

Royal Gold Inc.

Fiscal 2016 1st Quarter

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CORPORATE PARTICIPANTS

Tony Jensen - *President and CEO*

Stefan Wenger - *CFO and Treasurer*

Bill Heissenbuttel - *Vice President, Corporate Development and Operations*

Bruce Kirchhoff - *Vice President, General Counsel and Secretary*

Karli Anderson - *Vice President of Investor Relations*

PRESENTATION

Operator

Good day and welcome to the Royal Gold Fiscal 2016 First Quarter Conference Call webcast. All participants will be in listen only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star (*) then one (1) on your touchtone phone; to withdraw your question, please press star (*) then two (2). Please note this event is being recorded. I would now like to turn the conference over to Ms. Karli Anderson, Vice President of Investor Relations. Ms. Anderson, the floor is yours, ma'am.

Karli Anderson

Thank you, Operator. Good morning and welcome to our discussion of Royal Gold's first quarter fiscal 2016 results. This event is being webcast live and you'll be able to access a replay of this call on our website. Participating on the call today are Tony Jensen, President and CEO; Stefan Wenger, CFO and Treasurer; Bill Heissenbuttel, Vice President, Corporate Development and Operations; and Bruce Kirchhoff, Vice President, General Counsel and Secretary. Tony will open with an overview of the quarter, followed by Bill Heissenbuttel with the corporate development and operational update, and then Stefan Wenger will provide a financial update. After management completes their openings remarks, we'll open the line for a Q&A session.

This discussion falls under the Safe Harbor provision of the Private Securities Litigation Reform Act. A discussion of the Company's current risks and uncertainties is included in the Safe Harbor statement in today's press release and is presented in greater detail in our filings with the SEC. Now, I will turn the call over to Tony.

Tony Jensen

Good morning and thank you for taking time to join us. On our last earnings call in August, we discussed our efforts to opportunistically invest in our business amid weakening metal prices. Speaking to you just three months later, we've now closed all of those transactions and successfully integrated \$1.4 billion in new business. These new investments, coupled with our existing portfolio, are expected to result in industry leading growth.

I will begin on Slide 4. As traditional debt and equity became scarcer in our industry, we seized the opportunity to grow and enhance our portfolio. Our first quarter results reflect those efforts. Revenue increased 7%, despite a 12% lower gold price and a buildup in gold inventory. As strong volume contributions from Mount Milligan and Peñasquito were combined with new business from Golden Star and Andacollo. We closed four new streaming transactions in the most active quarter in Royal Gold's history, including Golden Star, Andacollo, Rainy River and Pueblo Viejo.

All of those transactions have been funded with existing liquidity, which is consistent with our philosophy to maximize returns per share. We now have over \$3 billion in royalty and streaming interests on the balance sheet, up roughly 50% from a year ago. Pro forma, we estimate total precious metals reserves of 6.7 million net gold equivalent ounces, inclusive of new business, resulting in a carrying value of only \$450.00 per ounce. This does not include any resource reserve conversion, which plays a key role in our investment thesis and provides optionality for our shareholders.

Bill will speak to you in a moment about our operating results, which includes some of the new transactions, then Stefan will discuss our overall financial results later on the call, including a discussion on how our earnings per share were impacted in the first quarter by a onetime tax expense we incurred on the sale of the Andacollo royalty.

On Slide 5, we've updated the status of our new streaming agreements. All four transactions were closed in the September quarter and three of the four involved currently operating mines. Two of them, Golden Star and Andacollo, contributed to the September quarterly results, with Pueblo Viejo set to begin deliveries to Royal Gold in December, followed by Rainy River in 2017. Collectively, these four transactions are expected to add approximately 125,000 net gold equivalent ounces per year, once all four are at full production.

You can see on Slide 6 that the new business brings a step change in growth and diversity. It's notable that, in the first quarter, streams contributed 51% of our revenue, outpacing royalty revenue for the first time. As you can see from the pie chart on the right, our royalty business includes some of the world's highest quality, most respected mines, such as Peñasquito and Cortez. The royalty portfolio will always be important to our company and still comprises the bulk of the nearly 40 producing properties. However, the catalyst for future growth and diversity will likely come from our streaming business.

