ROYAL GOLD
“Royal Gold Fiscal 2014 Third Quarter Conference Call”

05/01/2014, 12:00 PM Eastern
Tony Jensen
Bill Heissenbuttel
Stefan Wenger
Bill Zisch
Bruce Kirchhoff
Stan Dempsey

ROYAL GOLD
“Royal Gold Fiscal 2014 Third Quarter Conference Call”

05/01/2014, 12:00 PM Eastern
Tony Jensen
Bill Heissenbuttel
Stefan Wenger
Bill Zisch
Bruce Kirchhoff
Stan Dempsey

OPERATOR: Good day and welcome to the Royal Gold Fiscal 2013 Third Quarter Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0."

After today's presentation there be an opportunity to ask questions. To ask a question you may press ""*" then "1." on your telephone keypad. To withdrawal your question, please press "*" then "2." Please note this event is being recorded.

I would now like to turn the conference over to Karli Anderson, Vice President of Investor Relations. Please go ahead.

KARLI ANDERSON: Thank you, Denise. Good morning and welcome to our discussion of Royal Gold's third quarter fiscal 2014 results. This event is being webcast live, and you will be able to access a replay of this call on our website.

Participating on the call today are Tony Jensen, President and CEO, Stefan Wenger, CFO and Treasurer; Bill Heissenbuttel, Vice President Corporate Development; Bill Zisch, Vice President Operations; Bruce Kirchhoff, Vice President, General Counsel and Secretary; and Stan Dempsey, Chairman.

Tony will open with an overview of the quarter, followed by Bill with an operational review, and then Stefan will discuss our financial performance. After management completes their opening remarks, we'll open the line for Q&A session.

This discussion falls under the Safe Harbor provision of the Private Securities Litigation Reform Act. A discussion of the company's current risks and uncertainties is included in the Safe Harbor statement in today's press release and is presented in greater detail in our filings with the SEC.

I'll now turn the call over to Tony.

TONY JENSEN: Good morning, and thank you for taking time to join us. We have some slides to go along with today's presentation, and I'll begin on Slide 4. Royal Gold's third quarter results demonstrate that our next phase of growth is well underway, as our largest investment, Mt. Milligan, began to generate meaningful revenue for us. We congratulate the Mt. Milligan team on achieving commercial production in February.

From an operating standpoint, there were no significant surprises in the third quarter. On our last earnings calls, I have told you that we expected to see initial deliveries of gold from Mt. Milligan, and an increased production at Penasquito and Zacatecas, and we estimated that growth of those properties would offset the expected decline in grades, and thus, gold production at Andacollo.

Our expectations thus far in 2014 have proved accurate, and while the gold price was down 21% over the prior year quarter, production volume was down just 2%. Bill Zisch will just review our operating result in just few moments.

Our financial results were driven by the strong production and lower taxes in G&A specifically, earnings of $20 million, or a $0.31 per share are derived from revenues of nearly $58 million. Operating cash flow was nearly $45 million or $0.69 per share, and we paid dividends of $0.21 per share. Stefan will go over our financial results in more detail later in the call.

Apart from Mt. Milligan's ramp up, the most notable event during the third quarter was our $75 million transaction with Rubicon Minerals to help fund construction underway at its Phoenix Gold Project.

I just returned from my second trip to Red Lake, and the Rubicon team is making good progress towards their projected mid-2015 startup. The Phoenix construction is advance, with most civil works and structural concrete pours complete. (Ph) building is erected, major components like the ball and SAG mill are onsite, the shaft is sunk and the inner ground development is well underway.

Mike Milan and his team are very experienced with project developments in mining in the Red Lake District, a region known for high-grade deposits, and lived assets. We are also pleased to have added a royalty interest at Cortez during the quarter. We increased our interest in the pipeline complex by acquiring additional Crescent Valley partnership interest. In addition to our other three royalties at pipeline, we now own the equivalent of 1% royalty through our partnership interest. We also acquired a 1% royalty on the southern end of the gold rush deposit from a private party, as we wanted to gain exposure to this significant discovery.

Both of these transactions happened early in the quarter, so I was able to give you full description of them on the last call. We showed some explanatory graphics that will help you locate these royalties, and I refer you to our website to access that presentation.

Combining Rubicon in these two Cortez transactions resulted in investment commitments of nearly $95 million during the quarter, of which about one-third was funded. I'll provide more specifics on the Rubicon transaction before I wrap up the call. For now, though, I'd like to turn the call over to Bill Zisch for commentary on our operating results.

