

NEWMONT MINING CORP /DE/  
Form 10-K/A  
July 28, 2004  
Table of Contents

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

Washington, D.C. 20549

**Form 10-K/A**

(Amendment No. 1)

**FOR ANNUAL AND TRANSITION REPORTS**  
**PURSUANT TO SECTIONS 13 OR 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

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

**For the Fiscal Year Ended December 31, 2003**

**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)

<b>Delaware</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>84-1611629</b> (I.R.S. Employer Identification No.)
<b>1700 Lincoln Street</b>  <b>Denver, Colorado</b> (Address of Principal Executive Offices)	<b>80203</b>  (Zip Code)

Registrant's telephone number, including area code (303) 863-7414

## Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$1.60 par value	New York Stock Exchange

## Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2003: \$11,747,114,016. There were

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400,563,988 shares of common stock outstanding (and 42,252,191 exchangeable shares exchangeable into Newmont Mining Corporation common stock on a one-for-one basis) on March 2, 2004.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Registrant's definitive Proxy Statement submitted to the Registrant's stockholders in connection with our 2004 Annual Stockholders Meeting to be held on April 28, 2004, are incorporated by reference into Part III of this report.

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**Table of Contents**

**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-K/A (this Amendment) amends the Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004 (the Original Filing). Newmont Mining Corporation has filed this Amendment to correct an error in the Statements of Consolidated Cash Flows as described in Note 32, Restatement of Statements of Consolidated Cash Flows, as well as to make corresponding textual changes in Item 2, Management's Discussion and Analysis of Results of Operations and Financial Condition and to add related information in Item 9A, Controls and Procedures. Other information contained herein has not been updated. Therefore, you should read this Amendment together with other documents that we have filed with the Securities and Exchange Commission subsequent to the filing of the Original Filing. Information in such reports and documents updates and supersedes certain information contained in this Amendment. The filing of this Amendment shall not be deemed an admission that the Original Filing, when made, included any known, untrue statement of material fact or knowingly omitted to state a material fact necessary to make a statement not misleading.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART II</b>	
ITEM 7. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	51
Restatements	51
<u>Overview</u>	52
<u>Accounting Changes</u>	55
<u>Restructuring</u>	57
<u>Acquisitions</u>	57
<u>Critical Accounting Policies</u>	58
<u>Consolidated Financial Results</u>	70
<u>Results of Operations</u>	81
<u>Recent Accounting Pronouncements</u>	94
<u>Liquidity and Capital Resources</u>	96
<u>Investing Activities</u>	100
<u>Financing Activities</u>	105
<u>Environmental</u>	109
<u>Forward-Looking Statements</u>	110
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	
ITEM 9A. CONTROLS AND PROCEDURES	
<b>PART IV</b>	
ITEM 15. <u>EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K</u>	216
<u>NUSA TENGGARA PARTNERSHIP V.O.F. CONSOLIDATED FINANCIAL STATEMENTS</u>	NT-1
<u>EXHIBIT INDEX</u>	E-1

---

## **Table of Contents**

*This document (including information incorporated herein by reference) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which involve a degree of risk and uncertainty due to various factors affecting Newmont Mining Corporation and our affiliates and subsidiaries. For a discussion of some of these factors, see the discussion in Item 1A, Risk Factors, of this report.*

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Restatements**

As further described in Note 32 to the Consolidated Financial Statements, Newmont has determined that certain adjustments are required to restate the Statements of Consolidated Cash Flows for the years ended December 31, 2003 and 2002. The Company has determined that it incorrectly classified the impact of foreign currency exchange rate changes among *Net cash provided by operating activities* and *Effect of exchange rate changes on cash* in the Statements of Consolidated Cash Flows and, therefore, a restatement is required to classify the impact of foreign currency exchange rate changes to the proper line items. In addition, for the year ended December 31, 2003, the Company corrected certain misclassifications between *Net cash provided by operating activities* and *Net cash used in investing activities*.

In total, the restatements decreased *Net cash provided by operating activities* by \$50.3 million, decreased *Net cash used in investing activities* by \$4.7 million and increased *Effect of exchange rate changes on cash* by \$45.6 million for the year ended December 31, 2003. The restatements decreased *Net cash provided by operating activities* by \$14.5 million and increased *Effect of exchange rate changes on cash* by \$14.5 million for the year ended December 31, 2002. The restatements had no effect on the Statements of Consolidated Operations and Comprehensive Income (Loss), the Consolidated Balance Sheets or the Statements of Consolidated Changes in Stockholders' Equity at or for the years ended December 31, 2003 and 2002.

The following discussion provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of Newmont Mining Corporation and its subsidiaries (collectively, Newmont or the Company). References to A\$ refer to Australian currency, CDN\$ to Canadian currency, CHF to Swiss currency, NZD\$ to New Zealand currency and U.S. or \$ to United States currency.

This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the three years ended December 31, 2003, as well as our future results. It consists of the following subsections:

Overview, which provides a brief summary of our consolidated results and financial position and the primary factors affecting those results, as well as a summary of our expectations for 2004;

Accounting Changes, which provides a discussion of recent changes to our accounting policies that have affected how we account for reclamation and remediation costs and for depreciation, depletion and amortization of property, plant and mine development;

Restructuring and Acquisitions, which provide information regarding our 2002 restructuring and our 2002 and 2003 acquisitions;

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Critical Accounting Policies, which provides an analysis of the accounting policies we consider critical because of their effect on the reported amounts of assets, liabilities, income and/or expenses in our consolidated financial statements and because they require difficult, subjective or complex judgments by our management;

Consolidated Financial Results, which includes a discussion of our consolidated financial results for the last three years;

## **Table of Contents**

Results of Operations, which sets forth an analysis of the operating results for the last three years of Newmont's gold operations, the Base Metals Segment engaged in copper and zinc production, the Exploration Segment and the Merchant Banking Segment;

Recent Accounting Pronouncements, which summarizes recently published authoritative accounting guidance, how it might apply to us and how it might affect our future results; and

Liquidity and Capital Resources, which contains a discussion of our cash flows and liquidity, investing activities and financing activities, contractual obligations and off-balance sheet arrangements.

This item should be read in conjunction with our consolidated financial statements and the notes thereto included in this annual report.

## **Overview**

Newmont's original predecessor corporation was incorporated in 1921. Newmont is the world's largest gold producer and is the only gold company included in the S&P 500 Index. We are also engaged in the exploration for and acquisition of gold properties and are the world's largest private sector precious metals royalty owner. We have mining operations in the United States, Australia, Peru, Indonesia, Canada, Uzbekistan, Turkey, Bolivia, New Zealand and Mexico. We have an advanced development project in Ghana, which is expected to become our next core operating district. During the last few years we have expanded our global footprint through our exploration efforts and through the acquisition of operating and development assets. We believe that Newmont is positioned to remain a gold industry leader capable of achieving further profitable growth as we discover and develop new projects.

Newmont faces key risks associated with our business. One of the most significant risks is the fluctuation in the price of gold and other metals, which is affected by numerous factors beyond our control. Other challenges we face are production cost increases and potential social and environmental issues. Operating costs at our operations are subject to great variation from one year to the next due to a number of factors, such as changing ore grades, metallurgy and revisions to mine plans in response to the physical shape and location of the ore bodies. At foreign locations, such costs are also influenced by currency fluctuations that may affect our U.S. dollar operating costs. In addition, we must continually replace gold reserves depleted by production. Depleted reserves must be replaced by expanding known ore bodies or by locating new deposits in order to maintain production levels over the long term.

Our financial results for 2003 improved compared to 2002 and 2001, largely due to increased margins related to the higher gold prices received during the year. The Company strengthened its balance sheet by raising approximately \$1.0 billion through an equity offering in November, by substantially eliminating the Australian gold hedge books and by reducing outstanding debt. Newmont had worldwide gold reserves of 91.3 million equity ounces as of December 31, 2003, reflecting a 5% increase over the 86.9 million equity ounces as of December 31, 2002, despite Newmont's sale during 2003 of certain non-core operations with reserves of 4.2 million equity ounces.



**Table of Contents****Summary of Consolidated Financial and Operating Performance**

The table below highlights key financial and operating results:

	Years ended December 31,		
	2003	2002	2001
Net income (loss) applicable to common shares (in millions)	\$ 475.7	\$ 154.3	\$ (54.1)
Net income (loss) per share, basic	\$ 1.16	\$ 0.42	\$ (0.28)
Revenues (in millions)	\$ 3,214.1	\$ 2,657.9	\$ 1,666.7
Equity gold sales (in thousands of ounces)	7,383.6	7,631.7	5,466.1
Average price received per ounce of gold	\$ 366	\$ 313	\$ 271
Total cash costs (\$/ounce) <sup>(1)</sup>	\$ 203	\$ 189	\$ 184
Total production costs (\$/ounce) <sup>(1)</sup>	\$ 266	\$ 250	\$ 237

<sup>(1)</sup> Total cash costs and total production costs are non-GAAP measures of performance that we use to determine the cash generating capacities of our mining operations and to monitor the performance of our mining operations. For a reconciliation of *Costs applicable to sales* to total cash costs and total production costs per ounce (unaudited), see Item 2, Properties, above.

**Consolidated Financial Performance**

Primarily as a result of the factors discussed below, our net income applicable to common shares increased to \$475.7 million (\$1.16 per share, basic) for the year ended December 31, 2003, an increase of 208% compared with net income applicable to common shares of \$154.3 million (\$0.42 per share, basic) for the year ended December 31, 2002. In 2001, we incurred a net loss of \$54.1 million (\$0.28 per share, basic). Newmont's revenues of \$3.2 billion in 2003 grew 21% from \$2.7 billion in 2002, which in turn increased \$1.0 billion, or 59%, from 2001. Higher revenues and net income in 2003 and 2002, as compared to 2001, were a direct result of higher production resulting from the acquisitions of Normandy and Franco-Nevada in early 2002, and increased margins on gold sales resulting from higher average realized gold prices.

During 2003 and 2002, the weakening U.S. dollar and other factors helped strengthen gold prices and as a result, our average realized gold price increased significantly from \$271 per ounce in 2001, to \$313 per ounce in 2002 and to \$366 in 2003. At December 31, 2003, we assumed a long-term gold price of \$360 per ounce for purposes of impairment testing of goodwill and the carrying value of long-lived assets, compared to an assumed gold price of \$320 per ounce at December 31, 2002. The increase in the assumed gold price for impairment testing in 2003 reflects the Company's improved view of long-term gold prices based on the improvement in gold market fundamentals.

The average realized gold price increases over the last few years were partially offset by higher total production costs per ounce. During the past three years, Newmont has seen significant increases in the cost of fuel, power and other bulk consumables. In addition, our production costs were affected by the increase in foreign currency exchange rates in relation to the U.S. dollar. While a weaker U.S. dollar generally benefits the gold price, which is quoted in U.S. dollars, it also results in higher costs quoted in U.S. dollars at certain of our foreign operations. Since the Company's acquisition of Normandy, the Australian dollar/U.S. dollar exchange rate has had the greatest impact on costs. We experienced an appreciation of 17% in the average Australian dollar/U.S. dollar exchange rate between 2003 and 2002.

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Our equity gold sales in 2003 of 7.4 million ounces were slightly lower than the 7.6 million ounces in 2002 because of the Company's divestiture of non-core equity investments. Equity gold sales in 2002 were approximately 40% higher than the 5.5 million ounces sold in 2001, as a result of the Normandy and Franco-Nevada acquisitions.

## **Table of Contents**

In addition, our financial and operating results for the year ended December 31, 2003 were impacted by the following significant items:

Our 2003 results reflect the full-year impact of our acquisitions of Normandy and Franco-Nevada;

we recognized a net \$83.2 million gain on investments in 2003 primarily relating to a gain on the exchange of certain securities;

we recognized net gains relating to Newmont Yandal Operations Pty Ltd ( NYOL ) of \$114.0 million as the result of the extinguishment of NYOL's debt, and \$106.5 million as a result of the extinguishment of NYOL gold hedge contracts;

we incurred losses in 2003 of \$119.5 million relating to Australian Magnesium Corporation, and a \$30.0 million charge relating to a Newmont guarantee of a loan to QMC Finance Pty Ltd;

we recognized foreign currency gains of \$97.0 million;

we spent significantly higher amounts on exploration, research and development; and

income tax expense was \$206.9 million in 2003, compared to \$19.9 million in 2002. The 2003 increase in tax expense was primarily attributable to significantly higher pre-tax income.

