Business Development

Royalty Finance

Royalty finance is a cost-of-capital efficient alternative to traditional debt project finance and equity. Returns are based on life of mine cash flows, with no required reserve tail or final maturity date. With returns based on production, Royal Gold shares in the operating risk of the project, thereby eliminating the possibility of financial distress often caused by principal payments, maturity dates and hedging delivery requirements.

While royalties do share in a percentage of price and production upside, it is limited to a specific project. This differentiates it from the issuance of equity, which represents the granting of upside on a company's entire portfolio of properties.

Royal Gold can structure transactions on a traditional royalty basis or a combination of upfront and per ounce payments under the streaming model. We seek royalty and metal streaming opportunities on gold and silver deposits as well as polymetallic/base metal ore bodies containing precious metal by-products.

Benefits of Royalty Finance

The benefits of royalty finance include: (1) returns are calculated over the life of the mine, thereby enhancing internal rates of return to the operator, (2) payments are a function of price and production, providing needed financial flexibility in the event of production disruptions or declining commodity prices, (3) no required hedging, front end fees, financial covenants or account structures are part of the royalty financing transaction, (4) straightforward and easy to comprehend legal documentation, and (5) a short execution timetable.

Purposes for Royalty Finance

Royalty finance can be used to assist in the funding of exploration and development, mine and mill expansions, mergers and acquisitions, the restructuring of hedge positions or balance sheets, and reclamation obligations.

Comprehensive Project Finance

Royal Gold's product can participate as one layer in an overall financing that includes debt and equity. With payments calculated on a life of mine basis, a royalty can actually reduce debt requirements and associated required hedging, while also limiting the dilution to existing shareholders of a larger equity issue.

Unique strengths of Royal Gold Management Team

Ethical standards and professionalism of a management team are critical when considering a long-term relationship. Royal Gold is highly regarded in the industry for these qualities.

No two transactions are identical. We strive to tailor business opportunities to the unique characteristics of counterparties through creative structures.

Our team has considerable operating expertise in a variety of commodity markets and in many international locations. Almost all mining operations experience unexpected issues during exploration, development and operations and it is important for mining operators to be able to talk through these issues with an experienced and qualified partner, like Royal Gold.

Royalties

What is a royalty?

A royalty is the right to receive a percentage or other denomination of mineral production from a mining operation.

Most of Royal Gold's royalties are based on production generated from a mine. For example, a 2.0% gross value royalty on a mine that produces 100,000 ounces of gold annually, would generate payments having a value of nearly 2,000 ounces of gold per year. At a gold price of $1,600 per ounce, this would result in royalty revenue to us of nearly $3.2 million per year.

Types of royalties

The Company's portfolio contains several different kinds of royalties or similar interests which are defined as follows:

Gross proceeds (GPR) royalty: A royalty in which payments are made on the contained ounces in a deposit rather than ounces recovered from metallurgical processing.

Gross smelter return (GSR) royalty: A defined percentage of the gross revenue from a resource extraction operation, less, if applicable, certain contract-defined costs paid by or charged to the operator.

Gross value (GV) royalty: A defined percentage of the gross value, revenue or proceeds from a resource extraction operation, without deductions of any kind.

Milling royalty (MR): A royalty on ore throughput at a mill.

Net profits interest (NPI) royalty: A defined percentage of the gross revenue from a resource extraction operation, after recovery of certain contract-defined pre-production costs, and after deduction of certain contract-defined mining, milling, processing, transportation, administrative, marketing and other costs.

Net smelter return (NSR) royalty: A defined percentage of the gross revenue from a resource extraction operation, less a proportionate share of incidental transportation, insurance, refining and smelting costs.

Net value royalty (NVR): A defined percentage of the gross revenue from a resource extraction operation, less certain contract-defined costs.