NEWMONT MINING CORP /DE/
Form 10-Q
July 23, 2009

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**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 June 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** | **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. 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<br>(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 479,717,438 shares of common stock outstanding on July 15, 2009 (and 10,280,382 exchangeable shares).

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## PART I FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Revenues | | | | |
| Sales gold, net | $ 1,373 | $ 1,320 | $ 2,748 | $ 2,813 |
| Sales copper, net | 229 | 183 | 390 | 615 |
| | 1,602 | 1,503 | 3,138 | 3,428 |
| Costs and expenses | | | | |
| Costs applicable to sales gold[1] | 635 | 645 | 1,289 | 1,277 |
| Costs applicable to sales copper[1] | 61 | 104 | 146 | 254 |
| Amortization | 176 | 183 | 367 | 362 |
| Accretion (Note 23) | 8 | 8 | 17 | 16 |
| Exploration | 51 | 58 | 92 | 97 |
| Advanced projects, research and development (Note 3) | 42 | 39 | 73 | 69 |
| General and administrative | 40 | 37 | 79 | 66 |
| Other expense, net (Note 4) | 116 | 118 | 192 | 180 |
| | 1,129 | 1,192 | 2,255 | 2,321 |
| Other income (expense) | | | | |
| Other income, net (Note 5) | 9 | 19 | 18 | 34 |
| Interest expense, net | (23) | (35) | (55) | (63) |
| | (14) | (16) | (37) | (29) |
| Income from continuing operations before income tax (expense) benefit and other items | 459 | 295 | 846 | 1,078 |
| Income tax (expense) benefit (Note 8) | (136) | 42 | (241) | (187) |
| Equity loss of affiliates | (3) | | (8) | (5) |
| Income from continuing operations | 320 | 337 | 597 | 886 |
| (Loss) income from discontinued operations (Note 9) | (14) | 2 | (14) | 10 |
| Net income | 306 | 339 | 583 | 896 |
| Less: Net income attributable to noncontrolling interests (Note 10) | 144 | 68 | 232 | 260 |
| Net income attributable to Newmont stockholders | $ 162 | $ 271 | $ 351 | $ 636 |

Net income attributable to Newmont stockholders:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Continuing operations | $ | 171 | $ | 270 | $ | 360 | $ | 627 |
| Discontinued operations | | (9) | | 1 | | (9) | | 9 |
| | $ | 162 | $ | 271 | $ | 351 | $ | 636 |
| Income per common share (Note 11) | | | | | | | | |
| Basic: | | | | | | | | |
| Continuing operations | $ | 0.35 | $ | 0.60 | $ | 0.75 | $ | 1.38 |
| Discontinued operations | | (0.02) | | | | (0.02) | | 0.02 |
| | $ | 0.33 | $ | 0.60 | $ | 0.73 | $ | 1.40 |
| Diluted: | | | | | | | | |
| Continuing operations | $ | 0.35 | $ | 0.59 | $ | 0.75 | $ | 1.37 |
| Discontinued operations | | (0.02) | | | | (0.02) | | 0.02 |
| | $ | 0.33 | $ | 0.59 | $ | 0.73 | $ | 1.39 |
| Basic weighted-average common shares outstanding | | 490 | | 454 | | 483 | | 454 |
| Diluted weighted-average common shares outstanding | | 491 | | 456 | | 484 | | 457 |
| Cash dividends declared per common share | $ | 0.10 | $ | 0.10 | $ | 0.20 | $ | 0.20 |

(1) Exclusive of Amortization and Accretion.

