



## Royal Gold Announces Acquisition of High-Quality Silver Stream on Khoemacau Copper Project

**DENVER, COLORADO. FEBRUARY 25, 2019: ROYAL GOLD, INC. (NASDAQ: RGLD)** (together with its subsidiaries, “Royal Gold” or the “Company,” “we” or “our”) reports that its wholly-owned subsidiary RGLD Gold AG (“RG AG”) has entered into a life of mine purchase and sale agreement for silver produced from the Khoemacau Copper Project (“Khoemacau”, or the “Project”) in Botswana with Khoemacau Copper Mining (Pty.) Limited (“KCM”), a wholly-owned subsidiary of Cupric Canyon Capital LP (together with all its subsidiaries including KCM, “Cupric”), a private company owned by management and funds advised by Global Natural Resource Investments (“GNRI”).

Royal Gold will make an advance payment of US\$ 212 million for 80% of the silver produced from Khoemacau until certain delivery thresholds are met (the “Silver Stream”), and at Cupric’s option, up to an additional US\$ 53 million for up to the remaining 20% of the silver produced (the “Option Stream”). Royal Gold will pay 20% of the spot price of silver for each ounce delivered. Royal Gold will also make available up to US\$ 25 million of subordinated debt towards the end of Project development to fund potential cost overruns, subject to various conditions (the “Overrun Facility”).

“We are pleased to announce the acquisition of this high quality and long-lived silver stream on the Khoemacau Copper Project in Botswana, which has an expected initial mine life of 21 years and excellent exploration potential,” remarked Tony Jensen, President and CEO. “The Khoemacau stream will fit nicely into our production profile and will add another component of growth. Coupling our stream with the Red Kite Mine Finance (“Red Kite”) debt facility also announced today, Khoemacau is now fully funded and development activities can accelerate, with initial production and stream deliveries expected in the first half of 2021. We have been working closely with the Cupric team and GNRI on this opportunity for almost a year and are delighted to be developing those relationships into long term partnerships.”

### Acquisition Highlights

- *Meaningful contribution:* Royal Gold expects average annual silver deliveries of 1.5 million ounces at a stream rate of 80%, or 1.9 million ounces based on a stream rate of 100%, with initial deliveries expected to start in the first half of 2021.
- *Accretive on per share metrics:* Royal Gold will largely fund this acquisition out of cash flow and access the currently undrawn US\$ 1 billion revolving credit facility as needed.

- *Attractive exploration and expansion potential:* Royal Gold's area of interest includes attractive exploration targets on the down plunge extension of the existing resource, as well as on strike of the existing resource. Cupric is already considering the possibility of expanding processing capacity.
- *Long-life and cost-competitive asset:* Khoemacau is expected to be a long-life copper producer positioned approximately at the 50<sup>th</sup> percentile on the global cost curve, with meaningful annual copper production of approximately 62,000 tonnes.
- *De-risked project execution strategy:* Cupric has assembled an experienced board, executive team and project team to develop Khoemacau, and will use existing infrastructure.
- *Fully-funded with cost overrun protection:* Cupric has arranged net new funding commitments of up to US\$ 540 million, in excess of the approximately US\$ 455 million that Cupric estimates is required to complete project development.
- *Mining-friendly jurisdiction:* Botswana has a long history of mining and is the world's leading diamond producer by value. It is a multi-party democracy, and according to the Fraser Institute mining survey it is the highest-ranked African country on policy factors and ranks third among African countries on the investment attractiveness index. Botswana is rated A2 by Moody's.

## **Transaction Overview**

### *Silver Stream and Option Stream*

First draw under the Silver Stream is expected to occur in or about October 2019, after US\$ 100 million of net new debt and equity funding has been spent on the Project. The details of the Silver Stream and Option Stream are as follows:

- Royal Gold will make US\$ 212 million in advance payments to Cupric for the Silver Stream in exchange for deliveries equal to 80% of the silver production from Khoemacau. The advance payment will be made in quarterly instalments as project development advances according to the following approximate schedule: US\$ 60 million in the third and fourth calendar quarters of 2019, US\$ 125 million in 2020, and the balance in 2021.
- At Cupric's option and subject to various conditions, Royal Gold will make up to an additional US\$ 53 million advance payment for the Option Stream towards the end of the development of the Project for up to an additional 20% of the silver production from Khoemacau.
- The stream rate will drop by 50% upon the delivery to Royal Gold of 32 million ounces for the Silver Stream, and 40 million ounces in the case that the Option Stream is fully exercised.
- Royal Gold will make ongoing cash payments per ounce of silver delivered equal to 20% of the spot silver price at the time of delivery. Depending on the achievement by Cupric of mill expansion throughput levels above 13,000 tonnes per day (30% above current mill design capacity), Royal Gold will pay higher ongoing cash payments for ounces delivered in excess of specific annual thresholds.

