

Royal Gold, Inc.

Fiscal 2021 Q3 Conference Call

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CORPORATE PARTICIPANTS

Alistair Baker – *Vice President, Investor Relation & Business Development*

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PRESENTATION

Operator

Good day, and welcome to the Royal Gold Fiscal 2021 Third Quarter Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star (*), then one (1) on your touchtone phone. To withdraw your question, please press star (*), then two (2). Please note this event is being recorded.

I would now like to turn the conference over to Alistair Baker. Please go ahead.

Alistair Baker

Thank you, operator. Good morning, and welcome to our discussion of Royal Gold's Third Quarter 2021 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 Bill Heissenbuttel, President and CEO; Paul Libner, CFO and Treasurer; and Mark Isto, Executive Vice President and COO of Royal Gold Corporation. Dan Breeze, Vice President, Corporate Development of RG AG; and Randy Shefman, General Counsel, 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, net debt and net cash. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are available in yesterday's press release, which can be found on our website.

Bill will give you an overview of the quarter, followed by Mark with an operating update. Paul will then provide a financial update, and Bill will wrap up the call with some closing comments. We'll then open the lines for a Q&A session.

Now I will turn the call over to Bill.

William Heissenbuttel

Good morning and thank you for joining the call. Before beginning, I would like to remind you that Royal Gold continues to operate remotely, and we'll do our best to offer a coordinated response to any questions. I'd also like to mention that we held an Investor Update a couple of weeks ago to provide a detailed information on our assets, growth profile, finances and strategy. For those of you who joined our call, we thank you for your time, and for those who are unable to participate, I just want to note that all of the materials from that event are available on our website.

Turning to this quarter's results, I'll begin on Slide 4. We had another good quarter of operating and financial performance. Total revenue of \$143 million was driven by solid operating results across the portfolio, and our royalty segment continues to be an important contributor to our results as it was in the December quarter.

Earnings for the quarter were \$54 million, or \$0.82 per share. Adjusted earnings were \$0.84 per share after adjusting for tax and fair value changes in our holdings of equity securities, and Paul will provide more detail on both of those.

Operating cash flow remained strong at just over \$92 million. We paid our regular dividend of \$0.30 per share, returning a further \$20 million to shareholders during the quarter in keeping with our long-standing commitment to capital return. We paid down \$50 million on our revolving credit facility during the quarter and ended the quarter with a net cash position of \$220 million and over \$1.2 billion of liquidity.

On April 1st, we chose to repay the outstanding balance on the credit facility in full, leaving us with zero debt and access to our full \$1 billion credit facility. We continue to fund our investment in the Khoemacau project, and during the quarter, we paid \$32.6 million to reach the \$212 million necessary to acquire the 80% base silver stream. In early April, we made a further \$29 million contribution in the form of stream and debt, increasing our stream rate to 84% of the payable silver as a result of the incremental stream payment. We're pleased with the progress at Khoemacau, and Mark will give you more detail in his remarks.

Finally, we agreed to fund important social initiatives with two of our operating counterparties. With Golden Star, we entered into a five-year agreement to support a sustainable palm oil agribusiness around the Wassa mine. With the Pueblo Viejo joint venture and the International Relief Organization project here, we are funding the transportation of donated medical supplies and equipment for use in hospitals around the Pueblo Viejo mine. These are good examples of investments that promote sustainability and social initiatives, and we're pleased to be involved in programs to provide long-lasting benefits to the communities where we have invested.

With that, I'll turn the call over to Mark for an update on our portfolio and progress at Khoemacau.

Mark Isto

Thanks, Bill. I'll start by making a few comments on our portfolio, which performed well and delivered solid results again this quarter, as Bill mentioned. Our royalty segment contributed about 33% of revenue, mainly due to strong performance from Peñasquito.

One area where we've seen reduced deliveries is from silver stream at Pueblo Viejo. The silver circuit is complex, and some recent issues with equipment in the circuit have caused lower recoveries. Barrick is working to address these issues and expects to be running normally again within the current quarter. If you recall, our stream agreement has a fixed silver recovery factor of 70% to protect against recovery risk, and the agreement also includes a deferral mechanism that allows the economic impact of any shortfall in silver deliveries to be made up in future periods. Approximately 362,000 ounces of silver have been deferred, and we expect the shortfall to be made up as plant performance improves. From our perspective, this is a cash flow timing issue, and we do not expect it to have any lasting impact on silver revenue.