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

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

| | At June 30, 2009 | At December 31, 2008 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 544 | $ 435 |
| Marketable securities and other short-term investments (Note 17) | 19 | 12 |
| Trade receivables | 229 | 104 |
| Accounts receivable | 283 | 214 |
| Inventories (Note 18) | 481 | 507 |
| Stockpiles and ore on leach pads (Note 19) | 318 | 290 |
| Deferred income tax assets | 188 | 284 |
| Other current assets (Note 20) | 395 | 455 |
| Current assets | 2,457 | 2,301 |
| Property, plant and mine development, net | 11,825 | 10,128 |
| Investments (Note 17) | 902 | 655 |
| Stockpiles and ore on leach pads (Note 19) | 1,326 | 1,136 |
| Deferred income tax assets | 1,126 | 1,039 |
| Other long-term assets (Note 20) | 218 | 207 |
| Goodwill | 188 | 188 |
| Assets of operations held for sale (Note 9) | 69 | 73 |
| Total assets | $ 18,111 | $ 15,727 |
| **LIABILITIES** | | |
| Current portion of long-term debt (Note 21) | $ 221 | $ 165 |
| Accounts payable | 310 | 411 |
| Employee-related benefits | 162 | 170 |
| Income and mining taxes | 90 | 61 |
| Other current liabilities (Note 22) | 1,071 | 770 |
| Current liabilities | 1,854 | 1,577 |
| Long-term debt (Note 21) | 2,810 | 3,072 |
| Reclamation and remediation liabilities (Note 23) | 721 | 699 |
| Deferred income tax liabilities | 1,237 | 1,051 |
| Employee-related benefits | 404 | 379 |
| Other long-term liabilities (Note 22) | 277 | 252 |
| Liabilities of operations held for sale (Note 9) | 54 | 36 |
| Total liabilities | 7,357 | 7,066 |
| Commitments and contingencies (Note 27) | | |
| **STOCKHOLDERS EQUITY** | | |
| Common stock | 768 | 709 |
| Additional paid-in capital | 8,052 | 6,831 |

| | | |
|---|---|---|
| Accumulated other comprehensive income (loss) | 141 | (253) |
| Retained earnings | 302 | 4 |
| Total Newmont stockholders equity | 9,263 | 7,291 |
| Noncontrolling interests | 1,491 | 1,370 |
| Total stockholders equity (Note 13) | 10,754 | 8,661 |
| Total liabilities and stockholders equity | $ 18,111 | $ 15,727 |

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

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

| | Six Months Ended June 30, 2009 | Six Months Ended June 30, 2008 |
|---|---|---|
| Operating activities: | | |
| Net income | $ 583 | $ 896 |
| Adjustments: | | |
| Amortization | 367 | 362 |
| Loss (income) from discontinued operations (Note 9) | 14 | (10) |
| Accretion of accumulated reclamation obligations (Note 23) | 23 | 20 |
| Deferred income taxes | (13) | (208) |
| Write-down of investments | 6 | 56 |
| Stock based compensation and other benefits | 30 | 24 |
| Other operating adjustments and write-downs | 53 | 90 |
| Net change in operating assets and liabilities (Note 24) | (177) | (259) |
| Net cash provided from continuing operations | 886 | 971 |
| Net cash provided from (used in) discontinued operations (Note 9) | 8 | (107) |
| Net cash provided from operations | 894 | 864 |
| Investing activities: | | |
| Additions to property, plant and mine development | (910) | (893) |
| Investments in marketable debt and equity securities | | (17) |
| Proceeds from sale of marketable debt and equity securities | 5 | 17 |
| Acquisitions, net (Note 14) | (760) | (325) |
| Other | (7) | (16) |
| Net cash used in investing activities of continuing operations | (1,672) | (1,234) |
| Net cash used in investing activities of discontinued operations (Note 9) | | (10) |
| Net cash used in investing activities | (1,672) | (1,244) |
| Financing activities: | | |
| Proceeds from debt, net | 1,494 | 1,023 |
| Repayment of debt | (1,668) | (625) |
| Dividends paid to common stockholders | (98) | (91) |
| Dividends paid to noncontrolling interests | (112) | (147) |
| Proceeds from stock issuance, net | 1,247 | 24 |
| Change in restricted cash and other | 5 | 7 |
| Net cash provided from financing activities of continuing operations | 868 | 191 |
| Net cash used in financing activities of discontinued operations (Note 9) | (2) | (2) |

| | | | | |
|---|---|---|---|---|
| Net cash provided from financing activities | | 866 | | 189 |
| Effect of exchange rate changes on cash | | 21 | | (4) |
| Net change in cash and cash equivalents | | 109 | | (195) |
| Cash and cash equivalents at beginning of period | | 435 | | 1,231 |
| Cash and cash equivalents at end of period | $ | 544 | $ | 1,036 |

