Q2 2025 Earnings Call

Company Participants

- Djaria Traore, Executive Vice President Operations and ESG
- Guy Young, Executive Vice President and Chief Financial Officer
- Ian Cockerill, Chief Executive Officer
- Jack Garman, Vice President, Investor Relations

Other Participants

- Alain Gabriel, Analyst, Morgan Stanley
- Amos Fletcher, Analyst, Barclays
- Anita Soni, Analyst, CIBC
- Daniel Major, Analyst, UBS
- Jason Fairclough, Analyst, Bank of America
- Marina Calero, Analyst, RBC Capital Markets
- Mohamed Sidibe, Analyst, Endeavour Mining plc
- Ovais Habib, Analyst, Scotia Bank
- Richard Hatch, Analyst, Berenberg

Presentation

Operator

Good day, and thank you for standing by. Welcome to Endeavour Mining Second Quarter 2025 Results Webcast. At this time, all participants are in the listen-only mode. After management's presentation, there will be a question-and-answer session. So for those who wish to ask a question, please dial in to the phone line. Please note that due to time constraints, we will be prioritizing questions from the covering analysts. Today's conference call is being recorded and a transcript of the call will be available on Endeavour's website tomorrow. I would now like to hand the call over to Endeavour's Vice President of Investor Relations, Jack Garman. Please go ahead, sir.

Jack Garman {BIO 20587124 <GO>}

Hello, everyone, and welcome to Endeavour's second quarter and half year 2025 results webcast. Before we start, please note our usual disclaimer. On the call today, I'm delighted to be joined by Ian Cockerill, Chief Executive Officer, Guy Young, Chief Financial Officer, and Djaria Traore, Executive Vice President of Operations and ESG.

Today's call will follow our usual format. Ian will first go through the highlights, Guy will present the financials, and Jairo will walk you through our operating results by mine before handing back to Ian for his closing remarks. We'll then open the line up for questions.

With that, I will now hand over to Ian.

Ian Cockerill {BIO 1926981 <GO>}

Thank you, Jack, and hello to everyone who's on the call today. I'm very proud to say that as previously guided, we've delivered another good quarter to cap off the strong first half firmly underpinned by a sound safety performance. In H1 this year, we produced 647,000 ounces of gold at an average all-in sustaining cost of $1,281 per ounce, which firmly places us on track to achieve our full year guidance.

And I think to put that production in context, on a like for like basis year-on-year, so in other words, excluding the influence of CIL production, this year's H1 production is a 16% improvement in throughput year-on-year. Our organic growth pipeline continues to advance and our Tier 1 Assafou project definitive feasibility study remains on track for completion by early '26.

At the same time, we're making good progress with the environmental and exploitation permits as well. Our exploration program is advancing several exciting Greenfield and Brownfield opportunities across the portfolio, including at Ity, where the Ity trend continues to deliver new Greenfields discovery and pleasingly at Sabodala-Massawa, where we are delineating a high-grade near-mine opportunity to support our mine plan.

On the financial side, we have continued to increase free cash flow generation, delivering $514 million of free cash flow in H1, and that's equivalent to $794 for every ounce that we've produced. This improved free cash flow generation has allowed us to maintain a healthy balance sheet, and as previously guided, despite paying approximately 70% of our 2025 tax bill in the first half of this year. Our leverage is also well below our 0.5 times target and positions us comfortably for future growth and enhanced shareholder returns. We've announced a record first-half dividend of $150 million that we've supplemented with $69 million of share buybacks.

That's bringing total shareholder return for the first half of 2025 to $219 million. On an annualized basis, that's approximately 95% above our minimum commitment and is equivalent to a return of $338 per ounce of gold produced in H1. And I think this reiterates our commitment to delivering sector-leading returns to our shareholders.

So as you can see, we've carried the strong momentum that we've been building since the completion of our growth phase through the second quarter, and rounding off a strong first half of the year.

On the next slide, you can see our performance so far this year. We've maintained a low loss time injury frequency rate, significantly below the industry average, and we continue to strive for zero harm.

Operationally, we delivered 58% of the lower end of our production guidance range during the first half, and that positions us well to achieve full-year production guidance with slightly lower production expected in the second half due to rainy seasons in Q3, and planned mined lower grades at both Ity as well at Hounde.

Importantly, in the first half of the year, we've maintained a low all-in sustaining cost of $1,281 per ounce, close to the midpoint of our full year guidance range, and that's despite the impact of higher gold oil prices and their influence on royalty costs. In fact, the increased royalty cost was approximately $96 per ounce additional over our budgeted cost in the first half.

On Slide 8, our higher first-half production was coupled with a significant 31% increase in our all-in sustaining margin, which reflects our cost discipline in this higher gold price environment. The improvement in both our production and margins is a result of the successful completion of our growth phase in early H2 2024. And with our larger, higher margin portfolio, we're well positioned to take advantage of a favorable gold price environment going forward.

On Slide 9, you can see our all-in sustaining costs compared to our sector peers, and we remain in the first class quartile. Over the longer term, while we expect to see the industry all-in sustaining cost increase increase, we will continue to focus on productivity initiatives and the discovery and development of our low-cost pipeline projects to help offset any potential cost increases.

On Slide 10, our stronger first-half production and our cost discipline, coupled with a strong gold price, translated into a 35% increase in adjusted EBITDA to nearly $1.2 billion compared to the second half of 2024. Our adjusted EBITDA margin also increased by 5 percentage points to a very healthy 57%. Importantly, our improved production and earnings is also translating in stronger free-cash flow, as you can see on Slide 11.

For the first half of the year, we generated over $0.5 billion of free cash flow, a 41% increase on H2 '24 and a significant improvement on H1 '24 when we were still in our construction phase and generating negative free-cash flow. On a per-ounce basis, our H1 '25 free-cash flow is equivalent to $794 of free-cash flow generated for every ounce of gold produced, highlighting the quality of the underlying portfolio and our ability to convert operational performance into free-cash flow at a healthy margin. And that's particularly impressive because during the first half of the year, as previously guided, we've also paid approximately 70% of our expected 2025 cash taxes.

With a robust second-half operational performance, coupled with even higher gold prices at the start of the third quarter, we expect continued strong free-cash flows going forward.

This chart here really illustrates our transition from a growth phase in the third quarter of '24 to a period focused on cash-flow harvesting. Over the last 12 months since completing that growth phase, we've now generated $879 million in free-cash flow, equivalent to $687 of free-cash flow to every ounce of gold that we've produced. That's a very attractive free-cash-flow yield of 17% from the start of the period. And as we look forward, our robust operating outlook with cost discipline should underpin continued strong free cash flow generation.

On Slide 12, this strong free cash flow generation has allowed us to strengthen our balance sheet and reduce our leverage to 0.23 times net debt to adjusted EBITDA, significantly below our target of 0.5 times very quickly. Our net debt ended the period at $469 million, a significant improvement on our year-end debt of $732 million and that's despite our big shareholder return payments, coupled with seasonally high taxes that have also been paid. We were pleased to materially strengthen and extend the maturity profile of our capital structure during this period through the successful bond refinancing, which we completed in May, and the subsequent repayment of the majority of our higher-cost RCF, which Guy will speak to shortly.

