

Presenter: Bill Heissenbuttel, President and CEO, Royal Gold, Inc.

Moderator: Cosmos Chiew, CIBC

Cosmos Chiew

Yes. Next up we have Bill Heissenbuttel, President and CEO of Royal Gold. Hey, Bill, how're you doing?

Bill Heissenbuttel

Good, and you?

Cosmos Chiew

Great. So, I think Sheldon gave you a very good segue into our presentation here. He called you guys the "big three." So how does it feel to be called the "big three"? Does it really matter in a royalty business to be bigger?

Bill Heissenbuttel

It helps—it helps to have a bigger portfolio. I think it is complimentary to say the "big three". It is kind of the "big two" and maybe we're goldilocks in the middle because Franco and Wheaton have done a great job and have grown so significantly. We kind of sit on an island a little bit.

Cosmos Chiew

Yeah. Is that a good island or it is a positive?

Bill Heissenbuttel

Well, I think it is because I think the one thing that's unique about us is, I think Sheldon just said it—the normal size transaction in this market is \$100 to \$300 million. Now, if you do a \$300 million transaction, you're going to see it in our numbers. I wouldn't think you would see it in Franco or, or Wheaton's numbers, but at the same time, we have the liquidity. We've got a billion dollar revolving credit. And again, if you take a market that's \$100 to \$300 million, we have as much liquidity, for the normal size transactions, as the bigger companies. So that's why I actually think we're well positioned.

Cosmos Chiew

Great.

Bill, you know, we've had three sessions now—a lot of it is based on growth. A lot of talk about growth, and Royal Gold, you don't give out longer term growth guidance. I understand that, I'm not trying to ask you for that, you know, any numbers that you haven't given out, but can you maybe more generally talk about how you see growth, how you see the, you know, Royal Gold potentially growing, which components of it and maybe just, you know, in general, talk about the market for acquisitions.

Bill Heissenbuttel

Sure. Well, I mean, let's start with the portfolio. We've had a number of individual assets that we've been talking about for years, whether that's Mara Rosa, or it's Cote or it's Manh Choh. They've just entered production, so you're gonna start to see the contributions there. We have expansions: Bellevue has talked about an expansion. Khoemacau has talked about an expansion. So that's already in the portfolio.

The other thing that I think, I'm hopeful, in the near term, you'll see, we've had a couple of key assets, have some issues, whether that's Cortez production this year, the resource model issue at Crossroads, or it's the Pueblo Viejo expansion where they have obviously struggled with throughput and recovery. Now, I think, I'm not worried about Cortez and, in fact, when every time I hear Barrick talk about Four Mile, I get really excited. And you can't think of better companies than Barrick and Newmont to address issues at Pueblo Viejo. So, if we can sort of have those issues resolve themselves, I think that is going to be a source of growth.

Beyond that, we just added a couple of royalties at Back River. That is expected to start production next year, but, given some of the hurdles or thresholds you have to meet before all of the royalties kick in, that's probably a couple of years down the road. And by the time you get there, now we're talking about Great Bear and, hopefully, we're talking about Red Chris. So, I actually think between now and the end of the decade, there are a number of things that line up really well. We'll be able to provide growth from the portfolio and that has nothing to do with the transactions we might do.

Cosmos Chiew

Can you give me a number?

Bill Heissenbuttel

No.

Cosmos Chiew

I'm sorry, I promised I wouldn't ask—it was worth a try. So maybe on Great Bear, in the latest PEA, Great Bear's inferred resources increased by 15% over 500,000 ounces to 3.88 million ounces, production starting as early as 2029. You kind of touched on it, Bill, but can you tell us what sort of role Great Bear plays in the company's long term growth plans, and how do the results enhance investment returns beyond your initial investment or assessment of the asset?

Bill Heissenbuttel

I think I'll start there because, you know, just remember, when we bought Great Bear Royalties, there was no resource on that property, and it was a lot of work by our due diligence team—in particular, our geologists—who were able to come up with an estimated plan that we were able to then invest upon. And it is so nice to see this thing develop as we expected. And, and I think the other thing about, about Great Bear—it's very similar to what we did at Xavantina. It's very similar to what we did at Red Chris. You start with a set of information, you look at the geology, you assess the

upside, and I think those investments are going to be very successful for us. As far as a return for Great Bear, I think it's a little bit early. I mean, if you listen to Kinross: initial mine life of 12 years, a window into the underground potential. So, I think, once we start to see more and more of that develop, then I think we can make an assessment about what the ultimate return on that transaction might be.

Cosmos Chiew

Great, and I want to point out that—not you, but the company—the company has the longest history in terms of this session here at Denver Gold, longest history. So, on that, you've seen the ups and downs, volatility in the commodity cycles. So, two parts: number one, Royal Gold gold is in your name, so do you expect any potential exposure, increase in exposure to the other metals, the other commodities? Second part, gold prices—very, you know, very robust at this point in time, almost \$2600 an ounce—good in terms of cash flow. I'm not sure if that's as good for potential acquisitions. So, you know, can you comment on a higher gold price impact on acquisitions? And does that impact your optimal return on acquisition targets?

