

NEWMONT MINING CORP /DE/

Form 10-Q

July 26, 2018

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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, 2018

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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12-b2 of the Exchange Act.

Large accelerated filer

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

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 533,398,733 shares of common stock outstanding on July 19, 2018.

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NEWMONT MINING CORPORATION

SECOND QUARTER 2018 RESULTS AND HIGHLIGHTS

(unaudited, in millions, except per share, per ounce and per pound)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Financial Results:				
Sales	\$ 1,662	\$ 1,875	\$ 3,479	\$ 3,565
Gold	\$ 1,581	\$ 1,799	\$ 3,320	\$ 3,418
Copper	\$ 81	\$ 76	\$ 159	\$ 147
Costs applicable to sales (1)	\$ 965	\$ 999	\$ 1,994	\$ 1,956
Gold	\$ 919	\$ 955	\$ 1,901	\$ 1,873
Copper	\$ 46	\$ 44	\$ 93	\$ 83
Net income (loss) from continuing operations	\$ 280	\$ 166	\$ 449	\$ 247
Net income (loss)	\$ 298	\$ 151	\$ 489	\$ 209
Net income (loss) from continuing operations attributable to Newmont stockholders	\$ 274	\$ 190	\$ 444	\$ 260
Per common share, diluted:				
Net income (loss) from continuing operations attributable to Newmont stockholders	\$ 0.51	\$ 0.36	\$ 0.83	\$ 0.49
Net income (loss) attributable to Newmont stockholders	\$ 0.54	\$ 0.33	\$ 0.90	\$ 0.42
Adjusted net income (loss) (2)	\$ 144	\$ 248	\$ 329	\$ 384
Adjusted net income (loss) per share, diluted (2)	\$ 0.26	\$ 0.46	\$ 0.61	\$ 0.72
Earnings before interest, taxes and depreciation and amortization (2)	\$ 633	\$ 709	\$ 1,270	\$ 1,270
Adjusted earnings before interest, taxes and depreciation and amortization (2)	\$ 545	\$ 699	\$ 1,189	\$ 1,273
Net cash provided by (used in) operating activities of continuing operations			\$ 667	\$ 902
Free Cash Flow (2)			\$ 178	\$ 539
Cash dividends declared per common share	\$ 0.14	\$ 0.05	\$ 0.28	\$ 0.10
Operating Results:				
Consolidated gold ounces (thousands):				
Produced	1,242	1,440	2,528	2,767
Sold	1,224	1,439	2,536	2,767
Attributable gold ounces (thousands):				
Produced	1,162	1,352	2,371	2,586
Sold	1,147	1,350	2,378	2,579
Consolidated and attributable copper pounds (millions):				
Produced	31	31	57	60
Sold	27	32	54	58
Average realized price:				
Gold (per ounce)	\$ 1,292	\$ 1,250	\$ 1,310	\$ 1,235

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Copper (per pound)	\$ 2.99	\$ 2.46	\$ 2.93	\$ 2.56
Consolidated costs applicable to sales: (1)(2)				
Gold (per ounce)	\$ 751	\$ 664	\$ 750	\$ 677
Copper (per pound)	\$ 1.70	\$ 1.38	\$ 1.72	\$ 1.43
All-in sustaining costs: (2)				
Gold (per ounce)	\$ 1,024	\$ 883	\$ 998	\$ 891
Copper (per pound)	\$ 2.05	\$ 1.69	\$ 2.06	\$ 1.72

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

(2) See “Non-GAAP Financial Measures” beginning on page 68.

