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PRESENTATION

Operator

Good morning. My name is Sherry, and I will be your conference operator today. At this time, I would like to welcome everyone to Sandstorm Gold Royalties Third Quarter Conference Call. (Operator Instructions)

Please be aware that some of the commentary may contain forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. (Operator Instructions)

Thank you. Mr. Watson, you may begin your conference.

Nolan Allan Watson - *Sandstorm Gold Ltd. - Co-founder, President, CEO & Director*

Well, thank you, Sherry, and good morning, everyone, and thank you for calling in to this third quarter earnings call. This morning, Erfan Kazemi, our CFO, is going to walk us through the Q3 results; and then Dave Awram's going to provide us a brief update on a few of the assets. And then as usual, we'll turn it over to the operator for a question-and-answer period.

And if anyone has questions that don't necessarily need to be part of the live Q&A, they can be asked through the web portal, and we'll ensure that each question we get there will get a direct response after this call.

Before we do that, I'd like to provide a brief business update. And at this time, we're going to be walking through a prepared PowerPoint presentation on the web portal. So if you're able to, please turn your attention there now.

From a high-level perspective, our gold equivalent ounces produced this quarter were up approximately 20% over the same quarter in 2018, and we had record production of approximately 17,300 ounces, which, when combined with the increase in the gold price, resulted in over USD 25 million in terms of revenue. This increase in production came from strong results throughout the entire portfolio, including from new assets that we recently had come online, such as Equinox' Aurizona project.

On this next Slide #5, it's encouraging to see the complete transformation year-over-year in our operating cash flow, adjusted for changes in working capital, from over \$11 million in Q3 2018 to now over \$18 million in Q3 2019. What we've been purposely building in Sandstorm is a business capable of generating substantial amounts of free cash flow, and quite candidly, we're excited to see it coming to fruition with record cash flow this quarter.

Over the last few months, most of the questions that we have been getting from investors relate to how we're going to allocate this cash flow going forward, with the 4 main ways that we can allocate as being: number one, more acquisitions; number two, debt repayment; number three,



share buybacks; and number four, dividends. And although it's hard for even me to know how we're going to allocate it on a monthly basis, I do believe, over the next few years, we will be allocating cash flow to all 4 of those options.

Last quarter, I mentioned on our quarterly call that we have taken a brief pause in our share buybacks. And shortly after I said that, the price of gold pulled back and so did the share price of most gold companies, including ours. And when our share price pulled back, we began resuming our share repurchases. You can see from this graph that we have now completed repurchasing nearly 11 million shares, leaving just over 7 million shares remaining to complete our stated objective of repurchasing 18.3 million shares. If our share price were to pull back again, we would not hesitate to step into the market and repurchase shares, and we do hope we can complete this entire share repurchase program. Once this completes sometime next year, we will look at instituting a dividend, and we'll weigh that against potential share buybacks, depending on our share price.

Because our free cash flow is now significant, we believe we can both return capital to shareholders and continue to grow our portfolio of streams and royalties. In fact, during the third quarter, we did exactly that, and we now have over 190 streams and royalties in that number, and it will continue to grow. Our corporate development team is currently quite busy looking at a variety of potential acquisitions, and we're confident that we'll be able to continue to make smart acquisitions that are accretive to our shareholders. And although it's true that gold prices are higher now than they were at this time last year, and therefore, gold mining companies with active operating assets are less likely to sell gold streams and royalties, what we're seeing is that base metal companies are still struggling and looking for streams and royalties and exploration companies, even most precious metal exploration companies are not able to raise enough capital to continue exploring their assets at a reasonable pace. And we're seeing the opportunity to purchase royalties on exciting assets.

Overall, I'm excited with the business that we built, the amount of cash flow that we're now generating, the amount of growth that we have already purchased and we expect to come online over the next few years as well as the acquisition opportunities that we plan on taking advantage of in the future. And so that's the business update.

With that, I'm going to hand things over to Erfan to discuss the quarterly results. Erfan?

Erfan Kazemi - Sandstorm Gold Ltd. - CFO

Thank you, Nolan, and thank you to everyone who is joining us today. On our last quarterly conference call, we discussed a record gold production and revenue for Q2, and I mentioned that I felt that we wouldn't need to wait long before we saw the next record. Well, here we are already. As Nolan mentioned, this has been another record-breaking quarter for Sandstorm in a number of areas.

