

Royal Gold, Inc.

Fiscal Year 2021 Full Year and Fourth Quarter
Conference Call

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CORPORATE PARTICIPANTS

Bill Heissenbuttel – President and Chief Executive Officer

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PRESENTATION

Operator

Good day, and welcome to the Royal Gold Fiscal 2021 Full Year and Fourth Quarter Conference Call. All participants are in a 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 you may press "*" then "1" on your touchtone phone. To withdraw your question please press "*" then "2". Please note, this event is being recorded.

I would now like to turn the conference over to Alistair Baker, Vice President of Investor Relations and Business Development. Please, go ahead.

Alistair Baker

Thank you, operator. Good morning and welcome to our discussion of Royal Gold's fourth quarter and 2021 fiscal year 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; Mark Isto, Executive Vice President and COO of Royal Gold Corporation; and Dan Breeze, Vice President, Corporate Development of RG AG. Randy Shefman, General Counsel, is also available for questions.

During today's call, we will make forward-looking statements, including statements about our projections and expectations for the future. These statements are subject to risks and uncertainties and 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, 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 fiscal year, Mark will provide a portfolio update, Dan will review the recent transactions, and Paul will provide a financial update. After closing comments from Bill, we'll open the lines for a Q&A session.

Now I will turn the call over to Bill.

Bill Heissenbuttel

Good morning and thank you for joining the call.

I'll begin on Slide 4. Fiscal 2021 was an excellent year for Royal Gold. We accomplished a number of strategic objectives during the year and in the short period since June 30th, in an environment that continues to be impacted by COVID-19. Financially, we had an excellent year and turned in records for revenue of \$616 million, cash flow of \$407 million, and earnings of \$303 million. On a per share basis, earnings for the year were \$4.61 or \$3.59 after adjustments.

With respect to the portfolio and our growth profile, we also achieved some important goals. We strengthened our focus on our core business by divesting the Manh Choh project, formerly known as Peak Gold to Kinross. We continued to fund the development of Khoemacau where we now have an 84% silver stream on an asset that saw first concentrate production in June. And we made three acquisitions that are gold-focused with good operators, good jurisdictions, and, most importantly, geologic and production upside. We renewed our revolving credit facility,

extending the maturity by two years and securing a source of non-dilutive financing for our future acquisitions. I would like to personally thank all of the lenders in the facility for their support of Royal Gold.

We raised our dividend for the 20th consecutive year, continuing a tradition of increasing capital returns to our shareholders. We made good progress advancing our ESG initiatives. We supported not only the communities in which we work, but also committed to meaningful programs with our partners at Wassa and Pueblo Viejo and found a creative way to fund ESG programs as part of the NX Gold stream transaction. We remain committed to the long-term sustainability of our portfolio operations, and we are looking for more of these kinds of investments in the future.

We continued the renewal of our Board, and we welcomed Fabiana Chubbs as our newest Director upon the retirement of Chris Thompson. We believe that Board renewal is an important part of good governance, and five of our six independent Board members have joined the Board in the past eight years.

And finally, this will be our last June 30 fiscal year end, and we will move our reporting timeline so as to be more consistent with the rest of the industry by changing our fiscal year end to December 31. We think this is an important change as it will allow investors to more easily evaluate and compare our performance against others in the industry. I'm very pleased with the progress we made in fiscal 2021, and I think we ended the year in a great position.

With that, I'll first turn the call over to Mark for an overview of operating performance and portfolio updates, then have Dan Breeze give you some background on our acquisitions, and then turn to Paul, who will lead you through the Company's financials. Mark?

Mark Isto

Thanks, Bill. I'll start on Slide 5.

Solid quarterly operating results finished off the year of strong portfolio performance. Precious metals dominated revenue for the year, and gold accounted for 74% of the total. GEOs increased 32% from the fourth quarter fiscal 2020 with most of the increase driven by the royalty segment. Royalties provide our highest margin and increased performance from this segment can lead to very positive impacts on our financial results. We saw large royalty GEO increases from Cortez as mining ramped up at Crossroads and at Penasquito where production from the pyrite leach plant significantly increased over the year. While these assets are the biggest contributors in the royalty segment, the combined impact of increases from smaller assets like Voisey's Bay, Canadian Malartic, Dolores and Robinson were also significant to the portfolio. Revenue, which was up 40% from the prior year quarter, had a strong tailwind from rising metal prices. However, holding metal prices constant shows that about half of the revenue increase from the prior year quarter was due to production volume increases, further supporting the strong portfolio performance for the year.

Moving on to Slide 6, I want to mention progress at Khoemacau, our most significant development project. First concentrate was produced at Khoemacau on June 30, followed by first concentrate shipment on July 19. The Khoemacau team achieved first production on schedule and within 3% of the budget, which is a major accomplishment in light of the COVID-19 challenges. We expect to receive silver deliveries from first shipment later this month. While the mine was officially opened by the President of Botswana on July 30, the project remains in

the commissioning phase. Khoemacau Copper Mining, or KCM, expects production to ramp up during the remainder of 2021 and reach steady-state production in early 2022. Commissioning is going well, and, at the end of June, over 350,000 tons of ore was stockpiled on the surface. That's too early to provide any delivery expectations for the September quarter and we'll provide a further update on our next quarterly call in November.

