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Earnings Call

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Presentation

Operator

Hello, everyone, and welcome to the Royal Gold, Inc. 2023 Full Year and Fourth Quarter Conference Call. My name is Emily, and I'll be facilitating your call today. [Operator Instructions]

I will now turn the call over to our host, Alistair Baker, Vice President of Investor Relations and Business Development. Please go ahead, Alistair.

Alistair Baker
Vice President of Investor Relations & Business Development

Thank you, operator. Good morning, and welcome to our discussion of Royal Gold's fourth quarter and full year 2023 results. This event is being webcast live, and you will be able to access a replay of this call on our website.

Speaking on the call today are: Bill Heissenbuttel, President and CEO; Martin Raffield, Vice President of Operations; and Paul Libner, CFO and Treasurer; Randy Shefman, General Counsel; and Dan Breeze, Vice President, Corporate Development of RG AG, are also available for questions.

During today's call, we will make forward-looking statements, including statements about our projections and expectations for the future. These statements are subject to risks and uncertainties that could cause actual results to differ materially from these statements. These risks and uncertainties are discussed in yesterday's press release and our filings with the SEC.

We will also refer to certain non-GAAP financial measures, including adjusted net income, adjusted net income per share, cash G&A, adjusted EBITDA and net debt. Reconciliations of these measures to the most directly comparable GAAP measures are available in yesterday's press release, which can be found on our website.

Bill will start with an overview of 2023 results, Martin will give some commentary on the portfolio and Paul will wrap up with a financial summary of the quarter. After the formal remarks, we'll open the lines for a Q&A session.

William H. Heissenbuttel
President, CEO & Director

Good morning and thank you for joining the call. I'll begin on Slide 4.

During 2023, we delivered revenue of $606 million, operating cash flow of $416 million and earnings of $239 million or $3.63 per share, and, after adjustments, earnings were $3.53 per share. Our gold equivalent ounces, or GEOs, were slightly below our guidance range as we indicated might occur during our third quarter conference call, and Martin will give you some more details a bit later.

While inflation pressures have eased from their peak, operating companies are still seeing cost inflation and margin erosion. Without direct exposure to operating and capital costs, we are protected from inflation pressure and margin compression, and we maintained our strong adjusted EBITDA margin of 79%.

We paid approximately $100 million in dividends, in keeping with our commitment to return capital to shareholders, and we raised our dividend again by 7%. This is the 23rd consecutive annual increase to our dividend, which is an unmatched record in the precious metals sector. We also maintained our focus on the balance sheet and repaid $325 million outstanding on a revolving credit facility during the year.

After an active year of acquisitions in 2022, we started the year with a revolver balance of $575 million, and we've quickly reduced that to $250 million, increasing our total available liquidity at the end of the year to about $845 million. This is in keeping with our capital allocation strategy to use non-dilutive

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financing to acquire high-quality assets, and we maintained our low share count during the year to ensure that shareholders have full exposure to our growth.

Finally, we announced an agreement yesterday with Centerra to provide future cost support to the Mount Milligan mine that will allow an extension of the mine life to 2035 and potentially further into the future. The details are in our press release, but, in summary, we will receive cash and gold consideration in the near and medium term with a value of approximately $125 million at the current gold price and a longer-term free cash flow interest in Mount Milligan.

In return, we'll make additional cash payments for gold and copper delivered, with any support provided prior to approximately 2030, contingent upon gold and copper prices being below $1,600 per ounce and $3.50 per pound, respectively. These earlier payments are also subject to potential recovery against cost support payments made beyond 2030, when metal prices permit. This is a good development for both Royal Gold and Centerra as it should allow for further value to be realized through mine life extension.

Mount Milligan has a large resource base and exploration potential, and Centerra's plans include: completing a Preliminary Economic Assessment in the first half of 2025 to evaluate resources and projects that could provide further mine life extensions; continuing exploration drilling around the mine; and completing a site optimization program to improve cash flow. Royal Gold will benefit from getting further exposure to metal prices over an extended mine life, and we are pleased to provide support to Centerra as they review this potential.

