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Royal Gold, Inc.

Calendar Year 2022 Second Quarter Conference Call

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CORPORATE PARTICIPANTS

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

Bill Heissenbuttel, *President and Chief Executive Officer*

Paul Libner, *Chief Financial Officer and Treasurer*

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

Dan Breeze, *Vice President Corporate Development of RGAG*

Randy Shefman, *General Counsel*

CONFERENCE CALL PARTICIPANTS

Cosmos Chiu, *CIBC*

Jackie Przybylowski, *BMO Capital Markets*

Tanya Jakusconek, *Scotiabank*

Matthew Murphy, *Barclays*

PRESENTATION

Operator

Good morning. Thank you for attending today's Royal Gold 2022 Second Quarter Results Conference Call.

My name is Amber and I will be your moderator for today's call. All lines will be muted during the presentation portion of the call, with an opportunity for questions and answers at the end.

I now have the pleasure of handing the conference over to our host, Alistair Baker, Vice President of Investor Relations and Business Development with Royal Gold. Alistair, please proceed.

Alistair Baker

Thank you, Operator.

Good morning and welcome to our discussion of Royal Gold's second quarter 2022 results. This event is being webcast live and you will be able to access a replay of this call on our website.

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Speaking 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 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, Adjusted EBITDA margin and cash G&A. 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 start the call with an overview of the quarter and the recently announced transactions, and Dan and Mark will follow with some detail on those transactions. Mark will provide an operating update for the quarter; Paul will 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.

Bill Heissenbuttel

Good morning and thank you for joining the call.

We are reporting earlier than most of our counterparties, so our operating comments will be relatively short, but that will give us a bit more time to discuss the recently announced Great Bear and Cortez royalty transactions.

Turning to the results for the quarter, I'll begin on Slide 4. Q2 was a good quarter from an operating perspective, and lower production at certain properties was expected when we issued our calendar 2022 guidance. Our financial results were solid with a healthy $146 million of revenue, strong operating cash flow of $120 million, and earnings of $71 million. Adjusted income was $54 million. Our margins remained healthy, and our Adjusted EBITDA margin was 78%, in line with where we were for the same quarter a year ago. This is noteworthy given the recent rise in cost as reported by some of the operating companies and really highlights the advantages of our low and relatively fixed cost base.

We increased our cash balance over the quarter, and at quarter-end we remained debt free with cash on hand of $281 million. We have subsequently drawn on the revolver to fund the recent Cortez transaction, and Paul will provide some additional detail on our liquidity in his remarks.

Our commitment to the dividend remains firm, and we paid $0.35 per share in the quarter.

During the quarter, we also hired Allison Forrest into the newly created role of VP of Investment Stewardship. Allison has a long professional resume in ESG, sustainability, and responsible investment, and was most recently with the Resource Capital Funds Private Equity Group, where she established its ESG function. Given the similarities between our business and that of RCF, she is well placed to be Royal Gold's point person for all of our ESG efforts. I hope you get to engage with her soon.

I'd now like to make some comments on our most recent transactions. We announced two transactions after the end of the quarter, and both fit our strategy and investment criteria, which we call the 3-Ps: People, Place, and Project. It is challenging in our industry to find two opportunities that combine

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excellent project attributes, experienced operators, and low-risk jurisdictions. As Dan will explain in more detail, these are royalty interests on gold assets that we expect will provide benefits to our shareholders over multi-decade mine lives.

Our history shows that while we are always disciplined in applying our criteria for investment, we're also not afraid to be aggressive when we see world class opportunities, and I believe that both of these will be significant contributors to Royal Gold over the long-term. Whether it is five, ten, or fifteen years from now, I believe our shareholders will benefit from the prospectivity of these high-quality royalty interests.

I'll now hand the call over to Dan.

Dan Breeze

Thanks, Bill.

Turning to Slide 5. On July 11, we announced the agreement to acquire Great Bear Royalties Corporation, which owns a 2% NSR royalty on the emerging Great Bear Project. The project is located in Ontario, Canada, a mining friendly and low-risk jurisdiction, and operated by Kinross, a well-capitalized and experienced senior producer. It is one of the most interesting prospective gold projects to be discovered globally in the past few years. Kinross is expecting the project to produce over 500,000 ounces of gold per year and is targeting a multi-decade life from the mining complex consisting of open pit and underground mines. As Bill mentioned, this is a transaction that fits well with our long-term strategy.

