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Company Profile

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Natascha Viljoen	executive
Karyn Ovelmen	executive
Daniel Major	analyst
Joshua Wolfson	analyst
Matthew Murphy	analyst
Anita Soni	analyst
Michael Parkin	analyst
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Alexander Hacking	analyst
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Operator

Good morning, and welcome to Newmont's Third Quarter 2024 Earnings Call. [Operator Instructions] Please note this event is being recorded. I would now like to turn the conference over to Tom Palmer, President and Chief Executive Officer. Please go ahead.

Tom Palmer

Thank you, operator. Good morning, everyone, and thank you for joining our call. Today, I'm joined by my executive leadership team, including Natascha Viljoen and Karyn Ovelmen and will all be available to answer your questions at the end of the call. Please note our cautionary statement and refer to our SEC filings, which can be found on our website.

Before we discuss our third quarter performance, I would like to take a moment to remember Antoine Fortin, who tragically lost his life at Éléonore operation late last month. We recognized that this is our fifth fatality in less than a year. And we are working diligently to strengthen and improve our safety systems, along with the key safety tools that we use in the field.

We are fully committed to understanding the factors that contributed to this tragedy. And are taking decisive action to improve our safety culture with a clear focus on effectively controlling all of the risks that could lead to a fatality.

We will also continue to transparently share the lessons we learn from the investigation with our peers in the industry to help improve the safety performance of our sector. At Newmont, we know that a strong safety culture is fundamental to sustainably delivering on our commitments, and it is our accountability to ensure that everyone working at Newmont returns home safely after each and every shift.

Turning now to a summary of our third quarter. I'm honored to have recently been appointed as the next Chair of the International Council of Mining and Metals, or by ICMM. I look forward to playing an even greater goal in advancing sustainability and responsible mining practices, both at Newmont and across our industry.

During my term as Chair, one of my key priorities will be building support for the Consolidated Mining Standard Initiative. An effort we have strongly supported and actively engaged in over the last few months. These consolidated standards will be essential for strengthening the industry's reputation and providing stakeholders with confidence that the commodities we produce a mine responsibly. Last week, we announced that we have partnered with MKS PAMP to launch our first mine-to-market trace book gold bar for sale in the United States. Making Newmont's gold directly accessible to consumers and demonstrating our commitment through transparent sourcing. Shifting to our world-class portfolio of Teir 1 and emerging Tier 1 operations in districts. In the third quarter, we produced nearly 1.7 million ounces of gold and 430,000 gold equivalent ounces from copper, silver, lead and zinc. And notably, this included 37,000 tonnes of copper. We generated $1.6 billion of cash flow from operations and $760 million in free cash flow.

Our noncore divestment program has advanced meaningfully since our last earnings call with the two recently announced transactions expected to deliver up to $1.5 billion in combined gross proceeds.

The first announcement was a definitive agreement to divest the Telfer mine and our 70% interest of Havieron project in Western Australia for total proceeds of up to $475 million.

We continue to progress the closing conditions and expect to complete the transaction this quarter.

The second announcement was a definitive agreement to sell the Akyem mine in Ghana for up to $1 billion in cash consideration. And we also expect to close this transaction towards the end of the year. With this solid progress, we remain firmly on track to realize our commitment to generate at least $2 billion in gross proceeds from the divestment of our noncore assets. It is also important to note that this is in addition to the $527 million in cash proceeds that we have already received this year for the Lundin Gold Batu Hijau transactions.

Our divestment progress and strong free cash flow generation have positioned us to be able to continue reducing debt and returning capital to shareholders. Since our last earnings call, we have retired $233 million in debt and returned $786 million to our shareholders through share repurchases and quarterly dividends.

We also approved an additional $2 billion share repurchase program, bringing our total authorization to $3 billion.

In addition, we continue to safely advance the three projects we have in execution.

The second expansion at Tanami, our new mine Ahafo North and Panel Caves at Cadia. And finally, turning to synergies. When we announced our decision to acquire Newcrest. We committed to delivering $500 million in synergies from 3 areas: G&A, supply chain and our full potential program. And as of today, we have achieved that $500 million synergy run rate. Starting with G&A, a $100 million synergy run rate was achieved through labor rationalization, and reductions in both insurance costs and contractor spend.

Moving to supply chain.

Our team has been leveraging the scale of our combined company to achieve improved commercial outcomes that have already brought our synergy run rate from this area to $200 million. And finally, we have begun to realize significant value from our full potential program, and are in the delivery stage of our initiatives at Cadia, Red Chris at Lihir. From this work, we have successfully surpassed a $200 million synergy run rate with potential upside to be realized in future years. The majority of the value realized so far has been attributed to Cadia due to the work we've been doing more efficiently move stockpile material and to optimize the output from our high-pressure grinding roll system in the mill, an initiative that I touched on last quarter. And the remaining volume has come from Red Chris at Lihir. At Red Chris, we're improving gold and copper recoveries from the optimization of both the grinding and flotation circles, while also increasing throughput by delivering a more consistent ore feed to the mill. . And at Lihir, we are focused on improving efficiency by debottlenecking the materials handling and crushing circuits, as we mentioned on our first quarter earnings call. With our synergy commitment now met and our divestment program well advanced, we are now focused on the sustainable value that we will deliver from our go-forward portfolio of 11 managed large long-life operations.

