Newmont Mining Corp. (NYSE:NEM) Q2 2018 Earnings Call July 26, 2018 10:00 AM ET

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Greg Barnes - TD Securities, Inc.

Lucas N. Pipes - B. Riley FBR, Inc.

Michael S. Dudas - Vertical Research Partners LLC

Q: Good morning all. Can you hear me, Gary?

Gary J. Goldberg - Newmont Mining Corp.

A: Yes.

Michael S. Dudas - Vertical Research Partners LLC

Q: Okay. Thank you. So the gestation period for Galore continues. Do you want to share a little more on your thought process here, is it the (25:29) market, pricing, timing, the opportunities in jurisdiction. What were some of the real major thrusts to bring this all together and has this been on the plate for a while or did it happen recently, just a little more color towards the thought process here with Galore? (Clarification)(Product)(Progress)

Gary J. Goldberg - Newmont Mining Corp.

A: Sure thing. I think as we assess all things, we look for longer term value opportunities and I've been very clear we're looking for gold or copper gold potential. This is actually I think in the history of Newmont, probably the third time around that we've taken a look and this is an opportunity we think at fair value we've been able to acquire and we really like working with Teck. We worked and talked with them in the past. I think our value set and approach to operations and sustainability really come together quite well and just see this as a good opportunity.

Clearly, we've got work to do. We've got a prefeasibility study that's going to take the next three to four years to work through with Teck and figure out what is the right way to develop this deposit and how to bring it forward and when to bring it forward. So there's more work to do, but we're excited about the potential both at the resource and working with our new partner, Teck.

Michael S. Dudas - Vertical Research Partners LLC

Q: Gary, you mentioned in your prepared remarks, I think you said 83 rigs around the world that you're working on. As we look towards your reserve profile next year, where are some of the opportunities you're seeing some better results and more exciting results to help us achieve those goals? (Clarification)(Product)(Progress)

Gary J. Goldberg - Newmont Mining Corp.

A: I mean, I think we mentioned, including in the call here, we're seeing some good results at Yanacocha as we continue to look at both the sulfides and the oxide deposits. Tanami would be another area that looks exciting. I see some interesting results coming out of the Carlin area in terms of work we're doing there. Long Canyon, we continue to bring forward and the Ahafo Underground and, as I mentioned, the Akyem Underground's moved forward. We're seeing some good things there. So still we won't declare reserves changes till the end of the year, but we see ourselves on track towards that 4 million ounce reserve addition, at least that amount here this year.

Michael S. Dudas - Vertical Research Partners LLC

Q: And finally, Gary, as you assess cost pressures as you highlighted, have they accelerated from first quarter or from what you had anticipated a year ago, are they abating and where are maybe one or two areas that are really – I'm sure it's more regional than not, but that is more difficult to offset from Full Potential? (Presupposed)(Product)(Profit, progress)

Gary J. Goldberg - Newmont Mining Corp.

A: Yeah. I think clearly oil costs have affected the whole business, so that one I think everyone's got good transparency and we give some information on. Offsetting that, the Aussie dollar has dropped back down kind of in line with as gold price has come down. So it's down in the $0.74 to $0.75 range. We have seen some cyanide cost increases, and that's really input costs that go into the cyanide product that have been coming through. That's a little bit outside of what we would have had built into our plans. A little bit of labor. Really kind of keeping an eye on, as I said before, we watch where turnover is starting to pick up and we've seen a little bit in North America and in Australia, the labor markets heating up a bit, so we're keeping an eye on that. Nothing outside of what we at this stage had planned for, but it's one that I want to flag for the market as we go forward that we're keeping an eye on.

John Bridges - JPMorgan Securities LLC

Q: Good morning, Gary, everybody. Thanks for a drama-free set of results. Just following on from Mike's question on Galore, it had a pretty long development plan in some of the earlier feasibility studies with this long tunnel and whatever. I know it's early stage, but would you be sort of likely to be dribbling capital into that to shorten the development program and make it easier to make a decision when the copper price and the markets are receptive? (Presupposed)(Management)(Market)

Gary J. Goldberg - Newmont Mining Corp.

