

# Denver Gold Group Luncheon

## The New Gold Rush: Mineral Streaming

March 2013



# Cautionary Statement

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that could cause actual results to differ materially from the projections and estimates contained herein and include, but are not limited to the statements regarding the Company's lower risk business model offering reduced cost-inflation concerns, quality assets and reputable partners, diverse, long lived and geographically attractive assets; the Company's efficient business model offering low management demands, high margins and low overhead, and no-cost reserve additions; the operators' estimates that Mt. Milligan will be commissioned in CY2013 and Pascua-Lama in CY 2014; that the Company will experience a significant impact on net gold equivalent ounces when production commences at Mt. Milligan and Pascua-Lama; that the royalty/streaming model is appropriate for any stage of the project life cycle and that transactions can be structured to be tax efficient; that the royalty/streaming model has advantages in repayment, management time, documentation and structure, shareholder returns; the Company's viewpoints on streaming; and that the proceeds from the sale of the royalty at the KSM project, if the option is exercised, will be used toward capital costs. Factors that could cause actual results to differ materially from these forward-looking statements include, among others: the risks inherent in construction, development and operation of mining properties, including those specific to a new mine being developed and operated by a base metals company; changes in gold and other metals prices; decisions and activities of the Company's management; unexpected operating costs; decisions and activities of the operators of the Company's royalty and stream properties; unanticipated grade, geological, metallurgical, processing or other problems at the properties; inaccuracies in technical reports and reserve estimates, revisions by operators of reserves, mineralization or production estimates; changes in project parameters as plans of the operators are refined; the results of current or planned exploration activities; discontinuance of exploration activities by operators; economic and market conditions; operations in land subject to First Nations jurisdiction in Canada, the ability of operators to bring non-producing and not yet in development projects into production and operate in accordance with feasibility studies; erroneous royalty payment calculations; title defects to royalty properties; future financial needs of the Company; the impact of future acquisitions and royalty financing transactions; adverse changes in applicable laws and regulations; litigation; and risks associated with conducting business in foreign countries, including application of foreign laws to contract and other disputes, environmental laws, enforcement and uncertain political and economic environments. 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 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.

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**Footnotes located on pages 29.**

# Agenda

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- Royal Gold Overview
- Royalty and Streaming Sector Overview
- Royalty/Stream Financing
- Case Studies



# Royal Gold Overview



# Company Overview

- US\$4.5B public royalty and streaming company, listed on NASDAQ (RGLD) and the Toronto Stock Exchange (RGL)
- Focused on gold, which contributed 68% of revenues for the last twelve months ended December 31, 2012
- Attractive business model
  - **Lower risk**
    - **No cost inflation concerns**
    - Quality assets/reputable partners
    - Diverse, long lived and geographically attractive asset base
  - Efficient
    - Low management demands
    - High margins



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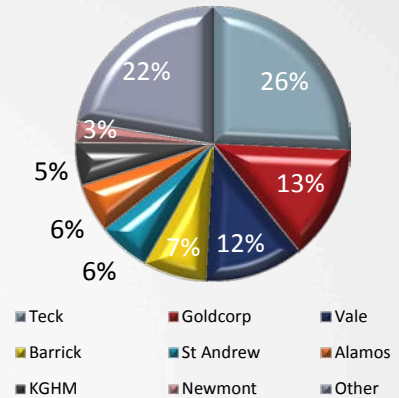
## Lower risk

- No cost inflation concerns
- Quality assets/reputable partners
- Diverse, long lived and geographically attractive asset base

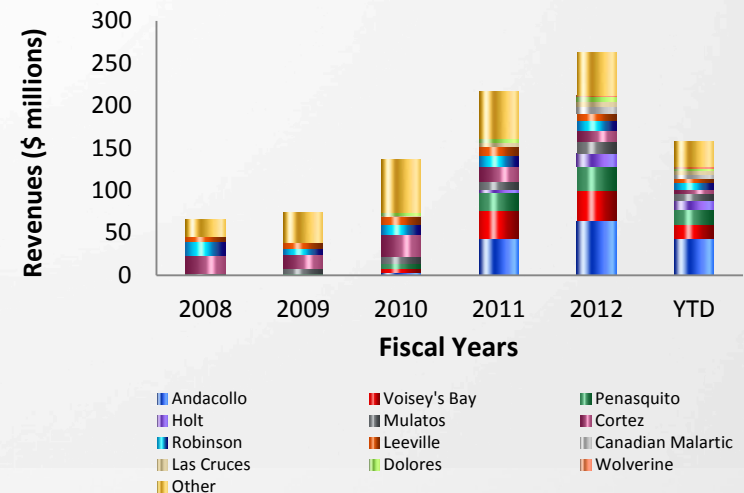
## Efficient

- Low management demands
- High margins

Revenue by Operator  
(TTM December 31, 2012)