### *Overrun Facility*

Subject to various conditions, Royal Gold will make available up to US\$ 25 million to Cupric toward the end of the development of Khoemacau in the form of a subordinated debt facility. Any amounts drawn under the facility would carry interest at LIBOR + 11% with a term of seven years. Royal Gold will have the right to force repayment of the facility upon certain events, including change of control and IPO transactions completed by Cupric.

### *Security*

The interests of Royal Gold under the Silver Stream and Option Stream will be secured by a lien on all assets of the Project, as well as certain parent and subsidiary guarantees, subordinated only to the US\$ 275 million senior project debt facility described below and other customary permitted liens.

### *Source of Acquisition Funding*

RG AG will fund the transaction through cash on hand and/or cash advances from its parent company, Royal Gold, Inc. Royal Gold, Inc. will fund its obligations to RG AG largely out of cash flow from operations and its currently undrawn US\$ 1 billion revolving credit facility, as required.

## **Background on the Khoemacau Copper Project**

### *Project History and Overview*

Khoemacau is a copper-silver project located in a sparsely populated region of northwestern Botswana in the Kalahari Desert. It is located in the Kalahari copper belt, although the main mineralized zone demonstrates a high-grade copper tenor that is atypical of what has been discovered in the belt thus far.

Khoemacau is made up of over 4,040 square kilometers of mineral concessions from the acquisition of Hana Mining Ltd. (“Hana”) in 2013 as well as additional mineral concessions and a plant and associated infrastructure (the “Boseto Mill”) acquired by Cupric out of the receivership of Discovery Metals Inc. (“Discovery”) in 2015. Cupric consolidated the land position and infrastructure and has focused on exploration and development of the Zone 5 orebody. While Zone 5 was discovered by Hana in 2012, it was not thoroughly explored and evaluated until acquisition of the concessions by Cupric in 2013. Cupric reports that the mineralization has proven to be very consistent over the known linear strike of nearly four kilometers and 60 degree dip, and averages 9 to 10 meters in width.

Zone 5 currently contains a proven and probable reserve, prepared under JORC<sup>1</sup> standards, of 30.4 million tonnes at 2.0% copper and 19.5 g/t silver. The total resource<sup>1</sup> at Zone 5 is 91.7 million

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<sup>1</sup> Cupric’s independent reserve and resource estimate was prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) (“JORC”) at March 2018. The terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource”

tonnes at 2.1% copper and 21.9 g/t silver. Cupric is currently completing a drilling program with the goal of converting 90% of the first ten years of planned production into measured and indicated resources<sup>1</sup> and expects to calculate an updated reserve and resource thereafter.

Cupric plans to develop the orebody at Zone 5 as three separate underground mines each planned to produce 1.2 million tonnes per year over the first five years. Each of the mines is expected to have its own independent ramp access and operate over a strike length of ~1,000 meters, extracting ore using conventional sub-level open stoping.

Cupric's plan provides for the ore to be trucked approximately 35 kilometers to the Boseto Mill, which is to be refurbished and enhanced to process approximately 10,000 tonnes per day. Processing will be conventional sulfide flotation via three stage crushing, ball milling and flotation, which will produce a high-quality copper concentrate grading approximately 40% for shipment to African and international smelters.

Power is to be sourced from an expansion to the existing power grid currently under construction by Botswana Power Corporation. Existing diesel generation capacity remaining from the previous Discovery operations will be used as backup power. Water will be supplied from three borefields along with mine dewatering.

### *Production Profile*

Cupric's current mine plan envisions mining and processing of 74.4 million tonnes grading 2.0% copper and 21.4 g/t silver over the 21 year mine life, averaging payable production of approximately 62,000 tonnes of copper and 1.9 million ounces of silver per year. Before accounting for the Silver Stream and Option Stream, Cupric forecasts life of mine by-product C1 plus sustaining capital costs of approximately US\$ 1.71 per pound of copper on a by-product basis at a silver price of US\$ 16.00 per ounce, placing the operation at approximately the 50<sup>th</sup> percentile on the global copper cost curve. Silver represents approximately 7% of the mine's revenues at current metal prices.

