

Royal Gold Inc.

Royal Gold Conference Call

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CORPORATE PARTICIPANTS

Tony Jensen - *President and Chief Executive Officer*

PRESENTATION

Operator

Good afternoon, and welcome to the Royal Gold Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the “*” key followed by “0.” After today’s presentation, there will be an opportunity to ask questions. To ask a question, you may press “*” then “1” on your telephone keypad, to withdraw your question, please press “*” then “2.” Please note: This event is being recorded.

I would now like to turn the conference over to Tony Jensen, President and CEO. Please go ahead.

Tony Jensen

Thank you for joining us on short notice. We are very excited to talk to you today about this Centerra Gold and Thompson Creek transaction that was just announced a couple of hours ago. Before I begin, I’d just like to say that some of the comments that I’ll make today might be forward-looking in nature and as such we ask you to make yourself familiar with the cautionary statement on page two. We’ll use the presentation that we’ve posted to guide our conversation today.

I’ll start on page three with an overview of Mount Milligan. The parent company of Mount Milligan is Thompson Creek Metals, and it’s a mine, that’s a gold and copper mine, about 50% gold and 50% copper over the life of the asset, when you look on a revenue and value basis. It’s located in British Columbia there, and I think it’s a very important attribute as to why Centerra Gold was attracted to this particular asset.

For Royal Gold it’s a very important country for us, geopolitically. It represents about 40% of our revenue, We ought to continue very much to have a strong presence in the country. This transaction does just that.

The operation is performing very well. We still think there’s some operational opportunities here to even improve the cost structure more than it is today. But for now it’s already in the first quartile worldwide production cost as demonstrated in the lower right hand side of the chart. You can see that Thompson Creek is guiding between \$0.25 and \$0.70 per pound of copper for this year, which is one of the lowest-cost copper mines in the world.

The mine has a very robust mine life, 21 years today, it’s almost the same mine life as when we started our investment here in 2010. Even after production of the last three years, some 6 million ounces of gold reserves are contained at the site, and about 2.1 billion pounds of copper.

Thompson Creek has guided more heavier gold production this year and next, in the order of 240,000 to 270,000 ounces of gold for this year, and then also at the same time producing 55 to 65 million pounds of copper. These are the types of assets that Royal Gold continues to seek, and I think these are the attributes that attracted Centerra to the project.

Let me turn to page four and talk about our history with Mount Milligan. We had invested three different times starting in 2010 and our last investment was 2013. To be precise, we invested \$781.5 million. For that we have received exactly 52.25% of the gold. In addition to the advance payments, we pay \$435 per ounce over the mine life of the gold. We know the stream is really right-sized because it’s demonstrated by the cash cost that we saw at the prior slide. The project certainly can support the stream.

Our capital contribution, if you will, or investment supported about 50% of the capital of the assets you see on that slide. The project achieved design capacity near the end of the year in 2015 at about 60,000 tons per day, and they're also installing the secondary crusher now that should take that up to somewhere over 62,000 tons a day. We look forward to not only those improvements but also improvements that Centerra Gold is likely to make as they take control of the operation, if this whole deal is approved by shareholders.

In just our first two and a half years of production, we've received over 200,000 ounces of gold and about \$156 million of net revenue. This equates to about 20% return on our initial investment, and we still have 21 years of mine life ahead of us.

Now on page five, I want to speak more specifically to what we've been doing for the last ten months, and give you an idea. Some of these words we've been using in the marketplace, we've used the word catalyst before, we wanted to be a Catalyst in this transaction, and not necessarily the entity that solved the entire issues that faced Thompson Creek. We also used the words free-market solution. I want to take a little bit of time and talk about those two concepts on this slide and the next, now that we are able to talk more freely.

Thompson Creek's capital structure is such that they have a heavy debt burden in front of them, \$833 million that starts coming due in December of 2017, through May of 2019 in three different tranches. The cash in the company and the cash flow was such that it will be very difficult for them to be able to service those debt obligations.

We started becoming quite concerned about this about a year ago and we made this our number one focus in our company to maintain and protect our business interest at Mount Milligan. The reason for that is because it's such an important piece of business to Royal Gold, about 24% of the reserves are 27% of our net revenue.

We've always said publicly that we would support a transaction with really two simple goals: We wanted to maintain value, and we wanted to obtain a strong operating and financial partner, whoever that might be on the other side, whether it was Thompson Creek or another entity.

We started engaging with companies of all kinds, with regard to trying to generate interest in the asset. We talked to base metals companies, private equity, primary gold companies as well. We knew that to get primary gold companies interested in the asset that we would have to modify our stream, amend our stream in such a way that we give them an opportunity to be focused on the gold side of this asset.