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Second Quarter 2018 Highlights

- Net income (loss): Delivered Net income (loss) from continuing operations attributable to Newmont stockholders of \$274 or \$0.51 per diluted share, an increase of \$84 from the prior-year quarter, primarily due to lower income taxes, a gain from the sale of the Company's royalty portfolio in June 2018 and higher average realized prices, partially offset by lower production at CC&V, Boddington, Akyem and Twin Creeks.
- Adjusted net income (loss): Delivered Adjusted net income (loss) of \$144 or \$0.26 per diluted share, a 43% decrease from the prior-year quarter (See "Non-GAAP Financial Measures" beginning on page 68).
- Adjusted EBITDA: Generated \$545 in Adjusted EBITDA, a 22% decrease from the prior-year quarter (See "Non-GAAP Financial Measures" beginning on page 68).
- Cash Flow: Reported Net cash provided by (used in) operating activities of continuing operations of \$667 for the six months ended June 30, 2018, a 26% decrease from the prior year, and free cash flow of \$178 (See "Non-GAAP Financial Measures" beginning on page 68).
- Portfolio improvements: Agreement to acquire 50% ownership interest in Galore Creek from NovaGold, partnering with Teck Resources Limited; completed Twin Underground and Northwest Exodus projects in Nevada; advanced the Akyem Underground project to prefeasibility study in Africa; welcomed Sumitomo Corporation as a new 5% partner at Yanacocha in Peru; and divested royalty portfolio forming a strategic partnership with Maverix Metals.
- Attributable gold production: Decreased 14% to 1.16 million ounces primarily from lower grades at Carlin, Twin Creeks, Boddington and Akyem and a build of CC&V concentrate inventory to be processed in Nevada.
- Financial strength: Ended the quarter with \$3.1 billion cash on hand and net debt under \$1.0 billion; an industry-leading balance sheet with investment-grade credit profile; and a quarterly dividend declared of \$0.14 per share, an increase of 87% over the prior-year quarter.

Our global project pipeline

Newmont's capital-efficient project pipeline supports stable production with improving margins and mine life. Near-term development capital projects and those recently completed are presented below. Funding for Subika Underground, Ahafo Mill Expansion, Twin Underground, Quecher Main and Tanami Power projects has been approved and these projects are in execution.

Subika Underground, Africa. This project leverages existing infrastructure and an optimized approach to develop Ahafo's most promising underground resource. First production was achieved in June 2017 with commercial production expected in the fourth quarter of 2018. The project is expected to have an average annual gold production of between 150,000 and 200,000 ounces per year for the first five years beginning in 2019 with an initial mine life of approximately 11 years. Development capital costs (excluding capitalized interest) since approval were \$130, of which \$24 related to the second quarter of 2018.

Ahafo Mill Expansion, Africa. This project is designed to maximize resource value by improving production margins and accelerating stockpile processing. The project also supports profitable development of Ahafo's highly prospective underground resources. The expansion is expected to have an average annual gold production of between 75,000 and 100,000 ounces per year for the first five years beginning in 2020. Development capital costs (excluding capitalized interest) since approval were \$83, of which \$21 related to the second quarter of 2018. A tragic construction accident occurred in April which resulted in six fatalities. We continue to work with the government of Ghana for a safe restart in August. The delay will shift first gold into the second half of 2019, while commercial production remains in the second half of 2019.

Twin Underground, North America. This project is a portal mine beneath Twin Creek's Vista surface mine with similar mineralization. First production was achieved in August 2017, and commercial production was declared in July 2018. The expansion will add between 30,000 and 40,000 ounces of gold per year between 2018 and 2022. The project was completed on schedule for \$42.

Quecher Main, South America. This project will add oxide production at Yanacocha, leverage existing infrastructure and enable potential future growth at Yanacocha. First production is expected in late 2018 with commercial production in the second half of 2019. Quecher Main extends the life of the Yanacocha operation to 2027 with average annual gold production of about 200,000 ounces per year (on a consolidated basis) between 2020 and 2025. Development capital costs (excluding capitalized interest) since approval were \$41, of which \$20 related to the second quarter of 2018.

Tanami Power, Australia. This project will lower power costs beginning in 2019, mitigate fuel supply risk and reduce carbon emissions. The project includes a 450 kilometer natural gas pipeline to be constructed connecting the Tanami site to the Amadeus Gas Pipeline, and construction and operation of two on-site power stations. The gas supply, gas transmission and power purchase agreements are for a ten year term with options to extend.

We manage our wider project portfolio to maintain flexibility to address the development risks associated with our projects including permitting, local community and government support, engineering and procurement availability, technical issues, escalating costs and other associated risks that could adversely impact the timing and costs of certain opportunities.

