Newmont (NEM) / 23 Apr 25 / 2025 Q1 Earnings call transcript

Company Profile

Transcript menu

Tom Palmer	executive
Natascha Viljoen	executive
Karyn Ovelmen	executive
Matthew Murphy	analyst
Daniel Morgan	analyst
Tanya Jakusconek	analyst
Lawson Winder	analyst
Hugo Nicolaci	analyst
Daniel Major	analyst
Anita Soni	analyst
Andrew Bowler	analyst
Alistair Harvey	analyst

Operator

Hello, and welcome to the Newmont First Quarter 2025 Earnings Conference 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. Hello, everyone, and thank you for joining our call.

Today, I'm joined by Karyn Ovelmen, our Chief Financial Officer; and Natascha Viljoen, our Chief Operating Officer; along with the rest of my executive leadership team. And we'll 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.

We have begun the year with a strong operational performance, which in turn has driven a robust financial performance. These results enabled us to generate record first quarter free cash flow and have kept us on track to deliver on our full year commitments. And last week, we also reached an important milestone for Newmont with the completion of our divestment program, positioning us to continue to strengthen our balance sheet, return capital to shareholders and apply our full attention to our go-forward portfolio.

With the first quarter and our divestment program now under our belt, Newmont's priorities for 2025 remain clear and unchanged: first, to strengthen our safety culture; second, to stabilize our 11 managed operations; and third, to execute on capital returns.

Starting with our safety culture.

For every person who works at Newmont, safety is more than a priority, it is a core value, one that is fundamental to who we are and how we operate. In the first quarter, we saw a notable decrease in the frequency of significant potential events that we are experiencing across our business, a key lagging indicator for safety performance. This improvement was driven by visible felt leadership in the field, a more consistent application of our safety systems and an increased focus on learning from incidents and implementing corrective actions.

Over the last year, we have been diligently undertaking a refresh of our safety work. And with the completion of our divestment program, and the clarity of our go-forward portfolio. This month, we launched Always safe, our reinvigorated safety program focused on delivering a set of prioritized improvements across our portfolio of managed operations and projects as well as our exploration and legacy sites.

Moving to our operations.

During the first quarter, we produced 1.5 million ounces of gold and 35,000 tonnes of copper, in line with our full year guidance and the indications we provided on our last earnings call. And as a consequence, we generated $2 billion of cash flow from operations and $1.2 billion in free cash flow, both first quarter records.

On the back of safe and stable operating performance, these results were favorably impacted by the rise in gold price in recent months, driven by unprecedented volatility in our global financial and commodity markets. And although it is still early days, we are closely monitoring the evolving tariff situation and are very much focused on managing the variables that are within our control.

I'm really pleased that we have successfully completed the divestment of all 6 of our high-quality noncore operations through the program we announced early last year. At the end of February, we finalized the sale of Musselwhite and Eleonore in Canada and Cripple Creek & Victor here in the United States. And last week, we completed the sale of Porcupine in Canada, and Akyem in Ghana. From these 5 transactions, we have now received more than $2.5

billion in after-tax cash proceeds this year. And when you combine these proceeds with those from the sale of Telfer and our other investments last year, we have generated a total of $3.2 billion in after-tax cash proceeds.

And on top of that, when valued at today's prices, we have -- we now have nearly $1.2 billion in both equity and deferred consideration. This is a significant milestone for Newmont as the completion of this divestment program over the last year has enabled us to sharpen our focus on safely improving the performance of our go-forward portfolio of 11 managed operations and 3 projects in execution.

To further strengthen our balance sheet with $1.5 billion in debt retired over the last 12 months, including $1 billion repaid since the start of this year and to deliver on our third priority, capital returns, we have now completed approximately $2 billion in share repurchases and from our $3 billion program, including $755 million so far this year.

Building upon our solid performance year-to-date and looking ahead to the rest of the year, we remain on track to achieve our 2025 commitments and progress our disciplined capital allocation priorities.

As we move into the second quarter, we will continue to focus on safely generating industry-leading free cash flow, maintaining a strong financial position and investment-grade balance sheet and returning capital to shareholders with predictable dividends and ongoing share repurchases.

With that, I'll now turn it to Natascha to take you through our operational performance and then Karyn to take you through our financial results and capital allocation achieved. Over to you, Natascha.

Natascha Viljoen

Thank you, Tom.

Our first quarter operational results were in line with our previous indications, and we remain on track to meet our full year guidance. With this in mind, from an operational standpoint, we are focused on 2 simple but very important objectives.