I'll start by looking at some key financials. So if you could please refer to Slide 8, I'll walk you through a summary of the results. Production for the quarter totaled 17,289 attributable gold equivalent ounces sold, resulting in total revenue of approximately \$25.8 million. This represents a 21% increase in ounces and a 49% increase in revenue when compared to the third quarter of 2018.

The increase in production was partially due to the commencement of commercial production at the Aurizona mine, which was announced back in July. With this project coming online, Sandstorm now has 23 producing assets in its portfolio. Other notable growth factors include the second silver delivery from the Cerro Moro silver stream and an increase in ounces sold from the Santa Elena mine.

In addition to the increase in gold equivalent ounces sold, a stronger gold market throughout the quarter contributed to a record revenue. You'll see in the chart that average realized gold price for the quarter was \$1,491 per attributable ounce. This is the highest average gold price we've seen in over 6 years, and an increase of nearly \$300 per ounce compared to Q3 2018.

On the opposite side of the equation, our average cash cost per attributable ounce increased slightly to \$288 compared to last year. However, this still provided healthy margins of over \$1,200 per attributable ounce, an increase from \$960 per ounce during the same quarter last year.

The last 2 lines show cash flow from operations for the quarter at \$14.3 million, an increase from the previous year, and net income of \$6.2 million. In addition to the revenue increases I've already mentioned, a \$2.1 million increase in gains was recognized on the revaluation of the company's investments, partially driven by the change in fair value of the Americas gold and silver convertible debenture. This was partially offset by \$3.5

million increase in noncash depletion expense and a \$1.4 million increase in cost of sales, primarily driven by an increase in the number of attributable gold equivalent ounces sold.

On the next slide, we have our top 10 producing assets. For the second quarter in a row, Yamana's Cerro Moro mine came out on top. Coming online in April this year, the Yamana silver stream added over 3,000 attributable ounces to our production. This was followed by a close second from Santa Elena at 2,900 ounces. The notable addition here is the previously mentioned Aurizona mine, which reached commercial production in July.

The company has a sliding scale NSR royalty on the Aurizona mine, ranging between 3% and 5%. At gold prices equal or less than \$1,500, Sandstorm's NSR is 3% and at gold prices between \$1,500 and \$2,000, the royalty increases to 4%.

We're excited about this addition of another producing asset from a quality operator. Equinox Gold expects the project to produce 75,000 to 90,000 ounces in 2019. We're also optimistic about the exploration upside at Aurizona, and Equinox Gold has already indicated their focus on exploring various targets to extend the mine life.

Sandstorm's 23 producing assets provide good diversification across our portfolio. This next slide shows how these assets breakdown by jurisdiction. At 51%, the majority of our revenue is coming from North America this quarter, while 35% came from South America and 14% from other countries.

Finally, my last chart shows a summary of results from the last 4 quarters. As you can see, we're trending in the right direction in terms of both production numbers and revenue. We are also seeing a nice upward trend in the gold price, which has contributed to making this another strong quarter for Sandstorm. I believe we are seeing the fruit from a lot of hard work that has gone into building the company over the last several years. And with more projects coming online in the near future, this is certainly an exciting time to be a Sandstorm shareholder.

Based on these financials, I'm pleased to say that we are on track to achieving our guidance and are reiterating our forecast of 63,000 to 70,000 attributable gold equivalent ounces sold in 2019. Our long-term forecast is 140,000 attributable gold equivalent ounces in 2023.

And with that, I'll pass it over to Dave.

David I. Awram - Sandstorm Gold Ltd. - Co-founder, Senior EVP & Director

Great. Thanks very much, Erfan. So in Q2, we had Cerro Moro come online. In Q3, Aurizona has begun. In Q4, we're expecting to see Fruta del Norte pour gold. So Sandstorm has had relatively stable growth over the year and seeing those record sales have been discussed. However, I'm going to discuss a few of the new changes to a couple of bigger projects this quarter.

