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Earnings Call

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CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	8

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Presentation

Operator

Hello all and thank you for joining us on today's Royal Gold 2025 Third Quarter Conference Call. My name is Drew, and I'll be your operator on the call today. [Operator Instructions] With that, it's my pleasure to hand over to Alistair Baker to begin. Please go ahead when you're ready.

Alistair Baker

Senior Vice President, Investor Relations and Business Development

Thank you, operator. Good morning, and welcome to our discussion of Royal Gold's Third Quarter 2025 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; and Martin Raffield, Senior Vice President of Operations. Other members of the management team 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, 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 the quarter and recent events. Martin will provide portfolio commentary, and Paul will give 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. We had another quarter of very strong results, and we set new records for revenue and cash flow. Our portfolio performed well and allowed us to benefit directly from materially stronger gold and silver prices.

Earnings for the quarter were \$127 million or \$1.92 per share and after adjusting for non-recurring costs related to the Sandstorm and Horizon transactions were a record \$136 million or \$2.06 per share.

Gold remained the largest contributor to revenue for the quarter at about 78% of the total and the strong gold price, combined with our low and stable cash G&A, allowed us to maintain an adjusted EBITDA margin of over 80% for the quarter. We continued our focus on shareholder returns and paid our quarterly dividend of \$0.45 per share.

We added a strong operator to our portfolio in First Quantum with the \$1 billion gold stream transaction on Kansanshi and, post quarter end, we received our first gold delivery in early October. We are pleased to add yet another large, long-life and cash flowing asset to the portfolio.

Also post quarter end, we completed the acquisition of Sandstorm Gold and Horizon Copper on October 20. The strategic rationale for the combination of these companies clearly resonated with our shareholders, and we were pleased with the overwhelming shareholder support for the transactions. Not only have we added a series of quality producing and development assets to the portfolio in recent months, but we also saw very positive news within the pre-existing portfolio with the life of mine extension at Mount Milligan and the Fourmile exploration update, both of which will be covered by Martin later in our presentation. And finally, in October, we received the first tranche of gold as partial consideration for the Mount Milligan Cost Support Agreement. This agreement from early 2024 was a key step for Centerra to begin work on the mine life extension project, and we are pleased to see the initial

results of that project study. This is a win-win for both Royal Gold and Centerra shareholders. I'll now turn the call over to Martin to provide a portfolio update.

Martin Raffield

Senior Vice President, Operations

Thanks, Bill. Turning to Slide 5, overall revenue for the third quarter was a record \$252 million with volume of 72,900 GEOs. Royalty revenue was up about 41% from the prior year quarter to \$86 million. We saw very strong revenue from Peñasquito, the Cortez CC Zone, LaRonde Zone 5 and Voisey's Bay, which was partially offset by weaker revenue from the Cortez Legacy Zone. Revenue from our stream segment was \$166 million, up about 25% from last year, with increased sales from Andacollo, Rainy River, Mount Milligan, Khoemacau and Wassa, partially offset by lower sales from Xavantina.

Turning to Slide 6, we saw some material news at Mount Milligan and Cortez in the quarter. At Mount Milligan, Centerra reported the results of the mine life extension project. They are expecting an increase in the mine life from 2036 to 2045, and there is potential to extend that further with expansion of the current mineral resource, future raises on the planned new tailings facility, and other mine life extension opportunities. Centerra has reported encouraging support from the government, and Mount Milligan was given fast track status by the province of BC in line with its commitments to streamlining permitting and regulatory processes for critical mineral projects.

Mount Milligan is Royal Gold's largest contributor in terms of revenue, and the mine life extension adds significant value to our largest asset. At Cortez, Barrick provided an update on exploration and development plans for Fourmile, which is described as a multigenerational project. Barrick has completed a preliminary economic assessment that indicates the potential to produce 600,000 to 750,000 ounces annually over a 25-year mine life. Barrick is undertaking a multi-year exploration program, and they expect to set the mine up for initial test stoping shortly after underground development has been put in place by 2029. Barrick believes there is potential to increase the production rates further as confidence in the ore body and geotechnical modeling progresses.

The royalties we acquired in 2022 at Cortez provide full coverage of Fourmile at a rate equivalent to an approximate 1.6% gross royalty. At Kansanshi, First Quantum announced last week that the S3 Expansion is complete and is transitioning to operations. First Quantum reported that throughput and recoveries at the S3 Expansion are ramping up faster than expected and copper production in the fourth quarter of 2025 is expected to exceed third quarter levels. We received the first gold delivery under our new stream in early October. We've now reached the regular cadence for monthly deliveries, and we're expecting total deliveries and sales of approximately 7,500 ounces in 2025. This is about 5,000 ounces less in 2025 than our estimate when we announced the transaction, and this difference is related to timing of the initial delivery and is not related to production shortfalls.