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

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

**NOTE 1 BASIS OF PRESENTATION**

The interim 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. All adjustments are of a normal recurring nature except as discussed below. The Company has evaluated all subsequent events through July 22, 2009 (see Note 29). 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 included in its Annual Report on Form 10-K/A for the year ended December 31, 2008, filed June 8, 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 ). Certain amounts for the three and six months ended June 30, 2008 and at December 31, 2008 have been revised. The Company retrospectively adopted FSP No. APB 14-1, Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (Including Partial Cash Settlement) ( FSP APB 14-1 ), which requires an allocation of convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component) (see Note 2). Additionally, the Company adopted FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 ( FAS 160 ), which requires the noncontrolling interests to be classified as a separate component of net income and stockholders equity. The Company has also reclassified the historical balance sheet, income statement and the cash flow amounts for the Kori Kollo operation in Bolivia to discontinued operations in the Consolidated Balance Sheets, Consolidated Statements of Income and Cash Flows for all periods presented.

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**

***Subsequent Events***

In May 2009, the Financial Accounting Standards Board ( FASB ) issued FASB Statement No. 165 Subsequent Events ( FAS 165 ) which establishes 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 statement 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 provisions of FAS 165 for the interim period ended June 30, 2009. The adoption of FAS 165 had no impact on the Company s consolidated financial position, results of operations or cash flows.

***Post-Retirement Benefit Plan***

In December 2008, the FASB issued FSP No. FAS 132(R)-1, Employers Disclosures about Post-Retirement Benefit Plan Assets ( FSP FAS 132(R)-1 ), which amends FASB Statement No. 132 Employers Disclosures about Pensions and Other Post-Retirement Benefits ( FAS 132 ), to provide guidance on an employer s disclosures about plan assets of a defined benefit pension or other post-retirement plan. The objective of FSP FAS 132(R)-1 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 provisions of FSP FAS 132(R)-1 on January 1, 2009. The provisions of this FSP are not required for earlier periods that are presented for comparative purposes.

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

***Equity Method Investment***

In November 2008, the Emerging Issues Task Force ( EITF ) reached consensus on Issue No. 08-6, Equity Method Investment Accounting Considerations ( EITF 08-6 ), which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The intent of EITF 08-6 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. EITF 08-6 was effective for the Company s fiscal year beginning January 1, 2009 and has been applied prospectively. The adoption of EITF 08-6 had no impact on the Company s consolidated financial position or results of operations.

***Equity-Linked Financial Instruments***

In June 2008, the EITF reached consensus on Issue No. 07-5, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock ( EITF 07-5 ). EITF 07-5 clarifies the determination of whether an instrument (or an embedded feature) is indexed to an entity s own stock, which would qualify as a scope exception under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities ( FAS 133 ). EITF 07-5 was effective for the Company s fiscal year beginning January 1, 2009. The adoption of EITF 07-5 had no impact on the Company s consolidated financial position or results of operations.

***Accounting for Convertible Debt Instruments***

In May 2008, the FASB issued FSP No. APB 14-1. FSP APB 14-1 applies to 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 under FAS 133. FSP APB 14-1 requires that the liability and equity components of convertible debt instruments within the scope of FSP APB 14-1 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. FSP APB 14-1 requires 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. As of June 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). As of June 30, 2009, the if-converted value did not exceed the principal amount.

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

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

| | At June 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 | (66) | (117) | (166) | | (127) | (174) |
| Net carrying amount | $ 452 | $ 458 | $ 409 | $ | $ 448 | $ 401 |

As a result of adopting FSP APB 14-1, 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 $8 which decreased the Company s *Income from continuing operations* and *Net income* by $6 ($0.01 per share) for the three months ended June 30, 2008. *Interest expense* was increased by $16 which decreased the Company s *Income from continuing operations* and *Net income* by $11 ($0.02 per share) for the six months ended June 30, 2008. Had FSP APB 14-1 been effective in 2008, the Company would have paid its fourth quarter 2008 dividends out of *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 FSP APB 14-1. The impact on the Company s 2009 opening balance in *Retained earnings* was as follows:

| | At December 31, 2008 |
|---|---|
| Balance before application of FSP APB 14-1 | $ 7 |
| Impact of adoption of FSP APB 14-1 | (31) |
| Reclassification of dividends to *Additional paid-in capital* | 28 |
| Balance after application of FSP APB 14-1 | $ 4 |

