

NEWMONT MINING CORP /DE/

Form 10-Q/A

April 11, 2003

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

**FORM 10-Q/A**

**(Amendment No. 2)**

**(Mark One)**

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

**FOR THE QUARTERLY PERIOD ENDED March 31, 2002**

**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  
incorporation or organization)

**84-1611629**  
(I.R.S. Employer Identification No.)

**1700 Lincoln Street, Denver, Colorado**  
(Address of principal executive offices)

**80203**  
(Zip Code)

**303-863-7414**

(Registrant's telephone number, including area code)

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

There were 340,161,190 shares of common stock outstanding on May 6, 2002 (and 55,182,449 exchangeable shares).

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*Explanatory Note*

This Amendment No. 2 on Form 10-Q/A (this Amendment) amends the Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, filed May 15, 2002, and the Amendment No. 1 filed on August 6, 2002. The Company has filed this Amendment to give effect to the restatement of the Company's financial statements as of and for the three months ended March 31, 2002 and 2001 as discussed in Note 20 to the Consolidated Financial Statements. In addition to the adjustments reflected in Amendment No. 1, the Company is making the following adjustments relating to (1) the accounting for a prepaid forward gold sales contract and a forward gold purchase contract entered into in July 1999, (2) depreciation and deferred stripping calculations to exclude material other than proven and probable reserves, (3) depreciation on certain mining assets, (4) the amortization of acquired mineral interests and (5) including depreciation, depletion and amortization expense (DD&A) as a capitalized cost in inventory. The adjustments reflected in this filing are described in more detail in Note 20 to this filing. Supplementally, effective January 1, 2002, the Company changed its accounting policy with respect to depreciation, depletion and amortization to exclude future estimated development costs expected to be incurred for certain underground operations. Although we have revised this Amendment to give effect to the adjustments, other information contained herein has not been updated. Therefore, you should read this Amendment together with our Annual Report on Form 10-K for the fiscal year ended December 31, 2002, our Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2001 and our Amended Quarterly Reports on Form 10-Q/A for the quarters ended June 30 and September 30, 2002, as amended to the date hereof or as subsequently amended, as well as the other documents that we have filed with the Securities and Exchange Commission. Information in such reports and documents updates and supersedes certain information contained in this Amendment.

## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

## NEWMONT MINING CORPORATION

## STATEMENTS OF CONSOLIDATED OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

As Restated. See Note 20.

	Three Months Ended March 31,	
	2002	2001
	Unaudited (in thousands, except per share)	
Sales and other income		
Sales - gold	\$ 482,234	\$ 424,097
Sales - base metals, net	9,370	
Royalties	3,800	77
Dividends, interest, foreign currency exchange and other income	415	3,351
	495,819	427,525
Costs and expenses		
Costs applicable to sales	330,987	267,282
Depreciation, depletion and amortization	102,186	89,931
Exploration and research	11,567	15,315
General and administrative	21,315	15,911
Interest, net of capitalized interest of \$1,222 and \$2,847, respectively	31,137	23,154
Merger and restructuring		60,510
Write-down of assets	8,253	5,899
Other	870	3,543
	506,315	481,545
Operating loss	(10,496)	(54,020)
Gain on derivative instruments	6,331	15,573
Pre-tax loss before minority interest, equity loss and cumulative effect of a change in accounting principle	(4,165)	(38,447)
Income tax (expense) benefit	(1,188)	5,318
Minority interest in income of subsidiaries	(10,550)	(12,472)
Equity income (loss) of affiliates	1,404	(4,520)
	(14,499)	(50,121)
Net loss before cumulative effect of a change in accounting principle	(14,499)	(50,121)
Cumulative effect of a change in accounting principle, net of tax of \$4,147	7,701	
	(6,798)	(50,121)
Net loss	(6,798)	(50,121)
Preferred stock dividends	(1,869)	(1,869)

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Net loss applicable to common shares	\$ (8,667)	\$ (51,990)
Net loss	\$ (6,798)	\$ (50,121)
Other comprehensive income (loss), net of tax	27,878	(936)
Comprehensive income (loss)	\$ 21,080	\$ (51,057)
Net loss per common share before cumulative effect of a change in accounting principle, basic and diluted	\$ (0.06)	\$ (0.27)
Cumulative effect of a change in accounting principle per common share, basic and diluted	0.03	
Net loss per common share, basic and diluted	\$ (0.03)	\$ (0.27)
Basic and diluted weighted average common shares outstanding	281,467	192,607
Cash dividends declared per common share	\$ 0.03	\$ 0.03

See Notes to Consolidated Financial Statements

## NEWMONT MINING CORPORATION

## CONSOLIDATED BALANCE SHEETS

Unaudited

	March 31, 2002	December 31, 2001
	(in thousands)	
	As Restated. See Note 20.	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 511,558	\$ 149,431
Short-term investments	17,910	8,185
Accounts receivable	51,485	19,088
Inventories	579,598	452,114
Marketable securities of Lihir	84,002	66,918
Current portion of deferred stripping costs	72,853	71,486
Prepaid taxes	13,345	29,229
Derivative instruments	20,851	
Current portion of deferred income tax assets	28,932	7,792
Other current assets	135,526	42,780
	<u>1,516,060</u>	<u>847,023</u>
Current assets	1,516,060	847,023
Property, plant and mine development, net	2,317,812	1,930,249
Mineral interests and other intangible assets, net	1,948,165	176,998
Investments	993,226	543,324
Deferred stripping costs	12,729	20,145
Long-term inventories	112,110	117,692
Derivative instruments	48,961	
Deferred income tax assets	486,479	403,447
Other long-term assets	175,290	102,810
Goodwill	2,506,935	
	<u>\$ 10,117,767</u>	<u>\$ 4,141,688</u>
Total assets	\$ 10,117,767	\$ 4,141,688
<b>LIABILITIES</b>		
Current portion of long-term debt	\$ 440,077	\$ 192,151
Accounts payable	85,255	80,884
Current portion of deferred income tax liabilities	49,451	32,919
Derivative instruments	124,286	
Other accrued liabilities	329,549	214,065
	<u>1,028,618</u>	<u>520,019</u>
Current liabilities	1,028,618	520,019
Long-term debt	1,881,718	1,234,718
Reclamation and remediation liabilities	259,070	176,934
Deferred revenue from sale of future production	53,841	53,841
Derivative instruments	377,885	
Deferred income tax liabilities	580,488	140,800
Employee related benefits	151,066	159,542
Other long-term liabilities	214,974	93,220
	<u>4,547,660</u>	<u>2,379,074</u>
Total liabilities	4,547,660	2,379,074

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Commitments and contingencies (Notes 5, 9 and 17)		
Minority interest in subsidiaries	309,612	262,848
<b>STOCKHOLDERS EQUITY</b>		
Convertible preferred stock	11,500	11,500
Common stock	537,139	313,881
Additional paid-in capital	4,976,629	1,458,369
Accumulated other comprehensive income (loss)	18,430	(9,448)
Retained deficit	(283,203)	(274,536)
Total stockholders equity	5,260,495	1,499,766
Total liabilities and stockholders equity	\$ 10,117,767	\$ 4,141,688

See Notes to Consolidated Financial Statements

## NEWMONT MINING CORPORATION

## STATEMENTS OF CONSOLIDATED CASH FLOWS

As Restated. See Note 20.

	Three Months Ended March 31,	
	2002	2001
	Unaudited (in thousands)	
Operating activities:		
Net loss	\$ (6,798)	\$ (50,121)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	102,186	89,931
Amortization of deferred stripping costs, net	6,049	1,031
Deferred tax benefit	(4,293)	(27,654)
Gain on derivative instruments	(6,331)	(15,573)
Noncash merger and restructuring expenses		21,589
Foreign currency exchange loss	3,621	1,017
Minority interest, net of dividends	10,550	7,274
Undistributed (gains) losses of affiliated companies	(1,404)	4,520
Write-down of assets	8,253	5,899
Cumulative effect of a change in accounting principle, net of tax	(7,701)	
Gain on sale of assets and other	(4,451)	(674)
(Increase) decrease in operating assets:		
Accounts receivable	18,920	4,216
Inventories	5,305	29,735
Other assets	16,642	8,215
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	(40,744)	(64,010)
Other liabilities	(28,649)	(5,369)
Net cash provided by operating activities	<u>71,155</u>	<u>10,026</u>
Investing activities:		
Additions to property, plant and mine development	(51,830)	(91,232)
Repayments from (advances to) joint ventures and affiliates	(24,750)	8,794
Proceeds from sale of short-term investments	406,731	
Net cash effect of acquisitions	(18,313)	
Proceeds from asset sales and other	269	188
Net cash provided by (used in) investing activities	<u>312,107</u>	<u>(82,250)</u>
Financing activities:		
Repayment of short-term debt		(10,000)
Proceeds from long-term debt	450,431	462,000
Repayment of long-term debt	(475,244)	(448,560)
Dividends paid on common and preferred stock	(13,792)	(7,730)
Decrease in restricted cash		40,000
Proceeds from stock issuance and other	15,739	(324)



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Net cash (used in) provided by financing activities	(22,866)	35,386
Effect of exchange rate changes on cash	1,731	6,459
Net change in cash and cash equivalents	362,127	(30,379)
Cash and cash equivalents at beginning of period	149,431	77,558
Cash and cash equivalents at end of period	\$ 511,558	\$ 47,179
Supplemental information:		
Interest paid, net of amounts capitalized of \$1,222 and \$2,847, respectively	\$ 31,916	\$ 28,175
Income taxes paid	\$ 13,974	\$ 18,424

See Notes to Consolidated Financial Statements

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NEWMONT MINING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**(1) Basis of Preparation and Restatement of Financial Statements**

These unaudited interim consolidated financial statements of Newmont Mining Corporation and its subsidiaries (collectively, Newmont ) have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Such rules and regulations allow the omission of certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles as long as the statements are not misleading. In the opinion of management, all adjustments necessary for a fair presentation of these interim statements have been included, including adjustments designed to capture the restatements described below. These adjustments are of a normal recurring nature, except for the effects of the February 2002 acquisitions and the restatement adjustments as described below. These interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements of Newmont included in its 2002 Annual Report on Form 10-K filed March 27, 2003, its 2001 Annual Report on Form 10-K, including Amendment No. 1, filed March 20, 2003, and information on Form 8-K dated February 15, 2002, including Amendment No. 1, filed on April 16, 2002.

The preparation of Newmont's Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the Consolidated Financial Statements, as well as the reported amount of revenues and expenses during the reporting period. The most critical accounting principles upon which Newmont's financial position and results of operations depend are those requiring estimates of proven and probable reserves, recoverable ounces therefrom, Newmont's ability to renew the mining leases upon which certain of those reserves are located, and/or assumptions of future gold prices. Such estimates and assumptions affect the value of inventories (which are stated at the lower of average cost or net realizable value), the potential impairment of long-lived assets and the ability to realize income tax benefits associated with deferred tax assets. These estimates and assumptions also affect the rate at which depreciation, depletion and amortization ( DD&A ) are charged to earnings. As noted above, commodity prices significantly affect Newmont's profitability and cash flow. In addition, management estimates costs associated with reclamation of mining properties as well as remediation costs for inactive properties as described below. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amounts could differ from those based on such estimates and assumptions.

On February 13, 2002, Newmont stockholders approved adoption of an Agreement and Plan of Merger that provided for a restructuring of Newmont to facilitate the February 2002 acquisitions described below and to create a flexible corporate structure. Newmont merged with an indirect, wholly-owned subsidiary that resulted in Newmont (or Old Newmont ) becoming a direct, wholly-owned subsidiary of a newly formed holding company. The new holding company, previously a direct, wholly-owned subsidiary of Old Newmont, was renamed Newmont Mining Corporation. There was no impact to the Consolidated Financial Statements of Newmont as a result of this restructuring and former stockholders of Old Newmont became stockholders of the new holding company. Old Newmont was subsequently renamed Newmont USA Limited.

Restatements

As further discussed in Note 20, Newmont has determined that certain adjustments are required to restate the Consolidated Financial Statements for the three-month periods ended March 31, 2002 and 2001 and at March 31, 2002. Overall the adjustments increased the net loss in the first quarter of 2002 and 2001 by \$6.5 million, or \$0.02 per share, and \$12.9 million, or \$0.07 per share, respectively. The adjustments also increased

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the Stockholders' equity of the Company at March 31, 2002 by \$6.3 million. The adjustments were necessary (i) to properly present the conversion to US GAAP and translation to US dollars of certain financial

statement balances of the recently acquired Newmont Australia Limited; (ii) to properly record first quarter 2002 income related to insurance settlements, insurance expense of the Company's equity investee, and income related to a property sale; (iii) to account for a prepaid forward sales contract and a forward purchase contract as a single borrowing; (iv) to correct depreciation rates on certain mining assets at the Company's subsidiary, Minera Yanacocha; (v) to properly amortize acquired mineral interests; (vi) to record the impact in the Company's investment in Batu Hijau, accounted for under the equity method, for correcting its depreciation and deferred stripping calculations so as to exclude material other than proven and probable reserves; and (vii) to include depreciation, depletion and amortization expense as a capitalized cost in inventory. All amounts in the accompanying footnotes have been adjusted for these restatements as appropriate.

## Inventories

In general, costs that are incurred in or benefit the productive process are inventoried. Inventories are carried at the lower of cost or net realizable value. The current portion of inventories is determined based on the expected amounts to be processed within the next twelve months. Inventories not expected to be processed within the next twelve months are classified as long-term.

The major classifications of inventory are as follows:

### Stockpiles

Stockpiles represent coarse ore that has been extracted from the mine and is available for further processing. Stockpiles are measured by estimating the number of tons (via truck counts and/or in-pit surveys of the ore before stockpiling) added and removed from the stockpile, the number of contained ounces (based on assay data) and the recovery percentage (based on the process for which the ore is destined). Stockpile tonnages are verified by periodic surveys. Stockpiles are valued based on mining costs incurred up to the point of stockpiling the ore, including applicable depreciation, depletion and amortization relating to mining operations. Value is added to a stockpile based on the current mining cost per ton plus applicable depreciation, depletion and amortization and removed at the average cost per recoverable ounce of gold in the stockpile.

### Ore on Leach Pads

The recovery of gold from certain oxide ores is best achieved through the heap leaching process. Under this method, ore is placed on leach pads where it is permeated with a chemical solution, which dissolves the gold contained in the ore. The resulting pregnant solution is further processed in a leach plant where the gold-in-solution is recovered. For accounting purposes, value is added to leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations. Value is removed from the leach pad as ounces are recovered in circuit at the leach plant based on the average cost per recoverable ounce of gold on the leach pad.

The engineering estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on the leach process and ore type). In general, the leach pad production cycles project recoveries of approximately 50% to 70% of the placed recoverable ounces in the first year of leaching, declining each year thereafter until the leaching process is complete.

Although the quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on pads to the quantities of gold actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely

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monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a pad will not be known until the leaching process is terminated.

The current portion of leach pad inventories is determined based on engineering estimates of the quantities of gold at the balance sheet date that are expected to be recovered during the next twelve months.

In-process

In-process inventories represent materials that are currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific mining operation, but include mill in-circuit, leach in-circuit, flotation and column cells, and carbon in-pulp inventories. In-process material is measured based on assays of the material fed to process and the projected recoveries of the respective plants. In-process inventories are valued at the average cost of the material fed to process attributable to the source material coming from the mine, stockpile or leach pad plus the in-process conversion costs, including applicable depreciation relating to the process facility, incurred to that point in the process.

*Precious Metals*

Precious metals inventories represent saleable gold doré or gold bullion and are valued at the average cost of the respective in-process inventories included prior to the refining process, plus refining costs.

