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Royal Gold Announces Agreements to Acquire Sandstorm Gold and Horizon
Copper

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CORPORATE SPEAKERS:

Alistair Baker

Royal Gold Corporation, Senior Vice President, Investor Relations and Business Development

Bill Heissenbuttel

Royal Gold, Inc., President, Chief Executive Officer

Nolan Watson

Sandstorm Gold Royalties, President, Chief Executive Officer, Director; Chairman of Horizon

PARTICIPANTS:

Josh Wolfson

RBC Capital Markets; Analyst

Lawson Winder

Bank of America; Analyst

John Tumazos

John Tumazos Very Independent Research; Analyst

PRESENTATION:

Operator:

Hello and welcome everyone today to *Royal Gold Announces Agreements to Acquire Sandstorm Gold and Horizon Copper*. (Operator Instructions) I will now hand over to your host, Alistair Baker, to begin. Please go ahead.

Alistair Baker:

Thank you, Operator. Good morning. Welcome to the call to discuss Royal Gold's agreements to acquire Sandstorm Gold Royalties and Horizon Copper and create a premier growth company in the gold streaming and royalty sector. This event is being webcast live and a replay of this call will be available on the websites of each of Royal Gold, Sandstorm, and Horizon.

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Speaking on the call today are Bill Heissenbuttel, President and CEO of Royal Gold; and Nolan Watson, President, CEO and Director of Sandstorm and Chairman of Horizon.

During today's call, we will make forward-looking statements and provide forward-looking information within the meeting of applicable securities laws, 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 this morning's press release and in our respective filings with the SEC.

I will now turn the call over to Bill.

Bill Heissenbuttel:

Good morning and thank you for joining the call. I'll begin on Slide Four.

Our announcement this morning that Royal Gold has entered into agreements to acquire Sandstorm and Horizon is consistent with our long-term strategy of growth through the addition of high-quality and long-life precious metals assets. After closing, Royal Gold will be the most diversified and gold-focused companies in the streaming and royalty sector and the transactions will reinforce our position as the only large-cap, gold-focused streaming and royalty company domiciled in the U.S.

Through these acquisitions, we will add assets to the portfolio that provide immediate cash flow and substantial organic growth potential; diversify our portfolio in terms of revenue and net asset value; unlock value by simplifying the ownership structure between Sandstorm and Horizon; and strengthen our market position in terms of scale and cash flow.

With these transactions, Royal Gold is building on our 40+ year record of successful growth in precious metals, and we believe our increased scale will enhance our appeal for generalist investors seeking exposure to precious metals through a low-risk vehicle with strong organic growth potential.

I'll now turn to Slide Five to highlight the strategic rationale for the transactions.

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The strategic rationale from the Royal gold shareholder perspective is clear.

The addition of Sandstorm and Horizon assets will be meaningfully accretive to NAV and medium term/long term cash flow, diversify our asset base and enhance our longer-term growth potential; using our shares for most of the consideration conserves liquidity and balance sheet flexibility; and we will maintain our competitive position in the sector as the smallest of the Big Three companies, allowing us to deploy our liquidity and continue to grow and compete for future precious metals opportunities.

Transactions where there is alignment in terms of strategic fit, value and benefits to all shareholders are rare. However, we found strong alignment with Sandstorm and Horizon. I'll turn the call over to Nolan to give his perspectives on the transactions and what this means for Sandstorm and Horizon shareholders.

Nolan Watson:

Thanks, Bill. When I look back on the creation of Sandstorm, we started with a shell company with no assets, and we were trading at C\$0.50 per share. The reason we created Sandstorm was to give investors a precious metals royalty vehicle that not only focused on gold and silver, but also a company that reduced risk for investors, not only through the royalty model, but also through diversification of risk.

As we built Sandstorm, we've been able to add tremendous value to shareholders, growing from C\$0.50 per share to closer to C\$15.00 per share based on this deal, and all the while we were focused with each new deal to grow the diversification of risk for shareholders.