On Slide 6, you can see a map that shows the extent of the property and proximity to the town of Red Lake. The royalty covers the entire 91 square kilometer property package and is life-of-mine without step downs or caps. We took a unique approach to this transaction by entering into an agreement with Kinross during our due-diligence process to review their detailed data and have access to their technical staff. This de-risked the transaction significantly, as it allowed us to independently validate the Kinross assumptions and understand how they think about the project, which is unusual in typical third-party royalty acquisitions.

The Kinross project update on June 28 provided an overview of the technical work completed by Kinross since the acquisition of Great Bear as well as their plans for future development of the project. As compensation for providing us access, at closing we will provide Kinross the option to acquire 25% of the royalty at our acquisition cost, adjusted for inflation, until the earlier of a construction decision or the 10-year anniversary of closing. We expect to fund the acquisition using cash on hand, so there's no equity dilution and our shareholders will benefit directly as the project moves forward.

It is also worth noting that the Board and Officers of Great Bear Royalties have signed support agreements, and we have the typical deal protections and a break fee. Subject to satisfaction of certain regulatory conditions, we expect the transaction to close late in the third quarter. We're very pleased with this transaction as it layers in long-term growth, scale, and optionality into the Royal Gold portfolio.

I'll now turn to Slide 7 and talk about the Cortez royalty transaction that we announced on Tuesday. Like the Great Bear acquisition, this transaction fits our strategy and investment criteria. When it comes to the 3-Ps, Cortez clearly checks all of the boxes. It is a world class gold complex in a mining friendly jurisdiction operated by two of the leading global gold producers. Royal Gold has a long history with Cortez. We were one of the founding partners in the original Cortez joint venture and our existing Crossroads and Pipeline royalties had been significant contributors to our revenue for many years. We know the Cortez very, very well. With its history of production growth and consistent reserve replacement, we think it is one of the most prospective gold mining areas anywhere.

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Slide 8 shows details of the royalty and the coverage area. The royalty is a sliding scale gross royalty with an effective rate of 1.2% above a gold price of $900 per ounce. It is a life-of-mine royalty, with no step-downs or caps, and covers areas within the Cortez JV area of interest on the Cortez/Battle Mountain trend. The royalty covers areas within the Cortez complex operational area, including the operating Crossroads, Pipeline, and Cortez Hills mines, as well as the Gold Rush and Fourmile development projects and other prospective exploration targets.

We acquired the Royalty from Rio Tinto which created the royalty when they sold their 40% joint venture interest in Cortez to Barrick in 2008. The Royalty covers the area that was part of the Cortez joint venture at that time. Deductions are limited to only the royalties that existed at that time, which include our existing Crossroads, Pipeline and Gold Rush royalties. To calculate the royalty, the existing royalty obligations are deducted from the Cortez complex gross revenue, with the results multiplied by the 1.2% royalty rate. The royalty is payable after cumulative production from Cortez of 15 million gold equivalent ounces from January 1, 2008 onwards. According to Barrick disclosure, cumulative production was approximately 14.8 million ounces through June 30, 2022.

We expect the 15 million ounce threshold to be reached in the third or fourth quarter. Royalty payments will be received quarterly, and we expect to receive our first payment in the fourth quarter of 2022, or first quarter of 2023. This royalty greatly enhances our exposure to this district, and we expect it will smooth out some of the quarterly revenue volatility that we have experienced from our exposure to only Crossroads and Pipeline. We funded the Cortez royalty purchase primarily using a revolving credit facility, so, like the Great Bear Royalties acquisition, our shareholders will benefit directly from the upside of Cortez without equity dilution.

I'll now turn the call over to Mark for a description of the exploration potential of Cortez and other updates on our existing portfolio properties.

Mark Isto

Thanks, Dan.

I'll turn to Slide 9 and provide some commentary on the exploration upside, which is key to understanding the potential of this royalty.

Both Barrick and Newmont have been active in Nevada for decades, and the formation of Nevada Gold Mines created the opportunity to unlock further value from the Cortez assets. In addition to NGMs extensive infrastructure that allows processing of multiple ore types found in Cortez, NGM has amassed decades of ore body knowledge that can be applied to defining new exploration targets.