So with that, I'll now turn it over to Natascha for an operational update and then to Karyn to take us through our financial performance for the quarter. Over to you, to Natascha.

Natascha Viljoen

Thank you, Tom.

As we enter the final quarter of 2024, I'd like to start by reemphasizing the operational priorities as highlighted at the beginning of the year.

Our focus remains on three key objectives: First is making sure that every person walking through a Newmont Gate is fully equipped and authorized to do their work safely.

Second is continuing to deliver strong performance from our managed assets, whilst also guiding our noncore assets through a respectful and productive process for divestment. And last, is enhancing long-term productivity at every one of our 11 managed Tier 1 and emerging Tier 1 operations.

Turning to the next slide, and let's begin with an operational overview. In the third quarter, our managed portfolio delivered a meaningful step up in production as planned, producing 4% more gold than the second quarter and building momentum for a strong finish to the year with an anticipated 1.8 million ounces of gold in the fourth quarter or an approximately 8% increase over the third quarter. This performance has been largely driven by our six managed Tier 1 operations, which I now will touch on in more detail, and I will start with Tanami. We began accessing higher grades from the liberator ore body and remain on track to deliver this year's strongest grades in the fourth quarter. At Boddington, we continue stripping in the north and south pits as planned, which is expected to continue through 2025 and will bring forward strong gold and copper grades starting in 2026.

Moving to Peñasquito. We delivered steady gold, silver, lead and zinc production in the third quarter from the Chile Colorado pit and commenced mining ore in the higher gold grade Peñasco pit, well ahead of plan due to efficient stripping. This will result in an increase in gold production in the fourth quarter and into 2025. And importantly, we have signed a new collective bargaining agreement with the union at Peñasquito, which safeguards the rights of all workers and provides a solid foundation for operations at Peñasquito through 2026.

Turning now to Cadia.

As factored in our guidance, growth at Cadia are expected to continue declining in the fourth quarter as we transition to and ramp up Panel Cave 2-3.

We are progressing integrated studies to align cave development with life of mine tailings capacity, setting up Cadia for the next three decades of all feed.

Our focus for tailings is maximizing capacity in the current input storage facility, repairing the southern wall of the northern facility that slumped in 2018 and then raising the wall of the Southern facility. These events are expected to contribute to a period of increased sustaining capital spend at Cadia over the next few years, as we make the necessary, but disciplined investment to remedy and expand the current tailings facilities. At Lihir, we continue to progress the planned shutdown of the primary autoclave. Which remains on track to deliver an approximate 30% step-up in gold production in the fourth quarter of 2024 compared to the third quarter.

As we look ahead to 2025, our operational focus at Lihir will remain on reducing complexity to deliver more sustainable and predictable results at this Tier 1 operation. In the short term, these efforts will result in lower than initially anticipated production next year due to lower throughput to allow for asset reliability improvement work and changes to the mine sequencing, including the establishment of wider ramps to manage surface water and repositioning all roads to be more effective and efficient. Whilst we complete this work, we will be processing a higher proportion of lower grade stockpiles in 2025. And we anticipate that gold production next year from the Lihir will be largely consistent with this year's and around 250,000 ounces lower than our initial guidance for 2025 that we provided back in February.

Importantly, this work will simplify and improve operations at Lihir for the long term, establishing it as a more consistent contributor as one of the 11 managed operations in our go-forward portfolio. Similarly, at Brucejack, we have taken a step back this year to do the development and drilling work to ensure that we improve our knowledge of this negative ore body.

We continue to experience periods of exceptional high grades, including a 1-day average of 52 grams per tonne last month and an average of over 20 grams per tonne in the same week.

As a result of the work we are doing, we anticipate that the gold production next year from Brucejack will also be largely consistent with this year, all around 100,000 ounces lower than our initial guidance for 2025 that we provided back in February.

Moving to Ahafo South. In the third quarter, we achieved a significant increase in gold production of nearly 15% over the second quarter, driven by higher mall throughput following the successful girth gear replacement in April and strong grades from our Subika open pit and underground mines.