So we are happy to have been able to act as a catalyst, one and which I think led to a very robust process and brought companies to the table that may otherwise not have been interested in the project. That led to our support of this Thompson Creek and Centerra Gold transaction.

On page six, I think this transaction is really an example of what we meant by free market solution. The transaction whereby Centerra Gold is acquiring Thompson Creek, and in this deal all of the stakeholder's issues are being addressed. For that reason we have a high level of confidence the deal is executable.

For Royal Gold, we maintain value. We've agreed to modify the stream from an all-gold stream to a gold-and-copper stream, I will talk about the economics here in just a minute. We maintain our dominance in gold from the project. We see that there's a cash consideration going to the

secured and unsecured bond holders. And so, there's no approval that's necessary for the redemption of those bonds.

And then there's Centerra equity that is going to the Thompson Creek shareholders at a pretty attractive premium, according to the Centerra press release of today, about 33% on the 20-day average. So we think there's good incentive for all of the stakeholders to be interested in this transaction.

The deal is contingent upon some approvals. The two principal approvals are court approval of the Arrangement Agreement, which are required in these types of transactions, and also a Thompson Creek shareholder vote. There are some other regulatory approvals as well, but I think these are the two principal ones that face the deal.

We'd expect that this transaction would close if approved in the fall of this year, but I think it's very important to talk about our effective date. We have agreed that the new streams would be effective for all concentrate shift after the closing date. Remember, there's a five month lag, or I should say there is as much as a five-month lag between the concentrate production and final settlement. When you factor that in, we would not expect the new stream to be effective until sometime early in calendar 2017.

Turning to page seven, we want to talk about the goals that we had and how we think this transaction meets those goals. We very much wanted to come out with a value whole economic interest with maintaining or improving our investment protection. We wanted that strong financial partner, seasoned operator with technical expertise, and we certainly wanted to be able to support and back a transaction that we found was executable. As I mentioned, we think this is favorable value for all of the current and future stakeholders.

Let me come back up to the top bullet point on this chart and speak more fully about the economic interest. We value this on an NAV neutral basis, we covered gold more than we covered copper, and so we use differential discount rates between gold and copper, and we use consensus metal pricing to determine the value neutrality here.

We also were able to maintain our senior debt cap. We have a limitation of \$400 million that can stand in front of the Royal Gold security. But we've been able to extend the period of time for which that cap applies. We also have a new leverage ratio covenant in this transaction for more protection, and our intercreditor agreement survives and will be amended to include copper as well.

We view Centerra as a financially strong partner. We've stress-tested this new debt level in the company on a pro forma basis. We've looked at it at lower metal prices. We looked at it without Kumtor in the picture as well. We feel that this is a robust pro forma cash flow that can support the leverage and maturity schedule that is envisioned with this new transaction.

Centerra has certainly proven themselves in our opinion to be a seasoned operator and have the technical expertise to be successful in Mount Milligan. They've proven themselves at Kumtor in an area of the world that is not necessarily the easiest place to do business and certainly Kumtor itself has its own particular attributes that are unique and challenging, and Centerra has been able to accomplish a successful operation there.

For these reasons we think that the transaction meets the goals that we set out. On page eight I think is a very interesting slide that [indiscernible] very interested in, with regard to how we think about value.

The existing stream, again, was 52.25% of the gold, and we pay \$435 per ounce delivered. The amended stream is simply 35% of gold, same payment, \$435 per ounce. We've also obtained an 18.75% of the copper, and the payment will be 15% of the prevailing spot price of copper per unit delivered.

When we look at the chart on the bottom, and we think of this value neutrality proposition, the dotted lines indicate what we think the cumulative net gold equivalent ounces are that are likely to be delivered to us over time based on the 43-101 statement that Thompson Creek has in the marketplace. Because we've discounted these metals at two different rates you can see that the dotted gold line is above the dotted blue line, that's just a function of a greater amount of cash flow that's coming to us because of the higher discount rate applied to copper.

I'd also call your attention to the first couple of years here where it's more gold rich mine plan, and so we'd expect to see a bit lower net gold equivalent ounces in the first couple of years, but you can see over time that that is made up.

Let me turn to page nine, and then just talk about where we see the gold-to-copper ratios over a long period of time. This is the ratio over a 20-year period, and the dark blue line indicates that ratio has been about 374 to 1 over that period. The ten year average is the lighter blue line, 386 to 1 over the ten-year period. Currently the ratio is really quite elevated over a 20-year history, almost at its near-highest level at over 600.

