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Earnings Call

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Presentation

Operator

Hello, everyone, and welcome to the Royal Gold 2024 Full Year and Fourth Quarter Conference Call. My name is Nadia, and I'll be coordinating the call today. [Operator Instructions] I will now hand over to your host, Alistair Baker, Senior Vice President, Investor Relations and Business Development to begin. Alistair, please go ahead.

Alistair Baker

Senior Vice President, Investor Relations and Business Development

Thank you, operator. Good morning, and welcome to our discussion of Royal Gold's fourth quarter and year-end 2024 results. This event is being webcast live, and a replay of this call will be available on our website. Speaking on the call today are Bill Heissenbuttel, President and CEO; Paul Libner, Senior Vice President and CFO; Martin Raffield, Senior Vice President of Operations; and Dan Breeze, Senior Vice President, Corporate Development of RG AG; Randy Shefman, Senior Vice President and General Counsel, is 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, adjusted EBITDA and cash G&A.

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 2024 performance. Dan will provide some background on the Cactus royalty acquisition. Martin will give some commentary on the portfolio, and Paul will provide a financial update.

After the formal remarks, we'll open the lines for a Q&A session. I'll now turn the call over to Bill.

William H. Heissenbuttel

President, CEO & Director

Good morning and thank you for joining the call. I'll begin on Slide 4. 2024 was an excellent year for Royal Gold. We recorded a stronger than anticipated fourth quarter and set records for revenue, operating cash flow and earnings for both the annual and quarterly period.

For the full year, revenue was \$719 million, operating cash flow was \$530 million and net income was \$332 million, which were 19%, 27% and 39% higher, respectively, over 2023. On an adjusted basis, our earnings were a record \$346 million or \$5.26 per share.

Gold remained the largest contributor to revenue for the year at about 76% of total, and almost 60% of our revenue was generated from the U.S., Canada and Australia. We have a business with very high margins, and our adjusted EBITDA margin was just over 81% for the year and reached almost 84% for the fourth quarter. Our business is not directly exposed to inflationary cost pressures, and we have continued to see strong margins with the rising gold price.

During the year, we paid over \$105 million back to shareholders in dividends and raised our annual dividend to \$1.80 per share for 2025. This is the 24th consecutive annual dividend increase, which is an unmatched record in the precious metals industry. And since we initiated our dividend in 2000, we have returned approximately \$1 billion to shareholders. We also completely repaid our revolving credit facility in 2024, and we finished the year with no debt and approximately \$1.2 billion of available liquidity.

There were a few other notable developments during the year, including new revenue for Mara Rosa, Manh Choh and Côté Gold mines, each of which poured first gold during 2024, a new agreement with Centerra at Mount Milligan that provides an incentive for Centerra to continue to invest in the long-term future of

Mount Milligan and the addition of new royalties on the Back River Gold District in Canada on the Cactus Project in Arizona. Both of these meet our criteria for investing in good projects with expansion potential operated by strong management teams and located in safe and mining-friendly jurisdictions.

Turning to Slide 5, we performed very well in 2024 compared to guidance. We issued our annual guidance in April 2024. We provided sales in terms of metal units rather than one GEO number to avoid distortion in the GEO calculation caused by volatile metal prices, and we will continue to use this approach.

Compared to the guidance ranges, gold sales were at the top end of the guidance range, copper and other metal sales were slightly higher than the guidance ranges, DD&A expense and effective tax rate were within the ranges, and silver sales were slightly lower than the guidance range, primarily due to lower silver deliveries and sales from Pueblo Viejo. Silver recovery at Pueblo Viejo has been disappointing for several quarters, and we flagged this on our last quarterly call.

Our gold sales for the year were stronger than we expected when we gave our outlook for the fourth quarter on our last quarterly call, and this improvement was related to higher-than-expected fourth quarter revenue from the Peñasquito and Cortez royalties and an earlier-than-expected gold delivery from Andacollo in the fourth quarter. These positive developments once again underscore the difficulty we have in forecasting the production levels of projects we don't operate.

I'll turn the call over to Dan to go over the Cactus Royalty purchase, but before handing over, I want to point out that while this is a copper royalty, this purchase does not indicate a strategic shift away from our focus on precious metals. We have consistently said we are open to non-precious metal investments in markets we understand, and we view this as an opportunistic purchase that should provide a good return over a long mine life in a metal we understand very well.

With that, I'll turn it over to Dan.

Daniel K. Breeze

Senior Vice President, Corporate Development - RGLD Gold AG

Thanks, Bill. Turning to Slide 6, in late December, we acquired a 2.5% NSR royalty over the Cactus Project from a private seller for \$55 million. Cactus is a brownfield copper project in Arizona, approximately 70 kilometers southeast of Phoenix. Arizona Sonoran Copper, the current operator has the right to repurchase 0.5% of this royalty until July of this year.

