

## CORPORATE PARTICIPANTS

### **Sean Roosen**

*Chairman & Chief Executive Officer*

### **Elif Lévesque**

*Chief Financial Officer & Vice President, Finance*

## CONFERENCE CALL PARTICIPANTS

### **Dan Rollins**

*RBC Capital Markets*

### **Michael Jalonen**

*Bank of America Merrill Lynch*

### **Michael Siperco**

*Macquarie*

### **John Tumazos**

*John Tumazos Very Independent Research*

## PRESENTATION

### **Operator**

Good morning, ladies and gentlemen and welcome to the Osisko Gold Royalties' Q2 2018 Results Conference Call. After the presentation, we will conduct a question-and-answer session. If you would like to ask a question, please pick up your receiver and please press star followed by the number one on your telephone keypad. Please note that this call is being recorded today, August 13, 2018, at 10:00 a.m. eastern time.

Today on the call we have Mr. Sean Roosen, Chair of the Board of Directors and Chief Executive Officer of Osisko Gold Royalties, and Mr. Bryan Coates, President of Osisko Gold Royalties. I would now like to turn the meeting over to our host for today's call, Mr. Sean Roosen.

Bonjour mesdames et messieurs et bienvenue à l'appel conférence du deuxième trimestre de 2018 de Redevances aurifères Osisko Ltée. Après la présentation, nous procéderons à une séance de questions et réponses. Si vous désirez poser une question, veuillez décrocher le combiné du téléphone et appuyez sur la touche étoile suivi du numéro un. Veuillez prendre note que cet appel est enregistré aujourd'hui, le 13 août 2018, à 10:00 heure de l'est.

Nous avons sur l'appel d'aujourd'hui M. Sean Roosen, Président du conseil d'administration et Chef de la direction de Redevances Aurifères Osisko, et M. Bryan Coates, Président de Redevances Aurifères Osisko. J'aimerais maintenant céder la parole à votre hôte, M. Sean Roosen.

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### **Sean Roosen, Chairman & Chief Executive Officer**

Merci et bienvenue à l'appel conférence du deuxième trimestre de Osisko Redevances.

So we'll be using our PowerPoint that's posted on our website this morning. I'd like to welcome everybody to the second quarter financial results conference call and thank you all for attending. The PowerPoint has a forward-looking statement page in the front of it that I would like everybody to refer to, as we will be making some forward-looking statement in this presentation.

So, as we look forward to the rest of the year of 2018, the second quarter has been a very good quarter for Osisko with over 20,500 GEOs earned, an 89% increase since the second quarter of 2017; cash flows provided by operating activities of \$19.7 million compared to \$14.1 million last year for the same quarter; adjusted earnings of \$3.7 million compared with \$7 million for last year, giving us \$0.02 per basic share; a repayment of \$51.8 million for our revolving credit facility.

We also closed a couple of significant deals, a 5% NSR royalty on Victoria's Eagle Project for \$98 million and the purchase of \$50 million worth of the equity for the company. We also secured a deal with Falco Resources with a senior secured silver stream facility up to 100% of the future silver produced from the Horne property located in Rouyn-Noranda, which currently has a mineable reserve over six million ounces gold equivalent. We also declared a quarterly dividend of \$0.05 per common share. This is a continuation with our dividend policy I believe bringing us to 16 quarters in a row. In terms of where we are for the first half of the year, this brings our deal totals to \$330 million, of which \$99 million has been deployed in the first half of the year, so a very busy year for us thus far.

As we look at the gold equivalent ounces produced, we're on track for our guidance. I'm on page four now. We're looking at 20,000 ounces for this quarter, setting the stage for us to have achieved 40,542 ounces for the first half of this year, looking good for our guidance, which is between 77,500 and 82,500 for 2018.