The Cortez land package is proven to be prolific in its ability to host large, Carlin-style gold deposits. While modern mining and processing began in 1969, the first Tier 1 deposit, Pipeline, was not discovered until 1991, which was followed by this discovery of two additional Tier 1 deposits, Cortez Hills in 2002 and Gold Rush-Fourmile deposits in 2009.

As described by Barrick, NGM has developed a systematic geological framework-based methodology to guide exploration built on the sound understanding of stratigraphic and structural controls to mineralization. This framework evolves with ore body knowledge, and the Goldrush discovery continued the district wide trend of a new greenfield discovery approximately every 10 years since the initial mining of Gold Acres and Cortez.

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As NGM identified in their last Investor Day, there's excellent exploration opportunity at the Cortez Complex for near-mine extensions, brownfield discoveries, and new greenfield discoveries in addition to the conversion of existing resources to reserves. Specific near-mine exploration opportunities include continued expansion of the Gold Rush-Fourmile complex and underground extensions at Cortez Hills. Brownfield and greenfield exploration targets include the continuation of the Fourmile trend on the north side of the Mill Canyon Stock, the East Goldrush target beneath younger basalt cover, the Horse Canyon footwall zone to the east of Goldrush; as well as targets between Pipeline and Robertson and to the south of Crossroads. NGM estimates current mineral resources at approximately 25 million ounces, and we expect this to grow over time as exploration targets are advanced.

Turning to Slide 10, I'll cover a few other portfolio events over the quarter. Portfolio performance was steady this quarter and overall volume was 78,300 gold equivalent ounces, or GEOs. Overall volume was in line with our expectations, and, while there was a decrease year-on-year, keep in mind that 2021 saw strong performance from several key assets. For the full year of 2022, we remain on track for achieving our production guidance of 315,000 to 340,000 GEOs, excluding any contribution from the new Cortez royalty later this year. Our Royalty segment contributed $42 million in revenue, a decrease of 22% over the prior year quarter, with lower contributions from Cortez, Peñasquito, and Voisey's Bay, but generally in line with our expectations.

On the streaming segment side, revenue of $105 million was lower by about 8% from the prior year quarter. Lower contributions from Pueblo Viejo and Andacollo were partially offset by new revenue from Khoemacau and NX Gold. At Khoemacau, KCM reported steady progress on the ramp-up of mine production over the quarter and in line with our expectations. The mining rate reached an average of 7,300 tons per day in June and KCM continues to expect to reach to full run rate of 10,000 tons per day by the fourth quarter of this year. Unfortunately, in late May, KCM reported an accident resulting in the fatality of two employees of the mining contractor. Investigations into the accident are ongoing.

At Pueblo Viejo, silver deliveries were approximately 307,000 ounces in the quarter, and an additional 45,000 ounces of silver were deferred, resulting in a total of 484,000 deferred ounces. We don't expect material deliveries of deferred silver this year, and we expect silver recoveries to remain relatively variable until the expansion project is complete and bottlenecks associated with the silver circuit and silver recovery are fully addressed. We continue to see this as a cash flow timing issue and don't expect it to have any lasting impact on silver revenue.

At Red Chris, Newcrest reported continued exploration success at the East Ridge target and has outlined potential to contain 2.8 to 4.3 million ounces of gold and 0.9 to 1.3 million tons of copper, while remaining open to the East. This news continues to affirm our thesis of exploration upside potential at Red Chris.

Finally, at King of the Hills in Australia, Red 5 announced the first gold pour on June 5 with mining and processing activities continuing to ramp up. Recall that we have a 1.5% NSR royalty on this asset, and we expect to recognize first revenue in the third quarter. The project has a published mineral resource of 4.1 million ounces, containing 2.4 million ounces classified as reserves.

This completes my comments, and I will now turn the call over to Paul for a review of our financial results.

Paul Libner

Thanks, Mark.

I'll now turn to Slide 11 and give an overview of the financial results for the quarter. For this discussion, I will be comparing the quarter ended June 30, 2022 to the prior year quarter.

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Revenue was $146 million for the quarter, a 13% decrease. Most of the revenue decrease was due to lower volume in the quarter as Mark mentioned. Compared to the prior quarter, metal prices were mixed with gold up about 3% and silver and copper prices up 15% and 2%, respectively. Gold remains the dominant revenue source making up 71% of our total revenue, followed by copper at 14%, and silver at 11%.