WILLIAM ZISCH: Thank you, Tony. Slide 5 provides a production and revenue waterfall, comparing the current March 2014 quarter with the December 2013 quarter. I'll focus my comments on operational performance from our 10 essential properties and will include comments regarding the calendar year 2014 guidance that the operators of our producing properties have provided. After that, I will summarize results over 2013 year-end reserve statement that was released today. Finally, I'll discuss Mt. Milligan's ramp up and timing of shipments.

Compared to the December 2013 quarter, the gold price was up about 1%. With silver down 2%, and copper virtually unchanged, the difference in our portfolio of revenue from the preceding quarter was driven primarily by production changes. The 8% increase in production was realized through the continued ramp up of Mt. Milligan, a returned the mining and shipping of materials from our area of interest at Cortez, an increased production at the Holt mine following the

December quarter, when the planned outages were completed. These increases more than offset reductions in production at Robinson and Andacollo.

On Slide 6 we've summarized the operator production guidance for calendar year 2014, compared to the actuals through March 31st. At Toqui and Andacollo mine, recorded production was 17% lower than the previous quarter, as mining progressed into lower grade area of the pit as planned.

The gold grade is forecast to improve slightly for the second half of 2014. Based on tax operating guidance, we expect Andacollo to produce 38,500 ounces of payable gold subject to our interest during calendar year 2014. Osisko reported production from our royalty area at Canadian Malartic mine that was 5% higher than the previous quarter.

The mine overcame an unscheduled four-day shutdown to repair loose liners in the SAG mill, with overall gold production setting a new record in March quarter. Osisko's overall guidance from the Canadian Malartic mine during calendar 2014 is 525,000 to 575,000 ounces, with production from our area of interest expected to be front-end weighted at 344,000 ounces.

As most of you are aware, Osisko has been partied to recent merger and acquisition discussions. Royal Gold's 1.5% NSR on Canadian Malartic is unaffected by the potential changes in control. At Cortez, production from our area of interest increased almost three-fold over the December quarter, as Barrick continued to return its surface mining activities to the pipeline and gap readings that are covered by our royalty interest.

Additionally, after deferrals in the third and fourth calendar quarter of 2013, Barrick resumed shipments of roaster ore stockpiled at Cortez to Goldstrike for processing. For calendar 2014, Barrick's forecast for production from our area of interest, including stockpiled ore, will total about 276,000 ounces from our GSR3 royalty, 125,000 ounces from GSR1, 151,000 ounces from GSR2, and 228,000 ounces from our NVR1 royalty.

Reported production at Holt increased 36% over the previous quarter, as St. Andrew ramped up production from the Holt mine. Holt ore tonnage process increased 38%, head grades were down slightly, and mill recoveries were at expected levels of approximately 95%. For calendar year 2014, St. Andrew expects production from the Holt mine to be about 66,000 ounces.

Las Cruces reported production increase of 11% over the December quarter. Efforts have been underway to test and debottleneck the plant for higher throughput rates to offset the lower grades, which are expected in late 2014. Commissioning of a second leach pre-reactor in 2013, along with several other 2014 initiatives, including improved tailings, filtration, and the addition of new pressure filters are expected to improve copper recovery about 3%

For the calendar year 2014, First Quantum expects production at Las Cruces to total 152 million to 159 million pounds of copper. Reported production at Alamos gold Mulatos mine decreased 14% over the preceding quarter, as the mine experienced lower grades as planned from the Escondida Deposit.

Alamos began underground mining of the Escondida Deep deposit in the March quarter and expects to transition to production in the San Carlos deposit in the second half of 2014. Underground throughput rates of San Carlos are expected

to gradually ramp up to an expanded mill capacity of 800 tons per day. Full year guidance of Mulatos is set between 150,000 and 170,000 ounces.

Reported gold and silver production at Penasquito decreased 19% and increased 15% respectively over the previous quarter, while production of lead and zinc decreased 4% and increased 28% respectively. Penasquito is now in the high-grade portion of phase four, and mining in this phase will continue throughout 2014.

Goldcorp completed a new life-of-mine plan at Penasquito that positively affected the 2014 and five-year production profile of the mine. Goldcorp guidance for Penasquito in calendar year 2014 calls for production of between 530,000 and 560,000 ounces of gold. 2014 guidance for Penasquito's other metals are shown in the table in Slide 6.

Reported gold and copper production at Robinson was down 55%, and 52% respectively, over the previous quarter as the planned mine sequence continued in the liberty pit, which has lower grade copper. KDHM expects that mining will return to the higher grade Ruth pit in the second half of fiscal 2014.

