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Royalty, streaming appetite continues to grow

In this excerpt from our Global Finance Report 2021 we have focused on our Alternative Financing chapter, with a particularly close eye on an enlarged royalty/streaming sector.

The full report covers capital raisings, stock market ratings/comparisons, global equity returns and investor sentiment, and it is worth recapping at least the capital raising elements in order to give the following pages greater context.

Year-on-year, the most recent 12 months under review looks like a breakout year for the resources sector, even in the context of consistently positive year-on-year growth in the past four years.

Though the number of initial public offerings was flat, the aggregate value of those raisings doubled to some US$460 million. The secondary market showed better improvements, still. The number of deals was up 21%, while the aggregate value of those deals was a remarkable 75% richer at $17.5 billion. Mining equities also outperformed the broader markets.

Given this performance from one of the two traditional finance sources (alongside commercial debt), one might have expected alternative financing sources to have therefore struggled – these firms historically prosper as the backers of last resort, thriving when preferred (read: cheaper) finance has dried up.

But this has not been the case.

We asked a collection of alternative financiers from the royalty/streaming and private equity/alternative banking sectors for their experiences in terms of deal volumes over 12 months to get a feel for how much capital they were pushing into mining and what that might tell us about the financing environment.

The general consensus was deal making opportunities were increasing. COVID-19 had a huge bearing and given rise to a set of market conditions – not a least a soaring gold price – which in turn had created increased opportunities for alternative financiers.

Our executive interviewees mostly agreed development financing opportunities were a central feature of the market, though much more brownfield-focused than greenfield, as early-stage exploration remained a struggle.

Meanwhile, the continued resurgence of traditional financing was seen as complementary. A balanced capital structure comprising several forms of finance was ultimately preferable. Alternative finance firms were not trying to be the sole capital provider – they had neither the desire nor capacity.

This optimistic view from the alternative financing sector suggests two things to us. First, equity markets, while on a tear over the past year and well clear of their nadir half-a-decade ago, are still well short of their most generous – some 10-15 years ago during the Super Cycle. This has meant royalty/streaming and private equity/alternative banking have had no shortage of opportunity.

The other factor is 'alternative finance' is nowadays a misnomer. As you'll read in interviews with the royalty/streaming sector's leading executives over the following pages, their conversations with industry have changed markedly over the past decade or so.

No longer are these financing firms having to explain how a stream works – the industry gets it. Today, royalties and streams are part of the first finance-related conversations executives have. In fact, the royalty/streaming space has enlarged and so the number of firms to consider has grown. The royalty/streaming sector now looks like a microcosm of the resources industry itself, in respect that there is a junior end of the industry that is intensifying competitiveness.

From the half-dozen listed firms being tracked in our initial publication of this book four years ago, we're today reviewing 16 firms. Though not all have the capacity to offer meaningful streams that require greater balance-sheet clout, all are moving in that direction.

As important as they are as a deepening pool of finance, they also have an investment function – only two saw negative returns over the period, with six of the firms registering plus-50% share-price appreciation, and one group netting an improvement of more than 200%.

This is without doubt, a sub-sector of industry that will continue to grow in importance.

Discussion

Have you seen deal opportunities increasing or decreasing over the last 12 months?

We asked a collection of alternative financiers from the private equity/alternative banking and royalty/streaming sectors for their experiences in terms of deal volumes over the 12-month period leading into the end of October to get a feel for how much capital they were pushing into mining and what they might tell us about the financing environment.

The responses reflected much the same as we saw last year: the general consensus was that deal making opportunities had increased. Market conditions spurred by COVID-19 clearly had a huge bearing, though it must be said that some took a little more convincing than others.

The virus has created a demand and supply shock that has put the mining sector under extreme pressure. Banks have been more reluctant to provide capital to the mining sector amid the tumultuous global financial backdrop, and industry players have desperately sought alternative sources of funding.

"We've seen a number of refinancing of companies with projects that have suffered from the operational impacts of COVID-19," Mark Sawyer, senior partner at Greenstone Resources, said. "There has been a steady flow of opportunities."

Sandstorm Royalties' Nolan Watson agreed that the last 12 months had been "fairly steady" in terms of deal flow and noted the market had seen an increasing number of new potential opportunities as COVID-19 incited the need for additional project financing other than equity such as streams, royalties debt and more.

Anglo Pacific executive director and chief executive officer, Julian Treger, said that opportunities were increasing as a result of the royalty and streaming model generally becoming more "acceptable", not least amid a dearth of equity financing availability for commodities other than precious metals.

Osisko Gold Royalties president and CEO, Sandeep Singh, added: "We have definitely seen an increase in opportunities over the course of the year.

"The gold price and the heightened level of interest in the sector, has moved certain projects into the development pipeline and afforded new financing opportunities," Singh said.

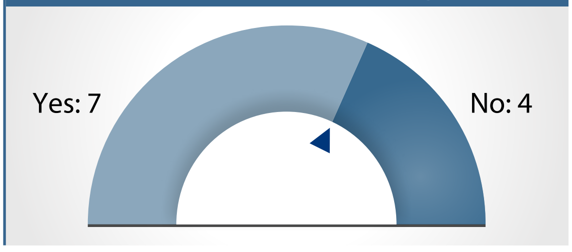
On the other hand, some executives were less persuaded that opportunities had risen over the last 12 months, demonstrating that COVID-19 might be something of a double-edged sword for the industry.

One of our Australia-based PE executives said it was his view that opportunities had decreased and in fact cited COVID-19 as the key catalyst: "The inability to travel and attend conferences and events where we tend to learn of opportunities has slowed us down," he said.

Richard Crookes, managing partner at Lionhead Resources, agreed that COVID-19 had played a key role in what he saw as a decrease in deal flow over the last 12 months.

"With COVID-19 and so forth, M&A has been slower, we've seen fewer corporate deals and alternative finance comes into play where new management teams try and acquire divestments," Crookes said.

Are opportunities increasing?

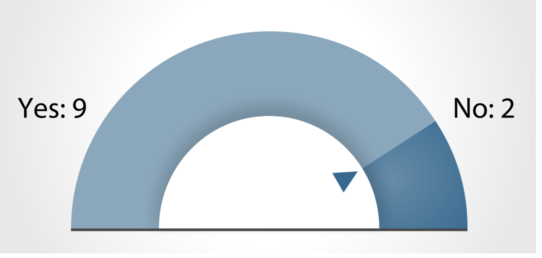


Are you seeing an increasing number of brownfield and/or greenfield development financing opportunities?

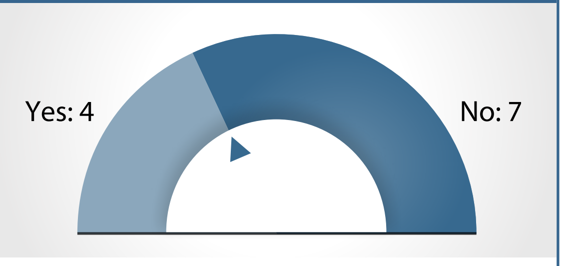
Similar to last year, the general consensus among the alternative financing executives was development financing opportunities in the current market were much more brownfield-focused than greenfield, with current market conditions steering financiers in this direction.

