NEWMONT MINING CORP /DE/
Form 10-Q
October 26, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2016

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

There were 530,750,074 shares of common stock outstanding on October 19, 2016.

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PART I—FINANCIAL INFORMATION

ITEM 1.FINANCIAL STATEMENTS.

NEWMONT MINING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in millions except per share)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Sales	$ 1,791	$ 1,560	$ 4,922	$ 4,633
Costs and expenses				
Costs applicable to sales (1)	983	925	2,736	2,609
Depreciation and amortization	335	292	892	792
Reclamation and remediation (Note 6)	25	22	67	65
Exploration	39	34	107	115
Advanced projects, research and development	34	31	105	87
General and administrative	63	59	178	180
Other expense, net (Note 7)	21	27	54	73
	1,500	1,390	4,139	3,921
Other income (expense)				
Other income, net (Note 8)	(4)	142	93	136
Interest expense, net	(64)	(74)	(204)	(226)
	(68)	68	(111)	(90)
Income (loss) before income and mining tax and other items	223	238	672	622
Income and mining tax benefit (expense) (Note 9)	(90)	(61)	(555)	(302)
Equity income (loss) of affiliates	2	(18)	(8)	(34)
Income (loss) from continuing operations	135	159	109	286
Net income (loss) from discontinued operations, net of tax (Note 3)	(448)	126	(225)	376
Net income (loss)	(313)	285	(116)	662
Net loss (income) attributable to noncontrolling interests, net of tax				
Continuing operations (Note 10)	34	—	62	(11)
Discontinued operations (Note 3)	(79)	(66)	(229)	(177)
	(45)	(66)	(167)	(188)
Net income (loss) attributable to Newmont stockholders	$ (358)	$ 219	$ (283)	$ 474

Net income (loss) attributable to Newmont stockholders:				
Continuing operations	$ 169	$ 159	$ 171	$ 275
Discontinued operations	(527)	60	(454)	199
	$ (358)	$ 219	$ (283)	$ 474
Income (loss) per common share (Note 11)				
Basic:				
Continuing operations	$ 0.32	$ 0.30	$ 0.32	$ 0.54
Discontinued operations	(0.99)	0.12	(0.85)	0.39
	$ (0.67)	$ 0.42	$ (0.53)	$ 0.93
Diluted:				
Continuing operations	$ 0.32	$ 0.30	$ 0.32	$ 0.54
Discontinued operations	(0.99)	0.12	(0.85)	0.39
	$ (0.67)	$ 0.42	$ (0.53)	$ 0.93
Cash dividends declared per common share	$ 0.025	$ 0.025	$ 0.075	$ 0.075

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

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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NEWMONT MINING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited, in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	$ (313)	$ 285	$ (116)	$ 662
Other comprehensive income (loss):				
Change in marketable securities, net of $nil, $(1), $nil and $(1) tax benefit (expense), respectively	19	63	(37)	56
Foreign currency translation adjustments	3	(3)	10	(8)
Change in pension and other post-retirement benefits, net of $(1), $(1), $(3) and $(23) tax benefit (expense), respectively	1	1	8	45
Change in fair value of cash flow hedge instruments, net of $(4), $3, $(19) and $nil tax benefit (expense), respectively	16	(10)	51	(4)
Other comprehensive income (loss)	39	51	32	89
Comprehensive income (loss)	$ (274)	$ 336	$ (84)	$ 751
Comprehensive income (loss) attributable to:				
Newmont stockholders	$ (319)	$ 270	$ (251)	$ 563
Noncontrolling interests	45	66	167	188
	$ (274)	$ 336	$ (84)	$ 751

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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NEWMONT MINING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in millions)

	Nine Months Ended September 30, 2016	2015
Operating activities:		
Net income (loss)	$ (116)	$ 662
Adjustments:		
Depreciation and amortization	892	792
Stock-based compensation	54	58
Reclamation and remediation	60	61
Loss (income) from discontinued operations	225	(376)
Impairment of investments	—	102
Deferred income taxes	456	132
Gain on asset and investment sales, net	(109)	(109)
Gain on deconsolidation of TMAC	—	(76)
Other operating adjustments and impairments	297	240
Net change in operating assets and liabilities (Note 23)	(432)	(182)
Net cash provided by operating activities of continuing operations	1,327	1,304
Net cash provided by operating activities of discontinued operations (1)	826	569
Net cash provided by operating activities	2,153	1,873
Investing activities:		
Additions to property, plant and mine development	(832)	(889)
Acquisitions, net (Note 4)	—	(819)
Proceeds from sales of investments	184	29
Proceeds from sales of other assets	8	126
Other	(21)	(47)
Net cash used in investing activities of continuing operations	(661)	(1,600)
Net cash used in investing activities of discontinued operations	(41)	(52)
Net cash used in investing activities	(702)	(1,652)
Financing activities:		
Repayment of debt	(777)	(227)
Proceeds from stock issuance, net	—	675
Proceeds from sale of noncontrolling interests	—	37
Funding from noncontrolling interests	58	89
Acquisition of noncontrolling interests	(19)	(8)
Dividends paid to noncontrolling interests	(146)	(3)
Dividends paid to common stockholders	(41)	(38)
Other	(1)	—
Net cash (used in) provided by financing activities of continuing operations	(926)	525
Net cash used in financing activities of discontinued operations	(319)	(164)

Net cash (used in) provided by financing activities	(1,245)	361
Effect of exchange rate changes on cash	4	(21)
Net change in cash and cash equivalents	210	561
Less net change in cash and cash equivalents in assets held for sale	474	362
	(264)	199
Cash and cash equivalents at beginning of period	2,363	2,231
Cash and cash equivalents at end of period	$ 2,099	$ 2,430

(1) Net cash provided by operating activities of discontinued operations includes $(8) and $(9) for the nine months ended September 31, 2016 and 2015, respectively, related to the Holt property royalty that was paid out of cash and cash equivalents held for use. For additional information regarding our discontinued operations, including cash flows from Batu Hijau, see Note 3.