I am a big believer that the best investments aren't just the ones with high returns, they're the ones that deliver returns while reducing risk. If you get the risk reward equation right, you create a better investment vehicle for investors. That's why I'm particularly excited about this transaction.

This is the next step in the evolution for Sandstorm investors. This deal not only provides an immediate premium to the value that our shares were currently trading at,

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while simultaneously being accretive to Royal Gold so it's a win-win, but it also dramatically increases the diversification of both portfolios and makes for an incredibly compelling precious metals-focused investment vehicle with lots of upside, risk mitigation and unparalleled diversification.

After this transaction, Royal Gold will be, in my opinion, the single most diversified, high-quality precious metals investment vehicle in the world, and one that I personally will be very proud to be a shareholder of going forward. The combined company will have royalties on the "who's who" of the world's best mining assets, it will have strong future growth, it will have strong capital markets presence and trading liquidity and a strong balance sheet.

If you're an investor and looking for a way to get exposure to gold, this combined company, in my opinion, offers the best way to get that exposure. I'll turn it over to Bill.

Bill Heissenbuttel:

Thanks, Nolan. I'll turn to Slide Six and give a brief overview of the transactions and timing.

The Sandstorm transaction will be an all-share acquisition structured as a plan of arrangement. Royal Gold will issue approximately 19 million shares, and the exchange ratio will result in Royal Gold shareholders owning 77% and Sandstorm shareholders owning 23% of the larger company. All Directors and Officers of Sandstorm have entered into voting and support agreements for the transaction.

The Horizon transaction will be an all-cash acquisition by Royal Gold, structured as a plan of arrangement. Sandstorm and all Directors and Officers of Horizon have entered into voting and support agreements for the transaction.

Shareholder votes will be required for the transactions. To complete the Sandstorm transaction, Royal Gold will require approval from a simple majority of the votes cast at a special meeting of Royal Gold shareholders, and Sandstorm will require approval from both two-thirds of the votes cast at a special meeting of Sandstorm shareholders and a

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majority of the votes cast, excluding votes cast by Sandstorm Senior Officers and Directors.

To complete the Horizon transaction, Horizon will require approval from both two-thirds of the votes cast at a special meeting of the Horizon shareholders and a majority of the votes cast, excluding votes cast by Sandstorm and Horizon Senior Officers and Directors.

We expect the transactions will close during the fourth quarter, subject to receipt of court and regulatory approvals and satisfaction of other customary conditions.

Turning to the next section, I'd like to focus on some of the assets we'll be adding to the portfolio.

Sandstorm and Horizon have built a portfolio of high-quality assets operated by some of the best counterparties in the mining business, which will provide our shareholders with accretive and strategic growth.

I'd like to ask Nolan to provide an overview of some of the more significant production and growth assets, starting on Slide Eight.

Nolan Watson:

Thank you, Bill. Over the past 15 years, Sandstorm has focused on investing in mines with exploration upside, low-cost operations and owned by strong mining partners. We're proud of our diversified, gold-focused portfolio—it's both immense growth potential and exploration upside. Today we're highlighting several of our producing and development assets, while there are many more in our portfolio that complement the Royal Gold asset base.

Located in Peru, Antamina is the fourth largest copper mine in the world. This open pit mine, jointly owned by BHP, Glencore, Teck and Mitsubishi, has been in production since 2001. It's a long life, high quality, low-cost, world class mine.

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Also, in our portfolio is a stream on the Greenstone mine, which is expected to be one of Canada's largest and highest-grade open pit gold mines. Greenstone is estimated to produce over 300,000 ounces of gold annually. Equinox Gold, the operator, has achieved commercial production at Greenstone in Q4 2024.

One of our other key royalties is on the Fruta del Norte mine owned by Lundin Gold. Fruta del Norte is one of the highest grade, lowest-cost gold mines globally. With exceptional exploration upside, their 2025 drilling program has increased over 100,000 meters based on its success, year-to-date.