First and foremost, is continuing to strengthen our safety culture, as Tom covered at the start of his remarks. And second is executing with consistency and focus to deliver on our performance metrics.

I will now step through the progress we made during the last quarter at each of the large long-life assets in our portfolio, starting with our Tier 1 copper gold operation, Cadia. In the first quarter, Cadia delivered consistent production whilst also successfully completing planned maintenance activities at our mall.

We are continuing the transition to our new panel cave PC2-3 and expect gold and copper production to be approximately 60% weighted towards the first half of the year.

As factored into our guidance, we expect to continue delivering lower growth until the panel cave is fully ramped up, and the last [store bell] is fired in the second half of 2026. In tending to this, we are progressing the underground development for PC1-2, and we are also continuing to catch up on the historical underinvestment in both tailings remediation and storage capacity as mentioned during our last earnings call.

At Tanami, we focused on underground development as planned.

As a direct result, we continue to expect to access higher grade stopes in the third quarter and deliver more than 30% step up in production in the second half of the year.

In addition, we are also advancing the expansion project at Tanami, with the completion of the shaft and underground materials handling systems remaining on schedule. We completed the installation of expenses or in shaft barrier, which is a significant milestone for the project. The pentice allows us to isolate the lower part of the shaft from work happening in the upper portion.

With this barrier in place, we are able to raise for the bottom 160 meters of the shaft while concurrently fitting out the top portion with services and infrastructure without risk of harm to the people below. This is just one example of the innovative work our team is doing to safely and efficiently advance this project. Due to these efforts, we remain on track to begin commissioning of our 1.5 kilometers shaft in the first half of 2027 and reach commercial production by the second half of that year.

At Boddington, we completed our scheduled plant shutdown for maintenance and primarily process lower grade stockpiles in the first quarter.

We continued stripping laybacks in both the North and South pits, which is expected to continue through early next year.

However, by the fourth quarter, we expect to start adding higher grade gold ore from the mine to our mill feed.

As a result, we anticipate a strong finish to the year from Boddington with gold production approximately 53% weighted to the second half of the year.

Shifting now to Lihir. We delivered solid gold production in the first quarter and successfully completed a total plant shutdown for maintenance, building upon 2 [auto glide rebuilds] last year.

We expect to maintain this production momentum into the second quarter. We saw production decline slightly in the second half of the year when we begin processing lower-grade material as part of our planned mine segments.

Moving to Penasquito. In March, we achieved a new daily record with 10,000 gold equivalent ounces produced in a single line. In the first quarter, we continued to deliver strong gold production and steady co-product production from high grades in the Penasco pit. Gold production levels are expected to remain relatively steady through the second quarter before beginning to shift to a higher proportion of silver, lead and zinc content through the third and fourth quarters and a lower proportion of gold as planned.

At our Ahafo Complex, Ahafo South continued to deliver strong gold production from both the Subika open pit and underground operations.

We expect this trend to continue through the second quarter before we move to mining lower grade ore from the one sub bit.

As we mine the last ore and complete the final size of the Subika open pit during the second quarter, we are closely monitoring and safely managing the interaction between the open pit and Subika underground mining activities beneath it.

And as production from our Ahafo sales declines in the second quarter -- apologies in the second half of the year. we expect new low-cost ounces to come in from a half a North project later this year.

During the first quarter, we completed the highway diversion and are preparing to commence the commissioning of the mill and processing facilities next month.

We expect to pour our first gold in the second half of the year, and we look forward to declaring commercial production towards the end of the year.

Finally, I want to touch on 2 of the emerging Tier 1 assets in our portfolio. At Cerro Negro, our focus remains on strengthening safety performance and culture at this underground mine. And although there were temporary pauses in milling during the first quarter as part of our focused efforts to improve safety, the team did an excellent job stockpiling the ore mined and positioning Cerro Negro to ramp up production in the second quarter.

Yanacocha has remained a strong performer, increasing production volumes by 13% over the last quarter, and we expect to maintain this momentum through the rest of the year, as we continue to recover ounces from the leach pads with the application of our patented injection leaching technology.

Taking all of these factors into account and including the ounces from our non-managed assets, we continue to expect that gold production from our core portfolio will remain around 52% weighted towards the second half of the year, with approximately 24% of this year production volumes expected in the second quarter.