On Slide 5, I'll give an update on the Khoemacau project in Botswana, currently under development by Khoemacau Copper Mining, the KCM. We gave a detailed project review in our Investor Update two weeks ago. So, I'll keep my comments brief today. Overall construction completion reached about 92% at the end of the quarter, up from 85% at the end of the December quarter. At the end of March, underground development at the three mines in Zone 5 reached over 11,000 meters, and there was a stockpile of 190,000 tons of high-grade sulfide

ore in the surface, and on April 23rd a milestone was reached when the grid connection to Boseto mill site was energized, allowing both Boseto and Zone 5 to operate fully on grid power. With respect to upcoming project milestones, KCM has started plant commissioning activities in a plant start-up around 2021 with the sale of first concentrate in the third calendar quarter. Production is expected to ramp up to nameplate capacity in the fourth quarter of 2021 and reach sustained production levels by the end of the fourth quarter. However, this assumes no increase in COVID-19 challenges.

KCM has advised that they do not expect to require any further material funding from Royal Gold should the timing of the project milestones remain unchanged.

Turning to Slide 6, I'll quickly mention some of the other developments announced during the quarter. I discussed these in several additional organic growth opportunities during our April 20th Investor Update. So please refer to our website for the event presentation and additional details.

First is the preliminary economic assessment, or PEA, on the Wassa Southern Extension project. Golden Star announced the PEA results in early March, which adds about 11 years of production to the existing six-year reserve plan. The PEA shows an increase in underground production, which will allow the existing 7,400 ton per day plant to operate at near capacity compared to an average 2020 throughput of 5,500 tons per day. Golden Star plans to complete more infill drilling and expects to finish the feasibility study on the Southern Extension in early 2023.

The second is Peñasquito, where Newmont's full potential program has resulted in significant improvements to mining and milling performance over the last year. Peñasquito's gold production increased considerably over the past two quarters due to higher grade and mill throughput. Compared to 2020, Newmont's production guidance for 2021 is higher for all metals. Newmont has also turned their attention to near mine and regional exploration and expects exploration success that extend the mine's life by almost 10 years to 2040.

Turning to Slide 7, at Pueblo Viejo, Barrick continues to advance the plant tailings facility expansion project. Overall, engineering for the process plant is about 65% complete, long lead contracts and purchase orders have been placed and construction continues to ramp up. Social, environmental and technical studies for the additional tailings and waste rock storage has also continued to advance. Post expansion, Barrick is expecting gold production to be maintained at approximately 800,000 ounces per year on a 100% basis until the mid-2040s.

Finally, we received an updated reserve statement and life of mine plan from Nevada Gold Mines that covers our royalty areas at Cortez. Year-over-year reserves did not change, despite depletion during 2020, and stands at 3.5 million ounces. In terms of production guidance attributable to our royalty interest, Nevada Gold Mines is expecting 2021 production of 350,000 to 375,000 ounces, and average production for 2022 to 2026 of approximately 415,000 ounces per year, most of which is expected to come from the Crossroads deposit.

We have five royalties in this area, parts of which overlap. So, the best way to think about these combined royalties is to apply an approximate 8% gross smelter return royalty rate to the production guidance I just mentioned. Of course, this is an approximation, and there will be variations depending on which areas are mined, but it is a good approximation that considers our estimates for relevant deductions in each royalty.

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

Paul Libner

Thanks, Mark. I'll now turn your attention to Slide 8 and give an overview of the financial results for the quarter. For this discussion, I'll be comparing the third quarter of fiscal 2021 to the prior year quarter. We experienced another solid quarter of revenue as we recognized a 5% increase in our revenue to \$143 million on volume of 79,500 gold equivalent ounces, or GEOs. The increase in our revenue was mostly due to higher average metal prices and strong performance from our Peñasquito royalty, offset by lower gold sales from Andacollo. With respect to metal prices, the average price of gold, silver, and copper increased 13%, 55% and 51%, respectively, over the prior quarter.

Contributions from gold continue to dominate and gold remains our focus within the portfolio. However, our revenue from gold for the current quarter was 68% compared to 79% in the prior period. The decrease in our gold contributions during the current quarter was largely due to significantly higher increases in the average silver and copper prices. Our G&A expense decreased nearly \$3 million during the quarter, due to the additional noncash compensation expense we recognized during the prior year quarter, which was related to the retirement of two long-standing members of senior management.

