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Gold Royalty Corp. (GROY) Rating: Buy

Heiko F. Ihle, CFA 212-356-0510 hihle@hcwresearch.com Marcus Giannini

Marcus Giannini 212-916-3978 mgiannini@hcwresearch.com

## Initial Royalty Payment From Borden Lake as Other Assets Continue Nearing Production and Cash Flow; Reit. Buy; PT Higher

Stock Data	07/06/2022								
Price		\$2.16							
Exchange	NYSE American								
Price Target	\$8.50								
52-Week High	\$5.65								
52-Week Low	\$2.15								
Enterprise Valu	\$260								
Market Cap (M	\$290								
Shares Outstar	134.4								
3 Month Avg V	593,770								
Short Interest (	0.67								
Balance Sheet Metrics									
Cash (M)				\$29.9					
Total Debt (M)	\$0.0								
Total Cash/Sha			\$0.22						
EPS (\$) Diluted									
Full Year - Sep	2021E	2	022E	2023E					
FY	(0.45)A	((	0.04) 0.02						
Revenue (M)									
Full Year - Sep	2021E	2	022E	2023E					
FY	\$0.2	;	\$4.5	\$10.6					
M-1 (:1)				D.J.					



**Initial royalty payments received.** On July 5, Gold Royalty Corp. (GRC) announced that it had begun to receive payments related to its Borden Lake net smelter return royalty. We stress that GRC's royalty interest on the project pertains to a five-kilometer area and that mining within this area at Borden has begun since then. At this time, GRC has received about \$1.4M in royalty back payments, and this payout therefore introduces an additional cash-flowing asset into the company's portfolio.

Path to meaningful near-term cash flow through additional producing royalties. At this time, we expect robust near-term cash flow growth as two of GRC's largest royalty streams on the Canadian Malartic and the Côté Gold project are expected to reach commercial production in 2023 and 2H23, respectively. Further, GRC's management team has already provided guidance of approximately \$5.0M in total revenue during 2022, while we reiterate that the firm boasts a favorable growth profile which is forecasted at a 60% compound annual growth rate through 2024. To date, the company owns an interest in 195 total royalties, while over 170 of those royalty acquisitions have been completed in the last 12 months. In short, it is our view that GRC's growth story remains especially compelling in a high inflationary environment which is further aided by the company's low-cost royalty model and potentially strong near-term cash flow generation.

Ample liquidity to fund future growth. As of quarter end, GRC maintained \$29.9M in cash and marketable securities amid zero debt. We stress that available liquidity (net of accounts payable and accrued liabilities) totaled about \$25.1M (compared to \$4.0M in 4Q21). In our view, GRC's strengthened balance sheet is a testament to the company's value-enhanced acquisition approach and access to favorable low-cost capital as the company looks to continue executing its growth strategy moving forward.

We reiterate our Buy rating on shares of GROY as we slightly raise our PT to \$8.50 from \$8.25. Our increased PT is a result of incorporating the company's most recent financial results into our model. We maintain a 7.0% discount rate on the São Jorge project, which compares to a slightly more conservative 8.0% discount rate for Yellowknife due to its lack of recent development and more outdated technical report. We also utilize 7.0% discount rates for Marigold, Rawhide, Jerritt Canyon, and Isabella Pearl. At present, we value the Canadian Malartic assets at a 6.5% discount rate given their geographically favorable location. We then ascribe an in situ valuation for the company's other royalty assets, based on attributable gold ounces, for a total of \$200.2M. We further add an at-cost value of \$201.8M for assets received in the Ely transaction with no DCF values. We then add \$29.9M in cash and equivalents, amid no debt, before applying an unchanged 1.6x P/NAV multiple given current market premiums for royalty companies. This yields our overall valuation of \$1.29B and our rounded price target of \$8.50 per share.

**Near-term catalysts.** We remain most excited about anticipated production at Canadian Malartic that is expected in 2023. Further, we highlight that underground development at site continues to advance accordingly. Notably, shaft sinking is expected to begin in 4Q22, and the first underground mineralized material from Odyssey South should be processed through the existing Canadian Malartic plant in early 2023. Additionally, construction at the Côté Gold project remains well underway with production expected sometime in 2H23. We highlight that an updated mineral resource estimate on the Fenelon project is expected in 2023. We note that these results are following recent positive assay results at Fenelon's Ripley Zone amid an ongoing 115,000-meter drill program at site. Lastly, expansion of the site's 1.24M ounce resource should continue to materialize through 2022 based on positive 1Q22 exploration results at the REN project. We stress that the site's operator, Barrick Gold (GOLD; not rated), is currently undergoing studies to optimally design REN into Goldstrike's life of mine plan in the near term.

Risks. 1) Commodity prices; 2) lack of operational control; 3) financing risk.

