

NEWMONT MINING CORP /DE/
Form 10-Q
July 26, 2012
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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 June 30, 2012

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12-b2 of the Exchange Act. (Check one):

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 491,247,996 shares of common stock outstanding on July 18, 2012 (and 4,914,758 exchangeable shares).

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Table of Contents**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		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Sales (Note 3)	\$ 2,229	\$ 2,384	\$ 4,912	\$ 4,849
Costs and expenses				
Costs applicable to sales ⁽¹⁾ (Note 3)	1,002	917	2,019	1,857
Amortization	248	250	479	506
Reclamation and remediation (Note 4)	16	43	32	57
Exploration	106	89	194	151
Advanced projects, research and development	82	86	184	154
General and administrative	57	50	111	95
Other expense, net (Note 5)	126	87	246	160
	1,637	1,522	3,265	2,980
Other income (expense)				
Other income, net (Note 6)	36	48	69	79
Interest expense, net	(71)	(63)	(123)	(128)
	(35)	(15)	(54)	(49)
Income before income and mining tax and other items	557	847	1,593	1,820
Income and mining tax expense (Note 9)	(175)	(187)	(518)	(492)
Equity income (loss) of affiliates	(11)		(30)	2
Income from continuing operations	371	660	1,045	1,330
Loss from discontinued operations (Note 10)		(136)	(71)	(136)
Net income	371	524	974	1,194
Net income attributable to noncontrolling interests (Note 11)	(92)	(137)	(205)	(293)
Net income attributable to Newmont stockholders	\$ 279	\$ 387	\$ 769	\$ 901
Net income attributable to Newmont stockholders:				
Continuing operations	\$ 279	\$ 523	\$ 840	\$ 1,037
Discontinued operations		(136)	(71)	(136)
	\$ 279	\$ 387	\$ 769	\$ 901
Income per common share (Note 12)				
Basic:				

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Continuing operations	\$ 0.56	\$ 1.06	\$ 1.69	\$ 2.10
Discontinued operations		(0.28)	(0.14)	(0.28)
	\$ 0.56	\$ 0.78	\$ 1.55	\$ 1.82
Diluted:				
Continuing operations	\$ 0.56	\$ 1.04	\$ 1.67	\$ 2.07
Discontinued operations		(0.27)	(0.14)	(0.27)
	\$ 0.56	\$ 0.77	\$ 1.53	\$ 1.80
Cash dividends declared per common share	\$ 0.35	\$ 0.20	\$ 0.70	\$ 0.35

⁽¹⁾ Excludes *Amortization and Reclamation and remediation*.

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

Table of Contents**NEWMONT MINING CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(unaudited, in millions)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$ 371	\$ 524	\$ 974	\$ 1,194
Other comprehensive income (loss):				
Unrealized loss on marketable securities, net of \$18, \$108, \$(5) and \$80 tax benefit and (expense), respectively	(273)	(243)	(313)	(75)
Foreign currency translation adjustments	(10)	38		127
Change in pension and other post-retirement benefits, net of \$2, \$2, \$4 and \$3 tax expense, respectively	4	4	8	8
Change in fair value of cash flow hedge instruments, net of \$8, \$163, \$(18) and \$152 tax benefit and (expense), respectively				
Net change from periodic revaluations	4	162	73	217
Net amount reclassified to income	(24)	(39)	(59)	(72)
Net unrecognized gain (loss) on derivatives	(20)	123	14	145
Other comprehensive income (loss)	(299)	(78)	(291)	205
Comprehensive income	\$ 72	\$ 446	\$ 683	\$ 1,399
Comprehensive income attributable to:				
Newmont stockholders	\$ (18)	\$ 308	\$ 478	\$ 1,103
Noncontrolling interests	90	138	205	296
	\$ 72	\$ 446	\$ 683	\$ 1,399

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

Table of Contents**NEWMONT MINING CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited, in millions)

	Six Months Ended June 30,	
	2012	2011
Operating activities:		
Net income	\$ 974	\$ 1,194
Adjustments:		
Amortization	479	506
Loss from discontinued operations	71	136
Reclamation and remediation	32	57
Deferred income taxes	12	(38)
Stock based compensation and other non-cash benefits	36	44
Impairment of marketable securities	32	1
Gain on asset sales, net	(10)	(53)
Other operating adjustments and write-downs	106	96
Net change in operating assets and liabilities (Note 23)	(768)	(540)
Net cash provided from continuing operations	964	1,403
Net cash used in discontinued operations	(8)	(2)
Net cash provided from operations	956	1,401
Investing activities:		
Additions to property, plant and mine development	(1,578)	(1,020)
Sale of marketable securities	106	55
Purchases of marketable securities	(196)	(15)
Acquisitions, net	(22)	(2,291)
Proceeds from sale of other assets	13	6
Other	(37)	(15)
Net cash used in investing activities	(1,714)	(3,280)
Financing activities:		
Proceeds from debt, net	3,343	775
Repayment of debt	(1,941)	(973)
Payment of conversion premium on debt	(172)	
Dividends paid to common stockholders	(347)	(173)
Dividends paid to noncontrolling interests	(3)	(17)
Proceeds from stock issuance, net	15	8
Other	(1)	
Net cash provided from (used in) financing activities	894	(380)
Effect of exchange rate changes on cash	1	58
Net change in cash and cash equivalents	137	(2,201)
Cash and cash equivalents at beginning of period	1,760	4,056