I'll now turn the call over to Martin to provide some comments on the portfolio.

Martin Raffield
Vice President of Operations

Thanks, Bill. Turning to Slide 5, I'll cover portfolio performance over the year compared to the guidance that we gave in April 2023.

Overall, the portfolio performance was solid for the year. However, as Bill mentioned, total sales of 315,600 GEOs was slightly below our 2023 guidance of 320,000 to 345,000 GEOs. This was due to underperformance at two of our principal properties, both of which we had discussed on our last earnings call. The first was Peñasquito, where there was an unexpected four-month labor strike, and the second was the slower-than-anticipated ramp-up of the plant expansion at Pueblo Viejo. Our DD&A and tax rates were in line with guidance. And Paul will go into more detail on these items in his comments.

Turning to Slide 6, I'll give some comments on fourth quarter revenue. Overall revenue for the quarter was $153 million with volume of 77,500 GEOs. Our royalty segment contributed revenue of $54 million, in line with the prior year quarter. However, as a percentage of total revenue, the royalty segment was a larger contributor than in the recent past at about 36% of total revenue. Revenue from our stream segment was lower compared to last year at $98 million. Lower contributions from Mount Milligan and Pueblo Viejo were only partially offset by higher revenue from Andacollo, Xavantina and Rainy River.

I'll turn to Slide 7 and give some comments on notable developments at a handful of operations. At Mount Milligan, as Bill mentioned, Centerra reported an increase to the mine life to 2035 with the potential for work underway to increase this further. Centerra also provided 2024 production guidance of 180,000 to 200,000 ounces of gold and 55 million to 65 million pounds of copper. Centerra expects this production to be evenly weighted throughout the year.

At Pueblo Viejo, Barrick reported yesterday that construction and commissioning of the plant expansion was substantially complete at the end of December, and they have resolved the equipment issues they were dealing with in the second half of the year. They are working on rebuilding the crushed ore stockpile feed conveyor and are targeting completion of this work in the second quarter, which is required for the plant to reach full throughput. Our stream is based on Barrick's share of production at PV. And Barrick is guiding to gold production of 420,000 to 490,000 ounces in 2024.

Approximately 165,000 ounces of silver were deferred during the quarter. And the total deferred amount was 854,000 ounces at the end of December. In yesterday's report, Barrick commented that the focus for

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the first quarter will be the continued stability and optimization of the flotation circuit, which we expect should result in higher and more consistent silver recovery. This optimization work will likely take some time and the recovery of our deferred silver ounces will depend on the outcome of this work.

At Cortez, Barrick announced in mid-December that the Record of Decision was received for Goldrush, and they expect to ramp up production from 130,000 ounces this year to about 400,000 ounces per year in 2028. They also announced 2024 guidance for Cortez yesterday of 620,000 to 680,000 ounces, which includes the contribution from Goldrush. This guidance is significantly lower than the 2023 production at Cortez, and, according to Barrick, is related to grade reconciliation and resource model changes at Crossroads that will reduce oxide mill feed.

Our overlapping royalty interest at Crossroads result in an effective gross royalty rate of approximately 9.4%, so the impact of lower production at Crossroads has a disproportionately larger impact on Royal Gold. We are reviewing Barrick's forecast and will detail the impact to Royal Gold when we issue our full year guidance.

Turning to Slide 8, at Andacollo, Teck has reported that drought conditions are impacting production levels, and this is expected to continue while a solution is put in place in 2025. In the meantime, we're expecting production levels this year to remain in line with 2023 and then increase in 2025 through 2027 with the benefit of higher grades.

At Khoemacau, operations are continuing at full-production levels. Khoemacau is a high-quality operation, and we are pleased that MMG, a well-capitalized and experienced operator, will become the new owner after completing the acquisition, which is expected during the current quarter. We have spoken with MMG, and, at this point, we don't expect any significant changes to the operating approach put in place by KCM.

And finally, we are pleased to see continued progress towards full production at King of the Hills and Bellevue mines in Western Australia. We expect to see first production from Côté Gold in Ontario and Mara Rosa in Brazil in the current quarter and Manh Choh in Alaska in the second half of the year.