Reported nickel production was up 40%, and copper production was down 63% due to variability of shipment timing and seasonality at Voisey's Bay. For calendar year 2014, there is limited forward-looking information publicly provided by the operator. But we know that 2013 calendar year production at Voisey's Bay totaled 138 million pounds of payable nickel and 88 million pounds of copper.

As stated in our reserve release this morning, net gold reserves attributable to Royal Gold at the end of 2013 totaled about 5.3 million ounces, versus year-end 2012 reserves of 5.7 million ounces.

On Slide 7, we put together a table to illustrate the Mt. Milligan gold deliveries and sales to Royal Gold. During the March quarter, Thompson Creek made three shipments of copper and gold concentrate under its sales agreement and received provisional payments for the two of those shipments. Due to timing of provisional payments from the smelters to Thompson Creek, we have received deliveries of gold ounces from one of the three shipments for 4,080 ounces in the quarter, and a delivery related to final settlement on the first purchase from the December quarter of 700 ounces.

Thompson Creek reported that the third and fourth shipments were also made in March. Subsequent to quarter end, Royal Gold received delivery of 10,700 ounces of gold associated with provisional payments for these shipments. I should point out that Thompson Creek reports metal production on a payable basis, and we are paid on a contained basis, so the gold subject to our streaming into this will be slightly different than their production figure.

The Mt. Milligan mine reached commercial production, defined as operation of the mill at 60% of design capacity throughput 30 days on March 18. Thompson Creek's most recent public statements indicate that they expect the mill throughput will achieve 75% to 85% of design capacity by the end of 2014.

Annual calendar year 2014 gold production guidance for Mt. Milligan is 165,000 ounces to 175,000 ounces. Applying a 97% payable factor and our stream interest of 2.25%, ounces that are expected to be delivered to Royal Gold are between 83,600 and 88,700 ounces of gold, with the timing of the purchase and sale of these ounces subject to Thompson Creek's shipment schedule.

Now I will turn the call over to Stefan to discuss the financial results.

STEFAN WENGER: Thank you, Bill, and good morning everyone. Moving to Slide 8, I'll briefly go over our third quarter financial highlights. In Q3 we generated $57.8 million in revenue, compared with $74.2 million for the third quarter of fiscal 2013. The average gold price was $1,293 per ounce in the third quarter, down 21% from the prior year quarter and the primary driver of the revenue differential.

Net income totaled $20.1 million, or $0.31 per share, compared with $6.5 million, or $0.10 per share a year-ago. As you may recall, our year-ago quarterly results were impacted by one-time items. We booked $6 million in revenue from sales of gold from Mt. Milligan in the quarter. Thus, we have about $1.9 million in cost of sales on the income statement related to our $435 per ounce payment to Thompson Creek. This is where you will see all our streaming payments back to the operators as cash costs. So when that Phoenix project is in production, you'll also see our streaming payments here.

Our adjusted EBITDA was $49.7 million, or 86% of revenue as our Mt. Milligan shipments commenced. Long term, we continue to expect that adjusted EBITDA will range from 80% to 85% revenue. We paid cash dividends in the second quarter of $13.7 million, which is the payout ratio of about 30% of our operating cash flow of $44.9 million.

For the third quarter, income tax expense was $4 million, primarily due to the ongoing contributions from Mt. Milligan, a decrease in taxable foreign currency gains, and foreign tax credit benefits recorded in the current quarter related to the filing of our June 30, 2013 tax returns. This resulted as an effective tax rate of 16% for the quarter.

DD&A for the quarter was $21.6 million, or $484 per GEO. The lower rate per GEO this quarter is attributable to new production at Mt. Milligan and a production increase at Penasquito. We now expect our full-year DD&A rate to be between $500 per GEO and $525 per GEO with fiscal Q4 DD&A expected to be between $425 and $475 per GEO.

Slide 9 shows our continued strong balance sheet, with working capital of $687 million, our expanded available credit line of $450 million, and over $150 million in operating cash flow over the past 12 months. We have just three commitments on our capital that currently total about $100 million.

As a reminder from our prior quarterly call, we expanded our credit facility during the quarter and now have $450 million of undrawn and available debt capacity, which adds to our liquidity. We are pleased to be in this strong financial position at a time when the market conditions are favorable for new opportunities.

Now I would like to turn the call back over to Tony.

TONY JENSEN: Thank you, Stefan. On Slide 10 I provided an overview of the Phoenix investment. The total consideration is $75 million, and thus far we have funded $30 million. We expect to pay the final $45 million over the next few months as development activities progress.