The project was operated from 1974 through 1984 by ASARCO and Arizona Sonoran acquired the project assets and interest in 2020 from the ASARCO Trust. The project is attractive on its own merits, and we have confidence in the Arizona Sonoran management team, some of whom we've worked with in the past. We are not alone in our positive view of this project as Arizona Sonoran has attracted the attention of Rio Tinto and Hudbay, two base metal mining companies that together own just over 17% of the shares outstanding.

Turning to Slide 7, the royalty covers about 50% to 60% of the Parks/Salyer deposit and 100% of the Cactus East and West deposits. We estimate that the first royalty payment to us will occur in about year five of operation and generate 4,000 to 6,000 GEOs per year in the first 15 years at current prices. The mineral resource estimate is current and there are approximately 7.3 billion pounds of copper contained in the measured and indicated resource and an additional 3.8 billion in the inferred resource.

The results of the August 2024 PEA shows a straightforward project, producing 5.3 billion pounds over a 31-year mine life. Most of the mining will be done by open pit, and copper cathodes will be produced with a conventional heap leach and SX-EW process. Arizona Sonoran is working to update the resource and complete a pre-feasibility study this year, followed by a feasibility study and construction decision in 2026. First production is expected in the 2028 to 2029 time frame. Permitting should be straightforward given that most of the project is on private land, several of the key permits require only amendments given its brownfield status, and the project is subject to only state of Arizona permits.

I'll now turn the call over to Martin to discuss portfolio highlights from the quarter.

Martin Raffield*Senior Vice President, Operations*

Thanks, Dan. Turning to Slide 8, I'll give some comments on fourth quarter revenue. Overall revenue was a record \$203 million with a volume of 76,100 GEOs. On our third quarter call, we forecasted a slightly softer fourth quarter, but strong metal prices and a stronger contribution from our royalty segment helped overall revenue exceed our expectations.

Royalty revenue was up strongly by about 43% from the prior year quarter to \$78 million. And the royalty segment contributed about 38% of total revenue, which is higher than we've seen over the past several quarters. We have 35 royalty assets that generate revenue, and, although they are generally smaller contributors than our stream assets, strong performance from several of these can have a positive impact on our overall revenue.

In addition to a very strong quarter from Peñasquito, strong contributions from Manh Choh, Bellevue and Robinson more than offset lower revenue from the Cortez Legacy Zone. Revenue from our stream segment was \$125 million, up by about 27% from last year, with increased contributions from Mount Milligan, Rainy River, Pueblo Viejo and Wassa.

I'll turn to Slide 9 to give some comments on notable developments within the portfolio. Firstly, I'll note that as part of an annual materiality review of individual stream and royalty interests, we have redefined our principal properties to be Andacollo, Cortez, Mount Milligan and Pueblo Viejo. These four properties contributed approximately 55% of our total revenue in 2024. This review considers primarily the relative contribution of estimated future revenue, and, to a lesser extent, historical revenue to our portfolio from each property. While Peñasquito and Khoemacau are relatively smaller, these and other assets remain important contributors, and we will continue providing disclosure on non-principal properties as appropriate.

Moving on to specific property updates, Barrick held an Investor Day in late November and gave some details on plans at Cortez. In the near term, Barrick is expecting overall gold production from Cortez to increase with the mining of ore in the Crossroads pit increasing following stripping as well as the continued ramp-up of the Goldrush underground mine, which is expected to produce 400,000 ounces of gold per year at full production levels.

For 2025, Barrick is forecasting production from the Cortez Complex of between 680,000 and 765,000 ounces, with Crossroads and Goldrush driving production to over one million ounces in 2027.

Relating to the longer-term potential at Cortez, Barrick reported several developments, including the receipt of the Record of Decision for the Robertson Project in the fourth quarter, the significant increase in gold resources at the Fourmile Project after incorporating results from recent drilling, and further exploration progress at the Hanson target at Cortez Hills Underground and the Swift target to the west of the Pipeline deposit.

According to Barrick, a PEA for the Fourmile Project, which covers approximately one third of the known orebody as defined by drilling to date, indicates the potential for gold production levels exceeding 500,000 ounces per year. Barrick plans to advance these projects with feasibility work ongoing for the Robertson open pit project, the pre-feasibility study planned to begin in 2025 at the Fourmile project and continuing exploration at the Hanson and Swift targets.

As a reminder, our approximate exposure to these areas is 9.4% gross royalty on Crossroads, a 1.6% gross royalty on Goldrush, Fourmile, Hanson and Swift and a 0.45% gross royalty on Robertson.