We also continue to anticipate that capital spend from our core portfolio will remain first half weighted as indicated. And with lower-than-planned capital expenditures for the first quarter we expect sustaining capital spend at several of our global managed operations to increase in the second quarter, particularly at Cadia, where we are investing in a tailings strategy to support cave development and extend mine life, as mentioned in our last earnings call.

I will now turn it over to Karyn for a review of our financial priorities and performance. Over to you, Karyn.

Karyn Ovelmen

Thanks, Natascha.

Let's turn to the next slide and get started with our first quarter results.

As Tom mentioned, Newmont reported strong financial results in the first quarter driven by robust production volumes and a supportive gold price environment. And gold all-in sustaining costs remained in line with our full year guidance at $1,651 per ounce for the first quarter. Taking this into account, Newmont delivered adjusted EBITDA of $2.6 billion and adjusted net income of $1.25 per diluted share.

The most significant adjustments to net income for the quarter were $0.25, primarily related to a gain from the sale of noncore assets as part of the successful completion of our divestiture program that Tom mentioned previously and $0.25 related to non-realized mark-to-market gains on equity investments and options primarily driven by an appreciation in the shares received from the sale of our Telfer operation and interest in the [Haveron] project. But most noteworthy, we generated $2 billion of cash flow from operations. and $1.2 billion in free cash flow, setting a new record for first quarter cash flow performance at Newmont.

And these results are exclusive of the $1.7 billion in after-tax proceeds received from the divestitures completed in the first quarter and the approximate $850 million received in April.

However, as we look ahead to the second quarter, we expect working capital to be adversely impacted by the regular timing of cash tax payments, which are typically highest in the second quarter, and the timing of interest payments, which are typically highest in the second and fourth quarters.

Additionally, we expect to pay approximately $200 million in cash taxes related to the finalization of our noncore divestments.

Although the proceeds are recorded as investing activities on the statement of cash flows, these tax payments will come through as working capital adjustments. Also impacting working capital, we expect to continue ramping up spending for the water treatment plants at Yonacocha which was significantly lower than planned during the first quarter.

Additionally, we expect our sustaining and development capital to increase into the second quarter compared to the first quarter, as Nitasha just mentioned.

And with the recent completion of our divestiture program, our financial results will no longer include the production and associated free cash flow from our noncore operating assets, which was approximately $200 million in the first quarter.

While we are pleased with our record cash flow performance during the first quarter and the strong cash flows we expect to generate in future quarters we realize that we still have work to do to improve our margins and leverage the full strength of our portfolio for the benefit of our shareholders.

As we look ahead to the remainder of the year, we remain committed to our shareholder-focused capital allocation strategy, which includes maintaining a strong balance sheet, steadily funding cash-generative capital projects and returning capital to shareholders. Beginning with our first commitment, we maintained a strong and flexible balance sheet and ended the quarter with $4.7 billion in cash, above our target average of $3 billion. And it's worth noting that in addition to our cash balance, following the successful completion of our divestiture program, our equity stakes in [Greater Gold], Discovery Silver and our existing position in Orla Mining are now valued at over $1 billion.

As Tom mentioned, the proceeds generated from our noncore divestiture program have more than exceeded the initial commitment we made to the market when we announced the binding agreement to acquire Newcrest in May of 2023.

As a result, we achieved our debt target of up to $8 billion faster than originally anticipated, and we reached an outstanding principal balance of $7.8 billion as of March 31.

Taking into account the strong gold price environment we are benefiting from today and the feedback we have received from our investors, we are continuing to assess opportunities to further reduce our outstanding debt. proactively creating a flexible and resilient balance sheet that is able to navigate the commodity price fluctuations.

Moving to the second commitment in our capital allocation strategy.

We continued to steadily reinvest in our business with the goal of generating robust free cash flow over the long term. And in the first quarter, we incurred $459 million in sustaining capital. and $323 million in development capital as we continue to advance our highest return projects from our deep organic pipeline. And as we look ahead, we expect capital spend at several of our managed operations to ramp up in the second quarter, as I just mentioned.

And finally, moving to our third commitment, we continue to return capital to shareholders. We declared a fixed common first quarter dividend of $0.25 per share, consistent with the past 6 quarters. And we repurchased $755 million in shares so far in 2025. And as we continue to generate free cash flow from our unmatched portfolio of Tier 1 operations, we remain well positioned to reward our shareholders with predictable dividends and ongoing share repurchases in 2025 and beyond.

And with that, I'll turn it back to Tom.