As discussed last quarter, at the beginning of April, we provided a further \$10.6 million toward the silver stream and \$18 million in debt financing. And at the beginning of July, we provided a further \$7 million in debt financing. So, in total, we have now contributed \$222.6 million in stream funding and the full \$25 million debt facility. KCM has a further \$42.4 million available under the stream. Our stream stands at 84% of payable silver. And KCM has advised that they don't expect to draw any material amounts from this remaining available stream funding.

Turning to Slide 7, I'll quickly mention some of the other developments in the quarter. At Pueblo Viejo, Barrick continues to advance plant and tailings expansion project. Barrick reported that overall process plant engineering is about 87% complete, while construction is 10% complete, and they expect to complete the process plant expansion by the end of 2022. Social, environmental and technical studies for additional tailings and waste rock storage capacity 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.

With respect to silver recovery, Barrick has completed maintenance on the silver circuit and recoveries have improved. Barrick is also working on modifying the circuit, which should further improve recoveries. At the end of June, deferred silver deliveries under our stream totaled 437,000 ounces. And with the recovery improvements, we expect deliveries of deferred ounces to begin in the current quarter. As I said last quarter, this is a cash flow timing issue for Royal Gold, and we don't expect these deferrals to have any lasting impact on silver revenue.

Turning to Mount Milligan, Centerra has reported good results from brownfield exploration on targets below the pit limit and along the south and southeastern margin of the pit. Centerra announced in May that they're completing an update to their life of mine plan, taking into account exploration success, productivity improvements, flotation circuit enhancements that are being implemented, and operating cost reductions that have been achieved. We look forward to seeing the results of the update. Centerra also provided an update on the water situation earlier this week. During the June quarter, they continued to access groundwater and surface water sources and they currently have over 8 million cubic meters of water in inventory, which they expect is sufficient to provide for at least 12 months of continued operation. Work is also continuing on a longer-term water supply solution, and they recently received an environmental assessment certificate amendment and related permits to access water sources through November 2023.

I'll now turn the call over to Dan to comment on recently closed acquisitions.

Dan Breeze

Thanks, Mark.

We recently completed three transactions that are aligned with our strategy and fit well within our portfolio, and we expect each will provide solid growth potential for Royal Gold. So, I will give a brief overview of each in the order of closing.

I'll start on Slide 8 with the Cote Gold royalty, which we acquired on June 7 from a third-party royalty holder for \$75 million. The Cote Gold project is located in Northern Ontario and is currently under development by IAMGOLD and their partner Sumitomo Metal Mining. Cote is being developed as an open-pit mine and IAMGOLD estimates gold production of almost 500,000 ounces per year for the first five years with a mine life of at least 18 years. The project is about 27% complete and work this year is focused on earthworks, pre-stripping and water management infrastructure. The project is fully funded and IAMGOLD is targeting first production in the second half of 2023. Our 1% NSR royalty is on the Chester 3 claims, which cover approximately 70% of the current 7.3 million ounce reserve as well as large property blocks to the east and northeast of the main deposit. This royalty gives us exposure to a large and long-life project with interesting exploration potential in a Tier 1 jurisdiction.

Moving to the NX Gold stream on Slide Number 9, we announced this transaction on June 30 and closed it on August 6. The NX Gold Mine is located in the Mato Grosso state in Brazil and is operated by Ero Copper. We made a \$100 million advance payment in return for 25% of the gold produced until 93,000 ounces have been delivered and then 10% thereafter. We will pay 20% of the spot price for each ounce delivered until 49,000 ounces have been delivered, and then 40% thereafter. We also committed to make additional advance payments of up to \$10 million to incentivize Ero to continue exploration and add resources to the mine plan. One of the attractive aspects of this asset is the large land package. Our stream covers an area of interest of more than 52,000 hectares with excellent exploration potential. Ero is currently undertaking a large exploration program, both at the mine and regionally, and has a 60,000 meter drill budget for 2021.

Since the transaction announcement, Ero has already shown some interesting results with the best intercept to date located 10 meters beyond the limit of the 2020 resource shell grading 22 grams per ton over nine meters. They have also identified two new mineralized gold systems located 1.2 and 25 kilometers from the mine workings and, in each case, are within our area of interest. Another aspect we like here is the underutilized processing capacity. The mill is only running at 60% capacity and there is potential for higher gold production if Ero can fill the mill and use the excess available. This stream provides exposure to immediate cash flow from an asset with excellent upside potential, and we expect to receive a first delivery of about 2,500 ounces tomorrow, covering production from May 1 through closing.

