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OR - Osisko Gold Royalties Ltd M&A Call

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**Sean E. O. Roosen** *Osisko Gold Royalties Ltd - Chair of the Board & CEO*

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**Andrew Kaip** *BMO Capital Markets Equity Research - MD of Mining ,Equity Research & Precious Metals Mining Analyst*

**Brian MacArthur** *Raymond James Ltd., Research Division - MD & Head of Mining Research*

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**Shane Nagle** *National Bank Financial, Inc., Research Division - Analyst*

## PRESENTATION

### Operator

Good morning, ladies and gentlemen, and welcome to the Osisko Gold Royalties Conference Call Acquisition of Barkerville Gold Mines. (Operator Instructions) Please note that this call is being recorded today, September 23, 2019, at 08:30 a.m. Eastern Time.

Today on the call, we have Mr. Sean Roosen, Chair of the Board of Directors and CEO of Osisko Gold Royalties; Mr. Bryan Coates, President; Ms. Elif Lévesque, Chief Financial Officer and Vice President, Finance; and Mr. Chris Lodder, President and CEO of Barkerville Gold Mines.

I would now like to turn the meeting over to our host for today's call, Mr. Sean Roosen. (foreign language)

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**Sean E. O. Roosen** - *Osisko Gold Royalties Ltd - Chair of the Board & CEO*

(foreign language) Welcome to the conference call for the acquisition of Barkerville Gold Mines by Osisko Gold Royalties. We're going to be using a PowerPoint deck that's on our website this morning that's entitled Acquisition of Barkerville Gold Mines and I'd like everybody to review the forward-looking statement pages on this presentation as we will be making several forward-looking statements throughout the presentation and review of the press release we announced this morning.

There are 2 main points that I want everybody to take away today from this call. The first is the creation of North Spirits Discovery Group, which is the platform under which Barkerville will operate. This is the evolution of our accelerator model, whereby we have been incubating projects and companies, 5 of them throughout the last 5 years since we started Osisko. The accelerator model is a business model that we pioneered here at Osisko Gold Royalties, and we are now taking it to the next step.

The basic points on North Spirit will be that we will set the platform in place to operate the company at a project level as opposed to public company level and North Spirit is designed along the model of private equity, in that we will hold as 100% owned by Osisko at this point in time, but we will be looking for third-party money, either through an LP structure or third-party private equity groups or joint ventures to provide capital at the asset level as we go forward.

So this is the natural evolution of our accelerator model, and it's in an effort to purify the royalty model. And then we see North Spirit taking on a significant role in the evolution of these assets, while we separate the accelerator model from Osisko Gold Royalties, but maintain a direct drive from North Spirit into OR by holding equity within North Spirit group. And at the end of the day, we expect that we will be somewhere between a 50% and 30% shareholder of North Spirit if everything goes according to plan and depending on how much capital we have to raise.

But given the capital markets have not been very supportive of late-stage exploration and development projects, especially single (inaudible) companies lately, we see more access to capital at a lower cost for these projects through this model. And this is really the bridge to value for Osisko shareholders to access that capital, lower cost within the accelerator model.

The second piece of business, of course, is the acquisition of Barkerville Gold. It's the highly accretive transaction for Osisko Gold Royalties' shareholders in terms of the basis, and it fits exactly where we always work. Those of you familiar with our presentations at OR, we often go through how we allocate capital, with 25% of it going into early-stage exploration stories and then 75% of it going into stories that are evolving into permitting, through permitting, through construction and into production, much like what we did with Victoria Gold. And that's really where we see the biggest value gap. Often there is a value gap in that period, and it's not very exciting sometimes to public markets to be going through the permitting and construction process. So we see that as a value gap where North Spirit deploys capital is really in that value gap area of permitting and evolution of the asset.

So that said, we said we'd deploy 75% of our capital in that place, and we feel that Barkerville presents an opportunity for us to deploy capital at higher returns in that space. And North Spirit will also benefit, not only from the Barkerville Gold technical team but also from the Osisko technical team. OR is uniquely situated to manage this business model, in that we have a technical team inside the company that can run North Spirit as an independent development group. And that's where we see the value for OR shareholders as we go ahead and we make Osisko Royalties a more pure royalty and streaming company, and North Spirit becomes attritional development group.

