuation allowance. Conversely, if determined that it will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced. There are a number of risk factors that could impact the Company's ability to realize the deferred tax assets. See Note 2, Summary of Significant Accounting Policies, Risks and Uncertainties.

The Company operates in numerous countries around the world and accordingly it is subject to, and pays annual income taxes under, the various income tax regimes in the countries in which it operates. Some of these tax regimes are defined by contractual agreements with the local government, and others are defined by the general corporate income tax laws of the country. The Company has historically filed, and continues to file, all required income tax returns and pay the income taxes reasonably determined to be due. The tax rules and regulations in many countries are highly complex and subject to interpretation. From time to time the Company is subject to a review of its historic income tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain rules to the Company's business conducted within the country involved.

At September 30, 2014, the Company's total unrecognized tax benefit was \$460 for uncertain income tax positions taken or expected to be taken on income tax returns. Of this, \$58 represents the amount of unrecognized tax benefits that, if recognized, would affect the Company's effective income tax rate.

As a result of the statute of limitations that expire in the next 12 months in various jurisdictions, and possible settlements of audit-related issues with taxing authorities in various jurisdictions with respect to which none of the issues are individually significant, the Company believes that it is reasonably possible that the total amount of its net unrecognized income tax benefits will decrease by approximately \$65 to \$70 in the next 12 months.

NOTE 9 DISCONTINUED OPERATIONS

Discontinued operations includes a retained royalty obligation ("Holt") from Holloway Mining Company. Holloway Mining Company, which owned the Holt-McDermott property, was sold to St. Andrew Goldfields Ltd. ("St. Andrew") in 2006. The Company

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

records adjustments based on short and long-term gold prices, discount rate assumptions and resource estimates published by St. Andrew.

During the third quarter and first nine months of 2014, the Company recorded a benefit of \$3 and a charge of \$16, net of tax expense of \$2 and benefit of \$7, respectively. During the third quarter and first nine months of 2013, the Company recorded a charge of \$21 and a benefit of \$53, net of tax benefit of \$10 and expense of \$24, respectively.

Net operating cash used in discontinued operations of \$10 and \$14 in the first nine months of 2014 and 2013 respectively relates to payments on the Holt property royalty.

NOTE 10 NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS

	Three Months Ended		Nine Months Ended	
	September		September 30,	
	2014	2013	2014	2013
Minera Yanacocha	\$(6)	\$5	\$(55)	\$86
Batu Hijau	(125)	(10)	(158)	(251)
TMAC	(11)	(3)	(18)	(17)
Other	4	4	6	6
	\$(138)	\$(4)	\$(225)	\$(176)

Newmont has a 51.35% ownership interest in Minera Yanacocha S.R.L. (“Yanacocha”), with the remaining interests held by Compañia de Minas Buenaventura, S.A.A. (43.65%) and the International Finance Corporation (5%).

Newmont has a 48.5% effective economic interest in PT Newmont Nusa Tenggara (“PTNNT”) with remaining interests held by an affiliate of Sumitomo Corporation of Japan and various Indonesian entities. PTNNT operates the Batu Hijau copper and gold mine in Indonesia.

Newmont’s economic ownership interest in TMAC was reduced to 45.2% from 70.4% in April 2014 due to TMAC’s private placement to raise funds. The remaining interests are held by TMAC management and various outside investors.

Based on ASC guidance for variable interest entities, Newmont consolidates PTNNT and TMAC in its condensed consolidated financial statements.

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

NOTE 11 INCOME PER COMMON SHARE

Basic income per common share is computed by dividing income available to Newmont common stockholders by the weighted average number of common shares outstanding during the period. Diluted income per common share is computed similarly except that weighted average common shares is increased to reflect all dilutive instruments.