A: Yeah. I think – thanks for the question, John, and thanks for the comment on the lack of dramas. I think we wouldn't be trying to time a market. I don't think anyone's that good at this stage. What we would be doing is to really step back, take a good look at the work that's been done, a lot of good work has been done already, but then bring our heads together with the technical and social folks with Teck and work together with our team to come up with the best development plan. There's different options in terms of how to access and develop the resource, the several pits or potential pits that are there and we want to work through. So I don't want to preclude anything at this stage. I think we want to take a look with an open mind at all the options.

John Bridges - JPMorgan Securities LLC

A: Okay. And then just perhaps as a follow-up, you mentioned the underground opportunities within Carlin. What's your vision for that large land package you got there, because if you simply look at the reserve base in Carlin, then it's one of the shorter life assets on a sort of production versus reserve basis. But then, given the underground opportunities you found already and the ones that you have a sense that could be there, then you could be mining there for a long time.

Gary J. Goldberg - Newmont Mining Corp.

A: I think and as you've seen, Carlin has been in operation for over 50 years, we have a pretty good resource and mineral inventory base that we're pretty confident, as we continue to better understand some of the geology and structure around there, that we could add primarily from an underground standpoint, as I see it, but I spent time – I was out there last week really at all the operations and feel comfortable in terms of extensions around Carlin. Long Canyon, we continue the development of Phase 2. Some interesting things around Emigrant that we're taking a look at. So as we use both current technology and continue to extend the use of our deep sensing geochemistry to better understand things that may be covered at depths that we haven't actually looked at, most of what's been discovered today has had some sort of a surface exposure or been accidentally found by a water well or something. So I think using this technology to try to discover as yet unfound deposits, I think, has good potential in Nevada.

David Haughton - CIBC World Markets, Inc.

Q: Good morning, Gary, Nancy and Tom. I was actually admiring the core that you've got on page 26 from Tanami. Very impressive bit of VG (32:42) there. Just going over to Ahafo, so you're now pushing the commercial startup, it looks like it would be delayed by as much as a quarter given unfortunately the circumstances early this year. But the CapEx is maintained for 2018. Can you see some sliding of the CapEx from 2018 into 2019? (Clarification)(Management)(Asset)

Gary J. Goldberg - Newmont Mining Corp.

I have Tom address that.

David Haughton - CIBC World Markets, Inc.

Thank you.

Tom Palmer - Newmont Mining Corp.

A: Thanks, Gary. Thanks, David. What we're able to do following the shutdown at the construction work on site, David, as we worked through that incident and the appropriate recovery from that, is still quite a bit of offsite work going on, so lot of fabrication and procurement works too going on and that was able to help us minimize the impact of schedule. So we're still seeing a similar spend profile in this year as a consequence of that. So there will be a little bit of flow of our capital into next year as a result of the cessation of construction activity on site, but as I say, a lot of offsite work was able to continue through that time period.

David Haughton - CIBC World Markets, Inc.

Q: And you're thinking we should be looking at commercial production more in Q4 of next year than in Q3 or Q2? (Clarification)(Product)(Growth)

Tom Palmer - Newmont Mining Corp.

A: At this stage, I just keep it to the second half and we were very much in the process of remobilizing now. So as we get back into construction activities proper, then we'll be out to reassess the various work fronts and then understand and refine that schedule. So I'd keep it a second half at this stage.

David Haughton - CIBC World Markets, Inc.

Q: All right. To Kalgoorlie, so guidance this year down 70,000 ounces impact into next year as a consequence of that east wall slip. Can you just walk us through what the implications are for the mining with, I presume, a restricted footprint of access and remedial work, and what it means for the layback of Morrison and the timing of that? (Clarification)(ESG)(Footprint)

Tom Palmer - Newmont Mining Corp.

Q: Thanks, David. I'll keep going with the answer to that question. So with the slip on the east wall that took out the ramp on the east wall of that pit. So, that was the ramp we're planning to use for the Morrison layback that we were bringing forward. So as we work through the reassessment of Morrison, it will be how we can mine a smaller Morrison and not rely upon that ramp on the east wall.