### *Project Execution Status*

Cupric has obtained all permits and approvals required for construction to proceed and early works in the field at Zone 5 have commenced. At the end of January 2019, 60% of detailed engineering had been completed.

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as used in the resource estimate and this press release are terms defined by JORC. The U.S. Securities and Exchange Commission ("SEC") does not recognize the terms "resource" or "measured and indicated resources". "Resources" are not recognized under the SEC's Guide 7 regulations, but resources are categorized under the securities law regulations of various foreign jurisdictions (and JORC), in order of increasing geological confidence into "inferred resources", "indicated resources", and "measured resources". Investors are cautioned that resources cannot be classified as mineral reserves unless and until further drilling and metallurgical work is completed, until other economic and technical feasibility factors based upon such work have been resolved and it is demonstrated that they may be legally and economically extracted and produced; and, as a result, investors should not assume that all or any part of the mineralized material in any of these categories referred to in the resource estimate and this press release will ever be converted into mineral reserves. The SEC normally only permits issuers to report mineralization that does not constitute mineral reserves as in-place tonnage of mineralized material and grade without reference to unit amounts of metal, as presented here.

The Khoemacau project team has been assembled with all senior roles filled. Fluor was engaged in 2017 to work with Cupric on the front end engineering design (“FEED”) and has subsequently been appointed as the engineering, procurement, construction and management (“EPCM”) contractor for the development and construction of surface infrastructure, mine boxcuts and associated surface infrastructure to support mine development, and the upgrade of the existing concentrator. Fluor has mining project EPCM experience in Botswana. Cupric intends to engage an internationally recognized contract miner to develop the underground mines and provide training for the local workforce.

All planning has included active engagement by Cupric with the Government of Botswana to ensure alignment with the Government’s objective of encouraging modern economic development.

### *Capital Cost and Project Funding*

Cupric estimates development costs after closing of this transaction of approximately US\$ 480 million including US\$ 25 million of capitalized interest, with an additional approximate US\$ 100 million required to refinance existing debt held by Red Kite. Royal Gold will contribute up to US\$ 265 million in stream financing and US\$ 25 million for the Overrun Facility, while Red Kite will provide a US\$ 275 million project debt facility (approximately US\$ 100 million will be used to repay the existing debt). In addition, pursuant to the agreed terms of the transaction, Cupric is required to provide an equity contribution of US\$ 75 million for Project development as a condition to Royal Gold’s funding.

Total funds available for the Project, including the equity investment, are expected to be US\$ 640 million, or net US\$ 540 million after the existing Red Kite facility is repaid, which implies surplus funds available for the Project of approximately US\$ 60 million.

### **Conference Call Information**

Management will hold a conference call to discuss this transaction on Monday, February 25, 2019, at 8:00 a.m. Eastern Time (6:00 a.m. Mountain Time). The call will be webcast and archived on the Company’s website for a limited time.

### **Khoemacau Silver Stream Acquisition Call Information:**

Dial-In Numbers:	855-209-8260 (U.S.); toll free 855-669-9657 (Canada); toll free 412-542-4106 (International)
Conference Title:	Royal Gold
Webcast URL:	<a href="http://www.royalgold.com">www.royalgold.com</a> under Investors, Events & Presentations

### **CORPORATE PROFILE**

Royal Gold is a precious metals stream and royalty company engaged in the acquisition and management of precious metal streams, royalties and similar production-based interests. As of January 31, 2019, the Company owns interests on 191 properties on five continents, including

interests on 41 producing mines and 17 development stage projects. Royal Gold is publicly traded on the Nasdaq Global Select Market under the symbol “RGLD.” The Company’s website is located at [www.royalgold.com](http://www.royalgold.com).