Barrick also provided some updates on Pueblo Viejo in the same session and outlined several projects that are intended to achieve planned throughputs and recoveries. Barrick expects planned throughput to increase steadily from 2024 and reach the expanded 14 million tonne per year capacity in 2028. Note that a 35-day shutdown is expected in the first quarter of 2025 to complete a thickener optimization.

With respect to recoveries, Barrick expects gold recovery to increase from approximately 80% at the end of 2024 to 90% by the end of 2026, and a project to improve silver recovery is targeted for completion by the fourth quarter of 2025.

Barrick is guiding that its share of gold production for 2025 will range between 370,000 and 410,000 ounces, which is expected to increase further in 2026 as throughput and recovery projects are completed.

Barrick also reported that it is currently advancing work on the new El Naranjo tailings storage facility with a late 2029 target for commissioning. The facility is expected to provide storage capacity for eight additional years beyond the current life of mine, which is expected to be 2046.

Turning to Slide 10, in Andacollo, Teck reported in January that risk mitigation plans to increase water availability were implemented in 2024, enabling mill throughput rates consistent with the mine plan through the second half of 2024. Teck also provided copper production guidance that reflects ongoing drought conditions that remain a production risk and expect copper production to increase by about 26% from approximately 39,700 tonnes in 2024 to a range of 45,000 to 55,000 tonnes per year from 2025 through 2027. Gold and copper grades have been relatively well correlated, and gold production has historically tended to track copper production.

At Khoemacau, in January MMG provided copper production guidance of 43,000 to 53,000 tonnes in 2025, up from 39,000 tonnes in 2024. MMG reported that it is working to access higher grade areas to achieve a higher production run rate of 60,000 tonnes per year of copper in concentrate by 2027. MMG does not provide silver guidance, but there is a relatively strong correlation between silver and copper grades and production at Khoemacau. Additionally, MMG reported that a feasibility study for the expansion to 130,000 tonnes per year started in December 2024, and construction of the expansion is expected to begin in 2026. First concentrate production is expected in 2028, subject to refining the timeline and the feasibility study. Recall that Royal Gold's silver stream interest covers expanded production from the Zone 5 mine and the Mango NE deposit.

I'll wrap up with a few brief comments on other portfolio assets, particularly related to 2025 production and catalysts. B2Gold has recently reported that the Goose Project at Back River is on track for first gold to be poured by the end of the second quarter. Recall that our royalty ramps up gradually over about three years to the full 3.3% GSR level.

We're looking forward to a full year of contribution from Mara Rosa, Côté Gold and Manh Choh after each poured first gold in 2024. 2025 production guidance is 94,000 to 104,000 ounces at Mara Rosa and 200,000 ounces at Manh Choh. And at Côté, we expect to receive royalty revenue on approximately two thirds of the 360,000 to 400,000 ounces produced.

The cash price paid at Xavantina will increase from 20% to 40% of spot price when they reach the 49,000 ounce delivery threshold, which we expect will occur sometime in the second quarter. Since we acquired our stream interest, Xavantina production has outperformed our initial expectations, and we have received delivery of 45,000 ounces as of the end of December. Note that the change in the cash price will not impact GEOs.

And finally, we're looking forward to seeing results of the Mount Milligan PEA towards mid-year. If Centerra shows a mine life extension beyond 2035, it should be a significant positive development for Royal Gold.

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

Paul K. Libner

Senior VP, Treasurer & CFO

Thanks, Martin. I'll now turn to Slide 11 and give an overview of the financial results for the quarter. For this discussion, I'll be comparing the quarter ended December 31, 2024, to the prior year quarter. Revenue for the quarter was up 33% to a record \$203 million. Metal prices were a primary driver of the revenue increase with gold and silver both up 35% and copper up 13% over the prior year.

Gold remains our dominant revenue source, making up 77% of our total revenue for the quarter, followed by silver at 10% and copper at 9%. Royal Gold has the highest gold revenue percentage when compared to our major peers in the royalty and streaming sector.

Turning to Slide 12, I'll provide a bit more detail on specific financial line items for the quarter. G&A expense was \$8.9 million, down slightly from the prior year and mostly due to lower corporate costs. Excluding non-cash stock compensation expense, our cash G&A expense has remained stable or decreased, which, combined with the increase in our revenue, the result was margin expansion over the past year. Our cash G&A has decreased from approximately 5% of revenue in the prior period to nearly 3% this quarter.

Our DD&A expense decreased to \$34 million from \$40 million in the prior year. On a unit basis, this expense was \$444 per GEO for the quarter compared to \$518 per GEO in prior year. The lower overall depletion expense and DD&A per GEO this quarter was due to lower depletion rates in our stream segment and a higher concentration of revenue from the royalty segment, in particular, increased production at Peñasquito, which carries a lower depletion rate. It is worth noting that some of our royalties have lower depletion rates, so in a quarter like this where there was an increase in the concentration of royalty revenue, depletion expense can be lower and our margins may increase.