I'll start with Chapada, which Lundin Mining completed their acquisition of in July. Lundin has wasted little time in outlining the importance of the asset to their future growth. Now focused with copper as a priority, Lundin is improving recoveries and doing more exploration based on really the red metal as opposed to Yamana, who is focused on the gold. It was great news for us as our stream is clearly on the copper from the project. Lundin is ramping up an already aggressive exploration program so they can successfully plan for future production expansion. There is a planned investor trip for November, which will likely provide additional insight as to what Lundin is focusing on in the future. Chapada has been and still remains one of our most important revenue streams.

So on to one of my favorites in the portfolio, Aurizona, where Equinox had their first full quarter of commercial production. Here, they produce primarily from the lower-grade stockpile, but at a throughput rate higher than the nameplate capacity of 8,000 tonnes per day. Q4, we'll see more ore sourced from the main Piaba pit, so a higher grade is expected. Despite the lower-grade material at Aurizona in Q3, all-in sustaining cost was \$1,053 per ounce. So next quarter, we expect the mine to be even more profitable for Equinox.

That's great to hear since they're back to focusing on exploration in the Eastern extension of the property, an area called Tatajuba. This is a 4-kilometer strike length target where mineralization is roughly the same as what they see at the current Piaba open pit. Equinox expects to complete a 6,000-meter drill program here with the goal of a maiden resource in Q1 2020. Personally, I walked this ground as far back as 2009. And I could tell



at that time that Tatajuba was a clear extension of the mineralization just to the east in Piaba, but because of permitting issues, it has sat for almost a decade. The first drilling that Equinox performed and has showed results as good or higher than found at Piaba. So I can't wait to see the first resource from that area.

In addition to exploration at surface for additional open pit material, Equinox is also advancing studies for potential underground mining at Aurizona. So we'll keep our eyes for news on that aspect of the project, too.

For my last project update, I'd like to speak about one of the exploration company Sandstorm is involved with. Sun Peak Metals is a new company with projects in Northern Ethiopia. Although a new company with projects in the Nubian-Arabian Shield, their experience there is nothing but extensive. Greg Davis and his team had been discovering VMS deposits just to the north of the border in Eritrea for over 15 years. The team at Sun Peak was responsible for the discovery of the famed Bisha Mine and the large Asmara project, both of these are greater than 50 million tonne deposits and ranked among the largest VMS projects discovered worldwide in the last 20 years.

The Sun Peak team is at it again, but in a jurisdiction that is far better for costs and taxation in Ethiopia. Over the last 3 years, they've accumulated 4 great properties in the [several rocks] that are not just the same Nubian Shield, but actual extensions of the rock units in which they discovered mines before. Sun Peak has been completing surface work, generating high-priority targets and is now using their tried and trusted discovery methods to come up with new drill targets.

Drilling will begin at the end of 2019 but continue into 2020, and we're really excited to see the results coming in from their team. Sandstorm has purchased royalties on the properties in the portfolio and has ROFRs on future streams and royalties if they are to discover another huge deposit.

So with that, I'll pass the call over to Sherry to begin with the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from John Tumazos with John Tumazos Very Independent Research.

John Charles Tumazos - *John Tumazos Very Independent Research, LLC - President and CEO*

I want to just thank you for your good results, your service to the company, and congratulations on all the good news. I'd like to encourage you to institute a dividend because it will help the market recognize your good performance. Could you give us an update on Hod Maden's regulatory progress, prefeasibility study or other developments?

Nolan Allan Watson - *Sandstorm Gold Ltd. - Co-founder, President, CEO & Director*

Yes. First of all, thanks very much, John. We appreciate it. Hot Maden continues to move forward, and maybe Dave can walk us through and give an update on where they're at.

David I. Awram - *Sandstorm Gold Ltd. - Co-founder, Senior EVP & Director*

Sure. So they're through -- they've been accumulating property in the area. They're going through the permitting process, as we speak, and then working on the feasibility study. So everything is really kind of progressed well. I think we talked about this on the last call. They have submitted an EIA on the idea of permitting the underground concentrate-producing mine. So they are currently working on that with the government. The feasibility studies are well underway. They've established really what the sites will look like, and they've locked in some of the processes. So everything really is on track for that -- for 2020, Q1 2020 to complete the feasibility at this point. So it's really kind of -- it's moving along on the process. It's



kind of not a lot of new news tends to come out for any project that gets to this -- at this time, but it's moving along to the schedule that we've been talking about over the last several quarters here.

