

sold by an operator, or in the case of a precious metal stream, the right to purchase an agreed-upon amount of the metal, at a significant discount to the spot price.

The holder of the royalty has no ongoing liability to the mine, or owner of the mine, and is therefore exposed to the positive cash flow from the operation without any additional negative cash flow beyond that originally paid out.

Royalties can also be used in return for consideration in a corporate deal, or from the sale of a project or as an adjunct to a debt or equity financing arrangement. In other words, as alternative financing.

Nomad Royalty may be a new company but its management is highly experienced at successfully closing royalty deals.

The trio of Metcalfe, chief investment officer (CIO) Joseph de la Plante and chief financial officer (CFO) Elif Lévesque have worked together 'on and off' for six years and made up the 'deal team' at Osisko Gold Royalties.

That company grew from a market cap of \$350 million back in 2014 when it was formed after the acquisition of Osisko Mining Corp by Agnico Eagle and Yamana Gold to a \$2bn vehicle and the small team wants to repeat the trick with Nomad.

"We don't want to stay sub \$1 billion for the next five years," says Metcalfe who sees their experience of structuring royalty deals as a real boon to Nomad's future growth.

"We've seen what works and what doesn't ... we've been on the inside, we know how to structure these deals," he says, pointing to Nomad's recent deal to buy Coral Gold Resources (CVE:CLH) for US\$45.8 million.

The purchase gives Nomad a net smelter return (NSR) royalty on Nevada Gold Mines' Robertson property - Corals' main asset and a top tier Nevada asset - which is part of the greater Cortez & Pipeline mining complex, of between 1% and 2.25%.

Metcalfe suggests an asset like Robertson would normally be found in the hands of a major royalty group like Franco-Nevada Corp (NYSE:FNV) but that never happened and the Nomad team had the patience and experience to liaise with management to finalize the deal.

What is striking about the deal is the exploration upside and drilling currently underway located in close proximity to the Cortez mill. The royalty comes with downside protection as Coral must pay US\$0.5 million a year for 10 years beginning in 2025 if the mine doesn't go into production.

Dividend policy

In its maiden second-quarter results statement to June 30, 2020, Nomad posted an impressive net income of US\$2.3 million and a cash operating margin of US\$5.8 million or 96%.

And in August, the firm outlined its inaugural dividend policy, declaring a first quarterly payment of C\$0.005 per share, payable on October 15 this year, signalling its intent to return capital to investors, and with a yield of about 1.2% it currently represents double the peer average in the sector.

To emphasise the direction of travel, Metcalfe points out that the aims the firm had for the six to 12 months since listing were achieved in just three months - listing on the OTCQX in New York, bagging a revolving credit facility - now worth up to C\$75 million - and announcing three acquisitions.

Metcalfe expects the next few months to be similarly very busy as the group strikes more deals in a bid to re-rate the Nomad story to multiples that are closer to those of the seniors in the sector.

As the name suggests, Nomad has no intention of standing still.

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