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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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Sales (Note 4)	\$ 1,662	\$ 1,875	\$ 3,479	\$ 3,565
Costs and expenses:				
Costs applicable to sales (1)	965	999	1,994	1,956
Depreciation and amortization	279	310	580	610
Reclamation and remediation (Note 5)	37	43	65	72
Exploration	54	51	94	87
Advanced projects, research and development	36	32	70	58
General and administrative	63	58	122	113
Other expense, net (Note 6)	13	14	24	31
	1,447	1,507	2,949	2,927
Other income (expense):				
Other income, net (Note 7)	139	31	160	22
Interest expense, net of capitalized interest	(49)	(64)	(102)	(131)
	90	(33)	58	(109)
Income (loss) before income and mining tax and other items	305	335	588	529
Income and mining tax benefit (expense) (Note 8)	(18)	(166)	(123)	(277)
Equity income (loss) of affiliates	(7)	(3)	(16)	(5)
Net income (loss) from continuing operations	280	166	449	247
Net income (loss) from discontinued operations (Note 9)	18	(15)	40	(38)
Net income (loss)	298	151	489	209
Net loss (income) attributable to noncontrolling interests (Note 10)	(6)	24	(5)	13
Net income (loss) attributable to Newmont stockholders	\$ 292	\$ 175	\$ 484	\$ 222
Net income (loss) attributable to Newmont stockholders:				
Continuing operations	\$ 274	\$ 190	\$ 444	\$ 260
Discontinued operations	18	(15)	40	(38)
	\$ 292	\$ 175	\$ 484	\$ 222
Net income (loss) per common share (Note 11):				
Basic:				
Continuing operations	\$ 0.52	\$ 0.36	\$ 0.84	\$ 0.49

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Discontinued operations	0.03	(0.03)	0.07	(0.07)
	\$ 0.55	\$ 0.33	\$ 0.91	\$ 0.42
Diluted:				
Continuing operations	\$ 0.51	\$ 0.36	\$ 0.83	\$ 0.49
Discontinued operations	0.03	(0.03)	0.07	(0.07)
	\$ 0.54	\$ 0.33	\$ 0.90	\$ 0.42
Cash dividends declared per common share	\$ 0.14	\$ 0.05	\$ 0.28	\$ 0.10

(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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 298	\$ 151	\$ 489	\$ 209
Other comprehensive income (loss):				
Change in marketable securities, net of tax of \$-, \$-, \$- and \$-, respectively	(1)	(4)	1	(11)
Foreign currency translation adjustments	(1)	—	(4)	4
Change in pension and other post-retirement benefits, net of tax of \$(2), \$(1), \$(3) and \$(5), respectively	4	3	9	9
Change in fair value of cash flow hedge instruments, net of tax of \$(2), \$(3), \$(3) and \$(7), respectively	5	5	9	14
Other comprehensive income (loss)	7	4	\$ 15	\$ 16
Comprehensive income (loss)	\$ 305	\$ 155	\$ 504	\$ 225
Comprehensive income (loss) attributable to:				
Newmont stockholders	\$ 299	\$ 179	\$ 499	\$ 238
Noncontrolling interests	6	(24)	5	(13)
	\$ 305	\$ 155	\$ 504	\$ 225

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)