Following adoption and the issuance of the 2012 convertible senior notes in February 2009, the Company will amortize $375 ($244 net of tax) of debt discount over the lives of the Company s convertible senior notes. For the three months ended June 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 six months ended June 30, 2009, the Company recorded $14 and $26 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 will be 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 FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets ( FSP FAS 142-3 ) which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets ( FAS 142 ). The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under FAS 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007), Business Combinations ( FAS 141(R) ). FSP FAS 142-3 was effective for the Company s fiscal year beginning January 1, 2009 and has been applied prospectively to intangible assets acquired after the effective date. The adoption of FSP FAS 142-3 had no impact on the Company s consolidated financial position, results of operations or cash flows.

***Derivative Instruments***

In March 2008, the FASB issued FASB Statement No. 161, Disclosure about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 ( FAS 161 ) which provides revised guidance for enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and the related hedged items are accounted for under FAS 133, and how derivative instruments and the related hedged items affect an entity s financial position, financial performance and cash flows. The Company adopted the provisions of FAS 161 on January 1, 2009. The adoption of FAS 161 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.

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

***Business Combinations***

In December 2007, the FASB issued FAS 141(R) which replaces FAS 141, and provides new guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquiree. FAS 141(R) 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 provisions of FAS 141(R) on January 1, 2009 and applied them 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 FASB issued FSP No. FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies ( FSP FAS 141(R)-1 ), which amends and clarifies FAS 141(R). The intent of FSP FAS 141(R)-1 is 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 FSP 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 FSP FAS 141(R)-1 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).

***Noncontrolling Interests***

In December 2007, the FASB issued FASB Statement No. 160 Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 ( FAS 160 ), which establishes 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, FAS 160 requires noncontrolling interests to be classified as a separate component of stockholders equity. The Company adopted the provisions of FAS 160 on January 1, 2009. Except for presentation changes, the adoption of FAS 160 had no impact on the Company s consolidated financial position, results of operations or cash flows.

***Fair Value Accounting***

In September 2006, the FASB issued FASB Statement No. 157, Fair Value Measurements ( FAS 157 ). FAS 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. The Company adopted the provisions of FAS 157 for assets and liabilities measured at fair value on a recurring basis on January 1, 2008. In February 2008, the FASB staff issued Staff Position No. 157-2 Effective Date of FASB Statement No. 157 ( FSP FAS 157-2 ). FSP FAS 157-2 delayed the effective date of FAS 157 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 provisions of FSP FAS 157-2 for the Company s nonfinancial assets and liabilities measured at fair value on a nonrecurring basis on January 1, 2009. Refer to Note 15 for further details regarding the Company s assets and liabilities measured at fair value.

In April 2009, the FASB issued Staff Position No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ( FSP FAS 157-4 ), which provides additional guidance on determining fair value when the volume and level of activity for an asset or liability have significantly decreased and includes guidance on identifying circumstances that indicate when a transaction is not orderly. In April 2009, the FASB issued Staff Position No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments ( FSP FAS 115-2 and FAS 124-2 ), which: i) clarifies the interaction of the factors that should be considered when determining whether a debt security is other than temporarily impaired, ii) provides guidance on the amount of an other-than-temporary impairment recognized in earnings and other comprehensive income and iii) expands the disclosures required for other-than-temporary impairments for debt and equity securities. Also in April 2009, the FASB issued Staff Position No. 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments ( FSP FAS 107-1 and APB 28-1 ), which requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. Adoption of these Staff Positions is required for the Company s interim reporting period beginning April 1, 2009 with early adoption permitted. The Company adopted the provisions of FSP FAS 157-4, FSP FAS 115-2 and FAS 124-2, and FSP FAS 107-1 and APB 28-1 for the interim period ended March 31, 2009. Refer to Note 15 for further details regarding the Company s assets and liabilities measured at fair value.