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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NEWMONT MINING CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in millions)

	At September 30, 2016	At December 31, 2015
ASSETS		
Cash and cash equivalents	$ 2,099	$ 2,363
Trade receivables	141	81
Other accounts receivables	152	134
Investments (Note 16)	80	19
Inventories (Note 17)	609	561
Stockpiles and ore on leach pads (Note 18)	785	782
Other current assets	123	83
Current assets held for sale (Note 3)	3,124	960
Current assets	7,113	4,983
Property, plant and mine development, net	13,170	13,210
Investments (Note 16)	239	402
Stockpiles and ore on leach pads (Note 18)	1,877	1,896
Deferred income tax assets	1,295	1,712
Other non-current assets	387	445
Non-current assets held for sale (Note 3)	—	2,482
Total assets	$ 24,081	$ 25,130
LIABILITIES		
Debt (Note 19)	$ 564	$ 9
Accounts payable	304	315
Employee-related benefits	241	278
Income and mining taxes payable	97	38
Other current liabilities (Note 20)	456	487
Current liabilities held for sale (Note 3)	874	289
Current liabilities	2,536	1,416
Debt (Note 19)	4,552	5,854
Reclamation and remediation liabilities (Note 6)	1,587	1,555
Deferred income tax liabilities	563	538
Employee-related benefits	378	409
Other non-current liabilities (Note 20)	356	310
Non-current liabilities held for sale (Note 3)	—	756
Total liabilities	9,972	10,838
EQUITY		

Common stock	849	847
Additional paid-in capital	9,469	9,427
Accumulated other comprehensive income (loss) (Note 22)	(302)	(334)
Retained earnings	1,086	1,410
Newmont stockholders' equity	11,102	11,350
Noncontrolling interests	3,007	2,942
Total equity (Note 21)	14,109	14,292
Total liabilities and equity	$ 24,081	$ 25,130

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 (including normal recurring 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, 2015 filed on February 17, 2016 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 (U.S.) generally accepted accounting principles ("GAAP") have been condensed or omitted. References to "A$" refers to Australian currency and "C$" refers to Canadian currency.

On June 30, 2016, Newmont agreed to sell its 48.5% economic interest in PT Newmont Nusa Tenggara ("PTNNT"), which operates the Batu Hijau copper and gold mine ("Batu Hijau") in Indonesia (the "Batu Hijau Transaction"). Newmont concluded that, as of September 30, 2016, Batu Hijau met the criteria to be treated as held for sale and has been presented as a discontinued operation. Accordingly, (i) Batu Hijau is reflected as held for sale in our Condensed Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015; (ii) our Condensed Consolidated Statements of Operations and Cash Flows have been reclassified to present Batu Hijau as a discontinued operation for all periods presented and (iii) the amounts presented in these notes relate only to our continuing operations, unless otherwise noted. For additional information regarding our discontinued operations, see Note 3.

The Company has reclassified certain prior period amounts to conform to the 2016 presentation including the following items:

The Company retrospectively adopted Accounting Standards Update ("ASU") 2015-03, which requires debt issuance costs to be presented as a deduction from the corresponding debt liability. Refer to Note 2 for further details.

The Company reclassified regional administrative and community development costs of $16 and $8 from Other expense, net to General and administrative and Costs applicable to sales, respectively, for the three months ended September 30, 2015, and $42 and $18, respectively, for the nine months ended September 30, 2015.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Risks and Uncertainties

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

On June 30, 2016, the Company, through its subsidiaries, entered into agreements to sell its 48.5% economic interest in PTNNT, which operates the Batu Hijau copper and gold mine in Indonesia. The closing of the sale is subject to various closing conditions, several of which were met during the third quarter of 2016. Certain closing conditions remain outstanding and while the Company expects it is probable that those conditions will be successfully satisfied and the transaction will close in the fourth quarter of 2016, some of the remaining closing conditions are outside the control of the Company, and if not satisfied could result in the sale of PTNNT not being completed. See Note 3 below for a detailed description of the progress made resolving closing conditions during the third quarter of 2016.