Operational Diversification



# Company Overview

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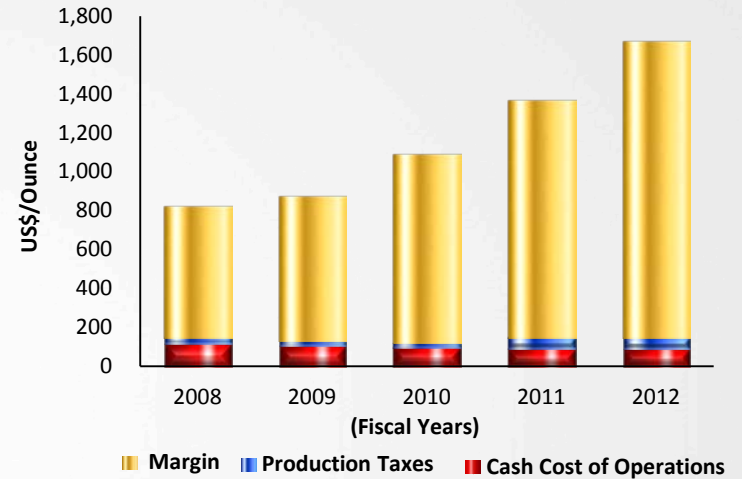
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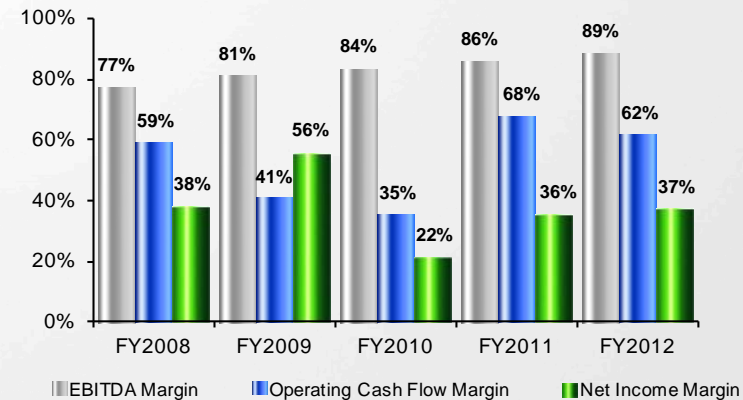
- Efficient**