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

**Recently Issued Accounting Pronouncements**

***The Accounting Standards Codification***

In June 2009, the FASB issued FASB Statement No. 168, *The FASB Accounting Standards Codification* and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 ( FAS 168 or the Codification ). FAS 168 will become the source of authoritative U.S. GAAP to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ( SEC ) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification will supersede all non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. FAS 168 is effective for the Company s interim quarterly period beginning July 1, 2009. The Company does not expect the adoption of FAS 168 to have an impact on the Company s consolidated financial position, results of operations or cash flows.

***Variable Interest Entities***

In June 2009, the FASB issued FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R) ( FAS 167 ), which requires 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 analysis identifies a 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. FAS 167 also amends FIN 46(R) to require ongoing reassessments of the primary beneficiary of a VIE. The provisions of FAS 167 are effective for the Company s fiscal year beginning January 1, 2010. The Company currently accounts for Nusa Tenggara Partnership ( NTP ) as a VIE and is evaluating the potential impact of adopting this statement on the Company s consolidated financial position, results of operations and cash flows.

**NOTE 3 ADVANCED PROJECTS, RESEARCH AND DEVELOPMENT**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Hope Bay | $ 11 | $ 9 | $ 16 | $ 13 |
| Boddington | 10 | 1 | 13 | 2 |
| Technical and project services | 7 | 6 | 12 | 10 |
| Nevada underground | 3 | | 8 | |
| Corporate | 3 | 4 | 7 | 7 |
| Fort a la Corne JV | | 6 | 1 | 13 |
| Other | 8 | 13 | 16 | 24 |
| | $ 42 | $ 39 | $ 73 | $ 69 |

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

## NOTE 4 OTHER EXPENSE, NET

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Boddington acquisition costs (Note 14) | $ 59 | $ | $ 67 | $ |
| Regional administration | 14 | 12 | 26 | 21 |
| Community development | 11 | 18 | 21 | 32 |
| Workforce reduction | 1 | | 15 | |
| Peruvian royalty | 5 | 4 | 11 | 11 |
| Western Australia power plant | 6 | 8 | 9 | 13 |
| Batu Hijau divestiture | 1 | 2 | 6 | 5 |
| World Gold Council dues | 3 | 2 | 6 | 5 |
| Accretion, non-operating (Note 23) | 3 | 3 | 6 | 5 |
| Pension settlement loss (Note 6) | | | | 11 |
| Reclamation estimate revisions (Note 23) | | 59 | | 61 |
| Other | 13 | 10 | 25 | 16 |
| | $ 116 | $ 118 | $ 192 | $ 180 |

## NOTE 5 OTHER INCOME, NET

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Canadian Oil Sands Trust income | $ 5 | $ 31 | $ 9 | $ 55 |
| Interest income | 6 | 7 | 9 | 17 |
| Gain on sale of investments, net | | 10 | | 10 |
| Income from development projects, net | | 9 | | 9 |
| Foreign currency exchange gain (losses), net | 1 | (7) | (2) | (13) |
| (Loss) gain on ineffective portion of derivative instruments, net (Note 16) | (3) | (1) | (4) | 2 |
| Impairment of marketable securities (Note 17) | | (34) | (6) | (56) |
| Other | | 4 | 12 | 10 |
| | $ 9 | $ 19 | $ 18 | $ 34 |

## NOTE 6 EMPLOYEE PENSION AND OTHER BENEFIT PLANS

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Pension benefit costs, net | | | | |
| Service cost | $ 4 | $ 4 | $ 9 | $ 8 |
| Interest cost | 8 | 8 | 16 | 15 |
| Expected return on plan assets | (7) | (7) | (14) | (14) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amortization of prior service cost | | 1 | | | | 1 | | |
| Amortization of loss | | 4 | | 1 | | 7 | | 2 |
| | $ | 10 | $ | 6 | $ | 19 | $ | 11 |

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | | 2008 | | 2009 | | 2008 | |
| Other benefit costs, net | | | | | | | | |
| Service cost | $ | | $ | 1 | $ | 1 | $ | 1 |
| Interest cost | | 2 | | 1 | | 3 | | 2 |
| Amortization of gain | | | | (1) | | | | (1) |
| | $ | 2 | $ | 1 | $ | 4 | $ | 2 |

For the three months ended June 30, 2009 and 2008, no pension settlement losses were incurred. For the six months ended June 30, 2009 and 2008, pension settlement losses of $nil and $11, respectively, related to senior management retirements were incurred. These costs were recorded in *Other expense, net* (see Note 4).