Tom Palmer

Thanks, Karyn. To bring it all together, we have had a safe and strong start to the year, producing 1.5 million ounces of gold, 35,000 tonnes of copper as well as 6 million ounces of silver and 59,000 tonnes of zinc, generating record first quarter free cash flow of $1.2 billion, adjusted EBITDA of $2.6 billion and we remain on track to achieve our 2025 guidance.

We also completed our divestment program, receiving more than $2.5 billion in net cash proceeds this year.

And we continue to advance our disciplined capital allocation strategy, strengthening our balance sheet with $1 billion in debt reduction as well as delivering $1 billion in shareholder returns through our predictable dividend and ongoing share repurchases so far this year. And we are very focused on ensuring that we carry this momentum into the second quarter and the remainder for 2025.

And with that, I thank you for your time and turn it back over to the operator to open the line for questions.

Operator

[Operator Instructions] Our first question comes from Matthew Murphy with the company, BMO Capital Markets.

Matthew Murphy

Congrats on the strong start to the year. Maybe just getting right into an operational question, looking through sort of the details on the quarter, Lihir cash costs dropped a lot, and I know you're focused on running it for margin. How should we think about the cash cost profile there? And how is that program on mining for margin? Are you being surprised at all on the cost levels you're achieving?

Tom Palmer

I'll pick it up and then, Matt, and then pass across to Karyn to build. Certainly, our focus in Lihir is very much about configuring the mine to sustainably work through, particularly Phase 14A.

So our focus very much we got through some big shutdowns last year will rebuild the autoclave, excluding the large one, autoclave 4, which is 40% of the throughput capacity. We took that back to the shell and then built it back out again.

So a lot of activity in the second part of last year getting the plant set up with a couple of those big shutdowns and then configuring the mine to ensure we've got the rates of an appropriate size within propria drainage.

You'll see that step-up in sustaining capital in the second quarter associated with continuing some of that work.

So from a Lihir operations perspective, very much about setting both the mine and the processing plan, stable, reliable performance. Karyn, do you want to pick up the specifics of Matt's question?

Karyn Ovelmen

Yes. Matt, in terms of the cost.

So Lihir, there's approximately $100 million impact from inventory adjustments in the quarter. This represents noncash impact to cash.

And so that will normalize over time through the year.

So the expectation is that here will meet its full year cost guidance.

Matthew Murphy

Okay.

Okay. And then as a second question, just you've been very active on the buyback in April. And I think you noted it would be related to the asset divestitures. But can you give any commentary about how you think about the pace of buyback? Like will it be a front half of the year weighted capital return because you've got more proceeds coming in? Or do you look at maybe going a slower pace over the rest of the year?

Karyn Ovelmen

Thanks, Matt. Look, we're continuing to do the share buyback. We do have a build in cash. And as you pointed out, we do have the divestitures that came in and -- the proceeds came in, in April.

So That, coupled with our outlook in terms of the gold price elevated gold price.

So we will continue to do the share buyback as the cash flow comes in. And obviously, it's been a very robust share buyback program with the overperformance on the divestitures.

And so the proceeds from that, we're continuing to do share buybacks with. And then, of course, with the elevated gold price, we'll continue to do share buybacks through the remainder of the year and into next year.

Operator

Next question comes from Daniel Morgan with the company, Barrenjoey.

Daniel Morgan

Tom and team, philosophical question. The gold price is near record high is higher than I think any of us anticipated. What does this mean for how you manage your business, if anything?

Tom Palmer

Dan, thanks for the question. We've been through a pretty significant transformation acquiring in Newcrest, integrating those operations reconfiguring some of those new operations to deliver their long-term potential and completing a pretty ambitious divestment program over the last 12 months.

So literally, last week, we've got a hands on our go-forward portfolio. and we're in an investment cycle.

So we've got a unit costs that are higher where they should be for a portfolio than the quality of the 1 we've assembled.

So we are very, very focused on delivering the safety, cost and productivity performance that this portfolio deserves irrespective of the gold price.

So we'll enjoy the benefit of the of the gold prices.

But our focus is on delivering the potential of the 11 managed operations that we are currently operating, commissioning a half on North later this year, completed the shaft conditional that in continuing to build our panel cave 2-3 through the course of this year and into next and ultimately bringing in 1-2 in the years after that.

So a very sober focus on what we control. Thanks, Dan.

Daniel Morgan

And then maybe just turning to growth. Could you just opine on which projects might be come into consideration to the board level or what the time line are, what the major projects that you might be considering over the next 12 months or more to sanction for investment?