Royalty corp.																										ary
Gold Royalty Corp. (GROY) All figures expressed in USD unless other	rwise noted																									
Canadian Malartic						<u>2022E</u>	į	2023E	2	024E		2025E		2026E		2027E		2028E		2029E		2030E		2031E		2032E
Annual gold production (000's oz)						463	3	547		579		446	Vine I	ife extends 446	to 20.	39 but not s 424	hown.	359	Note	: UG Comme 461	ercial p	oroduction b 461	begins i	n 2029 461		461
Gold price Total UG Revenue (\$000's)						\$ 1,900 \$ -		1,900 82,251		900 155	\$ \$	1,900 S			\$ \$		\$ \$		\$ \$	1,900 875,461	\$		\$		\$ \$	1,900 875,461
	3% NSR attributable to U	IG prod	luction with	n a 3% NSR ap	plice		of oper		tion	,325		4,325		4,325		13,612		20,472		26,264		26,264		26,264		26,264
Discount rate	7.0%																									
PV of Cash Flow						\$ 600	\$	2,359	\$ 4	,027	\$	3,952	\$	3,895	\$	12,115	\$	18,040	\$	22,943	\$	22,768	\$	22,613	\$	22,473
Total Royalty NAV		\$	290,056	\$ 1.8	88 <i>p</i>	per diluted share																				
Côté Gold						2022E		2023E	2	024E		2025E		2026E		2027E		2028E								
Annual Gold Production (000's oz) Gold Price Total Revenue						\$ - \$ -	\$	77,263 1,900	374 \$ 1	,295 ,900	\$	438,967 1,900		520,809 1,900	\$	520,809 1,900	\$	509,649 1,900								
Royalty Revenue	0.75%					Note: Assumes ro	yalty o	only covers h 1,101		le initi ,334		ion of mine l 6,255		7,422	\$	7,422	\$	7,262								
Discount Rate PV of Cash Flow	6.50%					s -	\$	1,034		,703		5,178		5,769		5,417		4,977								
		,	27.070				Ţ	1,034	, ,	,703	,	3,170	,	3,703	,	3,427	,	4,577								
Total Royalty NAV		\$	27,078	0	10 F	per diluted share																				
Rawhide						<u>2022E</u>		2023E	<u>2</u>	024E		2025E		2026E												
Annual gold production (000's oz) Gold price						\$ 1,900		21 1,900	\$ 1	21 ,900	\$	21 1,900	\$	21 1,900												
Gold Revenue						\$ 40,078	\$	40,078	\$ 40	,078	\$	40,078	\$	40,078												
Annual silver production (oz) Silver price						141 \$ 25.00	\$	141 25.00		141 5.00	\$	141 25.00	c	141 25.00												
Silver Revenue						\$ 25.00 \$ 3,516					\$	3,516		3,516												
Total Revenue						\$ 43,594		43,594		594		43,594		43,594												
Total Cash Costs CapEx	\$700 per oz					\$ (14,766) \$ (2,500)		(14,766) (2,500)	\$ (14 \$ (2	,766) ,500)	\$ \$	(14,766) 5 (2,500) 5	\$	(14,766) (2,500)												
Net Operating Profit						\$ 26,328					\$	26,328	\$	26,328												
Royalty Revenue Discount rate	15% NPI					\$3,949		\$3,949	\$3	,949		\$3,949		\$3,949 4												
PV of Cash Flow	7.0%					\$ 3,949		3,691	\$ 3	,449	\$	3 3,224	\$	3,013												
Total Royalty NAV		\$	17,326	\$ 0.1	11 p	oer diluted share																				
São Jorge						2022E		2023E	2	024E		2025E		2026E		2027E		2028E		2029E		2030E		2031E		2032E
Annual gold production (000's oz)								49,572	104			104,977		104,977	Note; p	production e 104,977				104,977		104,977		104,977		104,977
Gold price Total Revenue						\$ 1,900		1,900	\$ 1	900	\$	1,900		1,900		1,900	\$	1,900	\$	1,900		1,900	\$	1,900		1,900
						\$ -	\$				\$	199,456	Þ		\$	199,456	>		\$		\$		\$	199,456	>	199,456
Royalty Revenue Discount rate	1.0% NSR 7.0%					\$ -		\$942		,995		\$1,995		\$1,995		\$1,995		\$1,995		\$1,995		\$1,995		\$1,995		\$1,995
PV of Cash Flow						\$ -	\$	823	\$ 1	,628	\$	1,522	\$	1,422	\$	1,329	\$	1,242	\$	1,161	\$	1,085	\$	1,014	\$	948
Total Royalty NAV		\$	13,973	\$ 0.0	19 p	per diluted share																				
Marigold (GROY's portion of the prope	rty)					2022E	į	2023E	2	024E		2025E		2026E		2027E		2028E								
Annual gold production (000's oz)										-		148		233		180		65								