### ***Equity Accounted Investment***

Our results of operations and financial condition also include non-consolidated or equity accounted affiliates, the most significant of which is P.T. Newmont Nusa Tenggara, which owns the Batu Hijau mine in Indonesia. Equity income from Batu Hijau was \$82.9 million for 2003 compared to \$42.1 million in 2002. The increase in equity income at Batu Hijau over prior years primarily resulted from higher copper prices, increased gold by-product credits and lower smelting and refining costs.

Newmont expects to consolidate Batu Hijau effective January 1, 2004, following the adoption of FASB Interpretation No. 46R ( FIN 46R ). We expect this will have a material impact on our consolidated operating and financial results reported in the future.

### ***Liquidity***

During 2003, Newmont's balance sheet strengthened significantly, primarily from the equity offering completed in November, from positive operating cash flows and from the sale of non-core assets. The Company's financial position at December 31, 2003 and 2002 was as follows:

**At December 31,**

	2003	2002
	(in millions)	
Long-term debt (including current portion)	\$ 1,077.5	\$ 1,816.6
Total stockholders' equity	\$ 7,384.9	\$ 5,419.2
Cash and cash equivalents	\$ 1,314.0	\$ 401.7

During 2003, our debt and liquidity positions were affected by several events. We made net repayments of long-term debt of \$669.3 million, primarily reflecting early debt extinguishments. In November 2003, we completed an offering of 25 million shares of common stock, which raised gross proceeds of approximately \$1.0 billion. As a result of the proceeds received from the offering, our cash and cash equivalents and stockholders' equity both increased significantly. We also received \$224.6 million from the sale of marketable securities of Kinross, \$180.0 million from the sale of shares of TVX Newmont Americas and \$162.5 million from the issuance of common stock on the exercise of Franco-Nevada Class B warrants. Earnings of \$146.0 million were distributed to the minority partners of Yanacocha during 2003. In addition, during 2003 we spent \$176.3 million buying back gold derivative instruments, almost completely eliminating the portfolio of gold commodity derivative instruments obtained as part of the acquisition of Normandy.

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## **Table of Contents**

### ***Looking Forward***

Certain key factors that have affected our financial and operating results in the past will affect our future financial and operating results. These include, but are not limited to the following:

Gold prices, and to a lesser extent, copper prices;

Given the increase in reserves and the progress made on development projects, production is anticipated to range between 7.0 million and 7.5 million equity ounces per year through 2006. Newmont is currently developing its next generation of lower cost mines. We anticipate that our Ahafo advanced development project in Ghana, West Africa, will generate steady-state annual gold sales of approximately 500,000 ounces commencing in 2006, with higher production in the initial years. We expect to make an investment decision on the Akyem project, also in Ghana, by the end of 2004. In Nevada, the Leeville underground project is approximately 42% complete with annual gold production of approximately 500,000 ounces expected to commence at the end of 2005, while annual production from the Phoenix development project, anticipated to begin operating in 2006, is expected to be between 400,000 to 450,000 ounces of gold and 18 to 20 million pounds of copper;

Changes in foreign currency exchange rates in relation to the U.S. dollar will continue to affect our future profitability and cash flow. Fluctuations in local currency exchange rates in relation to the U.S. dollar can increase or decrease profit margins and total cash costs per ounce to the extent costs are paid in local currency at foreign operations. Historically, such fluctuations have not had a material impact on the Company's revenue since gold is sold throughout the world principally in U.S. dollars. The Company's total cash costs are most significantly impacted by variations in the Australian dollar/U.S. dollar exchange rate. However, variations in the Australian dollar/U.S. dollar exchange rate historically have been strongly correlated to variations in the U.S. dollar gold price over the long-term. Increases or decreases in costs at Australian locations due to exchange rate changes have therefore tended to be mitigated by changes in sales reported in U.S. dollars at Australian locations in the Company's consolidated financial statements. No assurance, however, can be given that the Australian dollar/U.S. dollar exchange rate will continue to be strongly correlated to the U.S. dollar gold price in the future;

Capital expenditures in 2003 were \$501.4 million. We expect to increase capital expenditures in 2004 to between \$700 million and \$750 million, including costs related to the Ahafo project in Ghana and the Leeville and Phoenix projects in Nevada; and

Due to the strengthening of the gold market, and consistent with our exploration growth strategy, we expect 2004 exploration, research and development expenditures will total between \$140 million and \$150 million.

### **Accounting Changes**

#### ***Reclamation and Remediation (Asset Retirement Obligations)***

In August 2001, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 143, Accounting for Asset Retirement Obligations, which established a uniform methodology for accounting for estimated reclamation and abandonment costs. Newmont adopted SFAS No. 143 as required on January 1, 2003. See Note 14 to the Consolidated Financial Statements for complete disclosure of the impact of adopting SFAS 143.



**Table of Contents**

On a pro forma basis, the liabilities for asset retirement obligations would have been \$420.0 million and \$422.9 million at January 1, 2002 and December 31, 2002, respectively, if SFAS No. 143 had been applied at the beginning of 2002. The table below presents the impact of the accounting change for 2003 and the pro forma effect for 2002 as if the change had been in effect for that period (in thousands, except per share data):

<b>(Decrease) increase to income</b>	<b>Year ended December 31,</b>		
	<b>2003 Impact</b>	<b>2002 (pro forma)</b>	<b>2001 (pro forma)</b>
Costs applicable to sales (exclusive of depreciation, depletion and amortization shown separately below)			
Gold	\$ 21,597	\$ 10,548	\$ 9,779
Base metals	358		
Depreciation, depletion and amortization	(13,607)	(13,228)	(11,359)
Income tax (expense) benefit	(2,922)	938	553
Minority interest	(4,567)	1,938	1,451
Equity income of affiliate	(1,309)	36	(1,656)
<b>(Decrease) increase to income before cumulative effect of a change in accounting principle</b>	<b>\$ (450)</b>	<b>\$ 232</b>	<b>\$ (1,232)</b>
<b>(Decrease) increase to income before cumulative effect of a change in accounting principle per common share, basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

The table below presents pro forma income (loss) and income (loss) per common share before cumulative effect of a change in accounting principle for years ended December 31, 2002 and 2001 as if the Company had adopted the SFAS No. 143 as of January 1, of each year (in thousands, except per share data):

	<b>2002</b>			<b>2001</b>	
	<b>Income applicable to common shares before cumulative effect of a change in accounting principle</b>	<b>Income per common share before cumulative effect of a change in accounting principle, basic</b>	<b>Income per common share before cumulative effect of a change in accounting principle, diluted</b>	<b>Net loss applicable to common shares</b>	<b>Net loss per common share, basic and diluted</b>
As reported	\$ 146,622	\$ 0.40	\$ 0.39	\$ (54,119)	\$ (0.28)
Effects of SFAS No. 143 accounting method	232			(1,232)	
<b>Pro forma</b>	<b>\$ 146,854</b>	<b>\$ 0.40</b>	<b>\$ 0.39</b>	<b>\$ (55,351)</b>	<b>\$ (0.28)</b>

***Depreciation, Depletion and Amortization***

During the third quarter of 2002, Newmont changed its accounting policy, retroactive to January 1, 2002, with respect to *Depreciation, depletion and amortization* ( 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, 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. The cumulative effect of this change in accounting principle through December 31, 2001 increased net income in 2002 by \$7.7 million, net of tax of \$4.1 million, and increased net income per share by \$0.02. The effect of the change in 2002 was to increase DD&A expense by \$1.3 million and decrease net income by \$0.8 million for the year. If the change had been in effect for 2001, the



## **Table of Contents**

pro forma effect of the change would have reduced DD&A expense by \$2.0 million in 2001, and would have decreased the net loss by \$1.3 million for the same period, or \$0.01 per common share, basic and diluted.

## **Restructuring**

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.

## **Acquisitions**

### ***Newmont NFM Limited Scheme of Arrangement***

On April 2, 2003, the shareholders of Normandy NFM Limited (an Australian corporation trading at that time as Newmont NFM on the Australian Stock Exchange or ASX) voted to approve a proposed scheme of arrangement under which Newmont NFM would become a wholly-owned subsidiary of Newmont Australia Limited, a wholly-owned subsidiary of Newmont Mining Corporation, through the acquisition of the remaining minority interest of Newmont NFM. The scheme became effective on April 14, 2003. Under the terms of the scheme, Newmont NFM shareholders could elect to receive 4.40 ASX listed Newmont Mining Corporation CHESSE Depository Interests (CDIs), with each CDI equivalent to 0.1 Newmont Mining Corporation share of common stock. As an alternative to receiving Newmont Mining Corporation CDIs, shareholders could sell their Newmont NFM shares back to Newmont NFM under a concurrent buy-back offer of A\$16.50 per Newmont NFM share. On April 29, 2003, Newmont Mining Corporation issued 4,437,506 shares of common stock to the CHESSE Depository Nominees Pty Ltd, and in turn, 44,375,060 CDIs were issued to former Newmont NFM shareholders. The market value of the newly issued Newmont Mining Corporation shares was approximately \$105 million, based on the average quoted value of the shares of common stock of \$23.58 per share two days before and after November 28, 2002, the date the terms of the transaction were agreed upon and announced. The market value of the issued equity securities, together with the cash consideration paid to those shareholders who elected to accept the buy-back offer of approximately \$10 million (including transaction costs), resulted in a total purchase price of approximately \$115 million. The transaction was accounted for as a purchase of minority interest in accordance with SFAS No. 141, Business Combinations, in the second quarter of 2003. Newmont NFM was delisted from the ASX in April 2003. Newmont performed a purchase price allocation that gave rise to goodwill of \$93.3 million arising from the acquired interest.

### ***Normandy Mining Limited and Franco-Nevada Mining Corporation Limited***

On February 16, 2002, pursuant to a Canadian Plan of Arrangement, Newmont acquired 100% of Franco-Nevada Mining Corporation Limited (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 shares), 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 Mining Limited (Normandy) through a tender offer for all of the ordinary shares of Normandy. For accounting purposes, the effective date of the Normandy acquisition was the close of business on February 15, 2002, when Newmont received an 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

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included in the accompanying Consolidated 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.

## **Table of Contents**

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 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.

The purchase price for these acquisitions totaled \$4.3 billion, composed of 197.0 million Newmont shares (or share equivalents), \$461.7 million in cash and approximately \$90.3 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 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 has 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 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. The acquisitions resulted in approximately \$3.0 billion of goodwill primarily related to the merchant banking business, the Normandy global exploration programs and expertise, and expected synergies.

### ***Battle Mountain Gold Company***

On January 10, 2001, the Company completed the acquisition of Battle Mountain pursuant to an agreement and plan of acquisition, dated as of June 21, 2000, under which 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 shares of common stock of Newmont, resulting in the issuance of approximately 24.1 million shares of common stock. The Company also exchanged 2.3 million shares of \$3.25 convertible preferred stock for all outstanding shares of Battle Mountain \$3.25 convertible 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. The acquisition 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.

### **Critical Accounting Policies**

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Listed below are the accounting policies that the Company believes are critical to its financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported.

### *Carrying Value of Goodwill*

At December 31, 2003 and 2002, the carrying value of the Company's goodwill was approximately \$3.0 billion. Such goodwill was assigned to the Company's Merchant Banking (approximately \$1.6 billion) and

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**Table of Contents**

Exploration (approximately \$1.1 billion) Segments and to various mine site reporting units (approximately \$300 million in the aggregate). As further described in Note 3 to the Consolidated Financial Statements, this goodwill primarily arose in connection with the Company's February 15, 2002 acquisitions of Normandy and Franco-Nevada, and it primarily represents the excess of the aggregate purchase price over the fair value of the identifiable net assets of Normandy and Franco-Nevada. Such goodwill was assigned to reporting units in a reasonable, supportable and consistent manner based on independent valuations performed by Behre Dolbear and Company, Inc., an independent consulting and valuation firm (Behre Dolbear). The Company's approach to allocating goodwill was to identify those reporting units of the Company that the Company believed had contributed to such excess purchase price. The Company then engaged Behre Dolbear to perform valuations to measure the incremental increases in the fair values of such reporting units that were attributable to the acquisitions, and that were not already captured in the fair values assigned to such units' identifiable net assets. In the case of the Merchant Banking and Exploration Segments, these valuations were based on each reporting unit's potential for future growth, and in the case of the mine site reporting units, the valuation was based on the synergies that were expected to be realized by each mine site reporting unit.