Tom Palmer

Thanks, Dan. The starting point, so likely your first question is very robust view on the amount of capital that we allocate towards development capital, $1.3 billion is fully consumed at the moment with half a North, the Tanami expansion and the block caves at Cadia. But as we commission a half or the second half of this year, and importantly, as it ramps up and it hit its straps in 2026. They got an opportunity to think about whether there is a project that deserves capital going forward.

When I look at our project pipeline, I would argue that Red Chris is in prime position and it's spot to lose. But we've got work we're doing this year to build out a feasibility study to a [yearlong] standard. There's quite a bit of work happening this year on that study. And we continue to do some underground development work to continue to develop out some of the early works in that game. And it's important that we engage with Downtown and the British Columbian government to ensure we've got the permits in place so that when ultimately if the project washes its face that we've got all processes in place to build out that blockade.

But as I look at our project pipeline and look at where we sit with Red Chris and the quality of that ore body, we've got another Cadia with multiple blockades ready to bring on. And I think it's Red Chris block caves spot to lose in terms of the next project that we sanctioned.

Operator

Next question comes from Tanya Jakusconek with the company, Scotiabank.

Tanya Jakusconek

Just wanted to ask about the tariffs, Tom.

Sorry, I have a cold. I just wanted to ask about your initial work, and I understand that this tariff situation is quite fluid, but I'm trying to understand from a very high level, when you look at your cost structure, I'm interested in what part of your cost structure do you think will be greatly -- would be impacted by the addition of tariffs.

So I'm going to start first with the consumable side, which is about 30% of your cost structure. Maybe you can talk a little bit about what sort of consumables would you see being impacted?

And then the second portion of the cost structure, obviously, is labor, which is a significant portion that would come with inflation. And then I'm assuming another portion would be any sustaining capital that would involve new equipped and fleet, et cetera.

So I'm interested if you have any new fleet replacement or other that's happening this year.

Tom Palmer

Thanks, Tanya, and well done for getting through that with managing a cold. But obviously, as you say, lots of moving parts at the moment that we're monitoring closely. I'd also say that one of the benefits of having a global formally diverse portfolio is we can manage these sorts of risks across our global business.

So we're well placed from that perspective.

Maybe just stepping through the different categories, as you talked about, as I said, labor represents half of our cost base, the direct cost base.

So what we're seeing in terms of labor, both our employees and the contractor services, and we enter into long-term relationships with the various contractors is consistent with what we're seeing in our budgeted amount.

So we're seeing no particular impacts in half of our cost base around some of the tariff volatility.

If I look at that 30% of materials and consumables and the different components that sit underneath that grinding media is heavily exposed to steel prices.

So we are seeing a bit of upward pressure on grinding media. But again, we source that from a number of different locations.

We have both supply chains with our operations around the globe. Ammonia and cyanide mix trends, primarily is being influenced by regional natural gas price fluctuations, and we're actually seeing some reduced natural gas prices in Europe.

We're seeing some volatile natural gas cost in the U.S.

So a bit of a mixed bag when it comes to pneumonia and cyanide.

You look at explosives at this point in time, it's looking pretty flat, and we'll keep monitoring that. And again, we continue to actively monitor particularly that materials and consumables area. We've got a global supply chain team A lot of those arrangements are long-term, strategic in nature and those relationships are robust. 15% of our cost is energy. And if anything, we're seeing some tailwinds in the AGI price based upon what oil is doing.

So we're getting a little bit of a benefit from that.

So lots of moving parts, monitoring closely, but at this stage, what we're seeing is consistent with what we assumed for this year.

So hopefully, that provides some color for you, Tanya.

Tanya Jakusconek

Yes. Maybe just a follow-up on my sustaining capital question as well. Are you having to replace any significant fleet trucks at the operations this year that could be impacted?

Tom Palmer

Nothing specific for us, Tanya, with the new mine up and also their fleet there now has been there for some time. And then if I look across the rest of our business, there's nothing in terms of fleet change out for our managed operations through the course of this year. you're then looking at rotables that may be more parts that you're buying that may come from different parts of the world. And the 2 operations -- the 2 areas that may start to see some tariff pressure would be Penasquito with some parts in the north part of the U.S. or Red Chris and Brucejack that might buy some parts of the U.S. But we're monitoring that closely, but in the overall scheme of things, nothing material.

Tanya Jakusconek

Okay. And no labor contracts are expiring this year?