On Page 3 of our presentation, just a basic backgrounder on -- hold on a second, we have some noise here. I'll continue on, I hope everybody can hear me, there is some construction noise outside. Page 3 is a summary of Osisko Gold Royalties. We're a peer-leading royalty group with over 135 royalties and streams we are (inaudible) stake directly. We have 76% of our NPV by asset base within Canada, 64% of it -- sorry, directly in Canada and about 40,000 GEOs earned so far this year, gold equivalent ounces.

Operating cash flow the first half of the year was \$46.1 million; 89.5 million (sic) [\$82.2 million] for 2018. Currently pay a dividend of 1.2%. We are uniquely situated to evolve the accelerator model we pioneered into this model with over \$800 million of financial capability on our balance sheet. And as we get further into why we would want to acquire BGM into North Spirit by using stock from our company, Osisko Gold Royalties, the easy numbers are that we're issuing 9% of our stock to increase our underpinning NAV by 22% as we go through this.

Page 4 is a demonstration of how this compares to our Canadian Malartic story, both historic production in Canadian camps with over 4 million ounces having been produced at the Cariboo camp historically. Significant existing infrastructure. The Cariboo project has the QR mill, tailings ponds and facilities and actively on small-scale mining permit in place and significant amount of underground infrastructure and on-site infrastructure that we can leverage from.

For those who haven't reviewed the PEA study, the existing infrastructure is quite important to the value driver there, in that we are not building a new mill, cyanide facility, tailings pond, or waste dump to execute a 4,000 tonne a day underground mine. So that's a pretty unique opportunity.

In terms of the exploration upside, this is a brownfield camp, and we've gone back and remodeled it, and Chris Lodder and his team have led the charge to unlock the value of this camp through the remodeling of the geology, and it's extremely successful with over 90% hit rate of drill holes in the last 24 months that have been drilled using the geological model. So that's extraordinary success when it comes to geological interpretation.

This is a camp that has world-class potential, with more than 2,000 square kilometers permit area and a world-class mining district in the Cariboo. Historically, this mine -- this area also holds several copper mines, Taseko's mines, Imperial's mines are all within this area.

Historically, this is an area that's very used to mining and logging and is very friendly towards resource sector operations. It's worth noting that Pretium in BC was permitted in under 20 months. So it's been a jurisdiction that has been issuing mine permits as well. And of course, our Canadian maple leaf basically is on the bottom and a reason why we called North Spirit Discovery Group. The North Spirit is -- we believe, is the Canadian jurisdiction as in, we the north, is the best place for Osisko Royalties to invest its capital. We continue to be Canadian focused as we go forward.



Summary on Page 5. We're moving this project towards the PEA study goal of building 185,000 ounce a year gold mine. We are purchasing the remaining 68% of the publicly held shares of Barkerville that we don't own. We own a little over 32% of the company as we come into this, plus we have an overriding 4% royalty, which increases the accretion to us as we acquire this as that 4% royalty does have significant value to it.

The PEA study is -- was completed a few months ago and envisions about \$310 million to build a 185,000 tonne a year of mine -- sorry ounces a year mine with an 11-year mine life. In the meantime, there is ongoing mining at Bonanza Ledge. And the Phase 2 of Bonanza Ledge should produce around 20,000 ounces a year before permitting is completed on the larger project, which is a 4,000 tonne a day underground mine as defined by the PEA study.

In the meantime, Chris and his team will continue on the significant amount of exploration. We believe that this is the beginning of the story. This is a campsite play with over 67 kilometers along trend at a newly discovered parallel zone to that. And we think that we're going to be here for a long time, and there should be multiple opportunities for Osisko to invest through project financing as this project advances. So this is not -- one of these things is not like the other. This project is large and it is scalable, which is very important to us in that we can continue to deploy capital in a very disciplined manner as we evolve this project, but not having to swing for the fence on anything particularly big.

And again, this is the first asset that we've put into North Spirit, which is a replacement for the Osisko accelerator model, and we think it sets the table for a significant amount of accretion.

In the Page 6, we give a little bit more about what North Spirit Discovery Group is here for. We're here to do project financing, project engineering and project management within that group. The technical team at Barkerville, Sean Masse and Maggie and Chris and the rest of the team will continue to work to develop the exploration on the off-site there with the support from the Osisko engineering group in Montréal and also from the project finance group that sits within OR, where we find the right set of partners to go together for the final mine finance as we get closer to that post permit.

