Newmont (NEM) / 25 Jul 24 / 2024 Q2 Earnings call transcript

Company Profile

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Karyn Ovelmen	executive
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Tanya Jakusconek	analyst
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Operator

Good morning, and welcome to Newmont's Second Quarter 2024 Earnings Call. [Operator Instructions] Please note, this event is being recorded. I will 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 our executive leadership team, including Natascha Viljoen and Karyn Ovelmen, and we'll all be available to answer your questions at the end of the call.

Turning to the next slide. Please note our cautionary statement and refer to our SEC filings, which can be found on our website.

Before I cover our results for the quarter, I'd like to take a moment to provide an update on the important work we are doing to reinvigorate our safety systems.

Following the tragic loss of 4 of our colleagues over the last year, we initiated a comprehensive systematic review of our safety and risk management systems in order to better understand the key challenges and opportunities we have to improve our safety performance going forward.

Our enhanced approach includes a heightened level of diligence across our entire fatality risk management assurance model, bolstering our leadership work in the field to ensure we have a balanced approach between both the quantity and quality of our critical control verifications and an increased focus on leaders, coaching leaders and their teams aimed at building and strengthening capability through all levels of our organization. With this reinvigorated approach, we are actively driving improvements in safety performance and strengthening operational effectiveness across all of our managed operations.

Turning now to our second quarter highlights. We delivered solid operational performance as planned, keeping us firmly on track to achieve our 2024 guidance and positioning us to deliver improving financial results. These solid results have also enabled us to progress our capital allocation priorities, which I'll touch on in a moment. With a continued focus on safely delivering, we've also made meaningful progress on the 4 key commitments we made to our shareholders at the start of the year.

First, we continue to strengthen Newmont's position as the gold industry's recognized sustainability leader.

During the second quarter, and as I just mentioned, we launched a safety refresh across our managed operations globally and are leveraging this important work to reinvigorate our safety systems, tools, standards and in-field leadership work. Supported by this approach, we restarted operations at Cerro Negro in late May, returning our focus to safe and efficient mining in this highly prospective district in Argentina. In May, we also published our annual climate report, summarizing our performance for the sites managed by Newmont throughout 2023.

Moving to our second commitment.

Newmont has created a world-class portfolio focused on Tier 1 and emerging Tier 1 operations and districts. From this portfolio, in the second quarter, we produced 1.6 million ounces of gold and 477,000 gold equivalent ounces from copper, silver, lead and zinc. Notably, this included 38,000 tonnes of copper for the quarter. We generated $1.4 billion of cash flow from operations and $594 million in free cash flow in the second quarter. And yesterday, we announced the monetization of our Batu Hijau deferred payment obligations, and we expect to receive $153 million upon closing by September 30th. It is also worth noting that Newmont received $44 million associated with contingent payments from production of Batu Hijau, bringing total proceeds that we will receive this year from our former operation to $197 million.

In addition, we received the first $190 million payment from the sale that we announced last quarter that locked in gold financing facilities. From these 2 transactions, we will receive nearly $530 million by the end of this year. With this progress, and with the confidence we have in our divestiture program, we now expect to reach at least $2 billion from the sale of our 7 high-quality noncore assets alone. Taking all of this into account, we continue to build momentum, enabling us to advance our capital allocation priorities. Since our last call, we continue to safely progress the projects we have in execution from an industry-leading organic project pipeline, including the second expansion at Tanami, our Newmont Ahafo North and the 2 new block caves at Cadia.

We have retired $250 million in debt, and we have returned approximately $540 million to shareholders in the form of regular dividends and share repurchases, which Karyn will discuss in more detail in a few minutes.

Turning now to synergies. We remain firmly on track to deliver above and beyond our initial commitment of $500 million. In the second quarter, we achieved $100 million in synergies, bringing our run rate to $205 million since we closed our acquisition of New Crest only 8 months ago. With this solid momentum, we have now disbanded our back-office integration team and remain firmly on track to achieve a $335 million run rate by the end of this year, well ahead of our initial estimates.

Looking at the 3 components of our synergy delivery, and starting with full potential.

We are now advancing into the delivery stage of the initiatives we have identified at Lihir, Cadia and Red Chris, with the largest value drivers coming from our 2 new Tier 1 assets in Lihir and Cadia. On our call last quarter, we provided an update on the opportunities we have identified at Lihir. In this quarter, I'll briefly describe some of the opportunities we see in front of us at Cadia. We recently completed our full potential diagnosis phase at Cadia, from which we have identified a series of initiatives that are expected to deliver more than $100 million of value by the end of next year.

During this first phase, we had a team of experts from Newmont's Global Technical Services group working to support the site to identify opportunities to higher production and improve cash flows.