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Cash and cash equivalents at end of period	\$ 1,897	\$ 1,855
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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 June 30, 2012	At December 31, 2011
ASSETS		
Cash and cash equivalents	\$ 1,897	\$ 1,760
Trade receivables	290	300
Accounts receivable	359	320
Investments (Note 17)	132	94
Inventories (Note 18)	803	714
Stockpiles and ore on leach pads (Note 19)	798	671
Deferred income tax assets	255	396
Other current assets (Note 20)	738	1,133
Current assets	5,272	5,388
Property, plant and mine development, net	16,936	15,881
Investments (Note 17)	1,185	1,472
Stockpiles and ore on leach pads (Note 19)	2,579	2,271
Deferred income tax assets	1,686	1,605
Other long-term assets (Note 20)	1,002	857
Total assets	\$ 28,660	\$ 27,474
LIABILITIES		
Debt (Note 21)	\$ 40	\$ 689
Accounts payable	574	561
Employee-related benefits	293	307
Income and mining taxes	173	250
Other current liabilities (Note 22)	1,287	2,133
Current liabilities	2,367	3,940
Debt (Note 21)	6,088	3,624
Reclamation and remediation liabilities (Note 4)	1,270	1,169
Deferred income tax liabilities	2,056	2,147
Employee-related benefits	487	459
Other long-term liabilities (Note 22)	403	364
Total liabilities	12,671	11,703
Commitments and contingencies (Note 26)		
EQUITY		
Common stock	786	784
Additional paid-in capital	8,291	8,408
Accumulated other comprehensive income	361	652
Retained earnings	3,474	3,052
Newmont stockholders' equity	12,912	12,896
Noncontrolling interests	3,077	2,875

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Total equity	15,989	15,771
Total liabilities and equity	\$ 28,660	\$ 27,474

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, 2011 filed February 24, 2012 on Form 10-K. The year-end balance sheet data was derived from the audited financial statements and, in accordance with the instructions to Form 10-Q, certain information and footnote disclosures required by United States generally accepted accounting principles (GAAP) have been condensed or omitted.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Adopted Accounting Pronouncements

Goodwill Impairment

In September 2011, ASC guidance was issued related to goodwill impairment. Under the updated guidance, an entity will have the option to first assess qualitatively whether it is necessary to perform the two-step goodwill impairment test. If the Company believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The update does not change how the Company performs the two-step impairment test under previous guidance. The Company's January 1, 2012 adoption of the guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

Fair Value Accounting

In May 2011, ASC guidance was issued related to disclosures around fair value accounting. The updated guidance clarifies different components of fair value accounting including the application of the highest and best use and valuation premise concepts, measuring the fair value of an instrument classified in a reporting entity's shareholders' equity and disclosing quantitative information about the unobservable inputs used in fair value measurements that are categorized in Level 3 of the fair value hierarchy. The Company's January 1, 2012 adoption of the updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

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

NOTE 3 SEGMENT INFORMATION

	Sales	Costs Applicable to Sales	Amortization	Advanced Projects and Exploration	Pre-Tax Income (Loss)
Three Months Ended June 30, 2012					
Nevada	\$ 571	\$ 258	\$ 47	\$ 43	\$ 217
La Herradura	93	33	6	11	46
Other North America				1	(54)
North America	664	291	53	55	209
Yanacocha	614	177	62	18	333
Conga				12	(12)
Other South America				19	(19)
South America	614	177	62	49	302
Boddington:					
Gold	264	157	49	NA	NA
Copper	42	38	12	NA	NA
Total	306	195	61	2	37
Batu Hijau:					
Gold	18	11	3	NA	NA
Copper	88	70	14	NA	NA
Total	106	81	17	7	(16)
Other Australia/New Zealand	331	182	33	18	101
Other Asia Pacific			2	4	(9)
Asia Pacific	743	458	113	31	113
Ahafo	208	76	16	11	100
Akyem				5	(5)
Other Africa				3	(2)
Africa	208	76	16	19	93
Corporate and Other			4	34	(160)

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Consolidated

\$ 2,229 \$ 1,002 \$ 248 \$ 188 \$ 557

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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)

