

NEWMONT MINING CORP /DE/

Form 10-Q

November 02, 2010

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**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, 2010

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.)**

**6363 South Fiddler s Green Circle
Greenwood Village, Colorado
(Address of Principal Executive Offices)**

**80111
(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 (§ 232.405 of this chapter) 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 definition of accelerated filer and large accelerated filer in Rule 12-b2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a 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 486,197,880 shares of common stock outstanding on October 25, 2010 (and 6,867,299 exchangeable shares).

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NEWMONT MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in millions except per share)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Sales (Note 3)	\$ 2,597	\$ 2,049	\$ 6,992	\$ 5,187
Costs and expenses				
Costs applicable to sales ⁽¹⁾ (Note 3)	903	765	2,636	2,200
Amortization	242	199	697	566
Reclamation and remediation (Note 4)	18	10	44	34
Exploration	67	55	163	147
Advanced projects, research and development (Note 5)	46	27	149	100
General and administrative	45	39	133	118
Other expense, net (Note 6)	50	65	200	250
	1,371	1,160	4,022	3,415
Other income (expense)				
Other income, net (Note 7)	5	25	97	43
Interest expense, net	(66)	(10)	(210)	(65)
	(61)	15	(113)	(22)
Income from continuing operations before income tax and other items	1,165	904	2,857	1,750
Income tax expense (Note 10)	(348)	(253)	(756)	(494)
Equity income (loss) of affiliates	(3)	(6)	(7)	(14)
Income from continuing operations	814	645	2,094	1,242
Income (loss) from discontinued operations (Note 11)				(14)
Net income	814	645	2,094	1,228
Net income attributable to noncontrolling interests (Note 12)	(277)	(257)	(629)	(489)
Net income attributable to Newmont stockholders	\$ 537	\$ 388	\$ 1,465	\$ 739
Net income attributable to Newmont stockholders:				
Continuing operations	\$ 537	\$ 388	\$ 1,465	\$ 748
Discontinued operations				(9)

	\$	537	\$	388	\$	1,465	\$	739
Income per common share (Note 13)								
Basic:								
Continuing operations	\$	1.09	\$	0.79	\$	2.98	\$	1.54
Discontinued operations								(0.02)
	\$	1.09	\$	0.79	\$	2.98	\$	1.52
Diluted:								
Continuing operations	\$	1.07	\$	0.79	\$	2.94	\$	1.54
Discontinued operations								(0.02)
	\$	1.07	\$	0.79	\$	2.94	\$	1.52
Cash dividends declared per common share		0.15		0.10	\$	0.35	\$	0.30

(1) Exclusive of
Amortization
and
Reclamation
and
remediation.

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

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NEWMONT MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Nine Months Ended September 30,	
	2010	2009
Operating activities:		
Net income	\$ 2,094	\$ 1,228
Adjustments:		
Amortization	697	566
Loss from discontinued operations (Note 11)		14
Reclamation and remediation (Note 4)	44	34
Deferred income taxes	(52)	7
Stock based compensation and other benefits	54	44
Other operating adjustments and write-downs	84	80
Net change in operating assets and liabilities (Note 24)	(586)	(27)
 Net cash provided from continuing operations	 2,335	 1,946
Net cash provided from (used in) discontinued operations (Note 11)	(13)	3
 Net cash provided from operations	 2,322	 1,949
 Investing activities:		
Additions to property, plant and mine development	(972)	(1,314)
Investments in marketable debt and equity securities	(9)	
Acquisitions, net	(2)	(766)
Proceeds from sale of other assets	53	3
Other	(72)	(11)
 Net cash used in investing activities	 (1,002)	 (2,088)
 Financing activities:		
Proceeds from debt, net		4,302
Repayment of debt	(274)	(2,604)
Sale of subsidiary shares to noncontrolling interests	229	
Acquisition of subsidiary shares from noncontrolling interests	(109)	
Dividends paid to common stockholders	(172)	(147)
Dividends paid to noncontrolling interests	(360)	(115)
Proceeds from stock issuance, net	56	1,248
Change in restricted cash and other	46	5
 Net cash provided from (used in) financing activities of continuing operations	 (584)	 2,689
Net cash used in financing activities of discontinued operations (Note 11)		(2)