On Slide 12, we summarized some of basic mechanics of the Phoenix field. This is a stream where Rubicon will deliver 6.3% of the gold at Phoenix to us, until a threshold of 135,000 ounces are delivered, after which time the stream steps

down to 3.15%. We will pay Rubicon 25% of the spot gold price on each ounce that's delivered to us, which gives both companies flexibility and leverage to the gold price. Opportunity in ounces are expected to be produced over a 13-year mine life, and we also like the exploration potential and anticipate success in that area to add to the mine life.

I'll move to Slide 12. Before I wrap up, I'd like to take a moment to recognize some of the changes in board leadership that we announced today. Stanley Dempsey, our Chairman and Founder, has elected to retire after 31 years of service to the company and over 50 years of service to this industry.

Stan became involved with our predecessor company, Royal Resources, and recommended to the company that the company get out of the oil and gas business and move into the gold in the mid-1980s, and change its name to Royal Gold. Through trial and error and, mainly, persistence, Stan helped to create the royalty business model that is so valuable and emulated by many others today.

We thank him for taking the risk, and even financing this company out of his own wallet at times, and passing on the privilege of operating this company to the current management team. As we bid farewell to Stan, our board leadership will remain solid, with Bill Hayes assuming the role as Chairman of the board.

Bill's wealth with international operating and financial experience with Placer Dome and Exxon, governance experience with Antofagasta PLC, and his keen understanding of our business is well placed to lead Royal Gold forward.

Earlier during the quarter, we were pleased to add Kevin McArthur to our board. Kevin is the former CEO of Glamis Gold and Goldcorp and is currently CEO, Vice Chair, and Director of Tahoe Resources. Kevin's leadership and operating skills will be important contributions as we consider future opportunities for Royal Gold.

In May, we will welcome Chris Thompson to our board and look forward to his depth of mining and finance experience. Chris is the former CEO and Chairman of Gold Fields Limited, and earlier led Castle Group, which managed three venture capital funds to finance new gold operations. It is an honor to have attracted these individuals to the company.

To conclude, I'll make just a few comments regarding trends in business development. We are starting to see primary gold producers carefully evaluate the cost of capital associated with royalty stream financing versus raising equity capital. We welcome this analysis, since, in many cases, streaming products can offer developers and producers several advantages over raising equity financing by preserving equity value and protecting their shareholders against success of dilution. In the extensive due diligence we undertake can serve as an important endorsement of project potential and quality.

Operators are beginning to appreciate the value we can provide, and each transaction helps to validate our model and build industry confidence. This, in turn, provides more opportunity. So we began 2014 by delivering on the growth objectives we set out several years ago. And we are now starting to demonstrate Mt. Milligan's potential.

Royal Gold's current phase of growth is already bought and paid for it; however, we believe that the recognition of that growth is not yet been fully appreciated. While we look at Mt. Milligan to continue to execute, we also turn our attention to new opportunities that could further enhance our growth profile.

We have over $1 billion of liquidity to invest in strong and growing cash flow. With those resources and the industry need for our product, I am encouraged that we will continue to add quality assets to Royal Gold.

Operator, that concludes our prepared remarks, and we'd be happy to entertain any questions if there were some.

OPERATOR: Thank you. We will now begin the question-and-answer session. To ask a question, you may press "*" then "1" on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. If your question has been addressed and you would like to withdraw from the queue, please press "*" then "2."

At this time, we will pause momentarily to assemble our roster.

Our first question will come from Andrew Quail of Goldman Sachs.

ANDREW QUAIL: Hi, Tony and Stefan. Thank you very much for the update, and congratulations on a strong quarter. A couple of questions, first, maybe stepping on tax, obviously you highlighted the effective tax rate was around 16%. Can you sort of give any guidance what that will be into Q4 and then maybe in 2015 going forward?

TONY JENSEN: Sure Andrew, I'm happy to take your question and thanks for joining the call. For the nine months ended March 31, our effective tax rate for that whole period was 25%. And as I look ahead for the rest of the year, taking into consideration these one-time items our tax rate for the full year, assuming a normal quarter in Q4 should be around 30% or less. As I look ahead, our tax rate will continue to be primarily impacted by the timing and the magnitude of Mt. Milligan's contribution, because it does come in at a lower tax rate. So I am not providing any more specific guidance at this time, but that gives you an idea of the full year for 2014.

ANDREW QUAIL: Great. Thanks. Tony, when you went on Robinson obviously it sort of came off a little bit this quarter or maybe this quarter. Can you sort of give me guidance on consider regaining going forward?

