

Cupric Canyon Capital and Khoemacau Copper Mines announces the signing of US\$565 million of funding for construction of the Khoemacau Copper Silver Project in Botswana

Gaborone / Cayman Islands – February 25, 2019 – Cupric Canyon Capital, the owner of the Khoemacau Copper Silver Project, is pleased to announce major progress towards the construction of what is to be a major copper and silver mine in northwest Botswana.

Cupric and Khoemacau (together referred to as the “Company”) announced the signing of a US\$565 million project funding package to commence development of its high-quality Khoemacau copper silver underground mining project in Botswana. The financing highlights include:

- US\$565 million of funding including a US\$275 million senior debt facility from Red Kite Mine Finance (“RKMF”), a US\$265 million silver stream from RGLD Gold AG (“RG AG”), a wholly owned subsidiary of Royal Gold, Inc. (“Royal Gold”), and a US\$25 million subordinated debt facility from RG AG (the “Project Funding Package”).
- The Project Funding Package will be used for construction of the Company’s 3.6 million tonne per annum Starter Project at Khoemacau processing ore from the 91 million tonne resource¹ at a head grade of 2.02% copper and 21.4g/t silver copper.
- The direct construction cost of the Starter Project is US\$397 million over a two-year construction timeline. First copper concentrate production is expected in the first half of 2021, with initial annual production averaging 62,000 tonnes copper and 1.9 million ounces of silver.

Overview

The Company has been developing the Khoemacau Project, a 4,040 square kilometre land package in northwest Botswana, over the past 6 years. One of the numerous deposits within the Khoemacau Project, Zone 5, was initially discovered in 2012 and has since become the flagship deposit since it was acquired by the Company in 2013. Since then, the Company has drilled 285,000 metres, completed permitting and land access agreements, secured the required power and water, and undertaken advanced engineering, procurement and mobilisation such that it is ready for full construction of the Starter Project, pending closing of the Project Funding Package.

In 2015, the Company acquired the Boseto assets (a previously operated copper project adjacent to Zone 5) following the insolvency of that company’s parent. This acquisition offered the Company access to the 3.0 million tonnes per annum Boseto processing facility located 35 kilometres from Zone 5 along with extensive infrastructure, and several high-grade mineral resources and licenses. Since acquisition, the Boseto assets have been incorporated into the Starter Project development plan.

¹ Independently established in line with JORC guidelines.

The Starter Project development plan now involves the fully mechanised underground mining of sulphide ores at Zone 5 at a rate of 3.6 million tonnes per annum using the upgraded Boseto processing facility for crushing, milling, flotation and production of a high-grade copper silver concentrate.

The Starter Project is expected to produce a copper concentrate with an average grade of approximately 40% copper and high-grade silver. This results in annual average production of 62,000 tonnes copper and 1.9 million ounces silver per annum over a 21-year mine life. The average life-of-mine C1 cash costs, net of silver by-product credits, are US\$1.47/lb at consensus pricing and US\$1.67/lb including sustaining capex, and before accounting for the silver stream.

With financial close expected early in the second quarter of 2019 and a two-year construction timeline, the Starter Project is expected to produce first concentrate in the first half of 2021, with subsequent ramp-up.

After closing the Project Funding Package, in addition to advancing construction of the Starter Project, the Company will also:

- Upgrade the existing Expansion Project pre-feasibility study to a definitive feasibility study. The Expansion Project includes the construction of a new 5.8 million tonnes per annum processing facility near Zone 5 which will produce approximately 100,000 tonnes of copper per annum.
- Continue exploration on the Khoemaçau land package with a focus on the existing high-grade Zone 5 North and Zeta Northeast discoveries, which are envisaged to be processed at the existing Boseto processing facility along with other proximal deposits.

Johan Ferreira, CEO of the Company, commented:

“Securing the Project Funding Package by partnering with two of the industry’s leading global providers of mine finance, Royal Gold and Red Kite, allows us to move forward energetically with all project development activities. This step marks the completion of a remarkable evolution of the Company from discovery of Zone 5 in 2012 to full construction of a high-quality copper asset in 2019. Being able to commence the development of a large scale fully mechanised mine and deliver high-quality jobs and sustainable development in the Kalahari Copper Belt reflects, not only the quality of the mining environment in Botswana, but also the strong support of Government towards foreign investment and new mine development.”

US\$565 million Project Funding Package

The Company has executed definitive agreements with RG AG and RKMf that will, subject to closing, provide US\$275 million of senior debt funding (including US\$25m of capitalized interest) and up to US\$265 million from a silver stream, along with a US\$25 million facility from RG AG in the form of subordinated debt.

