Royal Gold

Royal Gold's Fiscal 2019 Third Quarter Conference Call

Thursday, May 2, 2019, 12 P.M. Eastern

CORPORATE PARTICIPANTS

Alistair Baker – *Director, Business Development*

Tony Jensen – *President and CEO*

Bill Heissenbuttel – *Chief Financial Officer and Vice President, Strategy*

Mark Isto – *Vice President, Operations*

PRESENTATION

Operator
Good morning and welcome to the Royal Gold Fiscal 2019 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 will be an opportunity to ask questions. To ask a question, please press *, then 2. Please note this event is being recorded. I would now like to turn the conference over to Alistair Baker, Director of Business Development. Please go ahead.

Alistair Baker
Thank you, operator. Good morning and welcome to our discussion of Royal Gold's third quarter 2019 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; Bill Heissenbuttel, CFO and Vice President, Strategy; Mark Isto, Vice President, Operations; and Dan Breeze, Vice President, Corporate Development of RGLD Gold AG.

This discussion falls under the Safe Harbor provision of the Private Securities Litigation Reform Act. The discussion of the company's current risks and uncertainties is included in the Safe Harbor and cautionary statement in today's press release and slide presentation and is presented in greater detail in our filings with the SEC. Tony will give you an overview of the quarter, followed by Mark with an update on our operating results. Bill will then provide a financial update, and Tony will wrap up the call with some closing comments. We will then open the lines for a Q&A session. Now, I will turn the call over to Tony

Tony Jensen
Good morning and thank you for joining the call. I will begin on Slide 4. This was another solid quarter for Royal Gold with improvements in all of our financial metrics compared to the December quarter. Our revenue for the quarter was $110 million, up 13% from our previous December quarter of $98 million. This increase was made up of 6% higher volumes and improved metal prices with realized gold and silver prices up about 6% and 7% respectively. Earnings for the quarter were $0.44 per share, up 22% from $0.36 in the previous quarter. Operating cash flow was $77 million, which was 31% higher than the December quarter due to working capital changes mainly associated with lower taxes and interest payments.

I should emphasize that we had an inventory build of about 8,000 GEOs due to receipt of an earlier than expected delivery from Mount Milligan. Had that inventory been released, our financial results would have been notably impacted in a positive way. We paid dividends of $17 million, up by $1 million from the last quarter after the Board approved a dividend increase in November to $1.06 per share for the calendar year. Our cash flow payout ratio for the quarter was approximately 22% and comfortably allowed us to meet our strategic objective of paying a growing and sustainable dividend. Consistent with the past several quarters, we also continued to strengthen our balance sheet. With over $22 million in working capital and our undrawn credit facility, our available liquidity is now about $1.2 billion.

In addition to providing these solid operating and financial results, we also announced an investment in Silver Stream and the Khoemacau project in Botswana, which adds a high-quality growth project to our portfolio. Finally, I would like to briefly mention the Peak Gold project and our work underway to test the market value of our interest. As I mentioned in our last quarterly

call, we were at the beginning of the process to consider our next steps with respect to our interest in the project and that process is continuing.

On Slide 5, I would like to take a moment to talk about our investment in the Khoemacau project currently under development by Cupric Canyon Capital. I will refer you to our February 25th presentation on our website for the full details on the project and our investment, but I will make a few points to summarize the highlights of the transaction and its impact to Royal Gold.

With respect to our Stream investment, we will make an advance payment of $212 million for Stream of 80% of the silver and pay a cash price of 20% of the spot silver price for each ounce delivered. Cupric has an option to increase the advance payment up to an additional $53 million, and in return, we would earn up to an additional 20% interest in the silver production. We have also planned for potential construction overruns by providing a $25 million subordinated debt facility accessible at Cupric's auction. The graphic on this slide shows the approximate disbursement schedule of various components of our investment, which we expect to fund from cash flow or by withdrawing on our credit facility, if needed. Our total commitment combined with the project finance facility being provided by Red Kite Mine Finance and additional equity commitment by Cupric provides more than sufficient funding to meet Cupric's estimated $480 million capital equipment for the project.

Turning to Slide 6, you can get a sense of the contribution of this transaction to Royal Gold on a pro-forma basis. Depending on the ultimate size of the Silver Stream, we expect this transaction will add between 1.5 million and 1.9 million ounces of silver per year to our account. Using metal prices for the quarter ended December 31st, this would mean a contribution of between 18,000 and 22,000 GEOs, which compared to the December 2018 quarter would add about 5.5% to 6.5% contribution on an annual basis. While this is the first pure Silver Stream we have completed, we received silver along with gold from our stream agreements at both Pueblo Viejo and Rainy River.