I'll now turn the call over to Paul for a review of our financial results.

Paul K. Libner
CFO & Treasurer

Thanks, Martin. I'll now turn to Slide 9 and give an overview of the financial results for the quarter. For this discussion, I'll be comparing the quarter ended December 31, 2023, to the prior year quarter.

Revenue was down 6% to $153 million for the quarter. As Martin mentioned in his remarks, lower contributions from Mount Milligan, Pueblo Viejo and Peñasquito were the main drivers for this quarter's lower revenue. The lower contributions from these properties were partially offset by higher contributions from Cortez and Andacollo as well as higher average metal prices.

Gold and silver prices were significantly higher, up 14% and 10%, respectively, and the price of copper was up 2%. Gold continues to be the dominant revenue source, making up 80% of our total revenue for the quarter, followed by silver at 10% and copper at 8%. At 80%, Royal Gold has the highest gold revenue percentage compared to our major peers in the royalty and streaming sector.

Turning to Slide 10, I'll provide a bit more detail on specific line items for the quarter, which was another straightforward and quiet quarter for Royal Gold. G&A expense increased slightly to $9.7 million from $8.8 million in the prior year and was due to higher corporate costs and noncash stock compensation expense. Although we did see an increase over the prior year, our cash G&A costs remained low at about 5% of total revenue.

Our DD&A expense decreased to $40 million from $49 million in the prior year. On a unit basis, this expense was $518 per GEO for the quarter compared to $521 per GEO in the prior year. The lower overall DD&A expense was due to a lower depletion rate at Pueblo Viejo as well as decreased sales from Mount Milligan and Pueblo Viejo when compared to the prior year. For the full year, DD&A of $529 per GEO was in line with our earlier guidance range of $490 to $540 per GEO.

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Interest expense was $6 million for the quarter, in line with $6.1 million in the prior year. The all-in interest rate for outstanding borrowings under our credit facility was 6.6% at the end of the fourth quarter.

Tax expense for the quarter was $13.4 million, resulting in an effective tax rate of 17.5%. This compares to a similar tax expense of $12.6 million and an effective tax rate of 18.2% in the prior year. For the full year, tax expense was $42 million and the effective tax rate was 14.9%.

Our full-year tax expense and effective tax rate benefited from a previously disclosed discrete tax event during the June quarter and related to the release of a valuation allowance on certain foreign deferred tax assets. Excluding this discrete item, the effective tax rate for the full year was 17.9%, which was in line with our guidance rate of 17% to 22%.

Net income for the quarter was up 11% over the prior year to $63 million or $0.95 per share. The increase in net income was primarily attributable to the lower cost of sales and DD&A expense, along with the $4 million impairment we recognized in the prior year on a non-principal exploration stage royalty interest. Each of these were partially offset by a decrease in our revenue as I previously mentioned. Our operating cash flow was strong again this quarter at $101 million and in line with the prior year.

We expect to provide full year guidance for 2024 early in the second quarter after most of our counterparties have issued their own production guidance for the year. However, to help you prepare your March quarter estimates, we expect our stream segment sales to range between 47,000 and 52,000 GEOs during the first quarter of 2024. As with our prior practice, this is the only quarter during the year when we will give quarterly guidance, and this quarterly guidance should not be viewed as indicative of the full year guidance we intend to provide early in the second quarter.

I will now turn to Slide 11 and provide a summary of our financial position at the end of the quarter. During the quarter, we repaid $75 million on our revolving credit facility and reduced the amount drawn to $250 million. As Bill mentioned, our strong cash flow during 2023 allowed us to repay $325 million on our revolver balance during the year.

With respect to leverage ratios, we ended 2022 with a 1x net debt to EBITDA ratio, and, by the end of 2023, this ratio was down to 0.3x. This is a remarkable change in a short period and speaks to the cash flow generation of our portfolio and reinforces our overall capital allocation strategy, which also emphasizes a focus on the balance sheet.