We also had some notable updates at a handful of our smaller assets. At Rainy River, New Gold reported strong production for the quarter due to processing of higher-grade ore in the open pit. Underground development is also advancing well, and they are expecting 2025 gold production to be above the midpoint of the 265,000 to 295,000 ounce guidance range. At Back River, B2Gold announced that commercial production was achieved on October 2 and reiterated near- and long-term gold production estimates.

At Khoemacau, MMG confirmed the timing for the expansion project, and they expect to complete the feasibility study by the end of 2025 and produce first concentrate in 2028. At Cactus, Arizona Sonoran reported PFS results, which indicate a 22-year mine life with average copper production of 198 million pounds per year and 226 million pounds per year in the first 10 years. Arizona Sonoran expects to complete a feasibility study in the second half of next year, leading to a final investment decision as early as the fourth quarter of 2026 and first production of copper cathodes in the second half of 2029.

At Red Chris, Newmont reported that it aims to deliver a development proposal for the block cave expansion to its Board towards the middle of 2026. In September, the government of Canada recognized the Red Chris expansion as a project of national importance, granting it priority status under the Major Projects Office fast track initiative. And at Xavantina, Ero reported an increase in reserves and resources

driven by plans to market a high-grade gold concentrate over the next 12 to 18 months, as well as exploration efforts that continue to extend the known limits of mineralization.

And finally, while Sandstorm assets weren't part of our portfolio until quarter end, there were a couple of developments at the larger assets that are worth noting. At MARA, Glencore submitted the RIGI application to the Government of Argentina in August, which Glencore describes as a significant step towards development. And at Platreef, Ivanhoe announced the first feed of ore into the Phase 1 concentrator last week, and the first concentrate is expected in mid- to late November. We visited the site in October, and we're impressed with how Ivanhoe has advanced the project and is preparing to transition to operations. I'll now turn the call over to Paul.

Paul K. Libner

Senior Vice President & Chief Financial Officer

Thanks, Martin. I will turn to Slide 7 and give an overview of the financial results for the quarter. For the discussion of Slide 7 and 8, I'll be comparing the quarter ended September 30, 2025, to the prior year quarter. Revenue for the quarter was up strongly by 30% to \$252 million, which was another record for the company. Metal prices were a primary driver of the revenue increase with gold up 40%, silver up 34% and copper up 6% over the prior year. Gold remains our dominant revenue driver, making up 78% of our total revenue for the quarter, followed by silver at 12% and copper at 7%. Royal Gold has the highest gold revenue percentage when compared to our large cap peers in the royalty and streaming sector.

Turning to Slide 8, I'll provide more detail on certain financial items for the quarter. G&A expense was \$10.2 million and was relatively unchanged. Excluding non-cash stock compensation expense, our cash G&A has dropped to less than 3% of revenue for the quarter, which shows the efficiency of our business model. Our DD&A expense decreased to \$33 million from \$36 million. The lower overall depletion expense was primarily due to lower depletion rates in our stream segment as a result of reserve increases. The largest reserve increase was at Mount Milligan following the life of mine extension, which dropped the DD&A rate to \$220 per ounce from \$340 per ounce. The decreases in stream depletion rates were partially offset by higher production at Voisey's Bay compared to the prior year. On a unit basis, this expense was \$451 per GEO for the quarter compared to \$462 per GEO.

We incurred \$13 million of acquisition-related costs this quarter related to the Sandstorm and Horizon acquisitions. Acquisition-related costs are attributable to financial advisory, legal, accounting, tax and consulting services. I'll provide some additional accounting and financial commentary on the Sandstorm and Horizon acquisitions in a moment.

Interest and other expense increased during the quarter to \$8.6 million due primarily to higher average amounts outstanding under the revolving credit facility compared to the previous year. Tax expense for the quarter was \$29 million compared to \$22 million, and our effective tax rate for the quarter was 17.9%. Net income for the quarter increased significantly over the prior year to \$127 million or \$1.92 per share. The increase in net income was primarily due to higher revenue, offset by the Sandstorm Horizon acquisition-related costs and higher income tax and interest expense.