As one example of this, and through collaboration with Boddington, Cadia is working to optimize the output from its high-pressure riding roll circuit in the mill.

With these HPGR improvements, Cadia will be able to lift its mill feed by approximately 80 tonnes an hour or more than 600,000 tonnes a year, implementing the initiatives we have identified and leveraging the experience we have gained over the last 10 years with our Full Potential program.

We are working with the team at Cadia to increase average mill throughput to 34 million tonnes per annum representing a meaningful step up in productivity from this world-class gold and copper asset. With Lihir, Cadia and Red Chris all now entering the delivery phase of full potential, we are on track to meet our initial $200 million commitment.

Turning to supply chain synergies.

We continue to leverage our combined scale to drive improved commercial outcomes for both pricing and terms. In the second quarter, we realized $60 million in synergies from around 40 initiatives in contracted services, mining equipment, energy, information technology among other categories. And we have a clear line of sight to reach $140 million run rate by the end of this year as we progress our commercial work across several spend categories, including chemicals, explosives, grinding media, ties, fuel, as well as spare parts and rotables. And finally, turning to G&A synergies.

We have now achieved 95% of our initial $100 million commitment with an additional $15 million realized during the second quarter. The latest G&A synergies have primarily been coming from continued labor rationalization and ongoing reductions in our contractor spend. Taking these synergies into account, combined with the higher production volumes anticipated in the second half of this year, we expect to deliver lower unit costs in the third and fourth quarters. And with that, I'll now turn it over to Natascha and then on to Karyn for an update on our operational and financial performance for the quarter. Over to you, Natascha.

Natascha Viljoen

Thank you, Tom, and good morning, everyone.

Our managed operations delivered solid second quarter results in line with our expectations and outlook for the year. With a focus on size and efficient production at each of our managed operations, we are heading into the second half of the year with confidence in our ability to deliver on our business plan and the commitments Tom reiterated earlier. And similar to the first half of the year, our operational results in the third and fourth quarters will be largely driven by reduction from our 6 managed Tier 1 operations. Reflecting on these and beginning with Tanami, we delivered higher production in the second quarter as planned, while effectively progressing the second underground expansion. Tanami continues to be a reliable performer and remains well positioned to access higher grade stopes in the second half of the year from the Liberator ore body.

Moving to Boddington. We reported consistent results as stripping in the North and South pits continued ahead of plan in the second quarter. And with plant, [indiscernible] and pressure maintenance now behind us, Boddington is expected to deliver strong mold throughput and slightly higher gold and copper production in the third quarter.

At Penasquito, we delivered higher gold and zinc production due to higher grades from the Chile Colorado pit and strong mill performance in the second quarter. Production levels are expected to remain steady in the third quarter with significant increase in gold production in the fourth quarter as we return to mining ore from the Penasco pit toward the end of the year.

Turning now to Ahafo. The girth gear replacement was slightly completed ahead of schedule, and I'm really proud of the Ahafo team for completing this significant body of work so efficiently. The change-out spanned over 12 months and involved that fabrication of a new 6.5-meter diameter girth gear, along with the transport with more than 50 tonnes of steel all the way from Australia to Ghana.

During this entire time, the team continued to optimize the processing circuit, ensuring our most productive milling circuit was able to run as efficiently as possible. Beginning in the third quarter, we expect a meaningful step-up in production from Ahafo as we will improve mills throughput, deliver consistently strong mining rates from Subika underground and access higher grades from the Subika open pit.

At Cadia, we delivered solid gold and copper production as planned due to steady grades of strong mill performance in the second quarter.

As flagged into our guidance, production at Cadia is expected to gradually decline through the rest of the year as we transition mining to the next panel cave, and we expect these lower grades to continue until the next panel cave is fully wrapped up.

And finally, at Lihir, second quarter production decreased from the first quarter primarily due to heavy rainfall, which contributed to soft ground conditions that in turn impacted mine sequencing. Production levels are expected to remain consistent in the third quarter as the site commences a planned 120-day shutdown of the primary autoclave. And just to bring the autoclave shutdown into perspective, the process includes not only shutting down the autoclave itself, but also removing the brick layer at [indiscernible] membrane, inspecting the 5.5-meter diameter steel shell, applying a high-temperature tolerant membrane and rebricking the 48-meter long structure, which is nearly the length of a new Olympic swimming pool. Once complete, we anticipate gold production will return to normal levels in the fourth quarter, positioning Lihir for a strong finish to the year. Taking everything into account, we anticipate an increase in gold production mix quarter, setting us up to deliver Lihir's higher production in the fourth quarter.

Our performance in the second half of the year will be driven by higher grades at Penasquito, Ahafo and Tanami, improved throughput from Lihir and Boddington, along with an expected improvement from our non-managed operations.