Now, as we work through our longer term plans looking at our – lot of the work today was about safely understanding the impact of that slip and understanding the impact for this year, so work's still underway in terms of the longer term impact and the various scenarios around that. A lot of that is associated with the type of remediation that we'll do on that better east wall and how we might lay back that slip area and the various geotechnical work and the drilling work we'll need to do to better inform that approach. So, that's going to take a little bit of time for us to work through and then understand the longer term impacts beyond 2018 and then how we access the greater Morrison resource, but we'll continue to be mining from the southern end of the pit and there's some material on the western wall as well that we'll be de-stacking that's been sitting underneath the west wall slip and we'll continue to process stockpiled ore through the mill. So the processing plants, the two – well, the three processing plants at KCGM are still running at full rates and in fact they're running at rates that we haven't seen since 2005. So we're maximizing the processing through the plant to minimize the impact from this slip.

David Haughton - CIBC World Markets, Inc.

Q:The strip CapEx there was going to be about $125 million spread over a number of years, 2018 through to 2025 basically and getting production access to Morrison in 2019. Should we be pushing that out by a year or two do you think? (Clarification)(Product, Management)(Cost, asset)

Tom Palmer - Newmont Mining Corp.

A: We'll have a – I'm anticipating having a smaller Morrison this year. How big that is and what the spend will be, we're still working through. So we need some more time to work through that process. So we'll need to come back to you at a future date with some more information there, David.

Stephen David Walker - RBC Dominion Securities, Inc.

Q: Thank you. And just a follow-up on David's question if I might, maybe is it reasonable to look at KCGM as for the next couple of years, anyway is maintaining sort of your share of production at the 280,000 to 300,000 ounce a year range that is looking at the stockpiles, lower grades and the other sources of work to basically sustain that at these levels. Is that a safe assumption when we look at our model for KCGM? (Clarification)(Product)(Profit)

Gary J. Goldberg - Newmont Mining Corp.

A: Yeah, I think at this stage, Stephen, as we continue as Tom described the planning work that's going on, I think that's a good starting point and we'll give further update most likely when we give our full year guidance for 2019 at the end of this year.

Stephen David Walker - RBC Dominion Securities, Inc.

Q: Thank you. And then just a separate question on CC&V. Tom, you made the reference to that you shipped about 17,000 tonnes (sic) [ounces] of con to the Carlin plant. I guess the question is on a quarterly run rate basis, what should we assume and is that concentrating – is that concentrate displacing roaster ore as it is a lower grade roaster ore and should we see an improvement in what comes out of the roasters in Carlin as you ship more material from CC&V? (Clarification)(Product)(Improvement)

Tom Palmer - Newmont Mining Corp.

A: Thanks, Stephen. I just might clarify that was 17,000 ounces of gold that we shipped in a 30,000 sitting stockpiled. You will certainly see – there's two things. That stockpiled ore will start to – stockpiled concentrate will start to move through the third and fourth quarter. We'll stockpile them because we had to do some improvements to a county road that are now complete, so we're ramping up shipments as we speak and we are now commissioning the cleaner concentrate circuit that will produce a higher grade particularly in sulfur coming out of the CC&V plant, so that gold and sulfur will go into Mill 6, so it provides a heat source that allows us to put higher grade Carlin ore through Mill 6, so we will see some benefit at Carlin as a result of that fuel source that comes from that concentrate. We are still very much on target to hit our guidance for CC&V, so if you just look at first half and extrapolate to where we're predicting guidance to be for the year, you can get a measure of the impact of shipping that concentrate to Nevada is going to have on CC&V gold production for the full year and in particular the second half.

Stephen David Walker - RBC Dominion Securities, Inc.

Q: Perfect. And then presumably extend that into 2019, 2020 as well? (Clarification)(Product)(Progress)

Tom Palmer - Newmont Mining Corp.

A: That's right. That process of sending concentrate to Nevada will continue in the future years.

Tanya Jakusconek - Scotia Capital, Inc.

Q: Okay. Good morning, everybody. I guess David asked my questions on the Morrison layback, and just to make sure I understood, so by year-end, we will have some sort of an idea when you put out your guidance, I guess, in December. What the sort of smaller Morrison layback looks like just with the – getting back to the ramp access that you right now don't have, is that a clear – am I understanding it correctly?(Presupposed)(ESG)(Access)

Gary J. Goldberg - Newmont Mining Corp.

A: Yes. That's correct, Tanya.

Tanya Jakusconek - Scotia Capital, Inc.