The Company evaluates, on at least an annual basis, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, the Company compares the fair values of its reporting units to their carrying amounts. If the carrying value of a reporting unit were to exceed its fair value at the time of the evaluation, the Company would perform the second step of an impairment test. In the second step, the Company would compare the implied fair value of the reporting unit's goodwill to its carrying amount and any shortfall would be charged to income. Assumptions underlying fair value estimates are subject to risks and uncertainties. Newmont performed its annual impairment tests of goodwill during the fourth quarter of 2003 and determined that goodwill was not impaired at December 31, 2003. To the extent the assumptions used in the Company's valuation models laid out below for such impairment tests are not achieved in the future, it is reasonably possible that the Company will record charges for impairment of goodwill in future periods. The specific application of the Company's goodwill impairment policy with respect to the Merchant Banking Segment, Exploration Segment and mine site reporting units are separately discussed below.

***Merchant Banking Segment Goodwill***

*Purchase Price Allocation at February 15, 2002 and Impairment Testing at December 31, 2002.* The assignment of goodwill to the Merchant Banking Segment was based on the assumption that, following the Franco-Nevada acquisition, the Merchant Banking Segment would continue to earn long-term investment returns consistent with the historical returns on capital earned by Franco-Nevada during the eleven years prior to the acquisition. It was further assumed that the Merchant Banking Segment, which is led by former senior executives of Franco-Nevada, would seek to earn such returns from various transactions such as mergers, acquisitions, joint ventures, investments in royalty interests, the disposal of interests in mining projects and other investing and financing related transactions. The amount of goodwill assigned to the Merchant Banking Segment as of the acquisition date was intended to represent the incremental increase in the value of the Merchant Banking Segment as a result of the acquisition, and was based on a discounted cash flow analysis that assumed (i) an initial investment of \$300 million; (ii) additional annual investments of \$50 million commencing in year two of a seven-year time horizon; (iii) an average long-term after-tax return of 37.3%; (iv) the immediate reinvestment of average annual returns; and (v) discount rates ranging from 8% to 9%. The assumed initial and additional investments were based on Franco-Nevada's historical asset base and investing experience, and management's judgment as to what investment levels could be expected to continue in the future. While the Company expected the actual investments of the Merchant Banking Segment to be made on a sporadic basis as investment opportunities presented themselves, the Company assumed an additional annual investment level of \$50 million for valuation modeling purposes. The Company believed that the \$50 million additional annual investment level assumed for modeling purposes was reasonable given the equivalent probability of investing more or less than that average amount in any given period based upon the timing of attractive investment opportunities. The February 15, 2002 valuation model assumed that the investments and related returns thereon would ultimately

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**Table of Contents**

increase to a value of approximately \$3.8 billion at the end of the seven-year period. Such value would have represented 34% of the Company's total assets at December 31, 2003. Asset growth of this magnitude is consistent with Franco-Nevada's historical experience. The 37.3% long-term after-tax return assumed for this analysis represented the average return on capital deployed by the merchant banking unit of Franco-Nevada during the eleven years prior to its acquisition by the Company. For purposes of this return calculation, the denominator excluded capital associated with Franco-Nevada's cash and gold bullion balances and the numerator excluded the interest income generated by such cash balances due to the fact that Franco-Nevada's cash and gold bullion balances did not represent amounts invested by Franco-Nevada's merchant banking unit. Throughout the eleven-year historical valuation period, Franco-Nevada's cash and gold bullion balances represented a significant portion of Franco-Nevada's total assets. Accordingly, if cash and gold bullion balances and interest income had been included, the calculated return would have been 15%, a significantly lower return than the 37.3% return that was in fact used to value the goodwill of the Merchant Banking Segment. In order to assess future returns in relation to the 37.3% return assumed for goodwill allocation purposes, the Company will track annualized returns on investments, on an individual and aggregate basis, based upon realized and unrealized value changes from inception of each investment.

The Company expects to fund investments as opportunities arise and, therefore, it is likely that investments in the Merchant Banking Segment will fall short of or exceed the February 15, 2002 valuation model's assumed annual investment level of \$50 million in any given year. Under this valuation model, since revised and updated for purposes of impairment testing at December 31, 2003, as described below, to the extent that the Company were to have fallen short of the assumed annual additional investment of \$50 million per year or otherwise were to have fallen short of the targeted portfolio value, the Company would have needed to achieve increases in its future investment levels, returns and/or other factors impacting the valuation sufficient to offset fully any such shortfalls in invested capital and returns thereon in order to replicate the value assigned to the Merchant Banking Segment goodwill on February 15, 2002. The Company would have needed to invest an average of approximately \$82 million annually in years three through seven if the Company failed to make any new investments in year two assuming all other valuation assumptions were held constant. Similarly, to the extent that the Company failed to realize and reinvest investment returns that are at least equal to the 37.3% annual returns assumed for purposes of the February 15, 2002 valuation, the Company would have needed to achieve increases in future returns, investment levels and/or other factors impacting the valuation in order to replicate the value assigned to the Merchant Banking Segment goodwill on February 15, 2002. For example, if the Company had decreased its return assumption by one percentage point to 36.3% or by ten percentage points to 27.3% in the February 15, 2002 valuation, the \$1.625 billion value assigned to the Merchant Banking Segment goodwill at February 15, 2002 would have decreased by approximately \$96 million or \$805 million, respectively, from the value determined in the February 15, 2002 valuation, assuming all other valuation assumptions were held constant. Moreover, as the expected period between the initial investment and the ultimate realization of a return by the Merchant Banking Segment is generally greater than one year, and given that the February 15, 2002 model assumes that returns are realized and reinvested on an annual basis, the Merchant Banking Segment will likely need to achieve returns in excess of the assumed 37.3% return in order to replicate the value assigned to the Merchant Banking Segment goodwill on February 15, 2002 assuming all other valuation assumptions are held constant. Changes to other valuation assumptions, such as the amount of the initial investment, discount rates, tax rates and the time horizon also would have impacted the value determined by the February 15, 2002 valuation. Although the Company believes that the February 15, 2002 valuation provided a reasonable and supportable basis for the allocation of goodwill to the Merchant Banking Segment, the Company recognizes that, due to the opportunistic nature of the Merchant Banking Segment's business, future returns and investment levels are not easily predicted. Accordingly, future results may vary significantly from the investments and returns assumed for purposes of this discounted cash flow analysis.

For purposes of performing its annual goodwill impairment test, the Company will perform an analysis to determine the fair value of the Merchant Banking Segment. The fair value derived from this valuation process, together with the fair value of the identifiable net assets of the Merchant Banking Segment, will be considered by the Company in the first step of its impairment test, which test requires the Company to compare the aggregate

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**Table of Contents**

carrying value of the identifiable net assets and goodwill of the Merchant Banking Segment to the aggregate fair value of such identifiable net assets and goodwill. For every 10% reduction in the valuation of goodwill below the amount assigned to the Merchant Banking Segment at the acquisition date, the Company would expect to record a non-cash goodwill impairment charge of approximately \$160 million.

*Impairment Testing at December 31, 2003.* The fair value of the equity portfolio at December 31, 2002 was approximately \$310 million. During 2003, the Company did not make any substantial new capital additions to the equity portfolio but did sell a substantial proportion of its investment in Kinross, which represented the majority of value of the equity portfolio at the time of sale. As discussed below, the December 31, 2003 discounted cash flow analysis for the equity portfolio sub-segment of the Merchant Banking Segment assumed an initial equity portfolio of approximately \$140 million (approximate fair value of equity portfolio at December 31, 2003) and capital infusions of \$120 million annually for the next three fiscal years. The assumed capital infusions are necessary to bring the equity portfolio to a level necessary to support the carrying value of the Merchant Banking Segment. While the Company has both the ability and intention to meet these funding requirements, no assurance can be given that it will be successful in this regard.

At December 31, 2003, the \$1.6 billion carrying value of the Merchant Banking Segment goodwill represented approximately 74% of the carrying value of the total assets of the Merchant Banking Segment. Based on a December 31, 2003 valuation of the Merchant Banking Segment prepared by an independent valuation firm, the Company concluded that the fair value of the Merchant Banking Segment was significantly in excess of its carrying value at December 31, 2003, and accordingly, that it was not necessary to perform the second step of the goodwill impairment test with respect to its Merchant Banking Segment. Although the Company considers both the February 15, 2002 and December 31, 2003 valuations to be reasonable and both were based on discounted cash flow models, the December 31, 2003 valuation incorporated assumptions and approaches that were designed to (i) take into account the evolving activities and objectives of the Merchant Banking Segment; (ii) recognize the reduced investment level of the equity portfolio; (iii) increase the sophistication of the financial model used to support the valuation of the Merchant Banking Segment; and (iv) value all the sub-segments of the Merchant Banking Segment, including the equity portfolio sub-segment, the royalty portfolio sub-segment, the portfolio management sub-segment, and the downstream gold refining sub-segment. As a result, certain of the assumptions underlying the December 31, 2003 valuation model are not directly comparable to the assumptions used in the February 15, 2002 valuation. The December 31, 2003 discounted cash flow analysis for the equity portfolio sub-segment of the Merchant Banking Segment assumed: (i) a discount rate of 9%; (ii) a time horizon of ten years; (iii) pre-tax returns on investment ranging from 35% starting in 2004 and gradually declining to 15% in 2011 through 2013; (iv) an initial equity portfolio investment of approximately \$140 million; (v) capital infusions of \$120 million annually for the next three fiscal years; and (vi) a terminal value of approximately \$1.5 billion. The December 31, 2003 discounted cash flow analysis for the royalty portfolio sub-segment of the Merchant Banking Segment assumed: (i) a discount rate of 9%; (ii) a time horizon of ten years; (iii) an annual growth rate of 5% in the royalty portfolio; and (iv) a pre-tax rate of return on investment of 13%. The December 31, 2003 discounted cash flow analysis for the portfolio management sub-segment of the Merchant Banking Segment assumed: (i) a discount rate of 9%; (ii) a time horizon of ten years; and (iii) a pre-tax advisory fee of 5% on approximately \$500 million of transactions and value-added activities in 2004, with the dollar amount of such transactions and activities increasing by 5% annually thereafter. The December 31, 2003 discounted cash flow analysis for the downstream gold refining sub-segment of the Merchant Banking Segment assumed: (i) a discount rate of 9%; (ii) a time horizon of ten years; and (iii) a pre-tax annual return on investments of \$4.2 million. The December 31, 2003 discounted cash flow analysis assumed a combined terminal value for the royalty portfolio, portfolio management and downstream gold refining sub-segments of approximately \$900 million.

*Future Goodwill Valuations.* For purposes of valuing the Merchant Banking Segment at future fiscal year ends, the Company expects that the valuation model will continue to be reevaluated and enhanced to acknowledge the evolving activities and objectives of the Merchant Banking Segment. The key drivers of such future valuations are expected to include (i) expected future long-term investment returns, adjusted for Company specific and market driven factors; (ii) expected economic value to be added by the Merchant Banking Segment

**Table of Contents**

in addition to such investment returns; (iii) the level of capital accessible by the Merchant Banking Segment; and (iv) other relevant facts and circumstances. To determine the appropriate returns, investment levels and other assumptions for purposes of this analysis, the Company will (i) review the expected or actual returns from transactions that were initiated and/or completed since the last impairment test; (ii) assess the actual economic values added by other Merchant Banking Segment activities since the last impairment test; and (iii) assess the ongoing appropriateness of all assumptions impacting the valuation based on then current conditions and expectations. The Company believes that any model used to value the Merchant Banking Segment will need to take into account the relatively long time horizon required to evaluate the investment returns and other economic value added activities of the Merchant Banking Segment. As such, in the absence of any mitigating valuation factors or triggering events (events that would give rise to a requirement to perform an impairment test), which are described below, the Company believes that a sustained period of approximately three years in which the Merchant Banking Segment's actual investment levels, returns or economic values added fall significantly below those levels necessary to support the carrying value of the Merchant Banking Segment would likely result in a reduction of the value assigned to the Merchant Banking Segment's growth potential and, in the absence of any offsetting increase in the aggregate fair value of the Merchant Banking Segment's other net assets, an impairment of the Merchant Banking Segment goodwill.

A high degree of judgment is involved in determining the assumptions and estimates that are used to determine the fair value of the Merchant Banking Segment. Accordingly, no assurance can be given that actual results will not differ significantly from the corresponding assumptions and estimates. If a triggering event were to occur that could reasonably be expected to result in an impairment of the carrying value of the Merchant Banking Segment, the Company would be required to test the goodwill assigned to the Merchant Banking Segment as of the end of the reporting period in which any such event occurred. The Company believes that triggering events with respect to the Merchant Banking Segment could include, but are not limited to: (i) the Company's partial or complete withdrawal of financial support for the Merchant Banking Segment; (ii) a significant reduction in management's long-term expectation of the price of gold, given the adverse effect such a development could have on the fair values of the Merchant Banking Segment's investment and royalty interest portfolios and the Merchant Banking Segment's prospects for future growth; (iii) the divestiture of a significant portion of the Merchant Banking Segment's investment portfolio together with management's determination to not fund the replenishment of such portfolio for the foreseeable future; and (iv) any other event that might adversely affect the ability of the Merchant Banking Segment to consummate transactions that create value for the Company. The Company currently has no plans to withdraw financial support for the Merchant Banking Segment. For a discussion of the results of operations of the Merchant Banking Segment, see Results of Operations, Merchant Banking Segment, below.