	Sales	Costs Applicable to Sales	Amortization	Advanced Projects and Exploration	Pre-Tax Income (Loss)
Three Months Ended June 30, 2011					
Nevada	\$ 529	\$ 224	\$ 56	\$ 38	\$ 195
La Herradura	81	27	5	3	44
Other North America			4	53	(8)
North America	610	251	65	94	231
Yanacocha	524	190	66	11	232
Conga			1	7	(7)
Other South America				7	(9)
South America	524	190	67	25	216
Boddington:					
Gold	269	117	31	N/A	N/A
Copper	54	27	7	N/A	N/A
Total	323	144	38	2	140
Batu Hijau:					
Gold	92	30	7	N/A	N/A
Copper	242	79	18	N/A	N/A
Total	334	109	25	1	186
Other Australia/New Zealand	375	158	31	10	168
Other Asia Pacific				5	(34)
Asia Pacific	1,032	411	94	18	460
Ahafo	218	65	20	8	119
Akyem				1	(1)
Other Africa				3	(5)
Africa	218	65	20	12	113
Corporate and Other			4	26	(173)
Consolidated	\$ 2,384	\$ 917	\$ 250	\$ 175	\$ 847

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)

	Sales	Costs Applicable to Sales	Amortization	Advanced Projects and Exploration	Pre-Tax Income (Loss)	Total Assets	Capital Expenditures ⁽¹⁾
Six Months Ended June 30, 2012							
Nevada	\$ 1,294	\$ 525	\$ 100	\$ 77	\$ 586	\$ 7,280	\$ 370
La Herradura	186	65	11	17	91	353	29
Other North America				1	(106)	199	
North America	1,480	590	111	95	571	7,832	399
Yanacocha	1,208	338	112	35	682	2,775	243
Conga				39	(39)	1,462	342
Other South America				44	(44)	44	
South America	1,208	338	112	118	599	4,281	585
Boddington:							
Gold	562	294	81	N/A	N/A	N/A	N/A
Copper	103	68	18	N/A	N/A	N/A	N/A
Total	665	362	99	5	180	4,640	52
Batu Hijau:							
Gold	52	30	6	N/A	N/A	N/A	N/A
Copper	260	155	30	N/A	N/A	N/A	N/A
Total	312	185	36	14	32	3,651	61
Other Australia/New Zealand	758	372	69	33	280	1,348	137
Other Asia Pacific			3	10	(4)	606	8
Asia Pacific	1,735	919	207	62	488	10,245	258
Ahafo	489	172	40	22	250	1,328	108
Akyem				9	(10)	750	189
Other Africa				5	(4)	9	
Africa	489	172	40	36	236	2,087	297
Corporate and Other			9	67	(301)	4,215	37
Consolidated	\$ 4,912	\$ 2,019	\$ 479	\$ 378	\$ 1,593	\$ 28,660	\$ 1,576

⁽¹⁾ Includes a decrease in accrued capital expenditures of \$2; consolidated capital expenditures on a cash basis were \$1,578.

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)

	Sales	Costs Applicable to Sales	Amortization	Advanced Projects and Exploration	Pre-Tax Income (Loss)	Total Assets	Capital Expenditures ⁽¹⁾
Six Months Ended June 30, 2011							
Nevada	\$ 1,111	\$ 496	\$ 128	\$ 55	\$ 411	\$ 6,797	\$ 228
La Herradura	146	45	9	9	80	260	41
Other North America			7	97	(58)	2,294	27
North America	1,257	541	144	161	433	9,351	296
Yanacocha	886	343	119	17	381	2,634	127
Conga			1	10	(11)	562	251
Other South America				14	(15)	37	
South America	886	343	120	41	355	3,233	378
Boddington:							
Gold	501	217	59	N/A	N/A	N/A	N/A
Copper	107	55	14	N/A	N/A	N/A	N/A
Total	608	272	73	3	244	4,419	75
Batu Hijau:							
Gold	232	64	14	N/A	N/A	N/A	N/A
Copper	611	168	38	N/A	N/A	N/A	N/A
Total	843	232	52	1	509	3,513	88
Other Australia/New Zealand	790	324	66	22	365	1,124	134
Other Asia Pacific			1	6	(34)	625	4
Asia Pacific	2,241	828	192	32	1,084	9,681	301
Ahafo	465	145	42	15	255	1,037	37
Akyem				2	(2)	351	67
Other Africa				3	(6)	6	
Africa	465	145	42	20	247	1,394	104
Corporate and Other			8	51	(299)	4,979	18
Consolidated	\$ 4,849	\$ 1,857	\$ 506	\$ 305	\$ 1,820	\$ 28,638	\$ 1,097

⁽¹⁾ Includes an increase in accrued capital expenditures of \$77; consolidated capital expenditures on a cash basis were \$1,020.

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

NOTE 4 RECLAMATION AND REMEDIATION

At June 30, 2012 and December 31, 2011, \$1,145 and \$1,070, 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 June 30, 2012 and December 31, 2011, \$191 and \$170, respectively, were accrued for such obligations. These amounts are also included in *Reclamation and remediation liabilities*.