Interest expense decreased significantly to \$1.4 million from \$6 million in the prior year. The decrease was primarily due to lower average amounts outstanding on the revolving credit facility.

Tax expense for the quarter was \$26 million, resulting in an effective tax rate of 19.5%. This compares to tax expense of \$13 million, an effective tax rate of 17.5% in the prior year. The higher tax expense in the current period was due to the higher pretax income, driven primarily by our record revenue. Net income for the quarter was up 71% over the prior year to a record \$107 million or \$1.63 per share. The increase in net income was primarily due to higher revenue and lower interest expense.

Our operating cash flow this quarter was a record \$141 million, up 40% over the prior year. The increase in operating cash flow was primarily due to higher stream and royalty cash receipts.

We expect to provide full year 2025 guidance for metal sales, depletion expense and our effective tax rate in mid- to late March. However, to help you prepare your estimates, we expect our stream segment sales to range between 40,000 and 45,000 GEOs during the first quarter of 2025. 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.

I'll now turn to Slide 13 and provide a summary of our financial position as of December 31, 2024. We remain debt-free at the end of the quarter, and our total liquidity was approximately \$1.2 billion, which includes the fully undrawn and available \$1 billion revolving credit facility and approximately \$190 million of working capital. That concludes my comments on our financial performance for the quarter, and I'll now turn the call back to Bill for closing comments.

William H. Heissenbuttel
President, CEO & Director

Thanks, Paul. 2024 was a very strong year for Royal Gold. Our business is designed to deliver leverage to gold and our 2024 results demonstrate the direct relationship between a strong and rising gold price and Royal Gold's financial performance. We saw contributions from a number of new producing assets. We acquired two quality royalties, produced our first asset handbook, increased our dividend and hopefully set the stage for an increase in the mine life of our largest revenue source.

Looking forward to 2025, we think the uncertain global geopolitical and macroeconomic outlook will continue to bias risk in the gold price to the upside. While we expect to give formal guidance in mid- to late March, we believe the guidance ranges will be similar to what we provided in 2024. Our key assets are positioned to provide medium-term growth, and we will watch with interest several catalysts: ramp up progress at Goldrush and continued studies at Fourmile, both at the Cortez Complex, the planned ramp-up of throughput at Pueblo Viejo, feasibility study work on the Khoemacau expansion, a life-of-mine extension study at Mount Milligan and first production at Back River.

On the business development front, we will continue to look for the best opportunities to provide further growth, continuing our strategy of adding exposure to high-quality assets with upside, experienced management and good jurisdictions. And with a strong balance sheet and robust cash flow, we are positioned to compete for those opportunities with our disciplined approach to project evaluation. Operator, that concludes our prepared remarks. I'll now open the line for questions.

Question and Answer

Operator

Our first question goes to Cosmos Chiu of CIBC.

Cosmos Chiu

CIBC Capital Markets, Research Division

Maybe my first question is on Cortez. Bill, I know you don't give out longer-term guidance. However, the Cortez royalty is certainly very complex. There's different parts to our legacy royalties versus for the newer ones here. So, I guess my question is, as you mentioned, Cortez is looking at 700 -- midpoint 720,000 ounces-ish this year, can grow to one million ounces by 2027 based on Crossroads, Goldrush. And Martin, thanks for giving us the 9.4%, 2.2%.

My question is, how can we use that information potentially to help us refine our model in terms of what growth could come through at Cortez? Is it as simple sticking the 9.4% and a 2.2%, averaging out to 5.8% GSR and say the growth -- the additional ounces will be subject to that kind of GSR, or how can you help us out?

William H. Heissenbuttel

President, CEO & Director

Cosmos, we struggle with the exact same thing. And I think -- look, I mean, the issue is, and I understand Barrick talks about it as one project. It is not one project to us. When you've got a 9.4% or 1.6% royalty, the GEOs that result from that are completely dependent on where the ounces come from. Now I think when we get to the point next month, when we're giving you the guidance for this year, I think we'll be able to give you the math to make it work. But unless Barrick gives us permission to talk longer term about where ounces are coming from, it's something we always have to work with, with our operators, because we don't want to front run them. We don't want to put information out that they're not comfortable putting out there. Now I will say, one million ounces in 2027, to me sounds exciting, because if it is Crossroads, that is a bigger piece of -- has a bigger royalty rate associated with it. But longer term, I just can't help you right now. I mean we will continue to work with Barrick to try to improve that. Right now, the best we're going to be able to do is on an annual basis.

Cosmos Chiu

CIBC Capital Markets, Research Division

Okay. So I guess we'll find out a bit more maybe come mid or late March when we get the 2025 guidance. We might not see the full picture, but you'll help us out?

