

Royal Gold, Inc.

Calendar Year 2022 First Quarter Conference Call

May 5, 2022

CORPORATE PARTICIPANTS

Alistair Baker, *Vice President, Investor Relations and Business Development*

William Heissenbuttel, *President and Chief Executive Officer*

Mark Isto, *Executive Vice President and Chief Operating Officer*

Paul Libner, *Chief Financial Officer and Treasurer*

CONFERENCE CALL PARTICIPANTS

Brian MacArthur, *Raymond James*

Josh Wolfson, *RBC Capital Markets*

PRESENTATION

Operator

Hello and welcome to today's Royal Gold, Inc. Calendar Year 2022 First Quarter Conference Call.

I would now like to pass 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 first quarter 2022 results. This event is being webcast live and you will be able to access a replay of this call on our website.

Speaking 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, and Adjusted EBITDA margin. 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.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

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.

I'll now turn the call over to Bill.

William Heissenbuttel

Good morning and thank you for joining the call. Our call today will be relatively short as we provided an in-depth review of our business two weeks ago during our annual investor update. For those who were unable to join the event, it is available for replay on our website.

Turning to the results for the quarter, I'll begin on Slide 4. It was another good quarter with very solid operating and financial results. We recorded healthy revenue of $162 million, operating cash flow of $101 million, and earnings of $66 million, which were all up significantly over the prior-year period. It is worth noting that our margins remain strong and our Adjusted EBITDA margin for the quarter was 81%, which is consistent with the 80% we saw for the same quarter a year ago.

Unlike operating companies who often see margins erode with the effects of cost inflation, our business model's low-cost base has limited the impact of inflationary pressures and allowed us to maintain our high margins. The solid cash flow allowed us to further strengthen the balance sheet and at quarter end we remained debt free with cash on hand of $184 million and access to our full $1 billion revolving credit facility. We remain active in the search for new business opportunities and our strong balance sheet and cash flow position us well to act.

We paid our quarterly dividend at our new, higher rate of $0.35 per quarter and we were included in the S&P High Yield Dividend Aristocrats Index in January, which reflects our approach to steadily growing our capital return to shareholders over the long term. During the quarter, we issued our first annual guidance for GEO sales, DD&A, and effective tax rate, and I'm pleased to say that we remain on track to meet that guidance.

Within the portfolio, we funded the final advanced payment on the stream at Khoemacau and we are now entitled to 100% of the payable silver from high quality and long-life operation. We also added a royalty on the Lawyer's Project in British Columbia. This is a small investment that provides us exposure to an emerging gold camp and is a good example of how we use our internal technical skills to identify early-stage opportunities that have interesting, long-term potential.

Then, finally, just after quarter end we issued our inaugural ESG report, which is available for review on our website. We think our approach to ESG is unique and well suited to our business model, and we look forward to engaging with our stakeholders over the coming months to get feedback on the direction we've taken.

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

Mark Isto

Thanks Bill.

I'll start on Slide 5 with some commentary on revenue and production in the quarter. The portfolio performed well again this quarter and overall volume was 86,500 gold equivalent ounces, or GEOs. Our royalty segment contributed $57 million in revenue, an increase of 21% over the prior-year quarter.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Cortez had a strong quarter, and we received our first annual royalty payment from Red Chris, which represents payment for the full calendar year of 2021.

On the stream segment side, revenue of $105 million was up about 10% from the prior-year quarter, driven by strong gold sales from Mount Milligan and new revenue from Khoemacau and NX Gold, which was partially offset by lower gold and silver sales from Pueblo Viejo. Silver deliveries from Pueblo Viejo were approximately 275,000 ounces in the quarter, which included a modest delivery of about 20,000 ounces of deferred silver, leaving a balance of approximately 439,000 deferred ounces. We don't expect material deliveries of deferred silver this year as we expect silver recoveries will remain highly variable until the expansion project is complete and bottlenecks associated with the silver circuit and silver recovery can be fully addressed. We continue to see this as a cash flow timing issue, and we don't expect it to have any lasting impact on silver revenue.

Turning to Slide 6, I'll make some brief comments on a few recent developments within the portfolio. We've provided more in-depth discussion during our recent investor day update, so my comments here will be brief. At Khoemacau, KCM reported strong progress on the ramp-up of mine production over the quarter. The mining rate steadily increased from about 3,500 tons per day in January to about 5,700 tons per day in March, and the positive trend continued in April. KCM expects to reach the full run rate of 10,000 tons per day by the fourth quarter of this year. Absent any further complications from COVID, KCM believes they have sufficient liquidity available to Khoemacau to reach its full production level.