Gold price Gold Revenue						\$ 1,900 \$ -	\$ \$		\$ 1 \$	900	\$ \$	1,900 S			\$ \$		\$ \$	1,900 124,118								
Royalty Revenue Discount rate	0.75% NSR 7.0%					\$ -	\$	. 1	\$	- 2	\$	2,112	\$	3,314 4	\$	2,563 5	\$	931 6								
PV of Cash Flow						\$ -	\$	-	\$	-	\$	1,724	\$	2,528	\$	1,828	\$	620								
Total Royalty NAV		\$	6,700	\$ 0.0	04 г	per diluted share																				
Jerritt Canyon						2022E		2023E	2	024E		2025E		2026E		2027E		2028E								
Annual gold production (000's oz)						112		135		150		165		180		180		180								
Gold price Total Revenue						\$ 1,900 \$ 212,759	\$ \$		\$ 1 \$ 284		\$ S	1,900 S		1,900 341,881	\$ \$	1,900 341,881	\$ \$	1,900 341,881								
	0.50% NSR					\$ 1,064	,	1,285		,425	ś	1,567	5	1,709		1,709	s	1,709								
Royalty Revenue	\$0.30 per ton					\$ 243		285	\$	300		330		360		360		360								
Total Royalty Revenue Discount rate	7.0%					\$ 1,307		1,570		,725		1,897		2,069		2,069		2,069								
PV of Cash Flow						\$ 1,307	\$	1,467	\$ 1	,506	\$	1,548	\$	1,579	\$	1,475	\$	1,379								
Total Royalty NAV		\$	10,262	\$ 0.0	)7 p	per diluted share																				
Yellowknife						2022E		2023E	<u>2</u>	024E		2025E		2026E		2027E		2028E	Note	2029E e: production	n exter	2030E nds to FY38		2031E not visible		2032E
Annual gold production (000's oz)						\$ 1,900	ć	- 1,900	e -	900	ć	40,798		101,250 1,900	·	101,250 1,900		101,250		126,563		97,031		71,719	ė	71,719
Gold price Total Revenue						\$ 1,900 \$ -	\$ \$		\$ 1 \$		\$ \$	1,900 S		1,900 192,375			\$		\$ \$	1,900 240,469	\$ \$		\$ \$	1,900 136,266		1,900 136,266
Royalty Revenue	1.0% NSR					\$ -	\$	-	\$		\$	775	\$	1,924	\$	1,924	\$	1,924	\$	2,405	\$	1,844	\$	1,363	\$	1,363
Discount rate PV of Cash Flow	8.0%					\$ -	\$		\$		\$	615	\$	1,414	\$	1,309	\$	1,212	\$	1,403	\$	996	\$	682	\$	631
Total Royalty NAV		\$	9,282	5 01		er diluted share	,										•	- '			•				•	
Total Royalty Revenue		-	-,	, 5.0		\$ 6.625	ć	10.595	ς 1-	,717	¢	21,633	<	25.322	c	29.910	٠,	34.653	ć	30.663	s	30.102	ς.	29.621	¢	29.621
Total PV of Cash Flow						\$ 6,625		9,902		,654		18,029		19,868		29,910		27,470		25,507		30,102 24,849		29,621		24,052
Current value of cash flow			377,062																							
Plus cash & equivalents Value for assets not included in DCF			200,169	\$ 1.3	80 p	as of 3/31/22 per diluted share. I																				
Value for non-core assets from Ely Acqui Less debt	isition (at cost)	\$ \$	201,838		31 p	oer diluted share; o oer diluted share; o	utilize.	s a \$5.00 per																		
Total current value / NAV per share			808,992			per diluted share	, -	,																		
Target P/NAV Multiple		,	1.6			and delice of the																				
Firm value after P/NAV Multiple			1,294,387			er diluted share						1.30 C	AD/U	ISD exchan	ige rat	io as of 7/6,	/22									
Shares outstanding ('000s) Options and Warrants ('000s) Fully diluted shares ('000s)			19,840	as of 3/31/2 as of 4/5/22 as of 4/5/22																						
Value per share Rounded (C\$0.25) price target		\$ <b>\$</b>	8.39 <b>8.50</b>	74.3 74.6																						
GROY share price Source: H.C. Wainwright & Co. estimate.	s.	\$	2.16	as of 7/6/22																						

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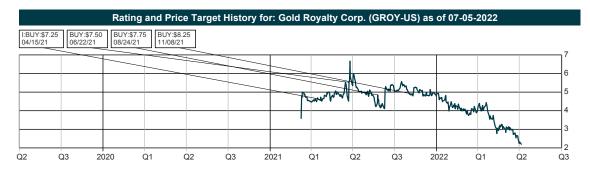
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Distribution of Ratings Table as of July 5, 2022											
IB Service/Past 12 Mont											
Ratings	Count	Percent	Count	Percent							
Buy	561	88.49%	149	26.56%							
Neutral	56	8.83%	13	23.21%							
Sell	2	0.32%	0	0.00%							
Under Review	15	2.37%	1	6.67%							

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