On Slide 13, given our strong free cash flow, which is deleverage our financial position, we have continued to prioritize shareholder returns. I'm delighted to announce our record first-half dividend of $150 million in cash, which we supplemented with a further $69 million of share buybacks, bringing total shareholder returns for the first half of the year to $219 million. And just putting that in context, that's approximately 11% of our revenue, 29% of our operating cash flow or 43% of our free cash flow.

And for the first half, we generated $794 per ounce of free cash flow, and returned $338 per ounce to shareholders, reflecting our commitment again to delivering enhanced shareholder returns in these higher gold price environments. Our first-half shareholder returns brings total returns over the last 4.5 years to $1.4 billion, and that's 81% above our minimum commitment for that period. And that reflects our commitment to supplemental returns through phase of growth and cash-flow harvesting, reiterating the high-quality of our business and highlighting our ability to continue delivering sector-leading returns to shareholders, even through phases of growth.

And on an annualized basis, our first-half returns of $219 million is approximately 95% higher than our minimum shareholder returns commitment for the year of $225 million, again, highlighting our commitment to supplemental returns that continues to increase given our strong operational performance.

Moving on to organic growth on Slide 15, I think nothing better exemplifies Endeavour's ability to create value through the drill bit than the Assafou project in Cote d'Ivoire, which continues to advance on-schedule towards its DFS completion by early 2026. In H1 '25, we continue to advance the project. We completed over 20,000 meters of drilling, largely focused on infill, confirming and increasing our confidence in the reserve model for the early part of the mine plan. Now that we completed this program, we can prioritize exploration principally at Assafou and Pala Trends 2 and 3 satellite targets within a kilometer of the Assafou main pit, where we expect to have a resource update later this year.

The project is advancing to plan, and we've appointed the engineering contractor, the same team we have successfully worked with on our last five construction projects, who will be led by a best-in-class in-house construction supervisory team. The permitting process also continues to advance as anticipated with the environmental permit approval expected in the second half of this year and the exploitation permits expected early next year at the latest.

All in all, Assafou remains on track to become a genuine Tier-1 asset in our portfolio and a key pillar of our next phase of growth, offering robust economics, strong exploration upside, and a straightforward proven CIL flow sheet design very similar to that, which we already have in place at Lafigue.

On Slide 16, we've continued to advance our long-term organic growth pipeline through exploration, increasing our full-year guidance by $10 million to $85 million, driven by accelerated drilling programs at both Ity and Sabodala and significant progress at Assafou as well as Hounde. At Sabodala-Massawa, drilling is focused on high-grade near-mine non-refractory targets to support the ongoing technical review.

Following the successes at Kiesta C and Soukhoto, which are now in this year's mine plan, we've had success at the Makana target, where results have outlined a potentially large-scale high-grade deposit located within 22 kilometers of the CIL processing plant. Exploration in Ity is focused on Ity trend where drilling has identified several highly prospective high-grade greenfield targets, and a follow-up program to test the scale of these targets is scheduled for later this year.

Finally, as Hounde, the high-grade Vindaloo Deeps deposit is beginning to take shape. Drilling continues to highlight the potential for a large high-grade underground deposit. Drilling is going to continue in the second half of the year to further delineate mineralization, and with an updated resource expected in early 2026.

Before I hand over to Guy, I'd just like to briefly touch on ESG following the recent publication of our annual tax and economic contribution report. As the largest gold producer and a major employer in the region, we're a key contributor to the economic prosperity of our host countries.

Last year, this amounted to a total economic contribution of $2.2 billion to our host countries through the transparent payment of taxes, royalties, salaries, and increasingly importantly, in-country procurement.

Our economic contribution, although critically important is just one aspect of the meaningful value that we deliver from the gold that we produce. Transparency and traceability of responsibly sourced gold is equally important to ensure everyone benefits from the metal we mine, from jewelers, downstream users, and investors to ultimately our impacted communities. Single Mine Origin or more commonly known as SMO is just one such initiative, and they recently launched the SMO Foundation to fund a variety of projects in social equity, healthcare access, and environmental conservation.

We're proud to be partnering with them on improving healthcare at Sabodala-Massawa and supporting the protection of the Tai National Park the Jewel of West Africa in Cote d'Ivoire. We're also proud to partner with the World Gold Council on their Gold: The Journey Continues series. The latest episode, which was launched a few weeks ago, actually features our most recent mine, Lafigue. And this documentary series is storytelling at its best for the industry. Authentic, honest accounts of how mining can positively impact the lives of host communities, opening up economic opportunities to transform lives for better.

I believe a very, very necessary counterbalance to often the unduly negative press that we get in our industry. And with that, let me pass you over to Guy, who is going to take you through the financial results. Guy, over to you.

Guy Young {BIO 17903323 <GO>}

Thanks, Ian. I'll now walk through our financial results for the second quarter and first half of 2025. On Slide 19 are our operational profitability and cash-flow highlights for the quarter. Following the very strong production in Q1 and in line with our intended H1 weighting to derisk production. Our Q2 production was slightly lower due to lower grades being processed. Costs were slightly higher than Q1, mainly due to the lower volumes and grades mined and processed, as well as higher royalty costs and higher-power costs, partially offset by a higher realized gold price, which drove improved EBITDA and a net earnings increase of 57%.

Cash flows were robust, but impacted by the expected seasonal peak in cash tax payments. As we originally guided, the majority of tax payments are now behind us for the year.

Turning to Slide 20, our Q2 production declined by 35,000 ounces over Q1, in line with mine sequencing, driven by lower grades processed at Hounde, Sabodala-Massawa and Mana. Despite this, production was 55,000 ounces higher than Q2 last year as a result of the contributions from our new Sabodala-Massawa BIOX plant and Lafigue mine, which both achieved commercial production in Q3 of last year.

Our all-in sustaining margin also continued to improve in Q2. Thanks to the strong gold price during the quarter, but was partially offset by an increase in AISC quarter-on-quarter due to the impact of higher royalty costs and higher power costs.

The latter being driven by lower grid power availability as hydroelectric dam capacity in Cote d'Ivoire was at its lowest point for the year ahead of the annual wet season.

Moving on to Slide 21. Our EBITDA increased by 10% quarter-over-quarter, supported by our robust operational performance, higher gold prices, as well as a swing in unrealized FX gains as the U.S. dollar depreciated against the euro. Importantly, our EBITDA margin also improved by some 700 basis points to 59% in the quarter, highlighting our strong cost position and leverage to the gold price.

Moving to Slide 22, our operating cash flow for Q2 was $252 million and lower than Q1 due to the seasonal peak in cash tax payments across all three jurisdictions and slightly lower production in line with mine sequencing as previously discussed. As outlined in our tax guidance earlier in the year, we expected to incur around 55% of our full-year cash taxes in Q2, and we paid $233 million in the quarter.

By quarter-end, we had already paid approximately 70% of our full-year cash taxes, positioning us for a strong second half in terms of cash flow. We can see this in more detail on Slide 23. And the Q2 operating cash-flow bridge where, as mentioned earlier, the quarter-on-quarter decline in operating cash-flow was primarily driven by 49,000 ounces lower gold sold, as well as higher royalty costs and higher operating costs both Hounde and Ity. In addition, income tax paid increased by $194 million, in line with the seasonality of our cash tax payments as previously spoken about.