After adjusting for the acquisition-related costs, adjusted net income was a record \$136 million or \$2.06 per share. Our operating cash flow this quarter was also a record at \$174 million, up significantly from \$137 million in the prior period. The increase in the current quarter was primarily due to higher net cash proceeds received from our stream and royalty interest.

With respect to the outlook for the rest of the year, we are maintaining our 2025 guidance ranges for metal sales, DD&A and the effective tax rate. Note that these guidance ranges were provided in March of 2025, and when we refer to our expectations for the remainder of the year, we are excluding any contributions or impacts from the Kansanshi stream acquisition, deferred gold consideration from the Mount Milligan Cost Support Agreement and the Sandstorm and Horizon acquisitions.

I'll now provide a few additional comments on the Sandstorm and Horizon accounting treatment and financial results. First, we currently are in the process of finalizing the accounting treatment for both transactions. However, we anticipate both transactions to qualify as business combinations under U.S.

GAAP. As a result, approximately \$13 million in acquisition-related costs were expensed during the third quarter. We also expect additional deal-related closing costs to be expensed during the fourth quarter.

And second, Sandstorm and Horizon will not be publishing third quarter results given the timing of the transaction closing. However, for the third quarter, Sandstorm recognized nearly \$58 million of revenue and \$37 million of operating cash flow, while Horizon recognized \$6 million of revenue and \$3 million of operating cash flow. I will point out that these figures are unaudited and were prepared in accordance with IFRS accounting standards, so they are not directly comparable to Royal Gold's financial information prepared in accordance with U.S. GAAP, but they should help the market understand the relative contributions of each company in the quarter. We will provide consolidated results from the transaction closing date within our next quarterly release and audited financial results.

I will end on Slide 9 and summarize our financial position. As disclosed in August, we drew \$825 million on our \$1.4 billion revolving credit facility to help fund the Kansanshi acquisition. We repaid \$50 million of that borrowing in September and ended the quarter with \$775 million drawn. That left us with approximately \$813 million of liquidity between the undrawn and available amounts on the revolver and \$188 million of working capital as of September 30.

We drew an additional \$450 million on the credit facility on October 10 for the closing of the Sandstorm and Horizon transactions, and we currently have \$1.225 billion drawn, leaving \$175 million undrawn and available. Further, we anticipate making a \$75 million repayment towards the revolver balance on November 10. The current all-in borrowing rate on the credit facility is approximately 5.3%.

In keeping with our long-standing practice, we intend to pay down our outstanding debt from future cash flow, and we expect to repay the outstanding balance around mid-2027 based on current metal prices and absent further acquisitions. In terms of additional liquidity, after the quarter end, we received the first tranche of gold as part of the Deferred Gold Consideration for the Mount Milligan Cost Support Agreement. In keeping with our previous commentary, we sold those ounces shortly after receipt and realized proceeds of \$44 million. Recall that the delivery and sale of these ounces are not revenue and will not be reflected in our calculation of GEOs.

The next two tranches of gold to be delivered by Centerra are also tied to production at the Greenstone mine. They are payable upon production of 500,000 ounces and 700,000 ounces of gold. And based on projections by Equinox Gold, these hurdles are expected to be met in the second half of 2026 and the first half of 2027, respectively. With respect to further financial commitments, we have \$100 million of funding outstanding for the Warintza acquisition. We expect to fund the remaining commitment in two \$50 million tranches with the first tranche expected in the fourth quarter of 2025 and the second in May of 2026.

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. I'd like to welcome several new colleagues to Royal Gold, including those who have recently joined us from Sandstorm. These transactions significantly increased the size of our business, and we are pleased to add some very capable individuals to our team with institutional knowledge of the Sandstorm and Horizon assets, which will help us as we manage this much larger portfolio.

And finally, I would like to address the transformative quarter we just completed at Royal Gold. Over the past few years, we have heard criticisms about our revenue and NAV concentration, our limited growth profile and the shorter duration of our portfolio. I believe we have answered these questions with the transactions we have closed this year and the developments in the portfolio, and I would like to highlight these three areas.

We have one of, if not the most, diversified portfolios by revenue and net asset value in our sector. We have added MARA, Hod Maden, Platreef and Oyu Tolgoi growth potential to our previous growth prospects at Great Bear, Red Chris, Warintza and Khoemacau. And we have increased the duration of our

portfolio with the Mount Milligan mine life extension, the Fourmile upside potential, Kansanshi and the longer-dated growth from Sandstorm and Horizon. These events combined to position Royal Gold as a premier company in our sector with a well-diversified, gold-focused portfolio with organic growth potential. We'll be working over the next few months to make sure the market understands the potential value that exists in the expanded Royal Gold portfolio. Operator, that concludes our prepared remarks. I'll now open the line for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Cosmos Chiu from CIBC.