Q: Okay. So I'll leave that one. And maybe I can come back to two other things. One is just back on Galore Creek. Just wanted to understand, Gary, you said this is the third time you've looked at this. Coming back to it a third time, was it – there is a willing seller right now, was it just a willing seller? And how did you come up with the valuation on the purchase price, was it based on dollar per ounce in the ground, was it based on a discounted cash flow? I'm just trying to understand how you put value on this.

Gary J. Goldberg - Newmont Mining Corp.

A: Well, little bit of all of the above. And it was about a year ago that we began dialog with the group and have worked through our view on what the value of the deposit is at this stage and then went through the normal sort of commercial negotiation that you go through to reach commercial terms and we staged it. So as we move forward and get better confidence in it, it's tied back into us gaining greater confidence in the future and how it would be developed. So, that didn't come all at once. We worked through that as we worked through the prefeas and then feasibility studies.

Tanya Jakusconek - Scotia Capital, Inc.

Q: Okay. So is it safe to say that it's been a year that you've been working on this and you've looked at all of the studies out there and somewhere between looking at the studies and valuation on per ounce in the ground is how you came up with your purchase price for unstaged (43:01) payments? (Presupposed)(Finance)(Acquisition)

Gary J. Goldberg - Newmont Mining Corp.

A: Yes, that's correct.

Tanya Jakusconek - Scotia Capital, Inc.

Q: Okay. And then just coming back to Akyem, I noticed that you put a press release on your website with regards to some contention with farmers around the area and some compensation. Can you just give us an update of what's exactly happening there? (Challenge)(ESG)(Access, compensation)

Gary J. Goldberg - Newmont Mining Corp.

A: Sure. I'm going to hand over to Tom to cover that.

Tom Palmer - Newmont Mining Corp.

A: Thanks, Gary. And thanks, Tanya, for the question. We're working through a process where some local residents raised some concerns over payment of ground and crop compensation that dates back to before the mine started and then having some issues around mine-related impact. So everything we're doing is consistent with what we're required to do and in terms of the agreements we've had in place. But we've been involved in good faith dialog with community leaders, with the people who are raising these concerns and working through a mediation process to reach a form of resolution there with them. And that process has been progressing over a period of time.

What you saw in more recent times is the group which we're quite comfortable with stage a demonstration to further support their claim. So, that took place, a peaceful demonstration over a few hours a couple of days ago. So the activity was related to that. But we continue to engage in good faith dialog to reach a resolution with those people who are raising those concerns.

Tanya Jakusconek - Scotia Capital, Inc.

Q: And when is the mediation? Do you have a timeline for the mediation process? (Clarification)(ESG)(Compensation)

Tom Palmer - Newmont Mining Corp.

A: It's been ongoing and we will continue to work through that process until we can reach a resolution. There isn't any fixed deadline, but we remain ready, willing and able to sit down and discuss these issues with them.

Tanya Jakusconek - Scotia Capital, Inc.

Q: So besides the peaceful demonstration that you had the other day, is that really the only sort of demonstration you've had on this site with respect to these farmers and their crops? (Challenge)(ESG)(Compensation)

Tom Palmer - Newmont Mining Corp.

A: Yes. Going back in terms of my memory and it's – yes, that would be the case.

Tanya Jakusconek - Scotia Capital, Inc.

Q: Okay. And we've seen nothing like this at Ahafo in that area? (Challenge)(ESG)(Compensation)

Tom Palmer - Newmont Mining Corp.

A: We haven't seen demonstrations on these particular issues at Ahafo, but we do see from time to time demonstrations over different issues that we need to work through with the community and the community leaders to manage and understand those issues. So it's not unusual in Ghana to see the community demonstrate as part of a process of talking through their issues.

Michael Jalonen - Bank of America Merrill Lynch

Q: Hi, Gary. Maybe a question for yourself; and Randy, just coming back to Galore again, I know there's been a few questions, but I still haven't quite heard from you because here's a project that Teck basically mothballed many years ago, never heard much about it and then now it's come back to life again. Just wondering where Teck – or sorry, Newmont, I guess Teck also, see the opportunity to improve the economics of the project that could lead to a positive feasibility studies or attractive returns, I guess, that's what I was wondering. (Clarification)(Product)(Profit)

Gary J. Goldberg - Newmont Mining Corp.