Moving to Slide 10, I will mention the 1% NSR royalty on the Red Chris mine. Red Chris is a producing open pit copper-gold mine in Northern British Columbia. It's owned by a joint venture between Newcrest and Imperial Metals and is operated by Newcrest. Newcrest acquired its interest in 2019 and has undertaken a program to develop the underground potential with the aim of converting Red Chris to a block cave operation in the next five to six years. Newcrest's goal is to transform Red Chris into what they define as a Tier 1 asset which includes attributes such as a 15+ year mine life and the likelihood of significant resource or exploration upside. The royalty we acquired covers 5,100 hectares and includes all known mineralization and prospective exploration areas on the porphyry corridor, which provides our shareholders with exposure to excellent longer-term resource upside. The royalty is paid annually in the first calendar quarter of the year, and we are entitled to royalty payments for all of 2021, starting from January 1.

Slide 11 shows a good 3D rendering of the open pit and the resources at Red Chris from a recent Newcrest presentation. Newcrest continues to do a significant amount of exploration and is defining a world-class deposit with a 1.2 billion ton resource containing 15 million ounces of gold and more than 4.3 million tons of copper. The deposit is defined to date as approximately 300 meters wide by 3.4 kilometers in length, and 1.3 kilometers in depth, and the resource is

based on the Gully, Main, and East Zones. Results from the Main Zone have confirmed potential for higher-grade mineralization beneath and to the southwest of the pit. The recent discovery of a higher-grade pod at the East Ridge target expands the footprint of the higher-grade mineralization across the eastern end of the deposit, highlighting the potential for resource growth over time. Newcrest has plans for further drilling to define the extents of the East Ridge, East Zone and Main Zone areas and work is underway on an exploration decline. Lease of both a pre-feasibility study and an initial ore reserve are targeted for September. These three acquisitions all fall squarely within our strategic objectives of providing gold-focused revenue, significant production and exploration potential.

And with that, I'll turn the call over to Paul to discuss our financial results.

Paul Libner

Thanks, Dan.

I'll now turn to Slide 12 and give an overview of the financial results for the quarter. For this discussion, I'll be comparing the fourth quarter of fiscal 2021 to the prior-year quarter. We set another record for revenue during our fourth quarter. We recognized a 40% increase in our revenue to \$168 million on volume of 92,400 gold equivalent ounces or GEOs. The increase in our revenue was largely due to higher average metal prices, higher gold sales from Andacollo and higher copper sales from Mount Milligan. Continued strong contributions from our royalty portfolio also contributed to our record revenue this quarter.

Specifically, we saw strong performances from our Penasquito, Cortez and Voisey's Bay royalties. These increases were partially offset by lower gold sales from Mount Milligan and lower silver sales from Pueblo Viejo. With respect to metal prices, the average price of gold, silver and copper increased 6%, 62% and 78%, respectively, over the prior-year quarter. Gold continued to be dominant in the portfolio at 76% of revenue, while precious metals accounted for over 80% of our revenue for the quarter. Cost of sales, which excludes DD&A and is specific to our streaming segment increased to \$24.7 million from \$20.7 million in the prior year. The increase was due to higher metal prices and higher stream sales during the quarter.

Our G&A expense increased slightly to \$7.2 million and was primarily due to Royal Gold's increasing community and social contributions as part of our overall ESG initiative. Our G&A expense was again in line with what we expect in a typical quarter, absent any large or unusual items. Our total DD&A expense increased to \$48 million, primarily due to higher GEO volumes. However, the higher GEO volumes were partially offset by lower depletion rates at some of our principal properties, which we also discussed on our last quarterly call. Our DD&A expense on a dollars per GEO basis for the quarter was \$520 per GEO, compared to \$648 per GEO in the prior year, and below the \$525 to \$575 DD&A per GEO guidance range we provided last quarter. The lower DD&A per GEO when compared to our earlier provided guidance range was largely due to the better-than-expected contributions from our royalty portfolio. As most of our royalties have been in the portfolio for many years, they then have lower overall carrying values and lower depletion rates.

Earnings were \$82 million, \$1.24 per share, an increase of 67% over the prior-year quarter. We had two adjustments during this quarter. The first and largest adjustment was \$11.5 million or \$0.18 per share tax benefit due to the release of an uncertain tax liability, resulting from a settlement with the foreign taxing authority. The second adjustment was a \$2 million or \$0.03

per share gain on the change in fair value of our equity securities. After removing these two items, our adjusted earnings were \$1.04 per share for the quarter.

We reported operating cash flow of \$120.9 million this quarter, which was also a record for Royal Gold. Our operating cash flow was up \$29 million from the prior year, which was due to higher proceeds received from both our royalty and stream interests.

Moving on to Slide 13, I'd like to make some comments about guidance, and a change to our fiscal year end. As Bill mentioned, this will be our last fiscal year ending in June, and we will be moving to calendar year-end reporting effective this coming December 31. The six-month stub period between July 1 and December 31, 2021, will provide a transition period for us to move to the new calendar year reporting, and we will start our calendar 2022 reporting on January 1, 2022. As part of this change in year-end reporting, we expect to begin providing one-year guidance for total portfolio GEO sales, DD&A per GEO, and our annual effective tax rate early in the second quarter of each calendar year. This will replace the quarterly stream sales and inventory guidance that we currently provide to the market.