These impacts were partially offset by a $367 per ounce increase in the realized gold price and a $54 million reduction in working capital outflows. The lower working capital outflow was largely driven by the unwinding of golden circuit inventory built up during the prior quarter, at both Hounde and Ity. This was partially offset by an $18 million buildup in VAT receivables, primarily at Hounde, Mana, and Lafigue. At Lafigue, the process is simply delayed following the mine's start-up last year. While at Hounde and Mana, we continue to look at options to offset or factor some of our VAT receivables going forward.

The net result of which was a very credible $252 million of operating cash flow in the quarter.

Moving now to Slide 24. Our operating cash flow of $252 million translated into a free cash flow generation in the quarter of $104 million, after deducting $148 million of investing cash flow, which I will detail further in the next slide.

In terms of cash flow seasonality, I reiterate that importantly, we've now paid approximately 70% of our full-year cash taxes and as such, are in an excellent position to generate free cash flow in the second half of the year, supported by stronger gold prices. Our leverage position, as outlined on Slide 25, remained stable throughout the quarter, while our net debt increased by $91 million due to the significant cash tax and shareholder returns payments during the quarter.

Operating cash flow of $252 million as previously mentioned. Investing activities was an outflow of $148 million, an increase over the first quarter as our capital expenditure ramped up. The total is comprised of $59 million of sustaining CapEx, $65 million of non-sustaining CapEx and $10 million of growth capital as we continue to advance the asset through definitive feasibility study.

Financing activities was an outflow of $256 million, primarily related to the $140 million H2 2024 shareholder dividend payment, which we paid in April, as well as $39 million in financing costs related to the bond refinancing and interest on other debt instruments. $29 million was in share buybacks, and $28 million in net repayments of debt and $7 million in lease repayments.

We also recognized a $49 million gain from the foreign exchange remeasurement of cash balances through the quarter. Our leverage remained stable despite the slight increase in net debt as our last 12 months adjusted EBITDA continued to improve, reflecting both higher realized gold prices and the positive impact of commercial production at our growth projects from Q3 of last year.

Turning to our capital structure on Slide 26. We successfully refinanced our $500 million senior notes in May of this year. Replacing our existing 5% senior notes that are maturing in 2026, new 7% senior notes maturing in 2030. The transaction, which was significantly oversubscribed, has extended our debt maturity profile and maintained our relatively low cost of capital.

Importantly, the old notes that were issued at a spread to five-year treasuries of approximately 395 basis points, while the new notes were issued at a reduced spread of only 300 basis points, reflecting the improved geographic diversification and quality in our portfolio. I also thought it's worth highlighting that post the end of this quarter that we're reporting on now, we've repaid approximately $426 million on our $700 million RCF. Leaving a residual $46 million drawn, significantly reducing our gross debt from $1.1 billion to approximately $680 million as at the end of July.

With our healthy leverage, our long-term and low-cost capital structure, coupled with our strong free cash flow outlook, we are well-positioned to deliver on our strategy to organically grow, while delivering attractive returns to our shareholders.

Moving lastly to Slide 27 and our net earnings. Our adjusted net earnings per share decreased by $0.17 due to lower earnings from operations as a result of slightly lower production at higher costs. Net earnings improved significantly as we recorded an $18 million gain on financial instruments as a result of unrealized FX gains on net assets and unrealized gains on gold collars as the outstanding collars continue to wind down. Partially offset by a realized loss on gold collars for the quarter of $46 million, reflecting the 50,000 ounces that were settled.

While our 50,000 ounces of gold collars cost us $46 million this quarter, pleasingly, there is only another 250,000 ounce tranches to be settled in Q3 and Q4 before we are fully exposed to the gold price, giving us an immediate benefit from Q1 next year at current gold prices.

Net tax expenses were also lower due to a significant deferred tax recovery, which was the result of an FX gain on deferred tax balances and payments of withholding taxes. As a result, total net earnings of $343 million were $121 million higher than the previous quarter. Finally, the adjustments, which include the unrealized gains on gold collars and FX on-net assets, partially, offset by other expenses, which resulted in a $100 million adjustment to adjusted earnings per share.

I'll now hand it over to Djaria for the review of our operating performance.

Djaria Traore {BIO 23333772 <GO>}

Thank you, Guy. Our Group lost-time injury frequency rates remained low at 0.05, and our total recordable injury frequency rate remained stable at 1 for the quarter, similar to quarter one. This reflects our strong safety culture and benchmarked against the recent ICMN safety performance report positions Endeavour amongst the safest mining companies globally. However, complexity is the enemy of safety and we are currently undertaking a group-wide safety leadership training program for all our frontline supervisors, to reenergize reporting completing indicators. These initiatives aimed to improve safety performance by encouraging proactive reporting of potential hazards and near misses rather than solely focusing on reactive measures after incident.

Moving to Slide 13, we had a strong first half of the year. Production totaled 647,000 ounces for H1, which is approximately 58% of the low-end of our guidance range and 55% of guidance midpoint. Group production in quarter two was 360,000 ounces, slightly lower than quarter one, but in line with mine plans as grid were lower at Hounde, Mana and Lafigue.

Looking to H2, we expect production to be slightly lower than H1, due to anticipated lower grids at Hounde and at Ity. Our H1 sustaining cost was $1,281 per ounce, well within our full-year guidance range and only slightly above the midpoint due to the impact of higher gold price on royalty cost, which added approximately $96 per ounce during the period.

The quarter two all-in sustaining cost for the Group was $1,458 per ounce, higher than quarter one all in sustaining cost due to the higher gold price impacting royalty cost, lower gold sales, higher power costs due to the lower hydroelectric capacity towards the end of the dry season. But also increased sustaining capital cost at Hounde, Ity and Lafigue.

During H2, if the gold price is stable, we expect slightly higher all sustaining costs due to slightly lower production, due to the wet season and the impact of higher gold prices or royalties. And they were remains in the sector's lower-cost quartile and is on-track to meet full-year guidance.

Now turning to mine-by-mine performance, starting with Sabodala-Massawa on Slide 31. Production declined slightly from quarter one due to lower tons and grade milled through the CI plants as planned. While grade recovery through the BIOX circuit improved, as mining advanced through the Central Central Zone pit into higher-grade and fresh ore. All in sustaining costs increased due to slightly lower gold sales, higher processing costs due to maintenance and increased reagent consumption, and the impact of higher gold prices on royalty costs. In H2, we expect CIL production to be broadly consistent with H1 levels. While BIOX input is set to increase. As we begin processing more fresh ore from the Masawa Central Zone, supporting improved grades and recovery.

Since we launched our technical review at Sabodala-Massawa in quarter three of last year, performance has continued to improve, which is driven largely by improvement in the BIOX circuits. As part of this review, we've been looking at ways to increase buyer throughput and recoveries, and opportunities as well to incorporate higher grid feed into the CIL plant, with the aim of increasing production at Sabodala-Massawa Complex towards 350,000 ounces per annum run-rate.

Turning to Slide 33. The first phase of the technical review was a comprehensive review of reserve and resources at Sabodala-Massawa. This included over 300,000 meters for traditional grid control drilling which was incorporated into existing models and reevaluated by both internal qualified persons and independent external consultants. We are pleased to confirm that our existing reserves and reserves assumptions with no major deviations to grade tonnage or campaign ounces compared to our year-end 2025, 2024 results and reserves.