Early-stage exploration, our executives maintained, continued to take the hit that it has done over the past decade as corporates struggle to access the equity capital markets.

Are you seeing an increasing number of brownfield opportunities?



Are you seeing an increasing number of greenfield opportunities?



"The truth is the duress of exploration equity finance in the last 10 years has constrained the global supply of new discoveries and financing opportunities," Rick Rule, president and CEO of Sprott Global, said.

As with last year, our executives claimed this continued dearth in available exploration spend had led to an increased "bias" – in the word of Wheaton Precious Metals president and CEO Randy Smallwood – towards brownfield development financings which, in today's market, found themselves once again as "in the money".

"When prices go up, projects which were previously shut down for economic reasons become economic again at today's prices," Sandstorm's Watson explained.

Crookes concurred: "Restarts and/or expansions looking for finance are linked to rising commodity prices and the desire to keep development capital costs low."

He added that it was exactly these types of opportunities that were replacing larger, corporate deals in the current market.

On the other hand, our Australia-based PE executive also stressed the continued trends in the exploration space and market conditions meant current opportunities were largely geared towards the brownfield space.

It was clear our interviewees by and large considered there to be lack of greenfield opportunities, however a few admitted gold was an exception to this rule and

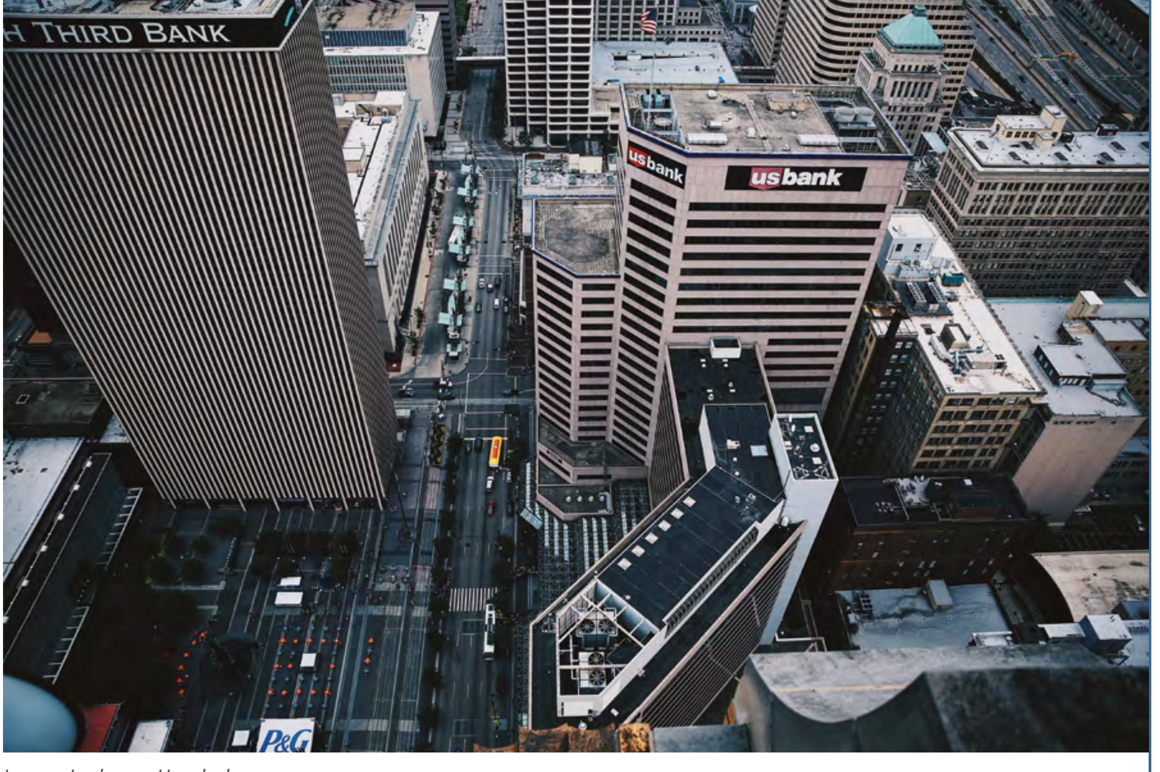


Image: Jordan on Unsplash

even those who believed that greenfield exploration opportunities might have in fact increased admitted these were largely driven by the precious metals space, boosted in turn by favourable market conditions.

"The only greenfield exploration opportunities out there at the moment are in the gold sector and, even then, only in the lowest-risk jurisdictions like North America," Lionhead's Crookes said.

Does the continuing rise in gold price bring in more competition for financing positions from public equity markets?

The resounding view of our executives: yes, a rising gold price has ignited competition from traditional finance for the most part.

"Certainly, with gold deals there's a lot more capital that's come back into the gold space for obvious reasons and there's a lot more funds looking at gold," Greenstone's Sawyer acknowledged.

On the other hand, interviewees were keen to stress this competition was not necessarily a predicament for alternative financiers and in fact presented a host of opportunities.

Firstly, there is a consensus that financing arrangements in the mining sector are most effective when they represent a type of three-legged stool: equity, debt, and alternative financing.

"We actually aren't seeing deals getting done all-equity, for the most part", Sprott's Rule said.

"We are seeing most developers wanting to utilise the whole financing stack – some equity, some debt and perhaps some royalty/streaming capital."

Osisko president and CEO Sandeep Singh also explained there was a view held by some in the alternative finance space that perhaps too little equity was being used as a financing tool for new mining projects over the last couple of years, which has led to an overreliance on debt and streams.

"A bit more equity in the mix is good for everyone," Singh said.

Franco Nevada Corporation president and CEO, Paul Brink, gave an honest appreciation of the fact that alternative finance was not necessarily trying to be the 'be-all or end-all' in getting an asset near production, and helped mitigate expectations placed on non-traditional financing tools.

"When you've got a strong equity market, it often does displace stream financing. We're not trying to be all the capital and building a new mine we won't be part of it so you do need there to be some equity capital available."

Wheaton's Smallwood also stressed cause for alternative finance firms to remain relatively unperturbed by increased volumes of traditional capital amid rising commodity prices.

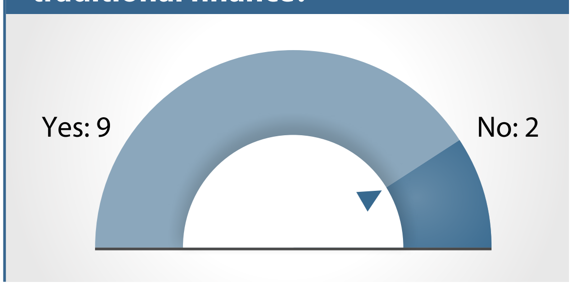
"It always seems like there's an abundance of capital when the market is at or near its high and that naturally makes us a little less competitive," Smallwood explained.

"That's actually a good thing; it's not the time to be making investments – we don't have a consistent deal flow, we try focus our deals when commodity prices are low and we try harvest when commodity prices are high."

