NEWMONT MINING CORP /DE/
Form 10-K
February 26, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(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, 2006

or

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

For the Transition Period From to

Commission File Number 001-31240

Newmont Mining Corporation

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

Title of Each Class	**Name of Each Exchange on Which Registered**

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 x 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

(Check one): Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of June 30, 2006, the aggregate market value of the registrant s voting and non-voting common equity held by non-affiliates of the registrant was $23,418,945,245 based on the closing sale price as reported on the New York Stock Exchange. There were 423,519,644 shares of common stock outstanding (and 27,157,953 exchangeable shares exchangeable into Newmont Mining Corporation common stock on a one-for-one basis) on February 12, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant s definitive Proxy Statement submitted to the Registrant s stockholders in connection with our 2007 Annual Stockholders Meeting to be held on April 24, 2007, are incorporated by reference into Part III of this report.

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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.

PART I

ITEM 1. BUSINESS (dollars in millions except per share, per ounce and per pound amounts)

Introduction

Newmont Mining Corporation is primarily a gold producer with significant assets or operations in the United States, Australia, Peru, Indonesia, Ghana, Canada, Bolivia, New Zealand and Mexico. As of December 31, 2006, Newmont had proven and probable gold reserves of 93.9 million equity ounces and an aggregate land position of approximately 44,470 square miles (115,200 square kilometers). Newmont is also engaged in the production of copper, principally through its Batu Hijau operation in Indonesia. Newmont Mining Corporation s original predecessor corporation was incorporated in 1921 under the laws of Delaware.

Newmont s revenues and long-lived assets are geographically distributed as follows:

	Revenues			Long-Lived Assets		
	2006	2005	2004	2006	2005	2004
United States	29%	24%	24%	54%	53%	52%
Peru	31%	34%	29%	10%	11%	11%
Australia/New Zealand	16%	16%	18%	8%	7%	10%
Indonesia	19%	23%	25%	15%	17%	19%
Ghana	2%			6%	5%	3%
Other[(1)]	3%	3%	4%	7%	7%	5%

(1) Other includes Canada, Mexico, Bolivia and Turkey.

Newmont s corporate headquarters are in Denver, Colorado, USA. In this report, Newmont, the Company, our and we refer to Newmont Minin Corporation and/or our affiliates and subsidiaries. All dollars are in millions, except per share, per ounce, and per pound amounts.

For additional information, see Item 7, Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations.

Segment Information, Export Sales, etc.

Newmont has operating segments of Nevada, Yanacocha in Peru, Australia/New Zealand, Batu Hijau in Indonesia, Africa and Other Operations comprising of smaller operations in Bolivia, Mexico and Canada. We also have a Merchant Banking Segment and an Exploration Segment. See Note 27 to the Consolidated Financial Statements for information relating to our business segments, our domestic and export sales, and our customers.

Products

Gold

General. Newmont had consolidated sales of 7.4 million ounces of gold (5.9 million equity ounces) in 2006, 8.4 million ounces (6.5 million equity ounces) in 2005 and 8.6 million ounces (6.9 million equity ounces) in 2004. For 2006, 2005 and 2004, 87%, 85% and 82%, respectively, of our net revenues were attributable to

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gold sales. Of our 2006 gold sales, approximately 36% came from Yanacocha, 33% from Nevada, 19% from Australia/New Zealand and 6% from Indonesia. References in this report to equity ounces or equity pounds mean that portion of gold or copper produced, sold or included in proven and probable reserves that is attributable to our ownership or economic interest.

Most of our revenue comes from the sale of refined gold in the international market. The end product at our gold operations, however, is generally doré bars. Doré is an alloy consisting mostly of gold but also containing silver, copper and other metals. Doré is sent to refiners to produce bullion that meets the required market standard of 99.95% pure gold. Under the terms of refining agreements, the doré bars are refined for a fee, and our share of the refined gold and the separately-recovered silver are credited to our account or delivered to buyers. Gold sold from Batu Hijau, and a portion of the gold from Phoenix in Nevada, is contained in a concentrate.