- Low management demands**
- High margins**

**Royal Gold Cash Cost Margin**



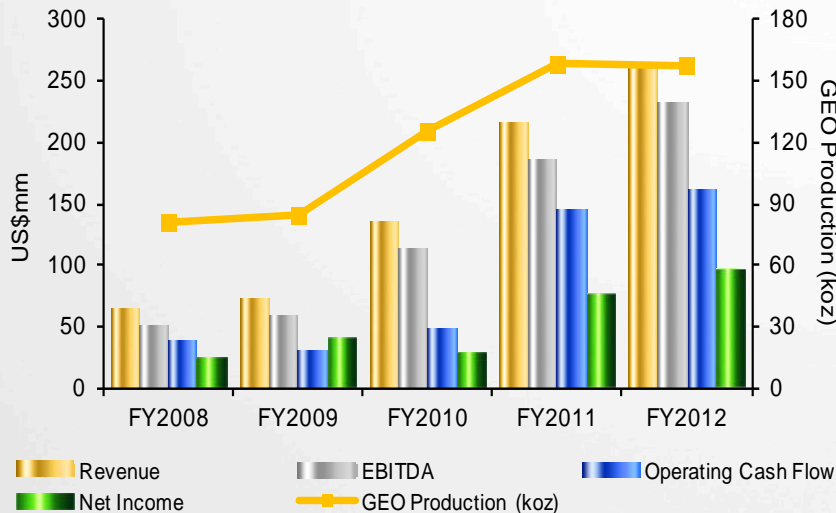
**Historical Margins <sup>1</sup>**



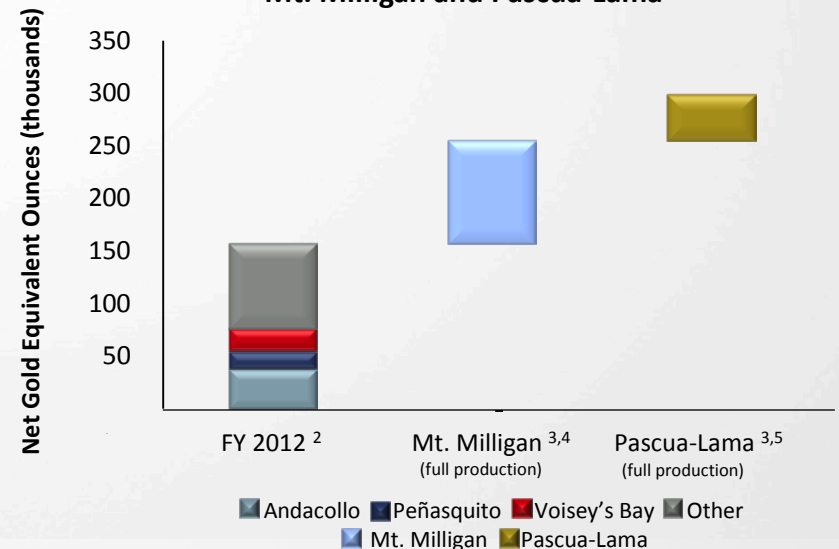
# Company Performance

- History of increasing financial performance
- Significant assets in construction
  - Mt. Milligan commissioning in calendar 2013
  - Pascua-Lama commissioning in calendar 2014