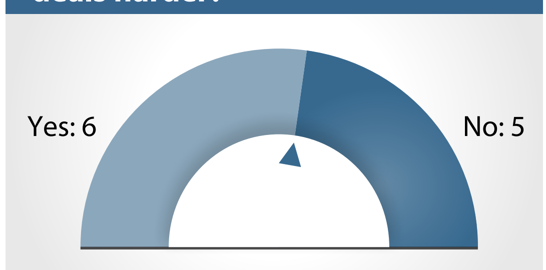
Has the rising gold price made deals harder to close?

This year, the response to this question was much more of a 50:50 split compared to the last report where most respondents believed gold prices had made deals harder to close.

Have gold prices reignited traditional finance?



Have gold prices made closing deals harder?



Importantly, we also said last year that the improvement in gold prices could potentially prompt mining executives bullish on precious metal pricing to expect financiers to model inflated prices. 12 months on, the responses from our executives suggest this has been the case – to a degree.

A number of executives said that the rising price environment had created set of circumstances where competition for capital was more rife – not only in the alternative finance space but in the equity markets too – which ultimately pushed the pricing of deals higher.

However, others said that despite inflated deal pricing, this did not necessarily mean transactions were harder to close. Far from it, according to Sprott's Rule, "simply because the volume of transactions has increased so much".

The truth is that there is so much demand for production finance as a consequence of higher usable price decks that I would say deals haven't been tougher to close," Rule said.

"It's competitive but the demand for finance is pretty stout."

Greenstone's Sawyer added that so long as current levels of demand remained, there would be ample chance to seal the deal.

"A lot of market participants are looking at near-term production, while emerging markets have been neglected for a number of years now so there's still plenty of opportunity for much-needed deals to close."

Alternative financiers in the precious metals space also suggested they were finding most market participants were generally accepting of transactions at the long-term average gold price.

"At the moment, analysts predict this will be $1,500 per ounce," explained Sandstorm's Watson. "We're finding that most people are happy to transact at this sort of level."

Other players admitted the rising price environment had created opportunities in the development space – especially in terms of brownfield opportunities.

"We have closed on two investments," explained Appian Capital Advisory's CEO and founding partner, Michael Scherb.

"The one investment concerned the restart of a gold mine and we saw an opportunity created for us in the sense that the rising gold environment

Image: Sabrinna Ringquist on Usplash

enabled a mine to be brought back online rather than us required to compete for capital in a highly competitive market."

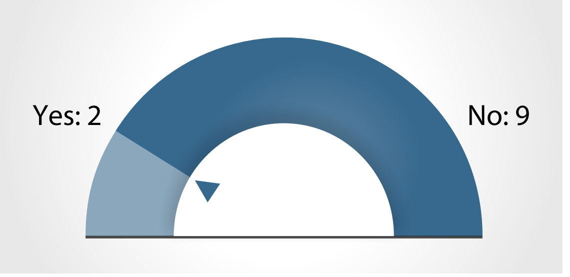
Is the lack of traditional finance placing too much burden/risk on alternative finance firms?

The overwhelming consensus in response to this particular question was yes, there is a lack of traditional finance but, no, it was not necessarily placing too much burden/risk on alternative financing firms.

If anything, according to our executives, the void left by public equity and commercial debt had left an opportunity both in terms of alternative financiers filling that gap, and also demonstrating such firms had ample capacity to do so, while becoming increasingly indispensable as capital providers. As Sprott's Rule explained, "the alternative finance

> "The gold price, and the heightened level of interest in the sector, has moved certain projects into the development pipeline and afforded new financing opportunities"

Is alternative finance overburdened?



industry was born out of a need for extra forms of capital over the last decade."

Some of our executives emphasised how forms of alternative finance can even trump the attraction offered by traditional finance.

"Streaming, for example," explained Wheaton's Smallwood, "has some unique advantages over the traditional finance package in that we are equity partners.

"We supply more capital, a larger portion of the capital than the percentage of the revenue we take away which always dramatically improves the rate return for the shareholders.

"That's what shareholders are demanding in todays' world – a better return on their invested capital. It's what the stream does naturally."

In turn, Lionhead's Crookes said with commercial debt providers largely disappearing from view, perhaps due to the regulatory environment or a lack of capacity to finance single assets, there existed a "fantastic opportunity" for alternative debt financiers (like Sprott or Taurus), combined with royalty and streaming options, to position themselves as alternative sources of capital.

"It also means these firms can be more selective," Crookes added.

However, there were those executives who admitted capital starvation in traditional finance may have

> "We are seeing most developers wanting to utilise the whole financing stack – some equity, some debt and perhaps some royalty/streaming capital"

cause to become burdensome for alternative financing approaches.

"There is still a lack of traditional finance even though the equity markets have started working," Sandstorm's Watson said.

"The amount of debt and equity that's required for our industry to function is more than what's currently being allocated."

Osisko's Singh added: "As a capital-intensive business, mining certainly requires a healthy equity market if we want to see new projects come online.

"In recent years there has been too little equity used to finance new mining projects which has led to an overreliance on debt and streams."

Have you become more aggressive in your approach to exploration/immature opportunities?

This year we saw less of an equal split between respondents as most confirmed they had not necessarily become more aggressive in their approach to exploration and/or immature opportunities.

Royalty players sitting on this side of the fence, such as Franco Nevada, suggested this was down to a preference of placing their involvement in assets closer to cash-flow or at least "shovel-ready", while others including Wheaton flat out stipulated they do not tend to take on the risk associated with exploratory opportunities.

Private equity respondents like Denham Capital's Bert Koth suggested the issue from their perspective was the risk profile of an exploration asset and velocity of capital.

"Private equity typically needs to see an asset make money in five to six years, and not longer," he said.

"The earlier stage you become involved, the longer the investment period and investors want to realise returns sooner rather than later."

However, other alternative financiers suggested that approaches to exploratory opportunities much depended on specific elements such as the commodity and jurisdiction in question.

"We see gold exploration opportunities gaining some attention and traction at the moment, but we must remember that gold mines are low capital intensity with shorter pay-back period," Greenstone's Sawyer said.

"On the other hand, base metals are much more complex and during COVID-19 in particular we've seen, for example, permitting and regulatory bodies not being able to meet as they normally do so this is a inevitably a set-back for a project's trajectory and the due diligence process especially."

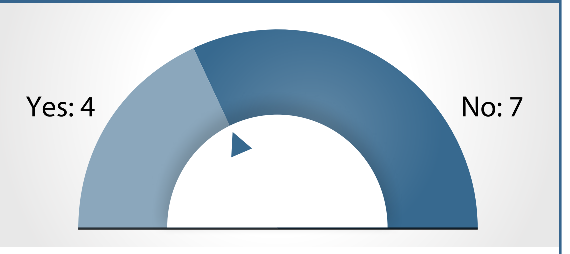
For other players like Sprott and Osisko, however, it was more a question of maintaining a balanced approach after a good run at seeking exploration opportunities during the bear market and facing down emerging competition for the exploration space.

"Osisko invested significantly in growth over the past six-year downturn," Singh said.

"We boast the highest organic growth profile, with the ability to more than double production through assets we have already paid for.

"Given this dynamic, we aren't looking to become overly aggressive with either asset stage, reduced asset quality or increased jurisdictional risk. We will remain disciplined and seek higher-quality, higher-return opportunities to add to our internal growth."

Are you more agressively looking to exploration?