***Exploration Segment Goodwill***

*Purchase Price Allocation at February 15, 2002 and Impairment Testing at December 31, 2002.* The Exploration Segment's primary responsibilities are to (i) discover new gold deposits globally and regionally outside of the vicinity of any of the Company's existing mining operations or development projects; (ii) discover new deposits in existing operating districts or project development areas; and (iii) provide exploration advice for the purpose of optimizing reserve extensions in areas surrounding existing mines and advancing non-reserve mineralization into economically mineable reserves. The assignment of goodwill to the Exploration Segment was based on the assumption that, following the acquisition of Normandy, the Exploration Segment would continue Normandy's historical level of increasing proven and probable reserves through new discoveries by combining Normandy's exploration culture, philosophy, expertise and methodologies with those of Newmont. The amount of goodwill assigned to the Exploration Segment as of the acquisition date was intended to represent the incremental increase in the value of the Exploration Segment as a result of the acquisition, and was based on a discounted cash flow analysis that assumed (i) 1.6 million recoverable ounces of gold of additions to proven and probable reserves through new discoveries in the first year following the acquisition; (ii) an annual growth rate for such reserve additions of 23.1% over a ten-year period; (iii) a fair value for each recoverable ounce of gold of



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**Table of Contents**

reserve additions of approximately \$58; and (iv) a discount rate of 15%. The assumed additions to reserves in the first year and the growth rate were based on Normandy's historical annual reserve additions and Normandy's average 33% historical growth rate in reserve additions during the 11-year period prior to the acquisition, and management's expectation of the growth rate and levels of reserve additions that could be expected to continue in the future as a result of the Normandy acquisition. The February 15, 2002 valuation assumed that the incremental effect of the Normandy acquisitions would be to add approximately 49 million ounces to proven and probable reserves during the ten-year period following the acquisition. This compares to 20 million and 56 million ounces added to proven and probable reserves by Normandy and Newmont, respectively, during the ten years prior to the acquisition. Assuming exploration costs of \$13 per ounce of gold, the Company would need to spend approximately \$637 million over the next ten years to discover the 49 million incremental ounces that the February 15, 2002 valuation assumed would be added to proven and probable reserves. Subject to any significant adverse change in the Company's long-term view of gold prices, the Company has both the ability and intent to provide at least \$637 million of funding to the Exploration Segment over the next ten years. The fair value of the reserve additions was based in part on an assumed gold price of \$300 per ounce, which represented Newmont's assessment of the long-term price of gold as of the acquisition date. Although the Company believes that this discounted cash flow analysis provided a reasonable and supportable basis for the allocation of goodwill to the Exploration Segment, the Company recognizes that, due to the nature of the Exploration Segment's business, the timing, quantity and value of future reserve additions are not easily predicted. Decreasing the assumed 23.1% growth rate for reserve additions by one percentage point to 22.1% and by ten percentage points to 13.1% would have resulted in a decrease of approximately \$45 million and \$365 million, respectively, in the value determined by the February 15, 2002 valuation assuming all other valuation assumptions were held constant. In addition, decreasing the long-term gold price assumption from \$300 by one percentage point to \$297 and by 10% to \$270 would have resulted in a decrease of approximately \$45 million and \$444 million, respectively, in the value determined by the February 15, 2002 valuation assuming all other valuation assumptions were held constant. Changes to other valuation assumptions, such as annual reserve additions, discount rates, tax rates, operating costs, capital expenditures and the time horizon also would have impacted the value determined by the February 15, 2002 valuation. Accordingly, future results may vary significantly from the reserve additions, values and other assumptions underlying the February 15, 2002 valuation.

For purposes of performing its annual goodwill impairment test, the Company will perform an analysis to determine the fair value of the Exploration Segment. The fair value derived from this valuation process, together with the fair value of the identifiable net assets of the Exploration Segment, will be considered by the Company in the first step of its impairment test, which test requires the Company to compare the aggregate carrying value of the identifiable net assets and goodwill of the Exploration Segment to the aggregate fair value of such identifiable net assets and goodwill. For every 10% reduction in the valuation of such goodwill below the amount assigned to the Exploration Segment at the acquisition date, the Company would expect to record a non-cash goodwill impairment charge of approximately \$113 million.

*Impairment Testing at December 31, 2003.* At December 31, 2003, the \$1.1 billion carrying value of the Exploration Segment goodwill represented approximately 95% of the carrying value of the total assets of the Exploration Segment. Based on a December 31, 2003 valuation of the Exploration Segment prepared by an independent valuation firm, the Company concluded that the fair value of the Exploration Segment was significantly in excess of its carrying value at December 31, 2003, and accordingly, that it was not necessary to perform the second step of the goodwill impairment test with respect to its Exploration Segment. Although the Company considers both the February 15, 2002 and December 31, 2003 valuations to be reasonable and both were based on discounted cash flow models, the December 31, 2003 valuation incorporated assumptions and approaches that were designed to increase the sophistication of the financial model used to support the valuation of the Exploration Segment. As a result, certain assumptions underlying the December 31, 2003 valuation model are not directly comparable to the assumptions used in the February 15, 2002 valuation. In connection with the December 31, 2003 valuation, the Company reviewed the Exploration Segment's performance during 2003 and prior years in generating additions to proven and probable reserves. The Exploration Segment is responsible for all activities, regardless of location, associated with the Company's efforts to discover new mineralized material

**Table of Contents**

that will advance into proven and probable reserves. Internally generated proven and probable reserve additions are attributed to the Exploration Segment to the extent that such additions are derived from (i) a discovery made by the Company or Normandy; or (ii) a discovery made on previously acquired properties (whether acquired by the Company or by Normandy, prior to their acquisition by the Company) as a result of exploration efforts conducted subsequent to the acquisition date. All reserves known as of the acquisition date were assigned to operating mines and/or development stage properties and as such were excluded from the valuation of the Exploration Segment. In addition, the value of expected reserve additions that were assigned a value in purchase accounting were also excluded from the Exploration Segment's valuation. During 2003, the Company replaced approximately 12.9 million gold ounces of depletion and divestments, with a total of 17.3 million ounces of additions to proven and probable reserves, of which 87% were non-acquisition and attributable to the Exploration Segment. Of the 2003 gold ounces attributable to the Exploration Segment, 57% were not previously valued in the Normandy purchase accounting. Based on this review of historical additions to proven and probable reserves and on management's expectation of the growth rate and levels of reserve additions that could be expected to continue in the future, the discounted cash flow model developed to value the Exploration Segment at December 31, 2003 assumed that (i) the Exploration Segment would be responsible for 7.9 million ounces of additions to proven and probable reserves in year one of the discount period; (ii) such additions would increase by 5% annually; and (iii) approximately 64%, 61%, 58% and 20% of additions in years 2004, 2005, 2006 and 2007, respectively, would represent ounces that had previously been valued in the Normandy purchase accounting. In addition, the discounted cash flow model for the Exploration Segment assumed, among other matters: (i) a 16-year time horizon, including a six-year time lapse between discovery and the initiation of production and a five-year production period; (ii) a 9% discount rate; (iii) a terminal value of approximately \$3.9 billion; (iv) an average gold price of \$360 per ounce during the time horizon; (v) total cash costs per ounce produced of \$201; and (vi) capital costs per ounce of \$50. The Company believes that any model used to value the Exploration Segment will need to take into account the relatively long time horizon required to evaluate the activities of the Exploration Segment. As such, in the absence of any mitigating valuation factors, or triggering events which are described below, the Company believes that a sustained period of approximately three years in which additions to proven and probable reserves, or the values associated therewith, fall short of those levels that reasonably could be expected to support the carrying value of the Exploration Segment would likely result in a reduction of the value assigned to the Exploration Segment's growth potential and, accordingly, in an impairment of the Exploration Segment goodwill. The Company believes that triggering events with respect to the Exploration Segment could include, but are not limited to: (i) the Company's partial or complete withdrawal of financial support for the Exploration Segment; (ii) a significant decrease in the Company's long-term expectation of the price of gold; and (iii) a significant increase in long-term capital and operating cost estimates. The Company currently has no plans to withdraw financial support for the Exploration Segment. For a discussion of the results of operations of the Exploration Segment, see Results of Operations, Exploration Segment, below.

*Mine Site Goodwill.* The assignment of goodwill to mine site reporting units was based on synergies that were expected to be achieved at each operation. Such synergies are expected to be incorporated into the Company's operations and business plans over time. The amount of goodwill assigned to each segment or reporting unit was based on discounted cash flow analyses that assumed risk-adjusted discount rates over the remaining lives of the applicable mining operations. The Company believes that triggering events with respect to the goodwill assigned to mine site reporting units could include, but are not limited to: (i) a significant decrease in the Company's long-term expectation of the price of gold; (ii) a decrease in reserves; and (iii) any event that might otherwise adversely affect mine site production levels or costs. The Company performed its annual impairment test of mine site goodwill and determined that there were no impairments at December 31, 2003. For more information on the discounted cash flows used to value mine site reporting units, see Carrying value of long-lived assets, below.

***Depreciation, Depletion and Amortization***

Expenditures for new facilities or equipment and expenditures that extend the useful lives of existing facilities or equipment are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the estimated future lives of such facilities or equipment. These lives do not exceed

## **Table of Contents**

the estimated mine life based on proven and probable reserves as the useful lives of these assets are considered to be limited to the life of the relevant mine.

Costs incurred to develop new properties are capitalized as incurred, where it has been determined that the property can be economically developed based on the existence of 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 cost of building access ways, shaft sinking and access, lateral development, drift development, ramps and infrastructure development. All such costs are amortized using the units-of-production ( UOP ) method over the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves.

Major development costs incurred after the commencement of production are amortized using the UOP method based on estimated recoverable ounces to be mined from proven and probable reserves. Depending upon whether the development is expected to benefit the entire remaining ore body, or specific ore blocks or areas only, the UOP basis is either the life of the entire ore body, or the life of the specific ore block or area.

The calculation of the UOP rate of amortization, and therefore the annual amortization charge to operations, could be materially impacted to the extent that actual production in the future is different from current forecasts of production based on proven and probable reserves. This would generally occur to the extent that there were significant changes in any of the factors or assumptions used in determining reserves. These factors could include: (i) an expansion of proven and probable reserves through exploration activities; (ii) differences between estimated and actual cash costs of mining, due to differences in grade, metal recovery rates and foreign currency exchange rates; and (iii) differences between actual commodity prices and commodity price assumptions used in the estimation of reserves. Such changes in reserves could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the mine, which in turn is limited to the life of the proven and probable reserves.

The expected useful lives used in depreciation, depletion and amortization calculations are determined based on applicable facts and circumstances, as described above and in Note 2 to the Consolidated Financial Statements. Significant judgment is involved in the determination of useful lives, and no assurance can be given that actual useful lives will not differ significantly from the useful lives assumed for purpose of depreciation, depletion and amortization calculations.

Intangible assets related to mineral interests represent mineral use rights for parcels of land not owned by the Company. The Company's intangible assets include mineral use rights related to production, development or exploration stage properties (each as defined in Note 2 to the Consolidated Financial Statements) and the value of such intangible assets is primarily driven by the nature and amount of mineralized material believed to be contained, or potentially contained, in such properties. The amount capitalized related to a mineral interest represents its fair value at the time it was acquired, either as an individual asset purchase or as a part of a business combination. The straight-line amortization of the Company's exploration stage mineral interests is calculated after deducting applicable residual values. At December 31, 2003, such residual values aggregated approximately \$341.9 million. Residual values are determined for each individual property based on the fair value of the exploration stage mineral interest, and the nature of, and the Company's relative confidence in, the mineralized material believed to be contained, or potentially contained, in the underlying property. Such values are based on (i) discounted cash flow analyses for those properties characterized as other mineralized material and around-mine exploration potential; and (ii) recent transactions involving similar properties for those properties characterized as other mine-related exploration potential and greenfields exploration potential. Based on its knowledge of the secondary market that exists for the purchase and sale of mineral properties, the Company believes that both methods result in a residual value that is representative of the amount that the Company could expect to receive if the property were sold to a third party. Residual values range from zero to 90% of the gross carrying value of the respective exploration stage mineral interests. Significant judgment is

## **Table of Contents**

involved in the determination of residual values, and no assurance can be given that actual values will not differ significantly from estimated residual values.