Historical Financial Results (US\$M) <sup>1</sup>



Long-term Impact of Mt. Milligan and Pascua-Lama



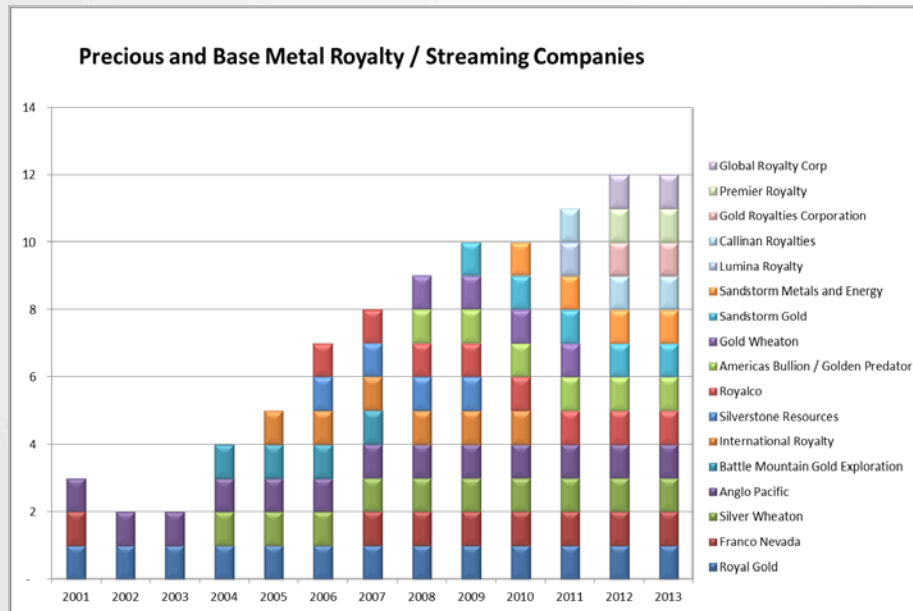


# Royalty and Streaming Sector Overview



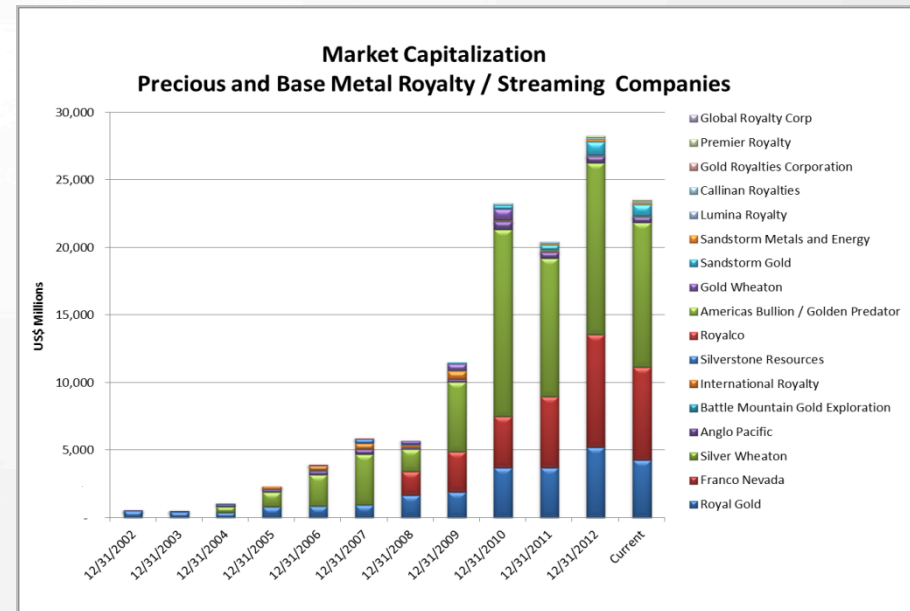
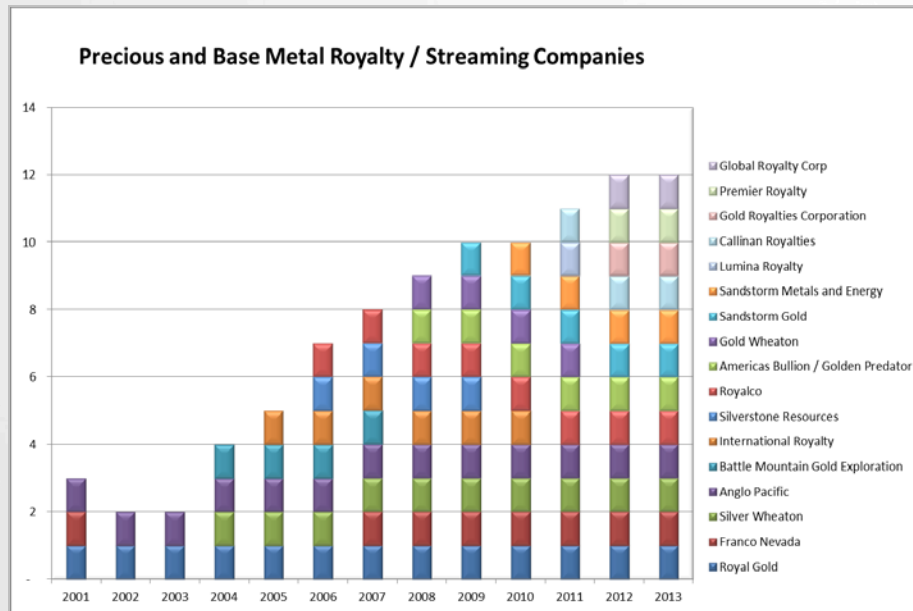
# Royalty/Streaming Sector

- Metal royalty model established by Royal Gold (1986) and Franco Nevada (1983)
- Metal streaming established by Silver Wheaton in 2004
- Business model success has attracted new companies