Appian is one firm which has admitted to seeking out opportunities a year or two earlier than they otherwise might, "but only because we've seen a lack of exploration in the sector," said Appian's Scherb.

The PE executive also stressed that the unique asset of having in-house expertise has allowed the financier to take a differential view on earlier-stage projects compared to the market which, being non-technical in many respects, Scherb said, has struggled to value early-stage assets appropriately.

Image: Sabrinna Ringquist on Unsplash

Deal data

Methodology

This chapter focuses on a sample group of the six largest royalty/streaming firms: Franco-Nevada, Osisko Gold Royalties, Royal Gold, Sandstorm Gold Royalties, Wheaton Precious Metals and Anglo Pacific Group.

We compiled the data by sifting through company news releases and quarterlies and speaking directly with the firms themselves. **We only considered deals that resulted in companies being financed, as opposed to secondary royalty deals not involving the mine/project owner.**

The charts in this section of the chapter show deal volumes and values from October 1, 2019 to September 30, 2020, compared against the previous 12-month period (recorded in last year's *Global Finance Report*).

In order to make a like-for-like comparison, we made one revision to last year's data. Cobalt 27 Capital and its single US$4.5 million deal from last year were removed after the firm was acquired by privately held Pala Investments.

"Year-on-year, deal value was down 18%, and the average deal fell from $58 million to $32 million"

Results and discussion

In last year's report, we noted that deals fell to seven (six when excluding Cobalt 27 Capital – see Methodology above) from 20 the previous year. There was slightly more activity this year, with a total of nine deals completed by the royalty and streaming companies surveyed.

Year-on-year, deal value was down 18%, and the average deal fell from $58 million to $32 million. However, there were two $100 million-plus deals this year compared to just one (for $212 million) last year.

Image: Franco-Nevada

Image: Royal Gold

Wheaton Precious Metals' announcement of a precious metals purchase agreement for Caldas Gold's Marmato project in Colombia, worth $110 million, was the biggest deal of the year, accounting for 39% of total deal value. The deal saw Wheaton acquire 6.5% of gold production and 100% of silver production until 190,000 ounces of gold and 2.15 million ounces of silver have been delivered, after which the stream drops to 3.25% of gold production and 50% of silver production for the life of mine. Under the proposed stream, Wheaton will pay a total cash consideration of $110 million, $38 million of which is payable upon closing and the remaining portion of which is payable during the construction of the project.

The other major deal was Franco-Nevada's agreement with SolGold to acquire a 1% net smelter royalty on all minerals produced from the Alpala copper-gold project in northern Ecuador for $100 million.

Royalty/streaming deal volumes and value*

	Deals to September 30, 2020	Deals to September 30, 2019	Deal Δ	Deal Δ%	Value of deals to September 30, 2020 ($ millions)	Value of deals to September 30, 2019 ($ millions)	Deal Value Δ ($ millions)	Deal Value Δ%
ANGLO PACIFIC GROUP	1	1	0	0%	20	50	-30.25	-60.2%
FRANCO-NEVADA	3	1	2	200%	109	14	95.12	695.3%
OSISKO GOLD ROYALTIES	1	2	-1	-50%	42	32	10.00	31.3%
ROYAL GOLD	0	1	-1	N/A	0	212	-212.00	N/A
SANDSTORM GOLD ROYALTIES	3	1	2	200%	5	43	-37.40	N/A
WHEATON PRECIOUS METALS	1	0	1	N/A	110	0	110.00	N/A
SECTOR AGGREGATE/ AVERAGE	*9*	*6*	*3*	*50%*	*286*	*350*	*-64.53*	*-18.4%*

**Only deals resulting in financing for an asset included*

Royalty/streaming deals

ROYALTY/ STREAMING FIRM	Owner	Property	Location	Commodity	Structure	Value ($ millions)
ANGLO PACIFIC GROUP	Incoa Performance Minerals	Incoa Project	Dominican Republic	Calcium Carbonate	GRR	20
FRANCO-NEVADA	SolGold	Alpala Project	Ecuador	Copper-Gold	NSR	100
FRANCO-NEVADA	Gold Fields	Salares Norte Project (Rio Baker)	Chile	Gold-Silver	NSR	5
FRANCO-NEVADA	Noront Resources	Eagle's Nest Project	Canada	Nickel-Copper-PGM	GRR	3.8
OSISKO GOLD ROYALTIES	Private Party	San Antonio project	Mexico	Gold-Silver	Stream	42
SANDSTORM GOLD ROYALTIES	Omai Gold	Omai Gold Mine	Guyana	Gold	NSR, Equity	1.5
SANDSTORM GOLD ROYALTIES	Columbus Gold	Maripa and Rhea Gold Project	French Guiana	Gold	NSR, Equity	1.9
SANDSTORM GOLD ROYALTIES	Pacton Gold	All the company's properties	Canada, Australia	Gold, Uranium	NSR, Equity	1.7
WHEATON PRECIOUS METALS	Caldas Gold	Marmato Project	Colombia	Gold-Silver	Stream	110

Source: Company announcements

NSR = Net Smelter Royalty; GRR = Gross Revenue Royalty

The Alpala project is owned by Exploraciones Novomining, which is held 85% by SolGold and 15% by Cornerstone Capital Resources Inc. SolGold has the option to increase the size of the transaction to $150 million for a 1.5% NSR until January 11, 2021 and also has the option to buy-back 50% of the NSR for a period of time. As part of the royalty arrangements, Franco-Nevada agreed to contribute $150,000 per year for three years after closing to one or more of SolGold's local Ecuadorian environmental and social initiatives. SolGold agreed to match or surpass such annual funding.

Image: Osisko Gold Royalties

All this year's deals involved projects in the Americas, although Sandstorm Gold's $1.7 million deal with Pacton Gold covered projects in Australia as well as Canada. The deal concentration is clearly a function of the mostly North America-based firms' areas of comfort, although Anglo Pacific Group – the one company in our sample group based in the UK – did complete a gross revenue royalty agreement involving a project in the Dominican Republic.
As the royalty/streaming model gains acceptance and understanding, we would not be surprised to see the emergence of firms based outside the Americas, which would likely to be more comfortable with deals in a broader set of geographical areas.

Royalty & streaming firms as investments

Royalty/Streaming firms represent a growing source of finance for development, mining and, to a lesser degree, exploration companies, but they are also mining investments in their own right. They represent an insulated layer, one-step back from the coal-face, as it were – an opportunity to gain leveraged exposure to commodities without investing directly in mining companies. This has made them attractive in a risk-off environment where investors still acknowledge the opportunity for commodity-price growth underpinned by a cyclical lack of investment.

The combined market capitalisation of the seven royalty & streaming firms surveyed in last year's report (see Methodology in previous section) was $52.05 billion on November 25, 2020, with an average 12-month return of 26.1%.

We added an additional nine emerging royalty & streaming firms to the survey this year, ranging from market values of $696 million (Maverix Metals) to $44 million (Trident Royalties). This group outperformed the majors, with an average 12-month return to November 25, 2020 of 80.43%.