In September 2014, PTNNT and the Government of Indonesia signed a Memorandum of Understanding (“MoU”) that resulted in the government agreeing to issue permits to allow PTNNT to export and sell copper concentrates from the Batu Hijau mine. The government has issued several six-month export permits since then, with the most recent permit expected to expire in November 2016. Additionally, negotiations between PTNNT and the Government of Indonesia to amend the Contract of Work (the investment agreement entered into by PTNNT and the Indonesian government in 1986, which includes the right to export copper concentrates and a prohibition against new taxes, duties, and levies) remained on-going at the time that the Company entered into the agreement to sell its interest in PTNNT. In the event that the sale of the Company’s interest in PTNNT does not close prior to November 2016 or does not close at all, no assurances can be made with respect to the outcome of the Contract of Work negotiations and the renewal of the export permit. The failure to receive a timely renewal may negatively impact future operations and financial results at Batu Hijau. As a result of the on-going Contract of Work renegotiations at Batu Hijau, the need for asset impairments, inventory write-downs, tax valuation allowances and other applicable accounting charges will continue to be evaluated. At this time, the Company expects operations to continue into the future until the previously announced sale closes.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the accounting for and recognition and disclosure of assets, liabilities, equity, revenues and expenses. The Company must make these estimates and assumptions because certain information used is dependent on future events, cannot be calculated with a high degree of precision from data available or simply cannot be readily calculated based on generally accepted methodologies. Actual results could differ from these estimates.

Assets Held for Sale and Discontinued Operations

The Company reports a business as held for sale when management has approved or received approval to sell the business and is committed to a formal plan, the business is available for immediate sale, the business is being actively marketed, the sale is probable and recognition of a completed sale is expected to occur within one year, the sales price is reasonable in relation to its current fair value and actions required to complete the sale indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn, in accordance with Accounting Standard Codification (“ASC”) 360, Property, Plant and Equipment. A business classified as held for sale is recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized. Assets and liabilities related to a business classified as held for sale are segregated in the current and prior balance sheets in the period in which the business is classified as held for sale. If a business is classified as held for sale after the balance sheet date but before the financial statements are issued or are available to be issued, the business continues to be classified as held and used in those financial statements when issued or when available to be issued.

The Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results when the business is classified as held for sale, in accordance with ASC 360, Property, Plant and Equipment and ASC 205-20, Presentation of Financial Statements - Discontinued Operations. The results of discontinued operations are reported in Net income (loss) from discontinued operations, net of tax in the accompanying Condensed Consolidated Statements of Operations for current and prior periods, including any gain or loss recognized on closing or adjustment of the carrying amount to fair value less cost to sell.

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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)

Recently Adopted Accounting Pronouncements

Employee benefit plan accounting

In July 2015, the Financial Accounting Standards Board issued ASU No. 2015-12 related to defined benefit pension plans, defined contribution pension plans and health and welfare benefit plans. This update designates contract value as the only required measure for fully benefit-responsive investment contracts, simplifies and makes more effective the investment disclosure requirements for employee benefit plans and provides a simplified method for determining the measurement date for employee benefit plans. The update is effective in fiscal years, including interim periods, beginning after December 15, 2015. Adoption of this guidance, effective January 1, 2016, had no impact on the Consolidated Financial Statements or disclosures.

Fair value measurement

In May 2015, ASU No. 2015-07 was issued related to investments for which fair value is measured, or is eligible to be measured, using the net asset value per share practical expedient. This update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendment also removes certain disclosure requirements for these investments. This update will impact the annual disclosure related to pension plan assets measured at fair value. This update is effective in fiscal years, including interim periods, beginning after December 15, 2015. Adoption of this guidance, effective January 1, 2016, had no impact on the Consolidated Financial Statements.

Debt issuance costs

In April 2015, ASU No. 2015-03 was issued related to debt issuance costs. This update simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. The update is effective in fiscal years, including interim periods, beginning after December 15, 2015. The Company retrospectively adopted this guidance as of March 31, 2016. The Company reclassified $41 of debt issuance costs from Other non-current assets to Debt as of December 31, 2015. The December 31, 2015, balance sheet was adjusted as a result of the adoption of ASU 2015-03 as follows:

	At December 31, 2015	
	As Reported	As Adjusted
Other non-current assets	$ 486	$ 445
Debt (non-current)	$ 5,895	$ 5,854

ASU No. 2015-03 does not specifically address the accounting for deferred financing costs related to line-of-credit arrangements. In August 2015, ASU No. 2015-15 was issued allowing for debt issuance costs associated with line-of-credit arrangements to continue to be presented as assets. The Company will treat all debt issuance costs as a reduction to the carrying value of debt.

Consolidations

In February 2015, ASU No. 2015-02 was issued related to consolidations. This update makes some targeted changes to current consolidation guidance and impacts both the voting and the variable interest consolidation models. In particular, the update changes how companies determine whether limited partnerships or similar entities are variable interest entities. The update is effective in fiscal years, including interim periods, beginning after December 15, 2015. The Company currently consolidates certain variable interest entities. Adoption of this guidance, effective January 1, 2016, had no impact on the Consolidated Financial Statements or disclosures.

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

Recently Issued Accounting Pronouncements

Statement of Cash Flows

In August 2016, ASU No. 2016-15 was issued related to the statement of cash flows. This new guidance addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017 and early adoption is permitted. The Company is currently evaluating this guidance and the impact it will have on the Consolidated Financial Statements and disclosures.

Stock-based compensation

In March 2016, ASU No. 2016-09 was issued related to stock-based compensation. The new guidance simplifies the accounting for stock-based compensation transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This update is effective in fiscal years, including interim periods, beginning after December 15, 2016, and early adoption is permitted. The Company does not expect the updated guidance to have a material impact on the Consolidated Financial Statements and disclosures.

Leases

In February 2016, ASU No. 2016-02 was issued related to leases. The new guidance modifies the classification criteria and requires lessees to recognize the assets and liabilities arising from most leases on the balance sheet. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating this guidance and the impact it will have on the Consolidated Financial Statements and disclosures.