TONY JENSEN: Let me turn that question to Bill Zisch, Andrew.

WILLIAM ZISCH: Yes, Andrew, see it rebounding from where they were last quarter a little bit, but the primary driver, some of the differences right now, are also their shipping schedules. So we do see a little bit of lumpiness there. But right now they do not provide guidance, so we have not provided that on a forward-looking basis. But their operations have been running about what they had expected this year.

ANDREW QUAIL: Great. And then maybe last one on Mt. Milligan, obviously pretty solid quarter. With costs do you sort of -- I know you guys are sort of intimidated by that a little bit. What do you see in the trends going forward, and can you just remind us what the structure is for you guys as you head into 2015.

TONY JENSEN: Okay, Andrew, let me understand the question a little bit more. You said with regard to costs. Were you talking about operating costs or --

ANDREW QUAIL: Yes. Sorry. Operating cost, yeah. Just what you guys are locked in and then if there are any inflation sort of measures in there?

TONY JENSEN: Okay. And then the second part of that question is how is that production performing and what we are going to look forward to this year?

ANDREW QUAIL: Yeah, maybe just cost per ton trends for the operator there.

TONY JENSEN: Okay. Well, look, on your first question, regarding cost, we are not going to be able to provide any of that detailed information with you for you. And Thompson Creek reports in the middle of next week, I believe, so.

KARLI ANDERSON: The 15th.

TONY JENSEN: The 15th, Karli says. So we would certainly guide you to -- their public release is there. With regard to the operation, it's absolutely ramping up, as we would expect it would. At this stage of production it's coming along just fine. Both Bill and I mentioned that they did reach that commercial production threshold, which is 60%

And they have guided -- just to make sure that you heard this, they have guided between 75% and 85% of full production by the end of the year. And so I think you can just expect ratcheting up a point or two per quarter -- or sorry, per month until we get up to that 75% to 85%. But that's an extremely powerful royalty for Royal Gold, even at the current production level, and certainly at these higher levels just continue to build revenue for us.

So, Andrew, I don't know if I hit your questions to the degree I could, but if I haven't, please follow up.

ANDREW QUAIL: No, no. No, that's great, Tony. I mean just on that is that 435 we see obviously going you locked that in. But is there any sort of inflationary change?

TONY JENSEN: Oh, I'm sorry, I missed that. I missed that part of your question. No, the 435 is locked in for the life of our agreement there. So we have no inflation built into that. Thanks for the clarification.

ANDREW QUAIL: Thanks very much, Tony.

TONY JENSEN: All the best, Andrew. Thanks for the call.

OPERATOR: The next question will come from Patrick Chidley of HSBC. Please go ahead.

PATRICK CHIDLEY: Yeah, hi, Tony, everybody. Thanks for taking my question. On the Cortez ore obviously that's ramping up a little bit now. Can you give us a view of how much of the contribution is coming from or that's going to Gold Strike and how much is it coming from heap leach, if at all?

TONY JENSEN: Bill, do you have any general idea?

WILLIAM ZISCH: Patrick, I'm sorry. Off the top of my head, I cannot give you that. I can say that majority of their guidance from 2014, that we put on the slide in Table 6, a majority of that does come from production from the mine, from pipeline and gap, and I'll get back to you or have Karli get back to you with regard to the portion of that's expected to common stockpile.

TONY JENSEN: Patrick, maybe just in a generality, if I could add to what Bill had said there. You know, in the last several years, the last two or three years, most of our production was derived from just the carbonaceous treatment of ore up at Gold Strike. And

that gives you a sense of probably the base load that would be continuing to go out there. But you can see the numbers that Bill gave on guidance for Cortez are up sharply for the year. So most of that growth is built on the back of fresh production at the pipeline complex, both pipeline and gap.

PATRICK CHIDLEY: By that you mean [inaudible].

WILLIAM ZISCH: Yeah. And perhaps even a little bit of the mill -- ore going into the mill as well.

PATRICK CHIDLEY: Upside mill, okay. And none of this into -- any contribution from Crosswords and is there is any plan if not to get into the growth rates?

TONY JENSEN: Surely Crossroads still stays in reserves, so there is plan for that development at some point down the road. But I think if you at the reserve profile, that's probably one of the lower quality reserve deposits they have, so we'd expect to be closer to the end of the mine life.

PATRICK CHIDLEY: Okay, thanks. And then at Holt there seems to be better ramp up in activity there, and I'm not really in favor with what the operators doing. Is that something we should continue -- expect to continue or are they sort of getting to a new level?