Absent significant business development activity and as cash flow allows, we expect to fully repay the remaining revolver balance by sometime early in the second half of 2024. We ended the year in a very strong financial position with total available liquidity of approximately $845 million made up of $750 million of undrawn revolver capacity and $95 million of working capital.

Finally, I'll also mention that upon completion of the acquisition of Khoemacau by MMG, we expect repayment of the subordinated debt facility we provided to KCM as part of the overall development of the Khoemacau mine. At the end of December, the total amount outstanding, including capitalized interest, was approximately $36 million.

That concludes my comments on our financial performance for the quarter, and I will now turn the call back to Bill for closing comments.

William H. Heissenbuttel
President, CEO & Director

Thanks, Paul. 2023 was another year of consistent and solid performance from Royal Gold. We maintained alignment with our strategic goals of keeping a disciplined focus on gold, strengthening our balance sheet and increasing our capital return. We had a very active year of adding assets to the portfolio in 2022, and, during 2023, we took advantage of our strong cash flow to pay down the debt used to finance those transactions as well as continue our long record of increasing our dividend.

Our balance sheet is in great shape, and we have excellent liquidity to compete and take advantage of business development opportunities that may present themselves. We expect to provide full year guidance

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for 2024 early in the second quarter, which will reflect the lower production at Cortez and smaller organic growth assets that we have previously discussed like King of the Hills, Bellevue, Côté, Mara Rosa and Manh Choh. We also expect to publish an asset handbook early in the second quarter, and we plan to host an in-person session to give a more fulsome update on the portfolio around the same time.

Operator, that concludes our prepared remarks. I'll now open the line for questions.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from Jackie Przybylowski with BMO Capital Markets.

Jackie Przybylowski
BMO Capital Markets Equity Research

I know you addressed this a little bit in your prepared remarks, but if you could give us a little bit more color on what happened, I guess, at Nevada Gold Mines, that would be really helpful, whatever you can maybe tell us about. I know they had sort of mentioned in their call yesterday that there were some issues with accessing grade. Can you maybe just give us a little bit more color on what's happening there?

William H. Heissenbuttel
President, CEO & Director

Jackie, thanks for the question. When you refer to Nevada Gold Mines, I assume you mean Cortez in particular?

Jackie Przybylowski
BMO Capital Markets Equity Research

Sorry, yes, yes, sorry, Cortez.

William H. Heissenbuttel
President, CEO & Director

Yes, that's fine. I'll just turn this over to Martin to give you a little background. I'm not sure we know much more but Martin, over to you.

Martin Raffield
Vice President of Operations

Yes, thanks, Jackie. We really don't know much more than what was said on the call yesterday with Mark Bristow. They talked about a resource model change to the Crossroads area. They talked about that, indicating that it would reduce the oxide mill feed in 2024.

And it was ascribed to a fault cutting off the high-grade ore in the pit that I think is a fairly recent point of understanding, so not really much more than that. In terms of how this impacts us, would you be interested in understanding more about that, Jackie?

Jackie Przybylowski
BMO Capital Markets Equity Research

Yes, absolutely.

Martin Raffield
Vice President of Operations

So Cortez overall in 2023 had a really strong year. They produced about 890,000 ounces on a 100% basis. Out of that, we received about 49,000 GEOs. And about 80% of that 49,000 GEOs was sourced from our Legacy Zone with a high royalty rate of 9.4%, and that was really primarily driven in turn by the Crossroads production.

So 2024 guidance for Barrick is now 620,000 to 680,000 ounces, again on a 100% basis. And this represents about a decrease of 27% from their 2023 production actual numbers to the midpoint of that 2024 guidance. And really with -- this impact to us is disproportionate because of our 9.4% gross royalty percentage over the Crossroads area and the impact to that Crossroads pit that they are now talking about.

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Due to our revenue mix at Cortez, the overall decrease from our 2023 production GEOs of 49,000 is going to be in the region of 40% to 50%. Can't really provide any more detail about what's happening at Crossroads at the moment. We don't know any more than the rest of the market, but we do hope to be able to provide some more detail on that when we get to our 2024 guidance.