Production and guidance of GEO is on page five. We expect that the second half of the year should be steady production with increases for 2019 and 2020. Quite a bit

of ramp-up underway in different assets that we're involved in, so we're in a pretty good strong growth curve here. If you look at 2017, we had 58,933 ounces, so we're already, for this year, looking at (inaudible) between 77,500 and 82,500, so pretty fast-tracked growth in the royalty space.

Page six includes the breakdown on an asset-by-asset basis. Canadian Malartic is still leading the chart with 9,000 ounces for the quarter, Éléonore at 1,660 in the gold side. On the silver side, Mantos at just under 1,600 gold equivalent ounces, Sasa coming in stronger than expected at 1,153. On the diamond side we have Renard delivering about 2,900 ounces gold equivalent and in other we had Kwale that delivered about 600 ounces. So, all in all, we remain highly exposed to gold and silver with 15% of our GEOs this quarter coming from diamonds and only 3% from other metals. So, all in all, still very good exposure to gold and silver.

Financial performance, I'm going to hand it over to Elif from here to take you through the financial performance for the quarter.

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**Elif Lévesque, Chief Financial Officer & Vice President, Finance**

Thank you, Sean.

So, as Sean mentioned, we had a very strong growth this year following Orion transaction from last year. So if you look at the revenues, our revenues went up by 79% compared to the same period last year to reach \$32.9 million. And if you look at the net cash flows for operating activities, they also went up by 40% to reach \$19.7 million for the quarter, and this even after an interest payment of \$7.9 million, which covered the periods from November 2017 to June 2018 on the \$300 million convertible debentures which happen actually at the end of June this quarter. And I guess this also reflects the increase in our cash operating margin and our lower G&A this quarter compared to last year's same period.

If you look at the adjusted earnings, they stand at \$3.7 million this quarter compared to \$7.1 million last year, and the main difference really between the two periods is the higher finance expenses by \$5.3 million, which is mainly for the \$300 million convertible debentures and the credit facility.

If you look at the results on page eight, we had very strong operating results. As Sean mentioned, GEOs are 20,506 ounces compared to 10,863 in the same period last year. This actually reflects a 59% increase also in the cash margin. And in terms of that percentage right now, we are at 87%, which is still at a very high level, and this

without taking into consideration the 1% of the cash margin we get from additional of the off-take agreement.

If you look at our financial position, cash and cash equivalents stand at \$188.6 million, and this is after our debt payments that we've done this quarter over \$50 million, the payments that we've done on our Victoria transaction, and the debentures of \$7 million that we closed for Falco. The debt stands at \$419.2 million, and this is on a net basis after accretion and unamortized transaction costs, and our investments stood at \$336 million, and this reflects the fair market value as at June 30, 2018.

So for us, I guess, it was very important to show, in terms of the credit facility you see on page 10, our capacity, which shows the \$450 million that we have on the revolving. And of that, about \$100 million right now is drawn, which still leaves us with an available \$350 million. And I think we're going to continue reducing our debt facility as we generate cash flows from our operations. And if you look at our long-term debt on a gross basis, we've gone from almost \$500 million to about \$450 million this quarter after our payment and I think our goal is to continue reducing our debt position.

Going on to page 11, during the quarter we distributed another \$7.8 million in dividends, bringing the total to date since inception to about \$71 million, and we declared another \$0.05 per share in dividends yesterday.

And with that, back to Sean.

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**Sean Roosen, Chairman & Chief Executive Officer**

Sure. Thanks, Elif.

In terms of the transactions, the big transaction in the first half of the year has been the Eagle transaction from Victoria Gold for a 5% royalty, which will generate somewhere between 8,000 and 11,000 ounces per year of 100% margin gold for us. The project is under construction. We visited site here in July. It's going well under the heap leach operation and it's located with road access, about 45 kilometers north of Mayo in the Yukon, a very good jurisdiction. And I think that we have a pretty good feel that things are moving fast there. Equipment's being delivered and we think that this project is on track to deliver gold in 2019, somewhere in the second half of the year, as we go forward. So this is one that's pretty much in the here now and moving well with very experienced management and EPCM contractors fully deployed on site.