For further information, please contact:

Alistair Baker  
Director, Business Development  
(720) 554-6995

**Cautionary “Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995:** With the exception of historical matters, the matters discussed in this press release are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projections or estimates contained herein. Such forward-looking statements include but are not limited to statements with regard to: high quality and long-lived silver stream on the Khoemacau Copper Project in Botswana having expected initial mine life of 21 years and excellent exploration potential; Khoemacau stream fitting into our production profile and adding another component of growth; Khoemacau fully funded; acceleration of development activities with initial production and stream deliveries expected in the first half of 2021; expectations of average annual silver deliveries with initial deliveries expected to start in the first half of 2021; expectations of funding this acquisition out of cash flow and draws on revolving credit facility as needed; attractive exploration targets within Royal Gold’s area of interest; Cupric’s consideration of expanding processing capacity via ongoing pre-feasibility study; long-life copper producer positioned approximately at 50<sup>th</sup> percentile on global cost curve with meaningful annual copper production; de-risked project execution strategy; estimated capital required to complete project development; approximate funding schedule for advance payments to Cupric; achievement of mill expansion throughput levels and resulting higher ongoing cash payments for deliveries exceeding specific annual thresholds; high grade copper tenor atypical of other discoveries in the Kalahari copper belt; consistent mineralization over known linear strike and dip, and average width of mineralization; estimates of Zone 5 reserves and mineralized material for the Khoemacau Project derived from a March 2018 independent resource estimate prepared on behalf of Cupric; drilling program to convert first ten years of planned production into measured and indicated resources and expectations to complete an updated reserve and resource thereafter; plan to develop three mines at Zone 5 each with independent access, operation over strike length and conventional mining method; plans to truck ore to Boseto mill and plans to enhance mill throughput to target rate; crushing, milling and flotation processes to produce high-quality copper concentrate for shipment to African and international smelters; power sources and water supplies; estimates and forecasts of mining, processing and average annual copper and silver production; pre-stream average C1 plus sustaining costs placing the operation at approximately 50<sup>th</sup> percentile on global copper cost curve; estimated percentage of revenue from silver at current metal prices; schedule for completion of remaining detailed engineering; engagement of Fluor for engineering design and appointment as EPCM contractor; Fluor experience in Botswana; engagement of internationally recognized contract underground miner and workforce trainer; Cupric estimated project development costs including capitalized interest; repayment of existing debt to Red Kite; Cupric’s obligation to supply US\$ 75 million equity contribution; and total funds available for the Project, which implies surplus funds available. Factors that could cause actual results to differ materially from these forward-looking statements include, among others: risks associated with developing

and operating a mine and conducting business in Africa, including application of foreign laws to contract and other disputes, environmental laws, enforcement and uncertain political and economic environments; inability of operators to bring projects into production as expected, especially development stage mining properties, mine and mill expansion projects and other development and construction projects; revisions or inaccuracies in technical reports, reserves, resources, costs, mine life and mine life parameters and economic and production estimates; changes in project parameters as plans of the operators are refined; the results of current or planned exploration activities; the risks inherent in the construction and operation of mining properties; a decreased price environment for gold, silver, copper and other metals on which our stream and royalty interests are determined; performance of and production at properties, and variation of actual production from the production estimates and forecasts made by the operators of those stream and royalty properties; decisions and activities of the Company's management affecting margins, use of capital and changes in strategy; unexpected operating costs, decisions and activities of the operators of the Company's stream and royalty properties; changes in operators' mining and processing techniques or stream or royalty calculation methodologies; resolution of regulatory and legal proceedings; unanticipated grade, geological, metallurgical, environmental, processing or other problems at the properties; operators' inability to access sufficient raw materials, water or power; errors or disputes in calculating stream deliveries and royalty payments, or deliveries or payments under stream or royalty agreements; the liquidity and future financial needs of Cupric or the Company; economic and market conditions; the impact of future acquisitions and stream and royalty financing transactions; and the impact of issuances of additional common stock. These risks and other factors are discussed in more detail in the Company's public filings with the Securities and Exchange Commission. Statements made herein are as of the date hereof or as of the date indicated and should not be relied upon as of any subsequent date. The Company's past performance is not necessarily indicative of its future performance. The Company disclaims any obligation to update any forward-looking statements.

**Statement Regarding Third-Party Information:** Certain information in this presentation was provided to the Company by Cupric Canyon Capital L.P., the owner and developer of the Khoemacau Project. The reserve, resource, process, throughput, recovery, production, geologic, metallurgical, engineering, construction and other technical and economic information provided to the Company and presented here is not publicly available. The Company has not verified, and is not in a position to verify, and expressly disclaims any responsibility for the accuracy, completeness or fairness of this third-party information.