Moving to Slide 34. We've been progressively optimizing the BIOX circuits. Initially, through the use of a pebble crusher and optimizations of the side mill discharge. Which have improved the stability of the mill feed into the flotation circuits, resulting in improved flotation performance. We've already seen improved peak throughput, which we are working on sustaining. We expect to start 2026 at a higher throughput rate than design with an ultimate goal to sustain 10% to 15% throughput through above design. BIOX recovery have also improved significantly, since the first Gold War and we are trending towards the mid 80% range, which is where we expect life-of-mine recoveries to stabilize. The improvement is a result of ore mining advancing deeper into the Masawa Central Zone pit through the transitional ore to now comprising about 80% fresh ore.

We expect the first-to-transition ratio to continue increasing as mining advances. Through the second half of the year, we will also be increasing the capacity of the gravity circuits, leveraging spare component from the existing CIL plant to help recover a higher proportion of first free gold in the BIOX circuits.

Moving on to Slide 35 and the CIL plant, where grid is out for us. Underground reserves of the Golouma Kerekounda deposits are currently being explored to pass potential extension through existing reserves. At the same time, we've launched a scoping study for the underground expansion which will provide us with better clarity on the cost as well as timeline required to accelerate this high grid material into the mine plan.

And we expect this to be completed in H1 next year. The last component of the technical review on Slide 36 is focused on identifying and delineating high-grid non-refractory resources to help offset the expected grid decline at the CIL plant.

The exploration program is building on recent successes at y Kiesta C and Soukhoto deposits, which are now in production and is targeting the Makana deposit located approximately 22 kilometers from the Sabodala process plant. Makana is shaping up to be a potentially feasible near-surface hybrid deposit that will provide a near-term multi-year sources of feed for the CIL plant once high-potential resources are defined, which we expect by the end of the year.

Let's now turn our attention to our Hounde mine on Slide 37. Despite the very strong first half, we saw process grade decrease in quarter two as expected, following the acceleration of high grid ore from the carried deposit into the mill in first quarter. As a result, production was lower quarter-on-quarter and all in sustaining costs were higher due to the lower gold sales, unwinding on inventory and higher gold prices impacting royalties. Due to a lower proportion of high-grade ore from Kari Pump in the plant for the second half of the year, we expect lower grades and lower production. Hounde remains on track to achieve its production guidance within our all-in-sustaining cost guidance range.

Turning to Ity on Slide 38. Quarter two was another steady quarter operationally. The production was stable, while volume sustaining costs were higher, which was driven by lower volumes for gold sold due to the timing of gold sales. But also increased haulage and drill and blast activity. And higher-power costs associated with seasonally lower grid availability. Royalty costs also increased due to the higher realized gold price.

Looking ahead to the second half of the year, the production is expected to decrease slightly due to a planned reduction in high grid ore mine from the Ity under Le Plaque pits. Ity continues to be a standout contributor to the portfolio and remains on track to achieve production guidance with all-in sustaining costs within the range.

Moving to Mana. The production in quarter two declined due to lower average grade mine and process from the steel deposit, which was in line with the mine plan. All in sustaining costs increased largely due to a lower grid availability, higher royalty costs, which related to the higher realized gold price and lower gold sales volume. But looking ahead at H2, production is expected to remain broadly in line with H1, while all in sustaining costs are expected to improve, driven by the transition to a single underground mining contractor, which is expected to drive reliability and productivity improvement from the fourth quarter onward.

Overall, Mana is on track to meet its full year production guidance with all-in sustaining costs near the top end of the guidance range.

Lastly, turning to our newest operation, Lafigue on Slide 14. Production was relatively stable in quarter two despite lower grid process due to continued improvement in throughput levels. Throughput for quarter two was 16% above design plates, reflecting ongoing operational improvement on site. Looking forward, we expect to continue driving higher throughput using mobile crushing for soft oxide ore and enhanced predictive maintenance to improve plant availability and utilization. We have also mobilized an additional mining contractor to support these higher levels of throughput. All-in sustaining costs rose during the quarter, primarily due to higher royalty payment, related to higher realized gold price.

For the second half of the year, processed grades are expected to be lower than in H1. However, this is anticipated to be largely offset by the continued improvement in throughput. Overall, Lafigue remains on track to meet its full year guidance.

I will now hand it back to Ian for his closing remarks.

Ian Cockerill {BIO 1926981 <GO>}

Thank you, Djaria. I think with our strong operating momentum and the supportive gold price environment, we're certainly well-positioned to build on an enviable first-half performance through the remainder of this year and beyond. As we look ahead, our near-term strategic priorities are focused on maximizing free cash flow generation and delivering enhanced shareholder returns. And given our strong balance sheet position, we're certainly very well-positioned to execute our organic growth strategy.

And with that, I will hand over for Q&A.

Questions And Answers

Operator

Thank you. (Operator Instructions) The first question comes from Alain Gabriel with Morgan Stanley. Your line is open.

Q - Alain Gabriel {BIO 15368001 <GO>}

Thank you for taking my question. I just have one question on Sabodala-Massawa. You clearly seem to have done a lot of work along the technical report or the technical review of the mine. Putting all the learnings you've had or you've made so far, how do you see the production profile evolving into '26 and '27? Has anything changed in the last three months? I'm conscious that you're still -- still work in progress, but any color you can give us there would be much appreciated. Thank you.

A - Djaria Traore {BIO 23333772 <GO>}

Thank you for the question. Obviously, if we compare where we were last year to this year, we've seen an improvement both in recovery, as talked about the significant improvement that we've seen because we've seen more fresh coming from the Massawa Centra pit. We've also seen an improvement on the recovery. We're now near the 80% and that's what we want it to be going forward. So we are looking -- expecting that the production this year will improve compared to next year. 2026 we expect an improvement as well compared to 2025. So progressively that is to ensure that we are incrementally adding to it. As I mentioned earlier as well, we are looking at a run-rate of 350 per annum, of course, depending on the underground that we expect to come to line around 2028.

Q - Alain Gabriel {BIO 15368001 <GO>}

Thank you. Just to clarify the $350 million that you expect is the average for '26 or is it more of a exit rate for '26?

A - Djaria Traore {BIO 23333772 <GO>}

No, no, it will not be the average for 2026. 2026 will definitely be improvement compared to 2025. The run-rate of 350 which is more of the mid to long-term

Q - Alain Gabriel {BIO 15368001 <GO>}

Thank you. Very clear.

Operator

And the next question comes from Ovais Habib with Scotia Bank. Your line is open.

Q - Ovais Habib {BIO 15255902 <GO>}

Thanks, operator. Hi, Ian and Endeavour team. Congrats on a good quarter. Ian, couple of questions from me and maybe this is a continuation from the previous question regarding Sabodala-Massawa tech review. I mean, is this going to be a new tech report, new mine plan or is it just more of an internal review that you guys are doing? And how is this going to be kind of just submit it to the public?

A - Ian Cockerill {BIO 1926981 <GO>}

Sorry, Ovais, we were having trouble getting the microphone on. No, it's not going to be a completely new report. It just basically is fine-tuning what we've already got, recognizing where there are shortcomings, where there is scope for improvement. I think as you've seen in this year, exactly as Djaria has said, we're seeing an appreciable improvement in performance this year, particularly coming out of the BIOX plant, the next area that we're looking at is trying to find more good quality straightforward CIL plant feed.