WILLIAM ZISCH: Patrick, the ramp up actually is the function of them processing more material from the Holt mine than from some of their other mines that also get processed at that facility at the Holloway and the Hislop, and what you're seeing is that they are finishing off Hislop, and they are mining more of the Holt material, so you're seeing percent of whole material, which is where our royalty supply is increasing.

PATRICK CHIDLEY: All right, okay. Got it - thanks. And looking at acquisitions in the future, with $1 billion in liquidity, and some political risk elements in Latin America sort of increased in the last sort of the year or two. Is there a bias towards North America versus Latin America in terms of what you're looking at or not really.

TONY JENSEN: Patrick I think we wouldn't want to just limit ourselves to North America. There's still great investment opportunities in South America and elsewhere around the world, so we're still looking on a wide basis, and we don't want to rule a lot of different places out. Of course there's some that we've talked about in the past that we continue to see as no-go areas for us at present time. But our traditional areas of North and South America, West Africa, and Australia, Asia Pacific are still areas that are very much of interest to us.

PATRICK CHIDLEY: Great. Okay, thanks very much.

TONY JENSEN: Thanks for the call, Patrick.

OPERATOR: The next question will come from Alex Terentiew of Raymond James. Please go ahead.

ALEX TERENTIEW: Excuse me, hi, guys. I'm trying to clarify something. I think earlier in the call one of you mentioned you have about $100 million of commitment ahead of you. I think count $45 million left of Phoenix. Is there something else that I'm missing there? I just wondered if you're accounting may Chieftain in that one as well.

TONY JENSEN: Yeah, we are, Alex. See we've got the $50 million at that we Tulsequah Chief that's on schedule at the present time. We do, as I mentioned, anticipate investing that other $45 million at Rubicon over the coming months and quarters. And then the other bit there that I just want to call your attention to is - when we

purchased Gold Rush royalty, we have a payment plan of over seven years. There is a $7 million payment associated with that. That would make up about the $100 million figure we're talking about.

ALEX TERENTIEW: Okay, thank you. That's great. Next couple, just more on corporate development and growth going forward. Copper is bouncing around $3 level. Are you guys seeing more interest from base metal operations to sell precious metal streams here, or are you still getting a lot of interest from the gold projects, gold focused projects?

TONY JENSEN: Alex, let me introduce Bill Heissenbuttel, our Vice President of Corporate Development, to address the question.

BILL HEISSENBUTTEL: Hey, Alex, how are you?

ALEX TERENTIEW: Good, thank you.

BILL HEISSENBUTTEL: Yeah, you know, we continue to see interest on the part of the base metal producers obviously. With the cover price bouncing around, that might be a bit more sensitive to the cash cost of production after we take out the stream. So I think there might be a bit more sensitivity, but I also think you hit the nail on the head. We're actually seeing interest from the primary gold producers. So I actually see the market expanding as supposed to just being limited to the base metal companies.

ALEX TERENTIEW: Okay. Just last question here, obviously because you guys have mentioned several times your strong balance sheet, over $1 billion in liquidity. So you are capable, obviously, of doing more transactions. Are you looking at some smaller transactions like -- it's not even that small, but the Rubicon Phoenix deal, or is another large-scale cornerstone investment, cornerstone deal something that you're instead -- or you would rather like to see instead, or does size really matter? I just would be interested in hearing your views on that.

BILL HEISSENBUTTEL: Alex, so I think it's in all of the above kind of thing for us. We recognize the probability of doing smaller deals as higher, so we're always going to be working in those areas. And you might see more frequency of those kinds of deals. But at the same time, we're always looking for a material transaction like a Mt. Milligan type of deal that came to us. And so expect us to be active in all of the different ranges, and I think this quarter in the three new pieces of business that we brought on are reflective of that.

ALEX TERENTIEW: Okay, Great. Thank you.

BILL HEISSENBUTTEL: Thanks, Alex.

OPERATOR: The next question will come from Shane Nagle of National Bank Financial. Please go ahead.

SHANE NAGLE: Thanks. Good morning, guys. Tony, or maybe Bill, just I wonder if you've gone through the shipment schedules with Mt. Milligan, and maybe how much you would expect in terms of sales relative to their production guidance? Or if you haven't really run the numbers yourself maybe how much in terms of how many

shipments you expect them to get. I'm just trying to get a good sense of how your sales are going to come in for the year relative to Thompson Creek's production numbers.