Tom Palmer

In terms of labor agreements, we've got a -- we've got an interesting one at Cadia, which is essentially on Australian workplace, law, you've got some underpinning agreements that underpin our staff contracts.

So we're going through a negotiation with our team at Cadia. There's nothing particularly of no deal when it comes to tariff volatility.

We have just completed by Penasquito in recent times, and we're working through one at Merian.

So again, I would describe those negotiations is pretty standard fair and nothing around tariff volatility that's part of those discussions. There are more domestic issues in terms of ship rosters and the like.

Operator

Next question comes from Lawson Winder with the Company Bank of America.

Lawson Winder

Thank you very much, operator, and hello, Tom and team. Nice quarterly results, and thank you for today's update. Can I ask about half North key project for Newmont? Could you maybe describe the progress in 2025 to date and how it's tracking to your expectations in terms of development ramp-up spend? And then have there been any surprises, whether positive or negative? And then I mean the question I really want to get to is when you turn to 2026 and you think about the progress to date, is that run rate production level of 275,000 to 325,000 ounces expected to be achieved in that year?

Tom Palmer

I'll like to pick up the second part and get the cash to -- it's a pretty exciting time for Ahafo North as you see everything come out of the ground. The blueprint for Ahafo North is essentially the same flow sheet as Merian and Akyem and Ahafo South.

So bringing on that mine and the processing facility is something is in our wheelhouse. It's something we know well and lots of people have got experience of commissioning that type of ore through that plan.

So what we've got in our guidance for next year and the ramp up to those numbers is consistent with getting to commercial production towards the end of this year and then going through our paces to get up to that level. It's -- I wouldn't say North, there's upside to that.

I think it's a robust view of bringing on a mine or a flowsheet that we know well through 2026. But Natascha, do you want to step back and talk about how the projects going here and now?

Natascha Viljoen

Yes, I can probably high roll just going to a little bit more of the details of what we've completed this year so far.

I think the project is really tracking well.

The first thing that's important for us considering that we did use a colleague lost [Kirby] last year. is, of course, safety.

So there's a material amount of focus.

We have -- it's the high construction period that we're in now.

We have high numbers of people on site and making sure that the concurrent work multiples of contractors on site are being done safely.

A critical milestone for us to really start the -- or continue the stripping and complete the tailings that was the diversion of -- the highway diversion. That was completed.

So we've managed to really get into tailings dam and continue the stripping off the mine. Power lines with HT voltage switch yard completed, sag and ball mill completed and our [CIL tag] corrected. Currently underway is really that last bit of the plant we into piping into electrical cabling.

So quite a bit of cabling coming in now. And the critical part is absolutely on the plant, cabling and piping to get ready for commissioning of the processing facilities.

I think tracking well good focus from a safety point of view, and we're all looking forward to the first gold for.

Lawson Winder

Fantastic. Thank you for that, Natascha. If I could ask my follow-up question on Lihir.

With the benefit of another quarter, what are you thinking now as a long-term sustainable level of gold production for that asset? You did 800,000 ounces last year. Obviously, we know you've got to 600,000 this year is something in the middle like $700,000 a good through-the-cycle average number to think of?

Tom Palmer

Yes.

I think also, if you look at Lihir, we're basically getting that picture to the size mine that it is and ensure we're not been processing plan in good neck in terms of availability and reliability. And as we configure that mine and build out baseball, we're in the lower grade of ore for the next couple of years.

So you're in that period of contributing that mine and moving waste and therefore, processing more low-grade ore and stockpiles.

I think as I indicated on -- in the February call that we come out of that come that stripping campaign in the 2020 time frame.

So you're going to be relatively consistent with where we are now.

But as you step out of that out of that stripping campaign and get into the higher grade just start to get into the -- for an tenpin high 2s in terms of grams per tonne, then you're looking at about a 30% increase in gold production that should come through that. And then our expectation will be is that how do you then start to ensure that you can maintain those production levels because we've got the mine appropriately configured going forward.

So take the time to configure that pit properly, step away from the engine are around air and do a more traditional layback. And then as we've indicated, plus 30% increase production on 2024 levels kicking in from about 2028.

Operator

Our next question comes from Hugo Nicolaci with the company Goldman Sachs.

Hugo Nicolaci

Tom, Natascha and Karyn, can you add some strong start to the year? First, I just wanted to follow up on costs and the timing of cost moving into the second quarter. I appreciate this is largely on timing, but is there anything to call out in terms of work completions or equipment delivery that we should think about in terms of the tangible impacts to production into the second quarter?