Our G&A expense was again in line with the typical quarter for Royal Gold and is what we anticipate going forward, absent any large or unusual items. Our DD&A expense was \$41.3 million, or \$520 per GEO, down from \$594 per GEO in the prior year quarter. The decrease in our DD&A expense during the quarter was primarily due to lower gold sales at Mount Milligan, Andacollo, and Pueblo Viejo as well as lower depletion rates at both Pueblo Viejo and Mount Milligan. The gold and silver depletion rates at Pueblo Viejo decreased due to reserve additions as reported by Barrick, while the gold depletion rate at Mount Milligan decreased due to improved gold recoveries.

Given the reduced depletion rates at some of our principal properties, we are lowering our DD&A guidance for the June quarter to between \$525 and \$575 per GEO, and our full fiscal year DD&A guidance to between \$540 and \$590 per GEO. The annual DD&A guidance range we previously provided on our last quarterly call was between \$590 and \$640 per GEO.

Earnings were \$54 million, or \$0.82 per share, an increase of 39%. We had 2 minor adjustments to our earnings this quarter. The first was a \$0.04 per share charge, primarily due to a change in the realizability of certain deferred tax assets held by our Swiss subsidiary. While the second adjustment was a \$0.03 per share gain, or \$0.02 per share net of tax due to the fair value increase on our equity holdings. After removing these two items, our adjusted EPS was \$0.84 per share for the quarter.

We had another strong quarter of operating cash flow as our cash from operations for the period was \$92 million. Our operating cash flow was modestly down \$7 million, and this was primarily due to higher cash taxes paid in the current quarter. The increase in our cash taxes paid during the current quarter was due to timing. The timing of estimated tax payments can vary year-over-year, and due to COVID, we did see some taxing authorities allow deferrals with their estimated tax payment schedules.

Looking forward to the June quarter and absent any potential operational impacts from COVID, we expect stream segment sales to be in the range of 60,000 to 65,000 GEOs and inventories for the quarter end to be in the range of 31,000 to 36,000 GEOs.

With respect to tax, we expect our effective tax rate for both the June quarter and the full fiscal year 2021 to range between 19% and 23%, absent any unusual or discrete items.

I will now turn to Slide 9 and provide a summary of our financial position. Our liquidity position continued to strengthen as we ended the quarter with cash of \$370 million, working capital of \$384 million and a net cash position of \$220 million.

During the quarter, we repaid \$50 million on our revolving credit facility, and at the beginning of April, we repaid the \$150 million outstanding balance and are now debt-free. Although we are mindful that COVID risks remain, we believe we have sufficient liquidity, our available cash resources and our operating cash flow to cover G&A costs, any potential remaining commitments at Khoemacau, and our expected dividend payments for the foreseeable future.

Should we require additional funding beyond our existing resources, we have the full \$1 billion available under our revolving credit facility, which is low cost and flexible. With respect to Khoemacau, as Bill mentioned in his remarks, during the quarter, we made our sixth advanced payment of \$32.6 million and completed the \$212 million commitment required to fund the base silver stream of 80%.

On April 7th, we provided an additional payment of \$28.6 million, which included \$10.6 million in stream financing and \$18 million in debt financing. Our silver stream rate increased to 84% with this additional stream financing contribution. Our remaining commitment to KCM includes \$49.4 million in stream and debt financing up to commercial production, which should be by the end of calendar 2021. KCM has advised us, they do not expect to require any further material funding from Royal Gold if the timing of project milestones remains unchanged. If they do elect to request additional funding, we would make any further contributions from our available cash resources. 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 Heissenbuttel

Thanks, Paul. I'm pleased with another quarter of solid operating and financial results. We continue to benefit from a diverse portfolio that delivers gold-based revenues into a high-margin, unleveraged business that can self-finance its core operations and provide cash returns to shareholders. We have some good organic growth opportunities within the portfolio, which we hope to see advance in this healthy metal price environment. I encourage you to review the materials on our website from the Investor Update as we spent a fair bit of time providing project specifics for a number of these assets.

While we are pleased with the potential for this organic growth, we remain active in the pursuit of new business opportunities. With access to the full \$1 billion credit facility, in addition to existing cash balances and ongoing cash generation, we are well placed to act quickly on those opportunities that fit our criteria for investment, which include precious metals with a preference for gold and being disciplined with respect to return.