Investments

In January 2016, ASU No. 2016-01 was issued related to financial instruments. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. This new guidance also updates certain disclosure requirements for these investments. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017, and early adoption is not permitted. The Company does not expect the updated guidance to have a material impact on the Consolidated Financial Statements and disclosures.

Inventory

In July 2015, ASU No. 2015-11 was issued related to inventory, simplifying the subsequent measurement of inventories by replacing the lower of cost or market test with a lower of cost and net realizable value test. The update is effective in fiscal years, including interim periods, beginning after December 15, 2016, and early adoption is permitted. The Company does not expect the updated guidance to have an impact on the Consolidated Financial Statements or disclosures.

Revenue recognition

In May 2014, ASU No. 2014-09 was issued related to revenue from contracts with customers. This ASU was further amended in August 2015, March 2016, April 2016 and May 2016 by ASU No. 2015-14, No. 2016-08, No. 2016-10 and No. 2016-12, respectively. The new standard provides a five-step approach to be applied to all contracts with

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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)

customers and also requires expanded disclosures about revenue recognition. In August 2015, the effective date was deferred to reporting periods, including interim periods, beginning after December 15, 2017, and will be applied retrospectively. Early adoption is not permitted. The Company is currently evaluating this guidance and the impact it will have on the Consolidated Financial Statements and disclosures.

NOTE 3 DISCONTINUED OPERATIONS

The details of our Net income (loss) from discontinued operations, net of tax are set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Holt property royalty obligation	$ (19)	$ 17	$ (72)	$ 34
Batu Hijau operations	148	109	424	342
Loss on classification as held for sale	(577)	—	(577)	—
Net income (loss) from discontinued operations, net of tax	$ (448)	$ 126	$ (225)	$ 376

The Batu Hijau Transaction

On June 30, 2016, Nusa Tenggara Partnership B.V. (owned 56.25% by the Company and 43.75% by Nusa Tenggara Mining Corporation, majority owned by Sumitomo Corporation) entered into a binding share sale and purchase agreement with PT Amman Mineral Internasional (“PTAMI”) to sell its 56% ownership interest in PTNNT, which operates the Batu Hijau copper and gold mine in Indonesia. In addition, NVL (USA) Limited (“NVL”), a wholly owned subsidiary of the Company, (i) entered into a binding agreement to sell a loan made to PT Pukuafu Indah (“PTPI”), secured by PTPI’s 17.8% interest in PTNNT, to PTAMI, and (ii) consented to PT Indonesia Masabaga Investama (“PTIMI”) selling its 2.2% interest in PTNNT to PTAMI with sale proceeds applied toward repayment of an NVL loan to PTIMI. Through these transactions, Newmont will effectively sell its 48.5% economic interest in PTNNT to PTAMI and will have no remaining interest.

The sales proceeds to be received by the Company for its 48.5% economic interest in PTNNT includes $920 in cash attributable to Newmont to be received at closing, as well as contingent payments totaling up to $403 attributable to Newmont. The contingent payments include (i) a Metal Price Upside deferred payment of up to $133 attributable to Newmont, (ii) an Elang Development deferred payment of $118 attributable to Newmont and (iii) a Contingent Payment of up to $152 attributable to Newmont. The contingent payment amounts are determined based on certain metal price, shipment or project development criteria, as described below.

The Metal Price Upside contingent payment of up to $133 attributable to Newmont is payable for any quarter in which the London Metal Exchange (“LME”) quarterly average copper price exceeds $3.75 per pound. It is calculated as 30% of the product of (i) the difference between the LME quarterly average copper price and $3.75 and (ii) 96.5% of the total pounds of copper contained in shipments of mineral products mined or produced from Batu Hijau that arrived in a buyers’ or customers’ designated port for delivery during the previous quarter. The Elang Development deferred payment totaling $118 attributable to Newmont is payable no later than the first anniversary of the first shipment of any form of saleable copper, gold or silver product produced from the Elang development area. The Contingent Payment of up to $152 attributable to Newmont is payable (i) as a payment of $76 attributable to Newmont if in any year after 2022 in which there is production from Phase 7 of the Batu Hijau mine and the LME annual average copper price is $2.75 or more per pound and (ii) if the full Contingent Payment amount has not already been paid, a payment of $76 attributable to Newmont in any year in which the LME annual average copper price in respect to such year is $3.25 or more per pound and after both the second anniversary of the first shipment of concentrate (or any other form of saleable copper, gold or silver product) produced from the Elang development area and December 31, 2023. The Company has

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NEWMONT MINING CORPORATION

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

considered the Contingent Payment and the Elang Development deferred payment deeds to be derivatives under ASC 815 and they will be recorded at fair value upon completion of the sale.

The sale of the Company's economic interest in PTNNT is subject to customary representations, warranties and covenants by the parties, and is subject to various closing conditions. The following conditions precedent remain outstanding as of September 30, 2016:

- Valid export licensing at closing. As required by the Indonesian government, PTNNT must hold a valid export license at closing. Newmont's current export permit is set to expire during November 2016.

- Closing of PTMDB's sale of its stake in PTNNT. PT Multi Daerah Bersaing ("PTMDB") is required to concurrently close the sale of their 24% interest in PTNNT to PTAMI, which is contingent on the restructuring of PTMDB loans. During the third quarter of 2016, the negotiations have progressed and as of September 30, 2016, it is the Company's expectation that the sale of the shares of PTMDB will close.