To help you transition over to our new guidance process and reporting, we are providing both stream GEO sales guidance for the September quarter and total GEO sales and DD&A guidance for the six-month stub period ended December 31, 2021. With respect to our stub period effective tax rate guidance, it is a bit too early for us to provide the information at this time. But I expect we can provide this guidance on our next quarterly call. For the September quarter, and absent any potential operational impacts from COVID, we expect stream segment sales to be in the range of 62,000 to 67,000 GEOs and inventories for the quarter end to be in the range of 22,000 to 27,000 GEOs. For the six-month stub period, and again absent any potential operational impacts from COVID, we expect total GEO sales to range between 175,000 and 185,000 GEOs, while we expect our DD&A to range between \$520 and \$570 per GEO. The GEO and DD&A stub period guidance assumes metal prices of \$1,750 for gold, \$25.50 for silver, \$4.15 for copper, \$8 for nickel, \$0.95 for lead, and \$1.25 for zinc.

I will now turn to Slide 14 and provide a summary of our financial position. Our liquidity position continued to strengthen as we ended the quarter with zero debt, cash of \$226 million and working capital of \$245 million. Including the undrawn \$1 billion revolving credit facility, we had over \$1.2 billion of liquidity available as of June 30. In early July, we amended our revolving credit facility. The amendment extended the maturity of our credit facility from June 2024 to July 2026. We view the credit facility as a key strategic tool for financing growth and extending it for a further two years ensures we will continue to have low cost and flexible capital available.

As part of the recent business development successes that Dan discussed in his remarks, earlier this week, we drew \$100 million on our revolving credit facility to help finance these new stream and royalty interests. Upon this draw, we now have \$900 million available to further help finance future growth. Assuming continued strong operating cash flows, we do anticipate repaying the \$100 million advance over the next 1-2 quarters, also absent any new business development success over the same period.

With respect to our outstanding commitment under the Khoemacau stream agreement, as Mark mentioned, we currently have \$42.4 million available to KCM, if required, until the earlier of development completion or 60 days after the start of commercial production at Khoemacau. And as part of the new NX Gold stream, we also have potential payments of up to \$10 million from calendar 2022 through 2024, depending on Ero copper meeting certain exploration and resource targets. Upon any election by KCM or Ero copper for further funding, we anticipate making these contributions from our available cash resources.

That concludes my comments on our financials for the quarter, and I will now turn the call back to Bill for closing comments.

Bill Heissenbuttel

Thanks, Paul.

In closing, fiscal 2021 was an excellent year for Royal Gold and I am pleased with the progress we made on many fronts, from enhancing our growth profile to securing long-term committed financing sources, to supporting the ESG efforts of our operators and, finally, to continuing the long tradition of returning capital to shareholders at an increasing rate. I would like to thank our staff and our Board for their effort and support as we continue to navigate through an uncertain pandemic world. We have shown ourselves to be adaptable to each new normal we have encountered, and I remain confident we can still build on our success as the environment continues to change.

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

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question-and-answer session. To ask a question, you may press "*" then "1" on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys, to withdraw your question, please press "*" then "2." At this time, we will pause momentarily to assemble our roster.

The first question will be from Tyler Langton of J.P. Morgan.

Tyler Langton

Yeah. Good morning. Thanks for taking my question. I guess, just starting with Red Chris, obviously, sort of the longer-term potential for the mine is just in its ability to kind of to move underground ultimately. I guess, could you just talk a little bit about what kind of gives you the confidence, kind of, in an ability of the operators to do this? Yeah, I guess that's -- and then also just sort of related, kind of, key milestones to look for -- we'll sort of learn more about the sort of the longer-term plans for the mine.

Bill Heissenbuttel

Yeah, Tyler, thanks for the question. This is Bill. Obviously, the first milestone is the report that's going to come out next month. But beyond that, I just -- I realized it can be a little hard for folks to value. I'll go back to some of the comments I made at the beginning. We see this as a great asset, great operator, a great jurisdiction. So, to me it's a premium, multi-decade asset. We've known numerous major mining companies have tried to purchase it over the years, so clearly this is something well beyond the open pit that you see there. So, we did come up with a long-term mine plan. I kind of refer to those -- there is a comparison Newcrest did to Cadia and that sort of was always in the background of our thinking. But I thought what I might do is turn it over to Mark and just ask him to maybe give you a few thoughts, technically, how we went about creating a mine plan of an evaluation.

Mark Isto

Yes. Sure. Thanks, Bill. I think there are probably three points to start off with. I mean, we certainly view long term as it's a bulk tonnage underground operation that's going to produce well above the 30,000 tons a day they currently process at. I would note that Imperial Metals talked about 60,000 tons a day back in 2017 in some presentation materials. We've certainly taken a more conservative view than that, but I think it gives you a little bit of a perspective on the potential.