Cosmos Chiu

CIBC Capital Markets, Research Division

Maybe my first question is on the Kansanshi stream, the new stream you have. As you mentioned, 5,000 ounces is deferred, I guess, if that's a word for it, given the need to initiate delivery mechanisms for the new contract. I guess my question is two parts. Number one, could you maybe talk a little bit more about what that means in terms of setting up or initiating these delivery mechanisms? Is it computer systems? Is it the way you report? Or is it actual delivery? And then number two, in terms of the 5,000 ounces that you thought you might get in 2025, is that going to come in, in 2026 then? And is that going to be sort of in addition to what you would have expected in 2026 anyway?

William H. Heissenbuttel

President, CEO & Director

Yes. Cosmos, it's Bill. Thanks for the question. I may try to handle this one and then the other guys can jump in. Really, there's nothing real complicated about the system or setting it. To be honest, I think we had just announced Kansanshi and we had our earnings call within, I don't know, a week or so of that. And when you look at a model, you look at it and say, okay, that's production. We'll get so many ounces. But what we didn't do at the time of this overlay, the delivery mechanism, which was you're going to start getting them in October. So it was just really -- it was just a mistake on our part in terms of when do we expect the ounces to come? It is not a reflection of the production shortfall. There's nothing wrong with the agreement or the way it is structured. We just pushed ounces that in just a basic model said, you're going to get some of the ounces. Just some of those ounces are going to come in next year.

Cosmos Chiu

CIBC Capital Markets, Research Division

I guess, mathematically, if I were to take your 12,500 ounces that you had expected, that would have been from August to December in 2025. If I were to gross it up for full year in 2026, that would be 30,000 ounces. And then if that's the case, can I just add the additional 5,000 ounces to it in 2026? Like is that the type of how I should think about it? Or is that not the case?

William H. Heissenbuttel

President, CEO & Director

Well, no, what would happen is when you get to the end of 2026, the ounces that are derived from production in December, for example, are going to be delivered in 2027. So it's not as though you take 30,000 ounces and add a bunch of, some new ounces. There's just a delay like there is at our other concentrate operations like Andacollo and Milligan.

Cosmos Chiu

CIBC Capital Markets, Research Division

Understood. Okay. Great. Maybe switching gears a little bit. Bill, I see that you now have \$1.225 billion of debt on your balance sheet. I guess my question is, how comfortable are you with that level of debt? I know you do say that under current metal prices, you can actually repay everything by mid-2027, absent any further acquisitions. But how realistic is it to assume there won't be any other acquisitions?

William H. Heissenbuttel

President, CEO & Director

I mean you never know in this business, right? I mean if you had told me on January 1 of this year that we were going to make about \$5 billion of investments during 2025, I wouldn't have believed you.

Certainly, we have gone years where there haven't been many investments. And I think 2024 is probably an example of it. So, it is possible that we don't find anything we like, and we just continue to pay down the debt. As to the first part of your question, the debt level, I'm very comfortable with. And I think what we need to show as we move forward through 2026 is what is the running trailing 12-month EBITDA of all these combined companies and with Kansanshi. And your pro forma leverage is going to be, I don't know, between 1 and 1.5 on a net debt-to-EBITDA basis. And that's extremely comfortable. I'm not concerned at all.

Cosmos Chiu

CIBC Capital Markets, Research Division

Great. And then maybe one last question. Congratulations on closing of the deal with Sandstorm Gold and Horizon Copper. And with that -- and despite the simplification of the structure, you still will hold a 30% joint venture interest in Hod Maden. Historically, Royal Gold was never in the business of really holding on to joint venture partnerships for the long term. I don't know if this is a question I ask SSR Mining, but how do you look at that 30% joint venture interest gain, kind of like potentially convert into more of a conventional royalty interest?

William H. Heissenbuttel

President, CEO & Director

Yes, Cosmos, I think we've been pretty consistent saying that our goal is to not be a joint venture partner. It's not what we do. And it is probably very high on our priority list of trying to find a way to convert it into something that is more traditional for our business.

Cosmos Chiu

CIBC Capital Markets, Research Division

What are some of the key, sort of -- not hurdles -- but discussion points then? And when could we expect that to consummate?

