NEWMONT MINING CORP /DE/
Form 10-Q
October 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
Form 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2009

or

o **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	**84-1611629**
(State or Other Jurisdiction of Incorporation or Organization)	**(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. þ Yes o 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). þ Yes o 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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

There were 480,405,625 shares of common stock outstanding on October 23, 2009 (and 9,763,091 exchangeable shares).

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues				
Sales gold, net	$ 1,653	$ 1,281	$ 4,401	$ 4,094
Sales copper, net	396	90	786	705
	2,049	1,371	5,187	4,799
Costs and expenses				
Costs applicable to sales gold[(1)]	694	692	1,983	1,969
Costs applicable to sales copper[(1)]	71	88	217	342
Amortization	199	186	566	548
Accretion (Note 23)	8	7	25	23
Exploration	55	57	147	154
Advanced projects, research and development (Note 3)	27	44	100	113
General and administrative	39	37	118	103
Other expense, net (Note 4)	67	69	259	249
	1,160	1,180	3,415	3,501
Other income (expense)				
Other income, net (Note 5)	25	66	43	100
Interest expense, net	(10)	(35)	(65)	(98)
	15	31	(22)	2
Income from continuing operations before income tax and other items	904	222	1,750	1,300
Income tax expense (Note 8)	(253)	(6)	(494)	(193)
Equity loss of affiliates	(6)	(1)	(14)	(6)
Income from continuing operations	645	215	1,242	1,101
Income (loss) from discontinued operations (Note 9)		7	(14)	17
Net income	645	222	1,228	1,118
Net income attributable to noncontrolling interests (Note 10)	(257)	(31)	(489)	(291)
Net income attributable to Newmont stockholders	$ 388	$ 191	$ 739	$ 827
Net income attributable to Newmont stockholders:				
Continuing operations	$ 388	$ 182	$ 748	$ 809

Discontinued operations				9		(9)		18
	$	388	$	191	$	739	$	827
Income per common share (Note 11)								
Basic:								
Continuing operations	$	0.79	$	0.40	$	1.54	$	1.78
Discontinued operations				0.02		(0.02)		0.04
	$	0.79	$	0.42	$	1.52	$	1.82
Diluted:								
Continuing operations	$	0.79	$	0.40	$	1.54	$	1.77
Discontinued operations				0.02		(0.02)		0.04
	$	0.79	$	0.42	$	1.52	$	1.81
Basic weighted-average common shares outstanding		490		454		485		454
Diluted weighted-average common shares outstanding		491		455		486		456
Cash dividends declared per common share	$	0.10	$	0.10	$	0.30	$	0.30

(1) Exclusive of Amortization and Accretion.

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, 2009	At December 31, 2008
ASSETS		
Cash and cash equivalents	$ 3,022	$ 435
Marketable securities and other short-term investments (Note 17)	19	12
Trade receivables	280	104
Accounts receivable	114	214
Inventories (Note 18)	479	507
Stockpiles and ore on leach pads (Note 19)	354	290
Deferred income tax assets	189	284
Other current assets (Note 20)	581	455
Current assets	5,038	2,301
Property, plant and mine development, net	12,150	10,128
Investments (Note 17)	1,069	655
Stockpiles and ore on leach pads (Note 19)	1,411	1,136
Deferred income tax assets	999	1,039
Other long-term assets (Note 20)	261	207
Goodwill	188	188
Assets of operations held for sale (Note 9)	31	73
Total assets	$ 21,147	$ 15,727
LIABILITIES		
Current portion of long-term debt (Note 21)	$ 225	$ 165
Accounts payable	338	411
Employee-related benefits	201	170
Income and mining taxes	211	61
Other current liabilities (Note 22)	1,226	770
Current liabilities	2,201	1,577
Long-term debt (Note 21)	4,698	3,072
Reclamation and remediation liabilities (Note 23)	724	699
Deferred income tax liabilities	1,229	1,051
Employee-related benefits	377	379
Other long-term liabilities (Note 22)	236	252
Liabilities of operations held for sale (Note 9)	13	36
Total liabilities	9,478	7,066
Commitments and contingencies (Note 27)		
EQUITY		
Common stock	768	709