	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Net income (loss) attributable to Newmont stockholders				
Continuing operations	\$210	\$419	\$509	\$(1,400)
Discontinued operations	3	(21)	(16)	53
	\$213	\$398	\$493	\$(1,347)
Weighted average common shares (millions):				
Basic	499	498	499	497
Effect of employee stock-based awards	1	-	-	-
Diluted	500	498	499	497
Income (loss) per common share				
Basic:				
Continuing operations	\$0.42	\$0.84	\$1.02	\$(2.82)
Discontinued operations	0.01	(0.04)	(0.03)	0.11
	\$0.43	\$0.80	\$0.99	\$(2.71)
Diluted:				
Continuing operations	\$0.42	\$0.84	\$1.02	\$(2.82)
Discontinued operations	0.01	(0.04)	(0.03)	0.11
	\$0.43	\$0.80	\$0.99	\$(2.71)

Options to purchase 3 million and 3 million shares of common stock at average exercise prices of \$48 and \$48 were outstanding at September 30, 2014 and 2013, respectively, but were not included in the computation of diluted weighted average common shares because their exercise prices exceeded the average price of the Company's common stock for the respective periods presented.

Other outstanding options to purchase 1 million shares of common stock were not included in the computation of diluted weighted average common shares in the first nine months of 2013 because their effect would have been anti-dilutive.

Newmont is required to settle the principal amount of its 2017 Convertible Senior Note in cash and may elect to settle the remaining conversion premium (average share price in excess of the conversion price), if any, in cash, shares or a combination thereof. The 2014 Convertible Senior Note was settled in July of 2014. The effect of contingently convertible instruments on diluted earnings per share is calculated under the net share settlement method in accordance with ASC guidance. The conversion price exceeded the Company's share price for the periods presented, therefore no additional shares were included in the computation of diluted weighted average common shares.

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

NOTE 12 EMPLOYEE PENSION AND OTHER BENEFIT PLANS

	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Pension benefit costs, net				
Service cost	\$6	\$9	\$19	\$27
Interest cost	10	11	30	31
Expected return on plan assets	(12)	(12)	(38)	(37)
Amortization, net	3	8	10	26
Settlements	3	5	6	5
	\$10	\$21	\$27	\$52

	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Other benefit costs, net				
Service cost	\$ 1	\$ 1	\$ 2	\$ 3
Interest cost	2	1	5	4
	\$ 3	\$ 2	\$ 7	\$ 7

NOTE 13 STOCK BASED COMPENSATION

	Three Months Ended		Nine Months Ended	
	September 30, 2014 2013		September 30, 2014 2013	
Stock options	\$-	\$ 2	\$2	\$ 7
Restricted stock units	7	8	22	24
Performance leveraged stock units	3	2	8	6
Strategic performance units	5	1	10	4
	\$15	\$ 13	\$42	\$ 41

Table of Contents

NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in millions, except per share, per ounce and per pound amounts)

NOTE 14 FAIR VALUE ACCOUNTING

The following table sets forth the Company's assets and liabilities measured at fair value on a recurring basis (at least annually) by level within the fair value hierarchy. As required by accounting guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at September 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 1,103	\$ 1,103	\$ -	\$ -
Marketable equity securities:				
Extractive industries	217	217	-	-
Other	17	17	-	-
Marketable debt securities:				
Asset backed commercial paper	24	-	-	24
Auction rate securities	6	-	-	6
Trade receivable from provisional copper and gold concentrate sales, net	93	93	-	-
	\$ 1,460	\$ 1,430	\$ -	\$ 30
Liabilities:				
Derivative instruments, net:				
Foreign exchange forward contracts	\$ 70	\$ -	\$ 70	\$ -
Diesel forward contracts	6	-	6	-
Boddington contingent consideration	10	-	-	10
Holt property royalty	147	-	-	147
	\$ 233	\$ -	\$ 76	\$ 157

The fair values of the derivative instruments in the table above are presented on a net basis. The gross amounts related to the fair value of the derivatives instruments above are included in the Derivatives Instruments Note (see Note 15). All other Fair Value disclosures in the above table are presented on a gross basis.

The following table sets forth a summary of the quantitative and qualitative information related to the unobservable inputs used in the calculation of the Company's Level 3 financial assets and liabilities at September 30, 2014:

Edgar Filing: NEWMONT MINING CORP /DE/ - Form 10-Q

Description	At September 30, 2014	Valuation technique	Unobservable input	Range/Weighted average	
Auction Rate Securities	\$ 6	Discounted cash flow	Weighted average recoverability rate	80	%
Asset Backed Commercial Paper	24	Discounted cash flow	Recoverability rate	90	%
Boddington Contingent Consideration	10	Monte Carlo	Discount rate	5	%

&n