The following is a reconciliation of *Reclamation and remediation liabilities*:

	Six Months Ended June 30,	
	2012	2011
Balance at beginning of period	\$ 1,240	\$ 1,048
Additions, changes in estimates and other	105	32
Liabilities settled	(41)	(15)
Accretion expense	32	29
Balance at end of period	\$ 1,336	\$ 1,094

The current portion of *Reclamation and remediation liabilities* of \$66 and \$71 at June 30, 2012 and December 31, 2011, respectively, are included in *Other current liabilities* (see Note 22).

The Company's reclamation and remediation expenses consisted of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Reclamation	\$	\$ 28	\$	\$ 28
Accretion - operating	13	13	27	25
Accretion - non-operating	3	2	5	4
	\$ 16	\$ 43	\$ 32	\$ 57

NOTE 5 OTHER EXPENSE, NET

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Hope Bay care and maintenance	\$ 52	\$	\$ 102	\$
Community development	20	23	51	40
Regional administration	29	21	50	37
Acquisition costs	12	20	12	21

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Western Australia power plant	4	5	8	9
Indonesian value added tax settlement				21
Other	9	18	23	32
	\$ 126	\$ 87	\$ 246	\$ 160

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 6 OTHER INCOME, NET

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Income (loss) from developing projects, net	\$ 19	\$ (4)	\$ 33	\$ 20
Reduction of allowance for loan receivable			21	
Canadian Oil Sands	11	10	20	16
Gain on asset sales, net			10	3
Refinery income, net	2		7	
Interest	2	2	7	6
Gain on sale of investments, net		50		50
Foreign currency exchange, net	12	(18)	(3)	(29)
Impairment of marketable securities	(8)	(1)	(32)	(1)
Other	(2)	9	6	14
	\$ 36	\$ 48	\$ 69	\$ 79

NOTE 7 EMPLOYEE PENSION AND OTHER BENEFIT PLANS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Pension benefit costs, net				
Service cost	\$ 8	\$ 6	\$ 15	\$ 12
Interest cost	11	10	21	20
Expected return on plan assets	(11)	(11)	(22)	(21)
Amortization	8	7	14	12
	\$ 16	\$ 12	\$ 28	\$ 23

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Other benefit costs, net				
Service cost	\$ 2	\$ 1	\$ 4	\$ 3
Interest cost	2	1	3	2
	\$ 2	\$ 1	\$ 4	\$ 3

NOTE 8 STOCK BASED COMPENSATION

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Stock options	\$ 3	\$ 7	\$ 7	\$ 10
Restricted stock units	6	11	11	21
Performance leveraged stock units	3	1	6	3
Strategic stock units	1		1	
	\$ 13	\$ 19	\$ 25	\$ 34

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 9 INCOME AND MINING TAXES

During the second quarter of 2012, the Company recorded estimated income and mining tax expense of \$175 resulting in an effective tax rate of 32%. Estimated income and mining tax expense during the second quarter of 2011 was \$187 for an effective tax rate of 22%. During the first half of 2012, estimated income and mining tax expense was \$518 resulting in an effective tax rate of 33%. Estimated income and mining tax expense during the first half of 2011 was \$492 for an effective tax rate of 27%. The higher effective tax rate in the second quarter and first half of 2012 is a result of the following: (i) valuation allowances recorded on our Canadian deferred tax assets generated in 2012 due to care and maintenance expenditures at Hope Bay, (ii) an increase in mining taxes included in *Income and mining tax expense*, primarily related to Nevada and Peru, and (iii) a \$65 non-recurring tax benefit in the second quarter and first half of 2011, recorded in connection with the conversion of non-U.S. tax-paying entities to entities currently subject to U.S. income tax which resulted in an increase in net deferred tax assets.

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

At June 30, 2012, the Company's total unrecognized tax benefit was \$245 for uncertain income tax positions taken or expected to be taken on income tax returns. Of this, \$28 represents the amount of unrecognized tax benefits that, if recognized, would affect the Company's effective income tax rate.

As a result of the statute of limitations that expire in the next 12 months in various jurisdictions, and possible settlements of audit-related issues with taxing authorities in various jurisdictions with respect to which none of the issues are individually significant, the Company believes that it is reasonably possible that the total amount of its net unrecognized income tax benefits will decrease by approximately \$20 to \$25 in the next 12 months.

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

	Three Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011	2012	2011	2012	2011
<i>Income before income and mining tax and other items</i>		\$ 557		\$ 847		\$ 1,593		\$ 1,820
Tax on income at statutory rate	35%	195	35%	296	35%	558	35%	637
Reconciling items:								
Tax benefit generated on change in form of a non-U.S. subsidiary			(8)%	(65)			(4)%	(65)
Percentage depletion	(6)%	(34)	(7)%	(56)	(7)%	(108)	(6)%	(111)
Change in valuation allowance on deferred tax assets	2%	13			3%	46		
Other	1%	1	2%	12	2%	22	2%	31
<i>Income and mining tax expense</i>	32%	\$ 175	22%	\$ 187	33%	\$ 518	27%	\$ 492

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

NOTE 10 DISCONTINUED OPERATIONS

Discontinued operations include Holloway Mining Company, which owned the Holt-McDermott property (Holt property) and was sold to St. Andrew Goldfields Ltd. (St. Andrew) in 2006. In 2009, the Superior Court issued a decision finding Newmont Canada Corporation (Newmont Canada) liable for a sliding scale royalty on production from the Holt property, which was upheld in 2011 by the Ontario Court of Appeal. During the first half of 2012, the Company recorded an additional \$71 charge, net of tax benefits of \$4, to reflect an increase in future expected production at the Holt property due to new reserve and resource estimates published by St. Andrew and a higher gold price.