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**NOTE 7 STOCK BASED COMPENSATION**

The Company recognized stock option and other stock based compensation as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Stock options | $ 5 | $ 5 | $ 8 | $ 8 |
| Restricted stock units | 2 | | 3 | |
| Deferred stock awards | 5 | 3 | 8 | 5 |
| Restricted stock awards | 1 | 1 | 3 | 3 |
| | $ 13 | $ 9 | $ 22 | $ 16 |

For the three and six months ended June 30, 2009 and 2008, 1,157,825 and 1,112,463 stock options, respectively, were granted at the weighted-average exercise price of $40 and $44, respectively, per underlying share of the Company s common stock. At June 30, 2009, there was $25 of unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of approximately 2.4 years.

For the three months ended June 30, 2009 and 2008, 198,057 and 3,855 shares of restricted stock units, respectively, were granted at the weighted average fair market value of $40 and $49, respectively per underlying share of the Company s common stock. For the six months ended June 30, 2009 and 2008, 490,273 and 8,927 shares of restricted stock units, respectively, were granted, at the weighted-average fair market value of $42 and $49, respectively, per underlying share of the Company s common stock.

No deferred stock awards were granted during the three and six months ended June 30, 2009. For the three and six months ended June 30, 2008, 393,533 deferred stock awards were granted at the weighted-average fair market value of $44 per underlying share of the Company s common stock.

No restricted stock awards were granted during the three and six months ended June 30, 2009. For the three and six months ended June 30, 2008, 6,743 and 114,663 shares of restricted stock, respectively, were granted and issued, at the weighted-average fair market value of $44 and $48, respectively, per underlying share of the Company s common stock.

**NOTE 8 INCOME TAXES**

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 has paid the 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 June 30, 2009, the Company s total unrecognized tax benefit was $173 for uncertain tax positions taken or expected to be taken on tax returns. Of this, $140 represents the amount of unrecognized tax benefits that, if recognized, would affect the Company s effective income tax rate. Also included in the balance at June 30, 2009 are $6 of tax positions that, due to the impact of deferred tax accounting, the disallowance of which would not affect the annual effective tax rate.

As a result of (i) statute of limitations that will begin to expire within the next 12 months in various jurisdictions, and (ii) possible settlements of audit-related issues with taxing authorities in various jurisdictions, the Company believes that it is reasonably possible that the total amount of its net unrecognized income tax benefits will decrease by approximately $13 to $37 in the next 12 months.

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**NOTE 9 DISCONTINUED OPERATIONS**

In June 2009, Newmont s Board of Directors approved a plan to sell the Kori Kollo operation in Bolivia. Discontinued operations include the Company s Kori Kollo operation and the royalty portfolio and Pajingo operations, both sold in December 2007.

The Company has reclassified the historical balance sheet amounts and the income statement results to *Assets* and *Liabilities of operations held for sale* on the Condensed Consolidated Balance Sheets and to *(Loss) income from discontinued operations* in the Consolidated Statements of Income for all periods presented. The Consolidated Statements of Cash Flows have been reclassified for assets held for sale and discontinued operations for all periods presented.