Deferred Stripping Costs

In general, mining costs are charged to *Costs applicable to sales* as incurred. However, at open-pit mines, which have diverse grades and waste-to-ore ratios over the mine life, the Company defers and amortizes certain mining costs on a units-of-production ( UOP ) basis over the life of the mine. These mining costs, which are commonly referred to as deferred stripping costs, are incurred in mining activities that are normally associated with the removal of waste rock. The deferred stripping accounting method is generally accepted in the mining industry where mining operations have diverse grades and waste-to-ore ratios; however industry practice does vary. Deferred stripping matches the costs of production with the sale of such production at the Company's operations where it is employed, by assigning each ounce of gold with an equivalent amount of waste removal cost. If the Company were to expense stripping costs as incurred, there may be greater volatility in the Company's period-to-period results of operations.

At the Company's gold mining operations, deferred stripping costs are charged to *Costs applicable to sales* as gold is produced and sold using the UOP method based on estimated recoverable ounces of proven and probable gold reserves, using a stripping ratio calculated as the ratio of total tons to be moved to total proven and probable ore reserves, and result in the recognition of the costs of waste removal activities over the life of the mine as gold is produced and sold. The application of the deferred stripping accounting method generally results in an asset on the balance sheet (*Deferred stripping costs*), although a liability will arise if amortization exceeds costs deferred.

At the Company's equity accounted Batu Hijau operation, deferred stripping costs are charged to *Production costs* as copper and gold are produced and sold using the UOP method based on estimated recoverable pounds and ounces, respectively, of proven and probable ore reserves, using a stripping ratio based on total tons to be moved to total pounds of copper and ounces of gold to be recovered over the life of the mine. In the fourth quarter of 2002, NTP determined that PTNNT had incorrectly included material other than proven and probable reserves in its deferred stripping calculations. As a result, NTP has restated its financial statements beginning with the fourth quarter 1999 through the third quarter of 2002. (See Note 20.)

The average remaining life of the open-pit mine operations where the Company defers mining costs is five years, which represents the average time period over which the deferred stripping costs will be amortized. The amortization of deferred stripping costs is reflected in the income

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statement over the remaining life of the open-pit mine operations so that no unamortized balance remains at mine closure. Cash flows from the Company's individual mining operations are reviewed regularly, and at least annually, for the purpose of assessing whether any write downs to the deferred stripping cost balances are required.

Historically, Newmont classified deferred stripping costs as a component of *Property, Plant and Mine Development* on the *Consolidated Balance Sheets*. Effective January 1, 1999, Newmont has classified these costs

as separate line items, *Deferred stripping costs* and *Current portion of deferred stripping costs*, on the *Consolidated Balance Sheets*. Total deferred stripping costs as of March 31, 2002 and December 31, 2001 of \$85.6 million and \$91.6 million, respectively, include current portions of \$72.9 million and \$71.5 million, respectively. In addition, Newmont has historically classified additions to deferred stripping costs as a component of *Additions to property, plant and mine development* in *Investing activities* in the *Statements of Consolidated Cash Flows*. Effective January 1, 1999, Newmont also has classified additions to deferred stripping costs as a component of *Amortization of deferred stripping costs, net* in *Operating activities* in the *Statements of Consolidated Cash Flows*. Additions to deferred stripping costs for the three-month periods ended March 31, 2002 and 2001 of \$1.4 million and \$8.6 million, respectively, have been reclassified to conform to the current presentation. The foregoing changes, which have no impact to reported earnings, have been made to more accurately reflect the operating nature of the deferred stripping method.

#### Property, Plant and Mine Development

Expenditures for new facilities or expenditures that extend the useful lives of existing facilities are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the estimated productive lives of such facilities. Productive lives range from 2 to 21 years, but do not exceed the related estimated mine life based on proven and probable reserves.

Mineral exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively to develop the property are capitalized as incurred and are amortized using the UOP method over the estimated life of the ore body based on estimated recoverable ounces mined from proven and probable reserves. At the Company's surface mines, these costs include costs to further delineate the ore body and remove overburden to initially expose the ore body. At the Company's underground mines, these costs include the building of access ways, shaft sinking and access, lateral development, drift development, ramps and infrastructure development.

Major development costs incurred after the commencement of production, including estimated costs to be incurred during the calendar year at certain underground mining operations, are amortized using the UOP method based on estimated recoverable ounces mined from proven and probable reserves. To the extent that these costs benefit the entire ore body, they are amortized over the estimated life of the ore body. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortized over the specific ore area.

Ongoing development expenditures to maintain production are charged to operations as incurred.

During the third quarter of 2002, Newmont changed its accounting policy, retroactive to January 1, 2002, with respect to DD&A of Property, Plant and Mine Development to exclude future estimated development costs expected to be incurred for certain underground operations. Previously, the Company had included these costs and associated reserves in its DD&A calculations at certain of its underground mining operations. In addition, the Company further revised its policy such that costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are depreciated, depleted or amortized over the reserves associated with the specific ore area. These changes were made to better match DD&A with the associated ounces of gold sold and to remove the inherent uncertainty in estimating future development costs in arriving at DD&A rates. See discussion of accounting changes in Note 13.

Interest expense allocable to the cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use.

#### Mineral Interests and Other Intangible Assets



Mineral interests and other intangible assets include acquired proven and probable reserves, undeveloped mineral interests and royalty interests.

### *Mineral Interests*

Undeveloped mineral interests include: (i) *Other mineralized material* includes primarily inferred material within pits; measured, indicated and inferred material with insufficient drill spacing to qualify as proven and probable reserves; and inferred material in close proximity to proven and probable reserves; (ii) *Around-mine exploration potential* includes primarily inferred material not immediately adjacent to existing reserves and mineralization but located within the immediate mine infrastructure; and (iii) *Other exploration potential* is not part of measured, indicated or inferred material and is comprised mainly of material outside of the immediate mine area.

Proven and probable reserves are amortized on a UOP basis over the respective mine lives. Undeveloped mineral interests are amortized on a straight-line basis over their estimated useful lives taking into account residual values. At such time as an undeveloped mineral interest is converted to proven and probable reserves, the remaining unamortized basis is amortized on a UOP basis as described above.

### *Royalty Interests*

Royalty interests associated with proven and probable reserves are amortized on a UOP basis over the respective mine lives based on proven and probable reserves. Royalty interests associated with undeveloped mineral interests are amortized on a straight-line basis over their estimated useful lives. At such time as the associated undeveloped mineral interest is converted to proven and probable reserves, the remaining unamortized basis in the royalty interest is amortized on a UOP basis as described above.

### *Residual Values*

Residual values for undeveloped mineral interests represent the expected fair value of the interests at the time the Company plans to convert, develop, further explore or dispose of the interests. The residual values range from zero to 90% of the gross carrying value of the respective undeveloped mineral interests.

### *Expected Useful Lives*

Determination of expected useful lives for amortization calculations are made on a property-by-property basis. Mineral interests associated with operating mines and royalty interests are amortized over the estimated life of the mine. Mineral interests, not associated with operating mines, generally greenfields exploration properties, would normally be cycled through Newmont's exploration process in 3 to 5 years and accordingly, the Company's amortization period for greenfields exploration properties is the period in which the Company expects to complete its exploration process.

The range of useful lives currently associated with assets amortized on a straight-line basis is from 3 to 35 years. The range of useful lives currently associated with assets amortized on a UOP basis is from 3 to 35 years.

The Company evaluates the residual value and the associated remaining amortization period on a property-by-property basis at least annually. Any changes in estimates of useful lives and residual values are accounted for prospectively from the date of the change in accordance with Accounting Principles Board ( APB ) Opinion No. 20 Accounting Changes. See Note 6 for additional disclosures associated with *Mineral interests and other intangible assets, net*.

#### Accounting for Merchant Banking Activities

Newmont accounts for its merchant banking activities on a historical cost basis in a separate wholly-owned subsidiary, which is included in the consolidated financial statements. Merchant banking activities include the development of value optimization strategies for operating and non-operating assets, managing the equity investment portfolio, business development activities related to potential merger and acquisition analysis and negotiations, managing and building the royalty business, mobilizing and monetizing inactive exploration

properties, capitalizing on Newmont's proprietary technology know-how and acting as an internal resource for other corporate divisions to improve and maximize business outcomes. For segment reporting purposes, the merchant banking business is considered to be a separate operating segment because it engages in activities from which it earns revenues and incurs expenses and its operating results are regularly and separately reviewed by the Chief Operating Decision Maker.

#### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

#### Foreign Currency Translation

The functional currency for the majority of the Company's operations, including the Australian operations, is the U.S. dollar. The functional currency of the Canadian operations is the Canadian dollar. All assets and liabilities recorded in functional currencies other than U.S. dollars are translated at current exchange rates. The resulting adjustments are charged or credited directly to *Accumulated other comprehensive income (loss)* in *Stockholders' equity*. Revenues and expenses in foreign currencies are translated at the weighted average exchange rates for the period. All realized and unrealized transaction gains and losses are included in income in *Dividends, interest, foreign currency exchange and other income*. References to A\$ refers to Australian currency, CDN\$ to Canadian currency and \$ or US\$ , to United States currency.

#### (2) Acquisitions of Normandy and Franco-Nevada

In November 2001, Newmont announced proposed acquisitions of Normandy Mining Limited ( Normandy ), an Australian company, and Franco-Nevada Mining Corporation Limited ( Franco-Nevada ), a Canadian company.

On February 16, 2002, pursuant to a Canadian Plan of Arrangement, Newmont acquired 100% of Franco-Nevada in a stock-for-stock transaction in which Franco-Nevada common stockholders received 0.8 of a share of Newmont common stock, or 0.8 of a Canadian exchangeable share (exchangeable for Newmont common), for each common share of Franco-Nevada. The exchangeable shares are substantially equivalent to Newmont common shares. On February 20, 2002, Newmont obtained control of Normandy through a tender offer for all of the ordinary shares in the capital of Normandy. For accounting purposes, the effective date of the Normandy acquisition was the close of business on February 15, 2002, when Newmont received the irrevocable tender from shareholders for more than 50% of the outstanding shares of Normandy. Accordingly, the results of operations of Normandy and Franco-Nevada have been included in the accompanying financial statements from February 16, 2002 forward. On February 26, 2002, when the tender offer for Normandy expired, Newmont controlled more than 96% of Normandy's outstanding shares. Newmont exercised its rights to acquire the remaining shares of Normandy in April 2002. Consideration paid for Normandy included 3.85 shares of Newmont common stock for every 100 ordinary shares of Normandy (including ordinary shares represented by American depository receipts) plus A\$0.50 per Normandy share, or the U.S. dollar equivalent of that amount for Normandy stockholders outside Australia.

Normandy was Australia's largest gold company with interests in 16 development-stage or operating mining properties worldwide. Franco-Nevada was the world's leading precious minerals royalty company and had interests in other investments in the Mining Industry. Following the February 2002 acquisitions, Normandy was renamed Newmont Australia Limited and Franco-Nevada was renamed Newmont Mining Corporation of Canada Limited.

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The purchase price for these acquisitions totaled \$4.4 billion, composed of 197.4 million Newmont shares (or share equivalents), \$462.1 million in cash and approximately \$90 million of direct costs. The value of Newmont shares (or share equivalents) was \$19.01 per share based on the average market price of the shares over the two-day period before and after January 2, 2002, the last trading day before the final and revised terms for the Normandy and Franco-Nevada acquisitions were announced.

The combination of Newmont, Normandy and Franco-Nevada was designed to create a platform for rational growth and for delivering superior returns to shareholders. With a larger global operating base, a broad and balanced portfolio of development projects and a stable income stream from mineral royalties and investments, the combined company will have opportunities to optimize returns, realize synergies through rationalization of corporate overhead and exploration programs, realize operating efficiencies, reduce operating and procurement costs and reduce interest expense and income taxes. The acquisitions resulted in approximately \$2.6 billion of goodwill primarily related to the Merchant Banking business, the combined global exploration expertise and the synergies discussed above (see Note 21).

The acquisitions were accounted for using the purchase method of accounting whereby assets acquired and liabilities assumed were recorded at their fair market values as of the date of acquisition. The excess of the purchase price over such fair value was recorded as goodwill. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, goodwill was assigned to specific reporting units. Goodwill and other identifiable intangibles not subject to amortization will be reviewed for possible impairment at least annually or more frequently when an event or change in circumstances indicates that a reporting unit's carrying amount is greater than its fair value.

The following reflects the preliminary purchase allocation for the acquisition of 100% of Normandy (in millions, except per share data):

Shares of Newmont common stock issued to Normandy stockholders, including shares attributable to Franco-Nevada's 19.8% investment in Normandy	86.8
Value of Newmont stock per share	\$ 19.01
	<hr/>
Fair value of Newmont common stock issued	\$ 1,649.9
Plus Cash consideration of A\$0.50 per share	462.1
Plus Fair value of Normandy stock options cancelled by Newmont	6.0
Plus Estimated direct acquisition costs incurred by Newmont	60.0
	<hr/>
Total Purchase Price	2,178.0
Plus Fair value of liabilities assumed by Newmont:	
Current liabilities, excluding accrued acquisition costs and settlement of stock options	195.7
Long-term debt, including current portion	935.7
Derivative instrument liabilities	414.5
Other long-term liabilities	453.1
Minority interests acquired	37.2
Less Fair value of assets acquired by Newmont:	
Current assets	(460.6)
Property, plant and equipment	(435.9)
Mineral interests and other intangible assets	(1,389.6)
Exploration properties	(33.1)
Equity investments in mining operations	(216.5)
Other long-term assets	(273.1)
	<hr/>
Residual purchase price allocated to goodwill	\$ 1,405.4
	<hr/>

The following table reflects the preliminary purchase allocation for the acquisition of Franco-Nevada (in millions, except per share data):

Shares of Newmont common stock (or equivalents) issued to Franco-Nevada stockholders, excluding shares attributable to Franco-Nevada's 19.8% investment in Normandy	110.6
Value of Newmont stock per share	\$ 19.01
<hr/>	
Fair value of Newmont common stock issued	\$ 2,101.2
Plus Fair value of Franco-Nevada options assumed by Newmont	30.4
Plus Fair value of Franco-Nevada warrants assumed by Newmont	13.3
Plus Estimated direct acquisition costs incurred by Newmont	30.0
<hr/>	
Total purchase price	2,174.9
Plus Fair value of liabilities assumed by Newmont:	
Current liabilities, excluding accrual of acquisition costs	8.5
Other liabilities	209.9
Less Fair value of assets acquired by Newmont:	
Current assets	(708.0)
Intangible mining royalty properties	(404.2)
Investments in affiliated companies (excluding the 19.8% interest in Normandy)	(108.0)
<hr/>	
Residual purchase price allocated to goodwill	\$ 1,173.1
<hr/>	

The purchase price allocations are preliminary and were finalized following the completion of an independent appraisal at the end of 2002. The final purchase price allocations differed from the preliminary allocation presented above, particularly with respect to the amounts allocated to acquired property, plant and mine development, mineral reserves, undeveloped mineral interests, exploration properties, equity investments in mining operations, intangibles and goodwill. The final purchase price allocation may result in increases in future depreciation, depletion and amortization charges. The Company does not currently anticipate this goodwill will be deductible for tax purposes (see Note 21).

For information purposes only, the following unaudited pro forma data reflect the consolidated results of operations of Newmont as if the acquisitions of Normandy and Franco-Nevada had taken place on January 1, 2001 (in millions, except per share data):

	<u>Three months ended</u>	
	<u>March 31,</u> <u>2002</u>	<u>March 31,</u> <u>2001</u>
Sales and other income(1)	\$ 651.3	\$ 737.4
Net loss applicable to common shares before cumulative effect of a change in		
accounting principle(1)	\$ (149.7)	\$ (93.8)
Net loss applicable to common shares(1)	\$ (142.0)	\$ (93.8)
Basic and diluted loss per common share before cumulative effect of a change in accounting principle(1)	\$ (0.38)	\$ (0.24)
Basic and diluted loss per common share(1)	\$ (0.36)	\$ (0.24)
Basic and diluted weighted average common shares outstanding	393.9	390.0
<hr/>		

(1) As restated see Note 20.