Turning to Slide 7, we've shown the new stream investments in the context of Royal Gold's investment history. The bars represent the investments we've made compared to the revenue generated to date, and the gold triangles represent the remaining mine life. I'd like to draw your attention to Andacollo royalty on the left side of the chart. You'll see that Royal Gold paid approximately \$270 million for the royalty in 2009, and about that same amount of royalty revenue was received by Royal Gold from 2009 through July 2015. Our sale of that interest back to Teck this summer generated additional gross proceeds of \$345 million that were taxable both in the United States and Chile and that discrete tax expense was reflected in our quarterly results.

In review, our Andacollo royalty investment yielded a 17% after-tax internal rate of return. At the right of the chart, you'll see our investments in the streaming, the new streaming transactions, including Andacollo stream. As I mentioned earlier, the potential for future resource conversion is a key component of our investment thesis. We will always seek to give our shareholders gold price and reserve optionality in our investments. This chart shows that strategy has worked well for us in the past and supports the adage, good mines get better. I'll now turn the call over to Bill to discuss our operating results.

Bill Heissenbittel

Thanks, Tony. On Slide 8 we've summarized notable operating update at Mount Milligan, Peñasquito and Rubicon. At Mount Milligan, Thompson Creek reported September quarterly production of nearly 54,000 ounces of gold, a throughput of approximately 44,000 tons per day; this is about 74% of design capacity. Thompson Creek announced plans to install a second SAG discharge screen deck in October in an effort to enhance future throughput rates.

Gold recoveries averaged 67%, slightly lower than the June quarter. We received deliveries of gold within five months of shipment from Mount Milligan, so our volume from the project resembles their production from two quarters prior. At Peñasquito, Goldcorp reported that the mine remains on track for a record year, due to positive model reconciliation in the heart of the deposit. Goldcorp expects to exceed the production guidance of between 700,000 and 750,000 ounces in calendar year 2015, but cautioned that gold grades are expected to continue to

moderate into the fourth calendar quarter, as they move into a new phase of the ore body. Goldcorp also noted that the metallurgical enhancement project feasibility study remains on track for completion in early 2016.

At the Phoenix Gold project, Rubicon Minerals reported that it was moving to suspend underground activities, while it enhances its geological model and develops a project implementation plan, which they expect to complete in the second calendar quarter of 2016. The mill is currently operating and Rubicon reported that it has a stockpile of approximately 11,000 tons of mineralized material at a grade of approximately 4 grams per ton that they expect to process in November 2015. We look forward to the results of the plan.

Turning to Slide 9, we have provided a quarterly waterfall comparison of our key producing properties to the prior quarter and the same quarterly period last year. There were strong contributions from Mount Milligan and Peñasquito versus the year ago quarter. We have been guiding the lower volume at our area of interest at Cortez in the second half of 2015, and the results were in line with that expectation.

Holt, Mulatos, Malartic and Robinson all delivered higher volume versus the same period, both one quarter and one year ago, while some of our smaller royalties in the other category, such as Leeville, Taparko, Bald Mountain and Gold Hill reported lower production over the prior quarter and year.

Slide 10 illustrates the producers' guidance where it is publicly available for calendar 2015 production versus actual, year-to-date. You'll see that Cortez and Peñasquito have nearly achieved that entire guidance for 2015 production, subject to Royal Gold's interest, while Mount Milligan, Andacollo, Golden Star and Pueblo Viejo have demonstrated a steady volume trend throughout the year.

Looking forward to the December quarter, we expect to receive our first deliveries from Pueblo Viejo on December 15th. We expect that delivery to include approximately 8,900 ounces related to July and August production, in addition to delivery of gold from the period including September, October and November. Royal Gold sells the physical gold within several days or weeks of receipt, so we expect the first Pueblo Viejo delivery volume to be spread across the next two quarters. I'll now turn the call over to Stefan.