Additional paid-in capital		8,060		6,831
Accumulated other comprehensive income (loss)		454		(253)
Retained earnings		641		4
Newmont stockholders equity		9,923		7,291
Noncontrolling interests		1,746		1,370
Total equity (Note 13)		11,669		8,661
Total liabilities and equity	$	21,147	$	15,727

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, 2009	Nine Months Ended September 30, 2008
Operating activities:		
Net income	$ 1,228	$ 1,118
Adjustments:		
Amortization	566	548
Loss (income) from discontinued operations (Note 9)	14	(17)
Accretion of accumulated reclamation obligations (Note 23)	34	30
Deferred income taxes	7	(222)
Impairment of marketable securities (Note 17)	6	90
Stock based compensation and other benefits	44	38
Gain on asset sales, net	(3)	(70)
Reclamation estimate revisions (Note 23)		74
Other operating adjustments and write-downs	77	73
Net change in operating assets and liabilities (Note 24)	(27)	(494)
Net cash provided from continuing operations	1,946	1,168
Net cash provided from (used in) discontinued operations (Note 9)	3	(105)
Net cash provided from operations	1,949	1,063
Investing activities:		
Additions to property, plant and mine development	(1,314)	(1,350)
Investments in marketable debt and equity securities		(18)
Proceeds from sale of marketable debt and equity securities	10	50
Acquisitions, net (Note 14)	(766)	(325)
Other	(18)	26
Net cash used in investing activities of continuing operations	(2,088)	(1,617)
Net cash used in investing activities of discontinued operations (Note 9)		(11)
Net cash used in investing activities	(2,088)	(1,628)
Financing activities:		
Proceeds from debt, net	4,302	2,801
Repayment of debt	(2,604)	(2,249)
Dividends paid to common stockholders	(147)	(136)
Dividends paid to noncontrolling interests	(115)	(247)
Proceeds from stock issuance, net	1,248	27
Change in restricted cash and other	5	19
Net cash provided from financing activities of continuing operations	2,689	215
Net cash used in financing activities of discontinued operations (Note 9)	(2)	(3)

Net cash provided from financing activities		2,687		212
Effect of exchange rate changes on cash		39		(24)
Net change in cash and cash equivalents		2,587		(377)
Cash and cash equivalents at beginning of period		435		1,230
Cash and cash equivalents at end of period	$	3,022	$	853

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

NEWMONT MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)
(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 Company has evaluated all subsequent events through October 28, 2009. 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, 2008 included in its Form 8-K, filed September 15, 2009. The year-end balance sheet data was derived from the audited financial statements, but does not include all disclosures required by U.S. 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

The Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (FASB) established the *FASB Accounting Standards Codification* (ASC) as the single source of authoritative GAAP to be applied by nongovernmental entities. The ASC is a new structure which took existing accounting pronouncements and organized them by accounting topic. Relevant authoritative literature issued by the Securities and Exchange Commission (SEC) and select SEC staff interpretations and administrative literature was also included in the ASC. All other accounting guidance not included in the ASC is non-authoritative. The ASC was effective for the Company s interim quarterly period beginning July 1, 2009. The adoption of the ASC did not have an impact on the Company s consolidated financial position, results of operations or cash flows.

Subsequent Events

In May 2009, the ASC guidance for subsequent events was updated to establish accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The update sets forth: (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet in its financial statements, and (iii) the disclosures that an entity should make about events or transactions occurring after the balance sheet date in its financial statements. The Company adopted the updated guidance for the interim period ended June 30, 2009. The adoption had no impact on the Company s consolidated financial position, results of operations or cash flows.

Post-Retirement Benefit Plans

In December 2008, the ASC guidance for retirement benefits was updated to expand the requirements of employers disclosures about post-retirement benefit plan assets in a defined benefit pension or other post-retirement plan. The objective is to require more detailed disclosures about employers plan assets, including employers investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. The Company adopted the updated guidance on January 1, 2009. These disclosures are not required for earlier periods that are presented for comparative purposes.