Net operating cash used in discontinued operations of \$8 in the first half of 2012 relates to payments on the Holt property royalty.

NOTE 11 NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Yanacocha	\$ 97	\$ 72	\$ 195	\$ 126
Batu Hijau	(5)	64	8	166
Other		1	2	1
	\$ 92	\$ 137	\$ 205	\$ 293

At June 30, 2012, Newmont had a 48.5% effective economic interest in PT Newmont Nusa Tenggara (PTNNT). PTNNT operates the Batu Hijau copper and gold mine in Indonesia. Based on ASC guidance for variable interest entities, Newmont consolidates PTNNT in its Condensed Consolidated Financial Statements.

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

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

NOTE 12 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 weighted average common shares is increased to include the potential issuance of dilutive common shares.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income attributable to Newmont stockholders				
Continuing operations	\$ 279	\$ 523	\$ 840	\$ 1,037
Discontinued operations		(136)	(71)	(136)
	\$ 279	\$ 387	\$ 769	\$ 901
Weighted average common shares:				
Basic	496	494	496	494
Effect of employee stock-based awards	1	1	1	1
Effect of convertible notes	1	6	5	6
Diluted	498	501	502	501
Income per common share				
Basic:				
Continuing operations	\$ 0.56	\$ 1.06	\$ 1.69	\$ 2.10
Discontinued operations		(0.28)	(0.14)	(0.28)
	\$ 0.56	\$ 0.78	\$ 1.55	\$ 1.82
Diluted:				
Continuing operations	\$ 0.56	\$ 1.04	\$ 1.67	\$ 2.07
Discontinued operations		(0.27)	(0.14)	(0.27)
	\$ 0.56	\$ 0.77	\$ 1.53	\$ 1.80

Options to purchase 2 and 3 million shares of common stock at average exercise prices of \$58 and \$57 were outstanding at June 30, 2012 and 2011, respectively, but were not included in the computation of diluted weighted average common shares because their effect would have been anti-dilutive.

Under its convertible note indentures, Newmont is required to settle the principal amount of its 2014 and 2017 Convertible Senior Notes in cash and may elect to settle the remaining conversion premium (Newmont average share price in excess of the conversion price), if any, in cash, shares or a combination thereof. The effect of contingently convertible instruments on diluted earnings per share is calculated under the net share settlement method in accordance with ASC guidance. The average price of the Company's common stock exceeded the conversion prices for all periods presented, resulting in additional shares included in the computation of diluted weighted average common shares.

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In February 2012, the holders of the Company's 2012 Convertible Senior Notes exercised their election to convert the notes. The Company elected to pay the \$172 conversion premium with cash, and as a result no common shares were issued.

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

NOTE 13 CHANGES IN EQUITY

	Six Months Ended June 30,	
	2012	2011
Common stock:		
At beginning of period	\$ 784	\$ 778
Stock based awards	2	2
At end of period	786	780
Additional paid-in capital:		
At beginning of period	8,408	8,279
Stock based awards	55	52
Conversion premium on convertible notes	(172)	
Shares issued in exchange for exchangeable shares		(1)
At end of period	8,291	8,330
Accumulated other comprehensive income:		
At beginning of period	652	1,108
Other comprehensive income	(291)	202
At end of period	361	1,310
Retained earnings:		
At beginning of period	3,052	3,180
Net income attributable to Newmont stockholders	769	901
Dividends paid	(347)	(173)
At end of period	3,474	3,908
Noncontrolling interests:		
At beginning of period	2,875	2,371
Net income attributable to noncontrolling interests	205	293
Dividends paid	(3)	(2)
Other comprehensive income		3
At end of period	3,077	2,665
Total equity	\$ 15,989	\$ 16,993

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NEWMONT MINING CORPORATION

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NOTE 14 ACQUISITIONS

On April 6, 2011, Newmont completed the acquisition of Fronteer Gold, Inc. (Fronteer). Under the Arrangement, shareholders of Fronteer received C\$14.00 in cash and one-fourth common share in Pilot Gold, which retained certain exploration assets of Fronteer, for each common share of Fronteer. In connection with the acquisition, Newmont incurred transaction costs of \$21, which were recorded in *Other Expense, net* in the first half of 2011.