William H. Heissenbuttel

President, CEO & Director

Yes. Yes, I think we'll be able to do that.

Cosmos Chiu

CIBC Capital Markets, Research Division

Sounds good. Okay. And then maybe quickly on Pueblo Viejo. As we know, there's a 30-day shutdown impact in Q1 2025 for the thickener optimization. Is that going to impact your Q1 or Q2? And then my second part of my question is, I seem to see that gold recovery is going to take a bit longer to optimize versus silver recovery, which should be by the end of 2025, versus optimization of gold recovery by the end of 2026. Can you maybe comment on that as well? How come, in terms of how they're able to optimize the silver recovery first.

William H. Heissenbuttel*President, CEO & Director*

Okay. I'll take the first part of your question, and then I may turn it over to Martin to do the second part.

So the way our deliveries work, they work on a quarterly basis. We get deliveries the 15th of March, June, September, December, based on the three-month period of the last month. So the March delivery will be December, January, February. It all depends when this 30-day period last. Let's just assume for a second, it's all January, February. So the deliveries we're getting in March will be down. That whatever we get delivered in March gets sold in June. And so that's how you should -- there's always sort of a three- to five-month lag between what they're producing and what we're selling.

If the 30-day period goes half February and half March, you're going to see lower deliveries in March in sales, but then it will impact the June delivery, and therefore, the September sales. So it all depends where this 30-day period ends up. But at least you understand how delivery is going and that we sell what we get in one quarter, we sell it in the following quarter.

Martin, is there anything you can add on silver recovery?

Martin Raffield*Senior Vice President of Operations*

Yes. I think Barrick has got a lot of projects running, at the moment, to improve both the gold and the silver recovery side. If you look at their presentation, a couple of days or yesterday, they've got the SAG mills, deslime cyclones being put in. That's going to improve the output of the SAG mills and send the fines straight to the thickeners and into the autoclaves. They've got grinding thickener modifications ongoing. As you mentioned, removing and replacing the center well to improve the autoclave feed and density.

Then in terms of the silver recovery, the important one there is the cooling tower upgrade, because what that allows the CIL temperature to be reduced, but it allows prior to that, the lime boil temperature to be higher. And that is really the important thing for silver recovery breaking down the jarosite, releasing the silver in the lime boil. So that cooling tower upgrade is kind of the thing that is going to improve silver recovery. And then they've got further projects on the carbon regeneration kiln upgrades that improve both gold and silver recovery.

So, to answer your question, it's not completely clear to us why the gold recovery is over a longer period of time. But it is clear to us that improving the silver recovery in the third, fourth quarter this year is really related to that cooling tower upgrade that allows the lime boil to work more efficiently and allows more silver to be recovered.

Cosmos Chiu*CIBC Capital Markets, Research Division*

Great. And I guess, in the end, that's what matters to you in terms of being able to really understand why the silver recovery goes up because that's the most important part to Royal Gold, I would imagine.

Maybe one last question on Cactus. Bill, as you mentioned, this is a copper royalty. And -- but Bill, as you mentioned, this is not an indication of you changing your strategy in terms for the company. So maybe -- could you maybe comment on -- I saw that in the last quarter, your revenue mix was 76% gold, 12% silver, 9% copper. Are you happy with that mix?

William H. Heissenbuttel*President, CEO & Director*

I'm happy with the mix. The thing I think I've said is that when our business development team is out there marketing, looking for opportunities, we're focused on precious metals. If someone happens to call us up and say, hey, I've got this copper royalty, would you -- do you want to have a look? Sure, we'll look at it. So, we don't really target percentage of revenue. I'd say, do I want gold revenue to be higher. Yes. I mean that's what we do. But it certainly doesn't mean we sort of throw to the curb good opportunities

that happen to be in markets that we understand. So, it's really just what we focus on, where we put our efforts, but we're always willing to react to other things.

Cosmos Chiu

CIBC Capital Markets, Research Division

Of course. And maybe one last question on Cactus. As you mentioned, I think the majority of the royalties at Cactus East and Cactus West with a bit at Parks/Salyer. I don't know the asset as well so I'm just trying to figure out how this kind of comes around or comes together. But what can we expect when the pre-feasibility study is due to be released in -- later on in 2025.

I'm sure we're going to see some Parks and Salyer. But is Cactus East and West going to be in there as well? Because again, I'm just trying to refine my model here. If I was to take the entire reserve resource here, this would be worth a lot more than the \$55 million that you paid for. So number one, I'm just trying to figure out the different components to it, what's going to be included in the pre-feas that's coming up and how can we value it.

William H. Heissenbuttel

President, CEO & Director

Yes. Cosmos, what I might do is ask Dan or Martin. Dan, I don't know if there's anything just sort of commercially from a valuation perspective that you might be able to add, or Martin, if you have anything specific to the study that's coming out that would help.