The second point, and I think it's very important, that the deposit has several higher-grade core resource areas to find in the underground -- as underground resource. And that really is the key I think to the value proposition for Newcrest and, of course, for our royalty is being able to start out and something like the East Zone and now we see the East Ridge Zone developing with a nice core of high-grade material. So, we see the A block cave being developed around an East Zone or potentially in East Ridge Zone as it develops. Historic reports from Imperial Metals, they used to differentiate between Main Zone and East Zone resources, and you can really see that there is a significant grade difference between the -- what the East Zone offers. They're -- it's 20% higher in copper grade and 40% higher in gold grade in the Main Zone when you compare East Zone to Main Zone.

And then finally, I guess what we see is the -- these higher-grade zones will allow the development of the bulk tonnage underground. And that development will put in infrastructure that will allow lower margin material in the long-term to be developed. So, I think these -- those three aspects and -- culminating in some very simple buckets of production that we see. We see about the early period, which is for about the next seven years, to produce at a very similar rate to what they're doing now. The underground will get developed and you put in place, it will start a ramp-up period, but you can think of seven years of current production. We see it, we see a period of in the range of about 18 years where production will be about 200,000 ounces of gold a year and 170 million pounds of copper. And that's when the East Zone cave or another higher-grade area will be dominant in the production profile. And then following that, out to probably about a -- the year 40, you would end up seeing production drop down from the higher-grade period to roughly about double what the production is that you're seeing today at the mine site. So, that's the way we looked at the development of the asset, the production profile and the valuation. Does that help you?

Tyler Langton

Yeah, no, that's perfect. That's very helpful. Thanks. And then just for a second question, just on Pueblo Viejo. I know you have the -- I guess, the roughly 437,000 ounces, that were deferred. So those kind of flow-in roughly evenly over the next several quarters. And then I know, sort of, the silver deliveries were, sort of, 1.5 million ounces this year compared to 1.7 million in 2020. Should we -- when we look for -- for 2022, should we sort of see a rebound in those numbers?

Mark Isto

Yeah, Bill--you want me to take that?

Bill Heissenbuttel

Yeah, Mark. Why don't you talk about when we think the deferred ounces might come in?

Mark Isto

Yeah. So, we know that -- that the site has taken care of their maintenance issues, and we see the silver recovery improve to a level that it will not require any additional deferral in silver if that continues, which we would expect it to continue. So, we would see silver -- deferred silver

ounces starting in the September quarter. And I think, thinking about it on a regular return basis for -- certainly well into and maybe toward the end of 2022 is the way I would think about it. But if they get better recoveries than we modeled, it may be a bit sooner than that. But that's the way I would think about the silver coming back to us.

Tyler Langton

All right, great. Thanks so much.

Operator

The next question comes from Josh Wolfson of RBC Capital Markets.

Josh Wolfson

Thank you. Thanks for making my wildest dreams come true both changing your fiscal year end and also providing a more comprehensive guidance. So, congratulations on that. For the second half of the year, I would have expected production to be a little bit higher. It looks like it's kind of more steady state from what the first half was. And I say that because of PV improvements, Cortez is ramping up, and then the most recent NX transaction. Are there other offsets against these items or is there some conservatism that may be baked in or maybe timing differences on streaming volumes?

Bill Heissenbuttel

Yeah, I got to work on your dreams if we just made (INAUDIBLE) [laughter]. No, I don't think there's anything in the portfolio that we would point to that we expect to drop out. I do think it comes. Milligan and Andacollo are important to our volumes, and it's really dependent on freight shipping and it's something that ends up in inventory, maybe we thought it was going to be in sales. I think there we might be a little bit conservative, but there's nothing I can really point you to. The range we gave is an increase over what we did for the first six months of this calendar year.

Josh Wolfson

OK. Yeah, I guess it maybe depends -- we're in the range. But yeah, that's fair. Now looking at the investments that were done, this is the most active rate of investment I've seen the company in since I think 2015 or so. At that point in time diversification was a pretty important strategy and obviously the prices of commodity were much lower. Today is there a coincidence that we just saw three transactions over a pretty short period of time or is there maybe a bigger vision or strategy that is taking place that we're in the earlier stages of.

Bill Heissenbuttel

Well, I may disappoint you with the answer but it's pure coincidence. We can't time these things. We've said that for years. You know, we can go years without making an investment and all of a sudden you see this flurry. So, there's no change to the strategy, there's no change to our approach. I can tell you the business development team and, therefore, our operations team, have been extremely busy, were extremely busy through this year. And we were successful in getting three across the line. There's no magic to it.

Josh Wolfson

OK, and then focusing on the Cote deal, could you let me know, I guess, how does it work for Canadian royalties? Are you paying the Canadian tax rate or is it U.S. tax rate? And also does the royalty incorporate the potential Gosselin resource?

Bill Heissenbuttel

I'm going to -- let me take the last part first. It does not include the Gosselin. And as far as tax rates go, Paul, do you want to take that on?