The Horne 5 silver stream on page 13, we obviously know this project quite well. It's located in Rouyn-

Noranda in Quebec, six million ounces of minable reserves at 2.37 grams, looking to build a 15,000 tonne a day plus underground operation here. Feasibility was completed last year and currently in the EIA and permitting process with our partners at Glencore. Good looking numbers in terms of what we're seeing in terms of upside potential there as well. Some strategic items have moved forward in the project. The site has been secured and the school that we had to relocate will be handed over and exchanged some time probably by the end of September as we move forward. So, that project is in good stead and we think that that's going to be a long-term asset with quite a long mine life as well, located right here in Québec. So, a very quality asset and a good exposure for us and that deal that we struck there is incremental deployment, so we're not deploying 100% of the capital on day one. We're doing it on a milestone basis, which I think gives us a significant advantage as we move to these projects.

Page 14, the cash flow assets, strong and North American focused. I won't go through them all here but as we move through the year a lot of these assets are going to ramp up. Renard, Éléonore, Brucejack and Amulsar are all ramp-up assets right now and we're seeing good progress on a lot of them. We also have the Gibraltar stream with Taseko over in British Columbia. We also have a few other assets that are smaller pieces that have been moving well. Island Gold has been a strong performer, better than expected, with Alamos the operator, and we see that moving quite well. San Ramon and Mantos, Mantos is our top performer in South America at this point in time and we continue to see all those assets come along. We have long-life assets that are relatively young in their life cycle, so this is a success, a foundation for success for some time to come.

Page 15 is the near- and medium-term cash flow assets. Again, we won't go into all of them, but we have a 1% royalty on Hermosa, which just got purchased by South 32, (inaudible) process of selling to South32, so that significantly advances that project. Barkerville Gold published a resource, a total resource of 3.7 million ounces with 1.6 million ounces being measured and indicated in the second quarter, so that's moving forward. Victoria we've already covered. Falco we've already covered. We also have a 2% royalty on the Upper Beaver project, which was consolidated when Agnico purchased the other 50% of it from our friends at Yamana. Windfall Lake has been a strong performer with some quite strong discovery and ongoing discovery as we look forward to that one. Underground test mining is underway there and we've stuck about 1.6 kilometers of ramp down to a vertical depth of just under 200 meters already, so moving forward on that one as well. Some of the other ones, obviously, we know pretty well. Odyssey North and South, the Canadian Mine site, that is moving well and

sets the stage for continued mine life at Canadian Malartic.

Page 16, 104 assets in North America, 9 in South America, and then up to a total of 136 assets spread out around the rest of the world, with most of our assets being North American-based. So a summary: 137 royalties in total, 5 cornerstone assets, 19 of them in production, paying a dividend right now of in excess of 1.6%, dominantly precious metal-focused in North America and looking forward to hitting our guidance for the year of between 77,500 and 82,500.

Our equity book stands at \$336 million, our cash on hand is \$188.6 million, and our available credit at \$450 million, bringing our available capital for deployment over \$900 million in assets available for us to work with as we continue to build out this business.

We are very happy with the results thus far. This is year four for us. We just celebrated our fourth anniversary as a company in June of 2018. So, pretty strong progress and we continue to see lots of opportunity for us and having done over \$330 million already this year it's already been a big year. So we'll see where we go from here.

On that note, I'd like to thank everybody for the call and open it up to questions.

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## QUESTION AND ANSWER SESSION

### Operator

Your first question, votre première question, comes from the line of Dan Rollins with RBC Capital Markets. Go ahead, your line is open. Votre ligne est ouverte.

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### Dan Rollins, RBC Capital Markets

Thanks very much. Sean, I'm just wondering if you—a couple of questions for me, but just on the first one, can you confirm if in the 2018 guidance on gold equivalent sales/production how much is in there for Amulsar this year?

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### Sean Roosen, Chairman & Chief Executive Officer

I don't believe we included anything in this year.