Bill Heissenbuttel

Ok. So, I'll start with other commodities.

So, beyond gold and silver, our biggest exposure is to copper. That was not a conscious decision. I think everybody knows that that was the result of a restructuring of the Milligan transaction. I do think there is enough growth in the core metal—the core metals, precious metals—to continue to focus on it. That being said, if we find a good opportunity that is outside of precious metals, we're certainly going to entertain it. There may just be something within a portfolio that we quite like, so I would certainly never ever rule it out. I always say if there are five projects, three are gold, one's silver, one's copper, we're going to probably look at them in that order. But if we see something good outside of precious metals, we will certainly have a look.

As for the gold price, the one thing that doesn't change is we want to make investments in strong assets as defined by, say, a cost curve. And we have always said that what we don't want to do is invest in a mine that is in the fourth quartile, including the burden that we happen to put on it or the burden of the royalty that we are buying. That hasn't changed. I think the biggest challenge to me right now is you've got a gold price that is \$600 an ounce above the long-term consensus. And if you're talking P/NAV and returns and payback, I, just, I don't see anybody in our business being able to do a transaction if somebody's long term gold price is \$1800 an ounce. So, yes, we look at spot. We don't bid on spot, but we know what the return is at spot and we're probably spending a lot of time between spot and long term consensus. We probably have more price decks than we used to. But I'm kind of hoping the analysts catch up a little bit with the long-term consensus.

Cosmos Chiew

I think that was a dig to me. Fair. I dug you before too.

So, all right. You know, other than the gold price, Bill, would you say that's one key risk that's kind of facing the royalty streaming business today or would you point to something else?

Bill Heissenbuttel

You know, I thought about, to me it's political risk, and it's not political risk in the sense of a Cobre Panama political risk. I look back when I got into this industry and 30 years ago, and you know, Chile was opening up—Peru, Argentina. We financed projects in Russia. We looked at things in Venezuela and Guatemala and Honduras, and it just seemed like the world was opening up. And now you look at it. Well, I mean, when I first joined Royal Gold, our biggest investment was in Burkina Faso. Now you look—West Africa is a mess. The Sinaloa cartel has infiltrated many aspects of Mexican—the everyday daily Mexican life. And, I think, the one risk that we've got to be really sensitive to, number one, political risk, but, number two, community and community support, because my sense is there are a lot of communities who have looked at a generation of foreign investment and go, "You know what, might not have been worth it."—That the costs are higher than the benefits. So that's something that we're very sensitive to.

Cosmos Chiew

Any questions coming from the audience? Getting no help at all today.

So, Bill, as you mentioned, it's been 30 years since you joined the business. We've heard from previous speakers that the next five to 10 years, especially five years, is a very interesting time frame. So where do you see Royal Gold in the next five to 10 years?

Bill Heissenbuttel

I see us continue to focus on precious metals, where we started the discussion. We have the ability to show growth with medium-size transactions. So, it's not as though we're so big that we have to look elsewhere. You know, I hope in five to 10 years, our revenue base is a lot more diversified. I think we've all gotten a wake-up call about revenue diversification in any, whether it's political risk or you can go back to Mount Milligan with the, we had we had with water risk. Just having a more diversified portfolio would, is something we are always focused on.

I think that the whole problem with going out five to 10 years is we don't make cars or widgets with a defined market and a defined market share. We're very much deal takers, if you will. We have to wait for companies to need capital. We have no control over the timing for that, and I think Sheldon said it's lumpy. This is a lumpy business, so it's very hard to sort of say, ok, in five years, we're gonna be here. But I, you know, I hope we're bigger. I hope we're more diversified, and I think we'll still be focused on precious metals.

Cosmos Chiew

And I think that's a great segue into my next question here, Bill. You know, in terms of concentration risk based on our CIBC model, the largest NAV is Mount Milligan—over 20%. Number one, is that too large? And number two, at Mount Milligan, Centerra recently reported that work is progressing beyond its current 2033 mine plan, continues to expect that a PEA will be completed in the first half

of 2025. What's your current expectations of these potential results that, you don't have to tell me, but just, you know, what could you expect, and how does that potentially impact Royal Gold's long term growth profile?

Bill Heissenbuttel

So, you know, if Milligan were 20%, I really, I wouldn't be too worried. I always say I'd love to have our top asset be below 20 and sort of get the top five down below 50 or something like that, so we sort of have these ideas in mind of how to diversify. As for the PEA, it is a little early. The thing that I think is exciting for us is if you go back to the end of 2019, they issued a technical report that had a mine life to 2028, and we came under criticism. "Oh, the mine lives in your portfolio, they aren't that good. They're not comparable to your competition." And I think if the PEA comes out and says, yes, the investment in a new tailing storage facility is warranted, that means the mine life has probably got to go into the 2040s. And if I can sort of say, OK, I've got Milligan's 15 to 20 years, and I put behind that Pueblo Viejo's 20 years, Cortez is 30 years, Khoemacau is 20 years, Great Bear is 20 years, Red Chris could be 30 years. Who knows? Yeah, I think we've answered the question, and I'd put our portfolio up with anybody else.