William H. Heissenbuttel

President, CEO & Director

I wish I could give you a timeline. I can't give you a timeline, but as you go through this, when you're taking exposure to cost overruns and operating expenses and you want to convert it into something that doesn't have that exposure, there's a value discussion to have with whoever you sell it to and then what gold price do you use. There's a big difference between current gold prices and what you would call long-term consensus prices. So, those are all the typical topics that will come up when it comes down to negotiating something.

Operator

Our next question today comes from Josh Wolfson from RBC.

Joshua Mark Wolfson

RBC Capital Markets, Research Division

I noticed in the text, and also in some of Bill's commentary, there was some disclosure about working over the next couple of months to ensure the market understands the business following the deals that were completed. I'm just wondering if you can provide some more insights on what this means, given both of these transactions were press released and the information is out there in terms of some of the details.

William H. Heissenbuttel

President, CEO & Director

Yes. I mean when I talk about working hard to make sure people understand what all these -- the companies together with Kansanshi mean, I'm really -- what I'm saying is spending as much time as I can in front of investors and analysts.

Look, there's a lot that's happened in our company in the last six months. And I think we need to be able to focus people a little bit on saying, okay, this is what it looks like. These are the growth prospects and just sending that message, over and over again, because I truly believe there is a valuation gap. And I want to be in front of people telling our story, telling people again why we think the Sandstorm / Horizon deal made sense, why Kansanshi makes sense, but at the same time, being in front of them to listen to, are there any other concerns out there?

Because as I said in my prepared remarks, I think we addressed the major ones we heard, over and over again, but maybe there's something out there. So, when I talk about working hard to make sure the market understands it, I'm just talking about physically being in front of people, telling the story and listening.

Joshua Mark Wolfson

RBC Capital Markets, Research Division

When it comes to disclosures, the company historically issued and thinking about guidance, both near term and long term, I understand the company's historical views on this. I'm just wondering if there's any refreshed perspectives. And then also when we think about 2026, when will the company look to provide that insight? Is it still going to be in April? Or can we expect something more prompt earlier in the year?

William H. Heissenbuttel

President, CEO & Director

Yes. So, I think I can say that we are planning an Investor Day. I think it's in late March. And I think that at that point in time is when we expect to talk about 2026 guidance. As far as long-term guidance, three-year, five-year, the position is still what it's been. Josh, you've heard me, over and over again, say, we don't own these properties. We're not close enough to them to tell you what's going to happen in three years. So, there is still that reluctance. What we have done in the past is go asset by asset to some extent and say, this is what the operator thinks—here's our interest and then help people from the operators' forecast what it might look like on an asset-by-asset basis. But I don't think you'll see us go to sort of a consolidated three- or five-year. But again, look out for that Investor Day early next year.

Joshua Mark Wolfson

RBC Capital Markets, Research Division

Got it. And then there were a couple of financial items that I just wanted to drill down on. Specifically, at least on the income statement for cost items, minority interest kind of jumped up this quarter and then LZ5 [LaRonde Zone 5] on the asset list was quite high in terms of revenues. Is there any insight you can provide there as well as the fourth quarter expenses for the Sandstorm deal?

William H. Heissenbuttel

President, CEO & Director

Paul, can I turn the minority interest question to you?

Paul K. Libner

Senior Vice President & Chief Financial Officer

Yes. So, the minority interest was, you saw, was a little bit higher or unusual this quarter. To give you a little bit of background, and this isn't really unique to us, we are a general partner of a partnership that holds a very small royalty interest on the pipeline and Crossroads deposit at Cortez. And we actually administer some of the custodial functions on behalf of some of those partners. And some of those partners as part of that royalty left to receive some of their royalty proceeds actually in kind or in gold.

Well, during the quarter, we actually sold some of those ounces for one of those partners, and they actually had a pretty small book value, if you will, compared to spot when we sold those ounces. So the sales proceeds that we recognized were actually included in interest and other income. But then given that partnership is fully consolidated under U.S. GAAP, that gain was actually backed out in other

comprehensive income or that minority interest that you call before arriving at EPS. So really, at the end of the day, there was no effect on our results.

Joshua Mark Wolfson

RBC Capital Markets, Research Division

And then, sorry, just the deal expenses for the fourth quarter, if there's any insight and then also LaRonde Zone 5.

Paul K. Libner

Senior Vice President and Chief Financial Officer

Yes, I'm happy to take the deal expenses. Obviously, yes, we're still going through the accounting of those expenses, you can appreciate. But certainly, from the period October 1 through closing, additional, again, legal advisory service type fees, still accounting for all those, but we will have some of those charges come through in Q4 as well. And again, those will be nonrecurring kind of onetime in nature.