In addition, we have streams and royalties on the Chapada and Caserones mines, which are both owned by Lundin Mining. Chapada is an open pit copper gold mine located in Brazil. It has a mine life outline through 2050 and plant expansion opportunities are being evaluated. At Caserones, Lundin Mining has identified several priority exploration targets and is working on other low-capital intensity projects to increase production.

For growth assets, I'm highlighting four on Slide Nine, which are among my favorites in the Sandstorm portfolio.

Firstly, there's Platreef. It's expected to be the highest margin, lowest cost PGM mine in the world, and it's expected to reach commercial production by the end of 2025. Ivanhoe Mines, the owner and operator, has designed the project to be a multi-phase ramp up, which reduces the risk and increases the throughput up to 12 million tonnes per year by Phase 3.

One of our most significant assets is our brownfields copper-gold project, and it ranks as one of the lowest, capital-intensive copper projects worldwide. Thanks to the existing Alumbrera processing plant and associated infrastructure nearby, MARA is expected to be among the top 25 global copper producers when operational. Glencore plans to submit a RIGI application for MARA in 2025, and it earmarked \$400 million towards its two Argentinian development assets, with MARA being the most advanced and lowest capital intensity.

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Next, located in Mongolia, our Oyu Tolgoi copper project is considered one of the world's most important copper mines. Our interest lies in the Hugo North Extension and the Heruga deposits. It is expected to become the fourth largest copper mine globally, and all three lift panels are in full production. It's going to be a multi-decade production profile. It truly is a world-class asset.

The winner of the *Discovery of the Year Award* in 2020 at PDAC was Hod Maden, which is another one of our key assets. It's an extremely high-grade gold and copper mine sitting in the first cost quartile. The 2021 feasibility study outlined a 13-year mine life with average annual production of 195,000 gold equivalent ounces at an average grade of 11.1 grams per tonne gold equivalent. There's significant exploration upside, as much of that ground has yet to be drilled.

And I'll hand it back over to Bill.

Bill Heissenbuttel:

Thanks, Nolan.

Turning to Slide 10, we expect the contribution of these assets to be meaningfully accretive to Royal Gold's asset NAV.

After closing, Royal Gold shareholders will own approximately 77% of the combined portfolio. And using consensus sell-side analyst asset NAVs, we expect an increase in our asset NAV of approximately 44%.

Turning to Slide 11, these transactions will provide immediate revenue growth.

Based on the midpoints of full year 2025 guidance from each of Royal Gold and Sandstorm, and assuming a full year of contribution at these levels, these transactions would increase 2025 GEO production by approximately 26% and position us for pro forma production of over 350,000 GEOs. Note that Royal Gold does not give GEO guidance, so this assumes the midpoint of our sales volume converted to GEOs at the prices shown in the footnote to this slide.

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Note also that Horizon does not provide production guidance, so this excludes any contribution in 2025.

We expect that GEO production growth will be supported in the next several years as some of the near-term projects are advanced and, longer term, we expect significant further growth as assets like Great Bear, Warintza, Platreef, MARA, and Hod Maden come online. We believe the medium to long-term growth from the combined portfolio gives us one of the most attractive growth profiles in our sector.

Turning to the next section, I'd like to highlight the diversification of this gold-focused portfolio.

Slide 13 highlights the breadth and depth of the combined portfolio.

Organic growth in our business occurs as assets advance through the various stages of mining project development, and we expect a portfolio of this size will provide many growth opportunities.

With these transactions, we are adding 40 new revenue-producing assets, which will double the size of that asset group. We are adding 28 assets in the development stage, resulting in a total of 47 development stage assets, and the total number of evaluation/exploration stage assets will grow to 266.

With over 300 non-producing assets, there is strong potential for continued organic growth and embedded optionality from within the portfolio. And with almost 400 mining assets, we will have the largest and most diversified portfolio of mining assets in the streaming and royalty sector.