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

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question-and-answer session. To ask a question, you may press star (*), then one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star (*), then two (2).

Our first question will come from Tyler Langton with J.P. Morgan. Please go ahead.

Tyler Langton

Yes. Good morning. Good afternoon. Thanks for taking my question. Bill, could you just talk a little bit about (sort of) deal activity, kind of what you're seeing in terms of whether activities sort of increased or type of assets, locations? Just any color there would be helpful.

William Heissenbuttel

Sure, Tyler. I mean, what I'd like to do is if we can get Dan Breeze on the - to unmute and give his input as the head of our business development efforts.

Daniel Breeze

Sure. Yes. Thanks, Bill. Tyler, I hope you're doing well. I think the message is pretty much in line with what we've been saying in the last few calls in terms of it being a very healthy market. We're seeing opportunities in the \$100 million to \$500 million range. That's been pretty consistent over the last year or so, and in terms of where we're seeing the use of proceeds, it's really, again, focused on development assets, and I'd say primary gold assets, specifically, precious metal byproducts as well as part of that mix too from base metal assets. So, we're pretty encouraged by the market we're seeing right now. Does that answer your question for you?

Tyler Langton

Yes. That was perfect, thank you, and just a final question on Pueblo Viejo. The 362,000 ounces of silver that you'll receive, I mean, is that something where we take the next couple of quarters? Just kind of just getting a rough sense of timing and when we should expect that?

Bill Heissenbuttel

Yes. That's hard to say. It depends on the speed with which they are able to address the operational issues. So, I think the best I could say right now is just following quarter-to-quarter. If we start seeing trends, we'll certainly point that out to you, but I wouldn't want to lay out a time frame right now, because they're still in the middle of addressing the issues.

Tyler Langton

Okay. Great. Alright. That's all I have. Thanks so much.

Bill Heissenbuttel

Thank you.

Operator

The next question will come from Cosmos Chiu with CIBC. Please go ahead.

Cosmos Chiu

Hi. Thanks, Bill, Mark, and Paul and team. Maybe my first question is on Cortez. Thanks for giving us the guidance here. I guess you have to wait for Barrick to give it to you first. But I just

want to confirm my understanding here. I guess for calendar 2021, you're saying that on your royalty ground, it's about 350,000 ounces to about 375,000 ounces of production. If I look at last year, it was 175,000 ounces. So, if gold prices were to stay the same, does that mean that we would expect double the revenue in calendar 2021 versus 2020?

William Heissenbuttel

Yes, thanks. Thanks, Cosmos. Mark, is there anything you want to say on the ounce side of things?

Mark Isto

Well, I guess, the way I would look at it, as I tried to explain is, I would just - the 350,000 to 375,000 range was what was provided that we could disclose and using the 8% gross value royalty factor, if you will, will certainly give you very good annual approximation of how to look at the return to us. So, we know that Barrick has stated that the back half of the year is going to be more weighted to production than the first half of the year. So, it'll be a little bit lumpier. It won't be equal quarters, but we're certainly feeling that the range is right and the 8% [unintelligible] royalty factor is a very approximation on an annual basis.

Cosmos Chiu

Got it. Got it, and not to be pedantic here, but if I were to look at your disclosure from last year, I think you have mentioned on your royalty grounds, we're expecting about 425,000 ounces from year, calendar year 2021 to calendar 2026. Now those estimates have been refined. Mark, do you acknowledge, I guess, and to the extent you can share with us, what has changed?

Mark Isto

Well, your observation is right. It certainly has -- the production profile has been shifted out a bit. One of the factors that's affecting this year, fairly disclosed that they had a geotechnical issue in the pipeline pit, which occurred back in the fourth quarter of last year or late last year. So, that's been in part impacting this year, for sure, but yes, the next two years, we certainly saw some ounces being pulled out. So, you're correct, we've typically seen this. I mean it's -- the Cortez Crossroads deposit is a lower-margin material, and I think what we see is it being relegated based on other materials that are available to process. That's my assessment.

Cosmos Chiu

Great. Thanks, Mark. Maybe -- yes. Go ahead, Bill.

William Heissenbuttel

I'll just add, when we start talking about the longer-term ounce figures, just remember, we're saying "on average", and there can be some variability around that average.

Cosmos Chiu

Of course. Thanks, Bill. Maybe switching gears a little bit. On your fiscal Q4 guidance, thanks again for giving us the guidance here, 60,000 to about 65,000 GEOs. That's much higher than the 52,500 GEOs that you just realized in fiscal Q3. Could you maybe remind us in terms of the seasonality quarter-over-quarter to the extent that you can?