Again, comparing to the December 2018 quarter, we expect the Khoemacau stream will increase our total revenue from silver from about 10% to 15% and increase our revenue from precious metals slightly to just over 85%. Khoemacau is a high-quality and long-life project, and it is a great addition to our portfolio. We look forward to providing updates on activities over the next several quarters as the Khoemacau team advances towards their targeted production in the first half of calendar 2021. I will turn the call over now to Mark to discuss more activities at Khoemacau as well as our operating results.

Mark Isto
Thanks, Tony. Starting on Slide 7, the Khoemacau project continued to advance since my mid-February site visit, just before the transaction was announced. Excavation of the central and north box cuts is advancing as shown in the photo. Brush cornering for the 35-kilometer access road is almost complete and the 240-person construction camp upgrade is complete, and the camp occupied. Detailed design and engineering are reported to be 71% complete with certain long-lead items for the mill upgrade already purchased. Although still at an early stage, the project activities are progressing well.

Moving to Slide 8, I would like to discuss some of the recent development at several of our key operating properties. We are very pleased to see during the quarter that amendments to the environmental assessment certificate at Mount Milligan were granted to allow access to additional surface water and groundwater sources until November 2021. Centerra expects that these additional sources should supply enough water to relieve constraints on the mill operations, which have been impacted since late 2017. As expected, the water constraint this past quarter across

Mount Milligan to maintain lower throughput that averaged 27,000 tons per day, well below the full capacity of 55,000 tonnes per day. As such, we expect lower sales in our first fiscal quarter of 2020. Centerra upgraded its pumping infrastructure and began drawing water from these additional sources at the beginning of April and throughput is steadily increasing as the water level increases in the tailings facility. Centerra expects the additional water captured from the spring mill will allow operations to ramp up to full capacity in May and maintain 55,000 tonnes per day through the remainder of this calendar year.

Due to the unusual timing difference between production at Mount Milligan and the receipt of stream deliverables, we expect mill throughput increase will be reflected in stream deliveries approximately 5 months later, our second fiscal quarter of 2020. These additional water sources are intended to bridge the need in the medium term, so Centerra is also working on a regional water inventory to identify other potential sources that could provide additional water through the end of the mine life. Centerra expects to make formal applications and begin the regulatory review process later in calendar 2019. As a final comment, Centerra has reaffirmed previous 2019 calendar year production guidance for both gold and copper.

Switching to Rainy River, good progress continued over the quarter with gold production of almost 62,000 ounces and New Gold reaffirmed the full year guidance range of 245,000 to 270,000 ounces. The processed ore grade of 1.2 grams per tonne was lower this quarter due to a planned transition from Phase 1 into Phase 2 of the mine plan. Mining operations were primarily focused on waste stripping to expose ore from mining in the future quarters as well as providing material for plant tailings dam raises scheduled to begin during the second calendar quarter.

Mill throughput for the quarter averaged almost 20,000 tonnes per calendar day, below the annual target of 22,000 to 24,000 tonnes per day, due in part to the buildup of ice and the crushed store stockpile above the apron feeders. Average mill throughput returned to target levels at the end of the quarter, however. Mill availability for the quarter was a record 89%, despite planned downtime to replace the ball mill trunnion and other repairs. Gold recovery averaged 90% for the quarter, which is a significant improvement over the previous quarter when you consider the 16% lower average mill feed grade.

New Gold is forecasting that recoveries will continue to improve to an average of 90% to 92% for the year. New Gold announced that work is underway on an optimization study to increase the life of mine cash flow from Rainy River with a target to complete an updated mine plan by the end of calendar 2019. In addition, a near mine exploration program to test potential targets is starting during the current calendar quarter. Finally, New Gold announced yesterday that excess water in the tailings facility from the melt of heavy snow pack caused them to temporarily suspend milling operations at Rainy River on April 24th. New Gold is managing the excess water and expects full operations to resume within the next few days.