So we don't have to just put through lower-grade stockpile, we'll have higher grade current arisings. And then the cherry on the cake on top of any enhanced throughput that we can see, particularly through the BIOX plant, the cherry on the cake will be how quickly we can bring in higher-grade underground material. And that's requiring a lot of careful engineering. I think the one thing that we've learned at this at Sabodala is the last thing that we want to do, having disappointed the market once, we don't want to do it again. This time we want to make sure that we are perfectly on top of everything. And as soon as we've got something firmed up, we will give out a complete sort of update as to where we are. What we're trying to do is on an as go basis, give us much sort of update as to where we are in the technical review. But we're making good progress, and I still fundamentally believe in this particular mine as a high-potential source. It's just -- it is definitely under-explored. We just need to get it right. We need to understand the intricacies of both the fresh material and the complexities of the more refractory-like material.

Q - Ovais Habib {BIO 15255902 <GO>}

Perfect. Thanks for that, Ian. And then just kind of moving on to exploration obviously, Assafou has been a huge success for Endeavour. I mean is the exploration team kind of focused in 2025 on near mine exploration or has the team started to look for the next Assafou?

A - Ian Cockerill {BIO 1926981 <GO>}

Look, we're going to give a strategic update in the second half so we can give a little bit more color. But I think it is fair to say that in the short term, we are doing -- I think there's a better balance now between both the greenfields as well as the brownfields, a lot of effort going into resource to reserve conversion for obvious reasons. But we're extremely fortunate that wherever we are on all of our mining projects, we've got highly prospective ground, really increasing our efforts, increasing the amount of time and money we put into exploration we're seeing.

The more we drill, the more we discover. So the challenge for Sonia in her new role is just making sure that she gets that balance right between Greenfields as well as Brownfields. But we can give a little bit more sort of detail on that later on this year.

Q - Ovais Habib {BIO 15255902 <GO>}

Got it. Looking forward to that. And then just a last question. I mean, in terms of capital allocation, you're looking to pay $150 million dividend in October. And just on the share buyback, how aggressive should we expect you to be going into share buybacks in to the second half of the year? Are you going to kind of remain as aggressive have you been in the first half or like how should we see the second half?

A - Ian Cockerill {BIO 1926981 <GO>}

We'll retain our views upon buying at the times that we feel that the prices are advantageous in terms of doing buybacks. Again, as you quite rightly point out, this is just one component of our capital allocation program. And if there are competing uses for that money, we'll look at those. But I think you should genuinely see that there will be continued buybacks, the tenor of which I don't really want to go into, but we will continue.

Q - Ovais Habib {BIO 15255902 <GO>}

Okay. Thanks for that, Ian. And that's it from me. And again, congrats on a good quarter.

Operator

And the next question will come from Richard Hatch with Berenberg. Your line is open.

Q - Richard Hatch {BIO 20678034 <GO>}

Thanks. Good morning, Ian and team, and congrats on a nice quarter. Just a few questions from me. The first one is just on the second half dividend. I mean, you've been pretty good at setting the level, beating it, taking that to the next level, beating that. So should we expect that $150 million to be the base level going forward? That's the first one.

A - Guy Young {BIO 17903323 <GO>}

Hey, Richard. I think, no, what we're saying is we're sticking to what we've made a minimum commitment to do. However, we are also sticking to the supplemental returns policy. So assuming gold price remains strong, the balance sheet, which we believe to be extremely healthy, remains healthy, then we will look to supplement. But I think it's far more prudent just to go with the minimum commitment for now.

Q - Richard Hatch {BIO 20678034 <GO>}

Okay. Thanks, Guy. Second one is just on the hedge, you made the point that it's been quite financially painful to you, although I understand the reasons why you put it in. Fair to assume that as we go into '26, your comment that you'll be unhedged means that we won't be expecting to see any hedging go through the accounts into the next year?

A - Guy Young {BIO 17903323 <GO>}

Anybody who proposes a hedging program for 2026 will have to deliver the proposal along with their resignation.

Q - Richard Hatch {BIO 20678034 <GO>}

Excellent.

A - Guy Young {BIO 17903323 <GO>}

I can clarify further if that isn't fair enough, Richard.

Q - Richard Hatch {BIO 20678034 <GO>}

So no new CFO coming. I'm glad to hear that. We like the CFO. Third one is again for the CFO, just on the CFA strength. Yes, it's been very strong, hasn't it quarter-to-date, and that kind of gave you that $49 million tailwind on the cash-flow statement, but it's come back a bit in July.

Just wondering, are you seeing any pressure on your OpEx line just in terms of that strength and just the way that puts pressure on your mine operating cash costs? Thanks.

A - Guy Young {BIO 17903323 <GO>}

Thanks, Richard. Yeah, look, the short answer to the question is, yes, there is pressure. But I mean, FX perhaps, it's worthwhile just unpacking it a little. So a weakening U.S. dollar versus euro or therefore across reaches are for CFA is obviously the ratio that we're looking at and worried about.

From an income statement perspective, a weaker dollar or a stronger euro was up fundamentally means that in U.S. dollars, which are translated in average rates in the month, we will fundamentally see an increase in those dollar OpEx and CapEx numbers. Absolutely right. You will have seen through the year, so the -- you've made mention of the delta. So we saw 4% in the first quarter and a further 8% in the second quarter, and those numbers are creeping into our costs, given that we've got roughly 70% of our total OpEx base in local currency.

The stuff that you see flowing through the income statement at the moment is predominantly in and around balance sheet translation. So on the balance sheet, we're in a net asset position, obviously. So if you take our cash, our VAT receivables, et cetera, those in local currency when translated using a weaker dollar fundamentally drive a gain. And then there is an offset, but you can't see it because we have net asset on the liability side. So the Lafigue loan and our accounts payable, which again in dollars will go the other way. So that net 40 is coming through in the gain and loss line, and there's effectively our balance sheet translation.

And then the third and last element from an FX perspective is in and around deferred tax. So you would have seen some references to it, but essentially, retranslation of the deferred tax balance is coming through as well, but that's going through the income tax line. All of those are unrealized FX gains, everything on the balance sheet. And as a result, we clearly remove those for adjusted earnings.

Sorry, slightly longer answer to the question, yes, on the cost line and then on the balance sheet, unrealized reversed out, and we'll have to see where we go from here.

Q - Richard Hatch {BIO 20678034 <GO>}

That's very helpful. And sorry, my last one is just on the -- on Mana. It seems like your costs have been a little bit up quarter-on-quarter, but broadly flat. But I also note you've changed your contractor out. So you kind of alluded to it, but should we -- as we look into the second half with a fair stretch to hit your cost guidance, and I guess, production as well, should we expect to see that mining cost dollar per ton mine start to come down just as you switch out the contractor and then to your point, grades pick-up and those two help you bring the all-in sustaining costs back-down into range?

A - Guy Young {BIO 17903323 <GO>}

Richard, if I may, I'll give a slightly broader cost response, and then maybe Djaria will want to add specifically on, Mana. I think just from a cost perspective, clearly, Q2 is higher than Q1. But I think it's really important for us to stress that the Q2 AISC cost is not the trend for the remainder of the year. We are in line with guidance. So 11.50 to 13.50 still remains our range. Mana, as Djaria said earlier at the upper end thereof. But Q2 in particular was impacted by a number of things, which I think are important to note. First of all, obviously, the slightly lower production because of the lower grades as we've mentioned and as we had expected.