> "If royalty/streaming companies are to continue their good performance, gold and silver must continue rising – otherwise an increase in the number of deals may be needed to save the day"

Given the continued dearth of direct transactions (but not necessarily of transactions with third parties for existing royalties and streams, something which Metalla, for example, has in high volumes), the higher year-on-year performance can be put down largely to higher precious metal prices, to which most of the royalty/streaming firms are leveraged. For the period

Image: Metalla Royalty & Streaming

Royalty/Streaming firms as investments

ROYALTY/STREAMING FIRM	Ticker	Market Cap ($m)	Share Price ($)	12 month return (%)	30 day average volume	EPS
ABITIBI ROYALTIES	CN:RZZ	238	19.09	72.40	2,683	-0.27
ANGLO PACIFIC GROUP	LN:APF	253	1.43	-36.05	676,896	-0.15
ELEMENTAL ROYALTIES	CN:ELE	61	1.37	70.33	74,946	-
ELY GOLD ROYALTIES	CN:ELY	135	0.85	205.56	292,102	-0.06
EMX ROYALTY CORP	CN:EMX	231	2.74	94.54	28,992	-0.10
FRANCO-NEVADA	US:FNV	24,014	125.84	30.97	711,619	-
MAVERIX METALS	CN:MMX	696	4.97	14.86	115,574	0.17
METALLA ROYALTY & STREAMING	CN: MTA	341	8.99	123.73	92,062	-0.20
NOVA ROYALTY	CN:NOVR	64	1.23	-	242,656	-
OSISKO GOLD ROYALTIES	CN:OR	1,750	10.49	20.93	800,712	-0.03
ROYAL GOLD	US:RGLD	7,052	107.50	-5.87	361,127	2.61
SAILFISH ROYALTY GROUP	CN:FISH	62	0.82	30.33	48,214	-0.08
SANDSTORM GOLD	CN:SSL	1,368	7.16	7.76	652,159	0.08
TRIDENT ROYALTIES	LN:TRR	44	0.42	75.00	81,752	-0.03
VOX ROYALTIES	CN:VOX	57	1.74	-	15,581	-0.19
WHEATON PRECIOUS METALS	CN:WPM	17,266	38.43	41.12	1,984,579	0.95
SECTOR VALUE		*53,635*				

Source: Bloomberg, pre-market opening on November 25, 2020

Currency conversions done on November 25 (GBP: USD 1:1.33; CAD:USD 1:0.77)

under review, gold and silver were up 25% and 38%, respectively.

The best-performing major was Metalla, which saw its share price grow 124% in the 12-month period to November 25, 2020. Next best was Wheaton Precious Metals, which rose 41%. At the other end of the scale, Anglo Pacific Group and Royal Gold fell by 36% and 6% respectively.

In 2017 and 2018 we saw deal volume/value up and precious metals down, followed by a reverse in 2019 and 2020 whereby deal volume/value fell and precious metals rose. If royalty/streaming companies are to continue their good performance, gold and silver must continue rising – otherwise an increase in the number of deals may be needed to save the day.

Success looks Elemental for rising Canadian minnow

The junior royalty player already boasts royalties over five producing assets since its inception just over three years ago; this will climb following a transaction with Australian major South32. Naturally, then, the only way is up, Elemental Royalties' Fred Bell told *Mining Journal Intelligence*.

Without doubt, one of the most impressive new entrants in the royalty space in 2020 has been Elemental Royalties which will double in asset size following a deal that will see it acquire a portfolio of three gold royalties from South32 in Western Australia.

Led by 34-year-old British entrepreneur Fred Bell, Elemental floated on the TSXV just four months ago and has only been in existence in its current form for three and a half years.

Even before the South32 transaction, Elemental had been making waves, roughly doubling revenue on an annual basis since 2017. This year, it's on target to achieve full-year revenue guidance of US$5.2 million and, while its market capitalisation is around $55 million, it has ambitions to grow into something much larger, albeit in a disciplined manner. Bell and his team never tire of emphasising quality over quantity.

"Having 40 exploration royalties may look good on paper, but useless if they don't come to anything, and they frequently don't," said Bell.

Elemental's modus operandi has been to focus, in large part, on operating mines (or ones near-production) rather than projects at an exploration or early development stage, where setbacks are all too common. That often involves acquiring third-party royalties, where the royalty may be a legacy or non-core asset for the current owner.

In the case of South32, for instance, the company owned royalties in precious metals assets that it inherited when it was demerged from BHP. Before the South32 acquisition, Elemental had royalties on five producing assets, along with one development asset, and the portfolio is currently generating positive cash flow. After the South32 acquisition, the number of assets will climb to nine, including Australia's newest gold mine that will start commissioning in the second quarter of 2021.

Fred Bell, managing director, Elemental Royalties

Patience is a virtue

Bell recalls: "If you are a small royalty company starting off you are not going to attract the pick of the deals. The BlackRocks of the world will get them. We used to have a joke that if they were coming to us it must mean it's not the best project!

"Accordingly, at the outset we focused on existing third-party royalties where the operator would not need to create a royalty themselves. That allowed us to build a portfolio of royalties over high-quality producing assets with a much lower risk profile."

Asked how tough it is to get started, Bell said "very".

"Our first deal for US$2 million was syndicated because we could only afford half that amount – we had to give 50% to a private equity fund."

The South32 deal, costing $55 million, gives Elemental a certain critical mass and one that

> “Our unique selling point – for a royalty company of our size – is the heavy production component in our portfolio. I think that’s what makes us stand out from the crowd”

should make it easier to generate growth in the years ahead.

“Once a company gets scale it can access deeper pools of capital and tap into more favourable debt facilities. Doubling the size of the company through this acquisition is as good a start as we could have wished for. The other aspect with the South32 acquisition is these are royalties in Australia, an OECD country, which removes some of the jurisdiction risk from our portfolio.

Bell reflects on being asked by investors recently whether the company would be able to get scale in order to move the dial in a significant way.

“The South32 acquisition does precisely that,” he said. “Elemental can today look at the sort of opportunities it had to pass up when it was a much smaller enterprise in the private sector.

Elemental has a 1% NSR royalty on Teranga Gold's Wahgnion mine in Burkina Faso

The larger royalty companies also have the lowest cost of capital in the mining business. If Elemental, which took on $25 million of debt for South32, can negotiate lower loan repayment terms going forward, borrowing costs come down “and then debt becomes a more attractive tool for us to continue to grow.”

Sky’s the limit

Before the South32 acquisition, 98% of Elemental’s NAV was attributable to royalties over producing assets, and its mineral exposure is 85% gold. It has negotiated royalties in countries such as Kenya (Kwale, Base Resources), Mexico (Mercedes, Premier Gold) Chile (Amancaya, Austral Gold), and Burkina Faso (Wahgnion, Teranga Gold). It currently has royalties over five producing assets, but it gets better. The newly acquired Karlawinda royalty will pay out mid next year, providing extra annualised revenue of about $4m and Mercedes from the third quarter of 2022 worth about $750,000 per year.

Elemental has managed to access debt early because it has doubled revenue year-on-year and due to the heavy weighting of producing royalties from the outset. Bell said Elemental had a more diversified revenue stream than most mid-tier mining companies.