Tom Palmer

No, it's pretty vanilla, Hugo. Productions Q1, Q2 to look very similar. Sustaining capital is the 1 I think was in our prepared remarks.

So a bit lighter in the first quarter. And then as we get into some find or weather in different parts of the world, some increased spend on Cadia is more standardly here around roads and drainage. Brucejack [indiscernible] as you get into the better weather some greater spend then with in the 52% weighted sustaining capital in the first half of the year versus the second.

So it's that balance gap, you'll see higher sustaining capital spend in the in the second quarter, but everything is tracking with what we would expect.

So no particular callout for all.

Hugo Nicolaci

Great. And then just the second one, picking up on Karyn's comments around the opportunities to repay debt early. How should we think about the objectives there? I mean, is it debt levels or flexibility or interest costs just because if I look at the cities you have in place at the moment. Other than the 2039 notes, most still have pretty compelling rates in today's environment and your liquidity continues to grow organically on the capital management framework.

So I guess the crust of the question is with gold already is, what do you think you need that flexibility for?

Karyn Ovelmen

Sure. No specific intent at this time. But as we move through the cycle price environment, coupled with a very uncertain economic time.

We will look for opportunities to further buffer the balance sheet, right? So while we're continuing this reinvestment in the business and returning capital to shareholders with a predictable dividend, coupled with the continued share buyback if there's opportunities for us to continue to buffer that balance sheet, we'll look to do that.

Again, we've got a robust share buyback program in place as a result of the gold price as well as the divestiture proceeds. And of course, we've got the dividend is where it needs to be from a fixed predictable dividend that we believe the market will ascribe value to.

So again, I think we have an opportunity here as we go forward to continue to shore up the balance sheet, but no specific intent at this point.

Operator

Next question comes from Daniel Major with the company, UBS.

Daniel Major

Yes, thanks very much for the questions.

The first one, well done on the execution in the divestments so far. When you look at the portfolio now, I know you've done what you've targeted, is it still optimal? Is there anything else in the portfolio you think could be monetized, I'm thinking specifically like Merian, CerrO Negro still relatively higher cost and smaller scale. Why do they sit in the core portfolio?

Tom Palmer

Yes. Thanks, Daniel. I mean it's been a significant body of work for us over the last 3 years to integrate and rationalize. And the most important thing for us to do now is bed down our go-forward portfolio. We literally had the go-forward portfolio for 7 days. And ensuring that we're focused on safety, cost and productivity delivering on the potential of the elephants in that portfolio, that's big Tier 1 assets and then realizing the potential of those emerging Tier 1 assets and having a red hot go of realizing the potential of those merger tier assets.

And at the end of the day, if we can't see a pathway to Tier 1, then that's a decision down the track. But we're literally 7 days into our go-forward portfolio with the full bandwidth of this leadership team.

So our focus is getting after delivering on the potential of the Tier 1s and proving up the potential of the emerging Tier 1.

So that's very much our focus.

Daniel Major

Okay. And my follow-up on the cash returns, you clearly indicated the intention to obviously return the divestment proceeds. But at this kind of gold price environment, you're generating meaningful additional cash flow above that sort of level. I mean, would we -- could we expect buybacks to significantly exceed the divestment proceeds this year if the gold price stays at this sort of level?

Karyn Ovelmen

Right.

So no change to our financial policies, right? So we've talked about holding an average of $3 billion of cash on the balance sheet at quarter end, so that will be a higher balance just in terms of the timing of our cash needs. But generally speaking, that's where our cash flow be. We've always said up to $8 billion. Like I said, we'll continue to look at maybe some opportunities to bring that down a bit.

Our debt cap and our sustaining capital are set.

And so beyond that, we've got the dividend that's also set. It's a fixed dollar dividend.

So beyond that, any free cash flow that we're generating, the expectation is we will continue to return that capital via share buybacks.

Operator

Our next question comes from Anita Soni with the company, CIBC.

Anita Soni

Tom, congratulations on the solid start to the year. everyone has asked a lot of questions on capital allocation and probably had asked most of the questions I would ask about on asked about tariffs. I guess now at the point where it could you go through just from a geopolitical standpoint, the regions that you operate in, any of the -- is there anything that you're thinking about or concerned about with not just tariffs, but more of a sort of as foreign direct investment at foreign aid is pulled from various areas. Are there any regions where you're concerned about your investments or changes in government stance on royalties and taxes and things like that?