We did see the inventory unwind, particularly at Hounde, and those ounces that were in GIC at the end of first quarter were less carry pump and therefore slightly higher-cost. All of that unwinds into second quarter, which Djaria mentioned earlier. There is the power, and arguably as the wet season kicks in, the hydropower availability improves, grid availability improves, and therefore requirements self-generate at higher cost reduces. So arguably that shouldn't be there on a look-forward basis.

And then the Q2 versus Q1 was also impacted by a catch-up in sustaining CapEx. And given that we're more than halfway through that CapEx program now. Again, that shouldn't be something that is ballooning into the second half. So just want to reiterate, yes, Q2 was up. But if you look at H1, which is arguably more representative, and if you look at the underlying factors, I don't see that as a carryforward into the second half.

Djaria can I maybe hand to you if you want to touch Mana.

A - Djaria Traore {BIO 23333772 <GO>}

Yes, hello, Richard. Just to pick up on what Guy has said, obviously, quarter two is not what we should be expecting every quarter. And as you mentioned as well, if you look at H1, the first six months of the year, you'll see some of the underlying elements which should not be then going into H2. But I think on top of all of that, we are looking at some initiatives of productivity as well. If I just take one, which is the year-to-date ore tonne, ore mine is about 13% ahead of compared to 2024. We're also looking at a way to optimize especially, our cost in to power. As I mentioned earlier, currently on Mana, the entire mining sector is of self-generated power.

Towards the quarter four, we are looking at changing upgrading some of the infrastructure, adding a new transformer, which normally will put us fully onto the grade. So there are few initiatives that we're looking at. And definitely having now one single contractor helps in identifying some initiatives as well in order to optimize the mining cost. So we're confident that we'll be able to get back into the guidance range.

Q - Richard Hatch {BIO 20678034 <GO>}

Okay. Very helpful. Thanks, team. Much appreciated.

Operator

And the next question comes from Anita Soni with CIBC. Your line is open.

Q - Anita Soni {BIO 7539461 <GO>}

Hi, good morning, Ian, Guy and team. So a few questions. Firstly, on the taxes. Can you just give us an understanding of these tax payments? I think it was guidance of $350 million to $450, and I thought there was going to be a bigger tax payment in Q2 as per some of your indications in the call. But how does the rest of the year play out in terms of the tax payments? Is it a big number in Q3 as well, and then not much in Q4?

A - Guy Young {BIO 17903323 <GO>}

Hi, Anita. Sorry, your line isn't great, but I think if we're talking about tax payments, we had guided $350 million to $450 with roughly 55% coming out in Q2, which rough numbers, I think is about $220 milllion and I think we disclosed at $233 million in the quarter. So we're broadly on-track with regards to that. If you look at our original guidance, we said that there'd be roughly 25% of that total coming through in Q3, which again, we see no reason to change. So that should be less than half of what you saw in Q2 in terms of cash tax payments in Q3.

Q - Anita Soni {BIO 7539461 <GO>}

Okay. And then the next question is with regards to the capital spend. So there was a -- I noticed there's pretty big stripping numbers at most of the assets. Is that -- should we take that as a run-rate in terms of how much stripping that you'll be doing for the rest of the year? I think it was almost, obviously not Mana, but the rest of the assets had some big stripping numbers. Are those -- will it taper off in the back half of the year or is there -- or is it related to stripping?

A - Djaria Traore {BIO 23333772 <GO>}

Thank you, Anita. We're not expecting anything substantially different. We will be doing stripping if and when required. But at this stage in H2, we're not expecting any increase into the stripping that we've seen in H1.

Q - Anita Soni {BIO 7539461 <GO>}

Okay. So similar, I was actually asking if it would decline, not increase, but since you're saying pretty flat. Okay. And then last question with regards to the oxide or the -- sorry, Sabodala-Massawa and, sort of the CIL -- sorry, the tonnage started to decline in Q2 in the CIL, is it going to continue to decline or could you maintain levels that bump-up from there? Or how should we think about the CIL or we know that obviously, you're looking for alternative ore sources, but I'm just trying to understand how the back-half of the year looks at the CIL at Sabodala?

A - Djaria Traore {BIO 23333772 <GO>}

Again, so thank you, Anita. Obviously, as we mentioned earlier, we are looking at a way to increase that access to non-refractory clean ore for the CIL plant. But, again, this is planned. If we go back to some of the DFS, you will see that this was planned. The decline is again it's scheduled, that's how we plan it for the year. We're not seeing that has been a big issue.

I think what we need to really focus on is to accelerate those near-mine access to new reserves as well as the underground Kerekounda and Golouma that we are planning to start developing in 2027, 2028 to ensure that we stabilize and we increase the production going-forward.

Q - Anita Soni {BIO 7539461 <GO>}

Okay. Let me ask the question again in a different way. Should we be forecasting the level of oxide CIL ore that you had in Q2, in Q3 and Q4 or should we have that declining?

A - Djaria Traore {BIO 23333772 <GO>}

Yeah, Anita, we are going through quarter three, which is a wedding season. So naturally, it will decrease. Again, that will not be anything different than what we see every year across our site in general. So to answer your question, quarter three wedding season, you should see a slight decrease into that oxide.

Q - Anita Soni {BIO 7539461 <GO>}

Okay. Thank you for that. And then just one last question on the throughput levels. Can you talk about the things that you're doing at Sabodala-Massawa to get that 15% increase in throughput?

A - Djaria Traore {BIO 23333772 <GO>}

Thank you. Thank you, Anita, again. Some of the initiatives that we're looking at to increase our throughput is, of course, the blend and feed of the stockpile. We're also accelerating the mining of the high grade of North Zone. What we already are, we already more or less at 10%, but it's not consistent. So the objective is to maintain that 10% increase above the design that we've already seen, maintain that throughput until the end of the year, and then next year 2026 at an incremental maybe of 5%. So those are the different things that we're looking at in order to maintain that 10% that we're already more or less achieving.

Q - Anita Soni {BIO 7539461 <GO>}

Okay. Thanks. My apologies if you've already asked and answered these things, I've just been on dueling conference calls with Cameco and can I --

A - Djaria Traore {BIO 23333772 <GO>}

Not at all. Thank you.

Operator

And the next question will come from Daniel Major with UBS. Your line is open.

Q - Daniel Major {BIO 17993795 <GO>}

Hi, yeah, thanks. Thanks so much for the questions. The first one just on the tax question again, and thank you very much for improving the clarity of the guides through the year in terms of the cash tax outflow. I guess this year you've guided to a fixed tax rate within the range of $350 million to $400 million in terms of cash tax. You're clearly going to see a lift in profitability this year and accruing more tax. Is there some -- going to be some sort of catch-up payment? Can you just explain the mechanics of what we should be thinking about in terms of tax coming out in to 2026?

A - Guy Young {BIO 17903323 <GO>}

Hey, Dan. Yeah, look, we'll do the same again next time around. So we'll give you full visibility and predictions in terms of cash flows as and when we get to the end of the year. But at the moment the best way to indicatively, see it is, if you look at the income statement, what we're doing is a quarterly effective tax rate and accruing according to current profits. So the income statement is indicatively, what we're going to be looking to pay out next year. We are accruing CIT at the standard effective tax rates based on current year profits, and we are simultaneously putting into deferred tax a 60% charge of what we are anticipating in distributing next year for withholding tax purposes. So the income statement is the best one to follow, and we'll give full guidance similar to that which we did this year when we're in a position to do so at the beginning of next.