Looking ahead, we expect Ahafo south to maintain consistent production levels in the fourth quarter and into next year before declining in the second half of 2025 when we complete mining activities at the Subika open pit as planned. And finally, during the fourth quarter, we expect to commence mining activities at Ahafo North and will stockpile ore to be used to commission the mill next year. This will be an essential milestone for our African business unit as Akyem is divested. And production is replaced with new low-cost ounces from Ahafo North towards the end of 2025. Continuing with Ahafo North, we have made notable shift from land clearing and earthworks to constructing the infrastructure for this new mine. The carbon in leach tanks are complete, and we continue constructing the crushing, conveying and mill infrastructure, which you can see in the photo in our presentation. We recently completed the lining of the tailing storage facility and are establishing the ore roads to be in stripping at this new mine in the fourth quarter. At the second expansion at Tanami, our focus remains on the concrete lining of the shaft. And we have completed more than a kilometer of this 1.5 kilometer deep production shaft.

As you can see in the photo, the winder building is now largely complete, and we are preparing to install the Wisting machinery, which will be used to raise and lower our people, equipment and ore within the mine shaft once complete. At Cadia Panel Caves project is progressing well. At Panel Cave 2-3, we have achieved cave establishment, meaning that the intended fracturing has begun, and gravity is now playing an important role in the mining process. This is a significant milestone for this multiyear project, and we are successfully processing gold and copper ore from this cave.

Over the next decade, Panel Cave 2-3 is expected to deliver 1 million ounces of gold and more than 400,000 tonnes of copper and is anticipated to ramp up to an average of 400,000 gold equivalent ounces between 2027 and 2032. At Panel Cave 1-2, we continued to advance underground development and the construction of the materials handling system.

As a much larger case, Panel Cave 1-2 is expected to deliver nearly 4 million ounces of gold and more than 700,000 tons of copper over 15-year cave life. And it is anticipated to ramp up to an average of 525,000 gold equivalent ounces between 2030 and 2040. And with that, I'll turn it over to Karyn.

Karyn Ovelmen

Thank you, Natascha.

Turning to the next slide. I'll begin with an overview of our financial performance for the quarter. Building upon Tom and Natascha's remarks, Newmont delivered strong third quarter results. We reported adjusted EBITDA of $2 billion, driven by sustained gold prices and strong quarterly production. And we recorded adjusted net income of $0.81 per diluted share, an increase of $0.09 compared to the second quarter.

We also generated $1.6 billion cash flow from operations and $760 million of free cash flow, which does not include the approximately $300 million in cash payments received during the third quarter from the sale of the Lundin Gold financing facilities and Batu Hijau contingent payments announced earlier this year. Free cash flow for the quarter includes $209 million of unfavorable working capital changes, largely due to a build in stockpiles of $202 million, mainly at Lihir and Telfer and $107 million of reclamation spend primarily related to the construction of the Yanacocha water treatment facilities. With $273 million in reclamation spent to date, we anticipate an approximate $225 million to be spent next quarter. These unfavorable working capital changes were partially offset by the favorable timing of accrued liability payments.

Looking ahead, we expect to reach the year's strongest production volumes in the fourth quarter, positioning us to deliver strong free cash flows and to continue returning capital to shareholders.

As Tom mentioned, the divestitures announced to date from our noncore portfolio are expected to generate up to $1.5 billion in gross proceeds on top of the nearly $530 million in cash proceeds received from other investment sales in 2024. And as we committed to earlier this year, we have been using the proceeds to create long-term value for our shareholders by strengthening our balance sheet and repurchasing shares. Since our last earnings call, we repurchased 9.4 million shares at an average price of $53.16 per share for a total cost of $500 million, including $198 million repurchased during the third quarter and $302 million in October. And with $250 million remaining in the current program, Newmont's Board authorized an additional $2 billion share repurchase program to be executed over the next 24 months, bringing our total authorization to $3 billion. To date, we've now completed $750 million of our $3 billion authorization.

Additionally, we declared a fixed common third quarter dividend of $0.25 per share, consistent with the dividend declared for the past 3 quarters. And we purchased $233 million in nominal debt for $210 million or around $0.90 on the dollar, of which $150 million was purchased during the third quarter and $83 million was purchased in October. To date, we've now retired nearly $500 million for the year. We maintained an investment-grade balance sheet and ended the quarter $7.1 billion in total liquidity.

Our gross debt now stands at $8.5 billion compared to our target of $8 billion. In line with our balanced capital allocation strategy, we continue to focus on maintaining a strong balance sheet, steadily funding value-accretive capital projects and returning capital to shareholders.

Looking ahead, we expect approximately 1.8 million ounces of gold production in the fourth quarter as planned. Production from our managed Tier 1 assets continues to drive our strong operational performance, and we remain on track to meet our full year production guidance.