Refer to Note 2 to the Consolidated Financial Statements under **Mineral Interests and Other Intangible Assets** for definitions of each class of the Company's mineral interest and other intangible assets.

### ***Carrying Value of Long-Lived Assets***

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable. An asset impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on estimated quantities of recoverable minerals, expected gold and other commodity prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans. The significant assumptions in determining the future discounted cash flows for each mine site reporting unit at December 31, 2003, apart from production cost and capitalized expenditure assumptions unique to each operation, included a long-term gold price of \$360 per ounce and Australian and Canadian dollar exchange rates of \$0.65 and \$0.71, respectively per U.S.\$1.00. The term **recoverable minerals** refers to the estimated amount of gold or other commodities that will be obtained from proven and probable reserves and all related exploration stage mineral interests, except for other mine-related exploration potential and greenfields exploration potential discussed separately below, after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such exploration stage mineral interests are risk adjusted based on management's relative confidence in such materials. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. With the exception of other mine-related exploration potential and greenfields exploration potential, all assets at a particular operation are considered together for purposes of estimating future cash flows. In the case of mineral interests associated with other mine-related exploration potential and greenfields exploration potential, cash flows and fair values are individually evaluated based primarily on recent exploration results and recent transactions involving sales of similar properties.

Refer to Note 2 to the Consolidated Financial Statements under **Mineral Interests and Other Intangible Assets** for definitions of each class of the Company's mineral interest and other intangible assets.

As discussed above under Depreciation, Depletion and Amortization, various factors could impact the Company's ability to achieve its forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically. Assets classified as other mine-related exploration potential and greenfields exploration potential have the highest level of risk that the carrying value of the asset can be ultimately realized, due to the still lower level of geological confidence and economic modeling.

Material changes to any of these factors or assumptions discussed above could result in future impairment charges to operations.

### ***Deferred Stripping Costs***

At open pit mines that have diverse grades and waste-to-ore ratios over the life of the mine, the Company defers and amortizes certain stripping costs, normally associated with the removal of waste rock. The

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**Table of Contents**

amortization of deferred amounts is determined using the UOP method based on estimated recoverable ounces from proven and probable reserves, using a stripping ratio calculated as the total tons to be moved over total proven and probable ore reserves. The charge to operations for the amortization of deferred stripping costs could differ materially between reporting periods to the extent that there were material changes to proven and probable reserves as discussed above under Depreciation, Depletion and Amortization. In addition, to the extent that the average ratio of tons of waste that were required to be removed for each ounce of gold differed materially from that which was estimated in the stripping ratio, the actual amortization charged to operations could differ materially between reporting periods.

***Stockpiles, Ore on Leach Pads and Inventories***

Costs that are incurred in or benefit the productive process are accumulated as stockpiles, ore on leach pads and inventories. The Company records stockpiles, ore on leach pads and inventories at the lower of average cost or net realizable value ( NRV ), and carrying values are evaluated at least quarterly. NRV represents the estimated future sales price of the product based on prevailing and long-term metals prices, less estimated costs to complete production and bring the product to sale. The primary factors that influence the need to record write-downs of stockpiles, ore on leach pads and inventories include prevailing short-term and long-term metals prices and prevailing costs for production inputs such as labor, fuel and energy, materials and supplies, as well as realized ore grades and actual production levels. During the years ended December 31, 2003, 2002 and 2001, write-downs of stockpiles, ore on leach pads and inventories to NRV aggregated \$24.9 million, \$44.4 million, and \$25.1 million, respectively.

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 added and removed from the stockpile, the number of contained ounces based on assay data, and the estimated recovery percentage based on the expected processing method. 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. Costs are added to a stockpile based on current mining costs and removed at the average cost per recoverable ounce of gold in the stockpile. Stockpiles are reduced as material is removed and fed to mills or placed on leach pads. At December 31, 2003 and 2002, the Company's stockpiles had carrying values of \$260.6 million and \$241.1 million, respectively.

Ore on leach pads represents ore that is placed on pads where it is permeated with a chemical solution that dissolves the gold contained in the ore. The resulting pregnant solution is further processed in a leach plant where the gold is recovered. Costs are attributed to the carrying value of leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations. Costs are removed from the carrying value of 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. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads based on assay data and a recovery percentage. Ultimate recovery of gold contained on leach pads can vary from approximately 50% to 95% 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 monitor recoverability levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. Historically, the Company's operating results have not been materially impacted by variations between the estimated and actual recoverable quantities of gold on its leach pads. Assuming a one percent variation from the Company's current estimates of gold quantities on its leach pads at December 31, 2003, the Company would experience a production variance of approximately 21,500 ounces, assuming that none of the variations for individual leach pads offset one another on a consolidated basis. At December 31, 2003, the weighted-average cost per recoverable ounce of gold on leach pads was \$136 per ounce.

## **Table of Contents**

Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from a pad will not be known until the leaching process is terminated. Based on current mine plans, the Company expects to place the last ton of ore on its current leach pads at dates ranging from 2007 to 2019. Including the estimated time required for residual leaching, rinsing and reclamation activities, the Company expects that its leaching operations will terminate within approximately nine years following the date that the last ton of ore is placed on the leach pad. At December 31, 2003 and 2002, the Company's ore on leach pads had carrying values of \$293.8 million and \$287.6 million, respectively.

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 mines, stockpiles or leach pads plus the in-process conversion costs, including applicable depreciation relating to the process facility, incurred to that point in the process. At December 31, 2003 and 2002, the Company's in-process inventories had carrying values of \$64.0 million and \$46.4 million, respectively.

Precious metals inventories include gold doré and/or gold bullion. Precious metals that are received as in kind payments of royalties are valued at fair value on the date title is transferred to the Company. Precious metals that result from the Company's mining and processing activities are valued at the average cost of the respective in-process inventories incurred prior to the refining process, plus applicable refining costs.

The allocation of costs to stockpiles, ore on leach pads and inventories and the determination of NRV involves the use of estimates and assumptions unique to each mining operation regarding current and future costs, production levels, commodity prices, proven and probable reserve quantities, engineering data and other factors. A high degree of judgment is involved in determining such assumptions and estimates and no assurance can be given that actual results will not differ significantly from the corresponding estimates and assumptions.

## ***Financial Instruments***

All financial instruments that meet the definition of a derivative are recorded on the balance sheet at fair market value, with the exception of contracts that qualify for the normal purchases and normal sales exemption. Changes in the fair market value of derivatives recorded on the balance sheet are recorded in the statements of consolidated operations, except for the effective portion of the change in fair market value of derivatives that are designated as a cash flow hedge and qualify for cash flow hedge accounting. The Company's portfolio of derivatives includes various complex instruments that are linked to gold prices and other factors. Management applies significant judgment in estimating the fair value of instruments that are highly sensitive to assumptions regarding gold and other commodity prices, gold lease rates, market volatilities, foreign currency exchange rates and interest rates. Variations in these factors could materially affect amounts credited or charged to operations to reflect the changes in fair market value of derivatives. In addition, certain derivative contracts are accounted for as cash flow hedges, whereby the effective portion of changes in fair market value of these instruments are deferred in *Other comprehensive income* and will be recognized in the statements of consolidated operations when the underlying production designated as the hedged item is sold. All derivative contracts qualifying for hedge accounting are designated against the applicable portion of future production from proven and probable reserves, where management believes the forecasted transaction is probable of occurring. To the extent that management determines that such future production is no longer probable of occurring due to changes in the factors impacting the determination of reserves, as discussed above under *Depreciation, depletion and amortization*, gains and losses deferred in *Other comprehensive income* would be reclassified to the statements of consolidated operations immediately.

## **Table of Contents**

### ***Reclamation and Remediation Obligations (Asset Retirement Obligations)***

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In August 2001, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 143, Accounting for Asset Retirement Obligations, which established a uniform methodology for accounting for estimated reclamation and abandonment costs. The statement was adopted January 1, 2003, when the Company recorded the estimated present value of reclamation liabilities and increased the carrying amount of the related asset, which resulted in a cumulative effect of a change in accounting principle of \$34.5 million. See Note 14 to the Consolidated Financial Statements. The reclamation costs will be allocated to expense over the life of the related assets and will be adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

Prior to adoption of SFAS No. 143, estimated future reclamation costs were based principally on legal and regulatory requirements. Such costs related to active mines were accrued and charged over the expected operating lives of the mines using the UOP method based on proven and probable reserves. Future remediation costs for inactive mines were accrued based on management's best estimate at the end of each period of the undiscounted costs expected to be incurred at a site. Such cost estimates included, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates were reflected in earnings in the period an estimate was revised.

Accounting for reclamation and remediation obligations requires management to make estimates unique to each mining operation of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Any such increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

### ***Carrying Value of Investments***

Investments in incorporated entities in which the Company's ownership interest is greater than 20% and less than 50%, or which the Company does not control, are accounted for using the equity method and are included in long term assets. See Note 10 to the Consolidated Financial Statements for a complete description of the Company's equity method investments, and Note 2 to the Consolidated Financial Statements for a description of the Company's policy for accounting for its equity method investments. The Company periodically reviews its equity method investments to determine whether a decline in fair value below the carrying amount is other than temporary. In making this determination, the Company considers a number of factors related to the financial condition and prospects of the investee including (i) a decline in the stock price or valuation of the equity investee for an extended period of time; (ii) an inability to recover the carrying amount of the investment or inability of the equity investee to sustain an earnings capacity which would justify the carrying amount of the investment; and (iii) the period of time over which the Company intends to hold the investment. If the decline in fair value is deemed to be other than temporary, the carrying value is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company uses its best estimates and assumptions to arrive at the estimated fair value of such investment, based on future cash flows of the equity investee and other relevant factors. As significant judgment is required in assessing these factors, together with the fact that the underlying mining operations are subject to uncertainties similar to those discussed above in relation to the Company, it is possible that changes in any of these factors in the future could result in an other than temporary decline in value of an equity investment and could require the Company to record an impairment charge to operations in future periods.

### ***Deferred Tax Assets***



The Company recognizes the future tax benefit expected to be obtained from deferred tax assets when the tax benefit is not considered to be more likely than not incapable of being realized. Assessing the recoverability

**Table of Contents**

of deferred tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Refer above under Carrying Value of Long-Lived Assets for a discussion of the factors that could cause future cash flows to differ from estimates. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the balance date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the Company's ability to obtain the future tax benefits represented by its deferred tax assets recorded at the balance date.

**Consolidated Financial Results**

*Sales gold* were \$3.1 billion, \$2.6 billion and \$1.7 billion for the years ended December 31, 2003, 2002 and 2001, respectively. The 2003 increase from 2002 was primarily due to an increase in the average realized gold price. The 2002 increase from 2001 was primarily due to an increase in the average realized gold price and the incremental impact of the acquired Newmont Australia Limited (formerly Normandy) operations. The following analysis demonstrates the increase in consolidated gold sales revenue year over year:

	Years ended December 31,		
	2003	2002	2001
Consolidated gold sales (in millions)	\$ 3,082.9	\$ 2,566.9	\$ 1,666.1
Consolidated production ounces sold (in thousands)	8,455.9	8,217.9	6,141.8
Average price received per ounce	\$ 366	\$ 313	\$ 271
Average market price per ounce	\$ 362	\$ 310	\$ 271
		<b>2003</b>	<b>2002</b>
		<b>vs.</b>	<b>vs.</b>
		<b>2002</b>	<b>2001</b>
Increase in consolidated sales due to (in millions):			
Consolidated production		\$ 75.8	\$ 4.8
Average gold price received		440.2	246.1
Acquisition of Normandy		N/A	649.9
<b>Total</b>		<b>\$ 516.0</b>	<b>\$ 900.8</b>

*Sales base metals, net* totaled \$74.8 million in 2003, and included \$53.0 million from copper sales and \$21.8 million from zinc sales at Golden Grove in Australia, both net of smelting and refining charges, compared to \$55.3 million in 2002, which included \$27.6 million from copper sales and \$23.3 million from zinc sales, both net of smelting and refining charges, and \$4.4 million from cobalt sales. Newmont had no base metals sales from consolidated operations in 2001.

*Royalties* totaled \$56.3 million, \$35.7 million and \$0.6 million for the years ended December 31, 2003, 2002 and 2001, respectively. The 2003 increase compared to 2002 is primarily attributable to higher gold and oil and gas prices. The 2002 increase compared to 2001 is primarily related to the acquisition of Franco-Nevada in February 2002.