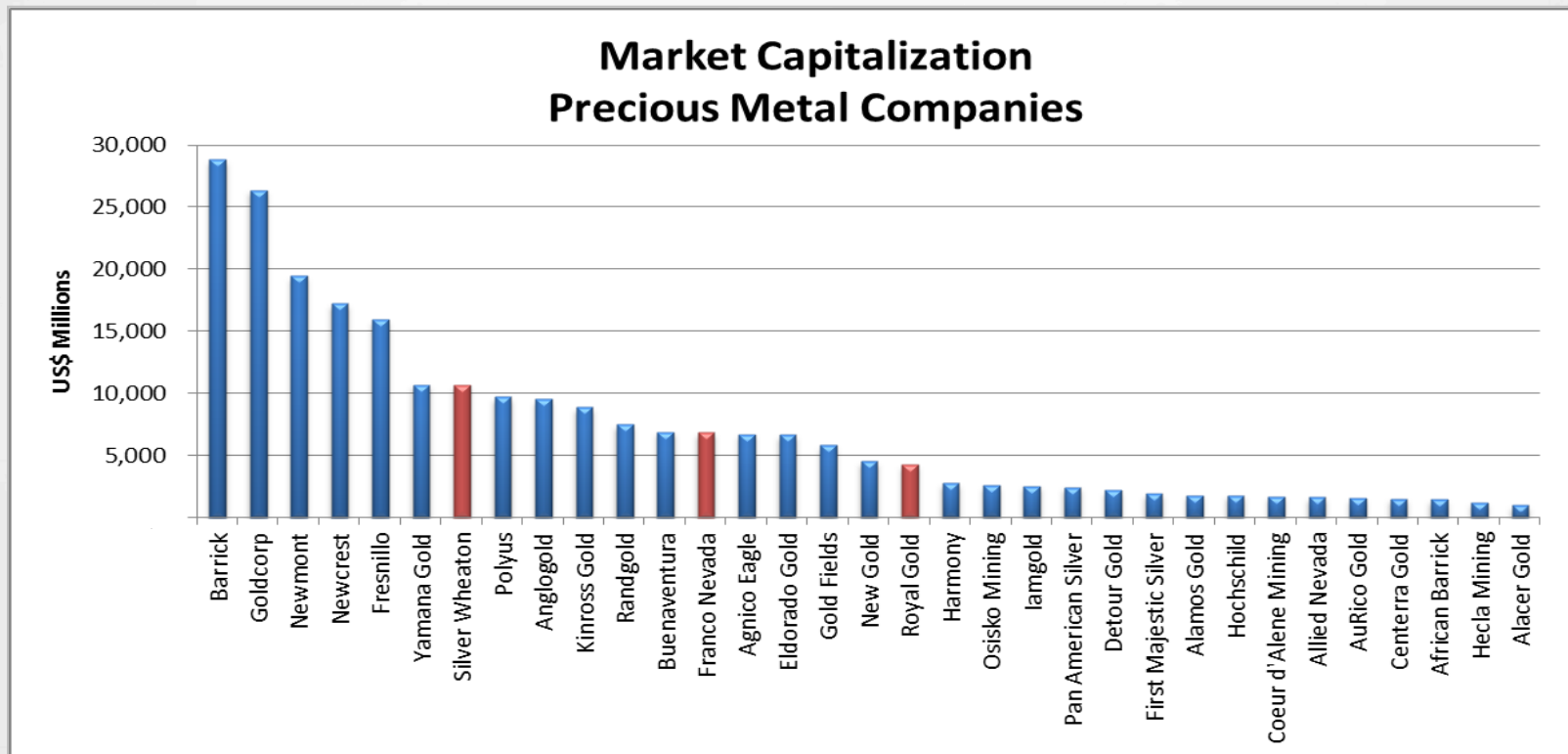
# Royalty/Streaming Sector

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- Metal streaming established by Silver Wheaton in 2004
- Business model success has attracted new companies
- Sector market capitalization ~ US\$23B, dominated by three companies: Silver Wheaton, Franco Nevada and Royal Gold



# Precious Metal Sector

- Three largest royalty/streaming companies are within the top twenty precious metal companies