Continuing on to Slide 9, I would like to provide some comments on Peñasquito and Cortez. At Peñasquito, our royalty production was notably lower during the quarter, primarily as a result of lower head grades, as guided by Goldcorp, while Newmont Goldcorp expects higher grades during the second half of 2019. Newmont Goldcorp reported Peñasquito's Pyrite Leach project continued to perform well with recoveries trending higher through the quarter. While Newmont Goldcorp has not yet provided detailed guidance for any of the Goldcorp assets, they have talked about plans for Peñasquito at a high level. They identified some opportunities and several focus areas, which include blast fragmentation, crusher capacity and the prioritization of improvements within the process plant. We look forward to the guidance from Newmont Goldcorp on Peñasquito when they report their second quarter results and also to understand how these continuous

improvement programs could benefit our royalty position. I also note Monday's news about the temporary suspension of operations at Peñasquito due an illegal blockade by a trucking contractor and certain community members. Newmont Goldcorp has filed criminal complaints against the blockade leaders and is working with government authorities to resolve the situation, and notes that the miners' union is supportive of its actions. The effect of this suspension on calendar 2019 production is currently unclear.

At Cortez, a new technical report was published in March with an updated pipeline Crossroads production profile and reserve statement. 2P reserves at Crossroads at the end of 2018 were approximately 111 million tonnes at average grade of 1.02 grams per tonne for a total of 3.6 million ounces, up about 400,000 ounces from year-end 2015. We have multiple royalties at Cortez, some of which overlap, that delivered approximately 4,000 royalty ounces in calendar 2018.

Based on the production forecast received from Barrick for the various royalty areas, we expect our royalty ounces to increase significantly in calendar 2019 to approximately 17,000 ounces and royalty production is expected to continue a trend upwards. However, Barrick and Newmont are currently working on an integrated model across the Nevada JV to optimize ore flows and processing capacity, which may mean that near-term production estimates will change. We should have a better sense of the impact by the end of calendar year.

I would like to wrap up on Slide 10 with a few short comments and some positive developments in our portfolio, most notably Andacollo, Pueblo Viejo and Wassa. At the Carmen de Andacollo mine in Chile, Teck is currently commissioning a recently installed sizer, which is designed to increase throughput by 10% to 55,000 tonnes per day, even with the harder ores at depth. The sizer is expected to be in operation in the second half of calendar 2019. As a reminder, we have a stream on 100% of the gold production from Andacollo, which resulted in deliveries of 9,900 ounces in the last quarter.

At the Pueblo Viejo operation in the Dominican Republic, Barrick has announced that it has completed the expansion project scoping study and is now progressing towards a feasibility study. The expansion project target is to maintain annual production of approximately 800,000 ounces per year after 2022 and extend the mine life beyond 2035. What has changed, however, is that they are now considering a change from heap oxidation to tank oxidation, while they leverage Randgold's experience with ultrafine grinding followed by oxidation. Because of Randgold's experience with this approach at their African operations, Barrick expects the studies may be advanced and that the timing for a feasibility study could be moved forward. Finally, at the Wassa mine in Ghana, Golden Star announced a reserve increase of 23% at the end of 2018 due to strong results from underground definition drilling and a stope design optimization process. The increase in reserve in the upper levels of the mine suggests that there is an excellent potential to increase the near-term production rate, which could be processed using the excess capacity at the Wassa mill. Recall that the Wassa mill has installed capacity of 7,500 tonnes per day compared to the 2019 production rate of 3,500 tonnes per day. That concludes my remarks, and I will now turn the call over to Bill to discuss our financial results.

Bill Heissenbuttel
Thanks Mark. I will turn your attention to Slide 11 and give an overview for the financial results for the quarter, which I would describe as quiet and steady. I will be comparing our quarterly results to the comparable quarterly period in fiscal 2018. As Tony mentioned at the beginning of his remarks, revenue this quarter was $110 million on volume of 84,200 gold equivalent ounces. This volume included our expectations with respect to the stream volumes we discussed during our

fiscal second quarter conference call, and the actual results announced last month, which were slightly better than expectations. With respect to volume, GEOs decreased approximately 4% in this recent fiscal quarter relative to the same period last year. Volumes were impacted by lower gold and copper stream revenue from Mount Milligan, partially offset by higher gold and silver sales from Pueblo Viejo and Andacollo. Metal prices had a negative effect and were down across the board with gold down 2%, silver down 7% and copper down 11% year-on-year.