Jackie Przybylowski
BMO Capital Markets Equity Research

Okay, great. That was actually going to be my next question. When you put your guidance out in April, that will be reflected in your guidance, I guess, right, for 2024?

Martin Raffield
Vice President of Operations

Absolutely, yes.

Operator

Our next question comes from Cosmos Chiu with CIBC.

Cosmos Chiu
CIBC Capital Markets, Research Division

Maybe my first question is on your 2024 guidance as well. I know you haven't put it out yet. I'm just trying to figure out the thought process and your process in terms of how you come around in terms of putting your guidance together. Of course, there's challenges like Crossroads and Cortez.

And as you mentioned, 2024 will also benefit from start-ups or ramp-ups at Bellevue, King of the Hills and a number of new assets like Côté and Goldrush. And so how do you go about your process of putting guidance together? And how do you kind of factor in any kind of risk, any kind of ramp-up risk and start-up risk and things like that?

William H. Heissenbuttel
President, CEO & Director

Yes, Cosmos, thanks for the question. I mean, the process is very much bottom-up. And Martin and his team, I think they meet numerous times to talk about individual assets. Now it kind of depends on the asset itself and the contract, because, in some cases, we have excellent information rights—we may have a budget for the year. But in others, especially on the royalty side and the smaller royalty side, we don't really know. All we can go on is what the operators are saying publicly.

Just as an example, Peñasquito is a royalty—we don't really have any information right, so we wait to hear what Newmont says about what's going to happen at Peñasquito. So that's probably why it takes us a little bit longer than others because we have to compile the guidance that is given by the operators. I will tell you that we do make adjustments. It's one of the reasons we don't give guidance on an asset-by-asset basis. Because we may get a number from an operator or see a number from an operator in the public domain and just say, "Well, based on our experience, what we've seen at that mine historically, they may not achieve that recovery rate, they may not achieve that grade that they expect." So that's kind of the process. And that's why it takes us another couple of months to put it together.

Cosmos Chiu
CIBC Capital Markets, Research Division

Yes. I guess, asked more directly, would you say you're fairly conservative when you put this together?

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William H. Heissenbuttel
President, CEO & Director

I mean, we're -- I don't want to say we're fairly concerned. We try to be fair based on what we expect. I don't want anybody to think that we sort of take the numbers and then be more conservative on guidance so that hopefully we can exceed guidance. That's not how we do things. We put out a number that we think is achievable.

Cosmos Chiu
CIBC Capital Markets, Research Division

Understood, great. Maybe switching gears a little bit, congratulations on getting the additional deal or kind of the agreement with Centerra completed. From that perspective, I had to read it quite a few times, your press release yesterday, your new agreement with Centerra, fairly complex, a lot of moving parts.

Can you maybe talk about how you came up with that structure, the different kind of production hurdles that you've put in? And would that have been easier to kind of rewrite the original agreement? Because I know this agreement here is in addition to the original agreement, so maybe the thought process around that as well.

William H. Heissenbuttel
President, CEO & Director

Yes, I mean, I will say I would agree with you. The first place you would think of going is to amend the existing agreement, I will say. Sometimes, amending agreements creates complications. And we just felt that in order to avoid some complications, it would be better to leave that agreement completely untouched.

This is sort of a mine life extension project. This is a bolt-on agreement that supports that mine life extension, and that's the direction that the negotiations sort of took over time. As for the specific numbers, I just wonder if I might ask Dan Breeze to sort of offer his thoughts. Dan was sort of our lead negotiator on the transaction, and maybe he can share some thoughts with you.

Daniel K. Breeze
Vice President of Corporate Development - RGLD Gold AG

Cosmos, yes, thanks for the question. Maybe we could just talk a little bit about, I think if your question -- if I understand your question—you're asking about how we ended up with this structure, generally speaking. Or do you want to actually get into the numbers?

Cosmos Chiu
CIBC Capital Markets, Research Division

No, I think, generally speaking, how you came up with the structure and how it is the best structure for the situation today.