William Heissenbuttel

Yes. I'll start, and then I might turn it over to Paul to see if he has anything further to say, but it's not "seasonality." It's -- we have -- two of our large -- two or three largest revenue producers, they produce a concentrate and we get paid based on the timing of those shipments, and so,

when we last got together last quarter and we had the much lower sales forecast, really, a lot of that was the fact just the timing of the shipments and when we expect the deliveries to come from those shipments, and you may see that variability. In the past, we've had Andacollo and Milligan kind of offset each other, and this quarter, we just happened to have them overlap. So, it really just concentrates timing. Paul, is there anything else you would add to that?

Paul Libner

No. That's what's going to be my response, Bill, it's solely timing, and Cosmos, you may recall from our last quarterly call that we did talk about just the timing that we're experiencing here currently. So, I think Bill's response is certainly right down the middle there.

Cosmos Chiu

Great, and then in terms of guidance, it's good that we get the quarterly guidance, but I was also thinking that as we end now almost fiscal Q4, Bill, have you given any thought in terms of putting out longer-term guidance, maybe annual guidance. If I look at the peer group, some of the other companies in your peer group even put out five-year guidance. Is that something that you would consider?

William Heissenbuttel

Cosmos, it is a conversation we are having internally. The one thing I will say is that if we have guidance, we offer guidance. It's different. We don't own the properties. We don't know what's going on at the properties all the time. So, for Newmont to give guidance and for us to give guidance, it's two totally different things, and I'd say our competitors, although they do it, they don't control the properties either. But I hear your question, I've heard the question from others, and it is something we talk about, but I've had examples just in the last few months where something's come up and we've learned about it, and you go, well, that's why we don't give guidance because I don't want to do it and then have something happened in a property that we didn't foresee.

Peñasquito, we don't have a lot of information rights. We learned about it when you learned about it, and then we end up potentially having to change that frequently. So, that's my concern, but again, we're talking about it.

Cosmos Chiu

Got it, and then maybe just following up on Pueblo Viejo here. Could you remind us, understanding that there's recovery issues with the silver circuit, what percentage of your revenue coming from Pueblo Viejo is actually coming from silver?

William Heissenbuttel

Paul or Mark. Paul, I imagine, I don't have that number right in front of me. Do you happen to have it?

Paul Libner

I do not, Bill. Cosmos, I'd be happy to look at that and get back to you, but yes, it certainly is just overall silver for our portfolio on average is roughly 10%. So, and our silver deliveries primarily do come from Pueblo Viejo. So it would make up the larger piece of that 10% that we normally get.

Cosmos Chiu

Got it, and then one last question here on Pueblo Viejo. As you talked about it, about 362,000 ounces of silver is currently sort of inventoried. When that gets released, is it going to be over

several quarters? Or is it going to be like one shot, and we're going to see a peak, a spike in revenue coming from that release?

William Heissenbuttel

Well, Cosmos, it depends how the operation performs and as the recovery rates increase. I mean if they suddenly shot up to a much higher level that you might see all that come in at once, but it's -- that I can't predict. It could come piecemeal over a number of quarters. It could come very quickly. It just depends on how they do with recovery rates.

Cosmos Chiu

Got it. Thanks, again, Bill, and team and those are the questions that I have. Thanks a lot.

William Heissenbuttel

Thanks, Cosmos.

Operator

The next question will come from Brian MacArthur with Raymond James. Please go ahead.

Brian MacArthur

Hi, Good morning. First thing I just want to comment and say thank you very much for giving us more detail on some of the smaller assets going forward. I think it will be helpful. We have quarterlies that we can follow that, and I do realize it requires some work, but I do think that's very helpful, so thank you very much. My question, unfortunately, goes to PV too. So, I just want to try to understand this a little better. A couple of questions. This deferral, do you actually book anything of quota receivable and then just pick up the cash later? Or is the whole amount just technically delayed and it comes out whenever it comes out?

William Heissenbuttel

Paul, I'm going to ask you to handle that one.