On June 25, 2009 the Company completed the acquisition of the remaining 33.33% interest in Boddington from AngloGold Ashanti Australia Limited (AngloGold), with a transaction that included maximum contingent consideration of \$100, based on an operating margin royalty. Since the completion of the acquisition, the Company has accrued the maximum royalty, of which \$12 was accrued in the current quarter.

NOTE 15 FAIR VALUE ACCOUNTING

Fair value accounting establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

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

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	Fair Value at June 30, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 503	\$ 503	\$	\$
Marketable equity securities:				
Extractive industries	1,110	1,110		
Other	10	10		
Marketable debt securities:				
Asset backed commercial paper	19			19
Corporate	98		98	
Auction rate securities	5			5
Trade receivable from provisional copper and gold concentrate sales, net	179	179		
Derivative instruments, net:				
Foreign exchange forward contracts	223		223	
	\$ 2,147	\$ 1,802	\$ 321	\$ 24
Liabilities:				
Diesel forward contracts	8		8	
Boddington contingent consideration	44			44
Holt property royalty	243			243
	\$ 295	\$	\$ 8	\$ 287

The Company's cash equivalent instruments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash equivalent instruments that are valued based on quoted market prices in active markets are primarily money market securities and U.S. Treasury securities.

The Company's marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The securities are segregated based on industry. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

The Company's corporate marketable debt securities are valued using quoted market prices in non-active markets and as such are classified within Level 2 of the fair value hierarchy. The Company's marketable debt securities include investments in auction rate securities and asset backed commercial paper. The Company reviews the fair value for auction rate securities and asset backed commercial paper on a quarterly basis. The auction rate securities are traded in markets that are not active, trade infrequently and have little price transparency. The Company estimated the fair value of the auction rate securities based on weighted average risk calculations using cash flow assumptions discounted approximately 42%, which reflects an estimated discount for lack of marketability. The Company estimated the fair value of its asset backed commercial paper using a probability of return ranging from 13%-74% for each class of notes, which is reflective of information reviewed regarding the separate classes of securities. As a result of utilizing the unobservable inputs noted above in its fair value estimation of the Company's auction rate securities and asset backed commercial paper, both fair value estimates are classified within Level 3 of the fair value hierarchy.

The Company's net trade receivable from provisional copper and gold concentrate sales, subject to final pricing, is valued using quoted market prices based on forward curves and, as such, is classified within Level 1 of the fair value hierarchy.

The Company's derivative instruments are valued using pricing models and the Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, measures of

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volatility, and correlations of such inputs. The Company's derivatives trade in liquid markets, and as such, model inputs can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy.

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The estimated value of the Boddington contingent royalty was determined using a Monte Carlo valuation model which simulates future gold and copper prices and costs applicable to sales. This contingent royalty is capped at \$100, and at June 30, 2012, the Company has accrued the maximum of \$100. At June 30, 2012 the Company used the following long-term price assumptions: 1) \$1,500 per ounce gold price, 2) \$3.50 per pound copper price, 3) \$90 per barrel of oil, and 4) a \$1.00 A\$/US\$ exchange rate. The Company used an approximate 4% discount rate in the model. The contingent royalty liability is classified within Level 3 of the fair value hierarchy.

The estimated fair value of the Holt sliding scale royalty was determined using a Monte Carlo valuation model to simulate future gold prices utilizing a long-term gold price assumption of \$1,500 per ounce, various gold production scenarios based on publicly available reserve and resource information for the Holt property and an approximate 4% weighted average discount rate. The sliding scale royalty liability is classified within Level 3 of the fair value hierarchy.

The table below sets forth a summary of changes in the fair value of the Company's Level 3 financial assets and liabilities for the six months ended June 30, 2012:

	Auction Rate Securities	Asset Backed Commercial Paper	Total Assets	Boddington Contingent Royalty	Holt Property Royalty	Total Liabilities
Balance at beginning of period	\$ 5	\$ 19	\$ 24	\$ 54	\$ 176	\$ 230
Settlements				(22)	(8)	(30)
Revaluation				12	75	87
Balance at end of period	\$ 5	\$ 19	\$ 24	\$ 44	\$ 243	\$ 287

At June 30, 2012, assets and liabilities classified within Level 3 of the fair value hierarchy represent 1% and 97%, respectively, of total assets and liabilities measured at fair value.

NOTE 16 DERIVATIVE INSTRUMENTS

The Company's strategy is to provide shareholders with leverage to changes in gold and copper prices by selling its production at spot market prices. Consequently, the Company does not hedge its gold and copper sales. The Company continues to manage certain risks associated with commodity input costs, interest rates and foreign currencies using the derivative market. All of the derivative instruments described below were transacted for risk management purposes and qualify as cash flow or fair value hedges.

Cash Flow Hedges

The foreign currency, diesel and forward starting swap contracts are designated as cash flow hedges, and as such, the effective portion of unrealized changes in market value have been recorded in *Accumulated other comprehensive income* and are reclassified to income during the period in which the hedged transaction affects earnings. Gains and losses from hedge ineffectiveness are recognized in current earnings.