During the second quarter, we continue to progress the 4 key projects we currently have in execution. At Ahafo North, the construction of the crusher and mill are advancing well.

We have 4 the concrete foundations for the [indiscernible] mills and have erected all 6 carbon in leach tanks. Earthworks continue for the tailing storage facilities, along with the pre-mine development activities for this very exciting new mine in West Africa. At the second expansion at Tanami, our team remains focused on the concrete liner on the lower section of the shaft, and we continue to advance construction activities both underground and on surface. Underground, we are progressing the pressure and conveyor systems and have just safely and successfully completed boring nearly 200 cubic meters of concrete for the underground pressure chamber. On surface, we are working to complete the winder building, which will house the wasting operations for many decades to come.

Turning to Cadia. The 2 block caves are each progressing well.

We are continuing to commission 2 new [indiscernible] points at panel caves 2 and 3, and we are anticipating that initial caving is expected to commence by the end of the year.

For panel caves 1 and 2, we are advancing underground development and the engineering work needed to design the crushing and material handling systems at this Tier 1 gold and copper operation. With that, I'll turn over to Karyn to cover our financial performance and the progress we are making on our capital allocation priorities.

Karyn Ovelmen

Thank you, Natascha.

Turning to the next slide.

Let's begin with a review of the financial highlights for the quarter. Building upon Tom and Natascha's remarks, Newmont delivered strong operational and financial results in the second quarter. We reported $4.4 billion of revenue at an average realized gold price of $2,347 per ounce and costs [indiscernible] to sales of $1,152 per [indiscernible] all-in sustaining cost of $1,562 an ounce, which were higher over the first quarter, primarily due to lower production volumes, higher royalties from a stronger gold price environment and increased sustaining capital this quarter due to spend on tailings work at Cadia and the planned purchase of additional trucks at Merian. Taking everything into account, we reported adjusted EBITDA of approximately $2 billion, driven by solid production volumes and higher gold prices. Adjusted net income was $0.72 per diluted share and was more than 30% higher than the first quarter. The most notable adjustment to net income for the quarter was an approximately $0.20 add-back related to a noncash impairment to reflect our progress at the conclusion of Phase 1 in the divestment process for North America.

As a reminder, assets that are classified as held for sale require a specific evaluation under U.S. GAAP and need to be recorded at the lower carrying value or fair value of cost to sell. And we will continue to assess the current carrying value of all assets held for sale each quarter, which may result in future adjustments until the assets are divested. It is important to note that this impairment does not reflect the future potential of these operations in their entirety or what the ultimate purchase price might be.

We also generated $1.4 billion of cash flow from operations and $594 million of free cash flow, which does not include the first $180 million payment received from the sale of the Lundin Gold financing facilities announced last quarter. It does include $263 million of unfavorable working capital changes, largely due to a build of stockpiles of $185 million primarily attributed to Lihir in Telfer a build in trade and other receivables of $140 million due to higher grade concentrate produced at Penasquito and the timing of sales at Cadia, and $107 million of reclamation spend primarily related to the construction of the Yanacocha water treatment facilities. With $166 million in reclamation spent to date, we expect that payments will continue ramping up in the second half of the year, which will be a working capital headwind in the third and fourth quarters. And whilst we are pleased with the improvement in free cash flow, we are still not satisfied and are working to further improve margins.

Looking ahead, we anticipate higher free cash flows in the second half of the year driven by increased production values and lower unit costs, as Tom and Natascha just mentioned. Heading into the second half of the year, we remain firmly on track to achieve our full year guidance of reduction, cost and capital spend. And as Natascha mentioned, production is expected to increase in the third quarter with the year's strongest performance anticipated in the fourth quarter.

Unit cost will be closely correlated to production with the added benefit of full potential improvements and additional synergies realized in the latter part of the year. Today, we announced 2 divestments, including the monetization of our Batu Hijau deferred payment obligations and the sale of our Lundin Gold financing facilities. In total, these divestitures are expected to generate nearly $530 million in gross proceeds by the end of the year. With this momentum, the benefit of higher commodity prices contributing to enhanced free cash flows and the confidence in our asset divestiture program, we were able to prioritize shareholder returns sooner than anticipated while concurrently executing on debt reductions. Since our last earnings call, we repurchased 5.7 million shares at an average price of $43 per share for a total cost of $250 million, including $104 million repurchased during the second quarter and $146 million in July. And we purchased $250 million in nominal debt for $227 million, or $0.90 on the dollar.

Additionally, we maintained an investment-grade balance sheet and ended the quarter with $6.8 billion in total liquidity. And we declared a fixed common second quarter dividend of $0.25 per share, in line with dividend declared for the past 2 quarters.

Looking ahead to the remainder of the year, we will continue to execute our balanced capital allocation strategy focused on maintaining a strong balance sheet, steadily funding cash-generative capital projects and returning capital to shareholders. With that, I'll pass it back to Tom for closing remarks.