G&A expense increased to $9.3 million from $7.2 million in the prior year quarter. The increase was primarily attributable to higher employee-related costs, which also includes non-cash stock compensation expense. Our non-cash stock compensation expense increased $1 million over the prior year quarter. It was largely due to increases in our employee headcount, changes in the mix of equity awards granted to employees, and the transition from a fiscal year end to a calendar year end. Also contributing to our higher G&A expense during the quarter were higher ESG costs, and this is due to Royal Gold's continued commitment to broader ESG initiatives. Although inflationary pressures have impacted some of our producing peers, our cash G&A costs have remained low and continue to be less than 5% of our revenue. A typical quarter of cash G&A costs for Royal Gold is $6.5 million to $7.5 million, while our non-cash stock compensation expense is generally around $2 million per quarter.

Our DD&A expense was $44 million, down from $48 million. On a unit basis, this expense was $562 per GEO compared to $519 per GEO in the prior year. The increase in the unit rate was mainly due to lower gold sales from Andacollo and Pueblo Viejo, partially offset by additional depletion from Khoemacau and NX Gold, which were not contributing in the prior year period.

Looking at tax, we had a discrete tax event resulting from a change in the realizability of certain deferred tax assets held by our Swiss subsidiary. The change in these deferred tax assets resulted in a discrete income tax benefit of $19 million for the quarter. If we back out the discrete tax benefit, our effective tax rate was approximately 20% for the quarter.

Earnings for the quarter were down over the prior year to $71.1 million or $1.08 per share. After adjusting for the discrete tax benefit I just mentioned, and a $2.2 million expense related to the fair value changes in equity securities, our adjusted earnings were $0.81 per share. The main contributor to the lower earnings were due to lower revenue during the current quarter.

We reported operating cash flow $120 million, which was another strong quarter and in line with the prior year period. With respect to our 2022 full year guidance, we remain on track to deliver our guidance for sales of 315,000 to 340,000 GEOs, our DD&A expense of $535 to $585 per GEO, and effective tax rate excluding discrete items of 17% to 22%. Note that this guidance does not include any contribution from the newly acquired Cortez royalty, as we do not anticipate receiving initial payments until the fourth quarter of 2022 or the first quarter of 2023.

With respect to any impacts to our DD&A expense or DD&A per GEO from this royalty, we are continuing to finalize the accounting for the new Cortez royalty; however, our initial estimates suggest that approximately 35% to 40% of the $525 million purchase price will be assigned to production stage mineral interest based on the current 14.2 million ounce reserve. The remaining value will be assigned to exploration stage, which is not currently subject to depletion, and will be reclassed to production stage as additional material is classified as reserves. For the value assigned to production stage, we initially estimate a DD&A rate of approximately $1,350 to $1,450 per royalty ounce attributable to this specific royalty. We will provide a further update on revenue and DD&A from this royalty on our next quarterly conference call.

I will now turn to Slide 12 and provide a summary of our financial position at the end of the quarter. Our liquidity position strengthened as we ended the quarter with no debt, $280 million of cash, working capital of $276 million, and just under $1.3 billion of available liquidity. As part of the Cortez royalty acquisition,

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we drew $500 million on the revolver on July 25 to fund the acquisition, leaving $500 million undrawn and available. Upon the acquisition of the Cortez royalty, we have approximately $260 million of available cash. In keeping with our capital allocation strategy, we expect to repay the $500 million outstanding revolver balance as cash flow allows over the short- to medium-term.

With respect to further near-term financial commitments, we expect to pay approximately $155 million for the acquisition of Great Bear Royalties, which should occur in the third quarter subject to the receipt of necessary approvals. We also have potential success-based payments for the NX Gold stream of up to $6.8 million through the end of 2024. We expect to fund both of these commitments from our current and 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.

Bill Heissenbuttel

Thanks, Paul.

I wanted to make a few comments about our growth strategy and focus and what the recent transactions mean for our overall portfolio. One of our core strategic objectives is to further strengthen and diversify Royal Gold's portfolio of precious metals, royalties and streams by adding the best assets we can find.