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### Dan Rollins, RBC Capital Markets

Okay. Perfect. And then just more bigger picture, now that you've had sort of the Orion package in the fold for a few quarters, and I know it's still pretty early given the long-lived nature of some of those assets, but which assets have been sort of performing better than expected and which ones have you been a little bit more disappointed in?

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**Sean Roosen, Chairman & Chief Executive Officer**

I don't think that there's too many surprises for us in the mining industry. We've been around a while. We knew we were purchasing a fairly young portfolio of ramp-up assets, so nothing's really surprised us. Some things have disappointed us and we celebrate what goes well and you hope for the best for the rest.

Sasa has been a good one, Seabee's been good, and Stornoway has been performing relatively strongly for us. So we've had, you know, there are some issues to sort out at Stornoway but it's one of our top performers in terms of gold equivalent ounces for us right now. I think that the evolution at Pretium, as you know, we've always had that as a wait and see. The company does want to buy that stream back so we've included that as just cash back. We haven't put that in our long-term forecast at this point in time but they've been relatively strong last quarter and we continue to see good progress on the mine development there. Mantos has been quite strong and we continue to see good progress on that asset. It's not one that a lot of people know much about. It was previously an Anglo asset but the Orion team has gone in there and really had very good success at evolving that asset.

So we're quite happy with most of those and we knew 2018 and 2019 were ramp-up years, so we continue to have a patient hand and support where we can. Our goal is always to support these projects. We're experienced miners and we know that, in the mining industry, there's always something to fix. So that's our job and we're eyes wide open.

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**Dan Rollins, RBC Capital Markets**

Okay, perfect. And then on the opportunity set, what are you seeing out there? Obviously, we've seen share prices pull back here for the precious metal space, gold's come off, hovering at just over \$1,200 now. Are you seeing more opportunities coming through the pipeline? And, if so, what does the competition for those opportunities look like? And that's it for me. Thanks.

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**Sean Roosen, Chairman & Chief Executive Officer**

I think Victoria's a pretty good indicator of the stuff that we're seeing out there. I mean a fully-permitted project in the Yukon, we're able to team up with Caterpillar Finance, Orion, and put together a package to get that project fully financed. So that's, you know, last money in kind of best-case scenario where we like the jurisdiction and a lot of the engineering and permitting issues are taken in hand. So that's been a really good one for us. In an uptick market that might have been a harder deal, but the reality is there's not that many allocations of capital coming out of the equity space right now. So we're pretty busy and we're seeing quite good competition, mostly from private equity on the project finance side.

On the exploration side and development side, there's less competition because there's less people wanting to get involved in exploration assets, so we're picking our partners extremely carefully on exploration but we are still doing some chip chop on the assets that we have a strong belief system in on the exploration side. So we're seeing quite a bit there and those are smaller bets so they're not, you know, they're really things that are going to have a short-term effect on us but they do set the stage for the future.

We're working short term, medium term, and long term, but it's a very good sign to be a royalty and streaming company and to be trying—we're still dominantly trying to focus on the Canadian and North American assets and we work pretty hard at that piece of business and that's kind of where we're hanging around right now.

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**Dan Rollins, RBC Capital Markets**

Good. Thanks. Enjoy the long weekend.

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**Operator**

Your next question, votre prochaine question, comes from the line of Mike Jalonen with Bank of America.

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**Michael Jalonen, Bank of America Merrill Lynch**

...with Falco and the stream there. What would be the next incubator company you might get a stream on? Would that be Windfall? Just curious.

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**Sean Roosen, Chairman & Chief Executive Officer**

Mike, I don't mind making forward statements, but I won't go that far. No deal's ever done 'til it's done. But obviously, providing capital to projects that are moving

forward that have a near-term opportunity to attain production is goal one. But we're seeing quite a few things that are starting to move, permits are coming together, and we're going to stay focused, as I say, trying to be dominantly Canadian and dominantly in brownfield camps where we can, where we understand the game, but I won't give you any specifics today.