He’s excited about Karlawinda, viewed as a transformative asset with a 2% net smelter return royalty over a new, construction-stage, Western Australian gold project, while the South32 deal as a whole is forecast to nearly double royalty revenue with continuing revenue growth in 2022 and 2023.

Elemental’s board looks muscular enough – Bell was once managing director of Goldcrest Resources, where he assembled a portfolio of gold projects in northeast Ghana to take to London’s AIM. Another director, John Robins is the founder of the Discovery Group of companies and chairman of Bluestone Resources. Peter Williams was the first manager of WMC Geoscience technology before he became a founding member of IGO (formerly Independence Group).

Bell said: “Our unique selling point – for a royalty company of our size – is the heavy production component in our portfolio. I think that’s what makes us stand out from the crowd.”

Asked about what lies in store for 2021, he replied: “It’s very much onwards and upwards, with steady, sustainable growth.”

Best of luck, Fred.

Taking the bull by the horns

Franco Nevada president and CEO Paul Brink spoke to *Mining Journal Intelligence* about taking the helm at the gold-focused royalty and streaming company, growth on the horizon and thriving in the gold bull market.

What's your view on the outlook for the gold price?

The biggest driver in recent years has been low interest rates. With the hole that's been dug with COVID-19 and the amount of debt that's been issued, I just can't see that governments are going to be in a position to raise rates anytime soon. So you have a strong tail wind to support current prices. That said, a bit of price volatility would be good for our business. With weaker prices, we are looking to add assets, but then we need stronger prices to get a return on those assets. In both scenarios in the past, we've tended to thrive.

You were appointed CEO in May of 2020. What changes should we expect from Franco-Nevada?

The first part of the answer is what not to change. David Harquail and Pierre Lassonde had a track record of making great calls, investing in the right assets and demonstrating impeccable market timing. The secret behind both is preparation. We owe the asset selection to the strong technical skills in both management and the board. Avoiding long-term debt is what made the market timing possible.

Where our business is changing is that a good part of our future growth will be financing operators through stream transactions, rather than third party royalty purchases. For our business to succeed long-term, our financings need to create value for operators. Our greatest successes have been where operators have seen their share prices increase following our financing deals. We take care to structure our deals so that they' re not too much of a burden on the assets going forward. We need to strike the right balance between us getting the right resource optionality, and the operators getting the flexibility they're looking for.

Our business is also changing with the growing ESG imperative. It impacts how we select our investments, how we interact with the underlying operations and the direction of our commodity mix.

Paul Brink, president and CEO, Franco-Nevada

The environmental and community impacts of a mine are an even greater focus of our due diligence effort.

We are increasing our support of the communities at the operations where we are invested – education, mental health, worker safety, clean water, amongst others. We are keen to do our part to improve the perception of mining.

While our focus is always on gold and precious metals, the commodity mix of our diversified assets will likely shift as we grow. We continue to evaluate energy assets, but would especially like to add more base and bulk royalties. Copper, iron ore and potash, in particular, are often huge orebodies that can make for stable long-term annuities that would be a great match with our gold royalty optionality.

Where do you expect the next generation of growth to come in your portfolio?

We're going through a growth stage for the next few years. The biggest driver is Cobre Panama. The mine started contributing last year and will be a driver over the next couple of years. The ramp-up at Cobre Panama is supported by broad growth across our portfolio.

There are a couple of broader themes. One is mine expansion. For instance, Kinross is expanding Tasiast,

> "For our business to succeed long-term, our financings need to create value for operators"

Sibanye is expanding Stillwater, and at Macassa, Kirkland are putting in a new shaft that will boost the production rate.

The second theme is new mines. Equinox has just poured first gold at Castle Mountain. Gold Fields started construction in the December quarter of its next gold mine, Salares Norte in Chile. Hopefully Salares Norte is followed by Hard Rock, an attractive shovel ready openpit in Ontario.

The other driver of growth is reserve and resource expansion. With these gold prices exploration activity has picked-up. Lundin, being an example, have yet again increased resources at the underground extension at Candelaria. Another of the stories emerging for us is Kirkland Lake's Detour mine. Kirkland's recent drilling indicates they may be able to pull the Detour and West Detour deposits into a single pit. Potentially a big jump in reserves.

What is the best gold market for a company such as Franco-Nevada?

One perception is that royalty and streaming companies are a more defensive way to invest in the gold market. And in the past, we have been able to add great value in the downturns. It's a time to accumulate new assets so you can reap the rewards when the cycle turns.

But what investors often miss is how well royalty/streaming companies do in a bull market. The secret is growth from the drill bit. In a bull market operators expand existing deposits and explorers make new discoveries. Already in this market we are seeing growth in resources expand across all stages of our portfolio. The other big impact is financing becomes available to move development assets into production. That's when the development pipeline really comes to life.

What is different about the way Franco-Nevada manages its balance sheet?

In the gold market, we think the key is to build capital at the top of the cycle, so you can spend it at the bottom. For that reason we avoid long-term debt and are willing to build our cash balance in the good times. We do have committed bank lines that add to our capital availability and are prepared to use them at the right part of the cycle.

The game plan proved out in the last commodities slump, when we bought three of our four core precious metal streams. The first was on Candelaria in Chile, followed by Antamina and Antapaccay in Peru. To bring all three assets on board we had to use our debt facility, but almost immediately following the Antapaccay deal, we tapped the equity markets with a big raise and paid off our debt. Put another way, in a cyclical market, flexibility of financing is often more important than cost of capital.

Franco-Nevada acquired a gold and silver stream on Lundin Mining's majority-owned Candelaria operation in Chile in 2014

Discipline is key

Value accretive royalty and streaming transactions on high-quality operations are central to realising industry-leading growth, Metalla CEO and president Brett Heath told *Mining Journal Intelligence.*

Some would say that persistence is the key to success, or that with vision, you can do anything. If all you need is persistence and vision, then it's no wonder that this publicly-listed Canadian royalty and streaming company has become a success in its own right in just a few short years.

Metalla Royalty & Streaming has only been in the marketplace for four years but has already gained significant traction in the highly competitive precious metals royalty market. Royalty companies provide an excellent opportunity for investors to gain exposure to precious metals by providing investors with a non-dilutive interest in an asset that results in topline cash flow into perpetuity. With a portfolio that covers the world's most prolific precious metals geological trends, Metalla is one of the few with a proven track record in this increasingly crowded space.

Robust pipeline of transactions

Since its inception in September 2016, Metalla has completed 20 transactions and added 62 royalty and streaming assets to its portfolio, ranging from production to development to exploration. A quick glance at its portfolio indicates an impressive array of stable operations and development projects backed by strong counterparties. For more than four years, Metalla has been nurturing relationships with holders of existing royalties to build an impressive track record in a relatively short period of time.

Brett Heath, president, CEO, and founder of Metalla, said the pursuit of mutually beneficial transactions enabled Metalla to avoid competition.

"We look to increase the utility of these assets through our platform for our royalty partners," he told *Mining Journal Intelligence.*

"This often leads to equity for a royalty, giving the seller a way to gain some liquidity, diversification, and reduced risk while maintaining upside exposure to not only their royalty, but to the rest of the royalties in our portfolio as well.

Brett Heath, president and CEO, Metalla Royalty & Streaming

"It is a clear win-win strategy and has led to outsized returns for Metalla and our royalty partners.