Since the middle of last year, we have been very active, and I think we've done an excellent job in identifying and acquiring high-quality assets. One consistent theme through these acquisitions is our ability to use the excellent skills of our geology team to identify properties with high exploration potential. In total, we've committed just over $1 billion towards a mix of assets that will collectively provide meaningful gold revenue, high production upside, and exploration prospectivity over long mine lives. These assets are located in low risk and mining friendly jurisdictions and are operated by some of the best companies in the business.

Another core strategic objective is to think in terms of per share metrics, and the maximization of our shareholders' exposure and leverage for the precious metals we add to the portfolio. We have completed all of our recent transactions using available cash resources, including our revolving credit facility, and without issuing any new equity, so our shareholders should see the benefits of these acquisitions directly. We think these assets will add significant value to Royal Gold over the long term, and we remain well positioned with a diversified portfolio that provides healthy margins and cash flow, as well as a strong balance sheet.

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

Operator

Our first question comes from Cosmos Chiu with CIBC. Cosmos, your line is now open.

Cosmos Chiu

Thanks, Bill and team, for the conference call.

My first question is on provisional pricing. As you mentioned, about 11% or 12% of your revenue is coming from copper. Other ones are also being generated by the producers as concentrates and with a decrease in some of the base metal prices. Is there anything that we should be aware of in terms of how provisional pricing of the operators can actually impact what Royal Gold gets paid? It's all dependent on

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the timing of the producers selling the concentrate and when they pay Royal Gold, but is there anything that we should be aware of at Mount Milligan, Khoemacau, or any of those other assets?

Bill Heissenbuttel

Yes, Cosmos thanks very much for the question. I think the best person positioned to give you a response would be Paul. Paul, you okay taking that one?

Paul Libner

Sure. Good morning, Cosmos.

Cosmos Chiu

Hi, Paul.

Paul Libner

Yes, thanks for the question. I certainly can appreciate the question too, probably in light of maybe some of the news that you're seeing from some of our producing peers with the provision on price—in final adjustments that they're having, the impacts on as far as the receivables that they carry, as well as any mark-to-market through earnings there.

To answer your question, we are subject to provisional and final pricing adjustments at a few of our royalties that produce concentrates with base metals. Overall, I would say our exposure is limited. The largest exposure within our portfolio is probably our 3% NSR royalty at Robinson, but I will say that the Robinson royalty, though, is only 1.5% to 2% of our total revenue each quarter. Within that royalty copper makes up roughly 80% of that. Again, I would say our overall exposure to final pricing adjustments is limited. You mentioned Khoemacau and Mount Milligan, but I just would point out that streams are not subject to pricing adjustments just because our deliveries are in kind, and we received the metal units themselves.

Cosmos Chiu

Great, thanks.

Moving on a little bit, and Paul since I have you here: On the latest Cortez royalty, the latest acquisition, as you mentioned you gave us very good detailed DPN depreciation rates. Are there any differences in terms of the depreciation rates for accounting versus tax purposes? I think in your press release two days ago, you mentioned 21% corporate taxes in the U.S., could you maybe walk through that? How you calculate taxes there as well?

Paul Libner

Yes, it would be subject to a 21% rate and the only other tax, Cosmos, that really applies, is the Nevada net proceeds tax, which is also something that we have at every other royalty in the Nevada area. Given that basis there, yes, the book and the tax depletion should be relatively in line, or the same.

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Cosmos Chiu

Okay, so you'll be paying some taxes up front then, because it seems like the depreciable part of the acquisition costs is right now only depreciated based on reserves, so I would imagine that depreciation wouldn't be able to cover all the profits coming off of the new NSR royalty.

Paul Libner

That's correct. Yes, there will be a timing difference as we certainly depreciate the reserve and the later parts of the exploration piece that, again, that I mentioned in my remarks.

Cosmos Chiu

Great.

Maybe jumping around a little bit on Pueblo Viejo, I noticed that as you talked about, in quite a bit of detail, the silver recovery, still not up to the 70%, it is still being accumulated. I appreciate the discussions around it but could you maybe—I think in the past you tried to fix it, but I guess it hasn't been fixed, and then it's accumulating so two parts of my question. Number one, what are they doing right now to try to fix it? Number two, when would you expect silver recoveries to normalize? And at that point in time, what happens with all the silver that's been accumulated? Does it get released all at the same time, or does it get released over time? If it gets released over time, what's the timing there?