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On a pro forma basis during the quarters ended March 31, 2002 and 2001, the net loss reflects mark-to-market losses on derivative instruments totaling \$161.3 million and \$111.2 million, respectively, net of tax. The above pro forma amounts do not include the application of hedge accounting to significant portions of acquired derivative instruments. The net loss for the quarter ended March 31, 2001 includes \$43.7 million of non-recurring expenses, net of tax, associated with Newmont's merger with Battle Mountain Gold Company ( Battle Mountain ). The pro forma information is not indicative of the results of operations that would have occurred had the acquisitions been consummated on January 1, 2001. The information is not indicative of the combined company's future results of operations.



The allocation of goodwill to reporting units is preliminary and was finalized by the end of 2002; therefore, the final allocation differed from the preliminary allocation below (see Note 21). Changes in the carrying amount of goodwill by reporting unit during the first three months of 2002 are summarized in the following table (in millions, and unaudited):

	Nevada	Other North America	Total North America	Yanacocha	Other South America	Total South America
Balance at January 1, 2002	\$	\$	\$	\$	\$	\$
Preliminary purchase price allocation	252.6		252.6			
Impairment losses						
Gain (loss) on disposal of separate reporting units						
Balance at March 31, 2002	\$ 252.6	\$	252.6	\$	\$	\$

  

	Pajingo	Other Australia	Total Australia	Zarafshan- Newmont	Other International Operations	Total Gold
Balance at January 1, 2002	\$	\$	\$	\$	\$	\$
Preliminary purchase price allocation	75.2	601.1	676.3		288.7	1,217.6
Impairment losses						
Gain (loss) on disposal of separate reporting units						
Balance at March 31, 2002	\$ 75.2	\$ 601.1	\$ 676.3	\$	\$ 288.7	\$ 1,217.6

  

	Base Metals	Exploration	Merchant Banking	Corporate and Other	Consolidated
Balance at January 1, 2002	\$	\$	\$	\$	\$
Preliminary purchase price allocation	159.0		1,130.3		2,506.9
Impairment losses					
Gain (loss) on disposal of separate reporting units					
Balance at March 31, 2002	\$ 159.0	\$	\$ 1,130.3	\$	\$ 2,506.9

### (3) Merger with Battle Mountain Gold Company

On January 10, 2001, Newmont completed a merger with Battle Mountain where each share of common stock of Battle Mountain and each exchangeable share of Battle Mountain Canada Ltd. (a wholly-owned subsidiary of Battle Mountain) was converted into the right to receive 0.105 share of Newmont common stock, or approximately 24.1 million shares. Newmont also exchanged 2.3 million shares of newly issued \$3.25 convertible preferred stock for all outstanding shares of Battle Mountain's \$3.25 convertible preferred stock. The merger was accounted for as a pooling of interests, and as such, the consolidated financial statements include Battle Mountain's financial data as if Battle Mountain had always been part of Newmont.



**(4) Inventories**

	<u>At March 31, 2002</u>	<u>At December 31, 2001</u>
	(in thousands)	
	As	
	Restated	
Current:		
Stockpiles	\$ 124,992	\$ 168,501
Ore on leach pad	187,830	147,656
In-process	90,075	32,297
Precious metals	61,574	10,179
Materials and supplies	115,127	92,556
Other		925
	<u>\$ 579,598</u>	<u>\$ 452,114</u>
Non-current:		
Stockpiles	\$ 54,051	\$ 18,464
Ore on leach pad	58,059	99,228
	<u>\$ 112,110</u>	<u>\$ 117,692</u>

**(5) Property, Plant and Mine Development**

	At March 31, 2002			At December 31, 2001		
	Cost	Accumulated Depreciation and Depletion	Net Book Value	Cost	Accumulated Depreciation and Depletion	Net Book Value
	(in thousands)					
Land	\$ 96,505	\$	\$ 96,505	\$ 86,388	\$	\$ 86,388
Buildings and equipment	3,886,881	(2,115,173)	1,771,708	3,491,231	(2,068,149)	1,423,082
Mine development	875,631	(560,308)	315,323	842,409	(519,484)	322,925
Construction-in-progress	134,276		134,276	97,854		97,854
<b>Total</b>	<b>\$ 4,993,293</b>	<b>\$ (2,675,481)</b>	<b>\$ 2,317,812</b>	<b>\$ 4,517,882</b>	<b>\$ (2,587,633)</b>	<b>\$ 1,930,249</b>
	At March 31, 2002			At December 31, 2001		
	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
	(in thousands, as restated)					
<b>Mineral Interests:</b>						
Producing property						
Proven and probable reserves	\$ 971,361	\$ (217,828)	\$ 753,533	\$ 365,566	\$ (205,716)	\$ 159,850
Undeveloped mineral interests	413,121	(522)	412,599	17,148		17,148
Royalties	299,216	(1,677)	297,539			
	<u>1,683,698</u>	<u>(220,027)</u>	<u>1,463,671</u>	<u>382,714</u>	<u>(205,716)</u>	<u>176,998</u>
Non-producing property						
Proven and probable reserves	130,214		130,214			
Undeveloped mineral interests	244,904	(688)	244,216			
Royalties	12,367	(45)	12,322			
	<u>387,485</u>	<u>(733)</u>	<u>386,752</u>			
<b>Total mineral interests</b>	<b>2,071,183</b>	<b>(220,760)</b>	<b>1,850,423</b>	<b>382,714</b>	<b>(205,716)</b>	<b>176,998</b>
<b>Oil and gas:</b>						
Producing property						
Royalties	43,819	(292)	43,527			
Working interest	23,972	(98)	23,874			
	<u>67,791</u>	<u>(390)</u>	<u>67,401</u>			
Non-producing property						
Royalties	12,981		12,981			
Working interest	4,660		4,660			
	<u>17,641</u>		<u>17,641</u>			
<b>Total oil and gas</b>	<b>85,432</b>	<b>(390)</b>	<b>85,042</b>			

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<b>Other</b>	12,700		12,700			
<b>Total</b>	\$ 2,169,315	\$ (221,150)	\$ 1,948,165	\$ 382,714	\$ (205,716)	\$ 176,998

The Company's mineral interests and oil and gas interests intangible assets are subject to amortization. The aggregate amortization expense for the three months ended March 31, 2002 was \$15.4 million.

**(7) Deferred Stripping Costs**

Movements in the deferred stripping costs balance were as follows:

	Three Months Ended March 31,	
	2002	2001
	(in thousands)	
Opening balance	\$ 91,631	\$ 129,041
Additions	1,449	8,581
Amortization	(7,498)	(9,612)
Closing balance	\$ 85,582	\$ 128,010

See Notes 1 and 19 for additional information concerning deferred stripping.

**(8) Investments**

	At March 31, 2002	At December 31, 2001
	(in thousands)	
	(unaudited)	
Investments in affiliates:		
Batu Hijau(1)	\$ 569,427	\$ 543,324
TVX Newmont Americas	167,600	
Australian Magnesium Corporation	34,700	
Australian Gold Refinery	10,300	
	782,027	543,324
Other:		
Echo Bay Mines	108,000	
Infrastructure Bond	103,199	
	211,199	
	\$ 993,226	\$ 543,324

(1) As restated. See Note 20.

### **Investments in Affiliated Companies**

#### *Batu Hijau*

Newmont has an indirect 45% interest in P.T. Newmont Nusa Tenggara ( PTNNT ), the owner of the Batu Hijau copper/gold mine in Indonesia, through the Nusa Tenggara Partnership ( NTP ). The equity investment in Batu Hijau was \$569.4 million and \$543.3 million at March 31, 2002 and December 31, 2001, respectively, based on accounting principles generally accepted in the U.S. Differences between 56.25% of NTP 's net assets and Newmont 's investment include (i) \$202.6 million for the fair market value adjustment recorded by NTP in conjunction with Newmont 's initial contribution, (ii) \$25.5 million for intercompany charges, (iii) \$113.0 million for the fair market value adjustment recorded by Newmont in conjunction with the purchase of a subsidiary minority interest and (iv) \$139.8 million for contributions recorded by Newmont that were classified as debt by NTP. Certain of these amounts are amortized or depreciated on a unit-of-production basis. (See Note 16 for a description of Newmont 's equity loss in Batu Hijau, where the net loss reflects the elimination of interest between PTNNT and NTP.) NTP 's long-term debt was guaranteed by Newmont and our partner until project completion tests were met in October 2000, at which time such debt became non-recourse to Newmont. Repayment of this debt is in semi-annual installments of \$43.5 million through November 2010, and \$22.1 million from May 2011 through November 2013.

On May 9, 2002, PTNNT completed a restructuring of its \$1.0 billion project financing facility (Senior Debt) that provides PTNNT the capability to defer up to a total of \$173.4 million in principal payments scheduled for 2002 and 2003. Any deferred principal amounts will be amortized between 2004 and 2010. Under this restructuring, PTNNT is not permitted to pay dividends or make other restricted payments to NTP's partners as long as any amount of deferred principal is outstanding; however, there is no restriction on prepaying any of the deferred principal amounts. Amounts currently outstanding under the project financing facility total \$913.4 million.

Newmont and our partner provide a contingent support line of credit to PTNNT. During 2002, Newmont funded \$24.8 million under this facility as its pro-rata share for capital expenditures. Additional support from NTP's partners available under this facility is \$115.0 million, of which Newmont's pro-rata share is \$64.7 million.

In fourth quarter of 2002, NTP determined that PTNNT had incorrectly included material other than proven and probable revenues in its depreciation and deferred stripping calculations. NTP also determined that PTNNT had incorrectly included third party smelting and refining charges as a component of production costs when such charges are more properly reflected as a reduction of revenue based on the terms of NTP's sales contracts. Furthermore, NTP determined that PTNNT had incorrectly excluded DD&A as a capitalized cost in inventory. As result, NTP restated its financial statements from 1999 through September 2002. (See Note 20.)

The following is NTP summarized financial information based on U.S. generally accepted accounting principles:

	<b>Three months ended March 31,</b>	
	<b>2002</b>	<b>2001</b>
	(in thousands)	
Revenues, net of smelting and refining costs (2)	\$ 71,905	\$ 72,252
Revenues from by-product sales credited to production costs	\$ 22,133	\$ 24,235
Net loss before cumulative effect of a change in accounting principle(1)	\$ (4,430)	\$ (21,999)
Net loss (1)	\$ (4,430)	\$ (22,026)
	<b>At March 31, 2002</b>	<b>At December 31, 2001</b>
	(in thousands)	
Current assets (1)	\$ 202,297	\$ 162,686
Property, plant and mine development, net (1)	\$ 1,728,211	\$ 1,737,504
Intangible mineral interests	\$ 200,732	\$ 202,830
Other assets (1)	\$ 286,859	\$ 273,737
Debt and related interest to partners and affiliate	\$ 256,123	\$ 254,891
Other current liabilities(1)	\$ 115,820	\$ 124,153
Long-term debt-third parties (including current portion)	\$ 935,771	\$ 935,771
Other liabilities (1)	\$ 82,820	\$ 163,993

(1) As restated. See Note 20.

(2) As restated to reflect smelting and refining costs as a reduction of revenue.

The Batu Hijau (PTNNT) operation produces a metal concentrate, which contains payable copper and gold and minor values of payable silver. PTNNT has entered into long-term contracts for the sale of these metal concentrates with highly reputable refiners in Japan, Korea, Australia, China ( Non-European Refiners ) and Europe ( European Refiners ). In accordance with the contracts, title to the concentrates and the risk of loss



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are passed to the buyer when the concentrates are moved over the vessel's rail at the Port (loading Port for Non-European Refiners and unloading Port for European Refiners). The contract terms provide that 90% of a provisional sales price, which is calculated in accordance with terms specified in the individual contracts based on an initial assay and weight certificate, is collected within three business days after the concentrates arrive at the smelter ( final delivery ). Factors entering into the calculation of the provisional sales price are (1) metals

prices, pursuant to the terms of related contracts, calculated using quoted London Metals Exchange ( LME ) prices for the second calendar week prior to shipment and (2) treatment and refining charges. The balance of the sales price is received at final settlement and is based on final assays and weights, and final metal prices during the respective metal quotational periods. The quotational period for copper is the average LME price in the third month following the month of final delivery. The quotational period for gold and silver is the average LME price in the month of shipment. Final delivery to Non-European Refiners and European Refiners takes approximately 14 days and 30 days, respectively. The majority of the Batu Hijau concentrates are shipped to Non-European Refiners. Accordingly, the time between initial recording of revenue and final settlement averages approximately three and one-half months but could be as long as four months.

In accordance with U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 101 ( SAB 101 ), certain conditions must be met prior to recognizing revenue. These conditions are persuasive evidence of a contract exists; delivery has occurred; the price is fixed or determinable; and collectability is reasonably assured. In accordance with SAB 101, PTNNT recognizes metal sales revenues following: (1) the passage of title after the loading or unloading of the concentrates, (2) issuance of an initial assay and weight certificate, and (3) issuance of a provisional invoice. At this point in time, the sales price is determinable since it is based on defined contract terms, initial assays are available, and it can be reasonably estimated by reference to published price indices on actively and freely traded commodity exchanges. Additionally, there is no significant uncertainty as to collectability given that all of the refiners are of high-credit quality and that 90% of the provisional price is paid within 3 days of final delivery at the refiner.

Concentrate sales are initially recorded based on 100% of the provisional sales prices. Until final settlement occurs, adjustments to the provisional sales prices are made to take into account metal price changes, based upon the month-end spot price and metal quantities upon receipt of the final assay and weight certificates, if different from the initial certificate. PTNNT previously marked to market its provisional sales based on the month end spot prices. Effective January 1, 2002, PTNNT changed its methodology to mark to market its provisional sales based on the forward price for the estimated month of settlement. This change in methodology did not have a material effect on net income for the three months ended March 31, 2002. The principal risks associated with recognition of sales on a provisional basis include metal price fluctuations between the date recorded and the date of final settlement. In addition, in the event of a significant decline in metal prices between the provisional pricing date and the final settlement-pricing period, it is reasonably possible that PTNNT would be required to return a portion of the sales proceeds received based on the provisional invoice. For the three months ended March 31, 2002 and 2001, PTNNT had recorded revenues of \$95 million and \$105 million, respectively, which were subject to final pricing adjustments. The average price adjustment for copper was 2.2% and 2.7% for the three months ended March 31, 2002 and 2001, respectively. The average price adjustment for gold was 0.6% and 0.3% for the three months ended March 31, 2002 and 2001, respectively.

PTNNT's sales based on a provisional sales price contain an embedded derivative which 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 LME price at the time of sale. The embedded derivative, which does not qualify for hedge accounting, is marked-to-market through earnings each period prior to final settlement. At March 31, 2002, PTNNT had consolidated embedded copper derivatives on 130.9 million pounds recorded at an average price of \$0.73 per pound. These derivatives are expected to be finally priced during the third quarter of 2002. A one-cent movement in the average price used for these derivatives will have an approximate \$0.8 million impact on PTNNT's 2002 net income.

Revenue from the sale of by-products, consisting of gold and silver, is credited to production costs applicable to sales in the determination of net income for each period presented. These by-product commodities, gold and silver, represented 31% and 34% of sales net of smelting and refining charges and reduced production costs by 39% and 34% for the three-month periods ended March 31, 2002 and 2001, respectively. Gold and silver revenues are significant to the economics of the Batu Hijau operations. At current copper prices, the Batu Hijau operation would not be profitable without these credits.