*Costs applicable to sales gold*, which includes total cash costs, accretion of reclamation and remediation liabilities related to consolidated gold production and write-downs of stockpiles, ore on leach pads and inventories, increased to \$1.7 billion from \$1.6 billion in 2002 and \$1.1 billion in 2001. The 2003 increase primarily reflects higher total cash costs per ounce at Nevada and in Australia, partially offset by a decrease in total cash costs per ounce at Yanacocha. See Results of Operations below. The increase in costs in the same period of 2002 primarily related to the incremental impact of the mining operations acquired from Normandy, as well as an increase in the average total cash costs per ounce for the year ended December 31, 2002. Total cash costs per ounce increased in the same period of 2002 primarily at Nevada and Yanacocha.

**Table of Contents**

The following is a summary of *Costs applicable to sales* by operation:

	Years ended December 31,		
	2003	2002	2001
	(in millions)		
<b>North America:</b>			
Nevada	\$ 597.8	\$ 657.1	\$ 627.1
Mesquite, California	9.3	10.1	20.4
La Herradura, Mexico	11.1	11.5	9.6
Golden Giant, Canada	53.4	57.1	55.0
Holloway, Canada	20.8	20.4	19.1
<b>Total North America</b>	<b>692.4</b>	<b>756.2</b>	<b>731.2</b>
<b>South America:</b>			
Yanacocha, Peru	362.5	302.0	238.0
Kori Kollo, Bolivia	35.6	46.6	50.9
<b>Total South America</b>	<b>398.1</b>	<b>348.6</b>	<b>288.9</b>
<b>Australia:</b>			
Pajingo	42.9	30.5	13.4
Kalgoorlie	108.4	85.0	
Yandal	158.7	136.4	
Tanami	148.9	111.5	
<b>Total Australia</b>	<b>458.9</b>	<b>363.4</b>	<b>13.4</b>
<b>Other Operations:</b>			
Zarafshan-Newmont, Uzbekistan	32.9	34.0	30.9
Minahasa, Indonesia	26.3	41.2	53.7
Martha, New Zealand	24.9	19.6	
Ovacik, Turkey	22.3	17.5	
<b>Total Other Operations</b>	<b>106.4</b>	<b>112.3</b>	<b>84.6</b>
<b>Other:</b>			
Merchant Banking	0.8	0.5	
Base Metals Operations	43.5	35.5	
Exploration			
Corporate and Other	0.2	(0.1)	(0.2)
<b>Total Other</b>	<b>44.5</b>	<b>35.9</b>	<b>(0.2)</b>
<b>Total Newmont</b>	<b>\$ 1,700.3</b>	<b>\$ 1,616.4</b>	<b>\$ 1,117.9</b>

Nevada's *Costs applicable to sales* decreased for the year ended December 31, 2003 from the same period in 2002 as a result of a 232,700 decrease in ounces sold, partially offset by a \$10 increase in total cash costs per ounce. Nevada's *Costs applicable to sales* increased for the year

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ended December 31, 2002 from the same period in 2001 as a result of a 20,300 increase in ounces sold and a \$3 increase in total cash costs per ounce. At Yanacocha, *Costs applicable to sales* increased in 2003 from 2002 and 2001 primarily due to increases in sales volumes of 291,000 equity ounces and 193,800 equity ounces in 2003 and 2002, respectively. Total cash costs decreased \$5 per equity ounce in 2003 after an increase in total cash costs per equity ounce of \$10 in 2002. Kori Kollo's *Costs applicable to sales* decreased in 2003 from 2002 and 2001. The 2003 variance from 2002 resulted from a decrease in equity ounces sold of 90,900 and an increase in total cash costs per equity ounce of \$28. The decrease in 2002 from 2001 was attributable to a decrease in equity ounces sold of 25,400. At Minahasa, *Costs applicable to sales* decreased in 2003 from 2002 and 2001 as a result of a decrease in equity ounces sold of 55,000 in 2003 and 194,300 in 2002, partially offset by an increase in total cash costs per equity ounce of \$31

**Table of Contents**

and \$76 in 2003 and 2002, respectively. *Costs applicable to sales* increased at all Australian sites as a result of the following: (i) Pajingo had an increase in ounces sold of 33,900 and an increase in total cash costs per ounce of \$34; (ii) Kalgoorlie had an increase in equity ounces sold of 80,000 and an increase in total cash costs per equity ounce of \$48; (iii) Yandal had a decrease in ounces sold of 45,500, offset by an increase of \$58 in total cash costs per ounce; and (iv) Tanami's equity ounces sold increased 136,200 and total cash costs per equity ounce increased \$35. For a complete discussion regarding reasons for variation in ounces sold and total cash costs per ounce, see Results of Operations, below.

*Costs applicable to sales base metals* were \$44.3 million and \$36.0 million in the years ended December 31, 2003 and 2002, respectively. The year ended December 31, 2003 costs primarily consisted of \$37.4 million for copper and \$6.0 million for zinc. The year ended December 31, 2002, costs primarily consisted of \$18.3 million for copper, \$9.3 million for zinc and \$7.8 million for cobalt. The Ity cobalt operation was sold in 2002.

*Deferred stripping.* 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 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 might be greater volatility in the Company's period-to-period results of operations.

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

	Nevada <sup>(3)</sup>			Mesquite <sup>(4)</sup>		
	2003	2002	2001	2003	2002	2001
<b>Life-of-mine Assumptions Used as Basis For Deferred Stripping Calculations</b>						
Stripping ratio <sup>(b)</sup>	125.0	125.1	138.4	n/a	n/a	237.6
Average ore grade (ounces of gold per ton)	0.049	0.073	0.066	n/a	n/a	0.023
<b>Actuals for Year</b>						
Stripping ratio <sup>(b)</sup>	124.9	72.2	88.9	n/a	n/a	155.5
Average ore grade (ounces of gold per ton)	0.075	0.081	0.060	n/a	n/a	0.031
<b>Remaining Mine Life</b> (years)	9	10	11	n/a	n/a	
	La Herradura <sup>(5)</sup>			Minahasa <sup>(6)</sup>		
	2003	2002	2001	2003	2002	2001
<b>Life-of-mine Assumptions Used as Basis For Deferred Stripping Calculations</b>						
Stripping ratio <sup>(b)</sup>	146.4	141.3	177.0	n/a	n/a	14.5
Average ore grade (ounces of gold per ton)	0.030	0.031	0.035	n/a	n/a	0.172
<b>Actuals for Year</b>						
Stripping ratio <sup>(b)</sup>	157.4	158.5	200.0	n/a	n/a	15.9
Average ore grade (ounces of gold per ton)	0.026	0.026	0.025	n/a	n/a	0.131
<b>Remaining Mine Life</b> (years)	5	6	7	n/a	n/a	



**Table of Contents**

	Tanami(7)		Kalgoorlie(8)		Martha(9)		Ovacik(10)	
	2003	2002	2003	2002	2003	2002	2003	2002
<b>Life-of-mine Assumptions Used as Basis For Deferred Stripping Calculations</b>								
Stripping ratio <sup>(6)</sup>	48.8	68.2	114.8	111.5	32.1	31.7	34.9	28.9
Average ore grade (ounces of gold per ton)	0.160	0.113	0.065	0.065	0.103	0.093	0.356	0.362
<b>Actuals for Year</b>								
Stripping ratio <sup>(6)</sup>	63.5	86.4	112.2	131.0	29.5	36.6	40.4	32.1
Average ore grade (ounces of gold per ton)	0.108	0.107	0.063	0.054	0.089	0.100	0.374	0.358
<b>Remaining Mine Life</b> (years)	1	2	13	14	3	4	2	3

- (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) The actual stripping ratio increased in 2003 from 2002 due to increased waste removal for the Gold Quarry South Layback at Carlin and Section 30 at Twin Creeks. The life-of-mine grade decreased in 2003 due to the inclusion of several low grade deposits previously excluded. The life-of-mine stripping ratio decreased in 2002 from 2001 due to the deferral of open pit projects in response to lower gold prices. The actual stripping ratio in 2002 decreased from 2001 due to mining higher-grade ore zones in the Twin Creeks pit.
- (4) Mesquite is included in the Company's Other North America operating segment. Mesquite ceased mining operations in the second quarter of 2001 and was sold in December 2003.
- (5) The life-of-mine stripping ratios decreased in 2002 from 2001 due to an increase in proven and probable reserve ounces. The actual stripping ratio decreased in 2002 from 2001 due to waste removal in 2001 in preparation for 2002 mining activities. La Herradura is included in the Company's Other North America operating segment.
- (6) Minahasa is included in the Company's Other International operating segment. Minahasa ceased mining operations in the fourth quarter of 2001.
- (7) The life-of-mine and actual stripping ratios decreased in 2003 from 2002 due to the completion of a higher stripping ratio pit during September 2002. The life-of-mine grade increased in 2003 as several low grade pits were completed during 2002. The one year mine life is for open pit operations only. The underground mine life is six years. Tanami is included in the Company's Other Australia operating segment.
- (8) The actual stripping ratio decreased in 2003 as a direct result of higher-grade material being mined. Kalgoorlie is included in the Company's Other Australia operating segment.
- (9) The actual stripping ratio decreased in 2003 due to lower waste removal during the period. Martha is included in the Company's Other International operating segment.
- (10) The life-of-mine stripping ratio increased in 2003 due to a shift from mining underground reserves to open pit reserves. The actual stripping ratio increased in 2003 from 2002 due to accelerated waste removal required to maintain higher mill throughput. Ovacik is included in the Company's Other International segment.

*Depreciation, depletion and amortization (DD&A)* was \$564.5 million, \$505.6 million and \$301.6 million in 2003, 2002 and 2001, respectively. The increase in 2003 is attributable to a decrease in the estimated useful lives of certain assets (primarily in Nevada) and an increase in the depreciable base due to the adoption of SFAS 143 (see Accounting Changes). The increase in 2002 is primarily from the incremental impact of the acquired Newmont Australia Limited (formerly Normandy) operating sites, the amortization of mining royalty interests acquired from Franco-Nevada as part of the February 2002 acquisitions and increased production. DD&A expense fluctuates as capital expenditures increase or decrease and as production levels increase or decrease in addition to the items previously mentioned. Newmont expects DD&A to be approximately \$580 million to \$600 million in 2004.



**Table of Contents**

The following is a summary of *Depreciation, depletion and amortization* by operation:

	Years ended December 31,		
	2003	2002	2001
	(in millions)		
<b>North America:</b>			
Nevada	\$ 137.7	\$ 118.2	\$ 117.4
Mesquite, California	3.9	6.3	7.5
La Herradura, Mexico	3.4	3.1	3.2
Golden Giant, Canada	22.0	20.5	18.3
Holloway, Canada	5.3	6.7	6.5
<b>Total North America</b>	<b>172.3</b>	<b>154.8</b>	<b>152.9</b>
<b>South America:</b>			
Yanacocha, Peru	160.4	121.5	82.3
Kori Kollo, Bolivia	6.8	13.8	19.5
<b>Total South America</b>	<b>167.2</b>	<b>135.3</b>	<b>101.8</b>
<b>Australia:</b>			
Pajingo	29.2	20.6	4.3
Kalgoorlie	9.8	9.0	
Yandal	35.8	43.5	
Tanami	36.0	33.7	
Other	5.3	3.4	
<b>Total Australia</b>	<b>116.1</b>	<b>110.2</b>	<b>4.3</b>
<b>Other Operations:</b>			
Zarafshan-Newmont, Uzbekistan	10.1	10.3	11.9
Minahasa, Indonesia	7.6	9.5	22.8
Martha, New Zealand	11.5	13.9	
Ovacik, Turkey	13.9	11.5	
Other	2.7	0.8	
<b>Total Other Operations</b>	<b>45.8</b>	<b>46.0</b>	<b>34.7</b>
<b>Other:</b>			
Merchant Banking	26.5	22.6	
Base Metals Operations	29.1	22.9	
Exploration	3.3	7.7	1.6
Corporate and Other	4.2	6.1	6.3
<b>Total Other</b>	<b>63.1</b>	<b>59.3</b>	<b>7.9</b>
<b>Total Newmont</b>	<b>\$ 564.5</b>	<b>\$ 505.6</b>	<b>\$ 301.6</b>

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Nevada's DD&A increased in 2003 primarily due to capital expenditures of \$109.7 million and a decrease in the estimated useful lives of certain assets. Yanacocha had capital expenditures of \$194.2 million and \$146.2 million in 2003 and 2002, respectively, resulting in an increase in DD&A. At Kori Kollo and Minahasa, DD&A decreased in 2003 from 2002 and 2001 as a result of fewer ounces produced. At Pajingo, DD&A increased as a result of an increase in capital expenditures and ounces produced. For a complete discussion, see Results of Operations, below.