Stefan Wenger

Thanks Bill. On to Slide 11, September quarter was somewhat noisy, as we closed four streaming transactions, as well as the sale of the Andacollo royalty, while reporting record volume and maintaining our dividend. I'll walk you through the more salient points. First, revenue increased 7% over the year ago quarter, despite a 12% decrease in the gold price and 117% increase in gold inventory, driven by the second quarter [technical difficulty] of record volume.

For the first time in Royal Gold history, stream revenue exceeded royalty revenue, with streams contributing 51% compared with 49% from royalties. As in any business, as new production lines commence, inventory builds. We held about 11,500 ounces of physical gold on our balance sheet at quarter end, versus only 5,300 ounces at the end of the June quarter. In addition to the physical gold held at the end of September, we accrued 8,900 ounces of gold receivable associated with the Pueblo Viejo production for July and August. Combined with the physical gold, total gold inventory was just over 20,000 ounces.

As you know, we don't record revenue until the gold has actually sold and prior to that point, we hold it as an asset valued at cost. We currently expect to sell the 8,900 ounces related to July and August Pueblo Viejo production in the December quarter. And further, we expect inventory to build significantly during the December quarter to around 25,000 ounces. As Tony discussed in his opening remarks, we sold our Andacollo royalty to Teck in the September quarter for gross proceeds of approximately \$345 million.

When we announced the transaction in July, we noted that the sale was taxable in the US and Chile. We incurred a onetime tax expense of \$56 million, or \$0.86 per share, related to the sale and restructuring of our Chilean business. There is not a corresponding gain recorded for financial reporting purposes under US GAAP. Cash taxes associated with the sale were approximately \$48 million.

Absent this onetime tax expense, we would have reported EPS of approximately \$0.17 per share, operating cash flow of approximately \$50 million, and an effective tax rate of about 22%. Adjusted EBITDA was \$52.5 million for the quarter, or 71% of revenue. Adjusted EBITDA as a percentage of revenue was lower in the first quarter relative to year ago, due to the inclusion of ongoing stream payments to Mount Milligan, Andacollo and Golden Star, which are recorded as cost of sales and totaled \$11.5 million during the first quarter. Adjusted EBITDA was also reduced by \$3.2 million of expiration expenses associated with the Peak Gold Joint Venture.

We expect expiration expenses to decline in our second and third fiscal quarters before increasing again in the June quarter. G&A expenses increased during the quarter to \$9.5 million from \$7.1 million in the prior year quarter, primarily driven by higher non-cash compensation costs. We paid dividends of \$14.3 million during the September quarter, continuing our 14th straight year of paying an increasing dividend.

Looking forward for the rest of fiscal 2016, we expect DD&A to be in the range of \$475 to \$525 per GEO, and our effective tax rate to be between 20% and 25% for the next three quarters, assuming consistent metal prices and foreign exchange rates for the remainder of the fiscal year. You'll see on Slide 12 that our available liquidity is about \$425 million as of September 30. We have funded \$1.3 billion in transactions already from our existing liquidity and we have less than \$75 million in remaining commitments for the rest of fiscal 2016. We expect to experience growing operating cash flow as fiscal 2016 progresses, with strong contributions from our recently completed streaming transactions. Tony, I'll turn the call back over to you.

Tony Jensen

Thanks, Stefan. Now to wrap up on Slide 13 with a few closing thoughts. First, looking beyond the accounting and tax treatment related to the Andacollo royalty sale, we had a very solid quarter, financially and operationally, and expanded our business significantly. The top line was impacted by gold inventory build, as our business expands, but that value is on the balance sheet and will be converted to cash according to our sales policy.

Second, the stream at Pueblo Viejo will further enhance the quality of our portfolio, beginning in the December quarter. Pueblo Viejo is one of the largest operating gold assets in the industry, with an all-in sustaining cost of less than \$700.00 per ounce, and significant resource to reserve conversion potential. Stefan has outlined guidance regarding the expected sale, timing of our sale, and we look forward to the magnitude of that contribution.