John Charles Tumazos - *John Tumazos Very Independent Research, LLC - President and CEO*

If I can ask a second question?

Nolan Allan Watson - *Sandstorm Gold Ltd. - Co-founder, President, CEO & Director*

Go ahead.

John Charles Tumazos - *John Tumazos Very Independent Research, LLC - President and CEO*

Could you give us a flavor for how you monitor the projects you've invested in? And I know you're not supposed to manage the projects. But how you offer suggestions or help? I'm thinking of another company whose call was 2 hours ago that didn't do well. I think they changed out the management, and now it's doing even worse, I mean, at Guyana. And fortunately, you don't have a case study like that. But how do you monitor and help the companies whenever they fall on a rough patch?

Nolan Allan Watson - *Sandstorm Gold Ltd. - Co-founder, President, CEO & Director*

Yes. So it's quite a balancing act that we have because we -- me personally, we want our corporate development team to have access to our technical team for future acquisitions. We're a growth company, we're always growing, and we have limited resources. We have a very high-quality technical team. And so balancing the time and attention of that team between things that we're looking to acquire and offering advice and help to companies where we've already acquired a stream and royalty is a balancing act that we normally do. Because of that, we tend to focus only on helping the companies that we have larger stakes in that are more economic to us. And our team goes through a process of identifying areas where companies are struggling, and we'll do site visits to understand why they might be struggling. Right now, fortunately, the majority of the things in our portfolio are performing very, very well, which is why we're having record quarters. There's not really any problem children in the portfolio that we're actively helping any of our partners on. But in the past, we have had to do that, and we'll do that again in the future. And so I guess, to summarize, we focus on things that are larger and more material for us, and we do it when they start getting into trouble. We offer help to companies. And sometimes they listen, and sometimes they don't. And that's okay.

Operator

(Operator Instructions) Our next question is from [Dick Van Ernen], private investor.

Unidentified Participant

Several observations or questions. Do you do a revaluation -- an asset-based revaluation on a quarterly basis? I've noticed that for the last several quarters and it's had significantly positive impacts on the bottom line in both of those quarters.

Nolan Allan Watson - *Sandstorm Gold Ltd. - Co-founder, President, CEO & Director*

Yes. So we've got a lot of accountants in here, and we would love to answer questions like that on a detailed basis, but we don't want to bore everybody with all the accounting. From a high-level perspective, all of our streams and royalties are held on a historical cost basis in the currency -- the functional currency of the operating subsidiaries. So those things don't move around in their functional currencies. Things in Turkey, for example, Hod Maden does move around because of currency translation adjustments and those changes go through other comprehensive income,



not through net income. The only assets that get mark-to-market are derivatives and other short-term securities. And so we had a little bit of a mark-to-market gain on convertible debentures held in companies like Equinox and Americas Silver, and so that helped net income a little bit this quarter. But the vast majority of our balance sheet does not get mark-to-market.

Unidentified Participant

Got it. I see what's going on with the gold and the sales of gold. What impact did the silver sales have on the bottom line in this quarter?

Nolan Allan Watson - Sandstorm Gold Ltd. - Co-founder, President, CEO & Director

Yes. So the vast -- basically all of our silver sales are from the Cerro Moro stream, and we're getting maximum quarterly deliveries from that stream. And so it was an important contributor to this quarter. But we got the same number of ounces this quarter as we did last quarter, so the records that we received were not because of the silver.

Unidentified Participant

Oh, okay. So that -- the maximum this quarter was the same as it was last quarter and projected to be similar in the future then?

Nolan Allan Watson - Sandstorm Gold Ltd. - Co-founder, President, CEO & Director

Correct.

Unidentified Participant

Okay. And is that Turkey situation, is that pretty vulnerable?

Nolan Allan Watson - Sandstorm Gold Ltd. - Co-founder, President, CEO & Director

We're not seeing any evidence of anything that would negatively affect the project. If anything, things that are going on in Turkey are maybe slightly negatively affecting their currency, which is making it cheaper for our partner, Lidya Madencilik, to operate and get things done. And the feasibility study is on budget and moving forward on time. So we haven't noticed anything but positive effects from what's going on in Turkey so far.