*Exploration, research and development* was \$115.2 million, \$88.9 million and \$55.5 million during 2003, 2002 and 2001, respectively. The 2003 increase over 2002 was primarily as a result of increased spending on advanced projects. The increase in 2002, as compared to 2001, resulted from the Newmont integration of the

**Table of Contents**

former Normandy and Franco-Nevada exploration programs and from the increase in available capital to fund exploration activities due to higher prevailing gold prices in 2002. Newmont expects *Exploration, research and development* expenses to be approximately \$140 million to \$150 million in 2004.

*General and administrative* was \$130.3 million, \$115.3 million and \$61.2 million for the years ended December 31, 2003, 2002 and 2001, respectively. The increase for the year ended December 31, 2003, as compared to the same period in 2002, was attributable to higher legal expenses, increased pension and other employee benefit-related expenses and increased compliance and corporate governance costs. The increase in 2002, as compared to 2001, primarily relates to increased administrative costs resulting from the integration of Normandy and Franco-Nevada. *General and administrative* expense as a percentage of revenues was 4.1% in 2003, compared to 4.3% in 2002 and 3.7% in 2001. Newmont expects *General and administrative* expenses to be approximately \$100 million to \$110 million in 2004.

*Write-down of long-lived assets* totaled \$35.3 million, \$3.7 million and \$32.7 million during the years ended December 31, 2003, 2002 and 2001, respectively. The 2003 write-down primarily related to a \$28.4 million impairment charge at Golden Giant, part of the Other North America Segment, and a select number of idle vehicles in the mobile fleet at Yanacocha, which were reduced to their residual value. The impairment charge at Golden Giant resulted from a reevaluation of the life-of-mine plan which eliminated marginal stopes and reflected higher projected life-of-mine operating costs, this led to reduced proven and probable reserves and increased life-of-mine operating costs. The 2002 write-down related to an impairment charge for exploration stage mineral interests at Ity and fixed assets at Kori Kollo. The 2001 write-down primarily related to fixed assets at Minahasa, part of the Other International Segment, due to a reevaluation of the life-of-mine plan that resulted in a reduction of proven and probable reserves. Newmont is currently evaluating the mine plan at Ovacik relative to certain uncertainties that exist at the operation, including land access, changes in Turkish taxation legislation and the operating costs of underground operations. If such uncertainties are not favorably resolved, it is reasonably possible that the Company could recognize a charge for impairment of the long-lived assets at Ovacik. The carrying value of Ovacik's long-lived assets at December 31, 2003 was approximately \$52.1 million. See Results of Operations, below for further discussion of the Turkish taxation legislation.

For a discussion of the Company's policy for assessing the carrying value of its long-lived assets for impairment, see Critical Accounting Policies, above.

*Merger and restructuring expenses* of \$60.5 million in 2001 included \$28.1 million of transaction and related costs associated with the acquisition of Battle Mountain and \$32.4 million of restructuring expenses that included \$22.1 million for voluntary early retirement pension benefits and \$10.3 million for employee severance and office closures.

*Other* expenses in 2003, 2002 and 2001 were \$49.5 million, \$29.4 million and \$11.5 million, respectively. The 2003 expense included charges for additions to reclamation and remediation liabilities related to depleted ore bodies, an accrual for certain environmental obligations, costs associated with the finalization of a de-watering agreement in Nevada, severance costs at the Kori Kollo project in Bolivia, and costs related to compliance and governance implementation activities associated with the Sarbanes-Oxley Act of 2002. The 2002 expenses primarily included integration costs relating to the acquisitions of Normandy and Franco-Nevada and costs associated with employee severance benefits. The 2001 expense was primarily composed of start-up costs for the La Quinoa mine site at Yanacocha and accounts receivable write-offs from third party contractors.

*Gain on investments, net* was \$83.2 million and \$47.1 million for years ended December 31, 2003 and 2002, respectively. There were no gains or losses on investments during the year ended December 31, 2001. During the year ended December 31, 2003, Newmont recorded gain on exchange of Echo Bay shares for Kinross shares of \$84.3 million, a net loss of \$7.4 million on the sale of approximately 28 million Kinross shares and a gain of approximately \$6.3 million on the sale of other investments. The December 31, 2002 gain of \$47.3 million is



**Table of Contents**

primarily related to Newmont's sale of its investment of Lihir Gold Limited. See Investing Activities for more information on these transactions.

*Gain (loss) on derivative instruments, net*, representing non-cash, mark-to-market gains and losses recognized on ineffective and partially ineffective gold derivative instruments, was \$22.9 million, \$(39.8) million and \$1.8 million for the years ended December 31, 2003, 2002 and 2001, respectively. The 2003 gain related primarily to the acquired Normandy hedge books and resulted predominantly from a strengthening of the Australian dollar from approximately \$0.56 to \$0.75 per U.S. dollar between December 31, 2002 and December 31, 2003. This gain was partially offset by the U.S. dollar gold price increasing from \$347 per ounce to \$416 per ounce over the same period. The loss in 2002 primarily relates to the acquired Normandy gold hedge books and resulted from the increase in the U.S. dollar gold price from \$300 per ounce at February 15, 2002, the date of acquisition of Normandy, to \$347 at December 31, 2002, partially offset by the appreciation in the Australian dollar per U.S.\$ from \$0.52 at February 15, 2002 to \$0.56 at December 31, 2002. Generally, higher gold prices increase Newmont's derivative liability position, whereas appreciation in the Australian dollar decreases Newmont's derivative liability position. The Company has substantially eliminated the acquired Normandy hedge books as of December 31, 2003, so gains and losses in the future should not be as significant. Prior to the acquisition of Normandy, *Gain (loss) on derivative instruments* primarily reflected the change in fair value of written call option contracts at the end of each year. In September 2001, Newmont entered into transactions that closed out these call options. These options were replaced with a series of sales contracts requiring physical delivery of the same quantity of gold over slightly extended future periods. The call options were marked to their market value of \$53.8 million immediately prior to their close, resulting in a non-cash gain of \$1.8 million in 2001. The value of the new sales contracts was recorded as *Deferred revenue from sale of future production* and will be included in sales revenue as delivery occurs.

*Gain on extinguishment of NYOL bonds, net* was \$114.0 million for the year ended December 31, 2003. On May 29, 2003, Newmont, through its subsidiary Yandal Bond Company Limited ( YBCL ), made an offer to acquire all of NYOL's outstanding 8 7/8% Senior Notes due in April 2008 at a price of \$500 per \$1,000 principal amount. YBCL received binding tender offers for the Senior Notes totaling \$237.0 million, representing 99% of the \$237.2 million principal amount outstanding at the time of the offer. The liabilities for the remaining NYOL bonds were extinguished in connection with NYOL's insolvency proceeding in Australia (see Notes 12 and 27 to the Consolidated Financial Statements).

*Gain on extinguishment of NYOL derivative liability, net* was \$106.5 million for the year ended December 31, 2003. On May 28, 2003, YBCL made an offer to acquire all of NYOL's gold hedge contracts from the counterparties at a rate of \$0.50 per \$1.00 of net mark-to-market hedge liability as of May 22, 2003. Six of a total of seven counterparties representing 94% of the gold ounces in the NYOL hedge book and 76% of the mark-to-market May 22, 2003 hedge liability, assigned their hedge contracts to YBCL. The remaining NYOL hedge contract liabilities were extinguished in connection with NYOL's insolvency proceeding in Australia (see Notes 12 and 27 to the Consolidated Financial Statements).

*Loss on extinguishment of debt* was \$33.8 million for year ended December 31, 2003. During the first quarter of 2003, Newmont repurchased \$23.0 million of its 8 3/8% debentures, \$52.3 million of its 8 5/8% debentures, \$10.0 million of Newmont Australia 7 1/2% guaranteed notes, and \$30.9 million of Newmont Australia 7 5/8% guaranteed notes for total cash consideration of \$135.8 million. During the fourth quarter of 2003, Newmont repurchased \$125.0 million of its 8 3/8% debentures, \$70.5 million of 7 1/2% Newmont Australia guaranteed notes and 100% of its 6% convertible subordinated debentures for total cash consideration of \$309.8 million. See Liquidity and Capital Resources, Financing Activities.

*Loss on guarantee of QMC debt* was \$30.0 million for the year ended December 31, 2003. Newmont is the guarantor of an A\$71.0 million (approximately \$53.2 million) amortizing loan facility of QMC Finance Pty Ltd. ( QMC ), of which A\$65.2 million (approximately \$48.9 million) was outstanding as of December 31, 2003. The QMC loan facility, which is collateralized by the assets of Queensland Magnesium Project, expires in

**Table of Contents**

November 2006. During the fourth quarter of 2003, Newmont recorded a \$30.0 million charge in *Loss on guarantee of QMC debt*. Newmont reduced the amount accrued for this contingent obligation by the estimated fair value of the AMC assets that would be subrogated to Newmont in the event the guarantee is called.

*Dividends, interest income, foreign currency exchange and other income* was \$132.2 million, \$39.9 million and \$7.4 million for the years ended December 31, 2003, 2002 and 2001, respectively, as follows:

	Years Ended December 31,		
	2003	2002	2001
	(in thousands)		
Dividends and interest income	\$ 10,554	\$ 14,139	\$ 2,976
Foreign currency exchange gain (loss), net	96,971	14,020	(5,088)
Gains on sales of mining and exploration properties	15,394	6,112	3,098
Other	9,279	5,614	6,401
<b>Total</b>	<b>\$ 132,198</b>	<b>\$ 39,885</b>	<b>\$ 7,387</b>

The year ended December 31, 2003 included a foreign currency translation gain of \$97.0 million primarily composed of the following: (i) exchange gains, net of \$58.9 million on Canadian dollar-denominated intercompany loans with a subsidiary whose functional currency is the Canadian dollar, reflecting a strengthening of the Canadian dollar during the period from \$0.63 to \$0.77 per US dollar; (ii) a \$27.4 million mark-to-market gain on ineffective foreign currency swaps; (iii) a \$19.2 million foreign currency gain on the translation of Newmont Australia Limited's financial statements to U.S. dollars due to appreciation of the Australian dollar from \$0.56 to \$0.75 per U.S.\$; and (iv) other foreign currency losses of \$8.5 million. As of December 31, 2003, the Company converted a substantial portion of the Canadian dollar-denominated intercompany loans to long-term notes, as the Company does not intend to settle these loans in the foreseeable future. As a result, the Company will no longer record foreign currency gains and losses in earnings with respect to the converted long-term notes.

*Interest expense, net of amounts capitalized* was \$88.6 million, \$129.6 million and \$98.1 million in 2003, 2002 and 2001, respectively. Capitalized interest totaled \$8.9 million, \$5.2 million and \$10.6 million in each year, respectively. Net interest expense declined during 2003 from 2002 primarily due to a decrease in outstanding debt obligations (see Liquidity and Capital Resources and Financing Activities, below) resulting from Newmont's debt-reduction strategy. Net interest expense increased in 2002 from 2001 primarily from long-term debt assumed as part of the acquisition of Normandy.

*Income tax (expense) benefit* was \$(206.9) million in 2003, compared to \$(19.9) million and \$59.3 million in 2002 and 2001, respectively. The increase in income tax expense in 2003, compared to 2002, was primarily attributable to \$709.1 million higher *Pre-tax income (loss) before minority interest, equity income (loss) of affiliates and cumulative effect of a change in accounting principle* (pre-tax income (loss)). The Company's effective tax rates were 22.4% and 9.2% in 2003 and 2002 based on pre-tax income of \$925.4 million and \$216.3 million, respectively. The Company's 2001 pre-tax loss was \$63.1 million. The factors that most significantly impact the Company's effective tax rate are percentage depletion and resource allowances, valuation allowances related to deferred tax assets, foreign earnings net of foreign tax credits, earnings attributable to minority interests in subsidiaries and affiliated companies, foreign currency translation gains and losses and the impact of certain specific transactions. Most of these factors are sensitive to the average realized price of gold and other metals.