So that group would look something like what we did, we believe, at Victoria, where we teamed up with our friends from Orion Mine Finance and Caterpillar Finance to issue a \$550 million mine finance project. So that is the goal of North Spirit.

There will be questions about whether we're trying to be a mining company or whether we're trying to be a royalty company. And the answer is that North Spirit is there for 2 to 3 years for sure while we get through the permitting process, at which point in time, a value of work is created in terms of where the asset is. Fully permitted, 185,000 ounce a year mine in Canada has a significant amount of value if it's a shovel-ready project, as does one that has 185,000 ounce a year mine that's in production. So we'll have 2 to 3 years to make that decision, but we are not going mining on a large scale within North Spirit tomorrow morning. But this is about working in the trough and that value gap period within the Lassonde Curve as we move forward and setting the table to be in an advantageous position to provide the project financing at the appropriate time.

We think that scalable projects are few and far between. This is a campsite play and for those of you would know us well, we consider ourselves to be brownfield specialists in terms of going into gold mining camps, trying to find new deposits and bring those deposits to value the same way we did at Canadian Malartic where we went in and we bought the project for \$88,888. We invested \$1 billion and we sold to Yamana and Agnico for a little over \$4.1 billion, including the spinout of Osisko Gold Royalties. So we've been there, we've made money for shareholders doing this before, and we're doing nothing new here except what we've done in the past. And we've set the table for some optionality about what happens to the project in 2 or 3 years once the permit has been issued.

This is a late-stage project in that it already has a significant amount of infrastructure and a resource -- the resource -- overall resources at 4.3 million ounces. The PEA study took into consideration only 2.3 million of those ounces, so significant upside on what's already been drilled. Barkerville's a relatively short, shallow project so lower CapEx because of that. And again, I can't say this enough times, this is a great Canadian asset, which is what we like to do, and we're particularly well-suited and purpose-built to take this project through the value process.

Page 7 is the transactional summary. We're to acquire the Barkerville, currently -- so the shares not currently owned by Osisko. Total value of that would be \$338 million, of which we already own 32%. And the shareholders of Barkerville will own pro forma 9% of Osisko Gold Royalties, which has revenue, cash flow and pays a dividend. So shareholders will receive significant amount of access to liquidity.

However, their stake in OR will be worth significant amount of money, and the drive from the value of Barkerville will be reflected in that share price. So they will participate in the upside of Barkerville as we move this project on and forward through the value process.

Consideration right now is 0.0357 shares of Osisko per share of Barkerville with an implied price of \$0.58 per Barkerville share, representing a 44% premium on 20-day VWAPs of both companies.

Some deal protections have been put in place for customary nonsolicitation covenants and normal fiduciary outs; \$9.8 million termination fee to Osisko if the transaction is not completed. Holders of 17.9% of Barkerville shares, including the Board and management, have agreed to support this transaction and enter into lock-up agreements.

On other considerations, Barkerville shareholders vote is 66 2/3% of the majority of the minority of the votes cast by shareholders. Customary regulatory approvals and closing conditions to apply. And Osisko is to provide a \$7 million bridge loan expandable to \$13 million by mutual consent throughout the process to maintain momentum on the project terms of the underground development at BC Vein and a continued exploration on-site.

Timing of this. Meeting materials will be mailed in October. Shareholders will have a meeting in November and closing is expected shortly thereafter.

The benefits of the BGM shareholders are outlined on Page 8. Chris, would you like to walk through that? So Chris Lodder, CEO of Barkerville, with us as well.

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**Chris Andrea Lodder - Barkerville Gold Mines Ltd. - President, CEO & Director**

Good morning, everybody. Yes, the benefits to the shareholders of Barkerville is 44% of 20-day VWAPs. Everybody will have continued exposure to the project and be part of the shares in Osisko Gold Royalties and the new North Spirit Discovery Group.

Acceleration and enhancement of development of the Cariboo project, we'll continue with that and probably speed up a bit having access to the capital through this transaction.

The certainty of funding is there with a strong balance sheet and the availability of capital again through Osisko Gold Royalties. We have direct exposure to the increasing gold price environment. We think we're going into through Osisko's cash flows and equity value. And Osisko shares offer substantially greater trading liquidity for those people both moving in and out of the shares.