Turning to Slide 14,

The commodity mix of the combined portfolio remains dominated by precious metals, and gold remains our strategic focus. On a NAV basis, precious metals will have a weighting of about 90% with about 78% from gold.

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Jurisdictionally, Canada and the United States will remain our largest weighting by NAV at a combined 41%, followed by Latin America at a total of 36%, Africa at 15%, and Australia at 2%. The transactions will add some exposure to a handful of new countries, but this exposure is limited in the context of the overall portfolio. We are very comfortable with this mix, because these are all mining-friendly jurisdictions with long histories of mining as an important part of the local economies.

And turning to Slide 15, the combined portfolios will have the lowest asset concentration of our peers in the streaming and royalty sector.

The top five assets are high quality and top tier producers, and the top 10 assets will make up about 60% of total NAV. The largest asset, Mt. Milligan, will drop to about 13% of total NAV from about 20% today. Portfolio diversification has been a strategic priority for several years, and these transactions allow us to significantly reduce exposure to any single asset.

Turning to the next section, I want to highlight some of the additional benefits surfaced by these transactions.

The left side of slide 17 shows a representation of the current Sandstorm/Horizon ownership structure, and our goal for simplifying the structure on the right side.

There is significant interdependence between these businesses, and integrating both will allow us to reduce overhead, legal, and governance complexity. Simplifying this structure will also let us benefit from streamlined asset ownership, particularly at Antamina and Hod Maden.

With respect to Hod Maden, Horizon owns a 30% direct interest in a joint venture, which is not considered a typical risk profile for our investments. We plan to review alternatives for this direct interest, and we have some experience in converting non-traditional investments into our core product, as we did with the restructuring of our direct interest in the Peak Gold joint venture in 2020. However, this will take some time, and we're not going to speculate on an outcome at this point. In the meantime, we have the balance sheet to fund the 30% share of CapEx. The joint venture interest is relatively

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small relative to the portfolio NAV as a whole, and we will be patient as we look for an outcome that works best for our shareholders.

I'll now turn to Slide 18.

On a proforma basis, and assuming current ownership levels are maintained, we expect to have a high-quality and blue-chip register of institutional investors. The additional scale resulting from these transactions should also attract further passive buying as Royal Gold's index weightings increase.

Royal Gold shares are highly liquid today and we expect that liquidity to be enhanced with a larger market cap and higher share count.

I'll now turn to what these transactions mean for our position in the market.

Slide 20 shows where we will stand after completion of these transactions.

These transactions will add to our scale but also maintain a size that is well suited for our sector.

Our larger market cap and liquidity should help us attract both passive and active investors, allowing us to maintain a low cost of capital, and the larger portfolio should generate significant cash flow to compete for the largest transactions. Yet we will also remain small enough to show growth in a sector where most transactions are relatively small.

The combined company will also have a strong financial position.

Royal Gold had no debt and a \$241 million cash position at the end of the first quarter. If this transaction occurred as of March 31st, we would expect an approximate draw of \$375 million on our undrawn \$1 billion credit facility to fund the cash consideration for the Horizon shares and repayment for Sandstorm's debt. We anticipate this would result in a debt to trailing EBITDA ratio of approximately 0.5x, which is modest leverage for a company of this size. However, this ignores any cash flow generated between now

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and closing, which we expect to be in the fourth quarter of 2025, and, barring any further investment activity, any final draw to close the transaction is expected to be smaller.

Post closing, we will focus on repaying the debt from cash flow and maintain our longstanding strategy of growing the dividend.

That said, we continue to see a good business development environment, and we will have the balance sheet and liquidity to continue to add to the portfolio and compete for the largest transactions.

Turning to slide 21, I'll wrap up with my closing comments.