Percentage depletion allowances (tax deductions for depletion that may exceed the Company's tax basis in its mineral reserves) are available to the Company under the income tax laws of the United States for operations conducted in the United States or through branches and partnerships owned by U.S. subsidiaries included in the Company's consolidated United States income tax return. The deductions are highly sensitive to the price of gold and other minerals produced by the Company. In general, such deductions are calculated separately for each

**Table of Contents**

operating mine and are based on a complex two-part formula that considers the net-of-royalty revenue received from sales of the mine output and the taxable income from the particular mine that produced the output. For 2003 and prior years, similar types of deductions have been available for mining operations in Canada and were referred to as resource allowances. However, changes in the Canadian tax law enacted in 2003 repeal the resource allowances beginning in 2004. The tax benefits from percentage depletion and resource allowances were \$21.5 million, \$34.4 million and \$17.3 million in 2003, 2002 and 2001, respectively. The reduction in 2003 compared to the other periods resulted primarily from the fact that the 2002 benefit included incremental depletion allowances resulting from the settlement of tax controversies and reduced Canadian resource allowances. These two factors were partially offset by increases in percentage depletion allowances due to an increase in the Company's average realized gold price in 2003 to \$366, compared to \$313 and \$271 for 2002 and 2001, respectively.

The Company operates in various countries around the world that have tax laws, tax incentives and tax rates that are significantly different than those of the United States. Many of these differences combine to move the Company's overall effective tax rate higher or lower than the United States statutory rate. The effect of these differences are shown in Note 16 to the Consolidated Financial Statements as either a rate differential or the effect of foreign earnings, net of credits. Differences in tax rates and other foreign income tax law variations make the Company's ability to fully utilize all of its available foreign income tax credits on a year-by-year basis highly dependent on the price of the minerals produced by the Company since lower prices can result in the Company having insufficient sources of taxable income in the United States to utilize all available foreign tax credits. Such credits have very limited carryback and carryforward periods and can only be used to reduce the United States income tax imposed on the Company's foreign earnings included in its annual United States consolidated income tax return. The effects of foreign earnings, net of allowable credits, were reductions of income tax expense of \$27.8 million, \$16.7 million and \$29.5 million in 2003, 2002 and 2001, respectively. Included in the foreign tax credit component of the 2003 amount is a benefit of \$49.8 million resulting from the utilization of foreign tax credit carryforwards for which a valuation allowance previously had been recorded. This utilization primarily is caused by the realization of higher sources of taxable income in the United States resulting from the increase in the Company's average realized gold price in 2003.

The tax effect of changes in local country tax laws as set forth as a separate item in the Company's effective tax reconciliation in Note 16 to the Consolidated Financial Statements, resulted in a net tax benefit of \$35.7 million in 2003. The net tax benefit is primarily related to a change in tax law in Australia that allows the Company to consolidate wholly-owned subsidiaries in that country.

Included in the effect of foreign taxes on the Company's effective tax rate for 2003 are the effects of transactions occurring at subsidiaries, the earnings of which Newmont intends to indefinitely reinvest and, therefore, for which no United States deferred tax liabilities or assets can be provided. These transactions include a \$16.3 million tax expense on the exchange of the Company's investment in Echo Bay for shares of Kinross, a \$10.3 million tax benefit on the subsequent loss on the sale of Kinross shares, a \$7.4 million tax benefit on the *Equity loss and impairment of Australian Magnesium Corporation*, and \$35.6 million and \$32.0 million of tax expense on the *Gain on the extinguishment of NYOL bonds* and the *Gain on extinguishment of NYOL derivatives liability*, respectively.

As indicated above, for financial reporting purposes, NYOL U.S. dollar-denominated bonds have been treated as extinguished giving rise to a significant gain. The notes were purchased from the third party holders by an United States affiliate of NYOL and remained outstanding at year end. For Australian and United States income tax purposes the transaction is treated as a deemed repurchase of the notes followed by a deemed re-issuance of new notes with a face value equal to the amount paid to the third party holders. While no cash taxes are payable on this type of income under Australian tax law, certain tax attributes of the Australian group are required to be reduced by the lower of the amount of the deemed extinguishment gain or the available tax attributes. The expected future tax benefit related to the tax attributes required to be eliminated previously had been recorded as a deferred tax asset. Consequently, the elimination of the tax attributes required a reduction in



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**Table of Contents**

the group's deferred tax assets and a charge to income tax expense in the amount of \$35.6 million. This 2003 tax expense component is set forth as a separate reconciling item in Note 16 to the Consolidated Financial Statements.

The need to record valuation allowances related to the Company's deferred tax assets (primarily attributable to net operating losses and tax credits) is principally dependent on the following factors: (i) the extent to which the net operating losses and tax credits can be carried back and yield a tax benefit; (ii) the Company's long-term estimate of future average realized minerals prices; and (iii) the degree to which many of the tax laws and income tax agreements imposed upon the Company and its subsidiaries around the world tend to create significant tax deductions early in the mining process. These up-front deductions can give rise to net operating losses and credit carryforwards in circumstances where future sources of taxable income may not coincide with available carryforward periods even after taking into account all available tax planning strategies. Furthermore, certain liabilities accrued for financial reporting purposes may not be deductible for tax purposes until such liabilities are actually funded which could happen after mining operations have ceased, when sufficient sources of taxable income may not be available. Changes to valuation allowances decreased income tax expense by \$85.2 million in 2003 and increased income tax expense in 2002 and 2001 by \$2.5 million and \$17.3 million, respectively. In 2003, the Company reversed a valuation allowance of \$43.0 million that had been recorded with respect to the United States net operating losses of a subsidiary acquired in a prior period business combination accounted for as a pooling of interests since future sources of taxable income will be sufficient to utilize these loss carryforwards over the period of time that such losses are allowed to be claimed. As noted above, \$49.8 million of the valuation allowance recorded in prior periods with respect to the Company's foreign tax credits also was reversed. Partially offsetting these reductions in valuation allowances was the need to record valuation allowances for currently arising tax losses incurred by some of the Company's foreign subsidiaries.

The Company consolidates subsidiaries with interests attributable to minority interests. However, for tax purposes, the Company only is responsible for the income taxes on the portion of the taxable earnings attributable to its ownership interest of each consolidated entity. Such minority interests contributed \$22.2 million, \$11.5 million and \$10.1 million in 2003, 2002 and 2001, respectively, as reductions in the Company's income tax expense. The increase in 2003 is primarily due to increased earnings from higher gold prices at consolidated subsidiaries with minority interests. This increase was partially offset by lower reinvestment credits that are available to Yanacocha under Peruvian tax regulations.

The Company's effective tax in 2003 was increased by \$54.5 million due to changes in foreign currency exchange rates (principally the Australian dollar) compared with \$9.3 million in 2002. In 2003 and 2002, these amounts primarily relate to the Australian tax effect of realized and unrealized translation gains attributable to United States dollar-denominated assets and liabilities and the gold derivatives positions at Newmont Australia Limited whose functional currency is the United States dollar. Because Newmont intends to indefinitely reinvest earnings from Newmont Australia Limited, no offsetting United States deferred income tax benefit can be provided. The effect in 2003 is substantially higher than 2002 because of the significant strengthening of the Australian dollar against the United States dollar, which took place in 2003.

During 2002, the Company settled an audit conducted by the Internal Revenue Service of the tax returns of an acquired entity involving several taxable periods that predated the Company's acquisition. At issue was the proper federal income tax treatment of a portion of a transaction involving an exchange of natural resource properties. The settlement gave rise to additional future tax deductions, the tax benefit of which previously had not been recorded and for which no deferred taxes were required to be provided. Accordingly, the Company's consolidated income tax expense for 2002 was reduced by approximately \$10 million due to this non-recurring item.

Based on the uncertainty and inherent unpredictability of the factors influencing the Company's effective tax rate and the sensitivity of such factors to gold and other metals prices as discussed above, Newmont's effective tax rate is expected to be volatile in future periods.

**Table of Contents**

*Minority interest in income of subsidiaries* was \$173.2 million, \$97.4 million and \$65.4 million for the years ended December 31, 2003, 2002 and 2001, respectively. The year-to-year increases were primarily a result of increased earnings at Yanacocha, where Newmont has a 51.35% interest, due to higher gold prices, increased gold sales and lower production costs (see Results of Operations, South American Operations).

*Equity loss and impairment of Australian Magnesium Corporation* was \$119.5 million and \$1.8 million for the years ended December 31, 2003 and 2002, respectively. Newmont acquired Australian Magnesium Corporation ( AMC ) as part of the Normandy acquisition during February 2002. During 2003, Newmont recorded a write-down of its investment in AMC of \$119.5 million consisting of a write-down of approximately \$11.0 million in the first quarter of 2003 for an other-than-temporary decline in value of the AMC investment, as well as its proportionate share of AMC 's first quarter losses of \$0.7 million, and a second quarter write-down of \$107.8 million that was triggered by ongoing issues related to the project financing and financial viability of the Stanwell Magnesium Project and AMC 's inability to attract a new partner to finance this project. AMC halted the development and construction of the Stanwell Project during the second quarter of 2003 and recorded an impairment charge for the write-down of the Project 's carrying value. Newmont 's equity and impairment charge included \$72.7 million for the write-off of its investment in AMC, including the impairment charge on the Stanwell Project, a \$24.8 million write-down of a forgiven loan receivable due to Newmont from AMC, a \$10.0 million charge to settle Newmont 's guarantee of a contract with Ford Motor Company, \$6.6 million for a new credit facility provided by Newmont as part of AMC 's restructuring and other adjustments of approximately \$1.1 million, partially offset by a \$7.4 million income tax benefit. During December 2003, Newmont sold its interest in AMC. See Note 10 to the Consolidated Financial Statements.

*Equity income of affiliates* was \$84.4 million, \$53.2 million and \$22.5 million for the years ended December 31, 2003, 2002 and 2001, respectively. The following table indicates income (loss) by affiliate:

	Years Ended December 31,		
	2003	2002	2001
	(in thousands)		
Batu Hijau	\$ 82,892	\$ 42,119	\$ 22,513
TVX Newmont Americas	810	9,737	
Echo Bay		(380)	
AGR Matthey	725	1,675	
<b>Total</b>	<b>\$ 84,427</b>	<b>\$ 53,151</b>	<b>\$ 22,513</b>

The year-to-year increases in equity income in Batu Hijau resulted primarily from higher copper prices, increased gold by-product credits and lower smelting and refining costs (see Results of Operations, Other Mining Operations). Newmont sold its interest in TVX Newmont Americas during the first quarter of 2003. See Note 10 of the Consolidated Financial Statements.

Newmont recorded a charge for the *Cumulative effect of a change in accounting principle, net of tax* effective January 1, 2003 of \$34.5 million reflecting the effect of the adoption of SFAS No. 143, *Accounting for Asset Retirement Obligations*, that changed the method of accounting for the Company 's estimated mine reclamation and abandonment costs. Newmont recorded a gain for the *Cumulative effect of a change in accounting principle* of \$7.7 million effective January 1, 2002 with respect to depreciation, depletion and amortization of *Property, plant and mine development, net* to exclude future estimated development costs expected to be incurred for certain underground operations. See Accounting Changes, above, for more information.

*Other comprehensive income (loss), net of tax*, in 2003, primarily included a \$68.4 million gain on the effective portion of changes in the fair value of derivative instruments classified as cash flow hedges and a \$23.2 million gain on the translation of subsidiaries with non-U.S. dollar functional currencies, partially offset by

**Table of Contents**

a \$(5.0) million decline in value of marketable equity securities. *Other comprehensive income (loss), net of tax*, in 2002, primarily included \$(28.7) million for a minimum pension liability adjustment, \$(16.7) million for unrealized losses on derivatives designated as cash flow hedges and \$(12.8) million for a decline in value of marketable equity securities. *Other comprehensive income (loss), net of tax*, in 2001, primarily included an \$18.3 million gain for temporary changes in the market value of Lihir Gold securities.

**Results of Operations**

	Equity Ozs. Sold			Total Cash Cost Per		
				Equity Oz.		
	2003	2002	2001	2003	2002	2001
	(in thousands)			(\$ per equity ounce)		
North America:						
Nevada	2,490.8	2,723.5	2,703.2	\$ 235	\$ 225	\$ 222
Mesquite, California	49.2	57.1	92.6	184	177	205
La Herradura, Mexico	67.8	64.2	54.7	162	176	173
Golden Giant, Canada	229.7	281.5	283.7	227	196	187
Holloway, Canada	65.1	97.7	89.4	312	204	209
Total/Weighted-Average	2,902.6	3,224.0	3,223.6	233	220	217
South America:						
Yanacocha, Peru	1,467.9	1,176.9	983.1	120	125	115
Kori Kollo, Bolivia	158.5	249.4	274.8	184	156	158
Total/Weighted-Average	1,626.4	1,426.3	1,257.9	126	131	125
Australia:						
Pajingo	330.3	296.4	126.0	129	95	