Bill Heissenbuttel

Yes, Cosmos, I think what I'd like Mark to do, if I can, is maybe address what they've done in the past, what they're doing currently, and our expectation. I think our expectation has been, for a while, it's just going to bounce around until we get the expansion completed. But I think it makes more sense for Mark to walk you through with a little more background.

Mark Isto

Yes, hello. Bill is right. What we see is that there's a number of bottlenecks, and we visited the site back in May, and we get to see an explanation of what these bottlenecks are. The primary bottleneck appears to be slurry cooling, and they're just having to expand the circuit that they have which is part of the expansion project. They'll—also increasing the CIL capacity. There are a number of issues in the CIL circuit and slurry cooling that have a detrimental effect on silver recovery that has just made it very hard to predict what the results are going to be. High temperatures result in very low silver recovery in the CIL circuit is one of the fundamental issues. That's why we say that really until the expansion project is up and running, and really commissioned and bedded down that we would expect to see silver continue to bounce around.

Cosmos Chiu

Great, and then the second part of my question, in terms of timing, in terms of how that accumulation gets released later on down the road, how does that work, Mark?

Mark Isto

Well, what'll happen is as silver becomes available from higher recoveries then it would be delivered as available from Barrick or from their portion of the silver produced. It would be a function, really, of each quarter and how much they're producing and how much in excess they've produced above what they've

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contractually had to deliver to us. It would certainly take a number of quarters for us to receive the deferred silver at this point. We aren't estimating that until we see how the silver circuit is going to produce in the long term.

Cosmos Chiu

Understood.

Bill Heissenbuttel

Mark, I think that's correct, if I say that they don't have to get back to 70% to give us deferred ounces. The recovery rate has to go, I think, above 52.5 and we would start to see that thing reduced. Is that fair?

Mark Isto

Yes, you're absolutely right; 52.5 is the point at which deferred silver starts kicking in versus repayment of deferred silver. Yes.

Cosmos Chiu

Great. Maybe one last question.

Bill, I appreciate that you mentioned you are reporting earlier this year ahead of some operators. But one operator that has reported earlier today was IAMGOLD. I'm sure you've looked at the renewed or updated numbers around Cote. They need more money. It seems like Capex has gone up. There's a funding gap. Any comments you want to make, understanding that you've already made a fairly, not sizable amount, not huge, but you have made an investment in Cote? How would you look at it, given the update earlier today, and anything that you want to share with us?

Bill Heissenbuttel

Yes, I will say it is relatively new. I have scanned it, I think I understand the key parts of it. I just point out that we own a royalty, not a stream. It is not as though we're having deep dialogue, frequent reporting where our contract limits what we're contractually entitled to so it's one of those situations where we learn about it when you learn about it. My reading of the release was Capex went up a little bit, but the funding gap remains. They listed a host of sources that they're looking at to fill it. I'm not that concerned. I think the two involved have the ability, or have enough flexibility, to fill that gap but we'll have to see how that goes over time. Just keep in mind it is a royalty, so it's not like we're sitting on top of a lot of information.

Cosmos Chiu

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

Bill Heissenbuttel

Thanks, Cosmos.

Operator

Thank you.

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Our next question comes from Jackie Przybylowski with BMO Capital Markets. Jackie, your line is now open.

Jackie Przybylowski

Thanks very much.

I want to apologize in advance for asking you guys this, but we don't cover Centerra Gold or BMO, so I may be a little bit removed from this story. I believe there was a technical report that was expected on Mount Milligan in the first half of the year. I checked the other day and I haven't seen it yet. Can you give me some sort of update, if you have one, on the progress there, and if you have any expectations for if that would be material to Mount Milligan?

Mark Isto

I'm not sure where Bill went. But Jackie, this is Mark Isto. I can give you a bit of guidance. We still expect and are guided that their next week's earnings release would be the next point in time that we would find out any details from the technical report. But you're right, it is—it certainly is due and that's what they guided towards, but we don't have any additional news past that point.

Jackie Przybylowski

Okay, no, that's fair. Appreciate it. I know it's not a fair question for you guys.