Net cash provided from (used in) financing activities	(584)	2,687
Effect of exchange rate changes on cash		39
Net change in cash and cash equivalents	736	2,587
Cash and cash equivalents at beginning of period	3,215	435
Cash and cash equivalents at end of period	\$ 3,951	\$ 3,022

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

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NEWMONT MINING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in millions)

	At September 30, 2010	At December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 3,951	\$ 3,215
Trade receivables	489	438
Accounts receivable	93	102
Investments (Note 18)	46	56
Inventories (Note 19)	526	493
Stockpiles and ore on leach pads (Note 20)	538	403
Deferred income tax assets	195	215
Other current assets (Note 21)	1,218	900
Current assets	7,056	5,822
Property, plant and mine development, net	12,532	12,370
Investments (Note 18)	1,278	1,186
Stockpiles and ore on leach pads (Note 20)	1,722	1,502
Deferred income tax assets	1,086	937
Other long-term assets (Note 21)	702	482
Total assets	\$ 24,376	\$ 22,299
LIABILITIES		
Debt (Note 22)	\$ 289	\$ 157
Accounts payable	396	396
Employee-related benefits	227	250
Income and mining taxes	265	200
Other current liabilities (Note 23)	1,621	1,317
Current liabilities	2,798	2,320
Debt (Note 22)	4,289	4,652
Reclamation and remediation liabilities (Note 4)	820	805
Deferred income tax liabilities	1,432	1,341
Employee-related benefits	349	381
Other long-term liabilities (Note 23)	169	174
Liabilities of operations held for sale (Note 11)		13
Total liabilities	9,857	9,686
Commitments and contingencies (Note 26)		
EQUITY		
Common stock	778	770
Additional paid-in capital	8,260	8,158
Accumulated other comprehensive income	768	626
Retained earnings	2,442	1,149

Newmont stockholders' equity	12,248	10,703
Noncontrolling interests	2,271	1,910
Total equity	14,519	12,613
Total liabilities and equity	\$ 24,376	\$ 22,299

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

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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, 2009 filed February 25, 2010 on Form 10-K. The year-end balance sheet data was derived from the audited financial statements, but does not include all disclosures required by United States generally accepted accounting principles (GAAP).

References to A\$ refer to Australian currency, C\$ to Canadian currency, IDR to Indonesian currency, NZ\$ to New Zealand currency and \$ to United States currency.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Adopted Accounting Pronouncements

Variable Interest Entities

In June 2009, the Accounting Standards Codification (ASC) guidance for consolidation accounting was updated to require an entity to perform a qualitative analysis to determine whether the enterprise's variable interest gives it a controlling financial interest in a Variable Interest Entity (VIE). This qualitative analysis identifies the primary beneficiary of a VIE as the entity that has both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE. The updated guidance also requires ongoing reassessments of the primary beneficiary of a VIE. Adoption of the updated guidance, effective for the Company's fiscal year beginning January 1, 2010, had no impact on the Company's condensed consolidated financial position, results of operations or cash flows.

The Company identified Nusa Tenggara Partnership (NTP), a partnership between Newmont and an affiliate of Sumitomo, that owns a 56% interest in PT Newmont Nusa Tenggara (PTNNT or Batu Hijau), as a VIE due to certain capital structures and contractual relationships. Newmont also identified PT Pukauafu Indah (PTPI), and PT Indonesia Masbaga Investama (PTIMI), unrelated noncontrolling partners of PTNNT, as VIEs. Newmont entered into transactions with PTPI and PTIMI, whereby the Company agreed to advance certain funds in exchange for a pledge of the noncontrolling partners' combined 20% share of PTNNT dividends, net of withholding tax. The agreements also provide Newmont with certain voting rights and obligations related to the noncontrolling partners' combined 20% share of PTNNT and commitments from PTPI and PTIMI to support the application of Newmont's standards to the operation of the Batu Hijau mine. The Company has determined itself to be the primary beneficiary of these entities and to control the operations of Batu Hijau, and therefore consolidates PTNNT in the Company's financial statements.