G&A expense for the quarter decreased to $6.8 million, down from $8.1 million in the prior year quarter and $7.4 million in the second fiscal quarter of 2019. The prior year quarter included G&A spending on the Vale litigation, which has subsequently been resolved and G&A expense for the last couple of quarters are more in line with typical levels. Our DD&A expense for the quarter was $39.4 million or $468 per GEO, which is in line with both last quarter and the prior year quarter. We recorded a small gain of $1.8 million this quarter as a result of the mark-to-market movements in the equity positions we hold. This is the third quarter since we adopted the new accounting standard for the recognition and measurement of financial instruments that give rise to this income statement impact and it can be expected that we will continue to see volatility in the future to the extent we continue to hold any equity positions. Given our low share count, this small gain appeared to be more significant at $0.02 a share net of tax.

Our tax rate for the quarter was 24.7% and we continue to expect our full year tax rate to be in the range of 18% to 22% as I mentioned on our last quarterly call. Earnings were $28.8 million, down slightly from adjusted earnings of $31 million in the third quarter of the last fiscal year. Please note that the earnings figure I just mentioned for last year was an adjusted figure that excludes the impairments and associated tax benefits we recorded in the prior year quarter, most of which was related to Pascua-Lama. Cash from operations was approximately $77.4 million, down from $105 million in the prior year quarter. Note however that last year's quarter was unusually high, because it included a $21 million tax refund from the Chilean tax authority. If this tax item is excluded, the change in cash from operations is more reflective of the slightly lower volumes and metal prices in this quarter compared to a year ago.

At the end of March, we held approximately 33,400 GEOs in inventory. This is higher than my guidance on the last quarterly call and it is due to a shipment received from Mount Milligan a few days earlier than expected at the end of the quarter. Looking forward to this quarter, we expect Stream segment sales to be approximately 65,000 to 70,000 gold equivalent ounces based on our forecast deliveries and the expected return of our inventory levels to a more typical level between 25,000 to 30,000 GEOs.

I will now turn to Slide 12 and finish my comments with a summary of our financial position. Our liquidity position continued to strengthen over the quarter. We ended March with cash of $216 million, approximately $60 million higher than the end of the December quarter, and working capital was also $216 million. These figures, coupled with our undrawn $1 billion revolving credit facility, provide us with total liquidity of over $1.2 billion. Our $370 million convertible bonds mature on June 15. We plan to use cash on hand and draw on our revolving credit facility as required to repay these bonds at maturity.

Our current expectation is to repay any outstanding amount drawn on the revolving credit over time with cash from operations with the acknowledgment that we will also be funding our contributions to the Khoemacau project over the next couple of years. We continuously analyze the sources and cost of available capital and have been pleased with the role the convertible notes have played in our long-term capital structure. We will continue to analyze these markets in light of future investment opportunities but believe the ability to borrow and repay under the

revolving credit represents the best approach to the financing of the company at this time. We remain open to using modest debt levels to finance the company's growth in the future and averse to dilutive equity issues. I will now turn the call back over to Tony.

Tony Jensen
Thanks, Bill. I will conclude on Slide 13. To summarize the quarter, our existing business generated solid earnings and cash flow, and we continued to strengthen our balance sheet. We also added a high-quality growth project of our portfolio during the quarter. We remain well positioned in an active business development environment, where our flexibility and access to capital remain advantages.

Looking forward, Royal Gold is made up of 22 highly talented and dedicated professionals. I truly believe that you will see several of our employees leading organizations in the future. It is rewarding to watch our people perform and to grow. They know what to do and how to get it done. Our team is anchored by arguably the best board in the business, who plays a critical role in setting strategy and providing the guidance. Together, we have developed a very successful culture and a business that is durable and robust.

With this combined 360-degree leadership, the expertise in our company and the excellent state of our business, it is time for me to step aside after 16 years with the company and 13 years as President and CEO. I have informed our board that I would like to retire by the end of the March quarter of 2020, essentially one year from now. This long notice is characteristic of Royal Gold, working in a transparent and methodical fashion. Our board has been actively engaged for many years in succession planning at several levels within our company. They are well prepared for this transition, and I am confident they will select an excellent leader for Royal Gold's future. Brandon, that concludes our prepared remarks and we will be happy to take questions.

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the Question and Answer session. Our first question comes from Cosmos Chiu with CIBC. Please go ahead.

Cosmos Chiu
Thanks, Tony, Mark and Bill for the conference call. First off, congratulations on your retirement, Tony, it is certainly sad to see you leave, but it is well-deserved, and you have certainly done a very good job in the past, over 10 years now. So, congrats once again.

Tony Jensen
Thank you, Cosmos. Thanks very much.