Equity Method Investments

In November 2008, the ASC guidance for equity method and joint venture investments was updated to clarify the accounting for certain transactions and impairment considerations involving equity method investments. The intent is to provide guidance on: (i) determining the initial measurement of an equity method investment, (ii) recognizing other-than- temporary impairments of an equity method investment and (iii) accounting for an equity method investee s issuance of shares. The updated guidance was effective for the Company s fiscal year beginning January 1, 2009 and was applied prospectively. The adoption had no impact on the Company s consolidated financial position or results of operations.

NEWMONT MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)
(dollars in millions, except per share, per ounce and per pound amounts)

Equity-Linked Financial Instruments

In June 2008, the ASC guidance for derivatives and hedging when accounting for contracts in an entity s own equity was updated to clarify the determination of whether an instrument (or embedded feature) is indexed to an entity s own stock which would qualify as a scope exception from hedge accounting. The updated guidance was effective for the Company s fiscal year beginning January 1, 2009. The adoption had no impact on the Company s consolidated financial position or results of operations.

Accounting for Convertible Debt Instruments

In May 2008, the ASC guidance was updated for convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative. The update requires that the liability and equity components of convertible debt instruments within the scope be separately accounted for in a manner that reflects the entity s nonconvertible debt borrowing rate. This requires an allocation of convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component). The difference between the principal amount of the debt and the amount of the proceeds allocated to the liability component is reported as a debt discount and subsequently amortized to earnings over the instrument s expected life using the effective interest method. The updated guidance required retrospective application to all periods presented.

During July 2007, the Company completed an offering of $1,150 convertible senior notes due 2014 and 2017, each in the amount of $575. The 2014 notes, maturing on July 15, 2014, pay interest semi-annually at a rate of 1.25% per annum, and the 2017 notes, maturing on July 15, 2017, pay interest semi-annually at a rate of 1.625% per annum. The notes are convertible, at the holder s option, equivalent to a conversion price of $46.21 per share of common stock (24,887,956 shares of common stock). In connection with the convertible senior notes offering, the Company entered into convertible note hedge transactions and warrant transactions (Call Spread Transactions). The Call Spread Transactions included the purchase of call options and the sale of warrants. As a result of the Call Spread Transactions, the conversion price of $46.21 was effectively increased to $60.27. At September 30, 2009, the if-converted value did not exceed the principal amounts.

During February 2009, the Company completed an offering of $518 convertible senior notes due on February 15, 2012. The notes will pay interest semi-annually at a rate of 3.00% per annum. The notes are convertible, at the holder s option, equivalent to a conversion price of $46.25 per share of common stock (11,189,189 shares of common stock). At September 30, 2009, the if-converted value did not exceed the principal amount.

The Company recorded the following in the Condensed Consolidated Balance Sheets related to the convertible senior notes:

	At September 30, 2009 Convertible Senior Notes Due			At December 31, 2008 Convertible Senior Notes Due		
	2012	**2014**	**2017**	**2012**	**2014**	**2017**
Additional paid-in capital	$ 46	$ 97	$ 123	$	$ 97	$ 123
Principal amount	$ 518	$ 575	$ 575	$	$ 575	$ 575
Unamortized debt discount	(60)	(112)	(162)		(127)	(174)
Net carrying amount	$ 458	$ 463	$ 413	$	$ 448	$ 401

NEWMONT MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)
(dollars in millions, except per share, per ounce and per pound amounts)