We strongly believe in the strategic rationale for these transactions for all parties. After closing, we will have a leading growth profile with exploration and development optionality, a gold dominant portfolio with sector leading diversification, a simplified structure, and a strong position as the only large capitalization precious metal streaming and royalty company domiciled in the U.S.

We think we will be a premium growth company in our sector, and we look forward to meeting with you over the coming weeks as we move towards closing.

Operator, that concludes our prepared remarks. We are joined by members of our management teams, and I'll now open the line for questions.

Operator:

(Operator Instructions) Our first question comes from Josh Wolfson from RBC Capital Markets. Your line is now open. Please go ahead.

Josh Wolfson:

Yes. Thank you very much, operator. You know, the team talked about projected accretion to operating metrics with some of the growth within Sandstorm's portfolio. I'm wondering if the Royal Gold team could elaborate perhaps on Hod Maden, MARA

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and Khoemacau and maybe the timeframe that the team expects some of this growth to materialize. Thank you.

Bill Heissenbuttel:

Josh, yes, thanks. Thanks very much for the question. You know, I think we're probably looking at the latter part of this decade, both in terms of Hod Maden and MARA. I think Khoemacau is also sort of a 2029, 2030 timeframe, which is why we discussed this as being long-term accretive on a cash flow per share basis and a GEO per share basis.

Josh Wolfson:

Alright, thank you. Then in terms of, I guess, the timing of this deal being announced, you know both companies have been around for many years. Sandstorm's portfolio has largely remained unchanged for a couple of years now. The stock has done very well as of late, and much better than I'd say Royal Gold has done, at least year-to-date. I'm wondering, what sort of prompted this evaluation, you know, given that the share ratio is less favorable today than where it would have been three, six months ago. Thank you.

Bill Heissenbuttel:

Yes. You know I've often talked about our businesses as being deal takers, and that applies whether it's an asset deal or a corporate deal. You know on the corporate side, there has to be a meeting of the minds of the companies socially, financially, and you can't predict it. You can't say well, now's the right time, now's not the right time. A lot of times it comes down to just happenstance, and we found a unique point in time when the two companies were able to do something that we both believe is a win-win. So, you know, there's no magic, there's no magic to finding the right time here.

Josh Wolfson:

All right. Thank you. If I could tuck one more in, there's no mention of the TSX listing post this transaction. The company sort of emphasized being a U.S. domiciled company proforma and having a larger scale. Is there any intention to maintain a TSX listing?

Bill Heissenbuttel:

And Josh, you may recall that we used to have a TSX listing, and it was expensive and

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there was no trading on it. Really, all of our liquidity is on NASDAQ, so I don't anticipate keeping the TSX listing.

Josh Wolfson:

Thank you very much.

Bill Heissenbuttel:

Thanks, Josh.

Operator:

Thank you. Our next question comes from Lawson Winder from Bank of America. Your line is now open. Please go ahead.

Lawson Winder:

Thank you very much, operator. Good morning Bill and team. Thank you for this call. Very, very helpful. Interesting transaction as well.

I wanted to ask about the one condition that the Horizon transaction needs to close in order for the Sandstorm transaction to close. Is there any time limit on the waiver right by Royal Gold to waive that condition? And are there any additional details on that condition that you could possibly share? Thank you.

Bill Heissenbuttel:

Yes. I mean, the transactions are cross-conditional, and there is an outside date that applies to both of the transactions. So, they are cross-conditional, but we do have the option if we wish. If the Horizon deal did not close, we would still have the option to do the Sandstorm transaction.

Lawson Winder:

Okay. There's no limit on that in terms of timeline?

Bill Heissenbuttel:

No, just the outside date that applies to all of the agreements.

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Lawson Winder:

Got it. Okay perfect. When you think about wrapping up the direct ownership that Horizon has in the Turkey asset, are there any constraints on the timing within which you could do that, or are there any sort of rights of first refusal that you guys would be facing in trying to dispose of that direct ownership?