Fair Value Accounting

In January 2010, ASC guidance for fair value measurements and disclosure was updated to require additional disclosures related to transfers in and out of level 1 and 2 fair value measurements and enhanced detail in the level 3 reconciliation. The guidance was amended to clarify the level of disaggregation required for assets and liabilities and the disclosures required for inputs and valuation techniques used to measure the fair value of assets and liabilities that fall in either level 2 or level 3. The updated guidance was effective for the Company's fiscal year beginning January 1, 2010, with the exception of the level 3 disaggregation which is effective for the Company's fiscal year beginning January 1, 2011. The adoption had no impact on the Company's condensed consolidated financial position, results of operations or cash flows. Refer to Note 16 for further details regarding the Company's assets and liabilities measured at fair value.

Table of Contents**NEWMONT MINING CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

(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. The financial information relating to the Company's segments is as follows:

	Sales	Costs Applicable to Sales	Amortization	Advanced Projects and Exploration	Pre-Tax Income
Three Months Ended September 30, 2010					
Nevada	\$ 568	\$ 267	\$ 68	\$ 27	\$ 196
La Herradura	52	20	5	2	25
Hope Bay			4	20	(23)
Other North America					(1)
North America	620	287	77	49	197
Yanacocha	436	149	42	6	225
Other South America				11	(15)
South America	436	149	42	17	210
Boddington:					
Gold	181	91	25		
Copper	38	19	5		
Total	219	110	30	1	46
Batu Hijau:					
Gold	260	47	12		
Copper	543	96	26		
Total	803	143	38	1	607
Other Australia/New Zealand	351	157	26	10	145
Other Asia Pacific			1	5	(9)
Asia Pacific	1,373	410	95	17	789
Ahafo	168	57	22	9	87
Other Africa				1	(2)

Africa	168	57	22	10	85
Corporate and Other			6	20	(116)
Consolidated	\$ 2,597	\$ 903	\$ 242	\$ 113	\$ 1,165

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NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

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

	Sales	Costs Applicable to Sales	Amortization	Advanced Projects and Exploration	Pre-Tax Income
Three Months Ended September 30, 2009					
Nevada	\$ 481	\$ 273	\$ 69	\$ 13	\$ 118
La Herradura	23	8	2	1	12
Hope Bay			3	20	(24)
Other North America					(2)
North America	504	281	74	34	104
Yanacocha	535	163	43	6	299
Other South America				1	(2)
South America	535	163	43	7	297
Boddington				12	(11)
Batu Hijau:					
Gold	201	37	10		
Copper	396	71	18		
Total	597	108	28		445
Other Australia/New Zealand	282	152	32	6	77
Other Asia Pacific			1	4	(17)
Asia Pacific	879	260	61	22	494
Ahafo	131	61	17	2	46
Other Africa				2	(2)
Africa	131	61	17	4	44
Corporate and Other			4	15	(35)
Consolidated	\$ 2,049	\$ 765	\$ 199	\$ 82	\$ 904

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NEWMONT MINING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

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

	Sales	Costs Applicable to Sales	Amortization	Advanced Projects and Exploration	Pre-Tax Income	Total Assets	Capital Expenditures ⁽¹⁾
Nine Months Ended September 30, 2010							
Nevada	\$ 1,540	\$ 776	\$ 194	\$ 64	\$ 475	\$ 3,306	\$ 200
La Herradura	149	52	13	5	79	198	33
Hope Bay			10	70	(80)	2,046	88
Other North America				1	(4)	51	
North America	1,689	828	217	140	470	5,601	321
Yanacocha	1,321	442	119	17	686	2,645	109
Other South America				26	(26)	256	86
South America	1,321	442	119	43	660	2,901	195
Boddington:							
Gold	582	284	81				
Copper	117	68	18				
Total	699	352	99	5	206	4,181	106
Batu Hijau:							
Gold	595	123	34				
Copper	1,256	261	72				
Total	1,851	384	106	1	1,284	3,281	48
Other Australia/New Zealand	973	454	82	21	409	913	111
Other Asia Pacific			2	15		388	11
Asia Pacific	3,523	1,190	289	42	1,899	8,763	276
Ahafo	459	176	58	15	203	1,039	80
Other Africa				7	(7)	269	49
Africa	459	176	58	22	196	1,308	129

Corporate and Other				14		65	(368)	5,803		23
Consolidated	\$ 6,992	\$ 2,636	\$ 697	\$ 312	\$ 2,857	\$ 24,376			\$ 944	

- (1) Includes a decrease in accrued capital expenditures of \$28; consolidated capital expenditures on a cash basis were \$972.