As signaled by our joint venture partner, production from Nevada Gold Mines and Pueblo Viejo is expected to significantly increase in the fourth quarter, which is crucial as these sites comprise just over 20% of our attributable gold production for 2024. All-in sustaining costs for the fourth quarter are expected to be approximately $1,475 an ounce, which represents an 8% reduction compared to the third quarter. This favorable decline is expected to be driven by higher gold production volumes and will be slightly offset by higher sustaining capital reinvestment, primarily anticipated at Nevada Gold Mines based on the run rate through the third quarter, and Cadia to remedy and expand the current tailings facilities, as Natascha described. Increased production taxes and royalties from higher gold price environment and slightly higher G&A spend largely due to an increase in contracted labor.

Turning to development capital, we expect to spend $320 million during the fourth quarter, keeping us on track to meet our full year guidance estimates for earlier this year. And we continue to expect to invest an average of $1.3 billion per year into projects that will generate the highest returns. With that, I'll pass it back to Tom for closing remarks.

Tom Palmer

Thanks, Karyn. We remain confident in the long-term strength of the go-forward portfolio we have assembled, and continue to make solid progress on the four key commitments we made at the start of the year to our shareholders. Since our last earnings call, we continue to diligently implement the lessons learned from our recent fatalities. And are working to strengthen and improve our safety and risk management systems. We delivered higher production as planned, keeping us firmly on track to meet our full year production guidance. We generated $1.6 billion in cash flow from operations and $760 million in free cash flow. We made meaningful progress on our portfolio rationalization with the announced divestments of Telfer, Havieron and Akyem. We achieved our synergy run rate target of $500 million. We've demonstrated our commitment to shareholder returns, delivering $786 million from both regular dividends and share repurchases. We strengthened our balance sheet with $233 million in debt reductions, and we approved an additional $2 billion share repurchase program, bringing our total authorization to $3 billion. Having now gained almost a year of experience working with our new operations, we have developed a much deeper understanding of their long-term contribution to our core portfolio and the work needed to create consistent and lasting value for our shareholders.

Looking ahead to 2025, we expect gold production from our go-forward Tier 1 portfolio to remain largely consistent with this year, driven by the lower than previously expected production from two of our new operations in Lihir and Brucejack.

We expect unit costs for our core portfolio in 2025 to align with the trends we are observing this year.

We also remain committed to the critical tailings work in Cadia, which may result in an annual sustaining capital spend of around $1.8 billion from our core portfolio over the next few years. And we continue to see higher previously expected direct costs and G&A spend. But with the clarity of our go-forward portfolio, we are now working to manage. With this context, my leadership team and I have a laser focus on the work we need to do to optimize our go-forward portfolio of 11 managed operations and three projects in execution. Whilst we do anticipate production growth over time, our focus is firmly on expanding margins, generating a strong return on capital invested and creating value versus chasing volume.

We are taking a critical look at our organic project pipeline and spending time to ensure that any reinvestment we make into our portfolio is both disciplined and deliberate. And we are applying an economic lens to the long-term decisions we are making today, ensuring that we deliver on Newmont's purpose to create value and improve lives through sustainable, responsible mining for decades to come. With that, I thank you for your time today and turn it back over to the operator to open the line for questions.

Operator

[Operator Instructions] And our first question comes from Daniel Major at UBS.

Daniel Major

Can you hear me okay?

Tom Palmer

Your line is clear. Thanks, Dan. Tom here.

Daniel Major

Yes, sort of two parts of the question. I mean the first one is perhaps a kind of reflection on the industry as well. But when I look back to February and you look at your cost profile in medium term, like many in the gold industry, you've got costs coming down over time over the next few years, yet this year, all-in sustaining costs are $100 higher than you saw in February. Is it realistic and credible to actually assume that unit costs will moderate over time? Or should we rather be assuming the best case outcome is limiting inflation?

Tom Palmer

Thanks, Daniel. I'll kick that off and Karyn might want to jump in as well. Certainly, if I think about the gold industry, there's always been a strong correlation between gold price and the cost of producing an ounce of gold.

Given that inflation is one of those key structural elements behind the gold price.

So as you look forward, if gold price eases, then you'd expect the cost of producing an ounce to ease. And obviously, you're going to see some tracking between the cost per ounce and the gold price.

Our focus is on what we're putting in place is that we have 11 managed operations going forward where we're going to be in a position to be looking over the long term and strengthening and growing those margins.

The other comment I'd make before I pass to Karyn, if you wanted to build on that is when you look at the out-year numbers that we had provided back in February, that assumed 0 escalation.

And so when you think about any forward-looking numbers, that there's no escalation. And obviously, what we're seeing as we are closer to 2025, the run rates we're seeing as we close out this year and that is going to flow into next year as we understand the cost for the next 12 to 15 months. Karyn, anything you'd build on that?

Karyn Ovelmen

No, I think that's right, Tom.

Just to emphasize those out years, as you mentioned, don't have an escalation in those. Generally speaking, as we indicated, the cost that we're seeing here in 2024, we do expect those to trend into 2025. Costs were higher, driven by higher direct costs, primarily.