	Six Months Ended June 30,	
	2018	2017
Operating activities:		
Net income (loss)	\$ 489	\$ 209
Adjustments:		
Depreciation and amortization	580	610
Stock-based compensation (Note 13)	38	35
Reclamation and remediation	61	68
Loss (income) from discontinued operations (Note 9)	(40)	38
Deferred income taxes	(19)	76
Gain on asset and investment sales, net	(99)	(16)
Write-downs of inventory and stockpiles and ore on leach pads	158	92
Other operating adjustments	9	58
Net change in operating assets and liabilities (Note 23)	(510)	(268)
Net cash provided by (used in) operating activities of continuing operations	667	902
Net cash provided by (used in) operating activities of discontinued operations (1)	(5)	(9)
Net cash provided by (used in) operating activities	662	893
Investing activities:		
Additions to property, plant and mine development	(489)	(363)
Acquisitions, net	(39)	—
Proceeds from sales of investments	15	19
Purchases of investments	(6)	(113)
Other	2	17
Net cash provided by (used in) investing activities	(517)	(440)
Financing activities:		
Dividends paid to common stockholders	(150)	(54)
Repurchase of common stock	(70)	—
Distributions to noncontrolling interests	(69)	(80)
Funding from noncontrolling interests	52	46
Proceeds from sale of noncontrolling interests	48	—
Payments for withholding of employee taxes related to stock-based compensation	(39)	(13)
Other	(3)	(6)
Net cash provided by (used in) financing activities	(231)	(107)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2)	2
Net change in cash, cash equivalents and restricted cash	(88)	348
Cash, cash equivalents and restricted cash at beginning of period	3,298	2,782
Cash, cash equivalents and restricted cash at end of period	\$ 3,210	\$ 3,130
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 3,127	\$ 3,105

Restricted cash included in Other current assets	1	2
Restricted cash included in Other noncurrent assets	82	23
Total cash, cash equivalents and restricted cash	\$ 3,210	\$ 3,130

⁽¹⁾ Net cash provided by (used in) operating activities of discontinued operations includes \$(5) and \$(6) related to the Holt royalty obligation and \$- and \$(3) related to closing costs for the sale of Batu Hijau, all of which were paid out of Cash and cash equivalents held for use for the six months ended June 30, 2018 and 2017, respectively. For additional information regarding the Company's discontinued operations, see Note 9.

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, 2018	At December 31, 2017
ASSETS		
Cash and cash equivalents	\$ 3,127	\$ 3,259
Trade receivables (Note 4)	133	124
Other accounts receivables	101	113
Investments (Note 16)	56	62
Inventories (Note 17)	697	679
Stockpiles and ore on leach pads (Note 18)	711	676
Other current assets	142	153
Current assets	4,967	5,066
Property, plant and mine development, net	12,351	12,338
Investments (Note 16)	353	280
Stockpiles and ore on leach pads (Note 18)	1,837	1,848
Deferred income tax assets	537	549
Other non-current assets	610	565
Total assets	\$ 20,655	\$ 20,646
LIABILITIES		
Lease and other financing obligations (Note 20)	\$ 13	\$ 4
Accounts payable	360	375
Employee-related benefits	240	309
Income and mining taxes payable	71	248
Other current liabilities (Note 21)	396	462
Current liabilities	1,080	1,398
Debt (Note 19)	4,042	4,040
Lease and other financing obligations (Note 20)	66	21
Reclamation and remediation liabilities (Note 5)	2,369	2,345
Deferred income tax liabilities	589	595
Employee-related benefits	392	386
Other non-current liabilities (Note 21)	284	342
Total liabilities	8,822	9,127
Contingently redeemable noncontrolling interest (Note 10)	48	—
EQUITY		
Common stock	857	855
Treasury stock	(69)	(30)
Additional paid-in capital	9,595	9,592
Accumulated other comprehensive income (loss) (Note 22)	(162)	(292)
Retained earnings	592	410
Newmont stockholders' equity	10,813	10,535

Noncontrolling interests	972	984
Total equity	11,785	11,519
Total liabilities and equity	\$ 20,655	\$ 20,646

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

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NEWMONT MINING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in millions)

	Common Stock Shares (in millions)	Stock Amount	Treasury Stock Shares	Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total Equity	
Balance at December 31, 2017	534	\$ 855	(1)	\$ (30)	\$ 9,592	\$ (292)	\$ 410	\$ 984	\$ 11,519	\$
Cumulative-effect adjustment of adopting ASU No. 2016-01	—	—	—	—	—	115	(115)	—	—	—
Net income (loss)	—	—	—	—	—	—	484	5	489	—
Other comprehensive income (loss)	—	—	—	—	—	15	—	—	15	—
Sale of noncontrolling interest	—	—	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	—	(150)	—	(150)	—
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(69)	(69)	—
Cash calls requested from noncontrolling interests	—	—	—	—	—	—	—	52	52	—
Repurchase and retirement of common stock	(2)	(3)	—	—	(30)	—	(37)	—	(70)	—
Withholding of employee taxes related to stock-based compensation	—	—	(1)	(39)	—	—	—	—	(39)	—
Stock-based awards and related share issuances	3	5	—	—	33	—	—	—	38	—
	535	\$ 857	(2)	\$ (69)	\$ 9,595	\$ (162)	\$ 592	\$ 972	\$ 11,785	\$