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**Sean E. O. Roosen - Osisko Gold Royalties Ltd - Chair of the Board & CEO**

So Page 9 is the benefits to Osisko shareholders. I've touched on many of these points on the way through to get to this part. But I think the summary here is that this is a significant asset that will drive value and will represent 22% of the NAV, underpinning the shareholder value at Osisko Gold Royalties after closing. It also sets the table for us to have significantly higher returns than typical streams and royalties have been delivering that have been bought from third parties on the marketplace lately. And it also goes to our strength and our unique toolbox to create value by working in what we call the trough, which is the period post exploration through permitting and construction into mine development.

There are several value points at which point we can do that. If you look back at the Victoria transaction, we did monetize the equity position and maintain the royalty here earlier this spring with our equity trade book, with our friends at Orion Mine Finance, and we maintained our royalty.

We did a similar deal when we bought Arizona Mining. We were taken out -- the equity was taken out by our friends at South32. We have \$5 million equity investment. We netted \$34 million over our capital in, and we still own a 1% royalty.

So we are doing a deal that's fairly traditional for Osisko Royalties. The only difference this time is that we've acquired a public company to execute the transaction, OR offering to acquire this public company from the BGM shareholders.

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Next step for Cariboo and the time line to expand to production has been outlined on Page 10. We've given you a bit of history here. We have significant involvement with this project since early 2016. We came into the project to try and understand it. And there have been several milestones within the evolution of our relationship with Barkerville. But the most important thing that has been the technical work that we have finally understood the project in around 2017. We became comfortable with the geological model. We set about checking the veracity of that model having drilled I think, subsequently, Chris, 400,000 meters?

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**Chris Andrea Lodder** - *Barkerville Gold Mines Ltd. - President, CEO & Director*

360,000 to the end of 2018.

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**Sean E. O. Roosen** - *Osisko Gold Royalties Ltd - Chair of the Board & CEO*

So we've put a significant amount of drilling in to confirm the model. We presented the resource update and the PEA study to the public market, and I think that we've also executed several financings throughout that period and the ongoing continued demand for capital, I think, has been the overhang on the share price. And today, we're here to solve that problem in terms of being able to put this into the North Spirit Discovery Group with the financial backing of OR.

If you look at the chart here, you see that we see a permit being issued sometime in 2021 with construction after that. So at that period when the permit is issued we'll be a value point, and that will be where we issue the project financing, we find a partner, or we sell the asset on, depending on how the value of the market looks at that point in time. But we do have a couple of years of work to get through here to unlock that value point.

Chris, Page 11. I'll let Chris to take you through the Cariboo gold project overview as we go forward here.

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**Chris Andrea Lodder** - *Barkerville Gold Mines Ltd. - President, CEO & Director*

As the most of you know, it is located in British Columbia in south central British Columbia, so we're not in the middle of nowhere. This is an accessible area but far enough away from any population centers in terms of tourism areas or industrial area volume. Mining really dominates the industry there. You can (inaudible). We have -- also, this is a park with a mine there and the area that we control through the mineral rights is the whole district. We have really no neighbors there, something we always like within the group, which allows us to do efficient long-term exploration. And the biggest thing that we have here really though is the overall resource potential and the ability to grow that. And that ties directly with the ability to scale the project up as we go forward.

So it's a low CapEx project. Initially, you're starting at 185,000 ounces a year, not including the Bonanza Ledge project. (inaudible) mining has been initially blasted into (inaudible) that underground gold mining of veins and replacement, which is now ongoing with ourselves. We know what we have on the site is 1,000 tonnes a day, preferably been permitted at a (inaudible) but really, the plan we're looking at that there, we can either, yes, use that, or (inaudible) that we're not going to be using the crushing circuit and the development there, the crushing and the (inaudible). All our stakeholders in the area have been very supportive, our First Nations in the regional district (inaudible) and without (inaudible). This has been a good investment for people in the area and that is, the jobs that are created there are replacing jobs being lost or (inaudible).

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**Sean E. O. Roosen** - *Osisko Gold Royalties Ltd - Chair of the Board & CEO*

Thanks, Chris. Page 12 is a summary of the PEA study. I'll just give the highlights on it. NPV of \$402 million at \$1,325 gold. At current spot prices of \$1,500, the NPV would go to \$700 million and we would be -- we would have a 20% return there given that our all-in acquisition costs of this project and what we've already spent on it, will be around \$380 million. It's a significant bump to us. At \$1,600 gold, it goes to \$800 million and at \$1,700 gold, the NPV goes up to \$930 million. So significant gearing to a higher gold price while being a low-cost operator.