Gold Uses. Gold has two main categories of use: fabrication and investment. Fabricated gold has a variety of end uses, including jewelry, electronics, dentistry, industrial and decorative uses, medals, medallions and official coins. Gold investors buy gold bullion, official coins and jewelry.

Gold Supply. The supply of gold consists of a combination of production from mining and the draw-down of existing stocks of gold held by governments, financial institutions, industrial organizations and private individuals. In recent years, mine production has accounted for 60% to 70% of the annual supply of gold.

Gold Price. The following table presents the annual high, low and average afternoon fixing prices for gold over the past ten years, expressed in U.S. dollars per ounce, on the London Bullion Market.

Year	High	Low	Average
1997	$ 362	$ 283	$ 331
1998	$ 313	$ 273	$ 294
1999	$ 326	$ 253	$ 279
2000	$ 313	$ 264	$ 279
2001	$ 293	$ 256	$ 271
2002	$ 349	$ 278	$ 310
2003	$ 416	$ 320	$ 363
2004	$ 454	$ 375	$ 410
2005	$ 536	$ 411	$ 444
2006	$ 725	$ 525	$ 604
2007 (through February 12, 2007)	$ 665	$ 608	$ 638

Source: Kitco and Reuters

On February 12, 2007, the afternoon fixing price for gold on the London Bullion Market was $665 per ounce and the spot market price of gold on the New York Commodity Exchange was $661 per ounce.

We generally sell our gold at the prevailing market price during the month in which the gold is delivered to the customer. Our ability to sell gold at market prices is limited in some cases by hedging activities, more particularly described in Note 7A, Quantitative and Qualitative Disclosures about Market Risk, and Note 13 to the Consolidated Financial Statements. We recognize revenue from a sale when the price is determinable, the gold has been delivered, the title has been transferred to the customer and collection of the sales price is reasonably assured.

Copper

General. Newmont had consolidated sales of 434.7 million pounds of copper (229.9 million equity pounds) in 2006, 572.7 million pounds (302.8 million equity pounds) in 2005 and 683.3 million pounds (384.3 million equity pounds) in 2004. For 2006, 2005 and 2004, 13%, 15% and 18%, respectively, of our net revenues

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were attributable to copper sales. As of December 31, 2006, Newmont had a 52.875% economic interest (a 45% ownership interest) in the Batu Hijau operation in Indonesia, which began production in 1999. Production at Batu Hijau is in the form of a copper/gold concentrate that is sold to smelters for further treatment and refining.

Copper Uses. Refined copper is incorporated into wire and cable products for use in the construction, electric utility, communications and transportation industries. Copper is also used in industrial equipment and machinery, consumer products and a variety of other electrical and electronic applications, and is also used to make brass. Copper substitutes include aluminum, plastics, stainless steel and fiber optics. Refined, or cathode, copper is also an internationally traded commodity.

Copper Supply. The supply of copper consists of a combination of production from mining and recycled scrap material. Copper supply has not kept pace with increasing demand in recent years, resulting in price increases reflected in the chart below.

Copper Price. The price of copper is quoted on the London Metal Exchange in terms of dollars per metric ton of high grade copper. The following table presents the dollar per pound equivalent of the high, low and average prices of high grade copper on the London Metal Exchange over the past ten years.

Year	High	Low	Average
1997	$ 1.23	$ 0.77	$ 1.03
1998	$ 0.85	$ 0.65	$ 0.75
1999	$ 0.84	$ 0.61	$ 0.71
2000	$ 0.91	$ 0.73	$ 0.82
2001	$ 0.83	$ 0.60	$ 0.72
2002	$ 0.77	$ 0.64	$ 0.71
2003	$ 1.05	$ 0.70	$ 0.81
2004	$ 1.49	$ 1.06	$ 1.30
2005	$ 2.11	$ 1.39	$ 1.67
2006	$ 3.99	$ 2.06	$ 3.05
2007 (through February 12, 2007)	$ 2.76	$ 2.40	$ 2.55

Source: London Metal Exchange

On February 12, 2007, the closing price of high grade copper was $2.46 per pound on the London Metal Exchange. Our ability to sell copper at market prices is limited in some cases by hedging activities, more particularly described in Note 7A, Quantitative and Qualitative Disclosures about Market Risk, and Note 13 to the Consolidated Financial Statements.