Cosmos Chiew

Great.

And the next largest one's Cortez at 15%. And, as you can see, I don't have a question here on Cortez, because I agree with you, not really a lot to be concerned about.

Next is Pueblo Viejo, 13%, based on my model here. Barrick announced that production was flat at Pueblo Viejo, quarter over quarter in Q2, as throughput is ramped up with a shift to recovery rate optimization in the second half of 2024. When can we expect an increase to contribution at Royal Gold?

Bill Heissenbuttel

Well, if we assume that they address the throughput and the recovery issues towards the latter half of this year, you just have to sort of understand how that contract works. We get quarterly deliveries, so we just got one September 15th, or around that weekend. That covered June, July, August. And what we do then is we sell that metal on an average spot price out to the next delivery date. So, between now and December 15th, that batch of metal will be priced. What that means is if they improve towards the latter half of this year, you're gonna, you would see it in the deliveries and the sales in the first and second quarter of next year.

Cosmos Chiew

Andacollo is next, 11% of your NAV. Andacollo has actually improved in Q2. Teck now expects continuous water restriction improvements throughout the second half of 2024. How does that translate to what happens at Royal Gold?

Bill Heissenbuttel

Yeah, it's actually very similar to Pueblo Viejo. Milligan kind of operates the same way in that we get gold deliveries five to six months after the concentrate is shipped, on average. So again, assuming the improvement continues through the latter half of this year, you would see that in deliveries and sales in the first half of next year.

Cosmos Chiew

Great.

Now as you know, we've touched on a lot of your key assets: Mount Milligan, Cortez, Pueblo Viejo, Andacollo, Peñasquito, Khoemacau. But beyond that, are there anything in your portfolio that you want to point out that investors might not be as familiar with today?

Bill Heissenbuttel

Well, you know, I think one of the assets that I think has sort of dropped off the radar screen, and I understand why, is Wassa. Chifeng bought Golden Star a couple of years ago. And if you recall, there was a 2021 technical report that talked about six years of reserves and 11 years of resource beyond that—so a mine life potentially out to 2037. And I'd just like to remind everyone that when we made the original investment in 2015, in our model that mine was mined out today. And that's the kind of upside that we're always looking for. So to the extent they—that Chifeng brings along development plans, we'll be sure to talk to the market about it.

I think, elsewhere, we actually had some positive news at New Gold, Rainy River, with the greater resource potential. Bellevue is now talking about a 250,000 ounce per year case that goes beyond anything that we had ever envisioned. And I guess the last one is Ruby Hill—Ruby Hill and Granite Creek. We have royalties over both of those and I think both are showing a lot of promise, especially Ruby Hill at depth. Kind of excited to see where that one goes.

Cosmos Chiew

Great, Bill, as you know, even though you said I'm not such a good analyst earlier, I've actually covered Royal Gold for over 15 years now, and you had traded at a higher multiple at one point in time. I'm not saying you are at a hugely discounted multiple, but you are below the peak. What do you need to do in terms of running Royal Gold to get it—to potentially get a multiple re-rate? That's number one. And, broader picture, we've seen some write downs in the industry, not you, but in the industry in the past year. Do you still believe royalty and streaming companies deserve a premium multiple?

Well, I think we trade at a premium mainly because we are insulated from operating expense increases—capital cost overruns. I'm not sure that anybody has given us a premium because there aren't other risks in our portfolio. I mean, there are risks in the portfolio, and we've all seen that. So I look more towards the model for the premium. You know, the write-downs themselves—number one, I think most of the companies who have done it are under IFRS and I think they can write those assets back up. So it may not be a permanent degradation of value for those companies. And the

other thing is, you know, we're human. We're investing money here and, you know, even CIBC takes loan loss provisions from time to time. We're gonna get things wrong from time to time. I think we've done a very good job. But I don't think you should look at the industry and say these guys know the industry and they should never, you know, make a mistake. Mistakes do get made, and we've made them in the past. So, you know, as far as getting our premium up, I would say you can't worry about—you can't improve the share price by worrying about the share price. And I just think if we focus on making good investments, stay focused on the metals, don't surprise anybody in the market with what we're doing—if the market wants to reward us with a higher premium, I think that will follow just running the business on a fundamentally sound basis.

Cosmos Chiew

We have one minute left. I have two options. We can either talk about what excites investors for the remainder of 2024 or capital allocation. So which one do you want to pick?

Bill Heissenbuttel

We'll do capital allocation.

Cosmos Chiew

Ok.

Bill Heissenbuttel

Ok. Best use of our money—making new investments. Turn something that's 1x NAV on the balance sheet into something that is hopefully worth one point “whatever” premium you want to use—that is the best use of capital. Dividends—Obviously, we've been paying an increasing dividend since 2001. We're the only precious metal company on the S&P High Yield Dividend Aristocrats Index. You know, that is a priority within the company. Buybacks—really tough when you trade at this premium to consider. So I think you'll continue—I don't think that's changed over the years. It's always going to be new investments, dividends.

Cosmos Chiew

Great. Thank you, Bill, for putting up with me for 20 minutes.