Martin Raffield

Senior Vice President, Operations

And I can take the Zone 5 question, if you like, Bill.

So, Josh, Agnico identified a mining area in Q3 that was mistakenly excluded from our partial royalty area, and that exclusion goes back to November 2022. It's quite easy to see why it happened. The various blocks outside of zone that are plunging into the royalty area and the area in question was actually accessed from one of the LaRonde mine shafts rather than the Zone 5 decline. They've made that payment up in Q3 and completely covered the November 2022 through June 2025 shortfall.

Joshua Mark Wolfson

RBC Capital Markets, Research Division

Okay. So, sort of a true-up, I guess, you could say, for historical production.

Martin Raffield

Senior Vice President, Operations

Exactly right.

Operator

Our next question comes from Brian MacArthur from Raymond James.

Brian MacArthur

Raymond James Ltd., Research Division

A lot of them [my questions] have been dealt with, but can I just ask on Fourmile. You've been very kind and give us the 1.6% equivalent. But is that a combination of GSR1, GSR2, GSR3, NVR 1? Like is this going to be variable? I just can't remember where all the different pieces cover it? Or is that 1.6% a pretty good thing to use on an annual basis? Or are there going to be years it's 1% and years it's 3%.

William H. Heissenbuttel

President, CEO & Director

No, that's a pretty good number to use. The 1.6% is the Rio royalty, and it's the bit of the Idaho royalty that -- and we bought those two towards the end of 2022. So, it's completely separate from all the legacy stuff that you've known for years.

Brian MacArthur

Raymond James Ltd., Research Division

Perfect. So, it's that simple 1.6% royalty?

William H. Heissenbuttel

President, CEO & Director

Yes.

Brian MacArthur

Raymond James Ltd., Research Division

Excellent. And just so I can clarify in my own mind back to Cosmos's question on Kansanshi. So, this 5,000 ounces, it's just an NPV problem, if I want to put it that way, of being delayed a quarter. It's not like those ounces are gone forever just because of the true-up date of the transaction or something. It's just purely a concentrate delivery and all the ounces are the same in the end. Is that right?

William H. Heissenbuttel

President, CEO & Director

All the ounces are the same. It's just a timing issue.

Operator

Our next question comes from Lawson Winder from Bank of America Securities.

Lawson Winder

BofA Securities, Research Division

And I would like to ask just a couple of things. So first of all, on capital returns, we're approaching the time of year where Royal Gold typically considers the next dividend increase. When you think about everything that's happened this year, do you think about there being an opportunity for a bigger-than-usual increase because of the larger portfolio? Or could it just be a smaller increase given the heavy capital spending so far this year? And then sort of related to that, what are your thoughts on share buybacks? And it just kind of occurred to me when you were speaking, Bill, in response to one of the other questions about the valuation gap, I mean, do you see an opportunity to utilize a share buyback to help close that?

William H. Heissenbuttel

President, CEO & Director

Yes. Thanks, Lawson. Look, on the dividend, you're absolutely right. Our Board looks at it in November. I'm not going to lead high or low in terms of what we might do there. But the thing we have been saying to folks is when we were going through Sandstorm and Horizon and Kansanshi, one of the things the Board said to us was you're going to be issuing 18 million, 19 million shares, you'll be taking on debt. We have an almost 25-year record of increasing dividends. We want to know what's going to happen to that. That was part of their analysis and increasing it every year is sort of near and dear to our heart. This is a Board decision. I'm not going to say anything. We'll be back to the market in a couple of weeks.

But it's really important to us, notwithstanding that we have \$1.225 billion in debt. I can tell you when we went through 2015, we had the exact same thing. We spent over \$1 billion in CapEx--continued to increase the dividend. So that on the dividend, on the share buybacks, I want to give this some time. Again, talking about going to work in front of the market, telling the story, I want to see what happens to our valuation. I mean, we still trade at a premium, and it still might be hard to justify share buybacks. But right now, I want to see what the messaging can do. And at the same time, we do want to repay that debt. So, there is a use for the capital -- for the cash flow that is being generated over the course of the next year. And that's a priority as well to pay that down.

Lawson Winder

BofA Securities, Research Division

Great. Thinking about 2026, very helpful to have that Investor Day kind of in the back of my mind. But then just thinking about the portfolio, so the Kansanshi stream and Sandstorm, it's changed very substantially. As you look to 2026, conceptually, would you expect a material increase in GEOs next year versus 2025? And then also thinking about when we can get real numbers on those, would we expect the

2026 guidance to then come out with that Investor Day in March? Or could we possibly get something a little earlier here, just given all the moving parts?