Other aspects of this to consider is that we're long-holing on 30-meter benches -- or levels and at 4.5 grams, we're using an ore sorter to upgrade that material. So the simple takeaway is between the ore sorter and the flash concentration that we're doing on site, we will be trucking 20-gram material to an existing mill that's fully permitted with tailings ponds and cyanide licenses in places.

All-in sustaining costs under just USD 800 an ounce, USD 796 and even with the CapEx, the CapEx is so low on it, we put the CapEx number here to demonstrate that. \$912 in all-in sustaining costs plus OpEx and CapEx. So it's a remarkably low-cost mine on a brownfield mine site with only CAD 310 million in terms of required capital. It will generate about \$1.54 billion of cash flow, of revenue and an IRR of 34.6% pretax and 28% post-tax. So this project makes sense on a lot of -- sorry, 28.1% on an after-tax IRR.

This project makes sense on a lot of cases. From what we're trying to do when we compare it to metrics of other opportunities in the royalty and streaming business, we feel that this is significantly superior to most of the deals that we've seen out there in the meantime. It's an asset we know well and that we have been executing by the technical work on this project with our technical group and Chris' BGM team for the last 3 years, so it's not unknown to us, and we're very comfortable with the work that's been done here. And we feel that there's significant upside even in the resource once we get underground, there are several mineralized zones that were excluded throughout the resource modeling program that we can only really claim once we get back underground.

This project is -- has elevations so we're only using ramps to get in and we're only dealing with the first 360 meters and the deposit has mineralization well below 1,000 meters, which we haven't drilled off yet because of the costs associated with that and the ability that we have been -- we've had to execute success in the shallower drilling.

Page 15, just a summary of where we are. We have 104 royalties in the North American continent. The significant producing royalties are Éléonore, operated by Newmont; Renard, operated now by the Renard Mining Group. Our cornerstone asset is Canadian Malartic, generates about 35,000 ounces of 0-cost gold to us a year. And most recently, Yamana and Agnico have announced significant upside there with about 4.4 million ounces of inferred being added to that project that continues to deliver at depth.

The Mantos project we have at Chile, and the Eagle project, which was just poured gold last week, on September 17. We're very happy and we want to thank the Victoria team and congratulate them on a job well done. They executed the construction of that mine in the arctic and came out a month ahead of schedule and are pouring gold at this point of time and that will be the next add of production to the Osisko family of royalties.

We also have a couple of other assets in different places. On Page 16, you can see more of the detail. I won't go into them on an individual basis, but we are expecting 85,000 to 95,000 gold equivalent ounces for 2019 and maintain an 89% margin, which is one of the highest margins in any business that I've ever heard of.

We continue to have a strong view of our asset base in that more exploration has been done on our land packages in Canada the last 24 months than we could ask for. We're still a significant shareholder of the Eagle project owned by Osisko Mining where John Burzynski and his team are executing another 200,000 meters of drilling; significant high-grade zone there.

And we continue to be supportive of our friends at Falco Resources. 6.1 million ounces of gold equivalent reserves and a feasibility study there and it's also in the permitting process.

And also we continue to support other exploration and development stories such as the Osisko Metals project, which is offering mine project in the Northwest Territories and, to some extent, some of our projects that -- such as Nighthawk Resources, that we've been long-term equity and supporters of in the Northwest Territories.

Page 17 goes through the impact on the Osisko NPV by geography and that we see pro forma. Post transaction, we see that the Canadian presence goes from 76% to 81%. We see our construction-level projects and headed for production, we go from 55% to 44%. And NPV by type, we'll be at 42%, with 27% being direct ownership. And we have a very small amount of off-take agreements but 27% of it's in streams. So we continue to see good metrics on our royalty and streaming portfolio. And this project meets all the tests for that.



The summary is on Page 18, but I don't want to take up too much more time on this. I think that everybody's had a chance to hear what we have to say, so I'd like to get some questions in now if I could, please.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) (foreign language) Your first question comes from the line of Shane Nagle from National Bank Financial. (foreign language)

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#### **Shane Nagle - National Bank Financial, Inc., Research Division - Analyst**

Sean, just wonder if you could go into a bit more detail on the North Spirit. Just how you see this kind of -- obviously, it's in its infancy, but how conceptually you see this playing out over the next, say 3, 4 years? I mean is the intention to always kind of keep a permitting derisking story? Or you've obviously got a high-quality team of mine developers in-house. Just wondering how kind of far you're willing to kind of take not just the Barkerville project, but how many other kind of projects or entities you feel that, that unit will have the capacity for.