Paul Libner

Yeah. Hey, Josh. Yeah, the royalty is paid in Canadian dollars and will be subject to Canadian tax and -- but overall, the tax rate that we have during the period is, you can still plan on a 19% to 23% effective tax rate. We will not be accruing as we're not contractually entitled to the royalty calculation, so there will not be any accruals for the royalty payments. Instead, you'll see the royalty being recognized in the period that it's due, which I believe is the March 31 quarter.

Josh Wolfson

Got it. OK. And that's on-- you're saying on an annual basis, just to be clear, just for that?

Paul Libner

Yeah. That's on an annual basis and it's -- I believe it's been \$3 million to \$5 million, I want to say, over the past few years. And again, paid in Canadian dollars. Obviously, we're a U.S. functional currency. So, there will be a little bit of conversion to U.S. dollars upon that time as well.

Josh Wolfson

Great. Those were all my questions. Thank you.

Operator

The next question comes from Cosmos Chiu of CIBC.

Cosmos Chiu

Hi. Thanks, Bill, Paul, Mark, Dan and Alistair. I guess I shared the same dreams as Josh. So I'm going to thank you for changing to fiscal year end as well. Maybe first-off on Red Chris. I guess my question is, given that you acquired the royalty from a third party, what kind of access to data did you have to get comfortable doing a due diligence process and, as you said, looking at the asset beyond the open pit today?

Bill Heissenbuttel

Yeah, before I turn that over to Mark for a bit more detail on the process and who we might have hired to help us go through it, anytime we're buying a royalty from a third party, we're dealing with public information. And I will say it's no different than what we did at Penasquito. It's no different than what we did when we bought the Barrick royalty portfolio or International Royalty. In many of those cases there were 43-101s, but in some cases there weren't. And we were sort of left to make estimates. So, this is nothing new to us.

And with that, Mark, do you want to just sort of run through in maybe a little bit more detail what you looked at -- who we might have brought into to help?

Mark Isto

Yeah, sure, Bill. Yeah, it's a good question. And it's certainly -- it's a lot more difficult looking at a third-party royalty, but we did bring in a block caving expert that provided just the guidance on how to think about production rates from the resource models. Now, we had only public information, some technical reporting and some resource estimates and presentations. But from those, we were really able to understand what the shape of the ore bodies underground were,

where the high-grade was, and from those shapes, we were able to put estimates together on how we should think about or how we felt Newcrest would think about a block cave development and basically give our best estimate of that. And so, that's how we ended up going about looking at that. There is not a lot of rocket science there. It's really trying to find an expert that can guide us on how to think about it from really ore body shape, grade, production rate standpoint and that's what we did.

Cosmos Chiu

Yeah. Thanks, Mark. Yeah, of course. Yeah, I only asked that question, because as you said, this one's a bit more challenging because I guess the next data point hasn't come out yet, the PFS, unlike some of the other ones that you might have mentioned in terms of third-party acquisitions. But it's good to hear, in terms of the process that you went through. I guess my next question is, in terms of Red Chris on a go-forward basis, what are your audit rights in terms of your royalty? And then to your knowledge, is this the only royalty that's currently in place on Red Chris? And then, I guess, the last follow-up is, is this the beginning of a new relationship whereby this could lead to potentially further, more direct acquisitions or royalties on the asset on a go-forward basis?

Bill Heissenbittel

Dan, are you comfortable taking the royalty contract question?

Dan Breeze

Yeah. Sure. Hi, Cosmos, it's Dan here. Hope you're well. Thanks for the question.

Cosmos Chiu

Hi, Dan.

Daniel K. Breeze

And thanks for the question. Sorry, just to be clear of the question, maybe we'll take the last question first. You're asking about specifically with Glencore or with just third parties in general?

Cosmos Chiu

With, actually, Newcrest and Imperial, like could you -- could this actually lead to further acquisitions on Red Chris, if I'm looking out?

Dan Breeze

Well, it's certainly something we would be very interested in -- I don't know if there is real visibility on that yet. Obviously, this is a third party that we acquired it from, and so our interactions with the operators have been limited to this point. But certainly, if there is a need for capital down the road, we would be very interested to help out and help out with the development, in particular. It's exactly the kind of asset that we'd like to to deploy more capital into, so we'd be open to that for sure.

Cosmos Chiu

And that's why, hence, the first part of my questions. I should really ask these questions one by one instead of like having multiple parts. But -- and that's the reason why I asked about potential audit rights into the future. Do you have more interaction with the operator in this case, and then also is this the only royalty that you know of on Red Chris, so that you could actually have more royalties in it.

Dan Breeze

I understand. Yes, so as far as I know, it's the only royalty on Red Chris that we were aware of. And we have pretty standard audit rights in terms of looking at payments. The payment I think Paul was talking earlier about is an annual payment, the payment comes in in the first quarter of the calendar year, the following calendar year. It's paid in Canadian dollars. And we would have some audit rights there, but that will allow us to have some interaction at the joint venture level.

Paul Libner

And Cosmos, this is Paul. I may just add to that.

Cosmos Chiu

Hi, Paul.