Daniel K. Breeze
Vice President of Corporate Development - RGLD Gold AG

Sure. Well, obviously, we had to consider our interest here and what we thought was appropriate and acceptable for our shareholders, but also what Centerra was looking to do. And ultimately, we were aligned in that sense with looking for ways to ultimately extend the mine life. And that was really the key reason or driver of the structure, thinking about the long term—thinking about a way where we could provide long-term cost support.

And that, as you heard Centerra talk about yesterday in their call, will allow them to make investments, if you will, today and going forward over the next year/one-and-a-half years to hopefully realize what that longer-term plan will look like. So that was really the main driver, Cosmos. And then looking at the shorter term, between now and, say, 2030, what we tried to do there is consider Centerra's focus on their reserve plan and the numbers that they were working towards and not wanting to impact our economics over that time period.

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So that's what we put in place—a structure that is unlikely to be drawn, just given the triggers of the commodity prices below $1,600 and $3.50 a pound in copper, so well below where we are with long-term consensus prices. But that structure just gives them the confidence to move forward on that reserve plan. So I think those are the two main factors that fit into or we considered to fit into this new structure.

Operator

[Operator Instructions] Our next question comes from Lawson Winder with Bank of America.

Lawson Winder
BofA Securities, Research Division

I just had a couple of questions for you—So one was on the guidance for Q1. Thank you for providing that. It's always helpful to have that in a full year guidance. How did you guys think about Andacollo for that in terms of production? I don't know if you can provide -- or in terms of deliveries. I don't know if you can provide a range. But is something kind of like 2024 divided by four kind of the right way to think about that? And then yes, that would be the first question on the guidance.

William H. Heissenbuttel
President, CEO & Director

Lawson, so is your question on the quarterly guidance that we just gave? Because that number, we would pretty much know, because the Andacollo was one of those assets where we receive the gold about five or six months after it's been shipped, so we would have a pretty good idea of what that is.

Lawson Winder
BofA Securities, Research Division

That's exactly what I'm asking. If you could tell us the number, that would be great.

William H. Heissenbuttel
President, CEO & Director

We don't do asset-by-asset guidance, and I don't think we've ever given exactly what a particular asset is going to do in any quarter.

Lawson Winder
BofA Securities, Research Division

So yes, so just thinking about Andacollo in particular, like accounting for the fact that they had those issues with water in Q4, and you've disclosed that in your 10-Q, what the full year deliveries were, I guess, the question is then what was Q4 production, I guess, in terms of seasonality? Was Q4 much lower than Q1, 2 and 3 as a result of those or more in line? Just any sort of color in that direction would be helpful.

William H. Heissenbuttel
President, CEO & Director

I don't know. Martin, is there anything that you can think of that we could provide right now?

Martin Raffield
Vice President of Operations

Look, Teck have talked, Lawson, about the issues going into next year with the drought conditions and how that is potentially going to impact them. I think we probably started to see some of those impacts towards the end of last year. But I don't have -- I don't think numbers -- individual numbers for the production we should be talking about at the moment.

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Lawson Winder
BofA Securities, Research Division

Okay, no problem then. Maybe I'll just leave the guidance there then. The other question I wanted to ask actually was about Cortez and the Goldrush aspect of that. So Goldrush, you guys actually have multiple royalties. And on one portion of Goldrush, it's higher than the other.

And so what I wanted to understand is as Goldrush ramps up, sort of when, based on the current mine plan, would Royal Gold start to get the benefit of that higher rate? And is there a point where there's an overlap in the royalties such that the two are additive?

William H. Heissenbuttel
President, CEO & Director

Yes, the area of Goldrush where we have a higher royalty rate, I think, is in the far southeast portion of it. Martin, do we have an estimate of timing as to when that might come in?

Martin Raffield
Vice President of Operations

It's far, far in the future.

William H. Heissenbuttel
President, CEO & Director

Yes, that's what I thought.

Lawson Winder
BofA Securities, Research Division

Okay, that's very helpful to know.

Operator

Our next question comes from Tanya Jakusconek with Scotiabank.