Balance at
June 30, 2018

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, 2017 filed on February 22, 2018 on Form 10-K and revisions filed April 26, 2018 on Form 8-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.

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 and copper. 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 on 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 particularly sensitive to the outlook for commodity prices. A decline in the Company’s price outlook from current levels could result in material impairment charges related to these assets.

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.

Contingently Redeemable Noncontrolling Interest

Certain noncontrolling interests in consolidated entities meet the definition of redeemable financial instruments if the ability to redeem the interest is outside of the control of the consolidating entity. In such cases, these financial instruments are required to be classified outside of permanent equity (referred to as temporary equity).

Revenue Recognition

The Company adopted ASC 606, Revenue from contracts with customers, on January 1, 2018. Changes to the accounting policy as a result of adoption are discussed below.

Newmont generates revenue by selling gold and copper produced from its mining operations. Refer to Note 3 for further information regarding the Company's operating segments.

The majority of the Company's Sales come from the sale of refined gold; however, the end product at the Company's gold operations is generally doré bars. Doré is an alloy consisting primarily of gold but also containing silver and other metals. Doré is sent to refiners to produce bullion that meets the required market standard of 99.95% gold. Under the terms of the Company's refining

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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)

agreements, the doré bars are refined for a fee, and the Company's share of the refined gold and the separately-recovered silver is credited to its bullion account. Gold from doré bars credited to its bullion account is typically sold to banks or refiners.

A portion of gold sold from Boddington and Kalgoorlie in Australia, Phoenix in Nevada and CC&V in Colorado is sold in the form of concentrate which includes copper and silver. The Company's Sales also come from the sale of copper. Copper sales are generally in the form of concentrate, which is sold to smelters for further treatment and refining, and cathode. Copper sold from Boddington in Australia is sold in concentrate form and copper sold from Phoenix in Nevada is sold in either concentrate or cathode form.

Generally, if a metal expected to be mined represents more than 10 to 20% of the life of mine sales value of all the metal expected to be mined, co-product accounting should apply. When the Company applies co-product accounting at an operation, revenue is recognized for each co-product metal sold, and shared costs applicable to sales are allocated based on the relative sales values of the co-product metals produced. Generally, if metal expected to be mined is less than the 10 to 20% of the life of mine sales value, by-product accounting should apply. Revenues from by-product sales, which are immaterial, are credited to Costs applicable to sales as a by-product credit. Copper is produced as a co-product at Phoenix and Boddington. Copper and silver is produced as a by-product at certain of the Company's other operations.

Gold Sales from Doré Production

The Company recognizes revenue for gold from doré production when it satisfies the performance obligation of transferring gold inventory to the customer, which generally occurs upon transfer of gold bullion credits as this is the point at which the customer obtains the ability to direct the use and obtain substantially all of the remaining benefits of ownership of the asset.

The Company generally recognizes the sale of gold bullion credits at the prevailing market price when gold bullion credits are delivered to the customer. The transaction price is determined based on the agreed upon market price and the number of ounces delivered. Payment is due upon delivery of gold bullion credits to the customer's account.

Gold and Copper Sales from Concentrate Production

The Company recognizes revenue for gold and copper from concentrate production, net of treatment and refining charges, when it satisfies the performance obligation of transferring control of the concentrate to the customer. This generally occurs as material passes over the vessel's rail at the port of loading based on the date from the bill of lading, as the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from the material and the customer has the risk of loss. Newmont has elected to account for shipping and handling costs for concentrate contracts as fulfillment activities and not as promised goods or services; therefore these activities are not considered separate performance obligations.