Tom Palmer

Thanks, Karyn. At the start of this year, I outlined the 4 key commitments that we have made to our shareholders. And I'd like to end today's call with a recap of the progress we have made against them in the second quarter.

First and most importantly, we commenced a systematic review of our safety and risk management systems. We safely delivered solid production as planned, keeping us firmly on track to meet our full year guidance for both ounces and costs. We announced meaningful progress on our portfolio optimization commitments with the monetization of our Batu Hijau deferred payment obligations. We realized $100 million in synergies, bringing the total delivered to $205 million since we closed our acquisition of Newcrest in November last year. We've demonstrated our commitment to shareholder returns, delivering $540 million through both regular dividends and share repurchases. And we strengthened our balance sheet with $250 million of debt reduction.

As we enter the second half of this year, I am confident in our ability to deliver high production, more potential improvements and additional synergies, all of which will contribute to lower unit costs in the third and fourth quarters, and execute on our portfolio optimization strategy through the divestment of our noncore assets, and to progress our capital allocation priorities, all positioning Newmont for a strong finish to this year. And with that, I thank you for your time today and turn it back over to the operator to open the line for questions.

Operator

Thank you. [Operator Instructions] The first question comes from Lawson Winder from Bank of America Securities. The line is now open. Please go ahead.

Lawson Winder

Great. Thank you, operator, and good morning, Tom and team, nice quarterly results, and thanks for the update. I also like to just acknowledge the -- congratulations for realizing value on the deferred payments from Batu Hijau, which I think most of us have forgotten about. But I wanted to ask about the larger asset sales process [indiscernible] Telfer and the North American assets. What is your latest thinking on timing of each? And with the stronger gold price, are you seeing upward pressure on offer prices?

Tom Palmer

Thanks for your question. And it's a chapter that we closed in our relationship with Batu Hijau, an asset I've been associated with for [indiscernible] 10 years at Newmont and was an active part of the original divestment process.

So in some ways, it's a sad market to close that chapter on what is still a great copper mine and one that Newmont built a generation ago.

So it's nice to be able to clean up our noncore portfolio and realize that sort of value.

In terms of our broader portfolio optimization rationalization process, it's firmly on track, and we continue to follow a very rigorous process to ensure we get full and fair value for these assets. And these assets are sold to operators that can continue to operate them and maintain them with the principles that we have at Newmont. Maybe just covering the program, we've had 4 parallel streams running.

The first one is we've just talked about is the -- cleaning up the opportunities around our noncore equity portfolio. And the 2 major items there were the Lundin Gold transaction and Batu Hijau, but we'll continue to look for any opportunities that might be in that noncore equity portfolio. At Akyem, we're well advanced in process for Akyem.

So, we completed Phase 1 some time ago. We had 20 parties through that process who made bids, and we've taken 7 parties into Phase 2. And we're at the end of the Phase 2 process.

So we've had all those parties visit site and participate in management presentations. And they are now preparing their Phase 2 bids for us to consider.

So we're at that stage where really, by the time you get into Phase 3, you're down to 1 or 2 parties starting to finalize that transaction.

So that is progressing very well. It's progressing on track. And we're certainly seeing a competitive process and good value coming through. The North American process, we're just concluding Phase 1.

So we had some 67 parties actively participate in Phase 1. And we had around 24 bids submitted. And we had everything from bids for a single asset.

If you remember, North America Cripple Creek and Victor, Eleonore, Porcupine, Musselwhite and our coffee project up in the Yukon.

So we've had a range of bids from a single asset to a bundle of assets to the full portfolio. And we are busily now having received those bids just in recent days, working through a process of assessing those and determining which parties will take into Phase 2. Again, that's progressing well, and there's some very nice competition in that process.

So pretty more than pleased with how both the Chile and North America are progressing. And then Telfer continues to progress well.

We continue to actively work that process and also slightly confident around how that process is progressing also.

So everything is on track and pretty pleased with what we're seeing in terms of bids coming through and the type of organizations that are looking to make offers and ultimately acquire these noncore assets. Karyn, do you want to build on that?

Karyn Ovelmen

Yes. And Lawson, just as a reminder, the accounting treatment under U.S. GAAP requires that there's an advanced process, it's [indiscernible]. There's viable buyers and the probability that the divestitures will be completed in 12 months, which for us would then be March of 2025.

Lawson Winder

And just one follow-up on Telfer. Thank you for clarifying a lot of, I think, folks' thoughts around Telfer in terms of both timing and value. But one bit of feedback we've been getting is just some concerns around the tailings dam issues and whether or not that might have impacted the ability to monetize that asset for value. Do you have any thoughts on that? Or is there any feedback you may have received from potential interested parties that might help calm some of those concerns?