At Mount Milligan, Centerra reported a significant increase in resources after the 2021 in-fill drilling program, as well as an amendment to their environmental assessment that will allow access to long-term water resources, subject to receipt of permits. Centerra is working to conclude its life-of-mine planning work and expects to issue a new technical report during the current quarter.

At Pueblo Viejo, Barrick announced that construction of the plant expansion is approximately 39% complete at the end of March and is on track for completion by the end of the year. Barrick has also been working with the government of the Dominican Republic on location options for additional tailings capacity. The final location will be subject to the completion of an environmental and social impact assessment, which will be submitted with the government for evaluation and final decision.

Turning to Slide 7, at Cortez, Nevada Gold Mines provided updates to the life-of-mine plan for our royalty areas in April. As of December 2021, total gold reserves on the areas covered by royalties at Cortez, contained about 4.1 million ounces. Approximately 3 million ounces of these reserves are contained at Crossroads and Pipeline and approximately 1.1 million ounces are contained at the Gold Rush project where we have a 1% net value royalty on the portion of Gold Rush that falls within our royalty area. Nevada Gold Mines expects production from our royalty areas at Cortez or at Crossroads and Pipeline will be approximately 280,000 ounces this year and will average 332,000 ounces per year from 2022 to 2026. Royal Gold's interest in this production is roughly equivalent to an 8% gross smelter return royalty.

At Rainy River, New Gold issued an updated technical report which indicates an extension of mine life by about three years to 2031, with an addition of 569,000 ounces of gold in the underground main zones. Finally, at NX Gold, Ero Copper announced year-end increases and M&I resources of 32% and 2P reserves at 25%. Recall that our stream agreement includes potential payments to support Ero to continue exploring and adding to the resource base and, in the quarter, we funded $3.2 million in additional advance payments for exploration and resource growth success. We have a remaining outstanding commitment of up to $6.8 million for meeting certain targets through the end of 2024.

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

Paul Libner

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Thanks Mark.

I'll now turn to Slide 8 and give an overview of the financial results for the quarter. For this discussion, I'll be comparing the quarter ended March 31, 2022, to the prior-year quarter. Revenue was $162 million for the quarter, a 14% increase. Approximately two thirds of the revenue increase was driven by strong operating performance, as well as new revenue from Khoemacau, NX Gold and Red Chris, which together contributed $9.8 million during the quarter.

About one third of the revenue increase was driven by realized metal prices. When compared to the prior-year quarter, the average prices for gold and copper were up 5% and 17% respectively, while silver was down 9%. Gold continued to be dominant, making up about 71% of our total revenue, followed by copper at 14%, and silver at 10%.

G&A expense increased to $8.9 million from $6.9 million in the prior-year quarter. The increase in our G&A expense was primarily attributable to higher employee-related costs, which also includes non-cash stock compensation expense. Higher ESG costs, as part of our broader ESG initiatives, also contributed to the increase.

Our DD&A expense was $48 million, up from $41.3 million. On a unit basis, this expense was $555 per GEO for the quarter, compared to $520 per GEO in the prior year. The increase was mainly due to higher gold sales from Mount Milligan, higher gold production at Cortez, and additional depletion expense from Khoemacau and the recently acquired NX Gold stream and Red Chris royalty.

Income tax expense was $15.3 million for the quarter, which resulted in an effective tax rate of 18.8% for the quarter. Earnings were $65.7 million or $1 per share, a 22% increase. After adjusting for a $600,000 gain related to fair value change in equity securities, our adjusted earnings were $0.99 per share. We reported another very strong quarter of operating cash flow of $101 million, which with a 10% increase and was primarily due to higher proceeds received from both our royalty and stream interests.

I will now turn to Slide 9 and provide a summary of our financial position at the end of the quarter. Our liquidity position continued to strengthen as we ended the quarter with $184 million of cash, working capital of $209 million, and just over $1.2 billion of available liquidity. We remain debt free and have our full $1 billion revolver undrawn and available. We continue to view the revolving credit facility as a key financing tool and we are comfortable drawing on the facility in a measured way, while repaying any amount outstanding as cash flow allows.

With respect to further financial commitments, after making a final $26.5 million Khoemacau stream advanced payment in March, our only remaining near-term commitment is additional success base payments for the NX Gold stream of up to $6.8 million through 2024. We expect that any funding for this commitment will be made 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.