- The absence of any material adverse events. Material adverse events include (i) an event that causes significant interruption of mining or milling operations of PTNNT for three months or longer, (ii) laws or regulations that prevent PTNNT from exporting its production outside of Indonesia for three months or longer, (iii) the revocation or termination of PTNNT's mineral rights and mining concessions with the Republic of Indonesia and (iv) any revocation, termination or suspension of PTNNT's export license. As of September 30, 2016, no material adverse events have occurred.

- The satisfaction or waiver of the conditions precedent in other transaction and finance-related agreements. The sale of the PTIMI's 2.2% stake in PTNNT is expected to be completed without further complications.

The following conditions precedent, outstanding as of June 30, 2016, were substantially resolved during the third quarter of 2016:

- Obtaining required Government approvals. During the third quarter, the Government of Indonesia Ministry of Energy and Mineral Resources and Investment Coordinating Board approved the sale of PTNNT shares to PTAMI as required under the Sale and Purchase Agreement.

- Obtaining approval of PTNNT shareholders. PTNNT shareholders were required to approve the transfer of shares in PTNNT to PTAMI and to appoint directors nominated by PTAMI. Shareholder approval was obtained and directors were nominated by PTAMI on September 30, 2016, satisfying this condition.

- Resolution of certain tax matters pertaining to PTNNT shareholder PTPI. Prior to the third quarter of 2016, the shareholders of PTPI refused to engage with the Company to negotiate a resolution to the tax issues associated with their interest in PTNNT. These matters have since been substantially resolved. While some minor items remain outstanding related to the PTPI tax issue, the Company believes that those issues are within the control of the Company and can be resolved prior to closing.

As described above, certain closing conditions remain outstanding and while the Company expects it is probable that those conditions will be successfully satisfied and the transaction will close in the fourth quarter of 2016, some of the remaining closing conditions are outside the control of the Company, and if not satisfied could result in the sale of PTNNT not being completed.

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Based on the agreement to sell the economic interest in PTNNT, the Company evaluated the criteria under ASC 360 for classifying an asset as held for sale and concluded that as of September 30, 2016, PTNNT meets the criteria and has been presented as a discontinued operation. The Batu Hijau mine was previously included in the Asia Pacific operating segment. Newmont consolidates PTNNT as the primary beneficiary in the variable interest entity.

As a result of classifying PTNNT as held for sale as of September 30, 2016, and in accordance with ASC 360, the Company compared the estimated fair value of the PTNNT disposal group to its carrying value and determined that the carrying value exceeded the fair value. Consequently the Company recorded a charge to Loss on classification as held for sale of $577 for the quarter ended September 30, 2016. The estimated fair value used in the determination of the Loss on classification as held for sale was determined using the estimated gross cash proceeds of $920, less selling costs and certain contingent payments deemed to be derivatives. The selling costs and estimated value of the derivatives are not expected to be material.

Net income (loss) from discontinued operations, net of tax in the Condensed Consolidated Statements of Operations that relates to Batu Hijau consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Sales	$ 469	$ 473	$ 1,408	$ 1,280
Costs and expenses				
Costs applicable to sales (1)	184	220	571	589
Depreciation and amortization	36	39	115	104
Reclamation and remediation	4	3	13	9
Advanced projects, research and development	1	1	2	6
General and administrative	2	1	8	5
Other expense (income), net	(1)	3	2	9
	226	267	711	722
Interest expense, net	(5)	(7)	(15)	(22)
Income (loss) before income and mining tax and other items	238	199	682	536
Income and mining tax benefit (expense)	(90)	(90)	(258)	(194)
Net income (loss) from discontinued operations	148	109	424	342
Loss on classification as held for sale, net of tax	(577)	—	(577)	—
	(429)	109	(153)	342

Net loss (income) attributable to noncontrolling interests, net of tax	(79)	(66)	(229)	(177)
Net income (loss) from discontinued operations attributable to Newmont stockholders	$ (508)	$ 43	$ (382)	$ 165

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

The consolidated statements of comprehensive income (loss) were not impacted by discontinued operations as PTNNT did not have any other comprehensive income (loss).

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Cash flows from Batu Hijau consist of the following:

	Nine Months Ended September 30,	
	2016	2015
Net cash provided by operating activities	$ 834	$ 578
Net cash used in investing activities	(41)	(52)
Net cash used in financing activities	(319)	(164)
Increase in cash and equivalents in assets held for sale	$ 474	$ 362

The carrying amounts of Batu Hijau's (i) major classes of assets and liabilities, which are presented as held for sale, and (ii) non-controlling interests in the Condensed Consolidated Balance Sheets, are as follows:

	At September 30, 2016	At December 31, 2015
Assets		
Cash and cash equivalents	$ 893	$ 419
Trade receivables	95	179
Inventories	170	149
Property, plant and mine development, net	994	—
Stockpiles and ore on leach pads	1,114	114
Other current assets (1)	435	99
	3,701	960
Loss recognized on classification as held for sale	(577)	—
Current assets held for sale	$ 3,124	$ 960
Property, plant and mine development, net	$ —	$ 1,093
Stockpiles and ore on leach pads	—	1,104
Other non-current assets	—	285
Non-current assets held for sale	$ —	$ 2,482
Liabilities		
Debt	$ 1	$ 140
Accounts payable	43	81
Employee-related benefits	49	15

Income and mining taxes payable		97		—
Reclamation and remediation liabilities		261		—
Deferred income tax liabilities		385		—
Other current liabilities		38		53
Current liabilities held for sale	$	874	$	289
Debt	$	—	$	187
Reclamation and remediation liabilities		—		245
Deferred income tax liabilities		—		296
Employee-related benefits		—		28
Non-current liabilities held for sale	$	—	$	756
Noncontrolling interests	$	1,345	$	1,135

(1) Other current assets include income tax receivables, other accounts receivable, prepaid assets, restricted assets and other current assets. In addition, there was $29 and $15 in Other current assets for settling reclamation obligations at September 30, 2016 and December 31, 2015, respectively.