WILLIAM ZISCH: Right. So this generally I ask a bit or your patience as the project ramps up, because it's going to take a little time to get into steady state. But generally I would suggest that we have about a shipment a quarter, sorry a shipment a month. And that's probably going to be in the 10,000 ton a day, ton lot kind of size, so the full production that Thompson Creek guided, 165,000 to 175,000 ounces. We would expect there might be a couple of shipments on the back end of that schedule, that we would not receive payment for during this calendar year, just because we get paid when they get paid for the first 12 lots.

So we don't have any specific guidance for you as to how much of that 165,000 to 175,000 ounces would be in the payable side of Royal Gold's books at the end of the year, but that's probably something, Karli we should probably look at and try to provide a little more clear guidance on. So, Shane thanks for the comment.

SHANE NAGLE: And just to be clear, I think you guys have provided the guidance before the first payment that you get, when Thompson Creek receives their first provisional payment. That happens a few days after they're paid, and then the final settlement is that tracking in and around that 8 to 12 months timeframe after shipment.

TONY JENSEN: Yeah, it's probably about three months afterwards on…generally speaking. So, remember, Shane, we get paid on provisional payments for the first 12 shipments, the first 12 lots there. And then during that period of time we transition from heavier provisional payments to heavier final payments. And after the 12th shipment, then we're all paid on final shipments. And that can be a little bit confusing. We try to provide that detail in our disclosure, but to the extent that it still is confusing, please give us call and we'll walk you through it.

SHANE NAGLE: Okay. Now that the shipments make sense, I'm just trying to get an idea of how much you're going to have on your front end of those payments or the back end as those percentages shift through time. And then maybe just a last one for Stefan. I think you previously guided 3% to 4% break on the effective tax rate with Mt. Milligan fully ramped up. If we were to take your effective tax rate in Q3 here, how much would it have been net of those 2013 tax benefits, or in a sense, how much did the Thompson Creek/Mt. Milligan reduce the effective tax in the quarter?

STEFAN WENGER: Yeah, the Thompson Creek or the Mt. Milligan impact on our effective tax rate was about 3% for the quarter, and that's pretty consistent for the full-year Thompson Creek's or Mt. Milligan's impact on our full tax rate.

SHANE NAGLE: Okay. And just a quick one --

STEFAN WENGER: I wouldn't say that's long-term, as Mt. Milligan has a larger impact in fiscal '15. I would expect that impact -- or the benefit from that structure to be larger. But at this time, I'm not going to provide any more specific guidance there.

SHANE NAGLE: Right. Right. Of course. And it's relatively smooth credit that you get. I mean you effectively pay the lower tax rate. You don't pay a full tax rate and then get refunded?

STEFAN WENGER: That's correct.

SHANE NAGLE: Okay, that's great. Thanks a lot, guys.

TONY JENSEN: Thanks, Shane.

OPERATOR: The next question will come from Jamie Kasprowicz of RBC Capital Markets. Please go ahead.

JAMIE KASPROWICZ: Great. Thanks for taking my question, guys. Just a quick follow-up question on Cortez. Do you have a sense or did Barrick give an indication of how long they'll be in larger royalty footprint pipeline?

TONY JENSEN: Bill, do you have any generality?

WILLIAM ZISCH: Jamie, right now what we've got is this one-year look, and that's what we're focusing on. The future will certainly depend upon how their overall mine plan incorporating Cortez field surface and underground pipeline plays out. And we'll have to wait and see where they go with their longer-term plan; I don't have much to help on that future right now. The fact they've come back into the pipeline side, they're likely to stay there for a while, they are not going to be moving around back and forth a lot.

TONY JENSEN: Jamie, I think what I would add to that is that we have been kind of on the sidelines in the open pit mining, as they have focused on higher grade at Cortez Hills for, gosh, which has been four years or so. And now they have moved that fleet, and a lot of the open pit surface reserves are over on the pipeline mining complex, where we have our royalty interest. So we would expect them to be over there for quite some time now.

JAMIE KASPROWICZ: That's great. And just one quick question on Mt. Milligan. The first four shipments, the split for provisional versus settlement was 75 to 25%. And I was just wondering the shipment is 5 to 13, could you just remind me what that split was before you go to full settlement after shipment 13?

TONY JENSEN: Sure. So 1 through 4, as you said, were 75% on the provisional and 25% on the final. You with me there? And then we go through 5 through 8, and 50% is paid on the provisional, 50% on the final, and then 9 through 12 would be 25% provisional, 75% final, and then after that, all 100% on the final.

JAMIE KASPROWICZ: Okay, great. That's perfect. That's it from me. Thanks.