Tanya M. Jakusconek
Scotiabank Global Banking and Markets, Research Division

I just wanted to come back to Crossroads. I was the one who asked Barrick on the call yesterday about Crossroads and what exactly had happened. And maybe my understanding, which may be different from yours and -- was that we have this fault that they thought was an area where they had high grade, and when they did additional confirmation drilling, the fault seemed to have -- was there that they hadn't expected and lost this high-grade gold. But my understanding was that we also have lost reserves and resources from this area as well. Is that your understanding? So are you expecting also a decline in the reserves and resources in this area?

William H. Heissenbuttel
President, CEO & Director

Martin, I'm going to hand that one to you.

Martin Raffield
Vice President of Operations

Thanks, Tanya. We don't...

Tanya M. Jakusconek
Scotiabank Global Banking and Markets, Research Division

I know, sorry, Martin, but it was just -- go ahead.

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Martin Raffield
Vice President of Operations

Yes, look, I think we would expect some sort of change based on what has been said over the past couple of days. But I can't really give you any detail around that because we haven't seen the detail ourselves yet.

Tanya M. Jakusconek
Scotiabank Global Banking and Markets, Research Division

Okay. So I guess, from our perspective, just for the 2024 number, from what very high-level guidance you've provided, it would be safe to assume that, that 49,000 GEOs was -- that you achieved in 2023, we can kind of remove maybe 20,000 off that number for 2024?

Martin Raffield
Vice President of Operations

Yes, that's exactly right.

Tanya M. Jakusconek
Scotiabank Global Banking and Markets, Research Division

Okay, and then we will wait. Would you know about these reserves and resources when you report in -- when you give us guidance in April in your new reserves...

Martin Raffield
Vice President of Operations

Yes, we're going to -- yes.

Tanya M. Jakusconek
Scotiabank Global Banking and Markets, Research Division

All right, okay. Maybe we can come back to that a little bit...

Martin Raffield
Vice President of Operations

Yes, so we will try and give more detail around that.

Tanya M. Jakusconek
Scotiabank Global Banking and Markets, Research Division

Okay, all right. And maybe, I guess, I'm just going to come back to just the M&A environment yet again. You mentioned now you've paid off a lot of your debt. Just wondering what you are seeing out there and sort of size-wise and how big would you be looking at in terms of potential transactions.

William H. Heissenbuttel
President, CEO & Director

Yes, Tanya, I'll hand that over to Dan to make a comment.

Daniel K. Breeze
Vice President of Corporate Development - RGLD Gold AG

Sure, Bill. Thanks for the question, Tanya. Look, I think -- well, as you know, we didn't announce a transaction last year. But looking back, I think it was one of our busier years with the internal reviews that we do on opportunities. And I think what we saw in the market, and maybe we're going to see at least in the near term, is probably representative of the state of the market right now, which is smaller lots but smaller opportunities across the board.

And I think it's really being driven, Tanya, still by a high cost of debt right now in the equity markets,

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which maybe they're recovering a little bit now, but, generally, they've been less supportive of smaller companies, in particular, those with single asset development project-type risks. And so I think that's what's driven these smaller royalty financings that we've seen in the market in the last 12 months or so.

I think that's going to continue. But we do still see that we obviously are in the same range, $100 million to $300 million. I think that still holds. But there are many more opportunities at the lower end of that size range, right? It's busy. And I think -- as I said, I think it's being driven by other types of capital just not being readily available right now.

Tanya M. Jakusconek
Scotiabank Global Banking and Markets, Research Division

Okay. And can I ask about -- yes, so similar range, similar sort of structure helping these smaller guys. Question for you, obviously, Newmont is looking to solve some of the assets, and my understanding is that the data room is open and people are looking. And have you seen or heard of any opportunities for you there?

Daniel K. Breeze
Vice President of Corporate Development - RGLD Gold AG

Well, we're -- sorry, Bill. Bill, go ahead.

William H. Heissenbuttel
President, CEO & Director

No, I was just going to say, look, we always point to these events as opportunities for stream financing. And to the extent we can be a good financing partner in that process, we are always happy to do it. The only caveat being we said the same thing about Barrick and Randgold. We said the same thing about Newmont and Goldcorp and really didn't see much develop. So we certainly have our eyes and ears open. But I guess, I wouldn't want you to say, "Yes, there's going to be a lot of opportunity," based on the disposal process.