Daniel K. Breeze

Senior Vice President, Corporate Development - RGLD Gold AG

Yes. Thanks, Bill. Cosmos. Good to hear from you. I think I might just pass it over to Martin. And Martin, maybe what we could do is just share a little bit of color about how the ops team there came up with the schedule in terms of those deposits and how we're thinking about it. Cosmos, I think we defer you over to the operator ultimately in terms of how they're looking at the assets and give you some commentary. Martin, any color on the scheduling?

Martin Raffield

Senior Vice President, Operations

Yes, certainly. Yes. So Cosmos, the -- we believe that the Parks/Salyer deposit is going to be the first area into production. And we believe we've probably got about 50% to 60% of that AOI coverage, possibly even a little bit higher. And so -- however, the first production to come out of there is our AOI is likely to be delayed by a couple of years as they move from the south to the north with the mining.

So we've got a good portion of the Parks/Salyer area, and we've got complete coverage over the Cactus East and Cactus underground area so, sorry, the Cactus West and the Cactus underground portions. Those we do believe are going to come in a bit later. However, because they're working on the PFS at the moment, there's a lot of scope to change things as they run their optimization processes. So we're waiting with a great deal of interest like you in terms of seeing what that PFS comes out with. So we as -- I think that's broadly enough said at the moment on that.

Cosmos Chiu

CIBC Capital Markets, Research Division

No, that's perfect. And we'll keep our eyes out for the pre-feas as well, but those are the questions I have.

Operator

The next question goes to Brian MacArthur of Raymond James.

Brian MacArthur

Raymond James Ltd., Research Division

My question is really Cosmos's last question. But just to be clear, when you say the first payments that you think you're going to get on Cactus are in year five, that is purely on the assumption of where the

minings come from. There's not a checkerboard royalty. There is not -- this is all one royalty and the buyback of 0.5% is all the same royalty. There's not like multiple royalties I don't see here. That's part of the equation that's just purely your assumptions about what the future mining plan will be when you say you won't get any royalties until year five. Is that correct?

William H. Heissenbuttel

President, CEO & Director

Yes, Brian, thanks for the question. Yes, Martin, chime in here if you -- as I go straight here. Technically, there are two royalties that do the exact same thing. We only describe it as one just to keep it simple, but there's no checkerboard. It's just the coverage -- it's just the timing of when we think the material is going to be processed. It's not really an on again, off again approach in terms of our AOI.

Brian MacArthur

Raymond James Ltd., Research Division

Great. I just want to make sure. So if I look at your production profile, it was the same that you have on your Page 7 now, basically, you just start it turns out you start to get the big year of production is when you'd start to kick the royalty and the way you see things now, I realize it can all change with the feasibility. Is that the right way to look at this?

William H. Heissenbuttel

President, CEO & Director

That's the way we're looking at it now. Now as Martin said, as they go through these studies, that could change, and maybe they do monitor in a different sequence. But right now, where you're going, I think is the correct way to think about it.

Brian MacArthur

Raymond James Ltd., Research Division

Great. Just same thing as Cosmos. I'm just trying to get the math to work on this thing. The second thing -- just, can you remind me, I see the deferred sales was up to 1.7 million ounces at PV now. So I mean that's almost \$1 a share or whatever. Effectively, what actually happens, like if they finally get the recoveries worked? Can you just remind me how you start to recover those deferred ounces.

William H. Heissenbuttel

President, CEO & Director

Yes. I'll try to see if I can keep this as simple as possible and Dan can always cut me off if I go astray. The key recovery rate is 52.5%. So, when silver recovery was 70%, we get our 75% of the silver, not a big deal. As the silver recovery went down, basically, the 75% would go all the way up. So at 52.5%, we're getting 100% of the silver. They've been below that, and that's when you start getting into the deferral of the ounces.

I think what -- when they start getting above 52.5%, that's when I think you're going to see the deferred ounces sort of unwind in the other direction and come back to us. The only thing I'd caution you a little bit is when you're looking at the value of what we might get, number one, if they deliver deferred silver, we have to pay the 30% of spot price. So you're immediately taking 70% of the value. And then we have deferred some cash price payments, based on the fact that we have not been getting the ounces. Those also have to be paid. And I don't have the exact number right now. But if you look at the gross value of the silver right now, the net to us might be, I don't know, 35%, 40% of the value when all is said and done. So I guess don't look at that gross number and say, wow, you guys are missing a lot because there are payments that would have to be made once those ounces are received by us.

Operator

[Operator Instructions] And the next question goes to Adetayo Adedeji of Scotiabank.