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#### **Sean E. O. Roosen - Osisko Gold Royalties Ltd - Chair of the Board & CEO**

Well, I think where today, I mean, obviously, the business is handled at Barkerville, depending on how we make out with this transaction, will set the stage for the next evolution. But we did sort of look at the way the market is working here, where access to capital for these single assets about the stories is coming from. We have significant amount of experience through the Victoria transaction and some of the other deals we're involved in at present as to how the capital is moving. And we felt that we needed a platform to move to, to diversify participants on the asset level. And we see private equity and the people who are interested in private equity having a significant amount of access to capital who want to have a way for just the more wealthy shareholders to share in that value-building process. And we felt that we're uniquely suited to take our accelerator model and to move it towards that North Spirit model.

In the first 2 years, what we see as the main value driver is getting in permits on these projects and write the project financing which is really what royalty streaming companies traditionally do, is they participate in projects finance for both mine construction and then mine expansion. In rare cases, like we saw in 2016, where we see significant debt conversion into streams and royalties, but normally this is our normal business as a royalty company.

So we felt that we had several groups that were interested in coming to work with us, but they wanted to always participate in the asset level as opposed at a corporate level. So we basically set the stage for a vehicle that bridges that gap between total private equity and allows the Osisko royalty shareholders to get some value from the work that's being done in the accelerator model as we unlock these things and we go through that trough.

So if you look at our normal marketing deck, we always show the Lassonde Curve. And we say that 75% of our capital allocation is in the troughs, which is that period from end of exploration through the PA study, feasibility study, permitting and mine construction. So we have the ability. As I said, there's 2 value points for North Spirit at the end of the day. One is one that's permits have been accomplished. And the second is after the mine has been commissioned. So we'll see what the market looks like once we achieve the permitting, and we'll make a decision there.

In terms of another possible project for the North Spirit, I don't want to deal in hypotheticals today, but we'll see what the reaction is and what the third-party participant level of capital available to us is once we've got this, and we'll make the call at that point.

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**Shane Nagle - National Bank Financial, Inc., Research Division - Analyst**

Just on that note then, when you look at the value that you could unlock with this private equity vehicle, does that mean you'll -- or, in your view, are you going to see kind of an end to that traditional accelerator model, where you just kind of take an equity stake, obviously, remaining supportive to Falco and the like that's in there already? But going forward, would the -- I guess, the preference be to commit capital into this private vehicle to unlock value? Or will we still see some of that kind of traditional accelerator model equity positions being taken by Osisko Royalties?

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**Sean E. O. Roosen - Osisko Gold Royalties Ltd - Chair of the Board & CEO**

\*Yes. I think there'll be -- we always set out 5 years ago, where we pioneered this model, the accelerator. I think that we will be participants, but we're going to set the stage to access capital at the lowest cost possible for this project. The reality is the capital markets have kind of have a lot of appreciation for single-asset exploration development stories as of late. So we'll see what the appetite for capital is in North Spirit for further deals. But we continue to incubate roughly one company per year within the group. So we'll continue to do that, and we'll pick the access to capital the most appropriate for the situation.

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**Operator**

Your next question comes from the line of Mike Jalonen from Bank of America.

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**Michael Jalonen - BofA Merrill Lynch, Research Division - MD**

Sean, just had 2 questions, I guess. I'm just thinking back in history when Franco-Nevada had Ken Snyder, and they picked up the project pretty well at the same stage as Barkerville. Now, nurtured along there, thinking of finding a joint venture partner to build the mine, they decided to go it alone and eventually got out of it with some frustration.

I guess my question is, in 2 or 3 years, if you can't find a partner or sell the asset, because there's a lot of assets for sale right now and nobody's buying them, do you operate the mine at that point or what do you do? And I got a second question after that one.

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**Sean E. O. Roosen - Osisko Gold Royalties Ltd - Chair of the Board & CEO**

Well, Mike, as my grandmother said to me once, no matter what I've got, my friends always want it. And in this case, I don't think their premium asset, [Cariboo], will go without an acquisition.