Tom Palmer

Yes. Thanks, Lawson. The approach we took with Telfer [indiscernible] certainly talked to this a number of times over the last few months. This is ultimately being radically transparent around those tailings issues.

So we -- since we saw the first of the sinkholes develop on Christmas Eve, have been very transparent with the regulators, with our workforce and with any potential buyers around what the issue is and what the work is to remediate those issues.

So the issues are well understood and the remediation is well understood, and we have been completely transparent around what that looks like and the pathway to remediate.

So there is a clear pathway to remediate, and I might just get an attachment to give a little bit more detail as to what that looks like and maybe a bit of the timing around that because that then serves to understand with that transparency, what any potential buyers looking at in terms of the ability to acquire Telfer and to be able to run the operation for some time to come. I should add before I pass to Natascha, we continue to operate the mine.

So we're building stockpiles in front of the mill.

So as soon as the tailings facilities are through the remediation work, the plant can start up and we can continue to process ore and produce gold again. Thanks. Natascha?

Natascha Viljoen

Thanks, Tom. Good morning, Daniel.

Firstly, I just want to reiterate the point that we've been transparent with all parties involved throughout the process.

Secondly, I want to reiterate that both the [indiscernible] are stable. We're progressing the [indiscernible] rehabilitation as planned, and it is all around how do we fall in the sinkhole, placing membranes and preventing in that way any further erosion in those areas.

So whilst we're working on the stability on remediating the sinkholes [indiscernible], we've completed the rehabilitation. And we have authorization to continue with a lift on [indiscernible] that we are required to do before we can do any more depositioning on that dam. It is on schedule, and we are planning to start up Telfer in the fourth quarter when we -- when the rehabilitation and the lift would have been done. And apologies, I realize we're still talking to those and then we -- we have not progressed today, my apologies.

Lawson Winder

Quite all right. Thank you very much for those responses.

Operator

Thank you. The next question is from Daniel Major from UBS.

Daniel Major

Can you hear me, okay?

Tom Palmer

Yes, we can. Thanks, Daniel.

Daniel Major

Yes. My question is focused on the decision to start the buyback and sort of comes in 2 parts.

Firstly, from a perspective of kind of run rate of cash returns relative to debt reduction going forward, how should we look at that? You've sort of indicated around half of the free cash flow will be allocated to debt reduction and buybacks? Is that what we should be considering for the second half? That's the first part of the question.

Tom Palmer

Karyn, maybe pick that one up?

Karyn Ovelmen

Sure. Yes, we have time on the debt.

So we purposely put out the $1 billion tranche for 2026, and so our commitment was over a 24-month period when we put that in place.

So we do have time on the debt. The Batu as well as the Lundin just allowed us to be able to opportunistically in the market -- do some open market purchases.

Daniel Major

Hello? Sorry -- and the buy...

Tom Palmer

Daniel, we didn't miss the second part. Did you want to build?

Daniel Major

Yes, sorry. Well, the other part was the run rate of the buyback going forward, what we should be thinking? And then just to add to that, I mean, what gave you the confidence to initiate the cash returns earlier? Is it the gold price environment, the operational visibility for the second half or the certainty on -- or narrowing in on the proceeds for divestments?

Karyn Ovelmen

All 3 of those, Daniel, provided that opportunity for us.

In terms of the pace of the share buybacks as we go forward, that will be driven by our free cash flow realization and proceeds from the divestitures.

So as we've just mentioned, we're proceeding very well and are very confident in the ultimate execution on those investments. But we'll pace our share buybacks as we realize those proceeds as well as the free cash flow.

Tom Palmer

And maybe just to build on the debt side, Daniel, there was opportunistically during the second quarter with those process coming through. We've got that tranche sitting out there 2 years and we'll look to be opportunistic in terms of where there might be some good buying whilst we manage that period out to win that tranches too.

Operator

The next question is from Tanya Jakusconek from Scotiabank. The line is now open, please go ahead.

Tanya Jakusconek

Good morning.

I think that's me. Thank you, everyone. I want to have -- just ask a question on the technical side. Maybe Natascha, to you.

Just on Penasquito.

You did mention in 10-Q that Q3 should be similar to Q2 on the gold side, strong Q4 driven by grades as we get into the new pit. But the production from the non-gold metals did very well in Q2.

Our previous guidance had been that they would be evenly distributed throughout the year. How should I think about Penasquito on the non-gold side as we go through Q3 and Q4?

Natascha Viljoen

Thank you, Tanya.

I think as we've spoken about before, we are mining predominantly in Chile Colorado pit these first 3 quarters of the year as we are progressing a pushback in Penasco pit. Chile Colorado, as you would remember, is higher in the zinc, lead and the other metals. And therefore, our production in those other metals in the first 3 quarters are higher.