If you think about contracted labor, which is 50% of our cost structure. We've seen those increase into the third quarter and through the year.

And so we expect that, that's been built in now into our cost estimates as we head into 2025.

Tom Palmer

Thanks, Karyn.

The second part to your question.

Daniel Major

Yes, I had a second if that's okay. Yes, just again, just thinking about your guidance comments for 2025.

You previously looked at in February around 6 million ounces from the core portfolio in terms of gold.

You highlight in the comments, 250,000 ounces lower than your previous plans at Lihir and 100 at Brucejack.

So is it fair to then assume 350,000 off the 6 million is the new base when we look into 2025?

Tom Palmer

Yes. Thanks, Dan. Certainly, the two movers in terms of our managed portfolio, and as I think as Natascha said in her remarks, and I followed up with the drivers behind that mine sequence at Lihir and getting in front of understanding the resource definition of Brucejack and the development work and the drilling you need to do for that. Both of those are progressing well, but the ounces for next year reflect that important work.

I think the numbers, if you then look at the rest of the portfolio on those trends coming through from '24 flowing into '25 the number is more like 5.6 as you think about this portfolio for 2025, the core portfolio of the 2025. Obviously, we've got some divestments to close out and still got some more work to do on that front.

Some of that will flow into 2025, as we complete that divestment work, but that core portfolio, 5.6% is about their gold production number for next year.

Daniel Major

Okay.

So yes, it's sort of broadly flat production and costs into next year is the message.

Okay.

Tom Palmer

Thanks, Dan. That's correct.

Operator

Next question comes from Joshua Wolfson from RBC Capital Markets.

Joshua Wolfson

I'm trying to wrap my head around the change -- the significant change in sort of cost expectations and to some degree, production expectations going forward versus what we had been hearing about previously. And I guess, there's sort of two different aspects, at least that I can understand. One is despite the synergy targets being achieved, it sounds like there's some larger integration issues, given the challenges or higher costs mentioned at cross Brucejack, Lihir and Cadia. And then on the other hand, we're hearing significant and unexpected inflation expectation changes, which I guess would be a larger industry-related item. I just want to sort of clarify how should we be thinking about these things? And am I sort of assessing this appropriately?

Tom Palmer

Thanks, Joshua.

Let me kick off, and I think Karyn, you might want to jump in.

So maybe pick it up in a few parts.

I think the commentary around Lihir, Cadia, Cerro Negro, I think you mentioned, is really the Q3 cost story.

So it's around Lihir, we had some costs that we had assumed would be in the fourth quarter for the large autoclave shutdown specialist labor in the remote part of the world moving into Q3.

So that's one of the drivers there. Cadia was power, where a higher power cost coming off our contract for price taker. Cerro Negro, it was more around ramping up following the tragedy earlier this year and making sure we're focused on doing that work safely, some productivity impacts. And then the other factor in the third quarter was we had some concentrate sales at Peñasquito didn't get away at the end of the third quarter due to some weather impacts there that obviously flow into the fourth quarter.

So that's sort of bit of a ramp up of the third quarter cost story. When I look at '24 flowing into '25, so there's two impacts the volume impact we just talked about with Dan and the Lihir and Brucejack work next year linked to that. And then the cost impact is sustaining capital and particularly around the work we're putting into the tailings facilities at Cadia. Cadia has got a 30-plus year live, several Panel Caves from come on. And there's work we need to do to ensure that Telfer capacity is matched to the volumes coming out of those Panel Caves.

So that story is around volume for those couple of key drivers and then sustaining capital. Karyn or Natascha, anything back to that.

Karyn Ovelmen

Sure.

Just a little more granularity in terms of 2024.

So about 1/3 of that is increased due to that lower sales volume, including impacts from Telfer, Lihir and Brucejack.

Another 1/3 relates to that higher sustaining capital that we've been talking about largely driven by Nevada. And then the remaining 1/3, half of that is by royalties due to higher gold price and half associated with the G&A.

So our run rate synergies are driven by the targeted benefits at Cadia, Red Chris and Lihir.

However, we've also had performance challenges within the business, including the Telfer tailings as well as the nonmanagement of underperformed expectations. But -- and I think further to that supply chain, G&A benefits have been impacted by our need to invest in the future of this combined Tier 1 portfolio with a key focus in areas with the integration from Newcrest to new mines as needed. But we're not happy with where we're at, and we're working to reduce these costs.

Joshua Wolfson

And if I can add sort of a follow-up question.

Just sort of understanding if there's a quantum that can be provided in terms of maybe what the inflation trends is the company is seeing something that we can think about for modeling forecasts on operating costs or capital costs? Is there sort of any initial impressions you have on what inflation rates are running at currently?

Tom Palmer

Yes, Josh, we're seeing in terms of input costs around consumables, fuel, materials, that's largely in line with what the world is seeing.