During the second quarter and third quarter, the Company paid $140 and $190, respectively, extinguishing the PTNNT revolving credit facility.

The Holt Royalty Obligation

Discontinued operations include a retained royalty obligation (“Holt”) to Holloway Mining Company. Holloway Mining Company, which owned the Holt-McDermott property, was sold to St. Andrew Goldfields Ltd. (“St. Andrew”) in 2006. In January 2016, St. Andrew was acquired by Kirkland Lake Gold Inc. 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 Newmont Canada appealed. In May 2011, the Ontario Court of Appeal upheld the Superior Court ruling finding Newmont liable for the sliding scale royalty, which equals 0.013% of net smelter returns multiplied by the quarterly average gold price, minus a 0.013% of net smelter returns. There is no cap on the sliding scale royalty and it will increase or decrease with changes in gold price, discount rate and gold production scenarios. At September 30, 2016 and December 31, 2015, the estimated fair value of the Holt sliding scale royalty was $225 and $129, respectively. Changes to the estimated fair value resulting from periodic revaluations are recorded to Net income (loss) from discontinued operations, net of tax. During the three and nine months ended September 30, 2016, the Company recorded a loss of $19 (net of a tax benefit of $9) and a loss of $72 (net of a tax benefit of $32), respectively. During the three and nine months ended September 30, 2015, the Company recorded a gain of $17 (net of tax expense of $7) and a gain of $34 (net of tax expense of $15), respectively. During the nine months ended September 30, 2016 and 2015, the Company paid $8 and $9, respectively, related to the royalty.

NOTE 4   BUSINESS ACQUISITION

On June 8, 2015, the Company announced an agreement with AngloGold Ashanti Limited to acquire 100% ownership in the Cripple Creek & Victor (“CC&V”) gold mining business in Colorado. CC&V is a surface mine with heap leach operations that provides ore to a crusher and leaching facilities. During 2015, the Company received $675 in net proceeds from a common stock issuance. Newmont used the proceeds, supplemented with cash from the Company’s balance sheet, to fund the acquisition. On August 3, 2015, the Company completed the acquisition of CC&V for $821, plus a 2.5% net smelter return royalty on future gold production from underground ore which had no fair value at the acquisition date. In connection with the acquisition, the Company incurred acquisition costs of $0 and $3, for the three and nine months ended September 30, 2016, which were recorded in Other expense, net. The acquisition is not material to the Company's results of operations, individually or in the aggregate; as a result, no pro forma financial information is provided.

During the second quarter of 2016, the final valuation of acquired assets and liabilities assumed was completed. There were no adjustments to the purchase price allocation since December 31, 2015. For further discussion of the CC&V acquisition, refer to Note 3 to the Consolidated Financial Statements for the year ended December 31, 2015 filed February 17, 2016 on Form 10-K.

NOTE 5 SEGMENT INFORMATION

The Company has organized its operations into four geographic regions. The geographic regions include North America, South America, Asia Pacific and Africa and represent the Company's operating segments. The results of these operating segments are reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance. As a result, these operating segments represent the Company's reportable segments. Notwithstanding this structure, the Company internally reports information on a mine-by-mine basis for each mining operation and has chosen to disclose this information on the following tables. Income (loss) before income and mining tax and other items from reportable segments does not reflect general corporate

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expenses, interest (except project-specific interest) or income and mining taxes. Intercompany revenue and expense amounts have been eliminated within each segment in order to report on the basis that management uses internally for evaluating segment performance. Newmont's business activities that are not considered operating segments are included in Corporate and Other. Although they are not required to be included in this footnote, they are provided for reconciliation purposes.

Segment results for the prior periods have been retrospectively revised to reflect the following changes:

· In the first quarter of 2016, Merian was moved from Corporate and Other to the South America reportable segment as a result of the mine being included in the operating results and resource allocation of the South America segment.

· In the second quarter of 2016, Long Canyon was moved from Other North America to its own line item to reflect progression of the project and how it is being reported internally.

· In the third quarter of 2016, the Company concluded that Batu Hijau meets the criteria to be treated as held for sale. Batu Hijau has been removed from the Asia Pacific region and is presented as a discontinued operation in our Condensed Consolidated Financial Statements. For additional information regarding our discontinued operations, see Note 3.