Tom Palmer

Thanks, Anita. I guess my initial reaction to that question is, where do you want chooses to operate it's always been very deliberate.

So we look to be the jurisdictions we are able to have respect for the rule of law, a stability or investment agreement is in place and respected and the relationships we build with the government's strategic and long term. And that's been very much part of the has been for a long time and very much part of how we shape our go-forward portfolio, which is globally diverse, which helps balance out some of those risks.

But I think about the different locations that we're in, whether that be Australia, Compete Guinea, Ghana Canada, Mexico, [Surana], Peru and Argentina, they are all very robust jurisdictions and seeing -- it's certainly something we'll continue to monitor, but we certainly think about the length of time of been in those jurisdictions, the relationships we have going to continue to manage those relationships constructively, but seeing no particular risks as we see the world in front of us.

Anita Soni

Okay. And then just another follow-up, I guess, on capital allocation.

You've done a pass of obviously, divestments and someone else just asked about was there further rationalization of the portfolio. But are there any areas where you think you might want to improve your exposure, I guess, is the best way to put that. I'm just trying to understand with the cash balance that's obviously going to grow at these gold prices. Is there -- are you looking to perhaps invest in some smaller-scale projects or improve your sort of the JV portfolio or things like that?

Tom Palmer

I think we're pretty clear that work we've done to arrive at the portfolio we have discipline around the capital allocation to the development projects and ensuring that we stick to that $1.3 billion discipline. And it's as much about the cash to allocate to that as is core execution risk no changes on that front. And I think I was saying to 1 of the earlier questions. We've been through 2 or 3 years of pretty significant transformational change or a week where we've had our hands on our go-forward portfolio projects, operations and our joint ventures, and I think very much focused on stability and safely delivering our commitments from that portfolio.

Operator

Next question comes from Andrew Bowler with Company Macquarie.

Andrew Bowler

But just a question on the pipeline. I mean, obviously, loud and clear, it sounds like Brucejack -- sorry, Red Chris certainly next one curb off the rank. But where's the [indiscernible]? Can you just give us an update as to how that's going. Any discussions you've had recently with the government or very loose time lines on that project, please?

Tom Palmer

Andrew. The process with [indiscernible], obviously, is a joint venture with Harmony. We've had a framework MAU that shapes what are a very competitive basis for ultimately a mineral development contract that can then be converted into a special mining lease and we continue to work constructively with the PNG government and work very well with Harmony as our joint venture partners. We're very clear on the boundaries of which we're prepared to negotiate.

We continue to have robust discussions.

We continue to have regular engagement with the PNG government up to and including the Prime Minister.

And we look forward to continuing to have constructive engagement and to be able to convert, which I think is a very robust competitive ever and of understanding into a mineral development contract and a special mining lease. But we're prepared to set the table and negotiate and take a take the time needed to ensure that we have an agreement in place that ensures the capital intensity for a project of this size [indiscernible] return on that investment at a time.

Andrew Bowler

Okay. Yes.

So long story short, you're just at a stage where you're trying to hammer out a deal in terms of an economic share arrangement with the government essentially. Is that a good way to summarize?

Tom Palmer

Yes, that is a good way to summarize it, Andrew, and it's really important to get those agreements in place at the start before we start making big commitments.

So that we'll put the time and effort.

Operator

Our last question comes from Ali Harvey with the company, JPMorgan.

Alistair Harvey

Yes. Also just a quick follow-up on the divestments.

You did mention you've still got some value there in the equity stakes in Greatland and Discovery.

So just -- just wanted to get a sense of the option for these and just remind us of any lockup periods on those states?

Tom Palmer

Yes. Thanks, Ali. There is some lockup periods on those different agreements. I don't actually have that at the tip of my fingers. I'm looking across the bettors in the room, who can maybe talk to both of those, but Discovery's definitely going to lock up on the order of 12 months. we just closed that transaction in the last week. And then [indiscernible] was linked to their listing on the ASX. And obviously, that's getting a little bit of video coverage in Australia as they gear up for that in the June time frame. And then the ability to think about what that holding might look like and how we might transact that.

So there are some lockups and also some listings on the ASX to to happen now.

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. Thank you, everyone, for making the time to join this call and for the Australians on the call. I hope to get some time off for and back day and a time to reflect upon the sacrifices that others have made it. And otherwise, enjoy the rest of your day or evening. Thanks, everyone.

Operator

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

You may now disconnect.