So there's nothing particularly surprising for us there. It's the labor costs where we're seeing that escalation, particularly the contracted labor, when we're seeing some of those escalations come through and then incorporating that in our -- in the sort of the commentary or the steer we're giving for what flows into next year.

Operator

The next question comes from Matthew Murphy from Jefferies.

Matthew Murphy

I'm wondering if you can elaborate a little more on what this outlook for 2025 means going forward in terms of those initial graphical kind of indications you'd put out had production growing over 6 million ounces, costs falling to, call it, the mid-1,200s an ounce. I mean, should we be doing -- thinking about 2025 continuing in 2026 and beyond? Is this a 5.5 million ounce a year 1,500 AISC type company that we're going to see going forward?

Tom Palmer

Matt, I think if I look at costs, you're certainly going to -- in the outlook we've given in February, there was no escalation there.

So as you make assumptions about what escalation inflation may do linked to what gold price might do and there's a key link between gold producers and gold price, then that's going to be a pretty significant driver of the cost of producing an ounce of gold betweenn Newmont and any other gold mining company.

So that's one trend that will flow through. And obviously, gold price softens and those costs come off. We see a portfolio as we complete our divestment work in the first part of next year, really start focusing on our 11 managed operations and the three projects that we've got in execution. Those projects in execution will start to deliver new ounces in the latter part of next year and then that flows through to '26 and '27.

So we do have some new lower cost ounces coming on, and that will help us have a portfolio of operations that over the long term are around or about that 6 million ounce run rate and about 150,000 tonnes of copper. We're not going to chase volume for volume's sake, where our focus is going to be on driving margins and ensuring that we're getting the best value, the best return on that capital that's invested.

Another driver of our all-in sustaining cost is the important work we're putting into tailings facilities and ensuring that we have a set of tailing facilities that have the appropriate capacity and structure to support these very long-life operations.

So we have some of that spend, which is not spend that's consistent over the whole time, but there are periods of elevated spend in sustaining capital in any mining company as you ensure your tailings facilities are up to scratch.

So that's another factor in terms of our 2025 and 2026 story.

Karyn Ovelmen

If I can probably just...

Matthew Murphy

Go ahead, sorry.

Karyn Ovelmen

I wanted to build a little bit on Tom's point on the 6 million run rate. And just as a reminder, Boddington is in 2 years of high stripping and lower-than-normal ounces.

So Boddington will get back to its normal production. Peñasquito, we will start to see coming back in the new year. Cadia, we have been predicting all along that we will see lower grades coming through. But as PC2-3 comes in during the next 2 years, we'll see Cadia production step up as well. And then Lihir is also 2 years of high investment, and we'll start to get back into higher grade ores in the near term. And that's to just build a little bit of granularity on Tom's point.

Tom Palmer

And particularly, if we get more ounces out of the shaft, Tanami it gets commissioned in the '27, '28, you got Ahafo North start to produce gold in the second half of next year.

So we've got that reinvestment back in the business, brings ounces on that complement the numbers we're talking about for this year and next year.

Matthew Murphy

Okay. And is there a time line where you're thinking you'll be able to provide more formal asset by asset, multiyear guidance? Is that the plan maybe early next year?

Tom Palmer

It will be in due course, Matt, into next year, we'll certainly be focusing on giving greater granularity on the 2025 numbers in February. We're busy still and that we're still in this -- nearing the end of the second phase of the divestment of our North American assets, and that work is progressing well, but we need to close out that work. And as we've got that clear line of sight to completing that divestment program, focusing on our 11 managed operations going and those three projects in execution. And with that, if that clarity, we'll look to come back with some more color on our go-forward portfolio into next year.

Operator

The next question comes from Anita Soni from CIBC.

Anita Soni

Yes.

One of the questions that I guess are the questions I had were all very detail-oriented, but don't seem not relevant anymore. Can I just ask you in terms of, I guess, longer-term Cadia, the dust emissions, like when do you expect to get approvals for that? And that's what gets you to 35 million tonnes per annum, right?

Natascha Viljoen

Sorry, it, I'm not sure if you -- if I just for clarity, dust emission emissions. I just want to make sure that I understand your question.

Anita Soni

Sorry, on Cadia, the original goal or target was to get to, I think, 35 million tons per annum. Is that still valid? And what kind of approvals do you need? And when do you expect those?

Natascha Viljoen

Yes.

Okay. Thank you. I just wanted to make sure that because the dust is not necessarily directly related to their tailings dam approvals. There's a couple of things that needs to happen around the tailings dam that is all underway.

The first thing, as I've mentioned, is the repair of the southern wall of the northern dam. And then there's further expansions that is underway. There's a number of permit applications that's in place and underway. And we are balancing the permitting requirements, the expansion of the tailings dam and the Cadia Cave or the Panel Cave development to make sure that we've got optimal capital efficiency.