Q - Daniel Major {BIO 17993795 <GO>}

Okay. Thanks. That's helpful. And then the second one, just again on the cash flow dynamics. I think you've got the biggest quarter in terms of minority dividend payments. You've not paid much year-to-date, I think just GBP13.8 million in Q2. Can you just remind us on the guidance for the expectation around the full year and the distribution between Q3 and Q4?

A - Guy Young {BIO 17903323 <GO>}

Sure. So you're speaking specifically minority interest rather than any of the withholding tax piece. So I think minority was between $100 million and $120 million for the year. And we would expect the vast majority of that to be paid in Q3.

Q - Daniel Major {BIO 17993795 <GO>}

Okay. That's useful. Thank you. Just next one you mentioned about some build in VAT receivables. Can you just remind us where you're at for the full-year -- sorry, across the Group in terms of VAT receivables and what the expectation is over the next 12 months, you mentioned some factoring and some other initiatives.

A - Guy Young {BIO 17903323 <GO>}

Sure. So as a Group, we're sitting at around $176 million on VAT receivables as at June. The split is broadly $120 million in Burkina Faso, and the remainder is just sitting in Lafigue and Sabodala, and a little bit of grouped. Now, when we are talking about VAT receivables, the more problematic balances are the full Burkina Faso balance, and then to a lesser degree Lafigue.

Lafigue as I said in the slides is more an issue of ramp-up. So having started out last year, we're having to put in place all of the processes to ensure that claims are going in, people understand our story, and ensure that the documentation, the people we're dealing with know us and what it is that we're going to be claiming on a monthly basis. So I think that is more of a ramp-up issue than anything else, and that should be declining through the remainder of the year. Sabodala-Massawa is also one where we could see some incremental improvement because we've had some process improvements in the total outstanding may well rein in from the current average four months to about 3.5 or three months.

So the real issue for us remains Burkina Faso and that $120 million balance, we're looking at a variety of different ways of trying to offset that either with alternative amounts that we owe the state, and then we continue also to look at alternative factoring options. At the moment, local banks, which is where we used to do our factoring are not interested in the paper anymore, but we're looking at potential alternative options to try and do something quite similar. So whether that comes off, it's difficult to say. I think it's a reasonably low probability, but we continue to look at whatever we can to reduce that $120 million other than simply waiting for the state.

Q - Daniel Major {BIO 17993795 <GO>}

Okay. Thanks. And just one final question, if I may. You're rapidly bringing down net debt if we look at your dividend sort of run-rate and similar buyback run-rate, you should be moving somewhere towards zero or net cash in the end of the year, even paying north of $400 million in cash returns. If we think about the quantum of cash return to 2026, do you -- can you give us a target of where you would kind of ideally get the balance sheet to in terms of net cash position or above what level would you just distribute 100% of free-cash?

A - Guy Young {BIO 17903323 <GO>}

Okay. Here's another Daniel, overall, the broad answer. But so what I think we've been very clear on, we'd like to reiterate. 0.5 is our maximum that we would like to see through a cycle. On the other end of that spectrum, we have said that we have no intention of building a large cash balance. In between there, we remain open to maximizing supplemental returns within the confines of what we have in front of us. So you're absolutely right. In the short-term, there are less calls on the cash. CapEx is reasonably well under control and forecastable, but we want to ensure that we've got a reasonable balance sheet and the buildup to the Assafou CapEx. So I don't think you're ever going to see us move to a very formulaic position of paying out specific percentages of free cash.

We would prefer to maintain flexibility in managing the balance sheet as best we can, given whatever the emerging cash requirements are and subject to gold price. But we have no intention of building big cash balances and therefore, I think it's fair to assume that ongoing strong supplemental returns are very much top of our capital allocation menu.

Q - Daniel Major {BIO 17993795 <GO>}

Great. Thanks a lot.

Operator

The next question will come from Jason Fairclough with Bank of America. Your line is open.

Q - Jason Fairclough {BIO 5457682 <GO>}

Yeah, good afternoon, guys. Thanks for the presentation. A couple of sort of let's say simple questions, I guess, for me. Thanks for the Slide 48, which lays out the tax payments by the different assets in a corporate level. I was just wondering, maybe it's for Guy, but can you just talk about the gold price that was the backdrop for generating those tax liabilities? Because I'm just trying to think about how those tax payments step up as we roll forward with these higher gold prices?

A - Guy Young {BIO 17903323 <GO>}

Yeah, Jason. So the tax payments that you see going through, particularly at site levels, we should just bear in mind these are fundamentally payments for last year's tax.

Q - Jason Fairclough {BIO 5457682 <GO>}

So that's a 12-month lag to gold price that's driving these tax payments, right?

A - Guy Young {BIO 17903323 <GO>}

Exactly.

Q - Jason Fairclough {BIO 5457682 <GO>}

I was going to say, so if I were to sort of -- if you like mark-to-market or think about a spot tax payments, are we doubling the tax payments versus what we're seeing on that Slide 48?

A - Guy Young {BIO 17903323 <GO>}

I'm happy to come back to you on exactly what that number would look like. But yes, if you're looking to try and get some sort of proxy, if you looked at our realized gold price per quarter through 2025 versus what we're running at now, it is a significant step-up in corporate income tax. That's absolutely correct.

Q - Jason Fairclough {BIO 5457682 <GO>}

Okay. So -- but I guess the point is as long as the gold price keeps going up, it's all fine. It's only the year that it rolls over it gets a bit ugly.

A - Guy Young {BIO 17903323 <GO>}

That would be fair comment. You must be bugging our office [ph]

Q - Jason Fairclough {BIO 5457682 <GO>}

Okay. Look the other question I had, and in a way it relates to some of the questions that have already been asked, which is, I guess, what stops you from being much more aggressive with the buybacks? Like a -- and again, it depends what gold price you're using, but it's not hard to get you guys trading on a 15% free-cash-flow yield or something like that.

I mean, to me, that's still screamingly cheap. So why wouldn't you still be much more aggressive with the share buyback from here?

A - Ian Cockerill {BIO 1926981 <GO>}

So you're saying that we've not been aggressive enough so far despite the fact that the numbers that we've given?

Q - Jason Fairclough {BIO 5457682 <GO>}

That is correct, yeah.

A - Ian Cockerill {BIO 1926981 <GO>}

Clearly some people are never happy. Look, I hear what you say. I guess what it is. We're trying to strike the balance between giving a total return to our shareholders. And bear in mind that our shareholders are a very broad judged. There are those who absolutely only want cash. There are others who absolutely only want buybacks.

And our challenge is to try and strike the balance between the two in terms of what percentage of each do we give in terms of shareholder returns. And then in terms of the overall quantity, that takes into account the demands on the business, where we are. And yeah, we are inherently conservative in our approach.

And yet and yet, we still have -- what we're doing, we still have sort of a sector-leading return. And I hear this story constantly, oh, we want more buybacks. Other people say, well, I want more cash. I have to try and satisfy everyone. In the process if I'm satisfying nobody, I think that means we're getting the balance about right.