Paul Libner

Yeah, the operator, they are required to deliver to us the royalty statement or calculation during that March quarter. And that calculation does need to be certified, if you will, by an independent type account or accounting firm. We also will have audit rights to that calculation, which will go beyond that and cover us for a year after the calculation is received.

Cosmos Chiu

Great. Thanks, Paul. And Paul since I have you here, could you maybe just quickly touch on the structure of the royalty and the tax rate that we should apply to it?

Paul Libner

Yeah. So, again the royalties held by our Canadian subsidiaries are generally taxed at a minimum 26.5%. So, they're taxed at the Canadian rate up there. And you said structure, so, yeah, it's held by our Canadian subsidiary. So again, taxed under that environment.

Cosmos Chiu

Perfect. And then, maybe just one last question here. I think, Dan, you kind of touched on it. But as (to) the previous comments, you've been very active: Ero Copper, Cote Lake, Red Chris (the \$100 million, \$75 million, and \$160 million) -- is that the kind of size that we should be looking for in terms of future acquisitions? And then, you kind of touched on it as well, clearly, these are all gold acquisitions. Any other common traits that we can distill from these acquisitions? And would that provide any kind of insight into future acquisitions?

Bill Heissenbuttel

Yeah, Cosmos, I'll take a crack at that. What do these acquisitions signify is, it's just being consistent with the strategy of focusing on gold. We have said before, if we find something outside of precious metals that we find attractive, we're not going to hesitate to do it. But when we're actively looking for opportunities, if we can find something that's gold or precious metals, that's where we want to spend our time. So, I hope the market looks at it and says, yeah, that's what they said they would do and -- we don't feel the need -- we don't see a need to try to diversify to find opportunities. We're finding opportunities in our core area. And as far as the size of the acquisitions, I think we've been talking about sort of \$100 million to \$500 million for a number of quarters, so a couple of these are at the lower end. But you're going to -- I think you're going to find more opportunities in that range than you are at the \$800 million, \$900 million ones. But look, we're positioned for those too when and if they come.

Cosmos Chiu

Thanks, Bill, and team. Those are all the questions I have. Thanks again.

Operator

The next question comes from Greg Barnes of TD Securities.

Greg Barnes

Yeah, thank you. Mark, I just wanted to clarify some of the comments about the Red Chris production levels you were talking about. So, the first seven years is more or less what you have now. Then it would be 18 years following that, the 200,000 ounces of gold and 107 million pounds of copper.

Mark Isto

170 million pounds of copper. Yes, right.

Greg Barnes

18 years on top of the first seven. And then back to double the current production rate after that.

Mark Isto

That describes how we look at it, yes.

Greg Barnes

OK, so just roughly on \$1,750 gold and \$3.50 copper, I'm getting about \$9 to \$10 million a year in revenue pre-tax to Royal Gold. Does that sound about right when you've got to full production from the block cave?

Bill Heissenbuttel

Alistair? Let's see, that is roughly correct, but I think Alistair may have a more precise number at his fingertips.

Dan Breeze

It's Dan here. Greg, that's correct, or in the ballpark at consensus numbers.

Greg Barnes

OK. And, just, as the mine evolves, the block cave, when that's in full production, can the open pit continue to run or is that no longer possible given you'd be block caving underneath it, more or less, I think?

Mark Isto

Yeah, we assume that there would be a little bit of an overlap period but once the block cave is approaching, you know, full production, the open pit would be shut down.

Greg Barnes

OK. That's very helpful. Thank you. Those were my questions.

Bill Heissenbuttel

Thanks, Greg.

Operator

The next question is from Tanya Jakuscone of Scotiabank.

Tanya Jakuscone

Great. Good morning, everyone. Thank you so much for taking my questions. Just wanted to come back to your two latest acquisitions that were announced last night and, just, I want to

thank you very much for giving us the production profile and how you look at the acquisition in terms of the production profile over this period to help us. I know that Newcrest will be coming out with a reserve and a study in September. Just wondered what made you go ahead of this release? Was it because there was an auction process in place and something triggered it to go ahead of getting that study?

Bill Heissenbuttel

No, I don't think the timing was -- I don't think they were trying to front-run a study, and would we have preferred to wait, sure, but the opportunity presented itself at a specific period of time. And again, I guess, we have some comfort being able to take the information that's in the public, form a view on what we think the production profile is going to look like and act on it because we've done it in the past. If we get something wrong, I would say it might be a matter of -- I hope it's a matter of timing rather than absolute scale. But I didn't since there was really an opportunity to sit back and say to Glencore, just hold on, let's wait for the study to come out.

Tanya Jakusconek

OK. So, should I take that this was more of an exclusive transaction between yourselves and the seller?

Bill Heissenbuttel

I can't say that. I don't know. I never know who else is bidding. For an asset like this, I would assume, there were a few people interested.

Tanya Jakusconek

And maybe just to remind me, did the operator or the operator in Newcrest and the joint venture and its partner have a right of first refusal on this royalty?