"Because of the focus on tier-one operators with healthy balance sheets, we can have a high degree of confidence that the assets that underly our royalties will be advanced by drilling and moved towards production in a reasonable timeframe."

Metalla has always maintained a strong and disciplined approach in its strategy, which will come as no surprise to its shareholders. One of the company's first significant transactions came in July 2017 with the acquisition of a royalty and streaming portfolio from Coeur Mining in an all-equity transaction, adding immediate cash flow and tier-one counterparties to Metalla's portfolio.

For investors, royalties provide a better way to speculate on the underlying commodities with more torque than investing in physical gold or silver and less risk than is typically associated with investing in mining operations. There is still plenty of excitement to be found through exposure to multiple well-located exploration royalties offering a chance of substantial upside surprises.

The Coeur transaction represents a perfect case study of Metalla's lucrative business strategy, when Coeur sold most of its initial position in Metalla through a secondary offering, earning upwards of a 300% return in just three years.

Another critical moment occurred when Beedie Capital, the family office investment arm of the Canadian private industrial owner, developer, and property manager Beedie Group, backed Metalla with further financial flexibility of over C$32 million to target bigger deals.

Earlier this year, Metalla also reached another monumental achievement with its listing on the NYSE in January, opening the company up to a vast new pool of investors, capital flows, increased liquidity, and access to capital ahead of what it believed might be the biggest gold bull market of our generation.

Heath attributes the company's success to its laser-focused approach to acquiring high-quality royalties on an accretive basis: "If we can't acquire something on an accretive basis, we don't buy it."

Part of Metalla's strength lies in its disciplined approach focusing on gold and silver. Metalla has purposely chosen not to diverge further "into new avenues" but rather to focus on building additional value creation by adding bigger and better precious metals royalties. Metalla's strategy centres on at least one of its development royalties going into production annually for the next six-to-eight years, bringing Metalla closer to a billion-dollar market capitalisation.

Challenges and opportunities

Of course, this doesn't mean there aren't challenges ahead. Like every other company, Metalla has been affected by the COVID-19 pandemic, with brief stoppages at several of its producing assets. Although there was a reduction in cash flow this year, Heath said Metalla was regarded more as a net asset value story by the market than as a cash flow story, with the company's real value in its yet-to-produce development portfolio.

"In some ways, the pause in production worked in our favour as the price of silver more than doubled during the time that mining was paused at our producing assets, so when our projects finally do ramp up to commercial production rates, they'll be selling their silver at much higher prices."

Heath estimates upwards of $300 million could be spent on drilling and advancing its assets this year alone. "Metalla and our shareholders are completely free carried on all of that expenditure, driving material organic growth with no further capital outlay," he said.

Their diligent and focused approach has also given the company confidence to continue to scale its business ahead. "When we first put Metalla together, what kept me up at night was a fear that we would not have enough time to build critical mass in our portfolio before the gold bull market began," Heath explained.

"I'm satisfied now that even if we didn't do a single additional transaction, the growth that is built into our portfolio would deliver to our shareholder's significant returns as the underlying operators continue to spend to grow and advance these assets."

Metalla holds a 0.5% gross overriding royalty (GOR) on the Anglo/Zeke claim block adjacent to the Goldrush deposit in Eureka County, Nevada
Image: Barrick Gold

Not going for gold

Nova Royalty's Alex Tsukernik spoke to *Mining Journal Intelligence* about standing out from the crowd with its copper-nickel focus, the long-standing connection with fellow royalty player Metalla, and backing from one of Canada's largest institutional investors.

Alex Tsukernik, president and CEO, Nova Royalty

As the royalty company model has proven itself able to generate superior returns with lower risk compared to producers, recently-listed Nova Royalty set out to create the first major copper-nickel royalty company. Nova is focused on copper and nickel as it believes they are essential to the new energy supply chain. In a relatively short period of time, Nova has made acquisitions on some of the world's largest copper and nickel assets, operated by leading mining companies.

Since its founding in mid-2018, Nova has built a unique portfolio of base metal assets with meaningful net smelter royalties (NSR) on some of the world's largest copper and nickel development projects including NuevaUnion in Chile (Teck Resources/Newmont), Taca Taca in Argentina (First Quantum), Twin Metals in Minnesota (Antofagasta), and Dumont (Waterton). Nova also owns a royalty on Rio Tinto's Janice Lake copper-silver exploration project in Saskatchewan.

Alex Tsukernik, Nova's president and CEO emphasised it would be the truly top-tier projects that would be the outsize beneficiaries of commodity demand and price appreciation, particularly given their long life.

"Base metals are highly complex and capital intensive with barriers to entry unlike anything in precious metals. It is a handful of projects that succeed, and more often than not, it is the majors who succeed in bringing these generational projects to production," he said.

"There isn't the extensive middle class of producers in copper that exists in gold. That is why Nova has focused on the major operators from the very beginning."

Beginnings

Tsukernik co-founded Nova in 2018 with Brett Heath, non-executive chairman. Heath is the founder, president and CEO of Metalla Royalty and Streaming, which he built from a market cap of C$10 million in 2016 to a C$450 million valuation today. They brought a technical team that includes Parviz Farsangi, former COO of Vale Inco and Darin Wagner, founder of both Balmoral Resources and West Timmins Mining and a multiple time winner of the Prospector of the Year award. The technical advisory team also includes geologist Christian Rios, VP South America for Auryn Resources and Frank Hanagarne, former COO of Coeur Mining.

Tsukernik's background is structuring and advising on mining transactions. From 2004-2008 he was an M&A banker at Miller Mathis, an advisory boutique focused on the steel industry. The firm was sold to investment bank Rodman & Renshaw in 2008, where Tsukernik co-founded and ran the Metals and Mining investment banking group. He left in 2011 to start his own mining advisory boutique, Syntella Partners.

Tsukernik and Heath had a long-standing relationship. They came to the same conclusion about the transition from fossil fuels to electric energy. When the opportunity to acquire a 2.0% royalty on the Dumont nickel project in Quebec materialised, the idea for Nova was born.

"At some point, I realised that this is all I wanted to do," Tsukernik explained. "We decided to focus on copper and nickel because we saw those two commodities playing the dominant role in energy transition."

Copper and nickel: the gold and silver in energy transition

In January 2019, Nova, then named — BatteryOne — acquired the Dumont royalty for its maiden acquisition and raised C$2.6 million at 25c per unit. The newly-formed Nova spent much of the next two years building a database of copper and nickel projects and targeting royalties it wanted to pursue to build a robust portfolio, and opening communication lines to the royalty holders. That groundwork has enabled the company to complete deals on four assets owned by majors so far this year.

"We mapped out the entire universe of copper and nickel assets and invested our time in cultivating the relationships in the field, which means we can drive a pretty heady pace now," Tsukernik explained.

"It has taken us two years to create a really solid system. As most people weren't focused on anything outside gold there were existing royalties on top-tier undeveloped base metal assets, which gave us an incredible opportunity.

"When you get the chance to buy generational assets at reasonable prices you should not let it pass. When you look at the history of the royalty sector, all of the outperformance over time has been on those types of transactions."