PTNNT does not acquire, hold or issue financial instruments for trading or speculative purposes. Financial instruments are used to manage certain market risks resulting from fluctuations in commodity prices (such as copper and diesel fuel) and foreign currency exchange rates. Copper is an internationally traded commodity, and its prices are effectively determined by the LME. On a limited basis, PTNNT hedges sales commitments by entering into copper swap contracts. These swap contracts are generally settled against the LME average monthly price in accordance with the terms of the contracts. Currently, PTNNT has put in place derivative instruments against the price of copper, Australian dollar and some of its diesel purchases. The derivative instruments on the Australian dollar relate to Australian denominated purchases.

Consistent with the contracts described above, PTNNT entered into a series of copper hedging transactions in March 2002. At March 31, 2002, 23,400 metric tonnes of copper were hedged. These contracts will be settled during the second quarter of 2002. These contracts allow PTNNT to realize an average of \$16.19 per metric tonne (approximately \$0.73 per pound).

In 2001, PTNNT purchased A\$15 million at an average price of US\$0.4971. These contracts covered 1.5 million Australian dollars each month and were designated as cash flow hedges with the net effect of marking to market the contracts recorded in *Accumulated other compensation income*. The outstanding Australian dollar contracts at March 31, 2002 in the amount of US\$5.2 million (A\$7.5 million) were settled in October 2002.

In 2001, PTNNT entered into two diesel hedging contracts for 360,000 barrels each at a fixed price of US\$27.39 per barrel and US\$27.98 per barrel, respectively. Each of these contracts covers purchases of 15,000 barrels monthly and will expire in August and September of 2003, respectively. These contracts have been designated as cash flow hedges. Each contract is settled monthly. At March 31, 2002, 525,000 barrels are outstanding for these contracts.

#### *TVX Newmont Americas*

At March 31, 2002, Newmont had a 49.9% interest in TVX Newmont Americas with an equity investment of \$167.6 million. The principal assets of TVX Newmont Americas are interests in the following operating gold mines in South America and Canada:

Mine	Interest of TVX Newmont Americas	Location
Paracatu	49%	Brazil
Crixas	50%	Brazil
La Coipa	50%	Chile
Musselwhite	31.9%	Canada
New Britannia	50%	Canada

On January 31, 2003, Newmont sold its 49.9% interest in TVX Newmont Americas (see Note 21).

#### *Australian Magnesium Corporation*

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Newmont has a 22.8% voting interest in Australian Magnesium Corporation ( AMC ). Newmont has an obligation to contribute to AMC approximately \$53.3 million in equity between October 31, 2002 and January 31, 2003. Newmont is guarantor of AMC s foreign exchange hedging position of approximately \$124 million, as well as AMC s A\$72 million (approximately \$38 million) corporate facility. Newmont provided a \$50 million contingency equity commitment in the event the project does not achieve certain specified production and operating criteria by September 2006.

A series of foreign exchange contracts have been entered into by QMC Finance Pty. Limited ( QMC ), a subsidiary of Australian Magnesium Corporation. Under a facility agreement between QMC and ANZ Banking Group Limited, all obligations related to these contracts have been guaranteed by Newmont Australia and certain

of its wholly-owned subsidiaries. These transactions are designed to convert the receipt of Euro dollars and US\$ revenue from the sale of magnesium into A\$ cash flows to cover A\$ operating costs and the servicing of A\$-denominated debt. The contracts include foreign exchange forward contracts and bought put options. ANZ Banking Group Limited is the counter party to all the contracts. As of March 31, 2002, the fair value of the transactions was approximately US\$(6.4) million.

On January 3, 2003, Newmont contributed A\$100 million to AMC, increasing its ownership percentage. Newmont's ownership percentage was then subsequently decreased (See Note 21).

#### *Echo Bay Mines Ltd.*

Newmont obtained a 48.8% interest in Echo Bay through its acquisition of Franco-Nevada in February 2002. Franco-Nevada purchased capital securities debt obligations of Echo Bay with face value of \$72.4 million in June 2001. In January 2002, \$4.6 million of these capital securities debt obligations were sold. Newmont acquired Franco-Nevada's remaining holdings of Echo Bay's capital securities debt obligations in connection with Newmont's acquisition of Franco-Nevada. Subsequent to this acquisition, an agreement was reached with Echo Bay and the capital securities holders to exchange the capital securities debt obligations for common stock of Echo Bay. This exchange of capital securities debt obligations for common stock occurred on April 3, 2002 and resulted in Newmont Mining Corporation of Canada Limited (a wholly-owned subsidiary of Newmont Mining Corporation) owning 48.8% of Echo Bay which decreased to 45.3% as of September 30, 2002 as a result of equity issuances by Echo Bay. From April 3, 2002, Newmont Mining Corporation of Canada Limited has accounted for its investment in Echo Bay under the equity method.

On January 31, 2003, Newmont exchanged its investment in Echo Bay for an interest in Konross Gold Corporation (see Note 21).

#### *Infrastructure Bond*

During 1996, Normandy entered into a series of contemporaneous transactions whereby infrastructure bonds were issued and sold, resulting in the realization of a premium. This premium is amortized over the life of the bonds and the unamortized balance of the premium and the bonds at March 31, 2002 was \$103.2 million.

**(9) Long-Term Debt**

With the acquisition of Normandy, NMC increased its debt as detailed in the following schedule:

	March 31, 2002	December 31, 2001
	(unaudited)	
	(in thousands)	
Sale-leaseback of refractory ore treatment plant	\$ 309,718	\$ 318,092
Newmont \$600 million revolving credit facility		
8.375% debentures, net of discount	199,146	200,583
8.625% notes, due April 1, 2002	150,000	150,000
8.625% notes, net of discount	271,268	272,386
6% convertible subordinated debentures	99,980	99,980
Newmont Australia A\$490 million revolving credit facility	170,570	
Newmont Australia 7.625% notes, net	153,084	
Newmont Australia 7.5% notes, net	102,222	
Newmont Yandal 8.875% notes, net	299,772	
Medium-term notes	32,000	32,000
Newmont Australia infrastructure bonds	94,728	
Prepaid forward sales obligation(1)	145,000	145,000
Interest rate swaps	1,899	588
Project financings, capital leases and other	292,408	208,240
	<u>2,321,795</u>	<u>1,426,869</u>
Current maturities	(440,077)	(192,151)
	<u>\$ 1,881,718</u>	<u>\$ 1,234,718</u>

(1) As restated. See Note 20.

Scheduled minimum long-term debt repayments are \$410 million for the remainder of 2002, \$100 million in 2003, \$178 million in 2004, \$496 million in 2005, \$95 million in 2006 and \$1,043 million thereafter.

Newmont Australia has an A\$490 million committed revolving multi-option facility with a syndicate of banks. In May 2002, Newmont expects to repay the \$170.6 million outstanding under this facility, closing it out, and to increase the Newmont \$600 million facility to \$750 million, with the addition of a \$150 million Australian bank tranche. In 1998, Newmont Australia issued guaranteed \$100 million seven year notes at 7.5% interest and \$150 million ten year notes at 7.625% interest. Interest is paid semi-annually. At March 31, 2002, Newmont Australia had \$90 million outstanding for project financing.

In July 1999, Newmont entered into a prepaid forward sales contract ( Prepaid Forward ) under which it agreed to sell 483,333 ounces of gold to be delivered in June of each of 2005, 2006 and 2007 in annual installments of 161,111 ounces. The Prepaid Forward also included semi-annual delivery requirements of 17,951 ounces of gold, beginning June 2000 through June 2007 for a total delivery obligation over the life of the contract of 752,598 ounces. The Company received net proceeds from this transaction of \$137.2 million (\$145.0 million of gross proceeds before transaction costs of \$653,000 and the purchase of a \$7.1 million surety bond) that was recorded as deferred revenue, included in the

long-term liabilities section of the consolidated balance sheet and was to be recognized into income incrementally when the 161,111 ounce annual gold deliveries were made in 2005, 2006 and 2007. At the time the Company entered into the Prepaid Forward, it also entered into a forward gold purchase contract ( Forward Purchase ), with the same counterparty, to hedge the price risk with respect to the semi-annual delivery requirements. The Forward Purchase provides for semi-annual purchases of 17,951 ounces of gold on each semi-annual delivery date under the Prepaid Forward at prices increasing from \$263 per ounce in 2000 to \$354 per ounce in 2007. On each semi-annual delivery date through

March 31, 2002, the ounces purchased under the Forward Purchase were delivered in satisfaction of the Company's delivery requirements under the Prepaid Forward. As discussed in Note 20, Newmont determined that the accounting treatment for this transaction required correction as the contract did not meet the technical criteria necessary to be accounted for in the manner reflected in the historical financial statements. To properly account for the transaction, the Company's long-term debt was increased by \$145.0 million as the Prepaid Forward and related Forward Purchase are treated under a financing accounting model and accounted for as a single borrowing of \$145.0 million in July 1999, with interest accruing, based on an effective interest rate recognized over the full term of the borrowing. See Note 20 for a complete description of the accounting for the transaction and resulting restatement.

#### (10) Sales Contracts, Commodity and Derivative Instruments

Newmont generally sells production at spot market prices. Nevertheless, Newmont has, on a limited basis, entered into derivative contracts to protect the selling price for certain anticipated gold production and to manage risks associated with sales contracts, commodity and interest rates and foreign currency. Also, in conjunction with the Normandy transaction, Newmont acquired a substantial derivative instrument position. Newmont is not required to place collateral with respect to commodity instruments and there are no margin calls associated with such contracts. Credit risk is minimized by dealing only with major financial institutions/counterparties.

##### *Price-Capped Sales Contracts*

In mid-1999, Newmont purchased near-term put option contracts for 2.85 million ounces of gold, with a strike price of \$270 per ounce. These contracts expired between August 1999 and December 2000. This purchase was paid for by selling call option contracts for 2.35 million ounces at average strike prices ranging from \$350 to \$386 per ounce. The initial fair value of the put options of \$37.6 million was amortized over the term of the options. The call option contracts, with an initial fair value of \$37.6 million, were marked to market at each reporting date. A non-cash gain of \$15.6 million was recorded for the three months ended March 31, 2001.

In September 2001, Newmont entered into transactions that closed out these call options. The options were replaced with a series of sales contracts requiring physical delivery of the same quantity of gold over slightly extended future periods. Under the terms of the contracts, Newmont will realize the lower of the spot price on the delivery date or the capped price ranging from \$350 per ounce in 2005 to \$392 per ounce in 2011. The value of the sales contracts was recorded as deferred revenue and will be included in sales revenue as delivery occurs.

As of March 31, 2002, the following price-capped sales contracts were outstanding:

	<u>Ounces</u>	<u>Price-Cap</u>
2005	500,000	\$ 350
2008	1,000,000	\$ 384
2009	600,000	\$ 381
2011	250,000	\$ 392

##### *Offsetting Commodity Instruments*



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In December 2001, Newmont entered into a series of equal and offsetting positions with respect to commodity instruments for certain Battle Mountain operations that were outstanding at that time. These contracts effectively closed out the combination matched put and call options and flat forward contracts. The offsetting positions were undesignated as hedges and are marked to market in current earnings.

These instruments had offsetting fair values at March 31, 2002. The combination put and call options, covering 169,879 ounces, had a fair value of \$6.2 million at March 31, 2001, included in *Other long-term assets*. The flat forward contracts, covering 56,254 ounces, had a fair value of \$2.4 million at March 31, 2001.

*Recently Acquired Derivative Instruments*

At March 31, 2002, Newmont had the following commodity contracts and financial instruments outstanding that were acquired in the Normandy transaction (expressed in thousands of ounces of gold):

	Expected Maturity Date or Transaction Date						Total/ Average	Fair Value
	2002	2003	2004	2005	2006	Thereafter		US\$ (000)
	(A\$ denominated)							As Restated
<b>Gold Forward Sales Contracts:</b>								
Fixed Forwards:								
Ounces/Fair Value	950.0	904.4	254.6				2,109.0	\$ (54,564.6)
Average price	\$ 303.3	\$ 305.2	\$ 324.5				\$ 306.7	
Floating Rate Forwards:								
Ounces/Fair Value	90.8	391.4	429.0	378.9	475.6	597.5	2,363.2	\$ (108,373.3)
Average price	\$ 298.3	\$ 315.2	\$ 324.5	\$ 328.9	\$ 334.6	\$ 376.1	\$ 337.7	
Synthetic Forwards:								
Ounces/Fair Value		39.0	80.0	80.0	80.0	160.0	439.0	\$ (25,242.8)
Average price		\$ 295.5	\$ 287.7	\$ 287.7	\$ 287.7	\$ 287.7	\$ 288.4	
Total Ounces/Fair Value	1,040.8	1,334.8	763.6	458.9	555.6	757.5	4,911.2	\$ (188,180.7)

Notes: Prices for contracts denominated in A\$ have been translated at the exchange rate on March 31, 2002 of US\$0.53 per A\$1. For all floating rate instruments in the table above, the average prices quoted are gross contractual prices. The net forward prices ultimately realized on floating gold hedging contracts are the sum of the gross contractual forward prices less any associated future financing costs arising from gold borrowing commitments related to such floating rate instruments.

*Fixed forward sales contracts* provide for delivery of a specified number of ounces at a specified price and date and are accounted for as cash flow hedges.

*Floating rate forward contracts* provide for a gold lease rate component in the price that takes into account market lease rates over the term of the contract. Gold lease rates reflect the borrowing cost for gold. Floating rate forwards are accounted for as cash flow hedges.

*Synthetic forward contracts* represent combinations of purchased put options and written call options at the same strike price, maturity date and number of ounces. The combination achieves the same risk management result as gold forward sales contracts.

	Expected Maturity Date or Transaction Date						Total/ Average	Fair Value
	2002	2003	2004	2005	2006	Thereafter		US\$ (000)
<b>Put Option Contracts:</b>								
US\$ Denominated Fixed								
Purchased Puts:								
Ounces/Fair Value	152.4	209.1	202.8	204.8	100.0	95.0	964.1	\$ 367.1

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Average price	\$ 292.3	\$ 291.9	\$ 292.3	\$ 292.2	\$ 337.9	\$ 410.7	\$ 308.6	
A\$ Denominated Fixed								
Purchased Puts:								
Ounces/Fair Value	389.6	44.6	50.8				485.0	\$ (1,615.8)
Average price	\$ 264.0	\$ 295.5	\$ 304.5				\$ 271.1	
A\$ Denominated Floating								
Purchased Puts:								
Ounces/Fair Value	16.0	62.0	37.0	256.0	68.6	287.3	726.9	\$ (24,060.0)
Average price	\$ 298.3	\$ 294.4	\$ 293.0	\$ 309.5	\$ 322.7	\$ 324.3	\$ 314.2	
Total Ounces/Fair Value	558.0	315.7	290.6	460.8	168.6	382.3	2,176.0	\$ (25,308.7)

Notes: Prices for contracts denominated in A\$ have been translated at the exchange rate at March 31, 2002 of US\$0.53 per A\$1. For all floating rate instruments in the table above, the average prices quoted are gross contractual prices. The net forward prices ultimately realized on floating gold hedging contracts are the sum of the gross contractual forward prices less any associated future financing costs arising from gold borrowing commitments related to such floating rate instruments.

*Fixed purchased put option contracts* provide the right, but not the obligation, to sell a specified number of ounces at a specified strike price and are accounted for as cash flow hedges. *Floating forward purchased put option contracts* provide for a variable gold lease rate component in the strike price. These options are accounted for as cash flow hedges.