Cosmos Chiu
Now the questions, I guess. Maybe a question for Mark, certainly, two things happened after the quarter end, with the tailings facility at Rainy River impacting throughput and also the blockade at Peñasquito. Mark, you sort of touched on it, but how concerned are you at this point in time with what is happening at the two operations?

Mark Isto
Obviously, timely questions. I guess, as you just look at the news around Ontario, you know that many areas are impacted by this excessive precipitation and the rapid snow melt. So, having particular issues with excess precipitation, perhaps not a big surprise and, I guess, we feel that

the operations are in good hands and they are properly addressing the situation. We think it will come back within the guidelines that New Gold gave. So unfortunately, perhaps, but cannot really predict the weather. With respect to Peñasquito, it seems that it has been a bit of a recurring theme, as you might recall, I think it is perhaps the third blockade that they have experienced in the last 3 or 4 years. I certainly expect to see it resolved in a manner systematically and the same as it has been done in the past. I mean, we know that they were operating and storing concentrate at least up until late April. So, I mean, we are confident that it will get resolved as it always has gotten resolved and the shipments will start coming as expected. So, I am not sure what else I can tell you that but that is so.

Cosmos Chiu
Well, I think that is good. You talked about certainly, you talked about Mount Milligan, you have talked about Peñasquito, and you had talked about Rainy River. One that you didn't really talk about was Golden Star. Wassa is certainly doing well. But I think when they reported earlier today, Prestea Underground has not been doing as well, being there is higher dilution than expected. Any concerns there, in terms of what is happening at Prestea Underground and how would that impact potentially impact the revenue, the royalty stream revenue coming to Royal Gold?

Mark Isto
Okay. Good question. Yes, certainly we watch Prestea very closely. We have similar concerns that you raised that it is just really has not performed according to its feasibility level throughput or mining rate or grade. We have visited here in January. We had an independent review done on the resource estimate to get a little bit more color on how to think about the asset. My takeaway is that the problems that they are having are fixable, and the new management obviously is focused on doing exactly that. So, we think the problems are fixable at the site level and that the ore body is still a solid ore body, and we think it will produce and can produce at a profit. As far as the impact, what you see is frankly Wassa is overproducing, and of course, Prestea has been under producing and year to date, they are virtually right on where we expect them to be. I mean, it is not the obviously the mix we would like to see, but they have not had an impact on us yet and they are still guiding to be in their guidance range. So, I think there is a lot of opportunity for improvement and I think there is some good low-hanging fruit that they can work on.

Tony Jensen
Cosmos, I would just like to add to Mark's remarks which were spot on and just remind you that on an overall basis with our Golden Star investment that we did in 2015, we have already got 50% of our money back and we have got mine lives that are longer today than when we have invested in the project and we still like the exploration upside of that package, it has just been a great investment for us. So, if the current new management team can harvest some of that low-hanging fruit that Mark talks about, that is even so much the better.

Cosmos Chiu
For sure. Maybe switching gears, a little bit here, question more for Bill. On that $370 million convertible that is coming, that is maturing in mid-2019, can you remind us of the conversion terms in terms of that convertible? I am just trying to figure out if you are going to need cash to repay the entire $370 million? Or is there a component to it that could potentially be converted into shares?

Bill Heissenbuttel
So, the settlement that has been selected under the indenture has us paying cash for the $370 million and to the extent the price was above, I want to say it is 102 30, somewhere in that range, any excess would be settled in shares. Now for anything to be settled in shares, the volume-weighted average price of our stock from April 15, for a 45-day trading period from April 15 up to maturity has to exceed the conversion price and given where our stock is today, every day that we trade below, makes it harder and harder. So, our expectation is we are going to pay $370 million in cash, and there would not be any shares that are issued.

Tony Jensen
Which is exactly what we wanted, we want to be able to settle that whole thing in cash and continue to guard our shares.

Cosmos Chiu
Okay. Yes, for sure. I just needed a number so that I can put that into my model as well and then maybe last question here. I think Tony had touched on it in terms of Cortez. Cortez certainly did really well in this past quarter. It sounds like the Barrick Newmont joint venture partnership could enhance production even more. I think Cortez is not the only asset you have in Nevada, there is other one, you have a small one, and Goldstrike, you have something at Leeville. So, are there any other ones that potentially when the update comes around, could we see upside potential as well?

Tony Jensen
No, I would think that Crossroads is probably the most susceptible to improve production schedules there as we have talked to the Barrick, Newmont team and I do not think there is probably a lot of difference that would happen at some of the other assets where we hold an interest, but I could be proven wrong. I think what we need to do is just let those folks spend a little time and fully realize the synergies that we all hope are there.