As a result of adopting the updated guidance, the effective interest rates increased by approximately 5 percentage points to 8.5%, 6.0% and 6.25% for the 2012, 2014 and 2017 notes, respectively, for the non-cash amortization of the debt discount over the lives of the notes. *Interest expense* was increased by $9 which decreased the Company s *Income from continuing operations* and *Net income* by $5 ($0.01 per share) for the three months ended September 30, 2008. *Interest expense* was increased by $25 which decreased the Company s *Income from continuing operations* and *Net income* by $16 ($0.03 per share) for the nine months ended September 30, 2008. Had the update been effective in 2008, the Company would have charged its fourth quarter 2008 dividends to *Additional paid-in capital* rather than *Retained earnings*; therefore the Company made the reclassification in 2009. Cash flows from operations were not impacted by the adoption of the updated guidance. The impact on the Company s 2009 opening balance in *Retained earnings* was as follows:

		At December 31, 2008
Balance before application of updated guidance	$	7
Impact of adoption of updated guidance		(31)
Reclassification of dividends to *Additional paid-in capital*		28
Balance after application of updated guidance	$	4

For the three months ended September 30, 2009, the Company recorded $8 and $15 of interest expense for the contractual interest coupon and amortization of the debt discount, respectively, related to the convertible senior notes. For the nine months ended September 30, 2009, the Company recorded $22 and $41 of interest expense for the contractual interest coupon and amortization of the debt discount, respectively, related to the convertible senior notes. The remaining unamortized debt discount is amortized over the remaining 3, 5 and 8 year periods of the 2012, 2014 and 2017 convertible senior notes, respectively.

Accounting for the Useful Life of Intangible Assets

In April 2008, the ASC guidance for Goodwill and Other Intangibles was updated to amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent of this update is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset under guidance for business combinations. The updated guidance was effective for the Company s fiscal year beginning January 1, 2009 and was applied prospectively to intangible assets acquired after the effective date. The adoption had no impact on the Company s consolidated financial position, results of operations or cash flows.

Derivative Instruments

In March 2008, the ASC guidance for derivatives and hedging was updated for enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and the related hedged items are accounted for, and how derivative instruments and the related hedged items affect an entity s financial position, financial performance and cash flows. The Company adopted the updated guidance on January 1, 2009. The adoption had no impact on the Company s consolidated financial position, results of operations or cash flows. See Note 16 for the Company s derivative instruments disclosure.

Business Combinations

In December 2007, the ASC guidance for business combinations was updated to provide new guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquiree. The updated guidance also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company adopted the updated guidance on January 1, 2009 and applied it to the acquisition of the remaining 33.33% interest in the Boddington project completed on June 25, 2009 (see Note 14).

In April 2009, the guidance was updated to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This update is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after January 1, 2009. The adoption of the updated guidance did not have any impact on the Company s acquisition of the remaining 33.33% interest in the Boddington project completed on June 25, 2009 (see Note 14).

NEWMONT MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)
(dollars in millions, except per share, per ounce and per pound amounts)

Noncontrolling Interests

In December 2007, the ASC guidance for Noncontrolling Interests was updated to establish accounting and reporting standards pertaining to: (i) ownership interests in subsidiaries held by parties other than the parent (noncontrolling interest), (ii) the amount of net income attributable to the parent and to the noncontrolling interest, (iii) changes in a parent s ownership interest, and (iv) the valuation of any retained noncontrolling equity investment when a subsidiary is deconsolidated. If a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary is measured at fair value and a gain or loss is recognized in net income based on such fair value. For presentation and disclosure purposes, the guidance requires noncontrolling interests to be classified as a separate component of equity. The Company adopted the updated guidance on January 1, 2009. Except for presentation changes, the adoption had no impact on the Company s consolidated financial position, results of operations or cash flows.

Fair Value Accounting

In September 2006, the ASC guidance for fair value measurements and disclosure was updated to define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. The Company adopted the updated guidance for assets and liabilities measured at fair value on a recurring basis on January 1, 2008. In February 2008, the FASB staff issued an update to the guidance which delayed the effective date for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company adopted the updated guidance for the Company s nonfinancial assets and liabilities measured at fair value on a nonrecurring basis on January 1, 2009.

In April 2009, the guidance was further updated to provide additional guidance on determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying circumstances that indicate when a transaction is not orderly. In April 2009, the guidance for investments in debt and equity securities was updated to: (i) clarify the interaction of the factors that should be considered when de