William H. Heissenbuttel

President, CEO & Director

No, I think the Investor Day is when you're going to hear about what we expect for 2026. I mean you have to understand that assets, the producing assets, they've been in our portfolio for 2.5 weeks. So even thinking about making an estimate for next year right now would not be the smartest thing in the world. So, Investor Day, we'll be talking about guidance and talking about all the -- this new portfolio, as you say, and what it means for next year.

Lawson Winder

BofA Securities, Research Division

Very helpful. And then, just finally, there was an update from Ero yesterday on Xavantina, this concept of processing stockpiles. Would Royal Gold benefit from that in any way?

William H. Heissenbuttel

President, CEO & Director

Yes. I mean, it's gold production. We expect it will flow through to our interest.

Operator

Our next question comes from Tanya Jakusconek from Scotiabank.

Tanya M. Jakusconek

Scotiabank Global Banking and Markets, Research Division

Just wanted to finish up just on the Sandstorm transaction. Bill, you mentioned that we'll take another charge in Q4. You're integrating assets, people at this point. Is it fair to assume that as we look at '26, besides looking at obviously the depreciation and what the guidance on that basis, all the noise will be out? So, all of the unusual items are going to be closed in 2025, you have the people, and everything is finalized so 2026 will be [unclear] to look at?

William H. Heissenbuttel

President, CEO & Director

Yes. Tanya, that is the one thing I've sort of said to the team is I want everything done by the end of this year that is nonrecurring with respect to this transaction because, as I said, we need to start building this record of quarter-over-quarter of sort of recurring business where we can show the revenue, we can show the cash flow that we're generating. And what I don't want to have is a bunch of expenses leaking into the first quarter. Now we may not -- depending on the invoicing that we get -- we may not be able to do that, but I'm highly confident that we're going to be able to isolate the rest of the transaction expenses in the fourth quarter of this year.

Tanya M. Jakusconek

Scotiabank Global Banking and Markets, Research Division

Okay. So that would be good. So, like, 2026 will be what this would look like with all of these pieces in place.

William H. Heissenbuttel

President, CEO & Director

Yes.

Tanya M. Jakusconek

Scotiabank Global Banking and Markets, Research Division

Okay, that's good. And maybe I could go on to Paul. This is an accounting question from a non-accountant. So maybe I just want to make sure that I count correctly the Mount Milligan Cost Support

Agreement of that 11,000 ounces, that \$44 million that came in on October 3. So, nothing through the income statement. Where will it show up in the cash flow? Where is that going to be put exactly so I have it in the exact place?

Paul K. Libner

Senior Vice President and Chief Financial Officer

Tanya, thanks for the question. Yes, so we've talked on a few calls and had some commentary even today just on that treatment. But yes, the Milligan Cost Support Agreement certainly was a unique transaction for us. But even Bill mentioned today, certainly, it's a win-win for both companies. But you may recall that the consideration that we received for that additional support that we're going to provide was in the form of cash and then that deferred gold and then the free cash flow interest at Milligan as well.

And so I think the easiest way to think about this on how it will impact the financials is all that consideration that we received as part of the agreement will eventually all be recognized as that deferred support liability that's on the balance sheet currently at \$25 million, because we have that obligation to provide additional cash payments under the agreement in exchange for that consideration that Milligan or Centerra provided. So, with the gold that we received in early October, that deferred support liability is going to increase by the fair value of those ounces that we received and sold.

Again, we sell those ounces immediately or shortly after we receive them. So, you're not going to see much, if any, likely not much in the form of a P&L impact. But again, as a reminder, when we receive and sell those ounces, they're not part of our sales guidance here in 2025. But even as I mentioned in the prepared remarks, that we do anticipate receiving the next delivery in 2026. So, you won't see those ounces show up in some of that guidance that we provide in 2026 as well.

Tanya M. Jakusconeck

Scotiabank Global Banking and Markets, Research Division

I know it's not part of your revenue. I know it's not part of your GEO ounces. Does it go anywhere through the cash flow statement? Or just the balance sheet that I think about.

Paul K. Libner

Senior Vice President and Chief Financial Officer

Just balance sheet.