	Expected Maturity Date or Transaction Date						Total/ Average	Fair Value
	2002	2003	2004	2005	2006	Thereafter		US\$ (000)
								<b>As Restated</b>
<b>Convertible Put Options and Other Instruments:</b>								
A\$ Denominated								
Ounces/Fair Value		46.0	37.0	81.5	305.8	1,315.0	1,785.3	\$ (148,509.3)
Average price		\$ 293.0	\$ 293.0	\$ 290.9	\$ 304.1	\$ 352.1	\$ 338.3	

Notes: Prices for contracts denominated in A\$ have been translated at the exchange rate at March 31, 2002 of US\$0.53 per A\$1. For all floating rate instruments in the table above, the average prices quoted are gross contractual prices. The net forward prices ultimately realized on floating gold hedging contracts are the sum of the gross contractual forward prices less any associated future financing costs arising from gold borrowing commitments related to such floating rate instruments.

*Convertible put option contracts* and other instruments are comprised of: a) *Convertible option contracts* that provide minimum price protection for covered ounces, while providing the opportunity to participate in higher market prices under certain market conditions, and are accounted for as cash flow hedges; b) *Knock-out/knock-in option contracts* that are contingent sold call options that either terminate (or knock-out) and maintain upside gold price potential or convert (or knock-in) to sold call options, depending on certain market conditions, and are marked to market with the change reflected in income; c) *Indexed forward contracts* that are potentially convertible to purchased put options, depending on the market gold price at set future value dates during the term of the contract, and are marked to market, with the change reflected in income.

#### *Accounting Treatment for Sales Contracts, Commodity and Derivative Instruments*

Derivative contracts qualifying as normal purchases and sales are accounted for under deferral accounting. Gains and losses arising from changes in the fair value of the contracts are deferred and the contract price is recognized in income following settlement of the contract by physical delivery of production to the counterparty or physical delivery of purchases by the counterparty to Newmont at contract maturity.

The fair values of derivative contracts qualifying as cash flow hedges are reflected as assets or liabilities in the balance sheet. To the extent these hedges are effective in offsetting forecasted cash flows from the sale of production (the effective portion), changes in fair value are deferred in *Accumulated other comprehensive income (loss)* (OCI). Amounts deferred in OCI are reclassified to income when the underlying production is sold. The ineffective portion of the change in the fair value of the derivative is recorded in income in each period.

The fair values of derivative contracts qualifying as fair value hedges are reflected as assets or liabilities in the balance sheet. Changes in fair value are recorded in income in each period; consistent with recording the mark-to-market value of the underlying hedged asset or liability in income.

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The fair values of all derivative contracts that do not qualify as hedges are reflected as assets or liabilities, with the change in fair value recorded in income each period.

For the three months ended March 31, 2002, a net gain of \$1.0 million was included in income for the ineffective portion of derivatives instruments designated as cash flow hedges and a net gain of \$5.3 million, for the change in fair value of derivative instruments that do not qualify as hedges (included in *Gain on derivative instruments*). The amount to be reclassified from OCI to income for derivative instruments during the next 12 months is a credit of approximately \$5 million. The maximum period over which hedged forecasted transactions are expected to occur is 9.5 years.

*Foreign Currency Contracts*

Newmont acquired certain currency swap contracts in the Normandy transaction intended to hedge the currency risk on repayment of US\$-denominated debt. These contracts were closed out on April 8, 2002, by entering into offsetting positions. The contracts were accounted for on a mark-to-market basis until closed out. Cash in-flow of approximately \$50 million is expected in May 2002 upon settlement of these contracts.

Newmont also acquired currency swap contracts to receive A\$ and pay US\$ intended to hedge the A\$ value of US\$-denominated proceeds from the sale of base metals. However, these contracts have been redesignated as hedges of A\$-denominated debt and are accounted for as fair value hedges. At March 31, 2002, they had a negative fair value of \$34.1 million.

*Interest Rate Swap Contracts*

In the Normandy transaction, Newmont acquired A\$125 million of interest rate swap contracts covering a portion of its US\$100 million, 7-year bonds. The net effect of these contracts is the receipt of interest at 7.5% and payment of interest in A\$ at 6.54%. Newmont also acquired A\$5 million of interest rate swap contracts covering a subsidiary loan. For the quarter ended March 31, 2002, these transactions resulted in a reduction in interest expense of \$0.8 million. These transactions have been designated as fair value hedges and had a negative fair value of \$1.0 million at March 31, 2002.

During the last half of 2001, Newmont entered into contracts to hedge the interest rate risk exposure on a portion of its \$275 million 8.625% notes and its \$200 million 8.375% debentures. Newmont receives fixed-rate interest payments at 8.625% and 8.375% and pays floating-rate interest amounts based on periodic LIBOR settings plus a spread, ranging from 2.60% to 4.25%. The notional principal amount of these transactions (representing the amount of principal tied to floating interest rate exposure) was \$200 million at March 31, 2002. Half of these contracts expire in July 2005 and half expire in May 2011. For the quarter ended March 31, 2002, these transactions resulted in a reduction in interest expense of \$1.5 million. These transactions have been designated as fair value hedges and had a negative fair value of \$1.9 million and \$0.6 million at March 31, 2002 and December 31, 2001, respectively.

*US\$/Gold Swap Contracts*

Newmont Australia entered into a US\$/gold swap contract whereby principal payments on US\$ bonds are swapped into gold-denominated payments of 600,000 ounces in 2008. We also receive US\$ fixed interest payments and pay gold lease rates, which are indexed to market rates. This instrument is marked to market at each period end, with the change reflected in income, and at March 31, 2002 had a negative fair value of \$44.8 million.

*Fuel Hedges*

From time to time, Newmont has used certain derivative instruments to hedge a portion of its exposure to fuel price market fluctuations. At March 31, 2002, Newmont had contracts expiring in September 2002 covering approximately 5.2 million gallons of diesel fuel at its Nevada operations at prices ranging from approximately \$0.61 to \$0.69 per gallon. These transactions have been designated as cash flow hedges and had a negative fair value of \$0.1 and \$1.3 million at March 31, 2002 and December 31, 2001, respectively.

**(11) Dividends, Interest, Foreign Currency Exchange and Other Income**

	Three Months Ended March 31,	
	2002	2001
	(in thousands)	
	As Restated	
Interest income	\$ 2,796	\$ 617
Foreign currency exchange loss	(7,626)	(1,017)
Loss on sale of short-term investments	(368)	
Gain on sale of exploration properties	1,736	3,567
Insurance settlements	3,500	
Other	377	184
<b>Total</b>	<b>\$ 415</b>	<b>\$ 3,351</b>

**(12) Merger and Restructuring Expenses**

In conjunction with the Newmont/Battle Mountain merger, expenses of \$28.1 million were incurred in the three months ended March 31, 2001. Total merger expenses of \$35.0 million, of which \$6.9 million were incurred in 2000, included \$19.8 million for investment/professional advisory fees, \$11.7 for employee benefits and severance costs and \$3.5 million for office closures and related disposals of redundant assets. Expenses associated with restructuring Newmont's exploration program and a voluntary early retirement program were \$32.4 million and included \$22.1 million for retirement benefits and \$10.3 million for employee severance and office closures.

**(13) Accounting Changes***Change In Accounting Policy Property, Plant and Mine Development, Net*

During the third quarter of 2002, Newmont changed its accounting policy, retroactive to January 1, 2002, with respect to DD&A of *Property, plant and mine development, net* to exclude future estimated development costs expected to be incurred for certain underground operations. Previously, the Company had included these costs and associated reserves in its DD&A calculations at certain of its underground mining operations. In addition, Newmont further revised its policy such that costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are depreciated, depleted or amortized over the reserves associated with the specific ore area. These changes were made to better match DD&A with the associated ounces of gold sold and to remove the inherent uncertainty in estimating future development costs in arriving at DD&A rates. The cumulative effect of this change through December 31, 2001 increased net income during the three months ended March 31, 2002 by \$7.7 million, net of tax of \$4.1 million, and increased earnings per basic and diluted common share by \$0.03 per share.



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The table below presents the impact of the accounting change on Net income before cumulative effect of the accounting change for the three-month period ended March 31, 2002 and the pro forma effect for the three-month period ended March 21, 2001 as if the change had been in effect for that period (in thousands, except per share data):

	Three months ended	
	March 31, 2002 (Actuals)	March 31, 2001 (Pro forma)
<b>Increase/(Decrease) to net income</b>		
Depreciation, depletion, and amortization	\$ 1,583	\$ 644
Income tax expense	(554)	(225)
Net income before cumulative effect of a change in accounting principle	\$ 1,029	\$ 419
Net income before cumulative effect of a change in accounting principle per common share, basic and diluted	\$ 0.00	\$ 0.00

The table below presents pro forma net income and earnings per share before cumulative effect of a change in accounting principle for the three-month period ended March 31, 2001 as if the Company had adopted the new accounting method for *Property, plant and mine development, net* as of January 1, 2001:

	Three months ended March 31, 2001	
	Net loss applicable to common shares before cumulative effect of a change in accounting principle	Loss per share before cumulative effect of a change in accounting principle
As reported	\$ (51,990)	\$ (0.27)
Change in accounting method for <i>Property, plant and mine development, net</i>	419	0.00
Pro forma (1)	\$ (51,571)	\$ (0.27)

(1) Earnings per share may not foot due to rounding

#### Recent Pronouncements

In June 2001, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) Nos. 141 and 142, *Business Combinations* and *Goodwill and Other Intangible Assets*, respectively. Upon adoption as required on January 1, 2002, the Company reclassified \$177.0 million of mineral interest intangible assets, as defined by SFAS 142, from *Property, plant and mine*

*development, net* to *Mineral interests and other intangible assets, net*. The Company now amortizes the carrying values of intangible assets taking into account residual values, over their useful lives. As discussed in Note 2, the 2002 acquisitions of Normandy and Franco-Nevada were accounted for as purchases under SFAS 141 and a significant portion of the \$4.4 billion purchase price represents goodwill, resulting from the excess of the purchase price over the fair value of net assets acquired. Such goodwill will not be amortized, but will be subject to impairment testing at least annually, as required by SFAS 142.

In August 2001, the FASB issued SFAS No. 143 *Accounting for Asset Retirement Obligations*, which established uniform methodology for accounting for estimated reclamation and abandonment costs. The statement will be adopted as required on January 1, 2003, when Newmont will record the estimated fair value of reclamation liabilities ( asset retirement obligation or ARO ) and increase the carrying amount of the related assets (asset retirement cost or ARC ) to be retired in the future. The ARC will be depreciated over the life of the related assets and will be adjusted for changes resulting from revisions to either the timing or amount of the original ARO fair value estimate. Newmont expects to record approximately \$60 to \$75 million in the ARC, net, increases of approximately \$110 million to \$135 million to the ARO, increases of approximately \$1 million to \$3 million to accrued liabilities for worker participation bonuses in Peru, increases to deferred tax assets of approximately \$10 million to \$14 million, a reduction to Newmont's investment in Batu Hijau of approximately \$3 million to \$9 million, and a reduction in minority interest in subsidiaries of approximately \$14 million to \$18 million, at January 1, 2003, with a cumulative effect of adoption of approximately \$30 million to \$40 million to be recorded in results of operations in the first quarter of 2003.

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In August 2001, the FASB issued SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets, which established a single accounting model, based on the framework of SFAS No. 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, for long-lived assets to be disposed of by sale. The statement was adopted January 1, 2002 and there was no impact in the Company's financial position or results of operations upon adoption.

In May 2002, the FASB issued SFAS No. 145 Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. The statement nullified SFAS 4, SFAS 44

and SFAS 64 and established that gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria of APB Opinion No. 30 Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. The Statement also amends SFAS Statement No. 13 Accounting for Leases to require sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and makes technical corrections to various other FASB statements. For the provisions of the statement relating to the extinguishment of debt, SFAS 145 is effective for fiscal years beginning after May 15, 2002. The provisions relating to SFAS 13 are effective for transactions occurring after May 15, 2002, and all other provisions are effective for financial statements issued on or after May 15, 2002. There was no impact in the Company's financial position or results of operations upon adoption.

In June 2002, the FASB issued SFAS No. 146 Accounting for Costs Associated with Exit or Disposal Activities which addressed financial accounting and reporting for costs associated with exit or disposal activities. It nullified Emerging Issues Task Force ( EITF ) Issue No. 94-3 Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than at the date of an entity's commitment to an exit plan as was required under EITF No. 94-3. SFAS 146 also establishes that fair value is the objective for initial measurement of the liability. SFAS 146 is effective for exit or disposal activities initiated after December 31, 2002, and we do not anticipate any impact in the Company's financial position or results of operations upon adoption except with respect to those exit or disposal activities that are initiated by the Company after that date.

In December 2002, the FASB issued SFAS No. 148 Accounting for Stock-Based Compensation Transition and Disclosure to provide alternative methods for voluntary transition to the fair value based method of accounting for stock based compensation. SFAS 148 also amends the disclosure provisions of SFAS No. 123 Accounting for Stock-Based Compensation to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this Statement amends APB Opinion No. 28 Interim Financial Reporting, to require disclosure about those effects in interim financial information. SFAS 148 is effective for fiscal years ending after December 15, 2002.

In November 2002, the FASB issued FIN 45 Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements 5, 57, 107 and Rescission of FASB Interpretation No. 34. FIN 45 requires recognition and measurement of guarantees entered into or modified beginning on January 1, 2003 and requires expanded disclosure of guarantees as of December 31, 2002. The Company has conformed its disclosures with respect to guarantees outstanding at December 31, 2002 to the requirements of FIN 45 in its 2002 Annual Report in Form 10-K.

In January 2003, the FASB issued FIN 46 Consolidation of Variable Interest Entities, which provides guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights. FIN 46 impacts accounting for variable interest entities created after January 31, 2003 and requires expanded disclosure of variable interest entities for financial statement issued after January 31, 2003. The Company has determined that there will be no impact on its financial position and results of operations upon adoption.

#### **(14) Stockholders' Equity**

##### *Exchangeable Shares*

In connection with the acquisition of Franco-Nevada, certain holders of Franco-Nevada common stock received 0.8 of an exchangeable share of Franco-Nevada (known as Newmont Mining Corporation of Canada Limited) for each share of common stock held. These exchangeable shares are convertible, at the option of the holder, into shares of Newmont common stock on a one-for-one basis, and entitle holders to dividend and other rights economically equivalent to holders of Newmont common stock. At March 31, 2002, the value of these shares was included in

*Additional paid-in capital.*

*Preferred Stock*

In April 2002, Newmont announced the redemption of all issued and outstanding shares of its \$3.25 convertible preferred stock as of May 15, 2002. Pursuant to the terms of the convertible preferred stock, Newmont will pay a redemption price of \$50.325 per share, plus \$0.8125 per share in respect of all dividends that will have accrued on the convertible preferred stock at the redemption date. In settlement of the total redemption price of \$51.1375 per share, Newmont will issue to holders of record 1.9187 shares of its common stock. This redemption will eliminate \$7.5 million of annual preferred stock dividends prospectively.

**(15) Statement of Comprehensive Income (Loss)**

	<b>Three Months Ended March 31,</b>	
	<b>2002</b>	<b>2001</b>
	<b>(in thousands)</b>	
Net loss(1)	\$ (6,798)	\$ (50,121)
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on marketable equity securities	10,978	(4,289)
Foreign currency translation adjustments	836	(646)
Changes in fair value of cash flow hedge instruments (1)	16,064	3,999
Total other comprehensive income (loss)(1)	27,878	(936)
Other comprehensive income (loss)(1)	\$ 21,080	\$ (51,057)

(1) As restated. See Note 20.

**(16) Segment Information**

Newmont predominantly operates in a single industry as a worldwide corporation engaged in gold production, exploration for gold and acquisition of gold properties. Newmont's major operations are in North America, South America and Australia. Other international mining operations include small gold producing properties in New Zealand, Indonesia, Uzbekistan and Turkey. Newmont also has a base metal operations segment engaged in copper and zinc production, an exploration segment engaged in green fields exploration activities not associated with our existing operating and development properties and a merchant banking segment. Earnings from operations do not include general corporate expenses, interest (except project-specific interest) or income taxes (except for equity investments). In conjunction with the acquisitions described in Note 2, the Company has modified its reporting structure and related segment disclosure.