The Company generally sells gold and copper concentrate based on the future monthly average market price for a future month, dependent on the relevant contract, following the month in which the delivery to the customer takes place. The amount of revenue recognized for concentrates is initially recorded on a provisional basis based on the

forward prices for the estimated month of settlement and the Company's estimated metal quantities based on assay data. The Company's sales based on a provisional price 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 concentrates at the forward price at the time of sale. The embedded derivative, which does not qualify for hedge accounting, is marked to market through Sales each period prior to final settlement. The Company also adjusts estimated metal quantities used in computing provisional sales using new information and assay data from the smelter as it is received (if any).

A provisional payment is generally due upon delivery of the concentrate to the customer. Final payment is due upon final settlement of price and quantity with the customer.

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The principal risks associated with recognition of sales on a provisional basis include metal price fluctuations and updated quantities between the date the sale is recorded and the date of final settlement. If a significant decline in metal prices occurs, or assay data results in a significant change in quantity between the provisional pricing date and the final settlement date, it is reasonably possible that the Company could be required to return a portion of the provisional payment received on the sale.

Copper Sales from Cathode Production

The Company recognizes revenue for copper from cathode production when it transfers control of copper cathode to the customer, which occurs when the material is picked up by the carrier. The Company generally sells copper cathode based on the weekly average market price for the week following production. The transaction price is determined based on this agreed upon price and the number of pounds delivered. Payment is due upon final settlement of price and quantity with the customer.

Recently Adopted Accounting Pronouncements

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, May 2016, December 2016 and September 2017 by ASU No. 2015-14, No. 2016-08, No. 2016-10, No. 2016-12, No. 2016-20 and No. 2017-13, respectively. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition.

The company retrospectively adopted this standard as of January 1, 2018. As there were no contracts outstanding as of December 31, 2017, there was no cumulative effect adjustment required to be recognized at January 1, 2018. The comparative information has not been adjusted and continues to be reported under the accounting standards in effect for those periods.

The adoption of this standard primarily impacts the timing of revenue recognition on certain concentrate contracts based on the Company's determination of when control is transferred. Revenue related to concentrate shipments is now generally recognized upon completion of loading the material for shipment to the customer and satisfaction of the Company's significant performance obligation. Prior to the adoption of this standard, revenue was recognized for these contracts when the price was determinable, the concentrate had been loaded on a vessel or received by the customer, risk and title had been transferred and collection of the sales price was reasonably assured.

Investments

In January 2016, ASU No. 2016-01 was issued related to financial instruments. This ASU was further amended in February 2018 by ASU No. 2018-03. 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 upon adoption, an entity should apply the amendments with the cumulative effect of initially applying the guidance recognized at January 1, 2018. The Company adopted this standard as of January 1, 2018. Upon adoption, the Company reclassified \$115 of unrealized holding gains and losses and deferred income taxes related to investments in marketable equity securities from Accumulated other comprehensive income (loss) to Retained earnings in the Consolidated Balance Sheets.

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

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after December 15, 2017. The Company adopted the guidance as of January 1, 2018. Upon adoption, the Company reclassified \$6 for the six months ended June 30, 2017 of Acquisitions, net previously reported as a cash outflow from investing activities, to operating activities on the Consolidated Statements of Cash Flows related to contingent consideration payments.

Intra-Entity Transfers

In October 2016, ASU No. 2016-16 was issued related to the intra-entity transfers of assets other than inventory. This new guidance requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017. The Company adopted this guidance as of January 1, 2018, and determined it had no impact on the Consolidated Financial Statements or disclosures.

Restricted Cash

In November 2016, ASU No. 2016-18 was issued related to the inclusion of restricted cash in the statement of cash flows. This new guidance requires that a statement of cash flows present the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017, and early adoption is permitted. The Company retrospectively adopted this guidance as of December 31, 2017. Upon adoption, the Company included a reconciliation of Cash and cash equivalents and restricted cash reported within the Consolidated Balance Sheets to the total shown in the Consolidated Statements of Cash Flows. Adoption of this guidance had no other impact on the Consolidated Financial Statements or disclosures.