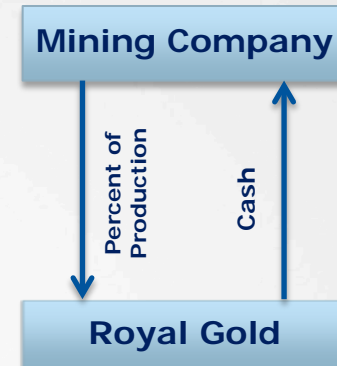


# Royalty/Stream Financing



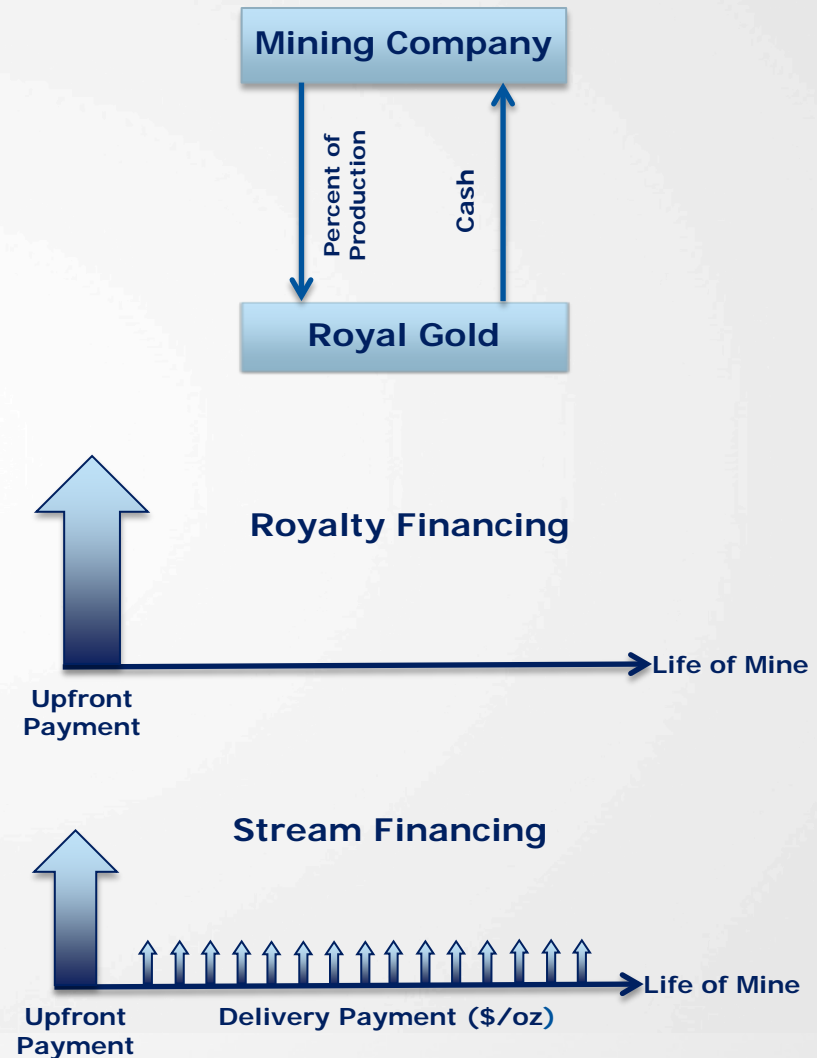
# Royalty/Streaming Overview

- **Credibility Established**
  - Represents a well known form of project finance
  - Common component of a multiple source financing strategy
  - Advantages relative to traditional financing options such as project debt, equity and joint ventures
- Investor receives right to percentage of metal production
- Appropriate for any stage of the project life cycle
- Transactions can be structured to be tax efficient
- Transactions are often completed on by-product metal production from base metal miners



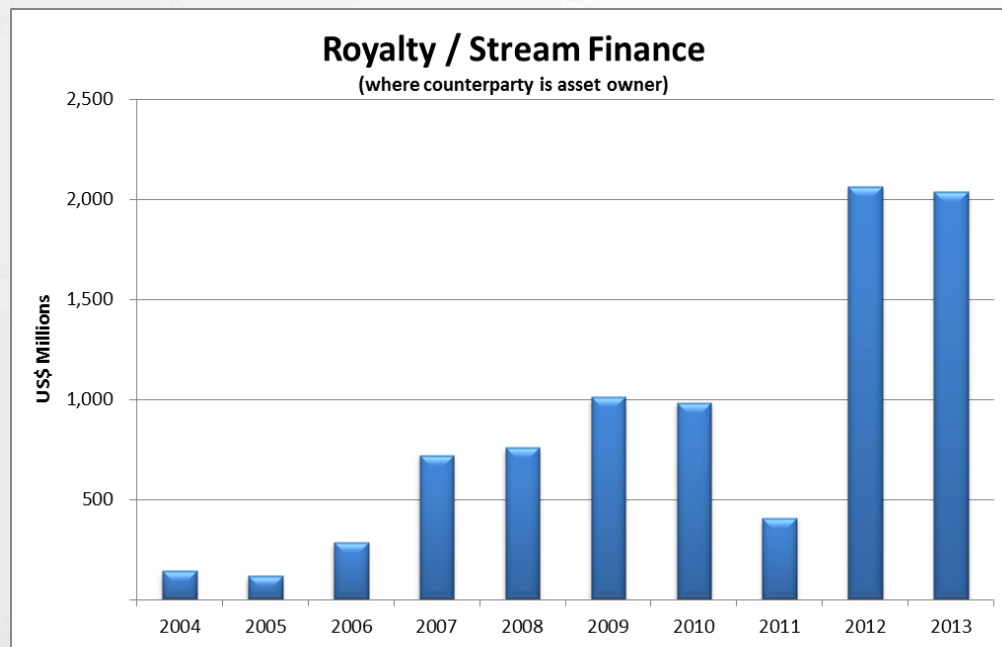
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# Royalty and Streaming Financings

- Wide-ranging interest throughout the industry in royalty/streaming finance
- Since 2004, US\$8.5B deployed for corporate and project financing in 47 transactions



Teck

BARRICK

INMET  
MINING

HUBBAY

VALE

COEUR  
THE PRECIOUS METALS COMPANY

luna gold  
CORP.