Financial information relating to Newmont's segments is as follows:

**Three Months Ended March 31, 2002**

(In millions and unaudited)

	North America			South America			Australia		
	Nevada	Other North America	Total North America	Yanacocha	Total		Pajingo	Other Australia	Total Australia
					Other South America	South America			
Sales, net(1)	\$ 176.3	\$ 35.6	\$ 211.9	\$ 140.2	\$ 19.9	\$ 160.1	\$ 16.8	\$ 56.2	\$ 73.0
Royalties	\$	\$	\$	\$	\$	\$	\$	\$ 0.5	\$ 0.5
Interest income	\$	\$	\$	\$ 0.1	\$	\$ 0.1	\$ 0.2	\$ 1.4	\$ 1.6
Interest expense(1)	\$ 0.1	\$	\$ 0.1	\$ 2.9	\$ 0.1	\$ 3.0	\$ 0.2	\$ 5.9	\$ 6.1
Exploration and research expense	\$ 2.4	\$	\$ 2.4	\$ 1.8	\$ 0.4	\$ 2.2	\$ 0.2	\$ 0.6	\$ 0.8
Depreciation, depletion and amortization(1)	\$ 26.8	\$ 8.6	\$ 35.4	\$ 35.0	\$ 3.1	\$ 38.1	\$ 3.5	\$ 12.0	\$ 15.5
Pre-tax income (loss) before minority interest and equity income(1)	\$ (8.9)	\$ 2.4	\$ (6.5)	\$ 27.7	\$ 4.9	\$ 32.6	\$ 7.8	\$ (11.3)	\$ (3.5)
Equity income (loss) of affiliates	\$	\$	\$	\$	\$	\$	\$	\$	\$
Amortization of deferred stripping, net	\$ 6.3	\$ (0.3)	\$ 6.0	\$	\$	\$	\$	\$	\$
Asset write-down(1)	\$ 7.9	\$	\$ 7.9	\$	\$	\$	\$	\$ 0.2	\$ 0.2
Cumulative effect	\$ 0.9	\$ 7.2	\$ 8.1	\$	\$	\$	\$ (0.4)	\$	\$ (0.4)
Capital expenditures	\$ 8.7	\$ 3.2	\$ 11.9	\$ 26.4	\$ 0.2	\$ 26.6	\$ 2.1	\$ 5.3	\$ 7.4
Total assets(1)	\$ 1,811.5	\$ 180.0	\$ 1,991.5	\$ 1,054.6	\$ 45.6	\$ 1,100.2	\$ 264.0	\$ 2,211.4	\$ 2,475.4

	Zarafshan-	Other	Total Gold	Base	Exploration	Merchant Banking	Corporate and	Consolidated
	Newmont	International Operations		Metals			Other	
Sales, net(1)	\$ 15.2	\$ 22.0	\$ 482.2	\$ 9.4	\$	\$	\$	\$ 491.6
Royalties	\$	\$	\$ 0.5	\$	\$	\$ 3.4	\$ (0.1)	\$ 3.8
Interest income	\$	\$	\$ 1.7	\$	\$	\$ 0.8	\$ 0.3	\$ 2.8
Interest expense(1)	\$ 0.1	\$	\$ 9.3	\$	\$	\$	\$ 21.8	\$ 31.1
Exploration and research expense	\$	\$	\$ 5.4	\$ 0.1	\$ 3.4	\$	\$ 2.7	\$ 11.6
Depreciation, depletion and amortization(1)	\$ 2.3	\$ 5.4	\$ 96.7	\$ 0.3	\$ 1.5	\$ 2.2	\$ 1.5	\$ 102.2
Pre-tax income (loss) before minority interest and equity income (1)	\$ 5.4	\$ 2.3	\$ 30.0	\$ (1.6)	\$ (4.9)	\$ 0.9	\$ (28.9)	\$ (4.2)
Equity income (loss) of affiliates(1)	\$	\$	\$	\$	\$	\$ (0.5)	\$ 1.9	\$ 1.4
	\$	\$	\$ 6.0	\$	\$	\$	\$	\$ 6.0

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Amortization of deferred stripping, net																
Asset write-down(1)	\$	\$	\$	8.1	\$	0.2	\$	\$	\$	8.3						
Cumulative effect	\$	\$	\$	7.7	\$		\$	\$	\$	7.7						
Capital expenditures	\$	1.9	\$	0.8	\$	48.6	\$	1.6	\$	0.2	\$	1.4	\$	51.8		
Total assets(1)	\$	108.0	\$	541.2	\$	6,216.3	\$	534.3	\$	230.8	\$	2,080.2	\$	1,056.2	\$	10,117.8



## Three Months Ended March 31, 2001

(In millions and unaudited)

	North America			South America			Australia		
	Nevada	Other North America	Total North America	Yanacocha	Other South America	Total South America	Pajingo	Other Australia	Total Australia
Sales, net(1)	\$ 193.0	\$ 38.5	\$ 231.5	\$ 123.4	\$ 18.1	\$ 141.5	\$ 7.4	\$	\$ 7.4
Royalties	\$	\$	\$	\$	\$	\$	\$	\$	\$
Interest income	\$	\$	\$	\$ 0.2	\$	\$ 0.2	\$	\$	\$
Interest expense(1)	\$ 0.1	\$	\$ 0.1	\$ 1.1	\$ 0.2	\$ 1.3	\$	\$	\$
Exploration and research expense	\$ 2.5	\$ 0.3	\$ 2.8	\$ 4.0	\$ 0.1	\$ 4.1	\$ 0.3	\$	\$ 0.3
Depreciation, depletion and amortization(1)	\$ 35.4	\$ 10.0	\$ 45.4	\$ 27.3	\$ 5.2	\$ 32.5	\$ 1.1	\$	\$ 1.1
Pre-tax income (loss) before minority interest and equity income(1)	\$ (3.7)	\$ (2.7)	\$ (6.4)	\$ 38.0	\$ (2.3)	\$ 35.7	\$ 3.1	\$	\$ 3.1
Equity income (loss) of affiliates(1)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Amortization of deferred stripping, net	\$ (2.9)	\$	\$ (2.9)	\$	\$	\$	\$	\$	\$
Asset write-down(1)	\$ 5.6	\$	\$ 5.6	\$	\$ 0.1	\$ 0.1	\$	\$	\$
Capital expenditures	\$ 15.9	\$ 2.9	\$ 18.8	\$ 64.5	\$ 2.8	\$ 67.3	\$ 0.9	\$	\$ 0.9
Total assets(1)	\$ 1,498.3	\$ 186.5	\$ 1,684.8	\$ 874.3	\$ 52.1	\$ 926.4	\$ 33.4	\$	\$ 33.4

	Zarafshan-	Other	Total Gold	Base	Exploration	Merchant Banking	Corporate and	Consolidated
	Newmont	International Operations		Metals			Other	
Sales, net(1)	\$ 13.2	\$ 30.5	\$ 424.1	\$	\$	\$	\$	\$ 424.1
Royalties	\$	\$	\$	\$	\$	\$	\$ 0.1	\$ 0.1
Interest income	\$	\$	\$ 0.2	\$	\$	\$	\$ 0.4	\$ 0.6
Interest expense(1)	\$ 0.3	\$	\$ 1.7	\$	\$	\$	\$ 21.5	\$ 23.2
Exploration and research expense	\$	\$	\$ 7.2	\$	\$ 2.6	\$	\$ 5.5	\$ 15.3
Depreciation, depletion and amortization(1)	\$ 3.1	\$ 6.2	\$ 88.3	\$	\$	\$	\$ 1.6	\$ 89.9
Pre-tax income (loss) before minority interest and equity income(1)	\$ 3.1	\$ 11.0	\$ 46.5	\$	\$ (4.0)	\$	\$ (80.9)	\$ (38.4)
Equity income (loss) of affiliates(1)	\$	\$	\$	\$	\$	\$	\$ (4.5)	\$ (4.5)
Amortization of deferred stripping, net	\$	\$ 3.9	\$ 1.0	\$	\$	\$	\$	\$ 1.0
Asset write-down(1)	\$	\$ 0.2	\$ 5.9	\$	\$	\$	\$	\$ 5.9
Capital expenditures	\$ 0.9	\$	\$ 87.9	\$	\$	\$	\$ 3.3	\$ 91.2
Total assets(1)	\$ 98.4	\$ 87.7	\$ 2,830.7	\$	\$ 7.9	\$	\$ 1,076.9	\$ 3,915.5

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The merchant banking segment is consolidated in the financial results of the Company. The Company accounts for the merchant banking business as a separate operating segment because such business engages in activities from which it earns revenues and incurs expenses, its operating results are regularly reviewed by the Chief Operating Decision Maker and there is discrete financial information available for the business.

Total assets include a preliminary allocation amount for goodwill, representing the excess of the purchase price paid over the fair value of assets acquired at the date of the acquisition of Normandy and Franco-Nevada. This goodwill is included in the Nevada, Pajingo, Other Australia, Other International Operations, Base Metals, and the Merchant Banking Segments. See detail of goodwill by segment in Note 2.

Newmont operates the Batu Hijau mine in Indonesia that is accounted for as an equity investment. Batu Hijau financial information, based on U.S. generally accepted accounting principles, was as follows:

	Three Months Ended March 31,	
	2002	2001
	(in millions)	
Revenue, net of smelting and refining costs (2)	\$ 71.9	\$ 72.2
Interest expense	\$ 18.0	\$ 33.6
Depreciation, depletion and amortization (1)	\$ 26.2	\$ 20.0
Net loss before cumulative effect of a change in accounting principle (1)	\$ (6.4)	(28.6)
Net loss (1)	\$ (6.4)	\$ (28.6)
Capital expenditures	\$ 40.9	\$ 31.9
Total assets (1)	\$ 2,288.1	\$ 2,216.5

(1) As restated. See Note 20.

(2) As restated to reflect smelting and refining costs as a reduction of revenue.

Newmont's first quarter equity income for Batu Hijau was \$1.4 million for 2002 versus an equity loss of \$4.5 million for the 2001 period. For 2002, Newmont's share of Batu Hijau's equity income was based on 56.25% of Batu Hijau's net loss, adjusted for the elimination of \$1.1 million of inter-company interest, \$2.7 million of inter-company management fees, and amortization adjustments of \$1.2 million. For the comparable 2001 period, Newmont's equity loss was based on 56.25% of Batu Hijau's net loss, adjusted for the elimination of \$7.7 million of inter-company interest, \$2.6 million of inter-company management fees, and amortization adjustments of \$1.2 million.

#### (17) Commitments and contingencies

##### (a) Reclamation Obligations

Newmont's mining and exploration activities are subject to various federal and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. Newmont conducts its operations so as to protect the public health and environment and believes its operations are in compliance with all applicable laws and regulations. Newmont has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. At March 31, 2002 and December 31, 2001, \$229.7 million and \$128.4 million, respectively, was accrued for reclamation costs relating to currently producing mineral properties.

In addition, Newmont is involved in several matters concerning environmental obligations associated with former mining activities. Generally, these matters concern developing and implementing remediation plans at the various sites involved. Newmont believes that the related environmental obligations associated with these sites are similar in nature with respect to the development of remediation plans, their risk profile and the compliance required to meet general environmental standards. Based upon Newmont's best estimate of its liability for these matters, \$56.2 million and \$57.3 million was accrued for such obligations at March 31, 2002 and December 31, 2001, respectively. These amounts are included in *Other accrued liabilities and Reclamation and remediation* liabilities. Depending upon the ultimate resolution of these matters, Newmont believes that it is reasonably possible that the liability for these matters could be as much as 50% greater or 30% lower than the

amount accrued. The amounts accrued for these matters are reviewed periodically based upon facts and circumstances available at the time. Changes in estimates are charged to *Costs and expenses, Other* in the period estimates are revised. Details about certain of the more significant sites involved are discussed below.

*Idarado Mining Company ( Idarado ) 80.1% owned*

In July 1992, Newmont and Idarado signed a consent decree with the State of Colorado ( State ) that was agreed to by the U.S. District Court of Colorado to settle a lawsuit brought by the State under the Comprehensive Environmental Response, Compensation and Liability Act ( CERCLA ), generally referred to as the Superfund Act.

Idarado agreed in the consent decree to undertake specified remediation work at its former mining site in the Telluride/Ouray area of Colorado. Remediation work at this property is substantially complete. If the remediation does not achieve specific performance objectives defined in the consent decree, the State may require Idarado to implement supplemental activities at the site, also as defined in the consent decree. Idarado and Newmont have obtained a \$5.8 million reclamation bond to secure their potential obligations under the consent decree. In addition, Idarado settled natural resources damages and past and future response costs, and agreed to habitat enhancement work, under the consent decree.

*Resurrection Mining Company ( Resurrection ) 100% owned*

Newmont, Resurrection and other defendants were named in lawsuits filed by the State of Colorado, under the Superfund Act in 1983, and subsequently consolidated with a lawsuit filed by the U.S. Environmental Protection Agency ( EPA ) in 1986.

These proceedings sought to compel the defendants to remediate the impacts of pre-existing, historic mining activities near Leadville, Colorado which date back to the mid-1800 s, and which the government agencies claim are causing substantial environmental problems in the area.

In 1988 and 1989, the EPA issued administrative orders with respect to one area on the site and the defendants have collectively implemented those orders by constructing a water treatment plant, which was placed in operation in early 1992. Remaining remedial work for this area primarily consists of water treatment plant operation and continuing environmental monitoring and maintenance activities. Newmont and Resurrection are currently responsible for 50 percent of these costs; their share of such costs could increase in the event other defendants become unable to pay their share of such costs.

The parties also have entered into a consent decree with respect to the remaining areas at the site, which apportions liabilities and responsibilities for these areas. The EPA has approved remedial actions for selected components of Resurrection s portion of the site, which were initiated in 1995. The EPA has not yet selected the final remedy for the site. Accordingly, Newmont cannot yet determine the full extent or cost of its share of the remedial action that will be required. The government agencies may also seek to recover for damages to natural resources. In March 1999, the parties entered into a Memorandum of Understanding ( MOU ) to facilitate the settlement of natural resources damages claims under CERCLA for the upper Arkansas River Basin. The MOU provides a structure for evaluation of damages and possible restoration activities that may be required if it is concluded such damages have occurred.

*Dawn Mining Company LLC ( Dawn ) 51% owned*

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Dawn previously leased an open-pit uranium mine, currently inactive, on the Spokane Indian Reservation in the State of Washington. The mine site is subject to regulation by agencies of the U.S. Department of Interior (the Bureau of Indian Affairs and the Bureau of Land Management), as well as the EPA. Dawn also owns a nearby uranium millsite facility, located on private land, which is subject to federal and state regulation.

In 1991, Dawn's mining lease at the mine was terminated. As a result, Dawn was required to file a formal mine closure and reclamation plan. The Department of Interior commenced an analysis of Dawn's proposed plan and alternate closure and reclamation plans for the mine. Work on this analysis has been suspended indefinitely. In mid-2000, the mine was included on the National Priorities List under CERCLA, and the EPA has initiated a remedial investigation/feasibility study under CERCLA to determine environmental conditions and remediation options at the site.

The EPA has asserted that Dawn and Newmont are liable for reclamation or remediation work and costs at the mine. Dawn does not have sufficient funds to pay for the reclamation plan it proposed or for any alternate plan, or for any additional remediation work or costs at the mine. Newmont will vigorously contest any claims as to its liability. Newmont cannot reasonably predict the likelihood or outcome of any future action against Dawn or Newmont arising from this matter.

In late 1999, Dawn initiated state approval for a revised mill closure plan that, if implemented, would expedite the reclamation process at the mill. The State of Washington has approved this revised plan. The currently approved plan for the mill is secured by a \$14.1 million bond, which is guaranteed by Newmont.