I don't know, if Bill's not on the line maybe it's a tough question as well. But with your growth pipeline, I realize you've got quite a bit of liquidity at quarter end, but you do have the contributions, or subsequent, at Cortez and at Great Bear, assuming that transaction closes. How is Royal Gold thinking about growth from here and the liquidity that you'd have available to fund that growth? If there was a big opportunity, what would your options to fund that be? Would you look to extend your revolver or something like that?

Mark Isto

I'm not sure if Bill is back. I think Dan would be the most appropriate to answer. Are you available, Dan?

Daniel Breeze

Sure, Mark. Hi, Jackie. Thanks for the question. I think Paul can chip in here as well.

I think just in terms of growth on the back of the transactions that we just announced here, we're very much focused on growth still. There's plenty of liquidity, Jackie. We've been talking about this number, or this range for a number of quarters now, $100 million to $300 million in terms of the size of opportunities that we see. That's still very much the case. Cortez is obviously a bit bigger than that, but in general, that's still the range. We can still fund that very, very comfortably. I'll hand it over to Paul, if Paul wants to make some more specific comments on the balance sheet.

Paul Libner

Yes, Jackie. I think your question just on—as you do know, obviously, we have a $1 billion credit facility available to us with that full $1 billion that was available to us as of June 30. Obviously, subsequent we did draw $500 million on that revolver to help fund the Cortez royalty acquisition. As I've mentioned in the past, I do view that revolving credit facility as a key strategic financing tool to help finance the growth of this Company, and that certainly was the case with that acquisition. In keeping with my also earlier

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remarks, I do want to prioritize that balance sheet and certainly service that outstanding debt as our cash flow allows. I did say that I anticipate paying that off over the short to medium term. Based on our current model, and using current spot prices, I do estimate that we'll be able to pay our revolver down, call it, within the next 12 to 18 months, probably closer to the 18 months in this instance.

Maybe to also address your comment on expanding the revolver, I think we have viewed and felt that certainly with our cash resources and availability and the continued growth of cash flows, that that $1 billion revolver credit facility, it would be sufficient and supportive of some of Dan's earlier comments.

Jackie Przybylowski

I appreciate that. Thank you.

If I could sneak in one other question. I was going to ask you; you addressed this already. I was going to ask you about your effective tax rate because it seems like you're running below your guidance range, but I think you clarified that your guidance range is excluding those discrete items. Is there any opportunity for Royal Gold to bring that tax rate down, compared with maybe a couple of your peers that are more stream focused? It's a bit of a higher tax rate. Is there any tax planning or anything that can be done to bring that down to a lower level? Or is that already pretty well optimized?

Paul Libner

Yes, Jackie, this is Paul. Certainly, we're always looking to minimize our effective tax rate where we can, and you are correct. Our initial guidance is 17% to 22%. I think if we backed out that discrete item I spoke to, we're about 20%. That's been the usual run rate, if you will, probably for the last one or two fiscal years. Again, depending on—we may have had some of those discrete events. Certainly, our Swiss subsidiary is subject to the global, intangible, low tax income, which currently, that's a 13.125% tax rate, which will likely move to just over 16% in 2025.

We're always looking upon each acquisition, and elsewhere, on other tax planning events or strategies that could help us in the long run. I think, yes, back to that today, the rate that we currently see today is really what we can do.

Jackie Przybylowski

Got it. Appreciate that. Thank you. That's all for me.

Operator

Thank you.

Our next question comes from Tanya Jakusconek with Scotiabank. Tanya, your line is now open.

Tanya Jakusconek

Great. Thank you, everyone. Good afternoon and thank you for taking my questions.

Just wanted to circle back to the transaction environment that you're seeing. You mentioned, again, the $100 million to $300 million range. Most of the ones that—the transactions that you've been doing except for the Cortez, which is larger in size, have been mainly royalties. As I look at your portfolio and I look at your track record also of increasing your exposure in camps that you're already in, there's two camps, there's the Cote Gold that we saw this morning, and obviously Red Chris that you have exposure to as

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well. Both of those junior partners require financing. My question here is, could we see you increase your exposure at either Red Chris and/or Cote Gold? Would it be something that you would be open to doing given you're there already?

Bill Heissenbuttel

Yes, Tanya, it's Bill. I apologize to Jackie, my phone dropped. I appreciate the team picking up the slack as I got back into the call.