Consensus pricing ratios in the near-term are closer to the current level, and then drift into a ratio in 400 and 500 to one, but still well above the long-term averages that you see on this slide. So we think this is an opportunistic time to use gold, to buy copper in a transaction like this.

On page 10, I want to come back to the gold focus that this company is built around, we're very much excited about being able to protect the gold interest that we have not only at Mount Milligan, but at the company as a whole. Again, two-thirds of our revenue should report to gold and a third to copper at Mount Milligan over the next ten years.

As we look at the company as a whole, about 75% of our estimated net revenue will come from gold on a pro forma basis. I think the precious metal component there is up over 80%, closer to 82%, when you add in silver that's due from Pueblo Viejo that's now starting to come in to our business, and then Rainy River, that should come in about a year-and-a-bit time from now.

On page 11, for those of you that aren't as familiar with Centerra Gold, we just provide a very high, high level summary of the company. It was borne out of the Cameco Corporation and went public in 2004, and now has a very respectable market capitalization of \$1.4 billion, and a very strong balance sheet currently at about \$500 million in cash with very little debt, which yields about a billion dollars in enterprise value. They, like us, believe in dividends. They produced dividends since 2010, and dedicated quite a bit of capital to that side of the yield business.

It's a low cost producer. Kumtor is a very attractive asset in that respect, and the interesting thing is Mount Milligan even improves this further and moves Centerra close to the \$1 million mark in copper only, and surely now some copper production along with that gold production.

On page 12, I just want to finalize the discussion, and lay out why Royal Gold supports this transaction. Simply: Our value has been maintained. We now have a strong financial and operating partner that is able to take this mine to even the next level. We've been able to maintain and even enhance our investment protection on the agreement. We think this is a good time to opportunistically convert some of our gold and copper in a transaction that requires it of this nature. And we've been able to maintain that gold interest in the company to well above our minimum thresholds.

I think this eliminates a significant amount of market uncertainty for Royal Gold. I know the market has been very concerned about what is likely to happen here, and I think this is a very good outcome for Royal Gold. I hope you will agree once you dig into the details that this is a very good value-adding proposition for the company. And again, we believe this deal is executed well, because it is favorable, in our opinion, to the current and future stakeholders of the company.

So with that, operator, I am anxious to answer any questions that there might be on the call today.

QUESTION AND ANSWER

Operator

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

And our first question comes from Josh Wolfson with Dundee Capital Markets. Please go ahead.

Josh Wolfson

Congratulations on the deal, everybody.

Tony Jensen

Thanks, Josh.

Josh Wolfson

I just wanted to know, in terms of your expectations for life-of-mine recoveries, what would you say that they are for both gold and copper in the analysis completed in the presentation that was released?

Tony Jensen

I think it's better to look in the life-of-mine 43-101 report that's been made public, Josh. We don't want to go into the details about the actual numbers that we use, but we did take a look at how we view that as well. We think there is upside from where they are at currently, but we have been quite conservative in our valuation in that respect.

Josh Wolfson

Okay. In the new sort of framework of project analysis, are you able to disclose what you would view as greater uncertainties within the estimates that were provided previously for the project?

Tony Jensen

Can you elaborate, Josh, what you mean about greater uncertainties?

Josh Wolfson

Looking back at what was completed for the "Analyst Day," when evaluating projects there's the higher risk items that were identified versus medium risk or low risk. So looking at Mount Milligan today and now, incorporating additional various factors which would not have applied previously, like recoveries-to-concentrate for copper payability, grade and so forth, overall, what would you view as some of the greater uncertainties?

Tony Jensen

Got you. I've got you now. It's going to be throughput and recovery would be the two issues that we want to keep close tabs on, and help in any way we can to improve those.

Josh Wolfson

Okay. And when you say recoveries, is that both for gold and copper?

Tony Jensen

I think so, yes. Both of them, I think there is scope for improvement from where we are today.

Josh Wolfson

Okay. And then, in terms of what the company will report in terms of concentrate delivered for copper, is there some payability factor we should be applying to that, or is attributable metal to you what's in concentrate?

Tony Jensen

Yes, Josh, that's minimum of 95% for copper, and I think it's the better of 95% or what they actually achieve.

Josh Wolfson

Okay, that's all the questions from me. Thank you very much.

Operator

And again, if you would like to ask a question, please press "*", then "1." Our next question comes from Lucas Pipes with FBR and Company. Please go ahead.

Lucas Pipes

Hey, good afternoon, everybody and congratulations on getting this deal done...

Tony Jensen

Thank you, Lucas.