*San Luis, Colorado 100% owned*

The San Luis open-pit gold mine in southern Colorado was operated by a subsidiary of Battle Mountain and ceased operations in November 1996. Since then substantial closure and reclamation work has been performed. In August 1999, the Colorado Department of Public Health and Environment ( CDPHE ) issued a notice of violation of the Water Quality Control Act and in October 1999 amended the notice to authorize operation of a water treatment facility and the discharge of treated water. Battle Mountain has made all submittals required by the CDPHE notice and conducted the required response activities. Battle Mountain negotiated a settlement with CDPHE resolving alleged violations that was effective September 1, 2000. In October 2000, the CDPHE received an Application for Reconsideration of Order for Civil Penalty filed by project opponents, seeking to appeal the terms of the settlement. The application was denied by CDPHE. Project opponents have filed a judicial appeal in the District Court for Costilla County, Colorado, naming the CDPHE as defendant. Battle Mountain has intervened in the appeal to protect its interests in the settlement. Newmont cannot reasonably predict the likelihood or outcome of this or any future action against Battle Mountain or Newmont relating to this site.

(b) Other

In June 2000, a transport contractor of Minera Yanacocha spilled approximately 151 kilograms of mercury near the town of Choropampa, Peru, which is located 53 miles southwest of the mine. Mercury is a byproduct of gold mining and was sold to a Lima firm for use in medical instrumentation and industrial applications. A comprehensive health and environmental remediation program was undertaken by Minera Yanacocha. In August 2000, Minera Yanacocha paid under protest a fine of 1,740,000 soles (approximately US\$500,000) to the Peruvian government. Minera Yanacocha entered into agreements with a number of individuals impacted by the incident. In addition, it has entered into agreements with three of the communities impacted by this incident to provide a variety of public works as compensation for the disruption and inconvenience caused by the incident. On September 10, 2001, Minera Yanacocha, various wholly-owned subsidiaries of Newmont, and other defendants were named in a lawsuit filed by over 900 Peruvian citizens in Denver District Court for the State of Colorado. This action seeks compensatory and punitive damages based on claims associated with the mercury spill incident. Neither Newmont nor Minera Yanacocha can reasonably predict the likelihood of any additional expenditures related to this matter.

In a Federal Court action brought by the Australian Securities and Investment Commission, ( ASIC ), against Yandal Gold Pty Ltd., a subsidiary of Newmont Australia Ltd., the judge found that the defendants violated the Australian Corporations Law and ordered payment by Edensor Nominees Pty. Ltd. ( Edensor ) to ASIC of A\$28.5 million for distribution to former Yandal Operations Limited shareholders. An appeal by Edensor to the Full Court of the Federal Court, to which Normandy Australia Ltd. became a party on the application of ASIC, was allowed on the basis that the Federal Court lacked jurisdiction to make the order. This decision was successfully appealed to the High Court, which decided that the Full Federal Court was wrong. The High Court held that the Federal Court did have jurisdiction to hear and determine the matter and make orders under the Australian Corporations Law. The High Court sent the matter back to the Full Federal Court, which rejected Edensor's appeal on the merits. Barring any additional appeal, Edensor will be obligated to pay the A\$28.5 million. Newmont Australia Ltd. previously agreed to pay half of this amount.





**(18) Condensed Consolidating Financial Statements**

The following Condensed Consolidating Financial information is presented to satisfy disclosure requirements of Rule 3-10(e) of Regulation S-X resulting from the inclusion of Newmont USA Limited ( Newmont USA ), a wholly-owned subsidiary of Newmont Mining Corporation, as a co-registrant with Newmont Mining Corporation on a shelf registration statement on Form S-3 filed under the Securities Act of 1933 under which securities of Newmont Mining Corporation, (including debt securities which may be guaranteed by Newmont USA) may be issued from time to time (the Shelf Registration Statement ). This Shelf Registration Statement has not yet been declared effective by the Securities and Exchange Commission. To the extent which Newmont Mining Corporation issues debt securities under the Shelf Registration Statement, it is expected that Newmont USA will provide a guarantee of that debt. In accordance with Rule 3-10(e) of Regulation S-X, Newmont USA, as the subsidiary guarantor, is 100% owned by Newmont Mining Corporation, the guarantee will be full and unconditional, and it is not expected that any other subsidiary of Newmont Mining Corporation will guarantee any security issued under the Shelf Registration Statement. There are no significant restrictions on the ability of Newmont USA to obtain funds from its subsidiaries by dividend or loan.

Consolidating Statement of Operations	Three Months Ended March 31, 2002				
	Newmont Mining Corporation	Newmont USA	Other Subsidiaries	Eliminations	Newmont Mining Corporation Consolidated
	(in millions)				
Sales and other income					
Sales gold(1)	\$	\$ 403.9	\$ 78.3	\$	\$ 482.2
Sales base metals, net			9.4		9.4
Royalties		0.6	3.4	(0.2)	3.8
Dividends, interest and other income (loss) intercompany		0.5	2.1	(2.6)	
Dividends, interest, foreign currency exchange and other income (loss)		5.1	(4.7)		0.4
		410.1	88.5	(2.8)	495.8
Costs and Expenses					
Costs applicable to sales(1)		268.2	62.9	(0.1)	331.0
Depreciation, depletion and amortization(1)		81.1	21.1		102.2
Exploration and research		8.9	2.6		11.5
General and administrative		16.8	4.5		21.3
Interest expense intercompany			2.9	(2.9)	
Interest, net of capitalized interest(1)		25.2	5.9		31.1
Write-down of assets and other(1)		10.9	(1.7)		9.2
		411.1	98.2	(3.0)	506.3
Operating income (loss)		(1.0)	(9.7)	0.2	(10.5)
Gain on derivative instruments			6.3		6.3
Pre-tax income (loss) before minority interest, equity income, and cumulative effect of a change in accounting principle		(1.0)	(3.4)	0.2	(4.2)
Income tax (expense) benefit(1)		1.7	(2.9)		(1.2)
Minority interest in income (loss) of subsidiaries(1)		(10.7)	1.7	(1.5)	(10.5)
Equity income (loss) of affiliate(1)	(6.8)	1.5	(1.5)	8.2	1.4
Net loss before cumulative effect of a change in accounting principle	(6.8)	(8.5)	(6.1)	6.9	(14.5)
Cumulative effect of a change in accounting principle, net of tax		7.7			7.7
Net income (loss)	(6.8)	(0.8)	(6.1)	6.9	(6.8)

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Preferred stock dividends	(1.9)				(1.9)
Net income (loss) applicable to common shares	\$ (8.7)	\$ (0.8)	\$ (6.1)	\$ 6.9	\$ (8.7)



At March 31, 2002					
Consolidating Balance Sheets	Newmont Mining Corporation	Newmont USA	Other Subsidiaries	Eliminations	Newmont Mining Corporation Consolidated
(in millions)					
<b>Assets</b>					
Cash and cash equivalents	\$	\$ 293.7	\$ 217.9	\$	\$ 511.6
Short-term investments		7.2	10.7		17.9
Accounts receivable	(132.0)	73.2	110.0	0.3	51.5
Inventories(1)		443.0	136.9	(0.3)	579.6
Marketable securities of Lihir		84.0			84.0
Current portion of deferred stripping costs		72.9			72.9
Prepaid taxes		13.3			13.3
Derivative instruments			20.9		20.9
Current portion of deferred income tax assets(1)		8.8	20.1		28.9
Other current assets		54.4	(173.4)	254.5	135.5
<b>Current assets</b>	<b>(132.0)</b>	<b>1,050.5</b>	<b>343.1</b>	<b>254.5</b>	<b>1,516.1</b>
Property, plant and mine development, net(1)		1,694.5	623.3		2,317.8
Mineral interests and other intangible assets, net(1)		388.0	1,560.2		1,948.2
Investments(1)		569.5	752.3	(328.6)	993.2
Deferred stripping costs(1)		12.7			12.7
Investment in subsidiaries	4,455.1			(4,455.1)	
Long-term inventories		111.8	0.3		112.1
Derivative instruments		0.3	48.7		49.0
Goodwill			2,506.9		2,506.9
Deferred income tax assets		399.0	87.5		486.5
Other long-term assets(1)		97.3	538.3	(460.3)	175.3
<b>Total assets</b>	<b>\$ 4,323.1</b>	<b>\$ 4,323.6</b>	<b>\$ 6,460.6</b>	<b>\$ (4,989.5)</b>	<b>\$ 10,117.8</b>
<b>Liabilities</b>					
Current portion of long-term debt	\$	\$ 205.9	\$ 234.2	\$	\$ 440.1
Accounts payable		69.4	16.2	(0.3)	85.3
Current portion of deferred income tax liabilities(1)		30.7	18.8		49.5
Derivative instruments			124.3		124.3
Other accrued liabilities(1)	(339.5)	415.3	(1.0)	254.7	329.5
<b>Current liabilities</b>	<b>(339.5)</b>	<b>721.3</b>	<b>392.5</b>	<b>254.4</b>	<b>1,028.7</b>
Long-term debt		1,196.0	685.7		1,881.7
Reclamation and remediation liabilities		178.8	80.3		259.1
Deferred revenue from sale of future production(1)		53.8			53.8
Derivative instruments		2.1	375.8		377.9
Deferred income tax liabilities(1)		143.7	436.8		580.5
Employee related benefits(1)		149.9	1.2		151.1
Other long-term liabilities	460.2	88.7	126.3	(460.2)	215.0
<b>Total liabilities</b>	<b>120.7</b>	<b>2,534.3</b>	<b>2,098.6</b>	<b>(205.8)</b>	<b>4,547.8</b>
Minority interest in subsidiaries(1)		272.6	365.6	(328.6)	309.6
Stockholders' equity					
Convertible preferred stock	11.5	11.5		(11.5)	11.5
Common stock	537.1	314.3		(314.3)	537.1

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Additional paid-in capital	3,918.6	1,462.3	3,989.7	(4,394.0)	4,976.6
Accumulated other comprehensive income (loss)(1)	18.4	3.8	14.6	(18.4)	18.4
Retained earnings (deficit)(1)	(283.2)	(275.2)	(7.9)	283.1	(283.2)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total stockholders' equity	4,202.4	1,516.7	3,996.4	(4,455.1)	5,260.4
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and stockholders' equity	\$ 4,323.1	\$ 4,323.6	\$ 6,460.6	\$ (4,989.5)	\$ 10,117.8
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

At December 31, 2001					
Consolidating Balance Sheets	Newmont Mining Corporation	(1) Newmont USA	Other Subsidiaries	Eliminations	(1) Newmont Mining Corporation Consolidated
(in millions)					
<b>Assets</b>					
Cash and cash equivalents	\$	\$ 149.4	\$	\$	\$ 149.4
Short-term investments		8.2			8.2
Accounts receivable		19.1			19.1
Inventories		452.1			452.1
Marketable securities of Lihir		66.9			66.9
Current portion of deferred stripping costs		71.5			71.5
Prepaid taxes		29.2			29.2
Current portion of deferred income tax assets		7.8			7.8
Other current assets		42.8			42.8
<b>Current assets</b>		<b>847.0</b>			<b>847.0</b>
Property, plant and mine development, net		1,930.2			1,930.2
Mineral interests and other intangible assets, net		177.0			177.0
Investments		543.3			543.3
Deferred stripping costs		20.1			20.1
Long-term inventories		117.7			117.7
Deferred income tax assets		403.5			403.5
Other long-term assets		102.9			102.9
<b>Total assets</b>	<b>\$</b>	<b>\$ 4,141.7</b>	<b>\$</b>	<b>\$</b>	<b>\$ 4,141.7</b>
<b>Liabilities</b>					
Current portion of long-term debt	\$	\$ 192.2	\$	\$	\$ 192.2
Accounts payable		80.9			80.9
Current portion of deferred income tax liabilities		32.9			32.9
Derivative instruments					
Other accrued liabilities		214.0			214.0
<b>Current liabilities</b>		<b>520.0</b>			<b>520.0</b>
Long-term debt		1,234.7			1,234.7
Reclamation and remediation liabilities		176.9			176.9
Deferred revenue from sale of future production		53.8			53.8
Deferred income tax liabilities		140.8			140.8
Employee related benefits		159.6			159.6
Other long-term liabilities		93.3			93.3
<b>Total liabilities</b>		<b>2,379.1</b>			<b>2,379.1</b>
Minority interest in subsidiaries		262.8			262.8
<b>Stockholders' equity</b>					
Convertible preferred stock		11.5			11.5
Common stock		313.9			313.9
Additional paid-in capital		1,458.4			1,458.4
Accumulated other comprehensive loss		(9.5)			(9.5)
Retained deficit		(274.5)			(274.5)
<b>Total stockholders' equity</b>		<b>1,499.8</b>			<b>1,499.8</b>

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Total liabilities and stockholders equity	\$	\$ 4,141.7	\$	\$	\$ 4,141.7
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## Three Months Ended March 31, 2002

Statement of Consolidating Cash Flows	Newmont Mining Corporation	Newmont USA	Other Subsidiaries	Eliminations	Newmont Mining Corporation Consolidated
	(in millions)				
Operating activities:					
Net income (loss)(1)	\$ (11.3)	\$ (0.8)	\$ (6.1)	\$ 11.4	\$ (6.8)
Adjustments to reconcile net income (loss) to net cash provided by operating activities(1)		90.2	16.3		106.5
Change in working capital(1)		(39.6)	12.0	(0.9)	(28.5)
Net cash (used in) provided by operating activities	(11.3)	49.8	22.2	10.5	71.2
Investing activities:					
Additions to property, plant and mine development		(40.9)	(10.9)		(51.8)
Proceeds from sale of short-term investments			406.7		406.7
Net cash effect of acquisitions			(18.3)		(18.3)
Investments in affiliates and other	11.3	(24.7)	0.3	(11.4)	(24.5)
Net cash provided by (used in) investing activities	11.3	(65.6)	377.8	(11.4)	312.1
Financing activities:					
Net borrowings (repayments)		(23.7)	(1.1)		(24.8)
Dividends paid on common and preferred stock	(13.8)				(13.8)
Proceeds from stock issuance and other	13.8	183.3	(181.3)		15.8
Net cash provided by (used in) financing activities		159.6	(182.4)		(22.8)
Effect of exchange rate changes on cash		0.3	1.4		1.7
Net change in cash and cash equivalents		144.1	219.0	(0.9)	362.2
Cash and cash equivalents at beginning of period		149.4			149.4
Cash and cash equivalents at end of period	\$	\$ 293.5	\$ 219.0	\$ (0.9)	\$ 511.6

## Three Months Ended March 31, 2001

Statement of Consolidating Cash Flows	Newmont Mining Corporation	Newmont USA	Other Subsidiaries	Eliminations	Newmont Mining Corporation Consolidated
	(in millions, as restated)				
Operating activities:					
Net loss	\$	\$ (50.1)	\$	\$	\$ (50.1)
Adjustments to reconcile net loss to net cash provided by operating activities		87.3			87.3
Change in working capital		(27.2)			(27.2)
Net cash provided by operating activities		10.0			10.0
Investing activities:					



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Additions to property, plant and mine development	(91.2)	(91.2)
Investments in affiliates and other	8.9	8.9
<b>Net cash used in investing activities</b>	<b>(82.3)</b>	<b>(82.3)</b>
Financing activities:		
Net borrowings (repayments)	3.4	3.4
Dividends paid on common and preferred stock	(7.7)	(7.7)
Proceeds from stock issuance and other	39.7	39.7
<b>Net cash provided by financing activities</b>	<b>35.4</b>	<b>35.4</b>
Effect of exchange rate changes on cash	6.5	6.5
<b>Net change in cash and cash equivalents</b>	<b>(30.4)</b>	<b>(30.4)</b>
Cash and cash equivalents at beginning of period	77.6	77.6
<b>Cash and cash equivalents at end of period</b>	<b>\$ 47.2</b>	<b>\$ 47.2</b>

**(19) Supplementary Data****Ratio of Earnings to Fixed Charges**

The ratio of earnings to fixed charges and the ratio of earnings to fixed charges and preferred stock dividends for the three months ended March 31, 2002 was 0.9 and 0.8, respectively. The ratio of earnings to fixed charges represents income before income taxes and interest expense divided by interest expense. Interest expense includes amortization of capitalized interest and the portion of rent expense representative of interest. Newmont guarantees certain third party debt; however, it has not been and does not expect to be required to pay any amounts associated with such debt. Therefore, related interest on such debt has not been included in the ratio of earnings to fixed charges.