Q - Jason Fairclough {BIO 5457682 <GO>}

Okay. Fair point, Ian. Thanks a lot, guys. Congrats on the results. Good result.

A - Ian Cockerill {BIO 1926981 <GO>}

Thanks, Jason.

Operator

The next question comes from Amos Fletcher with Barclays. Your line is open.

Q - Amos Fletcher {BIO 4728914 <GO>}

Yeah, good afternoon, guys. A couple of questions. First was one -- first one was on Lafigue. I just wanted to ask, where do you see the throughput rates growing to overcoming quarters given the investments that you're making?

A - Djaria Traore {BIO 23333772 <GO>}

Hello, Amos. Thank you. Obviously, even at Lafigue today, compared to a year ago when we started, we're already above the nameplates of about 10%. Going into next year, we will be increasing it more. And if you follow our other sites, you'll say that we are pretty good usually, increasing our throughput way above the design in place. So Lafigue will not be any different.

So we expect the Lafigue throughput next year to be way above the 10% plus 15%.

Q - Amos Fletcher {BIO 4728914 <GO>}

Okay. And then a question on Assafou, I was just wondering whether it's realistic for you guys to -- well, so the first question is, how are you thinking about the CapEx and sort of scaling of the plant compared to what you put in the PFS? And then secondly, whether it's realistic to include any of the potential mineralization from Kulu, which is obviously incredibly early-stage at this point, but it looks like it could be potentially quite exciting as well.

A - Ian Cockerill {BIO 1926981 <GO>}

Yeah, well, let me ask the -- answer the final question first. Kulu is an entirely separate business. We don't control it. So and it's 60 kilometers away from Assafou. So, in all realistic senses, Massawa will be a standalone operation. As far as the plant is concerned, the PFS looked at 5 million tonne throughput, and despite the additional sort of ounces that we hope to include by the end of this year, particularly from Pala 2 and Pala 3. And we see no reason to increase the size of the plant above $5 million. The danger you have is if you keep on moving the goalposts, you make one change and there's 15 other consequential knock-on changes that you have to bring in.

And that's when you start getting real problems with your capital projects, and cost overruns and everything or we hadn't thought about this, we hadn't thought about that. We feel that it's much better to fix a certain size. The simulations that we did in the initial pre-feasibility where we looked at everything from 3 million tons to 8 million tons show that the 5 million ton production profile was likely to give us the most consistent production profile. Importantly gave us the opportunity to get up to full capacity much more quickly.

So I don't see any change in that. What will happen, Assafou, as Djaria just alluded to earlier, is as soon as we get up and running, we'll start debottlenecking the plant. All our other plants have been anywhere between 40% to 60% higher than nameplate, which would be a combination of just mild tweaks, debottlenecking, and in some instances, maybe putting on an extra line of tanks or something like that. And that's the way we'll do it. So it's again trying to make sure that we have the right-size upfront, but making sure that we design our plant that there's sufficient flexibility and scope to increase it. We don't make too tighter footprint. So if we want to add anything extra, there's space to do it. So I don't think you're definitely not going to see any change from our current design, which is 5 million tons. That's what we'll stick to. But over the life of the mine, will it increase from 5 million tons, I would say almost with 95% certainty.

Q - Amos Fletcher {BIO 4728914 <GO>}

Okay. That's great. And then last question I just wanted to ask, has there been any updates on Cote d'Ivoire royalty rates potentially being increased?

A - Ian Cockerill {BIO 1926981 <GO>}

The states have come back, and they've insisted on increasing royalties by 2%. We said, look this is not part of our agreements, they've said that we put it in the budget so you know that's why they want to do it. It is now basically it's a bum fight between, thankfully the chamber rather than individual mining houses and states. I have to say the Ministry of Mines is very supportive of our position. But obviously, there are budget squeezes, and they want to extract every last dollar that they can. But rest assured that we're not taking it lying down.

Q - Amos Fletcher {BIO 4728914 <GO>}

Okay. Got it. All right. Thanks very much guys. Best of luck.

Operator

And the next question will come from Marina Calero with RBC Capital. Your line is open.

Q - Marina Calero {BIO 23945055 <GO>}

Hi, good afternoon. Thanks for the call. Most of my questions have been answered, but perhaps a follow-up on the topic of distributions to shareholders. You mentioned you don't have -- you don't intend to build a very large cash balance. Can you maybe tell us what sort of cash levels would you like to build towards the end of this year, considering the upcoming construction of Assafou?

A - Ian Cockerill {BIO 1926981 <GO>}

Hi, Marina. Sure. Again, I'll give you an indicative answer. We don't actually have a specific target of cash in mind. What we would like to do though is just continuously consider the calls on our cash, and as and when we've earned it, we obviously review what that future cash requirement is going to be, take an assessment on that and the potential returns associated with it, and effectively consider supplemental returns. So without a specific target in mind, the only hard number we had was the leverage ratio, which thankfully, current circumstances mean that that's not that relevant.

The Assafou capital needs to be finalized, so we mentioned earlier on the call, the DFS will be completed by the beginning of 2026. When we have clarity on that capital and another quarter or two behind us in terms of cash-flow generation, we'd be in a better position to talk about incremental supplemental returns. And at a point later in the year, we would be coming up for a renewal of our overall shareholder returns policy, which we have only set out for a couple f years when we last did it.

So clarity will come. But until then, I think again, please do bank on the fact that we are looking at supplemental returns and given cash-flow generation and current gold prices, those will continue into the second-half, but we aren't going to be more specific than that at this point.

Q - Marina Calero {BIO 23945055 <GO>}

Okay. That's very clear. Thank you.

Operator

And the next question will come from Mohamed Sidibe with National Bank. Your line is open.

Q - Mohamed Sidibe {BIO 21316472 <GO>}

Thanks, operator. Good morning, Ian and team. I guess a lot of question on the capital return. So I will go there and understanding that you have a balanced approach to it. But just as it relates to your capital allocation, so you have a lot of free-cash flow that is expected to come in the second half of the year and call it into 2026 prior to us going online. You've increased your exploration spend as you're seeing positive results. But how do you think about, I guess, organic growth versus inorganic growth within your capital allocation priorities? Thank you.

A - Ian Cockerill {BIO 1926981 <GO>}

Yeah, great question, Mohamed. Look, I said before and I'll repeat again, I mean, we are in a very fortunate position that we have an excellent organic growth pipeline. We have lots of opportunities, and it's not just Assafou. We're looking at, as you know, the -- for instance, the Ity donut and the ability to really sort of crank up the size of that operation and access more ore.

So we're not sure of opportunities internally. But running in parallel then certainly in the 18 months that I've been in this role, we've never stopped looking at some inorganic opportunities. But we've never seen anything that satisfies a very rigid return criteria. So we haven't done anything because we haven't seen anything that we think material would make a difference to the group. But we will continue to look. We are certainly not averse to inorganic opportunities. But priority one is certainly shareholder returns, looking at our own opportunities and then the inorganic opportunities comes along behind that as well.

Q - Mohamed Sidibe {BIO 21316472 <GO>}

Thanks a lot, Ian. That was everything from my end. Congrats on a good quarter.

A - Ian Cockerill {BIO 1926981 <GO>}

Thank you.

Operator

Ladies and gentlemen, this concludes today's presentation and conference call. Thank you for joining. You may now disconnect.