TONY JENSEN: Thanks, Jamie.

OPERATOR: The next question will come from Adam Graf of Cowen & Company. Please go ahead.

ADAM GRAF: Thanks, guys, for taking my questions. Just quickly, how much of the March quarter results at Cortez reflect the new deal there?

TONY JENSEN: Adam, I would say very little. We had just a partial. No, I guess we had the full year or full quarter with that new interest, but it's not the main driver compared to all the other revenue that we received there.

ADAM GRAF: Okay. Good. Good. And then at Penasquito, I'm a little confused, are the royalties that you guys received based on the contained or payable production at

Penasquito, because the payable number that you're quoting for your full year seem to be more in line with contained numbers that Goldcorp is forecasting?

TONY JENSEN: Bill, can you answer that?

WILLIAM ZISCH: Yeah, Adam, our payment is on there as an NSR. It's on the payable amounts, and the guidance that we show here on the 530 to 560 is payable gold.

ADAM GRAF: Because that doesn't -- because I can't find -- I was looking back on the Goldcorp numbers to verify that if those numbers, the same numbers that I saw Goldcorp were explicitly given as payable or contained. So there was a little confusion there. But I'll try to dig in a little more and maybe find what they've said. But you guys are definitely --

WILLIAM ZISCH: Yeah, Adam, we'll look more on that. We've actually had some of those discussions ourselves, and we will go back and confirm that as well, and if something is a not as I mentioned it, we will make that clear.

ADAM GRAF: Yeah. I mean, clearly, with the precious metals at Penasquito those are largely contained in concentrates where the payables are substantially lower than the contained.

MALE SPEAKER: Correct.

ADAM GRAF: That's an important point.

MALE SPEAKER: Right.

ADAM GRAF: And then maybe a bit more of a conceptual question. With your new royalty at Gold Rush, what conceptually did you guys think about for when that asset could start? And had you given some thought to the overall ability or the overall capacity in Nevada to accept the 80% of that ore, which is refractory, and if they'd have to build a roaster/autoclave, new roaster/autoclave facility and the time line to permit and build that.

TONY JENSEN: Yeah, so, Adam, look, first of all, you might remember that I was the mine manager at Cortez for four years, and so very much like that asset in every respect, and to the extent that we can ever get more interest there, we're always keen to do that. Now this is on the southern -- this Gold Rush royalty that we acquired is on the southern end of the gold rush deposit. And interestingly, we still have nice land position for that deposit to continue to extend at the south, if there is mental endowment that allows that to happen. So we like our position there.

I think we bought this royalty right as far as the timing and the discount that we put into it. We recognize it's going to take some time. Some of the permitting that I did at Cortez would take somewhere between two and four years to do new EISs and the like. So two years is pretty quick anymore. Sometimes we could get environmental assessment done in that timeframe. But this is going to be a new project, and I think Barrick is assessing it as a new project, and they are probably looking at synergies in the area, but it might be a new capital as well. So we don't have those details. But, again, I think we acquired this at a reasonable price, given the uncertainty on time.

ADAM GRAF: And maybe Tony, I don't want to take any more time, but given your experience in Nevada, and new guys are quite involvement in the number of assets there, what can you say about that general roasting and autoclave capacity on a consolidated basis in Nevada, versus what's going to be needed in the future?

TONY JENSEN: Well, that's a pretty difficult question. There is, what, three or four roasters in the state currently. And what the plans are for each company with those rosters, I'm not in a position to be able to say. But there has been a lot of reserves that have been developed and put through rosters over time. And I don't know that the reserves, new reserves have kept up with depletion, generally speaking, in the states. So I think there's certainly going to be some capacity for the likes of a gold rush in existing facilities. But, again, when you have, as Barrick announced yesterday, a resource that's in the 16-million ounce range, it can support its own facility and capitals. This is just associated with that. Above that, if there's synergies in the area, so much the better.

ADAM GRAF: Very good. Thanks for taking my questions, guys.

TONY JENSEN: Thanks, Adam.

OPERATOR: And, ladies and gentlemen, that is all the time allotted for questions. I would like to turn the conference back over to Tony Jensen for closing remarks.

TONY JENSEN: Well, thank you very much for joining us today, and your keen interest in the Royal Gold. Excellent questions, as always. We appreciate your interest and we will continue to keep you updated on Royal Gold as the weeks go forward here, and look forward to speaking with you on the next quarterly call. Thank you.

OPERATOR: Ladies and gentlemen, the conference has now concluded. We thank you for attending today's presentation. You may now disconnect your lines.