Bill Heissenbuttel

Yes.

Tanya Jakusconek

OK. OK. That's my questions for that one. And maybe just moving on to Cote, just wanted to come back to that one and just wanted to kind of have your idea of what you've assumed in that acquisition in terms of a production profile there. Just based on our -- on the current reserves and mine plan that they've put out, it looks like there is limited return on the royalty. So just curious on your assumptions in terms of upside.

Bill Heissenbuttel

Yeah. Mark, I think that'd be a good one for you.

Mark Isto

Sure. Thanks. Thanks for the question. Yeah, we looked at the inferred resources within the reserve pit and we took a factor on that. We also looked at the \$1,500 resource pit shell and felt that, at that price, that there would be an additional -- the potential for an additional stage of mining with an increased metal price. We also note that, the IAMGOLD talked about going from 36,000 - 42,000 tons a day as a future opportunity. And I think kind of probably on the other side of the equation, we realized the Gosselin zone is being drilled and we took that into account as a potential detractor from our production profile. So, does that help you out on how we thought about it?

Tanya Jakusconek

So, including the inferred resources on that additional stage of mining, from what I'm understanding, it's more than that 18-year mine life that's defined. Would that be a fair comment?

Mark Isto

Yeah. That would be a fair comment. Correct, yeah.

Tanya Jakusconek

OK. OK, that's helpful there. Thank you for that. And if I can come back just to taxes and that's not my forte but if someone can help us understand just where your position is on or share your views on the global amendment tax proposal that's being proposed? And whether or when it would be enacted and the impact for you on Royal Gold?

Bill Heissenbuttel

Yeah, and I think I touched on it a quarter ago, but we already kind of have a global minimum tax when it comes to our streaming business and that's the GILTI rate. And the difference between the GILTI rate or effective GILTI rate and the 15% that's being thrown around is, it's not that much. So, for Royal Gold itself, if that global minimum tax and the GILTI rate, were to be sort of the same, there'll be no change to our business, but the real key for us is what will Canada do with respect to overseas operations.

And as you know, right now there is a tax difference between what our Canadian competitors can do if they do their transactions overseas and what we can. If you narrow that gap, that's great, and I hope we get there. The other thing obviously that's going on is we're seeing very early discussions about a budget and how to pay for the budget. And the GILTI rate could go up there, but again, if Canada does implement a 15% minimum tax, even if we keep the gap we've got, we know we can compete so I don't think global minimum tax itself affects us -- it's really how it doesn't affect our competitors and you have to tell me when you think Canada might approach that subject and act on it.

Tanya Jakusconek

OK. OK. No, that's great. Thank you.

Bill Heissenbuttel

Thanks, Tanya.

Operator

The next question is from Brian MacArthur of Raymond James.

Brian MacArthur

Hi. Good morning. I'll also thank you for changing the year end as well. But can I just go back to Red Chris for a minute, and that's very helpful guidance you've given. But obviously, this is a very long-life asset. The real trick I assume is to get the volumes up nearer term. Newcrest does 90,000 tons a day at other block caves. I'm not totally familiar with the asset, but you sort of assume 60,000 tons a day, but is there geometry that over time constricts it for that size or -- and I get it, you did a base case of 60,000 tons. So, I'd be curious in your view of what the opportunities are to make that bigger because that could obviously make a fairly big difference if you bring those ounces and pounds forward.

Bill Heissenbuttel

Mark, over to you.

Mark Isto

Yeah, sure. I'll just correct one statement there. Imperial Metals looked at the 60,000 ton a day block cave and our view on that, we took a much more conservative view on the throughput or mining rate than they did. I just point it out as they ended up putting out a nice 2017 discussion on how they conceptually thought about the block cave, but it really comes down to height of the cave and footprint of the cave on how fast or what the production rate is. We felt very comfortable thinking in the 50,000 -- 55,000 ton a day range. But, say, we're able to potentially look at multiple zones like the East Zone and the East Ridge at the same time, at least conceptually if the resource continues to grow, I would say there is certainly some upside opportunity the way you're thinking about it. They're very creative people and they've demonstrated that.

Brian MacArthur

Yeah, and I realize that may not be at the beginning, but as you go into those tail-end years, as you open the whole thing up, you're sort of saying there may be flexibility to go higher than that in those back-end years which obviously makes a difference because, as you said, you've got whatever it is, 40 years right now. If you can bring that forward, it makes big difference.

Mark Isto

That would be correct, yes.

Brian MacArthur

Great. Thank you very much.

Mark Isto

Thank you.

Operator

Due to time constraints, we will now end our question-and-answer session. I would now like to turn the conference back over to Bill Heissenbuttel for any closing remarks.

CONCLUSION**Bill Heissenbuttel**

Well, thank you for taking the time to join us today. And thank you very much for numerous questions. We appreciate your interest, and we look forward to updating you on our progress during our next quarterly call. Thank you.

Operator

Thank you. The conference is now concluded. Thank you all for attending today's presentation. You may now disconnect your lines. Have a great day.