We have been progressing this payback in Penasco a bit faster than expected.

So we do expect to be back in the fourth quarter in Penasco pit, giving us the advantage of higher gold grades in that fourth quarter. And we'll probably see about a 25% increase gold grade in that fourth quarter.

Tom Palmer

And Natascha, maybe just building on that, I think for the second quarter, with ore coming from Chile Colorado, good performance through the mill engine.

So we're getting good throughputs and recoveries.

So as we -- and it's a third quarter that's also got feed primarily coming from Chile Colorado.

So if the mill can perform and the grades present, then we can potentially see some better lead and zinc because of the ore is coming from Chile Colorado, but it was a bit higher than maybe you were expecting was due to really good mill performance by [indiscernible] and the team down there.

Tanya Jakusconek

Okay.

As I think about the second half, and I think you mentioned that there will be a step-up in production to volume and then stronger volumes in Q4, I think about this cost structure because in order for us to get these costs down, we do need the volume, number one. And obviously, the $130 million in synergies that you mentioned. I'm just trying to picture for myself, should I be thinking that the step-up into Q3 like almost like 26% of production coming out of the year and then 28% in Q4 and $130 million, majority of those savings coming in Q4? I'm just trying to understand how I'm going to get to your guidance on the costing side with the volume and the synergies and also where the $130 million in synergies are coming from, if I can have a breakdown of those.

Tom Palmer

Think about -- I made the picture this way, and I think you're not too far off the mark.

You certainly got to see the synergies getting through -- particularly those coming from full potential in the fourth quarter as those programs get their momentum up.

You're certainly going to see the highest quarter 4 gold ounces in the fourth quarter. That's from some of our key assets that Natascha covered in her comments. The 2 nonmanaged joint ventures, so NGM need to deliver on their commitments and they've got that strong fourth quarter.

Our direct costs are pretty stable across the year. And certainly what we're seeing in the first half flowing through the second half, pretty stable.

So I think the picture you're painting in terms of that third quarter weighting to the fourth quarter weighting is a reasonable position to be thinking about in terms of that weight between the third and the fourth quarter.

You will see a step up in the third and then a step up into the fourth to get to our numbers.

Tanya Jakusconek

And maybe just if I could have an understanding. Maybe just an understanding of the $130 million in synergies. Can you just give me a breakdown of what's coming from? Is it like what very little is left in G&A? Is it supply chain like $3 million of it and $100 million in the operations? I'm just trying to understand how I should think about that $130 million coming in yet.

Tom Palmer

Yes. Certainly, when you think about G&A, and it's the same we saw for Goldcorp, similar size companies, that's around about the mark.

So we've largely seen that come through. Still pushing hard on -- we've got a strong commercial team working hard on all those fronts.

So you're going to see a good amount come from that supply chain work. And then you'll start to see both Lihir and Cadia bit of regress in the fourth quarter.

So not much from G&A to percentage coming from supply chain as that work started to kick in. And then you'll start to see in the fourth quarter some of the full potential of the operation starting to kick through, really, they start to show up in 2025. But again, the split, you're actually [indiscernible] not too far off the mark.

Operator

Thank you. The next question is from Matthew Murphy from Jefferies.

Matthew Murphy

Just a follow-up on the share repurchases.

Just -- margins are good. They're getting better.

You still have asset disposals ahead and you're out pretty early and strong out of the gate on the buyback.

So how should we think about what happens when you hit the $1 billion mark? I think that's the total allowed right now through 2026.

So should we be thinking the Board will reevaluate that potentially earlier than that? Or should we think about once you hit the $1 billion, do you start picking up CapEx again?

Tom Palmer

Matt, certainly the $1 billion was our initial commitment, and [indiscernible].

So we're committed to $2 billion of proceeds from divestments of the 7 noncore assets and $1 billion going to share repurchase and $1 billion going to debt reduction.

So that's how that comes together.

Now as we start to see the divestment process come through and as I was talking earlier in terms of what we see coming now in terms of offers, but Phase 2 and Phase 1 offers and get a view as to what the proceeds are plus the cash that we'll generate in this price environment as we near the end of that $1 billion program, we'll sit down with our Board and discuss what another tranche may look like. But certainly, as we think about our return of capital, it's through buybacks will be the vehicle that we'll use.

So you would expect that we would look to extend that program if that -- everything would play out as we expect, going forward, the conversation we have with our Board at the appropriate time. Karyn, do you want to build on that?

Karyn Ovelmen

Absolutely.

As I already indicated, the free cash flow realization and the divestitures will be what drives the share buyback. And administratively, as Tom said, we'll work with the Board if we have to read up the authorization to meet that the proceeds as well as the free cash flow to execute on share buybacks as we go forward.