Paul Libner

Yes, I appreciate it. Thanks for the question, Brian. So, just in general, high level, and obviously, in accordance with the U.S. GAAP rules that we follow here, there has been no revenue recognized or accrued in association with these deferred silver ounces. As Mark did mention in his remarks, we do have approximately 362,000 ounces of deferred silver to date, of which actually about 60,000 of that was attributable to our December quarter, but so when the ounces are delivered, we'll pay the contractual cash price, take those ounces into our inventory and start selling according to our policy.

We do expect the shortfall to be made up with the improved performance that Mark spoke of earlier, and we really just view this as a cash flow timing issue, and we don't anticipate that these deferrals will result in "lost revenue" but we have booked a nominal number as far as an asset and a payable on our books. It's very small, but balance sheet growth, certainly it was mainly just because of the cash price that we paid for the ounces that we did receive. So, that we will ultimately pay when those ounces are contractually delivered to us at a later date.

Brian MacArthur

And you may not want to get into this, but given this is a delay because of not hitting the 70%, does -- do you -- does the price risk get protected too? Or does it just all get delayed and it's kind of a volume issue? And I guess where I'm going here is what happens if the price when you get those 362,000 ounces is \$4 silver in the market. Do you take that price risk or because

it's a non- I don't know if it's nonperformance, but because it's noncontractual, does that get adjusted too? Or is it just a point of volume function?

Paul Libner

I would say it's more of a volume function, and when we do receive the ounces, obviously, yes, price could be different then than it is today. So, again, when we do take those ounces in inventory, our cash price we may pay will go up or down, and then again, when we correspondingly sell those ounces, the price could be higher or lower than today. So, but nothing that we'll have to "mark to market," anything for the period or anything of that nature.

Brian MacArthur

Great, thank you very much, and I guess my second question is probably you too because it's accounting. So, just as we move forward with the Khoemacau because now you've increased the stream, and there's obviously a contractual part there, but then there's obviously - you're putting debt in. Is that debt just going to go on as - I assume it's just going to go on the - you just book it as an investment and just clip the coupons off until it's repaid. Is that the way I should think about it?

Paul Libner

Well, yes, and so just real quick, again, we did close on that in April here. So, this is a Q4 transaction for us, and so we haven't quite finalized our accounting on that, but I do anticipate that we'll record a note receivable on our balance sheet for that amount that we contributed there in April, and then any corresponding interest that we receive during the period would be recorded as interest income on our income statement. And this treatment, if you recall, Brian, would be similar. If you recall when we had that a loan --- a similar loan with Golden Star back in 2015. So, I would say it's going to be similar to that treatment when we move to Q4 here.

Brian MacArthur

That's very helpful. Thank you very much.

Paul Libner

Thanks, Brian.

William H. Heissenbuttel

Thanks, Brian.

Operator

The next question will come from Mike Jalonen with Bank of America.

Michael Jalonen

Hi, Bill. Cosmos asked a few of my questions, but I still had one from the Barrick call yesterday. Mark Bristow was commenting that Barrick or Nevada Gold Mines is looking at pipeline, which he called an old Tier 1 asset, and you have royalties on it. So, or Royal Gold doesn't, and just wondering, maybe Mark has some background there. What's Mr. Bristow up to? Sounds very promising for Royal Gold.

William Heissenbuttel

I'm not sure Mark, I'll turn it over to you. I'm not sure we have much more color, but perhaps you do.

Mark Isto

Yes, I did. I read the comments, and they're still producing out of the -- from the pipeline deposit, the pipeline pit. It's co-mingled with the Crossroads material. So he made a reference to looking between the Crossroads pit and the pipeline pit in one statement, which I found interesting, but not really related to our royalty ground so much. He also made referenced between pipeline and the Robertson property. So, he seemed to have two concepts in his comments, but one does relate to us with respect to the area between the two Crossroads and the pipeline deposit.

Michael Jalonen

Are they drilling? Or you just have at this point, this is the first....

Mark Isto

I couldn't give you any more detail than I just gave you, I think his comments yesterday were about what we know at this point.

Michael Jalonen

Sounds like a great mine tour, maybe sometime in the future. Well, thank you.

Mark Isto

Yes. Thanks, Mike.

Operator

As a reminder, if you would like to ask a question, please press star (*), then one (1). The next question will come from Tanya Jakusconek from Scotiabank. Please go ahead.

Tanya Jakusconek

Hi. Yes. Good morning, everyone. Just - first off, I do want to thank you very much for that additional disclosure, it was noted and much appreciated. So, thank you for that. I wanted to come back to the silver circuit at Pueblo Viejo. I'm just trying to understand exactly what's happening in that circuit? And the second thing is what is your understanding of what Barrick is doing to get these recoveries back up?