Adetayo Adedeji*Scotiabank Global Banking and Markets, Research Division*

So, I'd just like to ask about your deal pipeline. Are you still seeing opportunities mostly in the \$100 million to \$300 million range. And then this year, can we still expect more transactions, more deals on Mt. Goode? I can know that you talked about it being opportunistic in nature, but are you still expecting anything? And then maybe just comment on your structure. Would this structure deal in combinations of equity, debt or has this changed? And then we are sort of hearing about a deal in the market like a \$1 billion deal. Do you want to comment on this? If you were to take on this deal, can you do it by yourself? Or would you sort of like do a syndicate deal approach if you were to get involved?

William H. Heissenbuttel*President, CEO & Director*

Yes. Let me try to tackle a couple of them, then I might get Dan in here. So, we don't comment on particular transactions. So if there's a \$1 billion deal in the market, we wouldn't comment specifically on it. I think, generally speaking, we're totally open to syndication. The only thing about syndication is you have to find a partner that thinks similarly to you in terms of structure, returns, security, guarantees. There's a lot that you have to agree with your partner. But we could handle \$1 billion. I'm not worried about doing that by ourselves. But again, if someone comes along and says we want to work together, happy to do it. That's great.

The equity debt stream side of things, you've seen us do debt at Khoemacau. You're seeing us do debt at Golden Star. Both those loans were repaid. We'd rather not do it. But if a stream transaction is a 60% to 70% of the total financing, somewhere around there, and doing some debt and doing some equity would get us to transaction, we are open to it. Again, not a preference, but if it gets us the right stream transaction, we do have to consider it. And then more copper? No, again, this isn't a change in strategy. If something comes up in the latter part of this year, middle part of this year, that's copper and we like it, we might do it. But it's certainly -- again, this isn't a switch to, okay, how many copper deals can we do? How many zinc deals or nickel deals, whatever, that's not the approach. And nobody can ever forecast what transactions are coming up in this market. So, don't take one deal as an indication of what's to come. Dan, do you want to talk about the market in general?

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

Sure, Bill. Yes, maybe just to answer the last question there, which is the range, \$100 million to \$300 million. I think that still holds. And we always talk about that, it seems, every quarter. But you look at the last two deals that we've announced, including Cactus here today, they were sub-\$100 million deals. So, we do look at things that are smaller. We do see things that come across our radar that are interesting and will obviously transact. We are aware of a couple of larger opportunities in the market. And in general, I would say the things that we see in the pipeline right now are more precious weighted, gold in particular, around project development. So, I think that kind of summarizes it from what we see right now. Does that answer your question?

Adetayo Adedeji*Scotiabank Global Banking and Markets, Research Division*

Yes. Maybe just a follow-up to that, do corporate opportunities make sense to you. Why or why not, if they don't?

William H. Heissenbuttel*President, CEO & Director*

Are you talking about M&A amongst royalty and streaming companies?

Adetayo Adedeji*Scotiabank Global Banking and Markets, Research Division*

Say it again?

William H. Heissenbuttel*President, CEO & Director*

Yes, okay. We always look at it. There are obviously times when that could very well make sense. I think the thing that we have found historically is you have certain companies that trade at higher multiples. You have certain companies that trade at lower multiples, and where the transactions probably make sense between those. If the lower multiple company wants to trade at a higher multiple and then get a takeover premium on that higher multiple, it makes less and less sense.

We don't need -- we haven't done a true corporate transaction in about 15 years. At that time, we were getting bigger, we wanted the assets. We don't feel the need to get bigger. We don't need to add assets in one go. So, if it makes sense, we're open to it. But you just don't see a lot. And I think that's the reason of the valuation differences. And finding two parties who find the right time and the right price, that's really tough to find. So totally open to it, but you just don't see a lot.

Adetayo Adedeji*Scotiabank Global Banking and Markets, Research Division*

And one other question. Like yesterday, we saw a new mine plan, Rainy River from New Gold. Maybe just provide some comments on this from Royal Gold's perspective.

William H. Heissenbuttel*President, CEO & Director*

Yes. I'm going to turn it over to Martin, but I may caution you, it's also news to us probably, so he may not have had a chance to digest everything we just saw. But I don't know, Martin, if you have any color you can add.

Martin Raffield*Senior Vice President of Operations*

Yes, it is pretty new to us. We understand to a certain extent how the mines are operating in our portfolio, but we don't have very intricate knowledge of them. So, if a company changes a plan, if they come out as Rainy River did with a fairly low Q1 and Q2 from a production perspective, we don't have a lot of color to add to what they've said. So yes, it's new to us, and we're busy digesting it, at the moment.

Adetayo Adedeji*Scotiabank Global Banking and Markets, Research Division*

My last question, your updates on reserves and resources. When can we expect that? And your guidance that's coming in mid to late March is it coming out with an Investor Day?