US\$275 million senior debt:

- RKMf to provide US\$250 million of funding to draw down for construction of the Starter Project, as well as US\$25 million of capitalized interest (US\$275 million of funding in total).
- After a one-year grace period, the Company will make quarterly amortization payments with a final bullet repayment at maturity approximately 8 years after closing.

US\$265 million silver stream:

- RG AG to provide US\$265 million of funding via a silver purchase and sale agreement. The silver stream is split into two tranches: US\$212 million available to be drawn after closing and up to an additional US\$53 million will be available to draw at the Company's election, subject to certain conditions.
- The Company will deliver 80% of payable silver production to RG AG in return for the US\$212 million of funding. If the Company elects to trigger the up to US\$53 million option for the second tranche, it will deliver up to an additional 20% of the payable silver production for a total of 100%.
- The stream rate will decrease by 50% once 32 million ounces of cumulative silver has been delivered to RG AG, or 40 million cumulative silver ounces if the Company elects to draw the full amount of the US\$53 million second tranche of the silver stream.
- RG AG 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 the Company of mill expansion throughput levels above 13,000 tonnes per day², RG AG will pay higher ongoing cash payments for ounces delivered in excess of specific annual thresholds.

US\$25 million subordinated debt:

- RG AG to provide US\$25 million of subordinated debt funding. This facility can be drawn after the senior debt is fully drawn and after the first tranche of the stream has been drawn.

The direct capital cost to construct the Starter Project is US\$397 million, of which approximately US\$20 million is forecast to have been spent by closing, reducing the go-forward direct capital costs to approximately US\$377 million. Together, combined with funding costs, working capital and overheads the Starter Project funding need is approximately US\$455 million (excluding US\$25m of capitalized interest).

In late 2016, the Company raised a bridge debt facility with RKMf that funded all project, exploration and corporate activities from that point forward. This bridge debt facility will be repaid as part of this financing, requiring a further US\$100 million of funding. As a result, the total funding requirement for the Company is approximately US\$555 million, of which US\$377 million is go-forward direct capital costs for the Starter Project.

In addition, pursuant to the agreed terms of the Project Funding Package, the Company shall provide an equity contribution of US\$75 million for development as a condition to RG AG and RKMf funding.

The Khoemaçau Copper Silver Project

The Khoemaçau Project is a copper-silver project located in a sparsely populated region of northwest Botswana in the Kalahari Desert and is made up of over 4,040 square kilometres of mineral concessions. The Zone 5 mineralization has proven to be consistent over the known linear strike of nearly four kilometres. The April 2018 independent resource estimate established in line with JORC guidelines for Zone 5 is summarized below, indicating 30.4 million tonnes of proven and probable ore reserves.

Zone 5 Ore Reserves	Ore (million tonnes)	Copper Grade (%)	Silver Grade (g/t)
Proven	11.0	2.17%	19.7
Probable	19.4	1.95%	19.3
Total	30.4	2.03%	19.5

² The construction cost of the expansion will not be funded from the proceeds of the Project Funding Package.

The table below shows the total resource independently established in line with JORC guidelines at Zone 5, including measured, indicated and inferred resources, which total 91.7 million tonnes. The current mine plan envisages mining and processing 74.4 million tonnes of ore with head grades of 2.02% copper and 21.4g/t silver.

Zone 5 Ore Resources	Ore (million tonnes)	Copper Grade (%)	Silver Grade (g/t)
Measured	16.5	2.19	19.5
Indicated	24.5	2.03	19.9
Inferred	50.7	2.15	23.7
Total	91.7	2.13	21.9

In addition to Zone 5, there are a further 93.5 million tonnes of high-grade resource grading 1.9% copper and 33g/t silver across the Khoemaçau Project. The Company plans on developing these resources in conjunction with the construction of the Starter Project.

Three separate but adjacent underground mines will be developed at Zone 5, each producing 1.2 million tonnes per year on average for the first five years. Each of the mines will have its own independent ramp access and operate over a strike length of approximately 1,000 metres, extracting ore using a conventional sub-level open stoping mining method.

The mined ore will be trucked approximately 35 kilometres to the Boseto processing facility, which will be refurbished and enhanced to process 3.6 million tonnes per annum. Processing will be conventional sulphide flotation via three stage crushing, ball milling and flotation, which will produce a high-quality concentrate grading approximately 40% copper for shipment to African and international smelters.

Power will be sourced from the Botswana Power Corporation grid via a 56-kilometre overhead transmission line connection. Existing diesel generation capacity remaining from the previous Boseto operations will be used as backup power. Water will be supplied from three borefields along with dewatering boreholes from the mines at Zone 5.