Lucas Pipes

...Or being a catalyst to it. So I wanted to follow up on the value neutrality point, and wondered if you could give us an indication in terms of how you thought about it from discount rate perspective, copper versus gold, or on a blended basis, that would be very helpful. Thank you.

Tony Jensen

Yes, Lucas, I think the best guidance I can give you there is: We've used very traditional discount rate for gold that I think you and others would normally grab on to and then we just used a few points above that for the copper. So I think when you look at the evaluation on a standalone basis, existing basis, and keep that same discount rate for gold and change your copper discount rate, you'll quickly get to somewhere between two or three extra points on there.

Lucas Pipes

Got you. That's helpful. Thank you. And then, maybe to follow up a little bit, I thought you showed the production profile for Milligan over time. I just wondered if you could maybe clarify how do you expect gold production to evolve over the next few years, and also copper production, please?

Tony Jensen

That would be slide eight, Lucas, if you can turn through the presentation back to that. This is the 43-101 valuation. I think we have a few minor adjustments to it, but I think it is somewhat representative of what we think the overall production profile would be. And you can see the first few years there, say 2017, 2018 are quite gold heavy, and that was always the mine planning back when we first invested here in 2010. We knew the first five or six years were going to be more heavily gold-rich than copper-rich, and we've already harvested three of those years, and remember that this isn't effective until the early part of 2017. So we feel pretty good about having captured a lot of that gold value upfront, and that's just the mining by NPV basis, all good miners are going to be looking at trying to return their investment as soon as possible, and just happen to be more concentrated gold areas are therefore returning the highest NPV.

Lucas Pipes

Got you. I will jump back in queue, and thank you very much for the color.

Tony Jensen

Thanks, Lucas.

Operator

Again, if you would like to ask a question, please press "*", then "1." Our next question comes from Cosmos Chiu with CIBC. Please go ahead.

Cosmos Chiu

Hi, Tony.

Tony Jensen

Cosmos, good afternoon.

Cosmos Chiu

How is it going? I agree, I think this transaction's great and certainly it lifts a huge overhang on the Royal Gold's story, that's been a cap on your share price. A few questions here, maybe first off, certainly right now you said it is a good time to switch some of your gold into copper, and now certainly the copper contribution has increased and gold is now 75%. How do you foresee the future, do you want to at some point in time into the future increase that back, your gold exposure to a higher number, is that what you are looking at? I just want to get a sense in terms of how you look at it.

Tony Jensen

Cosmos, a couple of benchmarks there to think about: First of all, we've always said that we wanted to maintain at least 70% precious metal in our company, and we are well above that rate even on pro forma basis here. But secondly, you should always think about us looking for gold first, and adding as much gold as possible. We really seek out those types of transactions, and we should continue to see that move back up into a higher number. I am looking at the slides now, on page ten, you can see that we have been much more non-gold in the past, so we are coming from the very strong platform to do a transaction like this.

Cosmos Chiu

Sure. On the timing of the transaction, you expect the transaction to close in fall 2016. So should we model the current gold stream until the closing of the deal and then it switches over to the gold/copper stream. Is that how we should look at it? Is there any back dating involved?

Tony Jensen

Well, I think what you should consider is that, if we can get some greater clarity as the coming weeks and months go on, as to when this likely to close, then I would essentially add five months on to that anticipated closing date as a new effective date for our gold/copper stream.

Cosmos Chiu

Okay. So it is going to be the closing of the Centerra Thompson Creek deal, plus five months before the new deal kicks-in?

Tony Jensen

That's how I would think about it.

Cosmos Chiu

Is that due to the shipping? When you first had the Thompson Creek Mount Milligan startup, I remember there was shipments and also production shipments, there was a lag in terms of when you'd realize that revenue. Is that why there is that five month...

Tony Jensen

Well, I think we are saying the same thing, and then I would just say...

Cosmos Chiu

...Okay.

Tony Jensen

...that we think we've earned that gold, we've earned that gold up through closing, and then after that, that's on the ship and going away, that's already under the old agreement. Anything new would fall under the new agreement. The new agreement just doesn't become effective on any concentrates produced until after the closing.

Cosmos Chiu

Of course, yes. Thanks, that's all I have, congrats again.

Tony Jensen

Thanks, Cosmos.

Cosmos Chiu

Thanks.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Tony Jensen for any closing remarks.

CONCLUSION**Tony Jensen**

Again, thank you for joining us on short notice, and we look forward to continuing to update you on the progress of this transaction as the weeks and days ahead unfold. Thank you once again. Bye for now.

Operator

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