ThompsonCreek  
METALS COMPANY INC.

BRIGUS  
GOLD

C  
CAPSTONE  
MINING CORP.

RAMBLER  
METALS & MINING PLC

AUGUSTA

GLENCORE  
INTERNATIONAL AG

lundin mining

first  
Uranium

CM



# Royalty/Streaming Advantages

- Repayment
- Management time
- Documentation and structure
- Shareholder returns

## Repayment

- No fixed amortization schedule. Investor takes risk of investment return
- Payments are calculated based on metal production. The investor accepts risk of shortfalls or delays
- Calculated based on the value of LOM metal, with no need for a reserve tail
- No scheduled maturity date
- Deliveries tailored to match key smelter terms such as payable factors and timing of quotational period payments

# Royalty/Streaming Advantages

- Repayment
- Management time
- Documentation and structure
- Shareholder returns

## Management Time

- Due diligence and documentation can be completed within 4-6 weeks
- Reporting requirements tailored to match management reports; no special financial covenant reporting requirements
- The operator gains additional investor exposure
- Financing partner has no continuing input into project management, unlike joint ventures

# Royalty/Streaming Advantages

- Repayment
- Management time
- **Documentation and structure**
- Shareholder returns

## **Documentation and Structure**

- No hedging requirements
- Completion guarantee and completion tests are seldom necessary
- No debt service or operating expense reserve accounts
- No financial covenants or associated reporting
- Limited covenants, events of default and length of documentation

# Royalty/Streaming Advantages

- Repayment
- Management time
- Documentation and structure
- Shareholder returns

## Shareholder Returns

- Transaction costs are not passed on to operator, reducing financing costs
- No commitment fees, upfront fees or interest during construction, also reducing financing costs
- Payments are spread over the life of mine, thereby increasing cash flow to operator earlier in the life of the project
- Unlike equity financing, streaming only applies to one project in a portfolio
- Royalty/streaming company's lower cost of capital provides a "premium" to base metal company cash flows

# Viewpoints on Streaming

## Royalty/Streaming Concerns and Responses

- Royalty/streams encumber project upside
  - *Royalties/streams have life of mine interests but the percentages can be reduced after production of an amount of metal*
- Streams cause tax problems for the operators
  - *If structured correctly, the tax issues can be mitigated*
- Streams pay a fixed price which may only be increased through a small inflation adjustment
  - *Precious metal price sharing can be included in the structure in addition to increased payments for production not currently in the mine plan*
- The royalty/stream will impact the mine plan and cause operators to mine inefficiently
  - *The financing should never be sized to the point of impacting the mine plan or making a mine uncompetitive in terms of the cost curve*
- The mine produces a concentrate and no refined metal is received from the smelter
  - *Physical delivery of precious metals does not need to be derived from the gold in concentrate*

# Case Studies



# Troy

## Rehabilitation of a Mine



Montana, United States  
Revett Minerals

- 2004 production payment between Royal Gold and Revett Minerals
- Investment of \$7.25M for a 7.0% production payment covering all metals produced
- Production payment capped at \$10.5M, or 90% of reserves, at the time of investment
- Perpetual 2.0% GSR royalty on all metals following achievement of production payment cap
- Proceeds used for start-up of the Troy mine
- Additional \$1.0M invested in equity, which was convertible into a 1.0% NSR royalty on the Rock Creek project



# Taparko

## Mine Development



### Namantenga, Burkina Faso High River Gold

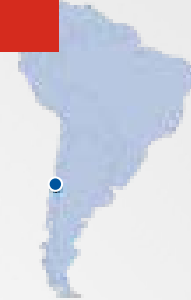
- 👤 In fiscal 2006, Royal Gold invested \$35M to fund construction of the Taparko project
- 👤 In exchange for funding, Royal Gold acquired:
  - 👤 Two concurrent production payments
    - 👤 Fixed 15.0% payment
    - 👤 4.3% payment (at gold prices between \$385 and \$430) or a sliding-scale outside this range
  - 👤 Tail royalty
    - 👤 2.0% GSR
  - 👤 Milling royalty
    - 👤 0.75% GSR