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

	Sales	Costs Applicable to Sales	Amortization	Advanced Projects and Exploration	Pre-Tax Income	Total Assets	Capital Expenditures ⁽¹⁾
Nine Months Ended September 30, 2009							
Nevada	\$ 1,321	\$ 764	\$ 183	\$ 40	\$ 309	\$ 3,215	\$ 154
La Herradura	75	30	7	2	36	116	34
Hope Bay			9	56	(64)	1,818	4
Other North America				1	(6)	55	
North America	1,396	794	199	99	275	5,204	192
Yanacocha	1,451	488	128	16	747	2,182	78
Other South America				15	(13)	28	16
South America	1,451	488	128	31	734	2,210	94
Boddington				29	(87)	3,832	961
Batu Hijau:							
Gold	358	88	23				
Copper	786	217	55				
Total	1,144	305	78		713	3,024	30
Other Australia/New Zealand	814	438	94	18	243	843	75
Other Asia Pacific			2	9	(32)	215	2
Asia Pacific	1,958	743	174	56	837	7,914	1,068
Ahafo	382	175	51	9	131	965	42
Other Africa				7	(3)	198	4
Africa	382	175	51	16	128	1,163	46
Corporate and Other ⁽²⁾			14	45	(224)	4,656	12
Consolidated	\$ 5,187	\$ 2,200	\$ 566	\$ 247	\$ 1,750	\$ 21,147	\$ 1,412

(1) Includes an increase in accrued capital expenditures of \$98; consolidated capital expenditures on a cash basis were \$1,314.

(2) Corporate and Other includes \$31 of Assets held for sale.

NOTE 4 RECLAMATION AND REMEDIATION

At September 30, 2010 and December 31, 2009, \$719 and \$698, respectively, were accrued for reclamation obligations relating to mineral 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, 2010 and December 31, 2009, \$148 and \$161, respectively, were accrued for such obligations.

The following is a reconciliation of reclamation and remediation liabilities:

	Nine Months Ended September 30,	
	2010	2009
Balance at beginning of period	\$ 859	\$ 757
Additions, changes in estimates and other	1	21
Liabilities settled	(32)	(35)
Accretion expense	39	34
Balance at end of period	\$ 867	\$ 777

Table of Contents**NEWMONT MINING CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

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

The current portion of *Reclamation and remediation liabilities* of \$47 and \$54 at September 30, 2010 and December 31, 2009, respectively, are included in *Other current liabilities* (see Note 23).

The Company's reclamation and remediation expenses consisted of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Reclamation	\$ 5	\$	\$ 5	\$
Accretion operating	11	7	33	25
Accretion non-operating	2	3	6	9
	\$ 18	\$ 10	\$ 44	\$ 34
Asset retirement cost amortization ⁽¹⁾	\$ 8	\$ 7	\$ 22	\$ 21

(1) Asset retirement cost amortization is a component of *Amortization*.

NOTE 5 ADVANCED PROJECTS, RESEARCH AND DEVELOPMENT

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Major projects:				
Hope Bay	\$ 13	\$ 2	\$ 48	\$ 18
Subika underground	4		6	1
Conga	2	1	5	2
Akyem		2	4	5
Boddington		11		24
Other projects:				
Technical and project services	12	6	35	18
Corporate	4	3	25	10
South America growth	7	1	11	5
Nevada growth	2	1	8	13
Other	2		7	4
	\$ 46	\$ 27	\$ 149	\$ 100

NOTE 6 OTHER EXPENSE, NET

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Community development	\$ 13	\$ 12	\$ 73	\$ 33
Regional administration	16	14	47	40