Hedging Activities

Newmont generally avoids gold hedging. Our philosophy is to provide shareholders with leverage to changes in the gold price by selling our gold production at market prices. We have, however, entered into derivative contracts to protect the selling price for certain anticipated gold and copper production and to manage risks associated with commodities, interest rates and foreign currencies.

For additional information, see Hedging in Item 7A, Quantitative and Qualitative Disclosures about Market Risk, and Note 13 to the Consolidated Financial Statements.

Merchant Banking

Merchant Banking, also referred to as Newmont Capital, manages a royalty portfolio, an equity portfolio, a downstream gold refining business, and engages in portfolio management activities (managing interests in oil and gas, iron ore and coal properties as well as providing in-house investment banking and advisory services).

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Newmont s royalty portfolio generally offers a natural hedge against lower gold prices by providing free cash flow from assets with limited operating, capital or environmental risk, while retaining upside exposure to further exploration discoveries and reserve expansions. Merchant Banking seeks to grow the royalty portfolio in a number of ways, and looks for opportunities to acquire existing royalties from third parties or to create them in connection with transactions. Merchant Banking also identifies current properties or exploration targets for sale if they are non-core in nature. In the case of a sale, Merchant Banking often seeks to retain royalty or other future participation rights in addition to cash or other consideration received.

In 2006, our royalty and equity portfolios generated $120 in *Royalty and dividend income, net*. We have royalty interests in Barrick Gold Corporation s (Barrick) Goldstrike, Eskay Creek, Henty and Bald Mountain mines and Stillwater Mining s Stillwater and East Boulder palladium-platinum mines, among others. We also have a significant oil and gas royalty portfolio in western Canada.

As of December 31, 2006, Merchant Banking s equity portfolio had a market value of approximately $1,354. The equity portfolio is primarily composed of our investments in Canadian Oil Sands Trust, Shore Gold, Inc., Miramar Mining Corporation and Gabriel Resources, Ltd.

Merchant Banking also manages our interests in downstream gold refining and distribution businesses (40% interest in AGR Matthey Joint Venture (AGR) and 50% interest in European Gold Refineries (EGR)). Merchant Banking earned $4 in *Equity income of affiliates* through its investments in AGR and EGR in 2006.

Merchant Banking s portfolio management activities include managing our interests in coal, iron ore, oil and natural gas.

Merchant Banking provides advisory services to assist in managing the portfolio of operating and property interests. The Merchant Banking group helps maximize net asset value per share and increase cash flow, earnings and reserves by working with the exploration, operations and finance teams to prioritize near-term goals within longer-term strategies. Merchant Banking is engaged in developing value optimization strategies for operating and non-operating assets, business development activities, potential merger and acquisition analysis and negotiations, monetizing inactive exploration properties, capitalizing on proprietary technology and know-how and acting as an internal resource for other corporate groups to improve and maximize business outcomes. In 2006, Merchant Banking sold the Company s Alberta Oil Sands and Martabe and Holloway gold projects, and purchased additional interests in the Boddington and Akyem projects, as well as a new interest in Shore Gold Inc. s Fort a la Corne Joint Venture, a diamond project in Saskatchewan, Canada.

Merchant Banking continues to evaluate district optimization opportunities in Nevada, Australia, Peru, Indonesia, Africa and Canada, covering a broad range of alternatives, including asset exchanges, unitization, joint ventures, partnerships, sales, spinouts and buyouts.