The following table details selected financial information included in the *(Loss) income from discontinued operations* in the consolidated statements of income:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Sales gold, net | $ 16 | $ 19 | $ 32 | $ 37 |
| Income from operations | $ 1 | $ 7 | $ 1 | $ 12 |
| Loss on impairment | (44) | | (44) | |
| (Loss) gain on sale of royalty portfolio | | (2) | | 5 |
| (Loss) gain on sale of Pajingo assets | | (1) | | 1 |
| Pre-tax (loss) income | (43) | 4 | (43) | 18 |
| Income tax benefit (expense) | 29 | (2) | 29 | (8) |
| (Loss) income from discontinued operations | $ (14) | $ 2 | $ (14) | $ 10 |

The major classes of *Assets* and *Liabilities of operations held for sale* in the Consolidated Balance Sheets are as follows:

| | At June 30, 2009 | At December 31, 2008 |
|---|---|---|
| Assets: | | |
| Cash | $ 1 | $ |
| Accounts receivable | 9 | 9 |
| Inventories | 8 | 12 |
| Stockpiles and ore on leach pads | 13 | 43 |
| Property, plant and mine development | 1 | 4 |
| Deferred income tax assets | 31 | 2 |
| Other assets | 6 | 3 |
| Total assets of operations held for sale | $ 69 | $ 73 |
| Liabilities: | | |

| | | | | |
|---|---|---|---|---|
| Current and long-term debt | $ | 2 | $ | 4 |
| Accounts payable | | | | 1 |
| Employee-related benefits | | 9 | | 8 |
| Reclamation and remediation liabilities | | 17 | | 17 |
| Other liabilities | | 26 | | 6 |
| Total liabilities of operations held for sale | $ | 54 | $ | 36 |

**NEWMONT MINING CORPORATION**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**
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The following table details selected financial information included in *Net cash provided from (used in) discontinued operations*, *Net cash used in investing activities of discontinued operations* and *Net cash used in financing activities of discontinued operations*:

| | Six Months Ended June 30, 2009 | Six Months Ended June 30, 2008 |
|---|---|---|
| Net cash provided from (used in) discontinued operations: | | |
| (Loss) income from discontinued operations | $ (14) | $ 10 |
| Impairment of assets held for sale | 44 | |
| Write-down of inventory | 7 | |
| Amortization | 3 | 4 |
| Deferred income taxes | (29) | (1) |
| Other operating adjustments | 1 | 1 |
| Increase (decrease) in net operating liabilities | (4) | (121) |
| | $ 8 | $ (107) |
| Net cash used in investing activities of discontinued operations: | | |
| Additions to property, plant and mine development | $ | $ (4) |
| Proceeds from asset sales, net | | 5 |
| Royalty portfolio sale expenses | | (11) |
| | $ | $ (10) |
| Net cash used in financing activities of discontinued operations: | | |
| Repayment of debt | $ (2) | $ (2) |
| | $ (2) | $ (2) |

**NOTE 10 NONCONTROLLING INTERESTS**

The following table summarizes the net income attributable to the interests of entities not controlled by the Company, but consolidated in the Company s financial statements:

| | Three Months Ended June 30, 2009 | Three Months Ended June 30, 2008 | Six Months Ended June 30, 2009 | Six Months Ended June 30, 2008 |
|---|---|---|---|---|
| Yanacocha | $ 77 | $ 48 | $ 144 | $ 139 |
| Batu Hijau | 71 | 19 | 92 | 120 |
| Other | (4) | 1 | (4) | 1 |
| | $ 144 | $ 68 | $ 232 | $ 260 |

Newmont currently has a 45% ownership interest in Batu Hijau, held through NTP with an affiliate of Sumitomo Corporation of Japan ( Sumitomo ). Newmont has a 56.25% interest in NTP and the Sumitomo affiliate holds the remaining 43.75%. NTP in turn owns 80% of P.T. Newmont Nusa Tenggara ( PTNNT ), the Indonesian subsidiary that operates the Batu Hijau mine. Newmont identified NTP as a Variable Interest Entity as a result of certain capital structures and contractual relationships and has fully consolidated Batu Hijau in its consolidated financial statements since January 1, 2004. The remaining 20% interest in PTNNT is owned by P.T. Pukuafu Indah ( PTPI ), an unrelated Indonesian company. NTP s interest in PTNNT is the subject of an international arbitration proceeding and a final award concerning PTNNT s interest was issued by the arbitration panel on March 31, 2009. For further information concerning the arbitral award, see Note 27.