A: Yeah. I think as you look in Teck's published information, they've got it out there as a longer term opportunity. We see it in a similar manner and one that we'll work together to see if we can improve on the valuation. I'm going to see if Randy wants to add anything to that.

Randall E. Engel - Newmont Mining Corp.

A: Mike, I think there's – this project, there is opportunities to look at the things like the tunnel, the access opportunities, I think phased mine planning, plant design optimization, all of those opportunities with taking two quality partners like Teck and Newmont working together, it really could create some substantial value above and beyond what's been looked at so far. I think there is good opportunity to define the upside further on the ore body and the resource.

Michael Jalonen - Bank of America Merrill Lynch

Q: Okay. Does this kind of signifies Newmont's acquisition strategy, focusing on more longer term development projects rather than assets in production? (Presupposed)(Finance)(Acquisition)

Gary J. Goldberg - Newmont Mining Corp.

A: Yeah, I think that fits with what we've been saying to the market, what we went through at our Investor Day, really looking at earlier stage opportunities that we can bring in either through our own exploration or through partnering with different parties and bringing those forward. That doesn't mean we won't look at operating assets, much like we did with CC&V a few years ago, if we can obtain them at fair value.

Greg Barnes - TD Securities, Inc.

Q: Yes, thank you. Gary, are you getting a better sense around the Chaquicocha Oxides and how that fits in between now and Yanacocha Sulfides and how that fits in potentially with Quecher Main ?(Clarification)(Product)(Progress)

Gary J. Goldberg - Newmont Mining Corp.

A: Yeah, at this stage, Quecher Main is progressing well. We hope to see some initial production there later this year. And that's actually doing quite well. We were down there last month visiting. The Oxides is yet to be included in any of our plans. So it'd be something as we put our plans and give our forecasts later this year for 2019 on out that we'd look to include the Oxides, but we continue to see good potential for both the north and the south Chaqui Oxides as we continue to drill and get a better handle on that. So, that would be in addition to what we've already provided in guidance and something that we'll present later this year.

Greg Barnes - TD Securities, Inc.

Q: Quecher Main is a couple of hundred thousand ounces a year and bridges you to Yanacocha Sulfides, this would be over and above that in terms of incremental production.

Gary J. Goldberg - Newmont Mining Corp.

A: That's the right way to look at it, Greg.

Greg Barnes - TD Securities, Inc.

Q: Any sense of potential there?

Gary J. Goldberg - Newmont Mining Corp.

A: We'll come out with that later this year when we give guidance.

Lucas N. Pipes - B. Riley FBR, Inc.

Q: Hey, good morning, everybody, and thank you for taking my question. Not to belabor Galore Creek too much, but obviously over the last few years there has been a tremendous amount of uncertainty caused by resource nationalism and obviously Galore Creek safe jurisdiction in British Columbia. To what extent did that play a role in evaluation of this asset and the strategic decision to invest there? (Clarification)(ESG)(Access)

Gary J. Goldberg - Newmont Mining Corp.

A: Yeah. I think as you look, we've got a footprint that's in four jurisdictions that allows us to take a look at potential opportunities in all those four jurisdictions. Canada being one and we think this is a good – it's one of the elements clearly, Lucas, that we do consider when we look at opportunities. So, that was one of the elements.

Lucas N. Pipes - B. Riley FBR, Inc.

Q: But it's not – I shouldn't read it as a pivot more towards safe jurisdictions you continue to feel comfortable, kind of where you are or do you think maybe the center of gravity could shift a little bit over the coming years.

Gary J. Goldberg - Newmont Mining Corp.

A: I think we continue to go where the best assets and the best potential profile is. An example is the Medellín office that we've just opened up in Colombia. We see that as a strategic toehold there towards what we see as an improving situation there and something that looks good. Much like we saw Peru 20 years ago, we see Colombia. So I wouldn't say we're rushing in any certain direction, we're going where it makes sense.

Lucas N. Pipes - B. Riley FBR, Inc.

Q: Got it. Thank you. And then on Galore Creek, do you think that the project is more valuable with Teck as a partner or do you think it could maybe make sense for you to go ahead by yourselves? (Presupposed)(Management)(Corporation)

Gary J. Goldberg - Newmont Mining Corp.

A: No, I think our view is working alongside Teck makes good sense there.

Lucas N. Pipes - B. Riley FBR, Inc.