Exploration

Newmont s exploration group is responsible for all activities, regardless of location, associated with the Company s efforts to discover new mineralized material and, if successful, advance such mineralized material into proven and probable reserves. Exploration is conducted in areas surrounding our existing mines for the purpose of locating additional deposits and determining mine geology, and in other prospective gold regions globally. Near-mine exploration can result in the discovery of new gold mineralization, which will receive the economic benefit of existing operating, processing, and administrative infrastructures. Greenfields exploration is where a discovery of new gold mineralization would likely require the investment of new capital to build a separate, stand-alone operation away from any of the Company s existing infrastructure. Our exploration teams employ state-of-the-art technology, including airborne geophysical data acquisition systems, satellite location devices and field-portable imaging systems, as well as geochemical and geological prospecting methods, to identify prospective targets. We spent $170 in 2006, $147 in 2005 and $107 in 2004 on *Exploration*.

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As of December 31, 2006, we had proven and probable gold reserves of 93.9 million equity ounces. We added 5.9 million equity ounces to proven and probable reserves, with 8.9 million equity ounces of depletion and divestitures and 3.7 million equity ounces of acquisitions during 2006. A reconciliation of the changes in proven and probable reserves during the past three years is as follows:

(millions of equity ounces)	2006	2005	2004
Opening balance	93.2	92.4	91.3
Greenfield additions	1.7	5.5	11.0
Near-mine additions	4.2	3.9	1.4
Total additions[1][2]	5.9	9.4	12.4
Acquisitions	3.7		
Depletion	(7.4)	(8.3)	(8.3)
Reclassifications[3]			(2.0)
Other divestments[4]	(1.5)	(0.3)	(1.0)
Closing balance	93.9	93.2	92.4

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(1) Additions attributable to the Exploration Segment

Total additions	5.9	9.4	12.4
Previously valued in purchase accounting	(0.9)	(1.2)	(1.9)
Reclassifications[3]			(2.0)
	5.0	8.2	8.5

(2) The impact of the change in gold price assumption on reserve additions was 3.1, 2.6 and 3.8 million equity ounces in 2006, 2005 and 2004, respectively.

(3) In 2004, Yanacocha reassessed the challenges involved in obtaining required permits for Cerro Quilish, primarily related to increased community concerns. Based upon this reassessment, Yanacocha reclassified 3.9 million ounces (2.0 million equity ounces) from proven and probable reserves to mineralized material not in reserve as of December 31, 2004.

(4) In August 2006, the government of Uzbekistan appropriated the Company s 50% interest in the Zarafshan-Newmont Joint Venture.

In Nevada, exploration efforts during 2006 added 2.8 million equity ounces to proven and probable reserves, offset by depletion of 3.0 million equity ounces, resulting in total proven and probable reserves of 33.1 million equity ounces as of December 31, 2006.

In Peru, equity gold reserves decreased to 15.1 million ounces, after depletion of 1.9 million ounces.

In Australia/New Zealand, the Company increased reserves to 18.5 million equity ounces after depletion of 1.5 million equity ounces during 2006. Reserves increased by 2.6 million equity ounces from the acquisition of an additional 22.22% interest in the Boddington project and 2.5 million equity ounces of additions from various sites.

At Batu Hijau, the Company depleted 0.2 billion equity pounds of copper and 0.3 million equity ounces of gold during 2006. Batu Hijau had proven and probable reserves of 4.7 billion equity pounds of copper and 5.0 million equity ounces of gold as of December 31, 2006, after revisions downward of 1.1 billion equity pounds of copper and 1.3 million equity ounces of gold due to a new mine plan incorporating higher costs, lower throughput and new geotechnical assumptions.

At Ahafo in Ghana, proven and probable reserves increased by 0.7 million equity ounces from additions and at Akyem in Ghana, reserves increased 1.1 million equity ounces from the acquisition of the remaining 15% interest. As of December 31, 2006, the Company reported reserves of 12.6 million ounces at Ahafo and 7.7 million equity ounces at Akyem.

For additional information, see Item 2, Properties, Proven and Probable Reserves.

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Licenses and Concessions

Other than operating licenses for our mining and processing facilities, there are no third party patents, licenses or franchises material to our business. In many countries, however, we conduct our mining and exploration activities pursuant to concessions granted by, or under contract with, the host government. These countries include, among others, Australia, Bolivia, Canada, Ghana, Indonesia, Peru, New Zealand and Mexico. The concessions and contracts are subject to the political risks associated with foreign operations. See Item 1A, Risk Factors, Risks Related to Newmont Operations, below. For a more detailed description of our Indonesian Contract of Work, see Item 2, Properties, below.