Tanya M. Jakusconeck

Scotiabank Global Banking and Markets, Research Division

Just balance sheet. Okay. That's all I just wanted to clarify. And then maybe I can have maybe Bill or someone in the team just talk to us about -- you've done two big deals. I just quickly looked at your available liquidity after you adjust for the Sandstorm deal and your \$100 million payment that needs to go out plus the, just, you have maybe \$300 million, \$400 million of available liquidity. Are you still looking at transactions in this market? Opportunities? Or have we put a pause on that?

William H. Heissenbuttel

President, CEO & Director

No, we're still looking. I don't think we'll ever stop looking. There are still opportunities in the market. There -- I think the ones we're seeing are not of the scale like the ones we just did like Kansanshi. I think one of the interesting dynamics on the BD side is with where the gold price has gone. I've always said that BD is harder to do when the gold price is volatile because it's hard to land on a gold price that both the seller and the purchaser can agree on. And if no one -- I don't think anybody in our sector is using \$4,000 an ounce to value things. But at the same time, I'm not sure the seller is going to be accepting of a long-term consensus price of \$3,000.

So that may slow the processes down a little bit. But we're not closed. We're not going to sit on our hands until we repay that debt. We're still active.

Tanya M. Jakusconek

Scotiabank Global Banking and Markets, Research Division

And what would you be comfortable size-wise? Would it be that \$100 million to \$300 million range?

William H. Heissenbuttel

President, CEO & Director

Yes. I mean that's what we normally see in the market. I think at this point, I would say if we did do something, it would have to be something we really loved like -- because you have a choice, we can continue to pay down the debt or we can make new investments, and I'm happy doing both. But the investment that we might make, I think, would have to be something we found so attractive we just could not pass it up.

Tanya M. Jakusconek

Scotiabank Global Banking and Markets, Research Division

So would it be fair to assume, Bill, then it would be like -- so if anything in your existing portfolio came available, let's say, in parts of projects that you already have an interest and something comes available, that would be kind of viewed as a bolt-on. Would that be what you're saying versus like going into new jurisdictions?

William H. Heissenbuttel

President, CEO & Director

No, I mean not just bolt-on acquisitions. If it comes within the portfolio, great, we'll look at it. And if it's a completely new company, new project, we'll look at that as well. If it's attractive, we may decide that we do want to make that investment. We just have to manage -- I think people want to see the debt come down, even though I'm comfortable with it. But we just have to balance it.

Tanya M. Jakusconek

Scotiabank Global Banking and Markets, Research Division

Yes. Fair enough. It's nice to see the \$4,000 gold price. We just don't know how long it stays, right?

Operator

Our next question comes from Derick Ma from TD Cowen.

Derick Ma

TD Cowen, Research Division

I just had a quick accounting question. Is there going to be a bump in the cost base of some of these former Sandstorm assets, i.e., will depreciation for the assets be higher than they were when they were in standalone Sandstorm?

Paul K. Libner

Senior Vice President and Chief Financial Officer

Yes. Derick, yes, as we -- as I mentioned in our prepared remarks, I mean, we're still going through that accounting, at the moment, as far as the allocation of the purchase price there, which obviously will include the allocation among the different interests at Sandstorm and impacting the depletion rate. So we're still going through all that right at the moment. I do think that we'll be able to provide a bit more information on that within our next update call.

Operator

Our final question comes from Carey MacRury from Canaccord.

Carey MacRury

Canaccord Genuity Corp., Research Division

So based on Barrick's Fourmile update, it looks like the mineralization is potentially trending, maybe, off your royalty ground. Is that the case? Or do you see it as all being on your royalty ground?

William H. Heissenbuttel

President, CEO & Director

Martin, can I push that one to you?

Martin Raffield

Senior Vice President, Operations

Yes. On our royalty ground, Carey. We don't see any of the material that they're identifying at the moment as being off our ground.

Carey MacRury

Canaccord Genuity Corp., Research Division

Okay. Great. And then I know inclusion in the S&P 500 has always been an elusive target. Do you see with these transactions that that's more likely now? Or have the goalposts moved on that?

William H. Heissenbuttel

President, CEO & Director

I think we're still a bit away. Last time we checked, I think that the minimum was like \$20.5 billion, and we would still have a ways to go to achieve that one.

Operator

That concludes the Q&A portion of today's call. I'll now hand back over to Bill for some closing comments.

William H. Heissenbuttel

President, CEO & Director

Well, thanks, everyone, for taking the time to join us today and for all the good questions. We appreciate your interest in Royal Gold. We look forward to updating you on our progress in the New Year. Take care.

Operator

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

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