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Unless otherwise noted, we present only the reportable segments of our continuing operations in the tables below. The financial information relating to the Company's segments is as follows:

	Sales	Costs Applicable to Sales	Depreciation and Amortization	Advanced Projects, Research and Development and Exploration	Income (Loss) before Income and Mining Tax and Other Items	Capital Expenditures(1)
Three Months Ended September 30, 2016						
Carlin	$ 362	$ 212	$ 51	$ 7	$ 91	$ 37
Phoenix:						
Gold	61	30	10			
Copper	20	32	8			
Total Phoenix	81	62	18	—	(2)	8
Twin Creeks	129	52	10	2	64	9
Long Canyon	—	—	—	4	(4)	28
CC&V	152	65	32	3	50	13
Other North America	—	—	1	3	2	1
North America	724	391	112	19	201	96
Yanacocha	195	148	92	6	(66)	26
Merian	—	—	—	7	(8)	60
Other South America	—	—	3	8	(13)	—
South America	195	148	95	21	(87)	86
Boddington:						
Gold	287	139	30			
Copper	43	33	6			
Total Boddington	330	172	36	—	106	17
Tanami	151	57	20	4	70	36
Kalgoorlie	120	57	5	1	56	5
Other Asia Pacific	—	—	1	2	(13)	—
Asia Pacific	601	286	62	7	219	58

Ahafo	115	95	30	8	(20)	22
Akyem	156	63	32	4	56	5
Other Africa	—	—	1	1	(3)	—
Africa	271	158	63	13	33	27
Corporate and Other	—	—	3	13	(143)	2
Consolidated	$ 1,791	$ 983	$ 335	$ 73	$ 223	$ 269

(1) There was no change to accrued capital expenditures; consolidated capital expenditures on a cash basis were $269.

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	Sales	Costs Applicable to Sales	Depreciation and Amortization	Advanced Projects, Research and Development and Exploration	Income (Loss) before Income and Mining Tax and Other Items	Capital Expenditures(1)
Three Months Ended September 30, 2015						
Carlin	$ 261	$ 208	$ 54	$ 5	$ (9)	$ 74
Phoenix:						
Gold	63	48	13			
Copper	30	27	6			
Total Phoenix	93	75	19	1	(4)	5
Twin Creeks	134	67	13	2	52	8
Long Canyon	—	—	—	7	(7)	32
CC&V	38	10	6	1	20	27
Other North America	—	—	1	—	9	1
North America	526	360	93	16	61	147
Yanacocha	288	160	88	9	13	28
Merian	—	—	—	3	(2)	90
Other South America	—	—	3	10	(13)	—
South America	288	160	91	22	(2)	118
Boddington:						
Gold	224	131	27			
Copper	36	33	6			
Total Boddington	260	164	33	—	68	13
Tanami	141	55	22	2	66	22
Waihi (2)	32	12	4	1	14	1
Kalgoorlie	95	68	5	1	24	3
Other Asia Pacific	—	—	4	1	(10)	1
Asia Pacific	528	299	68	5	162	40
Ahafo	89	52	11	5	22	21
Akyem	129	54	24	2	51	12
Other Africa	—	—	—	—	(7)	—

Africa	218	106	35	7	66	33
Corporate and Other	—	—	5	15	(49)	3
Consolidated	$ 1,560	$ 925	$ 292	$ 65	$ 238	$ 341

(1) Includes an increase in accrued capital expenditures of $25; consolidated capital expenditures on a cash basis were $316.

(2) On October 29, 2015, the Company sold the Waihi mine.

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	Sales	Costs Applicable to Sales	Depreciation and Amortization	Advanced Projects, Research and Development and Exploration	Income (Loss) before Income and Mining Tax and Other Items	Capital Expenditures(1)
Nine Months Ended September 30, 2016						
Carlin	$ 864	$ 585	$ 143	$ 14	$ 115	$ 116
Phoenix:						
Gold	187	118	37			
Copper	63	76	20			
Total Phoenix	250	194	57	1	(10)	15
Twin Creeks	432	170	36	6	217	29
Long Canyon	—	—	—	17	(17)	101
CC&V	361	156	78	7	115	49
Other North America	—	—	1	9	(7)	3
North America	1,907	1,105	315	54	413	313
Yanacocha	600	396	220	26	(96)	64
Merian	—	—	1	21	(22)	202
Other South America	—	—	10	24	(38)	—
South America	600	396	231	71	(156)	266
Boddington:						
Gold	741	391	82			
Copper	108	89	17			
Total Boddington	849	480	99	—	245	40
Tanami	450	180	62	10	197	93
Kalgoorlie	348	189	14	4	138	13
Other Asia Pacific	—	—	7	5	(28)	—
Asia Pacific	1,647	849	182	19	552	146
Ahafo	331	212	62	20	30	61
Akyem	437	174	93	8	158	15
Other Africa	—	—	1	2	(7)	—
Africa	768	386	156	30	181	76

Corporate and Other	—	—	8	38	(318)	6
Consolidated	$ 4,922	$ 2,736	$ 892	$ 212	$ 672	$ 807

(1) Includes a decrease in accrued capital expenditures of $25; consolidated capital expenditures on a cash basis were $832.