We turned in a solid first quarter for 2022, and we look forward to building on this through the remainder of the year. Our balance sheet is strong, and our diversified precious metals-focused portfolio continues to perform well. We expect some positive developments from within the portfolio over the next several

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

months as we outlined in our investor update, and I look forward to updating you further on these later in the year. I think we're positioned very well and, in this environment of strong metal prices and high inflation, our business model should allow us to maintain consistent and high margins and provide shareholders with continued leverage to the gold price.

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

Operator

Thank you. Our first question today comes from Brian MacArthur from Raymond James. Brian, please go ahead. Your line is now open.

Brian MacArthur

Hi, good morning.

Just two quick questions. Just on Cortez, your guidance for the year is 288,000 ounces from lands which share synthetic 8% NSRs on—but there's 102,000 in the first quarter. Was there any catch up in that 102,000 for the first quarter or should I just assume that we're just way ahead of—they've just been on your lands a lot in this quarter, and it will fall off dramatically throughout the rest of the year?

William Heissenbuttel

Yes, Brian, thanks for the question. I might ask Mark to add anything that he can to that question.

Mark Isto

Yes, you're right. I think our—the guidance that we're giving for the year, we think is pretty solid and they just had a very good quarter. But I don't—we still suspect that the year will look like we're forecasting.

Brian MacArthur

Great, thanks.

Just on the Red Chris, so I fully understand this. You book it like one year later, effectively. Obviously, in this quarter you had last year's payments, right. Then, as you say, first quarter next year we get this year. Is there actually in the contract does anything adjust for the fact that you're effectively getting paid money you're earning this year a year later? Is there an interest carry thing in there or anything or is it just it is what it is? It comes out at the end of the day because technically, you're not actually getting, you're not going to book it as I understand it and you actually don't get the cash until a year later. It's almost like on a year delay. Is that how it works or is there any other adjustment in the contract?

William Heissenbuttel

Brian, that's a good question. I would be extremely surprised if there was an interest component. We knew the royalty payment terms going in and it might be a little bit unusual but we're not uncomfortable receiving the revenue or the cash after a full year of production. It gets built into the timing and the valuation. Paul, is there anything? Am I off base here?

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Paul Libner

No, you're not, Bill, and Brian, you're correct in that we are recording this on a cash basis. In the period in which we receive the actual calculation and that's partly due to just some of the information that we receive during the period, not quite understanding that if there an accrual could be made during the quarter each quarter during the calendar year.

Brian MacArthur

Great, thanks. Sorry, just a small point but just thought I'd flesh that out. Thank you very much. I appreciate it.

William Heissenbuttel

You're welcome. Thanks for the question.

Operator

Thank you, Brian.

The next question today comes from Josh Wolfson from RBC. Josh, please go ahead. Your line is now open.

Josh Wolfson

Thank you very much.

I noticed the commentary on the Khoemacau operator financial condition, I guess has improved versus some of the prior language. I'm just wondering were there any additional funding related items maybe by other third parties there are would this just be a function of maybe the ramp-up performing well and some of the funds that Royal Gold provided having resolved that?

William Heissenbuttel

Yes, Josh, I am not aware of any third party fundings there. Mark, chime in if I'm going astray. We're really happy with the way that the ramp-up is going, and again, I don't know of any additional commitments or advances made.

Josh Wolfson

Great, okay.

I noticed there were some articles about the operator looking at potentially looking at some sort of transaction of some sort that could develop it. It sounds like these talks are early stage. I'm just wondering, would Royal Gold in any capacity be involved with this? Probably not on the stream side is my guess but maybe as a debt holder. Or is this something that you can comment on, at least if something were to happen, how the Company would be involved?

William Heissenbuttel

I don't expect that we would be involved in a going public scenario. We've always built abilities to transfer in an IPO and this scenario was contemplated from, I think from day one.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Josh Wolfson

Okay. Those are all my questions. Thank you.

William Heissenbuttel

Thank you.

Operator

Thank you, Josh.

Our next question today comes from—unfortunately, that is all we have time for today. Thank you very much for your time today. I'd now like to pass the conference over to Bill Heissenbuttel for closing remarks. Please go ahead.

William Heissenbuttel

Well, thank you very much for the time to join us today. We certainly appreciate your interest in Royal Gold, and we look forward to updating you on our progress during the next quarterly call. Thank you.

Operator

That concludes today's conference call. Thank you for your participation. You may now disconnect.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com