William Heissenbuttel

Mark, sounds like one for you.

Mark Isto

Okay. Yes. Our understanding of the problem relates to what they call the preheaters. There are three preheaters that heat the slurry up going into the, what they call the line boil circuit, which thrives for the recovery, and those three preheaters have been an issue in there. They've been in the process of rebuilding those three preheaters. So, the recovery has been bouncing around quite a bit over the last period of time, several quarters.

Tanya Jakusconek

Okay. So, is your understanding that they need to replace these three preheaters?

Mark Isto

They've actually rebuilt two of them. They're a unit that can be maintained and rebuilt. Two of them have been rebuilt, and we understand - we don't know the current status of the third one. We understood it was to be rebuilt in April, but I can't - don't have information on that particular one yet.

Tanya Jakusconek

Okay. So once the -- yes, I'm just trying to understand. So once these three preheaters have been rebuilt, it's going to heat this slurry appropriately to go in and get the silver recovery? Is that your understanding?

Mark Isto

That is exactly. It's one of the components that allows for the ore to be treated to make the silver recoverable, so they have to heat up the solution to a certain - the slurry to a certain temperature, and that process has been interrupted, but it's one of the pieces of the line boil circuit.

Tanya Jakusconek

Okay, and you said you - in your opening remarks that you thought that this was being resolved this quarter.

Mark Isto

That is, this current quarter, yes. That's correct.

Tanya Jakusconek

Okay. So we should see improvement then, let's say, fully going forward in sort of calendar Q3. Okay, thank you so much for

Mark Isto

Yes, that is our understanding. I can't -- "to be seen", I guess, we have not been informed that everything is still working properly and they've come up to normal recoveries yet, but we know it's an active process of maintenance, and we expect it to come back.

Tanya Jakusconek

Okay, and maybe just on M&A, if I can ask, and thanks for the clarity on looking at anywhere between up to \$500 million in project build. I'm just wondering, are there still any opportunities available in royalty portfolios anywhere within some of these companies that are able to be for sale? I once heard that there were a couple up to \$100 million. Are those all done?

William Heissenbuttel

Dan, do you want to start that off?

Daniel Breeze

Yes. Sure. Hi, Tanya, it's Dan here. Thanks for the question. So you've seen a number of the portfolios trading the market, and so the market is pretty healthy for the sellers, and we look at most of those. We have a hard time with a couple of things. One is trying to find a cornerstone asset to really justify the portfolios, and number two, pricing in some cases. So we're looking at those things that are trading, but those are the issues that we've been coming across, and of course, we don't have perfect information on most of these packages as well. So that's the other challenge too, but certainly, it's an active market, and we're monitoring it very closely. Bill, do you want to add something to that?

William Heissenbuttel

Yes. I mean, yes, we look at it. I think the portfolios that have not been sold from my perspective, they tend to be very heavily focused on sort of exploration or development assets. So I just - as Dan said, finding something cornerstone that you can grab onto, and so I really, really like that asset and I want it in my portfolio. That's getting harder and harder to do.

Tanya Jakuscone

Okay. So would it be a fair statement then that these portfolios, the easy ones with those cornerstone assets have gone? So like the \$100 million ones have gone and sort of the portfolios, the royalties left are going to be like under - significantly under that value?

William Heissenbuttel

I can't say that because I don't know every company's portfolio, but I would say, based on the trend of what we're seeing, that probably is a valid statement.

Tanya Jakuscone

Okay. Okay. It was just something that I heard that there's all these portfolios, and I just wondered, are we pretty much done with that.

William Heissenbuttel

I can't rule it out, and as Dan said, it's a seller's market. So there could be mining companies out there right now putting together a portfolio that they want to sell because they like the value that they can get.

Tanya Jakuscone

Okay. Great. Thank you so much.

William Heissenbuttel

Thanks, Tanya.

Operator

This will conclude today's question-and-answer session. I would now like to turn the conference back over to Bill Heissenbuttel for any closing remarks.

CONCLUSION**William Heissenbuttel**

Great. Thank you, everyone, for taking the time to join us today. We certainly appreciate your interest, and we look forward to updating you on our progress during our next quarterly call. Stay healthy. Take care.

Operator

The conference has now concluded. Thank you for attending today's presentation, and you may now disconnect.