Even copper and nickel projects that make it to feasibility study are not slam-dunks for development, so Nova has focused on royalties on projects with a major mining company behind then, which can shoulder the time and cost of advancing them into production.

"Large base metal projects need money, time and patience. It is a relatively small number of companies that can successfully bring them to production," Tsukernik said.

"As a royalty company, we are suspicious of smaller projects unless they have a clear catalyst to production. We need to know who is going to do the pushing, or why would a specific project clear the high threshold for a major player to get involved later. The desktop study and the reality of spending billions over decades are very different things."

Quality over quantity

Nova, like Metalla, has built a portfolio of royalties on assets run by top operators by targeting the existing royalty market rather than originating them with the issuers, and focusing on the prime copper and nickel jurisdictions around the world.

"We are very sensitive to geopolitical risk overall so will not take big chances. We have kept it basic so far with the Americas: Canada, the US, Mexico, Chile, Peru and the good parts of Argentina; as well as Australia," Tsukernik said.

"We are trying to think like a major. Where would I want to spend the next 20-plus years of a company's life? We are conscious of not diluting the quality level. We can't always get these enormous projects, but we want to buy things with a legitimate place in the sector."

Doing something new and different can mean it is a challenge to obtain traction in the finance sector, especially given the longer gestation period for base metals projects. The connection with Metalla and having Heath as non-executive chairman helped provide credibility to Nova's approach. "Early investors that did well with Metalla trusted Brett and so followed him into Nova," said Tsukernik.

In addition to the initial Dumont financing, Nova raised C$5.9 million at 50c per unit in February 2020 to fund the acquisition of a 2% NSR on the NuevaUnion project in Chile. In advance of listing, the company then obtained a C$15 million financing facility with Beedie Capital, one of the largest institutional investors in Canada. The backing from Beedie allowed the company to list its shares without a dilutive go-public financing.

"It was crucial to get the backing of Beedie Capital before we went public on the TSXV (in October). We went to them with a strategy and they supported the plan," Tsukernik explained.

Nova later completed a C$14.4m equity offering in November at C$1.45, the proceeds of which primarily went to the Taca Taca (First Quantum) and Twin Metals (Antofagasta) royalty acquisitions. Seeing First Quantum subsequently announce a maiden reserve and production timetable for Taca Taca gave Nova's investment further validation.

"We have been very privileged with our investor support. We did not want to raise the money immediately upon going public. That would be dilutive and sub-optimal at the time. Having Beedie there gave us the ability to execute our plan and then tap the market after we had a chance to educate the investor community about the Nova story."

In addition to its TSXV listing, Nova recently began trading on the OTC market in the US.

Reap as you grow

Wheaton Precious Metals (WPM) president and CEO Randy Smallwood told *Mining Journal Intelligence* about going into harvest-mode amid a rising price environment, winning over London and ESG investors, and why the best is yet to come for gold.

What's been the reception to your listing in London last month?

We're happy where we are right now. Liquidity is light, but we didn't raise money in London, so there's not a lot of stock on the exchange, yet. These are very early days, however, and it's picking up. I have always said it's not liquidity on the LSE that's going to measure success or failure, it's going to be the percentage of UK/European ownership we are going to see in six months or a year from now. We are already at 17%, and we want to grow that. I would love to see it at 20% or 25%.

How much more marketing must you do to sell WPM in the UK?

It's a work in progress. The streaming model hasn't been offered to this market before. Investors don't necessarily understand the lower risk profile yet. With streaming, investors get all of the upside potential, without bearing the risks that can come into play through direct investment in traditional mining companies.

Will a new US president make any difference to the gold sector?

More of the same. Here's what I believe is going to drive gold prices for a good while: quantitative easing, due to the state of the world economy, and I really don't think we've seen the worst of it yet when it comes to the economic fall-out from COVID-19. Central banks are going to have to continue printing money, and I think that bodes well for gold. I believe there's a lot of support for gold to trade substantially higher to where we are right now.

How cyclical is your industry?

Very cyclical. When metal prices are high, it's time to harvest the benefits of all the investments we've made. But the best deals and opportunities are when prices are at their bottom. That's the time we grow.

Randy Smallwood, president and CEO, Wheaton Precious Metals

We've already got a very strong portfolio with 30 assets, 21 of which are producing metal for us.

Higher prices mean we pay off debt. We don't like issuing shares because we don't like diluting our shareholders; we prefer to use debt which is attractively priced. Also, when prices are high, our cash flow-linked dividend policy results in an increase to the dividend.

Do you think there's scope for a higher dividend in the future?

Our dividend is directly linked to our cash flow. With strong organic growth and higher prices over the next three or four years, the dividend may automatically grow. In this quarter, it increased by 20%. We pay 30% of operating cash flow, and there's definitively potential to go higher. My preference today is to put money back into the ground. But if we don't see any opportunities for accretive acquisitions, then we return the capital to shareholders. And then the dividend ratio could go to 40%. Actually, we can afford higher dividends purely through organic growth, it's not contingent on acquisitions. That's a good place to be.

How would you assess future streaming opportunities?

Extremely good. Our streaming opportunities come from base metal companies – copper, lead, zinc.

They're the ones that are looking at raising capital. And they look at their non-core precious metal by-product production, and they look at today's prices for gold, platinum or palladium and they think it's time to crystallise that embedded value. So, we are as busy as we have ever been in terms of looking at opportunities, and it's also because a lot of these companies haven't invested into the ground for a long time as base metal prices have been weak for so long.

How has the streaming space changed in the past 15 years?

I spent between 2004 and 2010, trying to introduce and make mine operators comfortable with the concept of a stream. It didn't catch on for a while because the mining industry is very traditional. Then in 2013, we did our first big transaction with Vale, a US$1.9 billion deal, that was a game changer. Now, there isn't a single CFO in the resource industry that doesn't look at streaming as an option as a source of capital.

Are you concerned about the growing number of mid-tier streaming companies competing in your space?

I see it more as an opportunity. Remember the opportunities to fund streams have dramatically increased, as every capital campaign considers streaming. With the increase in opportunities, there's enough to satisfy the thirst of these start-ups and mid-tiers. Second, consolidation is always an option; in the past, Wheaton and others have acquired competitors. Sometimes we bid against them, just to keep the tension there, as well as to gain knowledge in terms of viewing the assets these competitors are looking at. Knowledge is power, after all.

Turning to ESG, can WPM really have an impact on the sustainability of an operation when you're not the operator on the ground?

We don't operate without a strong social licence. And about eight years ago we started an initiative whereby we supply our partners with capital to fund their programmes in local communities. We expand their capabilities. In addition, our due diligence teams make a point of looking at environmental, social and governance issues from the start. If companies could improve their practices, we help them. We try to be change agents to make the whole industry better.

Would you make good ESG a condition of a stream?

We have a partner code of conduct, which sets out our expectations for potential streaming partners. Let me give you an example – a deal we did at Marmato with Caldas Gold in Colombia. Management had a lot of issues with artisanal miners contaminating the water. So, part of our funding there goes towards, and is contingent on Caldas putting in a water treatment plant. We strengthen our partners' social licence where necessary.

Wheaton has a 75% gold stream on Vale's Salobo mine in Brazil
Image: Vale

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