Operator

Our next question is from Cosmos Chiu with CIBC.

Cosmos Chiu - CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst

Maybe just one question for me here. In terms of the overall competitive landscape, Nolan, you talked about opportunities, you talked about development projects, even base metal companies. But I'm just wondering, how would you categorize the quality of some of these opportunities? And then the second part of my question is, when I talk to some of the bigger royalty and streaming companies, it seems like they're coming downsize in terms of what they're looking at. Are you seeing any kind of competitive -- increased competitiveness, competition coming from some of those more -- the bigger streaming of royalty companies? And in the end, what's your sweet spot in terms of what Sandstorm is looking at in terms of deal size?



Nolan Allan Watson - Sandstorm Gold Ltd. - Co-founder, President, CEO & Director

Yes. So I guess I'll answer the last part first. And we are looking at deals anywhere from \$1 million or \$2 million all the way up to several hundred million dollars. And we're looking only at things right now that we can do with our existing balance sheet. We're not looking to raise any equity. But we've got a deal pipeline that's quite full. I guess to answer your question, the first part of the question, we walk our Board through, like we do every quarter, corporate development update and it is about 6 pages long of things that we're looking at and at various stages of conversations. So I would categorize the competition in our industry as fairly high. It's higher than it was 3 years ago. But the other forms of capital that are out there are less available, including equity to those companies. So streaming and royalties is becoming a bigger, bigger important part of how the mining industry finances itself. And so although there are more streaming royalty companies, the need for our capital is even higher than it was a few years ago. So the pipeline is robust. We've grown the number of streams and royalties that we've had every single year in the history of our company, and we don't see, based on our current deal pipeline, not being a problem going forward.

Cosmos Chiu - CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst

For sure. Maybe switching gears a little bit. Now that Chapada is under Lundin's ownership, do you see any kind of potential changes in terms of how we should look at that stream? Lundin is planning to develop the Chapada as more of a primary copper asset. Is there any kind of potential in terms of improvement in near-term copper deliveries under this scenario?

Nolan Allan Watson - Sandstorm Gold Ltd. - Co-founder, President, CEO & Director

I would say that we will expect to get the same amount of copper that we've been receiving going forward for the next few years. There is a maximum number of copper pounds that can be delivered to us under that contract for a finite period of time. And there's a small step down in that copper stream in terms of percentage that we purchase. When that step down happens, the maximums go away. And so I think their increased production will become a good thing for us because when the step down happens, our actual production might be more similar to what we're receiving today, which is a good thing, and it's a very, very long mine life. So we're encouraged to see them investing in both exploration, but also plant expansion, et cetera?

Cosmos Chiu - CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst

Sure. And maybe one last question from me here. In terms of the dividends, you talked about capital allocation, dividend being one of the options out there. I guess it's still fairly early stage, but is there a yield that you're targeting? Some of your competitors out there, they always target, say, a plus 1% dividend yield to make sure that they can appeal to certain investors out there. How would you look at that, Nolan?

Nolan Allan Watson - Sandstorm Gold Ltd. - Co-founder, President, CEO & Director

Yes. I want to be careful not to put the cart before the horse in the sense that the Board has decided to issue dividend, and then they'll have to decide what form they do it in. I think that the discussions that we've had internally so far are more along the lines of what you'd see from a Franco-Nevada or Royal Gold as opposed to trying to get too fancy in calculation mechanisms about how to pay the dividend. And I think the philosophy that Royal Gold and Franco-Nevada had for years was start with a low dividend. It's around a 1% yield. But they've increased it every single year over and over and over again for very long periods of time. And so we want to make sure that when we do start paying a dividend, even if it's not a high yield, it's one that we're confident that we can continue to grow our business or continue to grow our dividend every year.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to management for closing remarks.



Nolan Allan Watson - Sandstorm Gold Ltd. - Co-founder, President, CEO & Director

Well, thanks, Sherry, and thanks, everyone, for calling in to the call today. And as normal, we'll be around here if you have any questions, please give us a call, and hope you have a great day.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time, and thank you for your participation.

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