We choose our projects carefully. Expandable mine camps in Canada have always had a bid, especially, if they're up and operating. So we have the ability to operate if we have to, if that's the right answer for our shareholders to get value. But we think that the partnership along the way will solve the long-term capacity. So we'll see where we get to.

In terms of gold price, we see that backdrop to all of this, but it's 2 to 3 years of work before we have to make that decision, Mike. We see long term on the gold price, we have assumed \$1,325 in all of our assumptions but obviously at \$1,500 it's a very coveted asset. And I'm pretty sure that once we get the permit and we have a full understanding of the project and the some more success in the exploration bit and we take some more risk off the project, we'll have (inaudible).

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**Michael Jalonen - BofA Merrill Lynch, Research Division - MD**

Okay. And just second question. I know you own 32%. That's a stopping block for anybody who wants to make -- break this up. But I also noticed the average analyst price objective, they're all buys, is \$0.95. So will that encourage another buyer to come up and pay more? Or I'm just -- it seems a bit of a -- you're basically doing a take under versus the market. Just wondering what your view there is.

**Sean E. O. Roosen** - *Osisko Gold Royalties Ltd - Chair of the Board & CEO*

Well, I guess, the very worst scenario, Mike, is that somebody does come over the top and resets the share price for Barkerville and then the value gets daylighted. We're market participants. We can be buyers or sellers if we see a value. So if there is somebody that wants to do that, they'll have to drive value. We've taken a long-term view on the asset. We've been a participant since the -- essentially, since the incubation of the asset in its current format. We have a view on value, and we're there to execute. Everybody else is going to have to do whatever it is they do.

**Michael Jalonen** - *BofA Merrill Lynch, Research Division - MD*

Okay and good luck.

**Sean E. O. Roosen** - *Osisko Gold Royalties Ltd - Chair of the Board & CEO*

All right, Mike. Well, we shall prevail.

**Operator**

Your next question comes from the line of Andrew Kaip from BMO.

**Andrew Kaip** - *BMO Capital Markets Equity Research - MD of Mining, Equity Research & Precious Metals Mining Analyst*

Sean. Look, I've got 2 questions as well. The first one is it sounds to me like your strategies from a long-term perspective is to bring unloved development projects into your fold, nurture them, advance them, get them through key stage gating on the risk profile. And then can you talk to us about what you think is going to take place with this new strategy? Is the intention to be there to assemble project financing? It sounds like it is. Does that desire then extend to own interest in the project as it's going into construction? Or where do you think the monetization opportunity is for Osisko Royalties' shareholders?

And then the second, just a little clarity on how you calculated the premium would be useful as well.

**Sean E. O. Roosen** - *Osisko Gold Royalties Ltd - Chair of the Board & CEO*

Sure. Maybe I'll start with the first one -- the last -- the second one first. We calculated the premium based on a 20-day VWAP on the share prices of BGM and of OR. So we can send you that calculation if you like, but it's a pretty standard Bloomberg VWAP calculation.

**Andrew Kaip** - *BMO Capital Markets Equity Research - MD of Mining, Equity Research & Precious Metals Mining Analyst*

I get that. But the justification for a 44%, it could have been a 60%. I'm just looking for some insight on how you came to that number.

**Sean E. O. Roosen** - *Osisko Gold Royalties Ltd - Chair of the Board & CEO*

Well, I think we have to be respectful of the marketplace in terms of what's there. And we feel that Barkerville shareholders have been long with us for a while now. And if we look at fundamental NAV, this is a -- there's still risk to be taken off the table, and there's still risk of dilution at the Barkerville level. There's further capital required.

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So there is a weighted average there, and we feel in this market a 40% premium compared to Barkerville's 0% premiums is a significant bump in value here. The stock -- Barkerville stock has traded in that \$0.35 to \$0.45 range for a significant amount of time and there's a pending cash call required on the project at this point in time. So we're stepping in there not only to pay the premium but also to pick up the capital requirements over the next 2 or 3 years, while we get this project to the next value point.

So I don't know if that answers your question or not, but we feel that right now 40% premium in OR stock, which is highly liquid, has the ability to re-rate, it's actually giving BGM shareholders just under 10% of OR, allows them to help drive on projects on a go-forward basis that they wouldn't have if they sold it to a larger company and it (inaudible) into the asset base. So where we see it, fundamental NAV and a reasonable premium considering the option, the other option of a market-driven financing to carry on the business of the project.