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

In April 2008, the Company purchased 15,960 additional shares of European Gold Refineries SA joint venture ( EGR ) for $11 in cash increasing its ownership interest to 56.67% from 46.72%. Swiss residents and Mitsubishi International Corporation hold the remaining 43.33%. The acquisition of the additional interest resulted in the consolidation of EGR. In November 2008, EGR repurchased 6.55% of its own shares from a minority shareholder bringing Newmont s ownership to 60.64%. Prior to consolidation, the Company accounted for EGR using the equity method of accounting.

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**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 to basic income per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Numerator: | | | | |
| Net income attributable to Newmont stockholders | | | | |
| Continuing operations | $ 171 | $ 270 | $ 360 | $ 627 |
| Discontinued operations | (9) | 1 | (9) | 9 |
| | $ 162 | $ 271 | $ 351 | $ 636 |
| Denominator: | | | | |
| Basic | 490 | 454 | 483 | 454 |
| Effect of employee stock-based awards | 1 | 2 | 1 | 3 |
| Diluted | 491 | 456 | 484 | 457 |
| Net income attributable to Newmont stockholders per common share | | | | |
| Basic: | | | | |
| Continuing operations | $ 0.35 | $ 0.60 | $ 0.75 | $ 1.38 |
| Discontinued operations | (0.02) | | (0.02) | 0.02 |
| | $ 0.33 | $ 0.60 | $ 0.73 | $ 1.40 |
| Diluted: | | | | |
| Continuing operations | $ 0.35 | $ 0.59 | $ 0.75 | $ 1.37 |
| Discontinued operations | (0.02) | | (0.02) | 0.02 |
| | $ 0.33 | $ 0.59 | $ 0.73 | $ 1.39 |

In February 2009, the Company completed a public offering of 34,500,000 shares of common stock at $37 per share for net proceeds of $1,234.

Options to purchase 5.2 million and 1.1 million shares of common stock at average exercise prices of $46 and $55 were outstanding at June 30, 2009 and 2008, respectively, but were not included in the computation of diluted weighted average number of common shares because the exercise prices of the options exceeded the price of the

common stock.
In July 2007 and February 2009, Newmont issued $1,150 and $518, respectively, of convertible notes that, if converted in the future, would have a potentially dilutive effect on the Company s stock. Under the indenture for the convertible notes, upon conversion Newmont is required to settle the principal amount of the convertible notes in cash and may elect to settle the remaining conversion obligation (stock price in excess of the conversion price) in cash, shares or a combination thereof. The effect on diluted earnings per share is calculated under the net share settlement method in accordance with the FASB s EITF Issue No. 04-8, The Effect of Contingently Convertible Instruments on Diluted Earnings per Share. Under the net share settlement method, the Company includes the amount of shares it would take to satisfy the conversion obligation, assuming that all of the convertible notes are surrendered. The average closing price of the Company s common stock for each of the periods presented is used as the basis for determining dilution. The average price of the Company s common stock for all periods presented did not exceed the conversion price of $46.25 and $46.21 for the notes issued in 2009 and 2007, respectively, and therefore, did not have a dilutive effect on earnings per share.
In connection with the 2007 convertible senior notes offering, the Company entered into Call Spread Transactions. These 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. Should the warrant transactions become dilutive to the Company s earnings per share (i.e. Newmont s share price exceeds $60.27) the underlying shares will be included in the computation of diluted income per common share.

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**NOTE 12 COMPREHENSIVE INCOME**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Net income | $ 306 | $ 339 | $ 583 | $ 896 |
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gain on marketable equity securities | 99 | 369 | 192 | 404 |
| Foreign currency translation adjustments | 136 | 59 | 89 | (17) |
| Change in pension and other benefit liabilities: | | | | |
| Net amount reclassified to income | 2 | 1 | 3 | 8 |
| Change in fair value of cash flow hedge instruments: | | | | |
| Net change from periodic revaluations | 105 | 34 | 86 | 51 |
| Net amount reclassified to income | 7 | (5) | 24 | (8) |
| Net unrecognized gain on derivatives | 112 | 29 | 110 | 43 |
| | 349 | 458 | 394 | 438 |