Foreign Currency Contracts

Newmont utilizes foreign currency contracts to reduce the variability of the US dollar amount of forecasted foreign currency expenditures caused by changes in exchange rates. Newmont hedges a portion of the Company's A\$ and NZ\$ denominated operating expenditures which results in a blended rate realized each period. The hedging instruments are fixed forward contracts with expiration dates ranging up to five years

from the date of issue. The principal hedging objective is reduction in the volatility of realized period-on-period \$/A\$ and \$/NZ\$ rates, respectively.

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In June 2011, Newmont began hedging a portion of the Company's A\$ denominated capital expenditures related to the construction of the Akyem project in Africa utilizing foreign currency contracts. The hedging instruments are fixed forward contracts with expiration dates ranging up to two years.

In July 2011, Newmont began hedging a portion of the Company's A\$ denominated capital expenditures related to the construction of a mine shaft at Tanami in Australia utilizing foreign currency contracts. The hedging instruments are fixed forward contracts with expiration dates ranging up to three years.

Newmont had the following foreign currency derivative contracts outstanding at June 30, 2012:

	Expected Maturity Date						Total/ Average
	2012	2013	2014	2015	2016	2017	
A\$ Operating Fixed Forward Contracts:							
A\$ notional (millions)	641	1,048	762	471	244	28	3,194
Average rate (\$/A\$)	0.93	0.93	0.90	0.89	0.90	0.88	0.91
Expected hedge ratio	78%	68%	50%	33%	17%	4%	
A\$ Capital Fixed Forward Contracts:							
A\$ notional (millions)	27	51	22				100
Average rate (\$/A\$)	1.00	0.98	0.96				0.98
Expected hedge ratio	37%	28%	40%				
NZ\$ Operating Fixed Forward Contracts:							
NZ\$ notional (millions)	41	37	4				82
Average rate (\$/NZ\$)	0.78	0.78	0.78				0.78
Expected hedge ratio	60%	29%	8%				
<i>Diesel Fixed Forward Contracts</i>							

Newmont hedges a portion of its operating cost exposure related to diesel consumed at its Nevada operations to reduce the variability in realized diesel prices. The hedging instruments consist of a series of financially settled fixed forward contracts with expiration dates ranging up to three years from the date of issue.

Newmont had the following diesel derivative contracts outstanding at June 30, 2012:

	Expected Maturity Date				Total/ Average
	2012	2013	2014	2015	
Diesel Fixed Forward Contracts:					
Diesel gallons (millions)	16	22	10	1	49
Average rate (\$/gallon)	2.91	2.92	2.88	2.85	2.91
Expected hedge ratio	71%	50%	24%	8%	
<i>Forward Starting Swap Contracts</i>					

During 2011, Newmont entered into forward starting interest rate swap contracts with a total notional value of \$2,000. These contracts hedged movements in treasury rates related to a debt issuance that occurred in the first quarter of 2012. On March 8, 2012, Newmont closed its sale of

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\$2,500 senior notes consisting of 3.5% senior notes due 2022 in the principal amount of \$1,500 (10-year notes), and 4.875% senior notes due 2042 in the principal amount of \$1,000 (30-year notes). As a result, the forward-starting interest rate swaps were settled for \$362, of which \$349 represented the effective portion of the hedging instrument included in *Accumulated other comprehensive income*. The net proceeds from the debt issuance were adjusted by the settlement amount of the swap contracts and included as a financing activity in the Condensed Consolidated Statements of Cash Flow.

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Fair Value Hedges***Interest Rate Swap Contracts***

Newmont had \$222 fixed to floating swap contracts designated as a hedge against 8 5/8% debentures which matured in May 2011.

Derivative Instrument Fair Values

Newmont had the following derivative instruments designated as hedges at June 30, 2012 and December 31, 2011:

	Fair Value At June 30, 2012			
	Other Current Assets	Other Long- Term Assets	Other Current Liabilities	Other Long- Term Liabilities
Foreign currency exchange contracts:				
A\$ operating fixed forwards	\$ 102	\$ 121	\$ 2	\$ 1
A\$ capital fixed forwards	1	1		
NZ\$ operating fixed forwards	1			
Diesel fixed forwards	1		6	3
Total derivative instruments (Note 20 and 22)	\$ 105	\$ 122	\$ 8	\$ 4

	Fair Value At December 31, 2011			
	Other Current Assets	Other Long- Term Assets	Other Current Liabilities	Other Long- Term Liabilities
Foreign currency exchange contracts:				
A\$ operating fixed forwards	\$ 121	112	6	4
A\$ capital fixed forwards				1
NZ\$ operating fixed forwards	2		1	
Diesel fixed forwards	4		2	1
Forward starting interest rate swaps			399	
Total derivative instruments (Note 20 and 22)	\$ 127	\$ 112	\$ 408	\$ 6

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The following tables show the location and amount of gains (losses) reported in the Company's Condensed Consolidated Financial Statements related to the Company's cash flow and fair value hedges and the gains (losses) recorded for the hedged item related to the fair value hedges.