We really don't make specific comments on specific business development opportunities. I would say we're always open for discussion, but our interest level is really going to be dependent, going back to the 3-Ps; the People, the Place, the Project. When you start—more exposure means getting into stream exposure, which brings on—you really have to do a financial analysis on the credit profile of everybody involved. It would come down to a discussion of the team getting together and saying, are we comfortable increasing our exposure to these assets at this time?

Tanya Jakusconek

Is the royalty exposure possible as well? Could it be converted as a royalty rather than a stream?

Bill Heissenbuttel

Yes. The problem with—the reason you have streams being so prominent is that they are more tech friendly for the operators and there's still a royalty to us. It's often taxable upfront.

Tanya Jakusconek

Fair enough. How about just asking, because I was quite surprised about the size of this royalty, I thought most of the royalty portfolios out there were under $100 million. This one here at this size was quite surprising for me. Can I ask out there, I'm not being specific, but are we—are there royalties of this size still out there? Or can we expect royalty portfolios to be in that $100 million to $300 million or less?

Bill Heissenbuttel

From my perspective, I would say what we found here with Cortez—and we knew about this, we've known about it since it was formed, we've been following it for 14 years. Those types of opportunities, I believe, are going to be few and far between. I think the majors that have accumulated the royalties have seen the value they've been able to generate by selling those royalties. I have to believe a lot—most of the portfolios have been picked over quite a bit. It would surprise me to see many more of what we just did at Cortez.

Tanya Jakusconek

Okay. Would it be fair to assume that most of what you're seeing out there are helping fund development projects right now rather than royalty portfolios?

Bill Heissenbuttel

Yes, when it comes to streams, you can say it's available for project development, deleveraging the balance sheet for M&A, but project development has really been the bulk of the use of proceeds. I think your statement is accurate.

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Tanya Jakusconek

Really appreciate it. Thank you so much for the depreciation guidance on the Cortez royalty. Congrats on that one. That's all from me.

Bill Heissenbuttel

Thanks for the questions.

Operator

Thank you.

Our next question comes from Matthew Murphy with Barclays. Matthew, your line is now open.

Matthew Murphy

Hi. I'm just wondering if you could help me at all on the way this Cortez royalty interacts with your existing royalty. The way I look at it is, your current royalty on a sliding scale, call it 3% to 4% impact in terms of percent of Cortez complex revenue obviously varies depending on where they're mining and what the gold price is. Is that the right order of magnitude, so that 1.2% new royalty, you can effectively reduce that 3% to 4% to understand the full impact for Royal Gold?

Bill Heissenbuttel

I think I know where you're going, and I think I agree with you. But let me just walk you through. The easiest way to start is take total production, multiply it by the gold price, you come up with a dollar value. You would then deduct from that dollar value the cash value of the royalties paid to us and there's one other third party entity. The way we've calculated is, for the next 10 years, we think the deduction will be 3%; beyond 10 years, it will probably be 1.4% or so. Once you've taken those nominal deductions, then you're going to apply the 1.2%.

Matthew Murphy

Okay, great. Thank you. That's helpful. Then just thinking about the price you paid on Cortez, are you embedded in your assumptions? Is it just satisfaction with that level of return? Or are you counting on production growth, resource growth? What's your investment thesis on the acquisition?

Bill Heissenbuttel

Yes, the investment thesis is very much driven by resource growth. You know that we had a history at Cortez through my time, we've seen Cortez Hills get identified, Gold Rush be discovered, Fourmile. We don't think the property is done. We've been very close to it for decades. It's absolutely true that our geologists looked at it and said we think there is potential. They scientifically identified that potential. That was built into the model which is why you probably look at it and go that's a big premium to pay, but it is based on our view of the future of the operation and it's also—that's a premium asset. The Cortez royalty is absolutely one of the top assets in the industry, and these assets are relatively rare and command a premium price.

Matthew Murphy

Yes, okay. Thank you.

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Bill Heissenbuttel

Sure, thank you.

Operator

Thank you.

As this is all the time allotted for the Q&A session, I will now pass the conference back over to Bill for any additional or closing remarks.

Bill Heissenbuttel

I just want to thank you for taking the time to join us. We certainly appreciate the interest. We appreciate the questions, and we look forward to updating you on our progress during our next quarterly call.

Thank you very much.

Operator

This now concludes today's Royal Gold 2022 Second Quarter Results Call. Thank you for your participation. You may now disconnect.

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