Anita Soni

Okay. Cerro Negro original target, I think, was around 3.5 million tonne per annum.

I think you're doing -- you're significantly under that right now and have been for a while. When do you think you'll get that asset up to the original target? Or is that still valid?

Natascha Viljoen

Cerro Negro, our largest focus area for Cerro Negro is in productivity and making sure that we -- the baseline operation gets back to where we need it to be from a productivity point of view. We've got all of the mining areas available.

We have all of the equipment available.

So the focus is 100% on productivity to bring us back to where we need to be.

Operator

The next question comes from Mike Parkin from National Bank.

Michael Parkin

Congrats on getting the synergy target achieved. Of the $500 million, how much of that flows through OpEx?

Tom Palmer

Mike. Yes, obviously, the G&A component of that is part of your OpEx. The supply chain is a combination between improving costs and opportunity to get to productivity and volume. A lot of the full potential work is around volume.

So you get some more productivity with current gold price, you get that benefit flowing through.

So probably of the amount of that delivery, it's probably less than half has come from that an operational exit the soft improvements as opposed to the productivity and volume improvements and the free cash flow that you get coming through. And if I look through that, if I look at where we sit is one of the earlier questions, as we're closing out the integration and the important part of closing out the integration is completing our divestments and having a clear line of sight to 11 managed operations, three projects and execution. I'm not happy with the G&A that we have that go-forward business. And that's an area that we're going to be focusing on to get that number down to match the go-forward business. And that's a little bit of that higher cost to carry as you work through that transition. But as we get that clarity on the remaining divestments going out the door, we need to ensure that our G&A is matching the size of the go-forward business and expect to see some -- we'll be working hard to get some improvement in that area in the months ahead.

Michael Parkin

Okay. And just a follow-up on that. Because you've achieved that, is that fully reflected in your Q3 numbers? I'm just wondering like you look at your quarter-over-quarter OpEx, you're up about 7% quarter-over-quarter.

So trying to understand how -- where the savings come in with the fourth quarter guidance if all the synergies have already been realized? Or is it a bit of a deferral in terms of when they start to flow through the financials?

Tom Palmer

Yes, I think you'll see certainly those that impact the cost base there, and they're in our direct costs.

I think what you're going to -- I think the key driver that's going to flow through in the fourth quarter is a very strong gold production quarter. And we're certainly well set up to be delivering on those commitments through the fourth quarter.

So that's perhaps what you're going to see drive that improvement in the fourth quarter is that higher production, getting the sales matching that production to ensure that the unit costs are coming to the levels that we have guided to for the fourth quarter.

Operator

The next question comes from Lawson Winder from Bank of America.

Lawson Winder

I just wanted to ask about capital allocation and in the context of a new story that the Prime Minister of PNG recently called on all stakeholders involved in Wafi to finalize the special mining lease and the mine development contracts, sort of ASAP.

I think you actually set a deadline of line of like December of this year.

And so that got me thinking in terms of capital allocation, is that a sign that Wafi might be taking precedent as a preferred project in the portfolio over some of the other options?

Tom Palmer

Lawson.

We continue to work very closely with our joint venture partners, Harmony and the PNG government on those negotiations to convert what is a very robust and competitive framework MOU through to a mineral development contract and ultimately a special mining lease that would then move into a process of starting to understand updates to feasibility studies and a whole bunch of study work that would come once you've reached that conclusion of those negotiations.

So important work and working very, very constructively with all of the parties around the table. Any project in our pipeline is competing for capital, and we are going to be very disciplined in terms of any project that we take into execution going to have confidence in terms of the cost to build, the time to deliver and the returns on that invested capital.

Our plate is full with three projects in execution, Tanami expansion to Ahafo North and the Panel Caves at Cadia. We're going to ensure that we properly deliver on our commitments on those projects and then and only then, we bring on our next project and Wafi-Golpu sits there in the pipeline with five other very interesting projects to compete for capital.

Lawson Winder

Okay. And then just as a follow-up on some of the earlier questions on the labor inflation that drove the costs a little higher in the quarter. I believe yourselves and some of your peers budgeted approximately 4% labor inflation for 2024. I mean it would be helpful to kind of put some numbers around that in terms of what's the realized experience in terms of labor inflation so far this year or you expected versus that 4% that seems to be the industry standard at the start of the year?

Tom Palmer

Thanks, Lawson. In our direct costs, half the cost is labor. About half of that is our employee base, and that's the 4%.

So when you think about the people who work for Newmont, across 9 countries when you average out aggregate the wage escalation is about 4%.

The other cost base is the cost to -- for all the contracted services we use, whether that be maintenance shutdowns, maintenance that you use supplement your workforce, cost of running camps, cost of flying people to from all of those sorts of costs. That's where we're seeing some escalation beyond what we'd assumed at the start of the year. And as we look into 2025, then that's what we're guiding to today in terms of how we're seeing those costs flow through.