Third, Mount Milligan is on target to meet its annual gold production guidance. The mine is one of the world's lowest-cost copper mines, even at rates lower than designed throughput. We

expect incremental production increases from the installation of an additional SAG discharge screen. As production increases, unit costs should continue to fall.

Fourth, we expect to see incremental and new contributions from Golden Star and Rainy River in 2016 and 2017, as these projects, now under construction, commence production. And finally, we continue to seek opportunities to create value for our shareholders. But as you can see, our recent investments fill the growth pipeline nicely. You can expect Royal Gold continue to be characteristically selective and opportunistic about investing our shareholders' money.

Operator, we will turn the call over to questions at this time.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. We will now begin the question and answer session. To ask a question, you may press star (*) then one (1) on your touchtone phone. If using a speakerphone, please pick up your handset before pressing the keys. If any time your question has been addressed and you'd like to withdraw your question, please press star (*) then two (2). Again, it is star (*) then one (1) to ask a question. At this time, we will pause momentarily to assemble our roster.

The first question we have comes from Garrett Nelson of BB&T Capital Markets. Please go ahead.

Garrett Nelson

Hi, thank you. One of factors you cited for the quarterly drop in EBITDA was the \$3.2 million of exploration expenses related to the Peak Gold JV. Stefan, I think you said, you expect exploration costs to be lower this quarter and next, but then to be higher in the April to June quarter. Why is that and will that exploration expense be related to Peak Gold, as well?

Tony Jensen

Garrett, thanks for the question. This is Tony. That Gold Joint Venture relates to a project in Alaska, and so we are much more active in the summertime than we are in wintertime. We've completed a couple of rounds of drilling during the course of this last summer and so some of those invoices are continuing to trickle in here during the second fiscal quarter.

And then it will pick up activity, obviously, as the weather abates there, but we still have some expectation of doing some work through the wintertime, as well, but not to the magnitude as what we've seen in this last quarter. We haven't yet defined our budget for the next summer activity, so I just want to hedge that response just a bit, so we'll provide more guidance as we do have clarity on that budget.

Garrett Nelson

Okay, and then you guided to \$72.5 million of payments in the last three quarters of the fiscal year. In addition to the \$60 million you'll pay as part of the Golden Star deal, could you remind us of what comprises the remaining \$12.5 million and when those payments will be made?

Stefan Wenger

Sure, you hit it right. The \$60 million is the remaining Golden Star commitment. We also have about \$7.5 million committed to the Euromax deal on Ilovitza. And then we've budgeted in that number about \$5 million of additional funding to the Peak Gold Joint Venture throughout the fiscal year. As Tony mentioned, we haven't fully defined that budget, but that's our expectation

today.

Garrett Nelson

All right, great and congrats on closing the four new deals.

Tony Jensen

Thanks for the questions, Garrett.

Stefan Wenger

Thanks, Garrett.

Operator

Again, as a reminder, to participate in today's Q&A, please press star (*) then one (1) on a touchtone phone. Again that is star (*) then one (1).

Next we have Mike Jalonen of Bank of America.

Mike Jalonen

Hi, Tony.

Tony Jensen

Hi, Mike.

Mike Jalonen

I thought I crossed the Rubicon there to the Phoenix project.

Tony Jensen

Always clever, Mike.

Mike Jalonen

So now, I took a look at the press release, Rubicon put out, they talk about how much money they have to spend and my experience, when companies say new project implementation plans, it means a lot more money to reinvent the mine and I don't know how much money Rubicon will have by second quarter of next year that will cover it, but it may not be very much, so I was wondering what are the options here for them and I guess yourselves with, I guess, a \$75 million investment, is that correct? And is there a write down coming on in this investment for Royal Gold?

Stefan Wenger

First of all, we don't have any idea, exactly, what the redefined implementation plan might say. We'll stand by and see what that looks like, but the existing mine plan could be entirely appropriate; we just don't know that at this time. So we don't expect any write down until we see some kind of catalyst for that. At the present time, we expect the mine to produce as we felt it would in our due diligence activities.