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### Operator

Your next question comes from the line of Greg Barnes from TD Securities.

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#### **Greg Barnes - TD Securities Equity Research - MD and Head of Mining Research**

Sean, I just want to be clear on North Spirit. Is this going to be a permanent feature of Osisko Gold Royalties? Or is this a vehicle that you intend to spin out into a separate company at some point?

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#### **Sean E. O. Roosen - Osisko Gold Royalties Ltd - Chair of the Board & CEO**

It is set to be a spin out and an independent business that Osisko Royalties will maintain an equity position in. As I said at the beginning, we kind of envision being a 30% to 50% shareholder over the next couple of years as we evolve the accelerator model and we see the level of market participation is on asset or financings as we go through this process.

But as we all know, it's very hard for a single-asset company to maintain financing without significant dilutions throughout this period. And we feel that that's where the value gap is and that's where we think we can earn better returns on royalties and streams, by participating in that area.

But I would refer you to the results of mining transaction as a model, the Victoria model, where we -- the project was shovel ready but nobody stepped up for the project financing and ourselves and our partners at Orion, put up the bulk of the money with Caterpillar doing a traditional financing of their mining suite for \$60 million but the bulk of the partnership was Osisko Royalties and Orion. And in that case, we did harvest our equity and redeployed it with our friends at Orion earlier this year. So we have had a disciplined approach to managing the equity exposure within these transactions. And we leave that 10,000 ounces to our royalty portfolio of 0 cost throughout last year, which I believe was probably the best royalty deal; from an accretion standpoint, no buybacks and just pure-play royalty. I don't think that anybody else has done a 10,000 ounce a year deal in the last 12 months within the royalty space, whereas we have.

So we continue to push hard on optimizing our model and generating significant opportunity by working harder and managing a little more complex business plan than the traditional royalty and streaming companies, but to a much bigger end.

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### Operator

Your next question comes from the line of Brian MacArthur from Raymond James.

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#### **Brian MacArthur - Raymond James Ltd., Research Division - MD & Head of Mining Research**

Sean, I just want to be clear, too. Is the intent going forward to keep the 4% NSR in Osisko Royalties? I realize it doesn't matter now, but when you spin it out, is the intent to keep it? Or is that going to be part -- you might sell that down as part of the financing with private equity as you go forward?



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**Sean E. O. Roosen - Osisko Gold Royalties Ltd - Chair of the Board & CEO**

I think that it might increase, and we'll see what the project financing looks like once we get there. But we are a royalty and streaming company and selling royalties forward is not really our business. We're here -- but -- so our intention, to be clear and concise, is increase our royalty and streaming portfolio by being a participant through Northern Spirit to acquire assets that are in the trough, be the leader and the price setter not the price taker on the project financing and to do that for the benefit of the Osisko Royalties shareholders at superior returns from overseeing the traditional royalty and streaming market [conditions]. So just to be clear, we are a royalty and streaming company with prejudice.

**Brian MacArthur - Raymond James Ltd., Research Division - MD & Head of Mining Research**

I just wanted to make sure. And the second part then, I guess, so you do have the option for the other 1% NSR for \$13 million. I assume you'd probably exercise that then. Does that have to be exercised -- there's no trigger now to do that now? It still sits on the same terms as before?

**Sean E. O. Roosen - Osisko Gold Royalties Ltd - Chair of the Board & CEO**

Well, assuming the conclusion of this transaction, we'll be in a situation to write whatever royalty and streaming deal's appropriate to get the project financing done. I mean that's the goal of this model is to work in the trough, to generate that organic opportunity where we're the price setter, not the price taker.

**Operator**

There are no further questions at this time. (foreign language) I turn the call back over to the presenters for closing remarks.

**Sean E. O. Roosen - Osisko Gold Royalties Ltd - Chair of the Board & CEO**

All right. Thank you, everybody, for the call. We are available. We will probably be at Toronto tomorrow and perhaps in New York on Wednesday and available for calls at any point in time. Any clarifications required, we are more than glad to answer them, but I do want one part of the message for everybody to be clear about: We are here to make shareholders money through running an accelerator company and operating a premium royalty and streaming company. That is our business. Thank you very much.

**Operator**

Thank you. This concludes today's conference call. You may now disconnect. (foreign language)

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