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	Sales	Costs Applicable to Sales	Depreciation and Amortization	Advanced Projects, Research and Development and Exploration	Income (Loss) before Income and Mining Tax and Other Items	Capital Expenditures(1)
Nine Months Ended September 30, 2015						
Carlin	$ 780	$ 573	$ 145	$ 12	$ 41	$ 189
Phoenix:						
Gold	174	121	31			
Copper	88	69	15			
Total Phoenix	262	190	46	3	13	20
Twin Creeks	433	190	38	7	194	39
Long Canyon	—	—	—	13	(13)	56
CC&V	38	10	6	1	20	27
Other North America	—	—	1	6	8	3
North America	1,513	963	236	42	263	334
Yanacocha	831	405	225	22	127	62
Merian	—	—	—	8	(8)	254
Other South America	—	—	8	32	(42)	—
South America	831	405	233	62	77	316
Boddington:						
Gold	665	411	81			
Copper	124	101	18			
Total Boddington	789	512	99	1	177	42
Tanami	399	172	63	5	164	68
Waihi (2)	121	49	12	3	53	11
Kalgoorlie	269	206	16	2	48	14
Other Asia Pacific	—	—	12	3	(31)	3
Asia Pacific	1,578	939	202	14	411	138
Ahafo	297	151	39	16	88	66
Akyem	414	151	70	6	185	31
Other Africa	—	—	—	2	(10)	—

Africa	711	302	109	24	263	97
Corporate and Other	—	—	12	60	(392)	33
Consolidated	$ 4,633	$ 2,609	$ 792	$ 202	$ 622	$ 918

(1) Includes an increase in accrued capital expenditures of $29; consolidated capital expenditures on a cash basis were $889.

(2) On October 29, 2015, the Company sold the Waihi mine.

NOTE 6 RECLAMATION AND REMEDIATION

The Company's mining and exploration activities are subject to various domestic and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations to protect public health and the environment and believes its operations are in compliance with applicable laws and regulations in all material respects. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation and remediation costs are based principally on current legal and regulatory requirements.

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The Company's Reclamation and remediation expense consisted of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Reclamation Accretion	$ 19	$ 19	$ 57	$ 55
Remediation	5	2	7	7
Remediation Accretion	1	1	3	3
	6	3	10	10
	$ 25	$ 22	$ 67	$ 65

The following are reconciliations of Reclamation and remediation liabilities:

	2016	2015
Reclamation balance at January 1,	$ 1,300	$ 1,303
Additions, changes in estimates and other	6	(10)
Acquisitions and divestitures	—	80
Payments and other	(14)	(15)
Accretion expense	57	55
Reclamation balance at September 30,	$ 1,349	$ 1,413

	2016	2015
Remediation balance at January 1,	$ 318	$ 193
Payments and other	(21)	(33)
Accretion expense	3	3
Remediation balance at September 30,	$ 300	$ 163

The current portion of reclamation liabilities included in Other current liabilities was $28 and $29 at September 30, 2016 and December 31, 2015, respectively. The current portion of remediation liabilities included in Other current liabilities was $34 at September 30, 2016 and December 31, 2015. At September 30, 2016 and

December 31, 2015, $1,349 and $1,300, respectively, were accrued for reclamation obligations relating to operating properties. In addition, the Company is involved in several matters concerning environmental obligations associated with former, primarily historic, mining activities. Generally, these matters concern developing and implementing remediation plans at the various sites involved. At September 30, 2016 and December 31, 2015, $300 and $318, respectively, were accrued for such environmental remediation obligations.

Non-current restricted assets held for purposes of settling reclamation and remediation obligations were $66 and $65 at September 30, 2016 and December 31, 2015, respectively. Of the amount at September 30, 2016, $43 is related to the Midnite Mine in Washington State, $14 is related to the Ahafo and Akyem mines in Ghana, Africa and $9 is related to the Con mine in Yellowknife, NWT, Canada. Of the amount at December 31, 2015, $43 is related to the Midnite Mine in Washington State, $13 is related to the Ahafo and Akyem mines in Ghana, Africa and $9 is related to the Con mine in Yellowknife, NWT, Canada.

Included in Investments at September 30, 2016 and December 31, 2015, was $21 and $20, respectively, of non-current equity securities, which are legally pledged for purposes of settling reclamation and remediation obligations related to the San Jose Reservoir in Yanacocha and for various locations in Nevada.

Refer to Note 25 for further discussion of reclamation and remediation matters.

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NOTE 7 OTHER EXPENSE, NET

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Restructuring and other	$ 7	$ 12	$ 26	$ 26
Acquisition costs	9	7	11	15
Write-downs	—	3	4	6
Western Australia power plant	1	2	3	5
Other	4	3	10	21
	$ 21	$ 27	$ 54	$ 73

NOTE 8 OTHER INCOME, NET

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Gain (loss) on asset and investment sales, net	$ 5	$ 66	$ 109	$ 109
Foreign currency exchange, net	(9)	25	(29)	36
Gain on deconsolidation of TMAC	—	76	—	76
Impairment of investments	—	(29)	—	(102)
Other	—	4	13	17
	$ (4)	$ 142	$ 93	$ 136

During the first quarter of 2016, the Company recorded a gain of $103 on the sale of its investment in Regis Resources Ltd.

During the third quarter of 2015, Newmont determined that TMAC should no longer be considered a variable interest entity. As a result, Newmont deconsolidated the assets, liabilities and non-controlling interest related to TMAC for a gain of $76. For further details regarding our investment in TMAC, see Note 16.

During the third quarter of 2015, the Company recorded a gain of $53 related to the sale of its 60.64% ownership interest in EGR.

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NOTE 9 INCOME AND MINING TAXES

The Company's Income and mining tax expense (benefit) differed from the amounts computed by applying the U.S. statutory corporate income tax rate for the following reasons:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Income (loss) before income and mining tax and other items	$ 223	$ 238		