Matthew Murphy

Okay. Great. That's very clear. And then maybe just as a follow-on on the CapEx question. Do you view an increase in CapEx down the line? Is that kind of like a time line related thing where you integrate Newcrest for a number of years and kind of focus on capital returns and then eventually get back into potentially higher development CapEx?

Tom Palmer

No, Matt. We've been clear in our strategy.

We have built a portfolio of Tier 1 long-life assets, [indiscernible] managed operations and nonmanaged joint ventures, something that hasn't been seen before in the gold industry.

I think for the first time, we have a long life, very long-life gold mining business with Tier 1 assets. Key to running a long-life portfolio is our discipline around capital allocation.

So if we think about this portfolio going forward and our pipeline of projects, the 6 big projects sitting in our pipeline, our discipline around the amount of capital we'll put towards sustaining capital for that portfolio, and the $1.3 billion towards development capital doesn't change. It's the discipline around managing our long-life portfolio and having a view on capital that's like 2 decades out and thinking about what that means is key to what we've built.

So we'll demonstrate that over time, but the expectation you should expect from us is that $1.3 billion is the amount of money that we allocate to reinvest back in the business each and every year.

Operator

Thank you. The next question is from Anita Soni from CIBC Wall Markets. Please go ahead.

Anita Soni

Tom and team.

So a lot of the questions have been asked and answered. I'm going to ask about the working capital as it evolves over the back half of the year.

So I think you said you had about $166 million of the [indiscernible] $600 million reclamation spend -- spent to date.

So that leaves around $434 million.

So that would -- is it an even split for that spending in Q3 and Q4? And then also the other aspect would be the Telfer spend. Are you going to continue to mine at that rate? And how much was that spend again? I thought I heard $185 million, but I could be wrong about that.

Tom Palmer

[indiscernible] Karyn will pick up the working capital question and then Natascha on the approach to Telfer discount.

Karyn Ovelmen

Thanks, Anita.

The first half of the year traditionally tends to produce adverse working capital changes.

So we expect the free cash flow generation to improve in the second half of the year. And as I mentioned in my prepared remarks, we do have some unfavorable impact.

So the Yanacocha water treatment. And as you said, yes, we spent $166 million to date. And you're right, it's about $400 million to $450 million to be spent in the second half of the year with more of that weighted towards the fourth quarter than the third. And just -- and then also just a reminder, the other kind of plan is the remaining stamp-duty just about $30 million that will be expected to be paid in the third quarter.

Natascha Viljoen

And in general, from [indiscernible] production, we will continue to mine as we know that there's a solution for the tailing stand and as we're working through those solutions. And then we do have capacity in the plant to catch up to get that production through. And as we get that production through and declare the ounces, we will also declare our unit costs.

Anita Soni

Okay. And then what was the other one that -- I think there was another asset that had some working capital change. It was Lihir? That should unwind in Q4, I guess, when you ramp up, but perhaps draw down again in Q3?

Karyn Ovelmen

The buildup in Q2 from Lihir, about a $75 million impact.

So the average carrying cost per ounce of the stockpiles increasing from the initial low value that we had on the acquisition and a lot of that has to do with purchase price accounting adjustments.

Anita Soni

Okay. If I can ask just one more question. The -- you reiterated your target of $2 billion from asset sales. Would you include this 500 or so million you realized from these noncore within that $2 billion? Or is that excluding the -- is that excluding those 2 assets, Lundin and the Batu Hijau?

Tom Palmer

Effect net of the $2 billion that we're committed to excludes proceeds from Lundin and Batu Hijau.

So we're committing to at least $2 billion from the divestment of the 7 noncore assets.

Operator

Thank you. The next question is from Bob Brackett from Bernstein Research.

Bob Brackett

A bit in the weeds around Lihir. Trying to understand the cadence of the shutdown and the guidance.

So there's roughly 5 months left in the year. The shutdown is 4 months, but we should think about volumes as being sort of evenly split first half and second half. Are all 4 other claims being shut down? Or is it in series or parallel? Or how do I think about that cadence?

Tom Palmer

[indiscernible] is the largest of the 4 autoclaves, represents 40% of the throughput.

So still at other 3 autoclaves running, you get some more recoveries running through those other 3 autoclaves.

So the guidance for Lihir for the year respected that the largest of the autoclaves being down from 120 days shut. And then that you're obviously going to see that impact through predominantly the third quarter and into the start of the fourth.

So we're certainly reflecting the impact of that shutdown for Lihir this year in sudden.

I think Natascha said in her prepared remarks, the third quarter is similar to the second quarter, and then you'll see the fourth quarter higher as you get that autoclave up and running again with Lihir. It's not too far of being 50-50 waiting for the year as a consequence of that.

Operator

The next question is from Brian MacArthur from Raymond James.