The total development capex for the Starter Project is US\$397 million, including contingency. Approximately US\$20 million of the development capex is forecast to have been spent by funding close.

Starter Project Capex	US\$ million
Site Access, Land and Preparation	10
Utility Supply	27
Mining	146
Ore Transport	28
Mine Surface Infrastructure	25
Concentrator Plant	34
Tailings Storage Facility	6
Surface General Infrastructure	25
Owners, G&A and Contingency	71
Forward Escalation	26
Total Development Capex	397

Company Strategy

The Company's short-term plan is to achieve safe, reliable production from the Starter Project. The long-term plan is to expand Khoemacau to approximately 5.8 million tonnes per annum, by constructing a new standalone process plant at Zone 5. A pre-feasibility study was completed on the Expansion Project in 2015, and the Company intends on advancing this to a definitive feasibility study and then full engineering for this in conjunction with the construction of the Starter Project. The Expansion Project is expected to produce approximately 100,000 tonnes of copper per annum.

In addition to Zone 5, the Company has multiple high-grade deposits on the Khoemacau and Boseto land packages that it intends to exploit. The most immediate targets are the Zone 5 North and Zeta Northeast deposits which have total inferred resources of 54 million tonnes grading 2.1% copper and 41g/t silver. It is envisaged that these resources can be used to fill the Boseto processing facility once the Expansion Project is complete. In total, the Khoemacau and Boseto assets combined have 500mt of resources grading 1.4% copper and 17g/t silver.

Update on Khoemacau Project Progress

The Company has secured a mining license over Zone 5 while the Mining License over the Boseto processing facility and infrastructure was secured as part of the 2015 acquisition.

A full owner's execution team was recruited, and Fluor was appointed to fulfil the EPCM role for the non-mining aspects of the Project. From mid-2017 to end 2018, the Company's owners' team and Fluor has undertaken extensive and progressively highly detailed design, engineering and procurement for the Starter Project. As of today, the Starter Project engineering is 60% complete. Early-works construction commenced at the beginning of 2019 which include man camp upgrades and the establishment of access roads and civils infrastructure, with the boxcut contractor currently in the mobilization stage.

During 2018, the Company secured five key environmental permits that support development. The Company has secured surface rights to the farms covering all the areas where operations will be undertaken and has also secured rights of way for infrastructure corridors and roads.

The Botswana Power Corporation is currently undertaking the expansion of their national grid, bringing commercial power to the northwest of Botswana. This North West Transmission Grid Connection Project commenced in early 2018 and is due for completion in Q1 2020. This grid expansion included the development of a substation at the town of Toteng approximately 50 kilometres to the northeast of Zone 5. The Company will build the powerline linking its facilities to this substation.

The Company is advancing the mining contract tender with multiple parties and expects to execute the contract in Q2 2019.

Ownership and management

Khoemacau is wholly owned by Cupric Canyon Capital, which is a private company that was established in 2010 in partnership between funds advised by Global Natural Resource Investments ("GNRI") and Cupric management to acquire and develop copper assets.

The Company is led by an international management team with extensive experience developing high-quality mining assets across the globe. The Company's key executive team/directors are as follows:

- Timothy R Snider – Founder and Chairman
- Dennis M. Bartlett – Founder and Non-Executive Director
- Johan Ferreira – Chief Executive Officer
- Boikobo Bashi Paya – Executive Director Stakeholder Engagement, Sustainability and Legal Compliance
- John Munro – Director of Corporate Development
- Dale Quaker – Chief Financial Officer
- Mmama Mhlanga-Fichani – Vice President Human Resources and Communications
- William Morrell – Senior Vice President Early Stage Studies and Exploration

Additional members of Cupric Canyon Capital's team include David Naccarati, Steve Enders, Lowell Shonk, William Brack, and Carl Gagnier.

Advisor

Cutfield Freeman and Co. acted as financial advisor to the Company.

About Royal Gold

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 December 31, 2018, 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.

About RK

RKMF provides bespoke financing solutions to metals focused mining companies. Solutions include bridge finance, construction finance, expansion funding, working capital and acquisition facilities. The fund has a strong track record of supporting mining companies with their financing needs and since its inception has committed capital of over US\$1.6 billion. Further information on RKMF can be found at www.rkminefinance.com.

About GNRI

GNRI was formed by a management buyout of the former Barclays Natural Resource Investments private equity business from Barclays Bank PLC in October 2015. GNRI is focussed on investing in the global natural resources sector, specifically on mining, upstream oil and gas (excluding the US), associated services and power. Further information can be found at www.gnri.com.

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