So you talked about the kind of capital they might need, I think that will only be known once we see the results of the implementation plan. And we just emphasize that the service facilities are constructed and operating well and recovery is doing well on the project, the tailings is now in place. So I think the additional capital would largely be around the underground development that would be needed, if there were some kind of different mine methodology that would be recommended out of this new plan. Those are the comments I would offer, Mike, in response to

your question.

Michael Jalonen

Thanks for that, but I guess other than the stockpiles you guys will receive, no production through till whatever plan they come up with, is that correct?

Stefan Wenger

That's correct.

Michael Jalonen

Okay, well, hopefully it works out, thanks.

Stefan Wenger

Thanks for the questions, Mike.

Operator

Next we have John Doody with Gold Stock Analyst.

John Doody

Hi, good morning or good afternoon now, I guess. [multiple voices] Thanks, Tony. My question also revolves around Rubicon, and what kind of security you have as you usually take on regarding your streams?

Stefan Wenger

So we do have security on the project, John, we stand behind up to \$100 million, we've allowed to be put in front of us and then we're next in line there, but there is only \$50 million that are in front of us today. So we have a very standard approach to this project as we do on other projects with regard to the security we take, we thus have an inter creditor agreement with the debt that is in place. So I think we're in a very good position on this particular asset.

John Doody

So, as I recall, they can increase the debt on the site to \$100 million, but it changes the terms of the stream, is that right?

Tony Jensen

Yes, it does, but I'm going to look to Bill and see if Bill can give you a little more color on that.

Bill Heissenbuttel

Yes, our cash price goes down as they incrementally add leverage above \$50 million to \$100 million. John, I can't remember exactly what the lowest is, but it's 18% or 19%, I think the spot is, is where it could end up, if they were to use the full hundred.

John Doody

So whatever the number is that they're going to need for additional funds, if there are any funds needed, could be handled by debt facility, certainly they wouldn't want to do it on a share sale, and would you be interested in increasing your stream the way that you did several times at Mount Milligan?

Tony Jensen

John, I just would have to say a standard response to that is we just have to look at the opportunity at the time and see whether it made sense for us to do that. But we sure will be

paying attention closely to the implementation plan.

John Doody

Okay, and a last question, in the analysis that Royal did prior to doing the stream purchase, is there something that you missed that, and I'm sure you've seen reports by other analysts out in the street that indicate that there was some fallacy in that PEA, and is there something that the Royal Gold analysis missed?

Tony Jensen

We asked that same question to ourselves and we're not sure that we missed anything at this point and we'll have to just see how the more detailed engineering comes in and see if there's any material change in the geologic model, but at this point we don't, we have not identified anything in our due diligence, John, that we wish we had done differently.

John Doody

Okay, great, thank you.

Tony Jensen

Thanks for the questions.

Operator

Next we have Cosmos Chiu of CIBC.

Kevin

Hi, it's actually Kevin here. Most of my questions have been answered, I just have a quick question with regards to the debt balances. Just wondering how aggressively you guys plan to pay that down?

Tony Jensen

Stefan, can you take that?

Stefan Wenger

Yes, sure, hi Kevin. So today we have the \$370 million convertible bonds that are due in June of 2019, and then we've also drawn \$350 million on our revolver. Our policy, really, is to keep at least \$100 million of cash on hand. We like to have that level of working capital just to be responsive to opportunities and needs of our business. So what you would expect is that, as we generate cash flow and growing cash flow over the next several quarters, we would start to attack the revolver first, while maintaining that \$100 million of liquidity.

Kevin

Great, okay, thank you.

Tony Jensen

Thanks, Kevin.

Operator

At this time, we have no further questions. We will go ahead and conclude today's question and answer session. I would now like to turn the conference back over to Mr. Tony Jensen, President and CEO for any closing remarks. Sir?

CONCLUSION

Tony Jensen

Well, thank you once again for joining us today. We appreciate your interest in the Company and continued support of Royal Gold and we look forward to updating you as we progress through the quarter and certainly on the next quarterly conference call. Thanks very much.

Operator

And we thank you, sir, and to the rest of the management team for your time, also, today. The conference call is now concluded. At this time you may disconnect your lines. Thank you, take care and have a great day, everyone.