	Foreign Currency Exchange Contracts		Diesel Forward Contracts		Forward Starting Swap Contracts	
	2012	2011	2012	2011	2012	2011
For the three months ended June 30,						
Cash flow hedging relationships:						
Gain (loss) recognized in other comprehensive income (effective portion)	\$ 23	\$ 126	\$ (16)	\$ (5)	\$	\$
Gain (loss) reclassified from Accumulated other comprehensive income into income (effective portion) ⁽¹⁾	38	49	1	5	(3)	
For the six months ended June 30,						
Cash flow hedging relationships:						
Gain (loss) recognized in other comprehensive income (effective portion)	\$ 85	\$ 193	\$ (4)	\$ 10	\$ 36	\$
Gain(loss) reclassified from Accumulated other comprehensive income into income (effective portion) ⁽¹⁾	85	91	4	9	(4)	
Gain reclassified from Accumulated other comprehensive income into income (ineffective portion) ⁽²⁾					2	

⁽¹⁾ The gain (loss) for the effective portion of the foreign exchange and diesel cash flow hedges reclassified from *Accumulated other comprehensive income* is included in *Costs applicable to sales*. The loss for the effective portion of the forward starting swaps reclassified from *Accumulated other comprehensive income* is included in *Interest Expense*.

⁽²⁾ The ineffective portion recognized for cash flow hedges is included in *Other Income, net*.

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	Interest Rate Swap Contracts		8 5/8% Debentures (Hedged Portion)	
	2012	2011	2012	2011
For the three months ended June 30,				
Fair value hedging relationships:				
Gain (loss) recognized in income (effective portion) ⁽¹⁾	\$	\$ 1	\$	\$ (1)
(Loss) recognized in income (ineffective portion) ⁽²⁾		(1)		
For the six months ended June 30,				
Fair value hedging relationships:				
Gain (loss) recognized in income (effective portion) ⁽¹⁾	\$	\$ 3	\$	\$ (6)
(Loss) recognized in income (ineffective portion) ⁽²⁾		(2)		

⁽¹⁾ The gain (loss) recognized for the effective portion of fair value hedges and the underlying hedged debt is included in *Interest expense, net*.

⁽²⁾ The ineffective portion recognized for fair value hedges and the underlying hedged debt is included in *Other income, net*.

The amount to be reclassified from *Accumulated other comprehensive income*, net of tax to income for derivative instruments during the next 12 months is a gain of approximately \$49.

Provisional Copper and Gold Sales

The Company's provisional copper and gold sales contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of the gold and copper concentrates at the prevailing indices prices at the time of sale. The embedded derivative, which does not qualify for hedge accounting, is marked to market through earnings each period prior to final settlement.

London Metal Exchange (LME) copper prices averaged \$3.57 per pound during the three months ended June 30, 2012, compared with the Company's recorded average provisional price of \$3.52 per pound before mark-to-market adjustments and treatment and refining charges. LME copper prices averaged \$3.67 per pound during the six months ended June 30, 2012, compared with the Company's recorded average provisional price of \$3.65 per pound before mark-to-market adjustments and treatment and refining charges. During the three and six months ended June 30, 2012, changes in copper prices resulted in a provisional pricing mark-to-market loss of \$18 (\$0.40 per pound) and gain of \$13 (\$0.12 per pound), respectively. At June 30, 2012, Newmont had copper sales of 40 million pounds priced at an average of \$3.44 per pound, subject to final pricing over the next several months.

The average London P.M. fix for gold was \$1,609 per ounce during the three months ended June 30, 2012, compared with the Company's recorded average provisional price of \$1,607 per ounce before mark-to-market adjustments and treatment and refining charges. The average London P.M. fix for gold was \$1,651 per ounce during the six months ended June 30, 2012, compared to the Company's recorded average provisional price of \$1,651 per ounce before mark-to-market adjustments and treatment and refining charges. During the three and six months ended June 30, 2012, changes in gold prices resulted in a provisional pricing mark-to-market loss of \$2 (\$2 per ounce) and gain of \$4 (\$1 per ounce), respectively. At June 30, 2012, Newmont had gold sales of 74,000 ounces priced at an average of \$1,600 per ounce, subject to final pricing over the next several months.

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NOTE 17 INVESTMENTS

	Cost/Equity Basis	At June 30, 2012 Unrealized		Fair/Equity Basis
		Gain	Loss	
Current:				
Marketable Equity Securities:				
Paladin Energy Ltd.	\$ 60	\$ 7	\$	\$ 67
Other	14	6	(3)	17
	74	13	(3)	84
Marketable Debt Securities:				
Corporate	48			48
	\$ 122	\$ 13	\$ (3)	\$ 132
Long-term:				
Marketable Debt Securities:				
Asset backed commercial paper	\$ 25	\$	\$ (6)	\$ 19
Auction rate securities	8			