William H. Heissenbuttel*President, CEO & Director*

Yes. I'm sorry, I didn't get the first part of the question. Did you say reserves and resources?

Adetayo Adedeji*Scotiabank Global Banking and Markets, Research Division*

Yes, your reserves and resources, when are they coming up?

William H. Heissenbuttel*President, CEO & Director*

Yes. So it's sort of an iterative process for us a little bit because we have some companies that report as of 12/31. We have Australian companies that report as of June 30. We're going to keep our -- we have a section under our portfolio that has reserves and resources that will get updated as we go. We're going to have a new asset handbook that will be more of a point-in-time reserve and resource number. So, between the website and the asset handbook, we don't come out with one big announcement. It's more, as we get information from the operators, we update the information.

I think the second part of your question was an Investor Day?

Adetayo Adedeji

Scotiabank Global Banking and Markets, Research Division

Yes. I'm asking if the guidance in late March is coming with an Investor Day.

William H. Heissenbuttel

President, CEO & Director

No, we don't expect to have an Investor Day around that. I'm sure Alistair will release it, and we'll see what questions we get, if it makes sense to pull groups together, I guess we can do that, but we don't have any plans to do it right now.

Operator

The next question goes to Derick Ma of TD Cowen.

Derick Ma

TD Cowen, Research Division

My question is on capital allocation. Royal Gold is debt-free now, generated \$141 million in operating cash flow in Q4 and \$1.2 billion available in liquidity. Is there sufficient supply and potential deals in the market to deploy all the capital that you are generating in your view?

William H. Heissenbuttel

President, CEO & Director

If I could forecast the deals we're going to see, I could answer the question. Based on the fact that we see transactions again in the \$100 million to \$300 million range, you can say, unless you see two or three of these things, you probably have more capital than you need. The problem is you just don't know what's going to happen. And just everybody in the industry goes back to 2015 when we deployed \$1 billion plus in a four- or five-month period. So, we have to be a little bit careful. We do think the best place to invest, to use the capital we have, is to buy new assets because we put it in at NAV, and hopefully, we trade at a premium to that, that is increasing value. If we get to the point where we're just not seeing transactions, they're not meeting the criteria that we have, and we think we have more capital than we need, yes, then we're going to have a discussion with our Board. Do we do anything, don't we do anything? I've never really seen that happen. The transactions tend to come frequently enough that we're able to take the capital we're generating and redeploy it into assets.

Derick Ma

TD Cowen, Research Division

This is maybe a difficult follow-up, but at what point do you think you are overcapitalized then given your cash flows...

William H. Heissenbuttel

President, CEO & Director

I haven't given enough thought to that and haven't had the discussion with the team or the Board to give you a figure where we think we don't need anything more than that.

Derick Ma

TD Cowen, Research Division

Okay. That's fair. One more question on Cactus. The area of interest, I don't think it includes their target at Main Spring, but does it include the Northwest extension? Hard to tell from that?

William H. Heissenbuttel

President, CEO & Director

Martin, do you have a thought on that?

Martin Raffield

Senior Vice President, Operations

Yes, it does include up to the Northwest.

Derick Ma

TD Cowen, Research Division

To the Northwest extension, okay. Might be of the exploration optionality. Northwest to Cactus and Northwest extension, I believe, that's one of their exploration targets?

Martin Raffield

Senior Vice President of Operations

Yes, it includes that area.

Operator

We are almost out of time, so the last question goes to Josh Wolfson of RBC.

Joshua Mark Wolfson

RBC Capital Markets, Research Division

Apologies in advance for the nitpicky nature of this question, but just the comments earlier on guidance and some of the discussion on flat, year-over-year ranges. Are you thinking about that more in terms of what the GEO ranges would be? Or would that be on the individual metals? And I asked just because there have been some significant ratio changes on a year-over-year basis.

William H. Heissenbuttel

President, CEO & Director

Yes, Josh. No, we plan to give this year's guidance the way we did last year, which is by metal and then revenue for the smaller metals. I think if we find a point where gold, in particular, has found a new range, we might go back to GEOs. I don't know yet, but if we had just gone GEOs in 2024, we would have been way off and been explaining like two or three GEO numbers. So, for the time being, we're going to stick with the way we did it last year.

Joshua Mark Wolfson

RBC Capital Markets, Research Division

Okay. So, which would imply when you're seeing sort of stable numbers that would be by individual metal?

William H. Heissenbuttel

President, CEO & Director

Correct.

Operator

I will now hand back to Bill Heissenbuttel for any closing comments.

William H. Heissenbuttel

President, CEO & Director

I just wanted to thank you for taking the time to join us today. Thank you for the questions. We certainly appreciate your interest. And we look forward to updating you on our progress during our next quarterly call. Take care.

Operator

This now concludes today's call. Thank you all for joining. You may now disconnect your lines.

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