# Andacollo

## Mine Expansion



### Region IV, Chile

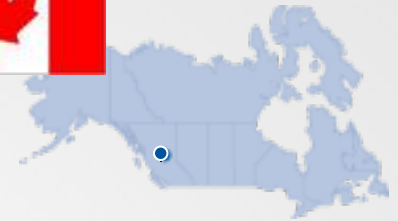
#### Teck

- 2010 production payment between Teck and Royal Gold
- Royal Gold acquired right to receive 75% of gold until 910K ozs are produced; 50% thereafter, by:
  - Paying US\$218M and issuing 1.2M shares common stock
  - No further payments
  - No royalty on copper production
- Andacollo mine in operation since 1996; transitioned from oxide to sulfide production
- Proceeds used to complete construction of sulfide mill and for repayment of debt
- Reserves: <sup>1</sup> 1.8M oz. gold
- Mine life: 20+ years



# Mt. Milligan

## Financing M&A and Mine Development



British Columbia, Canada  
Thompson Creek

### Transaction summary:

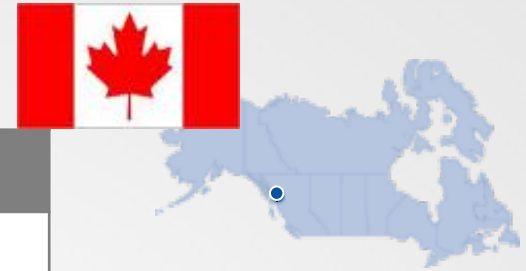
25% of gold for \$311.5M in July 2010  
15% of gold for \$270M in December 2011  
12.25% of gold for \$200M in August 2012  
**= 52.25% of gold for \$781.5M**

- 🕒 Delivery payment of \$435/oz or prevailing market price for life of mine (no inflation adjustment)
- 🕒 Current investment:
  - 🕒 \$731.6M to date
  - 🕒 \$49.9M to be paid during construction in two quarterly payments
- 🕒 Proceeds used by Thompson Creek for Terrane acquisition and mine construction
- 🕒 Reserves: <sup>1</sup> 6.0M oz gold
- 🕒 Est. mine life: <sup>2</sup> 22 years



# KSM

## Advancement of Feasibility Study



### British Columbia, Canada Seabridge Gold

- ☺ June 2011 – Initial acquisition from Seabridge Gold
  - ☺ Purchase of 1.0M shares of Seabridge common stock for C\$30M
  - ☺ Earned option to buy 1.25% NSR royalty on gold and silver for C\$100M
- ☺ December 2012 – Second acquisition from Seabridge Gold
  - ☺ Purchase of C\$18M of Seabridge common stock
  - ☺ Earned the ability to increase the 1.25% NSR royalty option to 2.0% with additional payment of C\$60M
- ☺ Proceeds of equity placements used to advance project
- ☺ Proceeds from sale of royalty, if option is exercised, will be used toward capital costs of project
- ☺ Reserves: <sup>1</sup> 38.2M ozs gold; 213M ozs silver; 9.9B lbs copper
- ☺ Est. mine life: <sup>1</sup> 55 years



# Footnotes



# Footnotes

## PAGE 7. COMPANY OVERVIEW

1. FY2009 results were impacted by two one-time gains related to the Barrick royalty portfolio acquisition and the Benson royalty buy-back by Golden Star. The effect of these gains was \$33.7 million pre-tax. FY2010 results were impacted by pre-tax effects of severance and acquisition costs of \$19.4 million related to the International Royalty Corporation transaction. FY2012 results were impacted by a \$1.3 million royalty restructuring charge at Relief Canyon.

## PAGE 8. COMPANY PERFORMANCE

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2. Gold equivalent ounces for fiscal 2012 were calculated by dividing actual revenue by the annual average gold price of \$1,673 for fiscal 2012.
3. Net gold equivalent ounces are calculated by applying the Company's interests to production at each individual property, and considering the per ounce delivery payment associated with metal streams as a reduction to gross ounces.
4. Net gold equivalent ounces at Mt. Milligan are based upon an estimated annual production rate of 262,100 ounces of gold for the first six years using a gold price of \$1,678 per ounce for conversion purposes of the delivery payment.
5. Net gold equivalent ounces at Pascua-Lama are based upon an estimated annual production rate of 839,000 ounces of gold during the first five years.

## PAGE 25: ANDACOLLO

1. Reserves as of December 31, 2011.

## PAGE 26: MT. MILLIGAN

1. Reserves as of October 23, 2009.
2. Per Thompson Creek's National Instrument 43-101 technical report filed on SEDAR, under Thompson Creek's profile, on October 13, 2011.

## PAGE 27. KSM

1. Per Seabridge Gold's National Instrument Compliant Preliminary Feasibility Study filed on SEDAR under Seabridge Gold on June 28, 2012.



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