Tanya M. Jakusconek
Scotiabank Global Banking and Markets, Research Division

Would you, Bill, increase your exposure to Africa if there was an opportunity for a stream there?

William H. Heissenbuttel
President, CEO & Director

Sorry, which asset?

Tanya M. Jakusconek
Scotiabank Global Banking and Markets, Research Division

Just in Africa, the continental Africa, would you take on that higher geopolitical risk?

William H. Heissenbuttel
President, CEO & Director

I'd be very country-specific. We've had a very good experience in Botswana. We haven't had a bad experience in Ghana. But again, eyes wide open there. We've had a long-term reluctance in South Africa. So I would say the number of countries in Africa where we would be comfortable is maybe a handful and you might not need all the fingers on your hand to do it.

Tanya M. Jakusconek
Scotiabank Global Banking and Markets, Research Division

Okay, got it. I really appreciate it and really would hope for more clarity on the Crossroads, if you could, by April.

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William H. Heissenbuttel
President, CEO & Director

Yes. Thanks, Tanya.

Operator

The next question comes from Brian MacArthur with Raymond James.

Brian MacArthur
Raymond James Ltd., Research Division

Most of my questions have been answered, but can I just ask, for the Mount Milligan deal, how this will be accounted for, i.e., when you get the gold payments and you get the free cash flow at the bottom, is that going to be through revenue and be counted as GEOs? Or is it going to be, if I just want to think of it, as other cash items coming through?

William H. Heissenbuttel
President, CEO & Director

Yes. Brian, I'm going to ask Paul to step in here and talk a little bit about the accounting. The only thing I -- the only caveat I will give you is he's going to tell you that they're working on the finalization of the accounting, so bear with him a little bit.

Brian MacArthur
Raymond James Ltd., Research Division

Yes, I'm sure.

Paul K. Libner
CFO & Treasurer

Yes. And Bill is right. Obviously, we need to qualify some of these statements with that fact that, yes, we're still evaluating the accounting treatment, but we do expect to complete that analysis here during our first quarter, at which time, we'll certainly give you more information with our next report. But as I sit here today, the consideration that we received obviously with the cash as well as the deferred gold ounces, I do anticipate bringing those on to the balance sheet certainly as a receivable. And obviously, since that receivable is in the form of gold, a commodity, I do anticipate that we will have to mark-to-market that receivable through the P&L each subsequent reporting period.

As far as the -- when the time comes that we receive those ounces, obviously, through that mark-to-marketing, if you will, over time, we'll take those ounces into inventory under our normal policy and we'll sell those. I can't say today with certainty that it would be revenue. I don't think it would be revenue. It could be some other form of an income, maybe not revenue, which equals then GEOs. But again, more to come on that but that would be where I would see things today.

Brian MacArthur
Raymond James Ltd., Research Division

So can I maybe just ask -- I mean, I guess, I can see the deferred gold maybe one way. But for the -- I mean, the money you're going to get in upfront -- I mean, I guess, where this goes is obviously with Cortez coming down, your growth rate in GEO isn't going to be that high this year, I suspect. So I mean, you're going to count that $25 million as part of GEO growth this year? Because it is, in a way, I guess, part of that stream. And it's not an insignificant amount of money.

William H. Heissenbuttel
President, CEO & Director

No, I mean, that wouldn't touch revenue.

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Brian MacArthur
Raymond James Ltd., Research Division

Right. That will just go straight to -- say, if I should think of it, that will come in with, say, the $36 million from the sub-debt coming back from Khoemacau, right? It's just going to be cash in?

William H. Heissenbuttel
President, CEO & Director

Yes, exactly.

Paul K. Libner
CFO & Treasurer

Correct.

Brian MacArthur
Raymond James Ltd., Research Division

Okay, great. Sorry about that. That's great. That was the last question I really had in all this.

Operator
Those were all the questions we have, so this concludes today's call. Thank you, everyone, for your participation, and you may now disconnect your lines.

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