So obviously, those costs have escalated over the course of this year and looking to capture that level of escalation that we see flowing through next year in terms of that broader unit cost for Newmont in 2025.

Operator

Next question comes from Alex Hacking from Citigroup.

Alexander Hacking

Yes. I just wanted to clarify some of the guidance commentary from earlier.

So on next year, production from Tier 1 mines is going to be flattish. What assumption is embedded in that on Nevada Gold Mines?

Tom Palmer

Yes. Thanks, Alex. To answer that question, we gave you -- we provide granularity on Lihir and Brucejack in terms of pretty significant movers in our managed portfolio. The rest of the operations in our core portfolio going forward, we're assuming that the run rates you're seeing through the course of this year will flow through 2025.

Alexander Hacking

So just to clarify Nevada Gold Mines flat next year?

Tom Palmer

Alex, I'm answering that question in terms of the rest of our portfolio without getting specific.

Alexander Hacking

Okay. And then on the -- following up on Matt's question on the midterm outlook. It sounds like 6.7 million ounces in 2028 is under review, let's say. But did I hear you say, Tom, that 6 million ounces is kind of a midterm target? Or did I mishear that?

Tom Palmer

Thanks, Alex. When I look at our 11 managed operations and the three projects we've got in execution that will deliver ounces over the next 3 to 5 years into that portfolio of operations that remains 11 managed operations because they're all essentially brownfield expansions. And the long life, I mean, each of those ore bodies underneath those 11 managed operations have got several decades in front of them. I look at that portfolio and say it can produce over the long term, an average around 6 million ounces of gold, about 150,000 tonnes of copper.

You might have some years where you push north of 6 and there will be other years where you're south of 6, but over the long term, that's what -- that's how we think about this portfolio we've assembled. 11 plus 3, 6, 150 [indiscernible] in margins where we focus our time.

Operator

The next question comes from Tanya Jakusconek from Scotiabank.

Tanya Jakusconek

Just wanted to come back to the costs.

So just so that we understand what is Newmont related and what is industry related.

Just want to make sure, Tom and Natascha, I understand that what's Newmont related in these costs have to do with your particular operations on volumes, which you've given us on lower volumes at Lihir and Brucejack. And then you've given us the additional sustaining capital that you have at some of your in Cadia on your tailings and Nevada Gold Mines some other stuff there.

You mentioned G&A as well on your all-in sustaining. Is it fair to assume that the only industry-related costs is the -- is your labor, which pertains to the contractors, which is half year -- 50% your labor cost and 50% of that is contractors. If that's the case, Tom, I remember you mentioning that contractor inflation was like 12% or 14%, if I can remember correctly. Can you just maybe share with us where you are seeing this contract or inflation? Is it related in Australia? Is it in the U.S.? I'm just trying to understand if it's also -- so that's my first question.

Just I'm trying to understand if I understand that correctly?

Tom Palmer

Thanks, Tanya. And just clarifying, you're talking about '25 versus '24 as you're looking at your numbers?

Tanya Jakusconek

Yes.

Tom Palmer

Yes, I think the certainly, the '24 to '25 story is the volume story and the sustaining capital story. Largely, what you're seeing is the cost we're seeing this year for labor, whether it be employees or contracted labor, staying about the same going into next year. And it's the driver is lower volume and the sustaining capital of '24 and '25.

Tanya Jakusconek

But this labor that contractors, am I correct to seek to have that 12% to 14% inflation in your contractors? Has that not changed? I'm just trying to understand, is that still the case?

Tom Palmer

I think about answering it this way, Tanya, in terms of what's in our cost run rate as we close out '24 is flowing into '25. And we're seeing a step-up of the sort of percentages you're talking about the rate of our costs as we close out the year, we're seeing that flow into '25.

Tanya Jakusconek

Okay. All right.

Okay. Maybe I'll ask my second question then. Maybe just on Natascha.

You mentioned that as we look into next year and the year after, next 2 years, we're going to have the Cadia's production decline from about this 370,000 ounce level. Could you kind of just share with us where I should think about the decline before we start back up again when the other case...

Natascha Viljoen

I think, yes, that's right, Tanya. And you will remember, we have been saying that as PC1 and PC2 come to the end of their lives of its life, we see lower grades coming through, and we have been predicting that we'll continue to see that going into next year. At the same time, PC2-3 is now ramping up.

So we've seen that caves actually cave and we will slowly ramp that up over the next 2 years to full production. And PC2-3 will then start to replace the lower production from PC1 and PC2. And then PC1-2 is only targeted towards the end of the decade.

Operator

This concludes the question-and-answer session. I would like to turn the conference back over to Tom Palmer for closing remarks.

Tom Palmer

Thank you, operator, and thank you, everyone, for joining us this morning, and have a good rest of your day. Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation.

You may now disconnect.