Bill Heissenbuttel:

I'm looking here to see if we can disclose what we know about the contract. So we do know about the contract, I just don't know if we can discuss it. I don't think we can. I would say it is a typical joint venture agreement with responsibilities amongst all parties to the contract.

Lawson Winder:

Okay. Fair. Thank you for that color. Then just, finally, on the asset mix: So, I mean, Sandstorm has an asset handbook, which is not too dissimilar from the asset handbook that is produced by Royal Gold. In it they disclose what they think the net asset value breakdown is between each of the various assets. Does that line up with Royal Gold's estimation of the breakdown between the contribution of each asset to the price being paid today? And so I'm looking at page five of the 2025 Sandstorm Gold Royalties asset handbook.

Bill Heissenbuttel:

Well, I think what we've tried to give you is an estimate of how we see the assets on an NAV basis. I think that's the slide where Milligan is at 13% and Pueblo Viejo is at 10% or 11%.

I think Sandstorm—and Nolan, jump in here—I think Sandstorm would have looked at it a little bit differently because they had split the Antamina NPI. They had gold stream on Maden, they had silver stream coming off the Antamina NPI. So, I'm guessing that their handbook looked at it that way, but, Nolan, feel free to chime in here.

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Nolan Watson:

Yes, that's correct, Bill. I mean our asset handbook from Sandstorm was just from Sandstorm's perspective. When you look at it from Royal Gold's perspective, you're going to incorporate both Sandstorm's side and the Horizon side.

Lawson Winder:

Okay. Great. Thank you all very much.

Bill Heissenbuttel:

Thanks, Lawson.

Operator:

(Operator Instructions) Our next question is from John Tumazos from John Tumazos Very Independent Research. Your line is now open, please go ahead.

John Tumazos:

Thank you very much for taking my question. The strategic rationale and the better diversification and the quality of the two companies are superb together. This morning, Sandstorm is up only 4% or 5%, and if it's a taxable transaction, the federal income taxes that I would pay would be larger than the 4% or 5% premium this morning, so why should the Sandstorm investors vote in favor of this? And is Royal Gold just setting up Franco or Wheaton or Triple Flag or Osisko to buy Sandstorm, because you're offering such a niggardly premium?

Bill Heissenbuttel:

Nolan, I might ask you to state the case for the Sandstorm shareholders.

Nolan Watson:

Sure, thanks Bill. Yes. I think normally in a transaction like this, merger funds jump in and short Royal Gold and buy Sandstorm to close that gap. So, the only reason that our shares are only up 5% this morning are because of that effect. I would expect that once that unwinds over the coming months, we'll be up another 10% plus.

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From a Sandstorm shareholder perspective, this transaction is accretive to Royal Gold, and I would expect Royal Gold shares not to only go back to where they were prior to announcement of this transaction, but even higher, because it's accretive to Royal Gold. And I'm a big believer that one of the reasons you invest in royalty companies is for risk diversification. This new vehicle will be the most risk-diversified way to play precious metals, period. I think Royal Gold shares are going to re-rate even further on the back of that.

So, I think you're going to see three things happen. You're going to see the merger arm unwind and Royal Gold share price will go up. The accretion factor will kick in and a multiple revaluation factor will kick in. So, I see a triple bump coming for Sandstorm Gold shareholders.

I am one of the largest Sandstorm Gold shareholders that there is. Royal Gold offered us cash in the transaction, and I turned it down, because I wanted Royal Gold paper because of the things that I just said. I think we're going to make lots of money if we hold these shares.

John Tumazos:

Thank you.

Operator:

(Operator Instructions) We currently have no further questions, so I'll hand back to Bill for closing remarks.

Bill Heissenbuttel:

Thank you for taking the time to join us today. We're very excited by the opportunity to combine these businesses and create a premium growth company in the gold streaming and royalty sector. We look forward to discussing the transaction with you further over the coming weeks. Take care.

Operator:

Thank you, all, for joining. This concludes today's call. You may now disconnect your line.