**Deferred Stripping**

See Note 1 for description of the Company's accounting policy relating to deferred stripping.

Details of deferred stripping with respect to certain of the Company's open pit mines are as follows (unaudited):

	Three Months Ended March 31,			
	Nevada(5)		Mesquite	
	2002	2001	2002	2001
<b>Life-of-mine Assumptions Used as Basis For Deferred Stripping Calculations</b>				
Stripping ratio (1)	130.8	150.1	n/a	258.9
Average ore grade (ounces of gold per ton)	0.072	0.067	n/a	0.023
<b>Actuals for Year</b>				
Stripping ratio (2)	83.3	145.6	n/a	202.3
Average ore grade (ounces of gold per ton)	0.063	0.060	n/a	0.028
<b>Remaining Mine Life</b> (years)	9	10	n/a	n/a
	Minahasa		La Herradura(6)	
	2002	2001	2002	2001
	2002	2001	2002	2001
<b>Life-of-mine Assumptions Used as Basis For Deferred Stripping Calculations</b>				
Stripping ratio (1)	n/a	14.5	141.3	177.0
Average ore grade (ounces of gold per ton)	n/a	0.172	0.031	0.026
<b>Actuals for Year</b>				
Stripping ratio (2)	n/a	15.0	165.9	226.5
Average ore grade (ounces of gold per ton)	n/a	0.163	0.026	0.023
<b>Remaining Mine Life</b> (years)	n/a	n/a	6	7

	Three Months Ended March 31,					
	Yandal		Tanami		KCGM	
	2002	2001	2002	2001	2002	2001
<b>Life-of-mine Assumptions Used as Basis For Deferred Stripping Calculations</b>						
Stripping ratio (3)	5.2	n/a	6.8	n/a	5.3	n/a
<b>Actuals for Year</b>						
Stripping ratio (4)	7.7	n/a	7.9	n/a	4.3	n/a
<b>Remaining Mine Life</b> (years)	n/a	n/a	6	n/a	18	n/a

	Martha		Ovacik	
	2002	2001	2002	2001
<b>Life-of-mine Assumptions Used as Basis For Deferred Stripping Calculations</b>				
Stripping ratio (3)	1.6	n/a	9.8	n/a
<b>Actuals for Year</b>				
Stripping ratio (4)	1.1	n/a	9.5	n/a
<b>Remaining Mine Life (years)</b>	5	n/a	3	n/a

- (1) Total tons to be mined in future divided by total ounces of gold to be recovered in future, based on proven and probable reserves.
- (2) Total tons mined divided by total ounces of gold recovered.
- (3) Total waste tons to be mined in future divided by ore tons to be mined in future.
- (4) Total waste tons mined divided by ore tons mined.
- (5) The life-of-mine stripping ratio decreased during 2002 from 2001 due to the completion of mining activities in certain open pits in the Carlin Trend which had higher stripping ratios. The actual stripping ratio decreased in 2002 from 2001 as mining activities in the Twin Creeks pit entered into higher grade ore zones.
- (6) The life-of-mine stripping ratio decreased approximately 20% in 2002 from 2001 as a result of a 20% increase in ore grade and minimal change in total tons to be mined. The actual stripping ratio decreased in 2002 due to an increase in average ore grade.

## (20) Restatement of Financial Statements

### Adjustments for the Period Ended March 31, 2002

Subsequent to the filing of the first quarter Form 10-Q, the Company determined that certain adjustments were required to the financial statements for the three-month period ended March 31, 2002. Overall, the adjustments reduced the first quarter net loss by \$0.2 million, or less than \$0.01 per share. These adjustments primarily were necessitated to properly present the conversion to US GAAP and translation to US dollars of certain financial statement balances of the recently acquired Newmont Australia Limited (formerly Normandy Mining Limited). In addition, certain other adjustments were required to properly record first quarter income related to insurance settlements, insurance expense of the Company's equity investee, and income related to a property sale. Accordingly, the Company has revised its first quarter financial statements, primarily resulting in a decrease in the first quarter operating loss from \$13.2 million to \$0.2 million, a decrease in the gain on derivative instruments from \$19.0 million to \$6.3 million, a decrease in minority income from affiliates from \$12.5 million to \$10.6 million, and an increase in equity income of affiliates to \$0.5 million from a loss of \$1.2 million.

### Prepaid Forward Sales Contract

The Company determined that it needed to correct the accounting treatment for a prepaid forward gold sales contract (the "Prepaid Forward") and a forward gold purchase contract (the "Forward Purchase") entered into in July 1999. The Company concluded that these contracts did not meet the technical criteria to be accounted for in the manner reflected in the Company's historical financial statements. As result, the Company has restated its financial statements beginning with the third quarter of 1999 through the second quarter of 2002.

Under the Prepaid Forward, the Company agreed to sell 483,333 ounces of gold, to be delivered in June of each of 2005, 2006 and 2007 in annual installments of 161,111 ounces (the "Annual Delivery Requirements"). The Company also agreed under the Prepaid Forward to deliver semi-annually 17,951 ounces of gold, beginning June 2000 through June 2007 (the "Semi-Annual Delivery Requirements") for a total gold delivery obligation over the life of the Prepaid Forward of 752,598 ounces. At the time the Prepaid Forward was entered into, the Company received net proceeds of \$137.2 million (\$145.0 million of gross proceeds before transaction costs of \$653,000 and the purchase of a \$7.1

million surety bond to guarantee delivery of the Annual Delivery Requirements). The

Company may also be entitled to receive additional proceeds in the future in connection with the annual deliveries of 161,111 ounces, to be determined at each delivery date based on the excess, if any, of the then market price for gold (up to a maximum of \$380 per ounce) over \$300 per ounce.

At the time the Company entered into the Prepaid Forward, it also entered into the Forward Purchase, with the same counterparty, to hedge the price risk with respect to the Semi-Annual Delivery Requirements. The Forward Purchase provides for semi-annual purchases of 17,951 ounces of gold on each semi-annual delivery date under the Prepaid Forward at prices increasing from \$263 per ounce in 2000 to \$354 per ounce in 2007. On each semi-annual delivery date, the ounces purchased under the Forward Purchase were delivered in satisfaction of the Company's delivery requirements under the Prepaid Forward.

The Company previously accounted for these transactions by recording the net \$137.2 million that it received under the Prepaid Forward as deferred revenue under the long-term liabilities section of its balance sheet to be recognized incrementally as sales revenue when the 161,111 ounce annual gold deliveries were made in 2005, 2006 and 2007. On each semi-annual delivery date through March 31, 2002, the cost of purchasing the Semi-Annual Delivery Requirements under the Forward Purchase was deducted from sales revenue. No revenue, however, was recognized in respect of the Semi-Annual Delivery Requirements that were delivered under the Prepaid Forward. The Forward Purchase was accounted for as a cash flow hedge with mark-to-market changes in its fair value recorded through *Other comprehensive income (loss), net of tax*.

As a result of this correction, the Company has accounted for the Prepaid Forward and the Forward Purchase as a single borrowing of \$145.0 million in July 1999, with interest accrued, based on an effective interest rate recognized over the full term of the borrowing. The cost of the Semi-Annual Delivery Requirements under the Forward Purchase will be treated as interest payments. As the Annual Delivery Requirements are made under the Prepaid Forward, the Company will recognize a corresponding amount of sales revenue. Any additional proceeds received in connection with the Annual Delivery Requirements will be reflected as additional revenue at the time such proceeds are received. The surety bond costs of \$7.1 million associated with the Annual Delivery Requirements have been deferred and will be amortized during 2005, 2006 and 2007.

As a result of this correction in accounting, the Company's net loss has increased by approximately \$1.9 million or \$0.01 per share for both three-month periods ended March 31, 2002 and 2001, respectively. The Company's Stockholders' equity as of March 31, 2002 was decreased by \$9.1 million.

In addition, the Company's long-term debt increased by \$145.0 million (\$137.2 million plus unamortized transaction and surety bond costs) at March 31, 2002 as a result of this correction.

### **Investment in Batu Hijau**

In the fourth quarter of 2002, the Company determined that PTNNT, which owns the Batu Hijau mine, had incorrectly included non-reserve material in its depreciation and deferred stripping calculations. NTP has restated its financial statements beginning with the fourth quarter of 1999 through the third quarter of 2002 so as to exclude material other than proven and probable reserves in its depreciation and deferred stripping calculations. As a result, the Company has restated its consolidated financial statements beginning with the fourth quarter of 1999 through the third quarter of 2002.

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The Company accounts for its 45% indirect interest in the Batu Hijau mine, which commenced production in late 1999, using the equity method. In accordance with the mine's operating and financing agreements, the Company recognizes 56.25% of the Batu Hijau mine's net income until it has recouped the bulk of its construction investment. PTNNT had been including a certain amount of material other than proven and probable in its depreciation and deferred stripping calculations. This material is located within the current economic pit design and is included in the Batu Hijau operation's mining plan. However, due to a lack of drilling density in the areas of the pit where this material is located, this material does not currently meet the criteria to be classified as proven and probable reserves. PTNNT has recalculated depreciation and deferred stripping charges excluding this material.

As a result of the correction in accounting for depreciation, the Company's net loss has increased by approximately \$0.3 million or less than \$0.01 per share and \$1.2 million or \$0.01 per share for the three-month periods ended March 31, 2002 and 2001, respectively. The Company's Stockholders' equity as of March 31, 2002 was decreased by \$6.1million.

As a result of the correction in accounting for deferred stripping, the Company's net loss has increased by approximately \$0.7 million or less than \$0.01 per share and \$0.9 million or \$0.01 per share for the quarters ended March 31, 2002 and 2001, respectively. The Company's Stockholders' equity as of March 31, 2002 was decreased by \$5.8 million.

### **Depreciation and Amortization**

#### *Yanacocha*

In November 2002, the Company determined that it had incorrectly recorded depreciation on certain mining assets at its Yanacocha operations in Peru. The Company has restated its financial statements beginning with the first quarter of 1999 through the second quarter of 2002. As a result of this correction in accounting, the Company's net loss has decreased by less than \$0.1 million or less than \$0.01 per share and increased by \$0.7 million or less than \$0.01 per share for the three-month periods ended March 31, 2002 and 2001, respectively.

#### *Amortization of Intangibles*

In the fourth quarter of 2002, in conjunction with the finalization of the purchase price allocation for the Normandy and Franco-Nevada acquisitions, the Company determined that acquired assets represented by proven and probable reserves, undeveloped mineral interests and royalty interests, which were classified in the Company's balance sheet as a component of *Property, plant and mine development, net*, were required to be separately classified as intangible assets pursuant to the requirements of SFAS 141, and be amortized subject to the provisions of SFAS 142. As a result, the Company has restated its consolidated financial statements beginning with the first quarter of 2002 to properly classify the acquired assets as *Mineral interests and other intangible assets, net* on the *Consolidated Balance Sheets*, and to reflect the appropriate amortization in *Depreciation, depletion and amortization* on both the *Statements of Consolidated Operations and Comprehensive Income* and the *Statements of Consolidated Cash Flows*.

As a result of this correction, the Company's net loss was increased by \$1.2 million or less than \$0.01 per share for the three-month period ended March 31, 2002.

### **Inventory**

During the fourth quarter of 2002, Newmont determined that it had incorrectly excluded depreciation, depletion and amortization ( DD&A) from capitalized costs in inventories. The Company has therefore restated its consolidated financial statements to include DD&A associated with the production of inventories as a cost subject to capitalization. Previously, the Company had recorded all DD&A as a period expense. In addition, the Company changed from recognizing units-of-production ( UOP ) depletion and amortization based on the volume of gold ounces sold to recognizing UOP depletion and amortization based on estimated recoverable ounces mined or produced from proven and probable reserves at



certain locations to accommodate the capitalization of DD&A in inventory.

The Company continues to value its inventory at the lower of cost or market. As a result of the accounting change to capitalize DDA in inventory, the Company evaluated the revised inventory carrying costs at least quarterly and determined that write-downs to market were required in each reporting period. The Company reports lower of cost or market inventory adjustments in *Write-down of assets* in the Statement of Consolidated Operations.

During the fourth quarter of 2002, PTNNT determined that it had incorrectly excluded depreciation, depletion and amortization ( DD&A ) from capitalized costs in inventories. PTNNT has therefore restated its consolidated financial statements to include DD&A associated with the production of inventories as a cost subject to capitalization. Previously, PTNNT had recorded all DD&A as a period expense. In addition, the Company changed from recognizing units-of-production ( UOP ) depletion and amortization based on the volume of copper equivalent pounds sold to recognizing UOP depletion and amortization based on estimated copper equivalent recoverable pounds mined or produced from proven and probable reserves to accommodate the capitalization of DD&A in inventory.

As a result of these corrections, the Company's net loss was increased by \$2.6 million or \$0.01 per share and \$8.2 million or \$0.04 per share for the three months ended March 31, 2002 and 2001, respectively. The adjustments also increased the earnings of prior years and therefore increased Stockholders' equity of the Company by \$30.7 million at March 31, 2002.

### **Reclassifications**

Certain amounts in previously reported consolidated financial statements have been reclassified to conform to the current presentation.

### **Restated Financial Statements**

The following sets forth the effects of the restatements to Newmont's Statements of Consolidated Operations and Comprehensive Income (Loss) and the Statements of Consolidated Cash Flows for the three-month periods ended March 31, 2002 and 2001 and the Consolidated Balance Sheets at March 31, 2002.

## NEWMONT MINING CORPORATION

## RESTATEMENT OF STATEMENT OF CONSOLIDATED OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Three Months Ended March 31, 2002

	As Previously Reported(1)	Adjustments(2)	Prepaid Forwards	Investment In Batu Hijau	Depreciation and Amortization	Inventory	As Restated
(unaudited and in thousands, except per share)							
Sales and other income							
Sales gold	\$ 481,152	\$ 1,082(aa)	\$	\$	\$	\$	\$ 482,234
Sales base metals, net	9,370						9,370
Royalties	3,800						3,800
Dividends, interest, foreign currency exchange and other income (loss)	(4,868)	3,500(bb) 1,583(cc) (800)(aa) 1,000(dd)					415
	<u>489,454</u>	<u>6,365</u>					<u>495,819</u>
Costs and expenses							
Costs applicable to sales	337,024	(6,022)(dd)			(4)(j)	(11)(x)	330,987
Depreciation, depletion and amortization(v)	103,609	(2,191)(dd)			51(k) 1,798(a3)	(1,081)(w)	102,186
Exploration and research	11,757	(190)(dd)					11,567
General and administrative	20,443	1,150(ee) (278)(dd)					21,315
Interest, net of capitalized interest	27,376	848(dd)	2,913(b)				31,137
Write-down of assets						8,253(w)	8,253
Other	870						870
	<u>501,079</u>	<u>(6,683)</u>	<u>2,913</u>		<u>1,845</u>	<u>7,161</u>	<u>506,315</u>
Operating loss	(11,625)	13,048	(2,913)		(1,845)	(7,161)	(10,496)
Gain on derivative instruments	18,982						