Brian MacArthur

It has to do with reclamation. And obviously, there's some significant money going into Yanacocha. But as we think longer term and you talk about your $1.3 billion sustainable capital, are there other assets, I think out 3 to 5 years, that could have significant capital requirements, i.e., cash out the door as opposed to book accounting that I need to think about in my long-term cash flow analysis?

Tom Palmer

Brian, certainly, when we think about as some of the earlier on the -- on our capital allocation, whether it be development capital or sustaining capital, if you think about this portfolio going forward having a reliable, predictable spend on sustaining capital to manage our business going forward, tailings dams and the like. And in terms of your broader part of that question as it relates to reclamation, remediation and the like, Karyn can you pick that one up?

Karyn Ovelmen

Yes.

Just to clarify, that comes out of working capital. But those are actual payments for accruals that have already been recorded on the book.

So the expense has already been taken for those.

And so it's truly just cash outflow that has been for accruals that are already recorded on the balance sheet. The Yanacocha water treatment facility is the big one. No expectation of any significant changes to what we've been outlining as we go through. And as we've indicated, the spend will be approximately around $600 million in total 2024, it goes up higher in '25, and that's above our historical outflow which was annually around $200 million to $300 million.

So specific to the Yanacocha liability. We don't expect any other significant increases in that. If anything, we expect that to go back to historical levels beginning in '28/'29 time period.

Tom Palmer

And then, Brian -- thanks, Karyn.

In terms of our portfolio, certainly our go-forward portfolio, Yanacocha is an order of magnitude larger in that reclamation liability than any other of operations.

So the other big mines, the Penasquito, the Boddington, the Nevada Gold Mines complex, order of magnitude lower.

So Yanacocha is [indiscernible] making that respect.

Brian MacArthur

Great. That's what I thought, but I just figured I'd check. And the second part, I think you've been very careful you talk about when you're selling these assets, you want them to go to operators to maintain them going forward. Can I assume -- I'm going to assume that you're going to sell the reclamation liabilities to the buyers of this? And the second part of that, I guess, within those assets, the 1 that's highlighted in the 10-Q as maybe Porcupine has -- potentially there are studies going on there about reclamation. And again, I'm just trying to -- I know you're very careful at this and reclamation is very important in the overall analysis. But I'm just trying to figure out how I should think about that.

Tom Palmer

Yes. Thanks, Brian. Yes, the expectation is that as we divest these assets, and particularly when you're in a competitive environment, which is what we're seeing, is that, that reclamation liability passes on to the new line up. And I'd also look to our track record as we've sold and rationalized and optimized our portfolio over the last 10 years.

So that has been part of how we've gone about it.

So what you've seen in terms of KCGM or a Red Lake or a Waihi, Batu Hijau, similar process going forward.

Operator

Thank you. And the next question is from Mike Parkin from National Bank.

Michael Parkin

Just a couple of follow-ups. One, Natascha. Can you just give me an idea of when we should expect that fourth autoclave to go down and at a service for the reline?

Natascha Viljoen

Mike, on the first of August, then it's 120 days.

Michael Parkin

Okay. Perfect. And then a couple of questions for Karyn. Depreciation [indiscernible] rates on the Newcrest assets. I'm assuming they're not quite stable yet? Or have you finalized your purchase price accounting? And is it fair to kind of use Q2 rates on a go-forward basis? Or should we still expect those to kind of bounce around a bit?

Karyn Ovelmen

There'll be slight variability as we go through and adjust from a purchase price accounting perspective, but they should be, generally speaking, well set.

I think we've had some -- there's some ups and downs in depreciation. They're higher a bit ounces mined at Penasquito, higher ounces mined [indiscernible] Ahafo and increased as a result of the drawdown in [indiscernible] Yanacocha. And all of that partially offset by the decrease that we -- as you report things as assets held for sale, you cease depreciation and amortization on those assets once you put that into that classification.

So those will be the big variances as you go forward. But generally speaking, the Newcrest from a purchase price accounting perspective, it's been pretty settled.

Michael Parkin

Okay. And then a question on taxes. Are you making payments in installments based off your budget gold price? Or given that we're sitting up closer to -- it was 2,400, 12 hours ago, a little lower now. But obviously, a much more robust metal price environment. Are you truing up your payments? Or should we -- this metal price environment sustains, should we start to think about catch-up payments in Q1, Q2 of next year to make up for the difference between budget and realize?

Karyn Ovelmen

Yes. It will start accruing in arrears as we go forward.

Operator

Thank you. 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 conscious, we're just at the top of the hour.

So thank you all for your time for today, and have a good day, and we'll now look forward to catching up with you soon. Thanks, everyone.

Operator

The conference has now concluded. Thank you for attending this presentation.

You may now disconnect.