Cosmos Chiu
Yes, for sure those are the questions I have. Thanks a lot again Tony. I guess you are not leaving, so you have to put up with us for another four quarters.

Tony Jensen
It has been absolute pleasure to do so, Cosmos. Thank you for your questions.

Cosmos Chiu
Alright, thanks.

Operator
Again, if you have a question, please press *, then 1. Our next question comes from Josh Wolfson with Desjardins. Please go ahead.

Josh Wolfson
Thanks. Also want to extend the congratulations to you, Tony, for the very successful career so far at Royal. I had a couple of questions for Peñasquito. The production or the operator guidance that was provided in the initial press release, you mentioned that you were looking for more information from Newmont about the outlook at the asset. Were those numbers provided to the company by Goldcorp? Or what was the source of those production forecasts for 2019?

Tony Jensen
Hey, Josh, are you talking about our release and our tables in our press release?

Josh Wolfson
Yes, correct.

Tony Jensen
So those are really numbers that are really backward looking. That is what we actually received as far as royalty statements. So, we have not yet received the forward-looking numbers for the year as far as I understand and Newmont, I believe, just spoke about that the other day, where they anticipate doing a very extensive review at Peñasquito and coming out with some guidance about mid-year and frankly, I think that is a fair position on their part after having only been in the position for a few days. They need time to digest the asset before they commit. So, we are a bit like you, on the sidelines, waiting for the guidance from the project.

Josh Wolfson
Okay. Yes, so this would be Table 3, where it shows the 2019 operator's production estimate, but it sounds like the numbers may not be relevant at this time?

Tony Jensen
Yes, I think I see Bill Heissenbuttel is pointing that out to me as well. Those were the prior operator's estimates, but again, I think we should raise our eyebrow to those and see what Newmont comes out with.

Josh Wolfson
Okay, that makes sense and then with regards to the production that was reported for the first quarter at Peñasquito, it seemed a bit later than our expectations. Obviously, there is a ramp-up period there for the TLP, there is some lower grade sequencing and also the current blockade. The results that Royal Gold reflected though, were those more affected by the actual production output? Or was that more a function of the potential, I guess, delays in concentrate delivery schedules?

Tony Jensen
Mark, do you want to take that?

Mark Isto
Yes, sure. We receive our royalty statement 1 month after the quarter end. So, they do reflect actual performance in the quarter. Now they could have a buildup of some inventory partially based on the blockade that was already spoken about, but really, the numbers are really driven by the lower grade that was expected in the quarter. Does that answer your question?

Josh Wolfson
Yes, so, it sounds like it would be more the production side than the delivery schedule?

Tony Jensen
Yes, I think, the other thing to add there to Mark that we learned is that Newmont continues to believe it is a great build throughout this calendar year, starting at a lower grade in this first quarter and continuing to improve as we get more and more into the heart of the stage of mining.

Josh Wolfson
Okay. And one last question for Mount Milligan. It sounds like the longer-term water sources, I think, were mentioned as an opportunity in 2021. Should we be looking at potential throttling of throughput for 2020 as we have seen for 2018 and 2019 or is that not expected, I guess, going forward in terms of the water availability issues?

Tony Jensen
Josh, we certainly hope that those things are in the past now with regard to reductions in the wintertime. This new strategy is completely built around that philosophy, that there will be sufficient water in the tailings facility on the capture of all the things that they are doing now. So, they will certainly go into the next winter season in a significantly improved position and we think it is likely that they will be able to operate as they expected, full capacity through the wintertime and then looking forward 3 years, the reason for that is that they have to do an amendment to their permit and that takes a little bit more time and I just say that it is entirely possible that some of the near-term solutions that we are seeing now might be the longer-term solutions as well, but they are taking the time over the next 3 years to really optimize the water source and not just be completely dependent upon atmospheric precipitation.

Josh Wolfson
Understood, got it, alright thank you very much and congratulations once again.

Tony Jensen
Josh thanks for the questions and very much thanks for the kind words.

Operator
Again, if you have a question, please press *, then 1.

CONCLUSION

Tony Jensen
Operator, I think we will go ahead and wrap up the call at this particular point and just thank everybody for joining us today, and we appreciate your continued interest and support in Royal Gold and this entire management team and we look forward to continuing to update you on our progress on our next quarterly call. Thanks, everybody.

Operator
The conference is now concluded. Thank you for attending today’s presentation. You may now disconnect.