Employee Benefits

In March 2017, ASU No. 2017-07 was issued related to the presentation of net periodic pension and postretirement cost. The new guidance requires the service cost component of net benefit costs to be classified similar to other compensation costs arising from services rendered by employees. Other components of net benefit costs are required to be classified separately from the service cost and outside income from operations. The Company adopted this guidance as of January 1, 2018. The adoption of this guidance resulted in the recognition of other components of net benefit costs within Other income, net rather than Costs applicable to sales or General and administrative and is no longer included in costs that benefit the inventory or production process. Adoption of this guidance did not have a material impact on the Consolidated Financial Statements or disclosures.

Hedging

In August 2017, ASU No. 2017-12 was issued related to hedge accounting. The new guidance expands the ability to hedge nonfinancial risk components, eliminates the current requirement to separately measure and report hedge ineffectiveness, and requires the entire change in fair value of a hedging instrument to be presented in the same income statement line as the hedged item, when reclassified from Accumulated other comprehensive income (loss). The guidance also eases certain hedge effectiveness documentation and assessment requirements. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018, and early adoption is

permitted. The Company adopted this guidance as of January 1, 2018, and there was no material impact on the Consolidated Financial Statements or disclosures as a result of adoption.

Recently Issued Accounting Pronouncements

Leases

In February 2016, ASU No. 2016-02 was issued related to leases, which was further amended in September 2017 by ASU No. 2017-13, in January 2018 by ASU No. 2018-01 and in July 2018 by ASU No. 2018-10. The new guidance modifies the classification

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criteria and requires lessees to recognize right-of-use assets and lease liabilities arising from most leases on the balance sheet with additional disclosures about leasing arrangements. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018, and early adoption is permitted. The Company anticipates adopting the new guidance as of January 1, 2019.

The Company has begun its assessment of the new guidance and the impact it will have on the Consolidated Financial Statements and disclosures, and expects to complete its analysis in 2018. To date, the Company has formed a cross-functional implementation team; commenced a completeness assessment over the lease population; begun the evaluation of the various practical expedients and policy elections that will be adopted; started to establish new policies, procedures and internal controls related to the new standard; and commenced the review of contracts that are expected to be outstanding as of the adoption date.

Management is still completing its assessment of the impacts; however, based on the procedures performed, management has identified certain service contracts that contain embedded leases under the revised guidance. The Company expects that the adoption of the new standard will gross up the Consolidated Balance Sheets with the recognition of right-of-use assets and lease liabilities related to operating leases. The Company does not expect there will be a material impact to the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows. The Company is in the process of assessing the required disclosures of the new standard, and expects to provide additional qualitative and quantitative disclosures related to leasing arrangements upon adoption.

Other Comprehensive Income Reclassifications Related to Tax Reform

In February 2018, ASU 2018-02 was issued allowing companies the option to reclassify to retained earnings the tax effects related to items in Accumulated other comprehensive income (loss) as a result of the Tax Cuts and Jobs Act (the "Act") that was enacted on December 22, 2017. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018, and early adoption is permitted. This guidance should be applied either in the period of adoption or retrospectively to each period in which the effects of the change in the U.S. federal income tax rate in the Act is recognized. The Company is still completing its assessment of the impacts and anticipated adoption date of this guidance.

NOTE 3 SEGMENT INFORMATION

The Company has organized its operations into four geographic regions. The geographic regions include North America, South America, Australia 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 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.

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

Three Months Ended	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)
June 30, 2018						
Carlin	\$ 244	\$ 178	\$ 43	\$ 8	\$ 13	\$ 42
Phoenix:						
Gold	63	44	10			
Copper	21	14	4			
Total Phoenix	84	58	14	1	10	11
Twin Creeks	114	66	16	3	33	22
Long Canyon	56	18	19	6	11	2
CC&V	88	42	14	1	25	9
Other North America	—	—	1	9	(9)	2
North America	586	362	107	28	83	88
Yanacocha	147	92	22	12	(3)	24
Merian	132					