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**Michael Jalonen, Bank of America Merrill Lynch**

Okay. Thank you.

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**Operator**

Your next question, votre prochaine question, comes from the line of Michael Siperco with Macquarie.

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**Michael Siperco, Macquarie**

Thanks. If I'm not mistaken, it looks like the share buyback activity dropped off a little bit in the second quarter. Could you talk a little bit, I guess, about your thoughts on that and maybe more broadly how you look at the valuation versus your peers versus the sector and any commentary that you might have around that?

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**Sean Roosen, Chairman & Chief Executive Officer**

Yes, this quarter we elected to really focus on the debt theme, repaying the debt, so that was our priority for this quarter. We'll examine it on a quarter-by-quarter basis. It is an ever-changing equity market, as we all know, so we're trying to size up what's going on in the equity space, as are a lot of people. But, at the end of the day, we run a pretty good business based on cash flow and assets and we'll deal with equity at the appropriate time. But we're not committed to any particular strategy given the volatility of the markets. If we see an opportunity where we feel that the repurchase of shares is the appropriate step, we will act. If you know our history, we always have an NCIB in place with most of the companies we're involved in for special events. Right now I think we're sizing things up and we'll see how we go but, for us, we've been able to deploy capital at some good projects and we were able to pay back \$51 million on our revolver, so I think that was a pretty good act for the quarter.

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**Michael Siperco, Macquarie**

Okay, great. Thanks, Sean. Appreciate it.

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**Operator**

Your next question, votre prochaine question, comes from the line of John Tumazos with John Tumazos Independent Research.

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**John Tumazos, John Tumazos Very Independent Research**

Congratulations and good morning. Thank you. If the gold price stays lousy or falls another \$100 and lots of good opportunities drop in your lap because the other small companies, gold companies, can't raise money, what are your plans to take advantage of those good opportunities, Sean?

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**Sean Roosen, Chairman & Chief Executive Officer**

Well, as we said in the call, we have more than \$900 million of free dollars in our company right now for royalty and streaming companies. Providing capital is our business. We try to do it at the bottom of the market, so we're very active right now in terms of identifying opportunities. It's extremely busy times for us and this is when royalty and streaming companies do their work. So we'll be there to provide capital and to provide support for companies that want to keep moving forward. As we know, these projects are longer term. The day-to-day gold price gets taken into effect but, at the end of the day, typically speaking, from discovery to permit and construction tends to be about six or seven years now, so we take a slightly longer-term view of the project cycle and we try to deploy at the right time so that we earn a return for our shareholders.

We had a very good time in 2015, which was our first big year for Osisko Gold Royalties. We did the Virginia deal and we continued to move forward. 2016, the second half, we saw the market strengthened. We didn't get too many deals done but we were able to build from the success of 2015 and for the first half of 2016 we were able to incubate Osisko Mining, Barkerville Gold, Falco Resources. So we continue to stay on our accelerator strategy, John, and to be there not only to provide capital but also to provide technical and financial support to the company to get into the asset, because we don't really want to just own royalties and streams on things that don't get built. We need these things to go on to production. So that's kind of our focus, is we want to make sure that we're there for the whole cycle.

**John Tumazos, John Tumazos Very Independent Research**

Thank you, Sean.

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**Sean Roosen, Chairman & Chief Executive Officer**

John, they didn't mention that you were very independent on that name announcement, so I'll just clear that up for everybody.

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**John Tumazos, John Tumazos Very Independent Research**

Thank you, Sean.

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**Sean Roosen, Chairman & Chief Executive Officer**

All right. Thank you, everybody, and have a good weekend. Thanks for taking time on a Friday to call. I really appreciate that. And give us a call if any other questions come up. We're not on vacation.

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**Operator**

Ladies and gentlemen, this concludes today's conference call. You may now disconnect. Ceci met fin l'appel conférence d'aujourd'hui. Vous pouvez maintenant raccrocher.

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