Condition of Physical Assets and Insurance

Our business is capital intensive, requiring ongoing capital investment for the replacement, modernization or expansion of equipment and facilities. For more information, see Item 7, Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations, Liquidity and Capital Resources, below.

We maintain insurance policies against property loss and business interruption and insure against risks that are typical in the operation of our business, in amounts that we believe to be reasonable. Such insurance, however, contains exclusions and limitations on coverage, particularly with respect to environmental liability and political risk. There can be no assurance that claims would be paid under such insurance policies in connection with a particular event. See Item 1A, Risk Factors, Risks Related to Newmont Operations, below.

Environmental Matters

Newmont s United States mining and exploration activities are subject to various federal and state laws and regulations governing the protection of the environment, including the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community Right-to-Know Act; the Endangered Species Act; the Federal Land Policy and Management Act; the National Environmental Policy Act; the Resource Conservation and Recovery Act; and related state laws. These laws and regulations are continually changing and are generally becoming more restrictive. Our activities outside the United States are also subject to governmental regulations for the protection of the environment.

We conduct our operations so as to protect public health and the environment and believe our operations are in compliance with applicable laws and regulations in all material respects. Each operating mine has a reclamation plan in place that meets all applicable legal and regulatory requirements. We have made, and expect to make in the future, expenditures to comply with such laws and regulations. We have made estimates of the amount of such expenditures, but cannot precisely predict the amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. As of December 31, 2006, $520 was accrued for reclamation costs relating to currently developed and producing properties.

We are also involved in several matters concerning environmental obligations associated with former, primarily historic, mining activities. Generally, these matters concern developing and implementing remediation plans at the various sites. We believe that the related environmental obligations associated with these sites are similar in nature with respect to the development of remediation plans, their risk profile and the activities required to meet general environmental standards. Based upon our best estimate of our liability for these matters, $85 was accrued as of December 31, 2006 for such obligations associated with properties previously owned or operated by us or our subsidiaries. These amounts are included in *Other current liabilities* and *Reclamation and remediation liabilities.* Depending upon the ultimate resolution of these matters, we believe that it is reasonably possible that the liability for these matters could be as much as 89% greater or 27% lower than the amount accrued as of December 31, 2006. The amounts accrued for these matters are reviewed periodically based upon facts and circumstances available at the time. Changes in estimates are charged to costs and expenses in the period when estimates are revised.

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For a discussion of the most significant reclamation and remediation activities, see Item 7, Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations, and Notes 23 and 29 to the Consolidated Financial Statements, below.

Employees

There were approximately 15,000 people employed by Newmont as of December 31, 2006.

Forward-Looking Statements

Certain statements contained in this report (including information incorporated by reference) are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provided for under these sections. Our forward-looking statements include, without limitation:

- Statements regarding future earnings;
- Estimates of future mineral production and sales, for specific operations and on a consolidated or equity basis;
- Estimates of future costs applicable to sales, other expenses and taxes for specific operations and on a consolidated basis;
- Estimates of future cash flows;
- Estimates of future capital expenditures and other cash needs, for specific operations and on a consolidated basis, and expectations as to the funding thereof;
- Estimates regarding timing of future capital expenditures, construction, production or closure activities;
- Statements as to the projected development of certain ore deposits, including estimates of development and other capital costs and financing plans for these deposits;
- Estimates of reserves and statements regarding future exploration results and reserve replacement and the sensitivity of reserves to metal price changes;
- Statements regarding the availability and costs related to future borrowing, debt repayment and financing;
- Statements regarding modifications to hedge and derivative positions;
- Statements regarding future transactions relating to portfolio management or rationalization efforts;
- Statements regarding the cost impacts of future changes in the legal and regulatory environment in which we operate; and

Estimates of future costs and other liabilities for certain environmental matters.

Where we express an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject t