2019

Annual Report

Franco Nevada
The GOLD Investment that WORKS

Press Release

Franco Nevada
The GOLD Investment that WORKS

NEWS RELEASE

Toronto, March 9, 2020
(in U.S. dollars unless otherwise noted)

Franco-Nevada Delivers Record Q4 and Annual Results

Growing free cash flow and strong outlook

"I am pleased that Franco-Nevada is reporting its best results ever," stated David Harquail, CEO. "Record quarterly and annual results were achieved across all our important sales and financial metrics. Results benefited from the start of precious metals deliveries from Cobre Panama, strong production at other key assets and higher precious metals prices. Thanks to our diversified portfolio, we expect good overall growth in 2020 mostly driven by the continued Cobre Panama ramp-up despite a more conservative outlook for our energy assets. Franco-Nevada is generating substantial free cash flow and, post year-end, is now debt free. Franco-Nevada continues to be the gold investment that works."

2019 Financial Highlights

- 516,438 Gold Equivalent Ounces[1] ("GEOs") sold, a new record
- $844.1 million in revenue, a new record
- $344.1 million of Net Income, or $1.83 per share, a new record
- $341.5 million of Adjusted Net Income[2], or $1.82 per share, a new record
- $137.5 million in Cash Costs[2], or $266 per GEO sold
- $673.4 million of Adjusted EBITDA[2], or $3.59 per share, a new record

Q4/2019 Financial Highlights

- 153,396 GEOs sold, a new record
- $258.1 million in revenue, a new record
- $113.3 million of Net Income, or $0.60 per share, a new record
- $110.8 million of Adjusted Net Income, or $0.59 per share, a new record
- $44.1 million in Cash Costs, or $287 per GEO sold
- $201.7 million of Adjusted EBITDA, or $1.07 per share, a new record

Revenue and GEO Sales by Asset Categories

	2019		2018	
	GEO Sales #	**Revenue** *(in millions)*	GEO Sales #	Revenue *(in millions)*
Gold	**387,663**	**$ 545.8**	344,107	$ 435.8
Silver	**58,906**	**83.2**	61,737	78.2
PGMs	**52,813**	**75.6**	30,946	39.1
Other Mining Assets	**17,056**	**23.6**	11,112	14.0
Mining	**516,438**	**$ 728.2**	447,902	$ 567.1
Energy	**–**	**115.9**	—	86.1
	516,438	**$ 844.1**	447,902	$ 653.2

Revenue and GEO Sales by Asset Categories

	Q4/2019		Q4/2018	
	GEO Sales #	**Revenue** *(in millions)*	GEO Sales #	Revenue *(in millions)*
Gold	**117,698**	**$ 174.8**	79,623	$ 98.3
Silver	**15,427**	**22.8**	12,895	16.1
PGMs	**16,271**	**24.6**	8,830	11.2
Other Mining Assets	**4,000**	**5.9**	3,529	4.4
Mining	**153,396**	**$ 228.1**	104,877	$ 130.0
Energy	**—**	**30.0**	—	18.2
	153,396	**$ 258.1**	104,877	$ 148.2

For Q4/2019, revenue was sourced 88.4% from gold and gold equivalents (67.7% gold, 8.9% silver, 9.5% PGM and 2.3% other mining assets) and 11.6% from energy (oil, gas and NGLs). The portfolio's objective is to maintain a focus on precious metals (gold, silver and PGM) with a target of no more than 20% in revenue from energy. Geographically, revenue was sourced 84.9% from the Americas (47.1% Latin America, 19.3% U.S. and 18.5% Canada).

Corporate Updates

- **At-the-Market Equity Program ("ATM Program") & Debt:** In Q4/2019, the Company issued 549,400 shares under its ATM Program for net proceeds of $53.0 million. Proceeds from the ATM Program were used to pay down debt such that the outstanding balance was $80 million as at December 31, 2019. This balance was subsequently repaid after year-end and Franco-Nevada is now debt-free.
- **Eagle's Nest & Noront Loan:** On December 23, 2019, Franco-Nevada acquired a 1% royalty on Noront Resources' Eagle's Nest nickel, copper and PGM deposit in the Ring of Fire mining district of Ontario for $3.8 million. Franco-Nevada also extended the term of its $25 million loan to Noront to September 30, 2022.
- **Project 81:** On November 22, 2019, Franco-Nevada acquired a 2% royalty on Noble Mineral's 55,000 hectare patented land package known as Project 81 near Timmins, Ontario, in exchange for Franco-Nevada agreeing to waive certain rights on Project 81. The royalty also covers the Crawford Nickel-Sulphide Project, which was recently spun out to Canada Nickel Company Inc.
- **Succession Plans:** As previously announced, at the May 6, 2020 AGM, the board of Franco-Nevada intends to appoint David Harquail as the non-executive Chair of the board of directors, Pierre Lassonde as Chair Emeritus, Paul Brink as President & Chief Executive Officer and to nominate Paul Brink for election as a director.

2020 Guidance

In 2020, Franco-Nevada expects attributable royalty and stream sales to total 550,000 to 580,000 GEOs from its mining assets and revenue of $80 to $95 million from its energy assets. Of the royalty and stream sales from mining assets, 375,000 to 405,000 GEOs are expected from Franco-Nevada's various stream agreements. For 2020 guidance, silver, platinum and palladium metals have been converted to GEOs using assumed commodity prices of $1,500/oz Au, $17.00/oz Ag, $900/oz Pt and $2,000/oz Pd. The WTI oil price and Henry Hub natural gas price are assumed to average $45 per barrel and $2.00 per mcf, respectively. The Company estimates depletion expense of $260 to $290 million. 2020 guidance and 5-year outlook below are based on public forecasts and other disclosure by the third-party owners and operators of our assets or our assessment thereof.

5-Year Outlook

Our outlook to 2024 assumes that the Cobre Panama project will have expanded its mill throughput capacity to 100 million tonnes per year starting in 2023. Using the same commodity price assumptions as were used for our 2020 guidance (see above) and assuming no other acquisitions, Franco-Nevada expects its existing portfolio to produce between 580,000 to 610,000 GEOs by 2024. Energy revenues are expected to range between $115 to $135 million, and assumes the remaining committed capital for the Royalty Acquisition Venture with Continental is funded.

Q4/2019 Portfolio Updates

- **Gold Equivalent Ounces Sold:** GEOs sold for the quarter were 153,396, an increase of 46.3% from the 104,877 sold in Q4/2018. Cobre Panama, Candelaria, and Guadalupe-Palmarejo, Sudbury and Stillwater contributed to the quarter-over-quarter increase which was slightly offset by lower contributions from Antamina and the Goldstrike NPI.

Latin America:

- **Cobre Panama** *(gold and silver stream)* - First Quantum reported that Cobre Panama produced 147,480 tonnes of copper in 2019. For 2020, First Quantum expects Cobre Panama to produce between 285,000 - 310,000 tonnes of copper as it continues to ramp up. Franco-Nevada sold 43,554 GEOs from the mine in 2019 and in 2020, expects sales to be between 90,000 - 110,000 GEOs.
- **Candelaria** *(gold and silver stream)* - Production at Candelaria increased quarter-over-quarter as the majority of the mill feed was higher grade ore sourced directly from the open pit. With the Underground South Sector now operational, underground production ramped up to 13,500 tpd, approaching the 14,000 tpd permitted. Lundin also reported that its mill optimization project is on track for completion in Q1/2020. In 2020, Franco-Nevada expects sales from its Candelaria stream to be between 70,000 - 80,000 GEOs.
- **Antapaccay** *(gold and silver stream)* - GEOs sold from Antapaccay were slightly lower quarter-over-quarter due to anticipated lower grades based on the life of mine plan. In 2020, Franco-Nevada expects sales from its Antapaccay stream to be between 60,000 - 70,000 GEOs.
- **Antamina** *(22.5% silver stream)* - GEOs sold from Antamina were lower quarter-over-quarter, reflecting lower copper grades, in-line with the life of mine plan. Due to a higher gold-to-silver ratio, the conversion of silver ounces to GEOs was also negatively impacted. In 2020, Franco-Nevada anticipates silver ounces sales from its Antamina stream to be at the mid-point of our long-term expected annual range of 2.8 million - 3.2 million ounces.
- **Guadalupe-Palmarejo** *(50% gold stream)* - Sales from Guadalupe-Palmarejo increased quarter-over-quarter, not including 1,695 ounces sold subsequent to year-end.
- **Cerro Moro** *(2% royalty)* - We benefited from a first full year of royalties from Cerro Moro in 2019. Yamana has reported good exploration success at Cerro Moro and anticipates the mine to be one of the main catalysts for its production levels in 2022.

U.S.:

- **Goldstrike** *(2-4% royalty & 2.4-6% NPI)* - Barrick reported reserve additions of 1.5 million ounces due to changes in the cut-off grade and mine design.
- **Stillwater** *(5% royalty)* - Stillwater benefited from strong palladium prices and the continued ramp-up of the Blitz project. Sibanye-Stillwater expects PGM production to increase to between 660,000 - 700,000 ounces in 2020, from 594,000 ounces in 2019.
- **South Arturo** *(4-9% royalty)* - Joint venture operators Nevada Gold Mines and Premier Gold announced that commercial production at the El Nino underground was achieved in October 2019.
- **Castle Mountain** *(2.65% royalty)* - Phase 1 production is targeted by Equinox for Q3/2020 which anticipates production of 45,000 ounces per year for 3 years. Feasibility and permitting for Phase 2 is underway, which anticipates production increasing to approximately 200,000 ounces per year.

Canada:

- **Detour Lake** *(2% royalty)* - On January 31, 2020, Kirkland Lake Gold acquired Detour Gold Corporation and intends to invest aggressively in exploration drilling at Detour Lake.
- **Kirkland Lake** *(1.5-5.5% royalty & 20% NPI)* - Kirkland Lake continues to advance the construction of the #4 Shaft with the expectation of increasing production at the Macassa mine to over 400,000 ounces per year from the 241,297 ounces produced in 2019.
- **Hemlo** *(3% royalty & 50% NPI)* - Royalties from Hemlo increased significantly quarter-over-quarter as the operation was modernized and refocused in 2019.
- **Dublin Gulch (Eagle)** *(1-1.5% royalty)* - First gold at the Eagle Gold Mine was poured in September 2019. A full year of production is expected in 2020.
- **Hardrock** *(3% royalty)* - An updated Mineral Resource estimate was announced in October 2019 for the Hardrock project which increased the Measured and Indicated Resource to 7.1 million ounces.
- **Canadian Malartic** *(1.5% royalty)* - Exploration programs continue to evaluate several deposits to the east of the Canadian Malartic open pit that are partly covered by Franco-Nevada's royalties.

Rest of World:

- **Tasiast** *(2% royalty)* - Kinross reported that Tasiast produced record annual production in 2019 of 391,097 ounces due to the Phase One expansion. The Tasiast 24k project is proceeding on schedule and on budget and is expected to double capacity.
- **Subika** *(2% royalty)* - Newmont declared commercial production at the Ahafo Mill Expansion in October 2019. Annual gold production is expected to reach between 550,000 - 650,000 ounces per year through 2024.

- **Energy:** Revenue from the energy assets increased to $30.0 million in Q4/2019 compared to $18.2 million in Q4/2018, reflecting contributions from new investments in the Marcellus and in the SCOOP/STACK by the Royalty Acquisition Venture with Continental but offset by lower commodity prices compared to Q4/2018.

  U.S.:

  - **Marcellus** *(1% royalty)* - The recently acquired royalty contributed $4.9 million to revenue in Q4/2019 and the asset will benefit from its first full year of revenue in 2020.
  - **SCOOP/STACK** *(various royalty rates)* - Royalties from SCOOP/STACK increased quarter-over-quarter due to additional contributions from the Royalty Acquisition Venture with Continental. In Q4/2019, Franco-Nevada recorded contributions of $8.3 million to the Royalty Acquisition Venture and its remaining commitment through December 31, 2021 is $143.8 million.
  - **Permian Basin** *(various royalty rates)* - Despite an increase in drilling activity on royalty lands, revenue from Franco-Nevada's interests in the Permian Basin decreased quarter-over-quarter due to lower realized prices.

  Canada:

  - **Weyburn** *(NRI, ORR, WI)* - Revenue from Weyburn almost doubled quarter-over-quarter due to higher realized prices and lower capital and operating costs in the quarter.
  - **Orion** *(4% GORR)* - Revenue from Orion was higher as a result of increased production volumes from the asset and a recovery in price differentials for heavy oil compared to the prior year period.

Shareholder Information

The complete Consolidated Annual Financial Statements and Management's Discussion and Analysis can be found today on Franco-Nevada's website at www.franco-nevada.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Management will host a conference call tomorrow, Tuesday, March 10, 2020 at 10:00 a.m. Eastern Time to review Franco-Nevada's 2019 results, as well as discuss its 2020 and five-year outlook.

Interested investors are invited to participate as follows:

- *Via Conference Call: Toll-Free: (888) 390-0546; International: (416) 764-8688*
- *Conference Call Replay until March 17: Toll-Free (888) 390-0541; International (416) 764-8677; Code 273625 #*
- *Webcast: A live audio webcast will be accessible at www.franco-nevada.com*

Corporate Summary

Franco-Nevada Corporation is the leading gold-focused royalty and stream company with the largest and most diversified portfolio of cash-flow producing assets. Its business model provides investors with gold price and exploration optionality while limiting exposure to many of the risks of operating companies. Franco-Nevada has a strong balance sheet and uses its free cash flow to expand its portfolio and pay dividends. It trades under the symbol FNV on both the Toronto and New York stock exchanges. Franco-Nevada is the gold investment that works.

For more information, please go to our website at www.franco-nevada.com or contact:

Sandip Rana
Chief Financial Officer
416 306-6303
info@franco-nevada.com

(1) Refer to Note 1 at the bottom of page 9 of this Annual Report for the methodology for calculating GEOs and, for illustrative purposes, to the average commodity price table on pages 16 and 21 of this Annual Report for indicative prices which may be used in the calculations of GEOs for the year ended December 31, 2019 and 2018, respectively.

(2) Cash Costs, Adjusted Net Income, Adjusted EBITDA, and Margin are non-IFRS financial measures with no standardized meaning under IFRS. For further information and a detailed reconciliation, please see the "Non-IFRS Financial Measures" section of this Annual Report.

FORWARD-LOOKING STATEMENTS

Please refer to Cautionary Statement on Forward-Looking Information on page 40 of this Annual Report.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of financial position and results of operations of Franco-Nevada Corporation ("Franco-Nevada", the "Company", "we" or "our") has been prepared based upon information available to Franco-Nevada as at March 9, 2020 and should be read in conjunction with Franco-Nevada's audited consolidated financial statements and related notes as at and for the year ended December 31, 2019 and 2018. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The audited consolidated financial statements and MD&A are presented in U.S. dollars.

Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to read the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A and to consult Franco-Nevada's audited consolidated financial statements for the year ended December 31, 2019 and 2018 and the corresponding notes to the financial statements which are available on our website at www.franco-nevada.com, on SEDAR at www.sedar.com and in our most recent Form 40-F filed with the United States Securities and Exchange Commission on EDGAR at www.sec.gov.

Additional information related to Franco-Nevada, including our Annual Information Form and Form 40-F, are available on SEDAR at www.sedar.com, and on EDGAR at www.sec.gov, respectively. These documents contain descriptions of certain of Franco-Nevada's producing and advanced royalty and stream assets, as well as a description of risk factors affecting the Company. For additional information, our website can be found at www.franco-nevada.com.

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Abbreviations used in this report

The following abbreviations may be used throughout this MD&A:

Abbreviated Definitions

Periods under review

"Q4/2019"	The three-month period ended December 31, 2019
"Q3/2019"	The three-month period ended September 30, 2019
"Q2/2019"	The three-month period ended June 30, 2019
"Q1/2019"	The three-month period ended March 31, 2019
"Q4/2018"	The three-month period ended December 31, 2018
"Q3/2018"	The three-month period ended September 30, 2018
"Q2/2018"	The three-month period ended June 30, 2018
"Q1/2018"	The three-month period ended March 31, 2018

Places and currencies

"U.S."	United States
"$" or "USD"	United States dollars
"C$" or "CAD"	Canadian dollars
"A$" or "AUD"	Australian dollars

Interest types

"NSR"	Net smelter return royalty
"GR"	Gross royalty
"ORR"	Overriding royalty
"GORR"	Gross overriding royalty
"FH"	Freehold or lessor royalty
"NPI"	Net profits interest
"NRI"	Net royalty interest
"WI"	Working interest

Measurement

"GEO"	Gold equivalent ounces
"PGM"	Platinum group metals
"oz"	Ounce
"oz Au"	Ounce of gold
"oz Ag"	Ounce of silver
"oz Pt"	Ounce of platinum
"oz Pd"	Ounce of palladium
"LBMA"	London Bullion Market Association
"bbl"	Barrel
"boe"	Barrels of oil equivalent
"WTI"	West Texas Intermediate
"mcf"	Thousand cubic feet

For definitions of the various types of agreements, please refer to our most recent Annual Information Form filed on SEDAR at www.sedar.com or our Form 40 F filed on EDGAR at www.sec.gov.

Overview

Franco-Nevada is the leading gold-focused royalty and streaming company with the largest and most diversified portfolio of royalties and streams by commodity, geography, revenue type and stage of project. The portfolio is actively managed to maintain a focus on precious metals (gold, silver and PGM) and a diversity of revenue sources with a target of not more than 20% of revenue from Energy (oil, gas and NGLs).

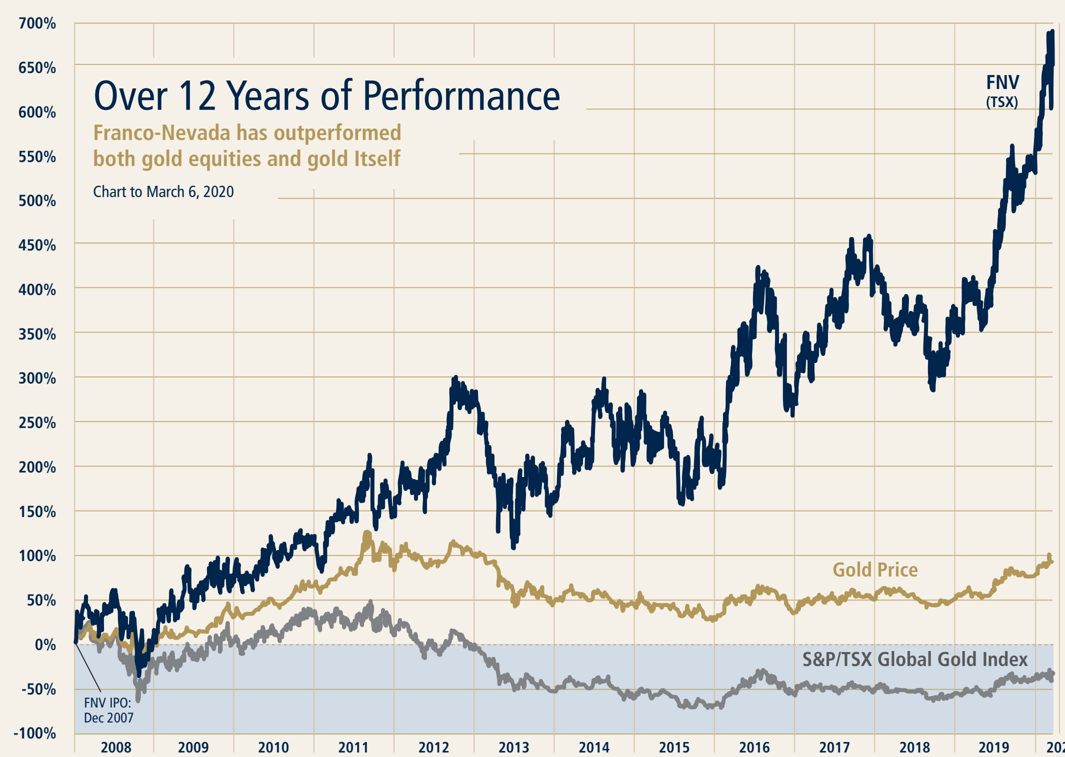
Franco-Nevada Asset Count at March 9, 2020

	Mining	Energy	TOTAL
Producing	55	56	**111**
Advanced	34	–	**34**
Exploration	206	23	**229**
TOTAL	**295**	**79**	**374**

Franco-Nevada's shares are listed on the Toronto and New York stock exchanges under the symbol FNV. An investment in Franco-Nevada's shares is expected to provide investors with yield and exposure to commodity price and exploration optionality while limiting exposure to many of the risks of operating companies. Since its initial public offering twelve years ago, Franco-Nevada has increased its dividend annually and its share price has outperformed the gold price and all relevant gold equity benchmarks.

Our aspiration is to make Franco-Nevada the "go to" gold stock for the generalist investor. We believe that our emphasis on minimizing risk, paying dividends and maintaining a strong balance sheet along with high governance standards is attractive to generalist investors. In a world confronted by political volatility and financial market instability, we believe making Franco-Nevada a lower risk gold investment that pays dividends and has leverage to gold is the right strategy.

Franco-Nevada's Relative Share Price Performance



Note: FNV (TSX) and S&P/TSX Global Gold Index converted to USD.

Strategy

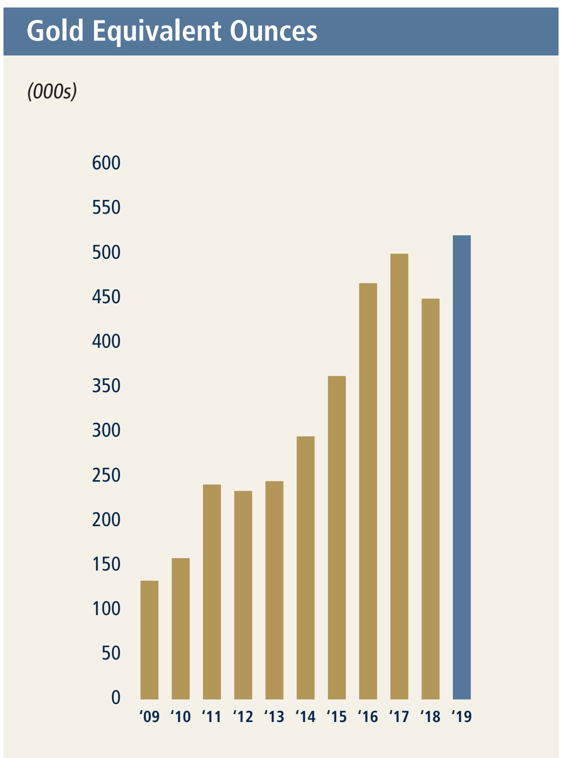
Franco-Nevada's revenue is generated from various forms of agreements, ranging from net smelter return royalties, streams, net profits interests, net royalty interests, working interests and other types of arrangements.

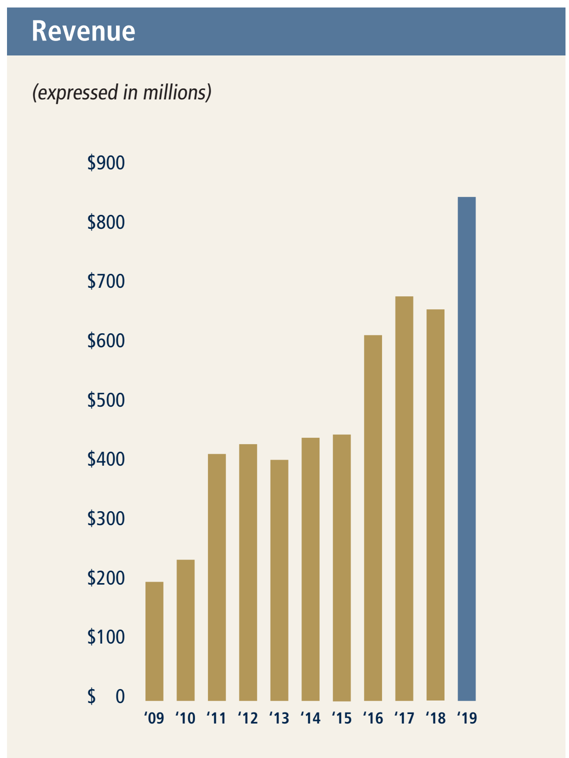
The Company does not operate mines, develop projects or conduct exploration. Franco-Nevada's business model is focused on managing and growing its portfolio of royalties and streams. The advantages of this business model are:

- Exposure to commodity price optionality;
- A perpetual discovery option over large areas of geologically prospective lands;
- No additional capital requirements other than the initial investment;
- Limited exposure to many of the risks associated with operating companies;
- A free cash-flow business with limited cash calls;
- A high-margin business that can generate cash through the entire commodity cycle;
- A scalable and diversified business in which a large number of assets can be managed with a small stable overhead; and
- Management that focuses on forward looking growth opportunities rather than operational or development issues.

Franco-Nevada's financial results in the short term are primarily tied to the price of commodities and the amount of production from its portfolio of producing assets. Financial results have also been supplemented by acquisitions of new producing assets. Over the longer term, results are impacted by the availability of exploration and development capital applied by other companies to expand or extend Franco-Nevada's producing assets or to advance Franco-Nevada's advanced and exploration assets into production.

Franco-Nevada has a long-term investment outlook and recognizes the cyclical nature of the industry. Franco-Nevada has operated by maintaining a strong balance sheet so that it can make investments during commodity cycle downturns.





Franco-Nevada manages its portfolio to maintain a focus on precious metals (gold, silver and PGM) and a diversity of revenue sources with a target of not more than 20% of revenue from Energy (oil, gas and NGLs). In the short term, we may temporarily diverge from the long-term target based on opportunities available. In 2019, 86.3% of revenue was earned from gold and gold equivalents and 13.7% from Energy assets.

One of the strengths of the Franco-Nevada business model is that our business is not generally impacted when producer costs increase as long as the producer continues to operate the underlying asset. Royalty and stream payments/deliveries are based on production levels with no adjustments for the operator's operating costs, with the exception of NPI and NRI royalties, which are based on the profit of the underlying operation. Profit-based royalties accounted for approximately 5.9% of total revenue in 2019.

Highlights

Financial Update - Q4/2019

- **153,396 GEOs**(1) sold in Q4/2019, an increase of 46.3% from 104,877 GEOs in Q4/2018;
- **$258.1 million in revenue**, an increase of 74.2% compared to $148.2 million in Q4/2018;
- **$44.1 million, or $287 per GEO sold, in Cash Costs**(2) attributable to GEO production, compared to $21.5 million, or $208 per GEO, in Q4/2018;
- **$201.7 million, or $1.07 per share, of Adjusted EBITDA**(2), an increase of 69.9% and 67.2%, respectively, compared to $118.7 million, or $0.64 per share, in Q4/2018;
- **78.1% in Margin**(2), compared to 80.1% in Q4/2018;
- **$113.3 million, or $0.60 per share, in net income**, compared to a net loss of $31.3 million, or $0.17 per share, in Q4/2018;
- **$110.8 million, or $0.59 per share in Adjusted Net Income**(2), an increase of 147.9% and 145.8%, respectively, compared to $44.7 million, or $0.24 per share, in Q4/2018;
- **$184.6 million in net cash provided by operating activities**, an increase of 88.8% compared to $97.8 million in Q4/2018;
- **$1.4 billion in available capital** as at December 31, 2019.

Financial Update - 2019

- **516,438 GEOs** sold, an increase of 15.3% from 447,902 GEOs in 2018;
- **$844.1 million in revenue**, an increase of 29.2% compared to $653.2 million in 2018;
- **$137.5 million, or $266 per GEO sold, in Cash Costs** attributable to GEO production, compared to $105.2 million, or $239 per GEO, in 2018;
- **$673.4 million, or $3.59 per share, in Adjusted EBITDA**, an increase of 29.6% and 28.7%, respectively, compared to $519.6 million, or $2.79 per share, in 2018;
- **79.8% in Margin**, compared to 79.5% in 2018;
- **$344.1 million, or $1.83 per share, in net income**, an increase of 147.6% and 144.0%, respectively, compared to $139.0 million, or $0.75 per share, in 2018;
- **$341.5 million, or $1.82 per share**, in Adjusted Net Income, an increase of 57.4% and 55.6%, respectively, compared to $217.0 million, or $1.17 per share, in 2018;
- **$617.7 million in net cash provided by operating activities**, an increase of 30.1% compared to $474.8 million in 2018.

(1) GEOs include production from our Mining assets and do not include Energy assets. GEOs are estimated on a gross basis for NSR royalties and, in the case of stream ounces, before the payment of the per ounce contractual price paid by the Company. For NPI royalties, GEOs are calculated taking into account the NPI economics. Silver, platinum, palladium and other mining commodities are converted to GEOs by dividing associated revenue, which includes settlement adjustments, by the relevant gold price. The price used in the computation of GEOs earned from a particular asset varies depending on the royalty or stream agreement, which may make reference to the market price realized by the operator, or the average price for the month, quarter, or year in which the mining commodity was produced or sold. For illustrative purposes, please refer to the average commodity price table on pages 16 and 21 of this Annual Report for indicative prices which may be used in the calculation of GEOs for the year ended December 31, 2019 and 2018, respectively.

(2) Cash Costs, Adjusted Net Income, Adjusted EBITDA, and Margin are non-IFRS financial measures with no standardized meaning under IFRS. For further information and a detailed reconciliation, please see the "Non-IFRS Financial Measures" section of this Annual Report.

Corporate Developments

Acquisition of Eagle's Nest Royalty Interest and Extension of Noront Loan - Ontario, Canada

On December 23, 2019, Franco-Nevada acquired a 1% GR on Noront Resources Ltd.'s ("Noront") Eagle's Nest nickel, copper and PGM deposit in the Ring of Fire mining district of Ontario, Canada, for C$5.0 million ($3.8 million).

Franco-Nevada also extended the term of its $25 million loan to Noront to September 30, 2022, from its original maturity of April 28, 2020, under substantially the same terms and conditions. The loan bears annual interest at 7%, and amounted to $34.6 million including accrued interest as at December 31, 2019.

Acquisition of Project 81 Royalty Interest and Noble Common Shares - Ontario, Canada

On November 22, 2019, Franco-Nevada acquired a 2% NSR on Noble Mineral Exploration's ("Noble") 55,000 hectare patented land package known as Project 81 in the Timmins-Cochrane area of Ontario, Canada, in exchange for Franco-Nevada agreeing to waive its pre-emptive and buy-back rights in respect of a historical third party royalty, which was subsequently terminated. Franco-Nevada's 2% NSR covers the Crawford Nickel-Sulphide Project, which was recently spun out by Noble to Canada Nickel Company Inc. As part of the arrangement, Noble issued C$500,000 of Noble common shares to Franco-Nevada.

Acquisition of Premier Gold Royalty Interests

On September 25, 2019, Franco-Nevada acquired two royalties from Premier Gold Mines Limited ("Premier") for $6.0 million, including a 2% NSR on property owned by Newmont Corporation adjoining its Musselwhite Mine in Northwestern Ontario and a 1.5% NSR on Nevada Gold Mines LLC's Rain/Emigrant and Saddle properties located at the south end of the Carlin Trend in Nevada.

Acquisition of U.S. Oil & Gas Royalty Interest - Marcellus, Pennsylvania, U.S.A.

On July 22, 2019, Franco-Nevada acquired from Range Resources Corporation ("Range") an overriding royalty interest on acreage in the Marcellus for a gross purchase price of $300.0 million. The royalty is calculated as 1% of gross production, less allowed deductions from approximately 350,000 net acres of Range's working interest position in Washington, Western Allegheny and Southern Beaver Counties in Pennsylvania. The royalty applies to existing production and future development from the Marcellus formation as well as future potential development from the Utica and Upper Devonian formations. The royalty provides exposure to a significant inventory of undeveloped drilling locations that is expected to be capable of supporting cash flow for several decades. The royalty is registered on title and is a direct interest in real property.

The acquisition had an effective date of March 1, 2019. Between the effective date and the closing date, the asset generated approximately $9.4 million in royalties. Total revenue earned in 2019 from these royalties was $18.0 million. Approximately half of the revenue earned was from natural gas liquids and condensate.

Acquisition of U.S. Oil & Gas Royalty Rights with Continental Resources, Inc. - SCOOP and STACK, Oklahoma, U.S.A.

The Company, through a wholly-owned subsidiary, has a strategic relationship with Continental Resources, Inc. ("Continental") to acquire, through a jointly-owned entity (the "Royalty Acquisition Venture"), royalty rights in the South Central Oklahoma Oil Province ("SCOOP") and Sooner Trend Anadarko Basin Canadian and Kingfisher Counties ("STACK") plays of Oklahoma.

Under the agreement, Franco-Nevada had committed to spend up to $100 million per year over the three-year period ending December 31, 2021 to acquire royalty rights, subject to satisfaction of agreed upon development thresholds. Given a favourable acquisition pace in 2019, Franco-Nevada advanced the capital funding schedule and increased its 2019 capital commitment to the Royalty Acquisition Venture to $120.0 million, up from $100.0 million. Contributions recorded by Franco-Nevada in 2019 were $114.4 million (2018 - $261.8 million). Since the inception of the Royalty Acquisition Venture, Franco-Nevada has contributed a cumulative amount of $376.2 million, with up to $143.8 million in remaining commitments.

Acquisition of Valentine Lake Royalty Interest - Newfoundland, Canada

On February 21, 2019, Franco-Nevada acquired a 2% NSR on Marathon Gold Corporation's ("Marathon") Valentine Lake Gold Camp in central Newfoundland for C$18.0 million ($13.7 million). Marathon has an option to buy back 0.5% of the NSR for $7.0 million until December 31, 2022.

Acquisition of Salares Norte Royalty Interest - Chile

On January 31, 2019, Franco-Nevada, through a wholly-owned subsidiary, acquired an existing 2% NSR on Gold Fields' Salares Norte project in the Atacama region of northern Chile for $32.0 million, comprised of $27.0 million of Franco-Nevada common shares (366,499 common shares) and $5.0 million in cash. Gold Fields has an option to buy back 1% of the NSR for $6.0 million within 24 months of the commencement of commercial production.

Significant Portfolio Updates

Additional updates related to our portfolio of assets are available in our News Release issued on March 9, 2020, available on SEDAR at www.sedar.com, and EDGAR at www.sec.gov.

Cobre Panama

First Quantum Minerals Ltd. ("First Quantum") reported that Cobre Panama had achieved commercial production on September 1, 2019, and that project construction and commissioning was essentially complete during Q4/2019. The final mill (8th mill), came on-line in mid-December 2019, providing additional capacity on the third milling train, and First Quantum expects that mill throughput can now ramp-up to production of 85 million tonnes per annum (mtpa). First Quantum expects throughput to reach 100 mtpa by 2023, resulting in copper production of over 350,000 tonnes per year.

First Quantum reported that copper production in 2019 was 147,480 tonnes of copper, within its guidance of 140,000 - 170,000 tonnes. Franco-Nevada received its first gold and silver ounces from Cobre Panama in July 2019, for a total of 43,554 GEOs sold in 2019, exceeding our guidance of 20,000 - 40,000 GEOs.

In relation to the ongoing constitutional proceedings in connection with Minera Panama SA's ("MPSA") mining concession contract, First Quantum reported that the newly elected Government of Panama, inaugurated on July 1, 2019, has established a multidisciplinary high-level commission including the Minister of Commerce and Industries (mining regulator), Minister of Environment, and Minister of Employment to discuss the Law 9 matter and seek resolution. First Quantum reported that discussions with the commission have been productive.

Financing

Credit Facilities

During the year, the Company drew down $275.0 million from its $1.0 billion revolving credit facility (the "Corporate Revolver") to finance the acquisition of the Marcellus royalty. This amount was fully repaid by December 31, 2019. The Corporate Revolver has a maturity date of March 22, 2024, which the Company expects to extend by an additional year.

The Company also drew down $160.0 million from its unsecured, non-revolving credit facility (the "Corporate Term Loan"), and used the proceeds to pay down borrowings previously drawn against the Corporate Revolver. The amount outstanding under the Corporate Term Loan was reduced to $80.0 million by December 31, 2019. Subsequent to year-end, on February 14, 2020, the Corporate Term Loan was fully repaid.

As of the date of this MD&A, the Company has repaid all amounts borrowed against its credit facilities.

The $100.0 million, revolving Franco-Nevada (Barbados) Corporation credit facility (the "FNBC Revolver") was undrawn during the year. The FNBC Revolver has a maturity date of March 20, 2020, which the Company expects to extend by an additional year.

At-the-Market Equity Program

On July 19, 2019, the Company established an at-the-market equity program (the "ATM Program") whereby the Company is permitted to issue up to an aggregate of $200 million worth of common shares from treasury at prevailing market prices to the public through the Toronto Stock Exchange, the New York Stock Exchange or any other marketplace on which the common shares are listed, quoted or otherwise trade. The volume and timing of distributions under the ATM Program is determined at the Company's sole discretion, subject to applicable regulatory limitations and blackout periods. The ATM Program is effective until July 18, 2020, unless terminated prior to such date by the Company.

In 2019, the Company issued 1,433,400 common shares under the ATM Program at an average price per common share of $96.56. The gross proceeds to the Company from these issuances were $138.4 million, and the net proceeds were $136.0 million after deducting agent commission costs of $1.4 million and other share issuance costs of $1.0 million.

Dividend Declaration

For the year ended December 31, 2019, dividends declared totaled $0.99 per share, or $187.0 million, of which $138.2 million was paid in cash and $48.8 million was paid in common shares under the Company's Dividend Reinvestment Plan (the "DRIP"). For Q4/2019, the dividend declared was $0.25 per share, for a total of $47.6 million, of which $35.3 million was paid in cash and $12.3 million was paid in common shares issued under the DRIP.

Guidance

The following contains forward-looking statements. Reference should be made to the "Cautionary Statement on Forward-Looking Information" section at the end of this MD&A. For a description of material factors that could cause our actual results to differ materially from the forward-looking statements below, please see the "Cautionary Statement" and the "Risk Factors" section of our most recent Annual Information Form filed with the Canadian securities regulatory authorities on www.sedar.com and our most recent Form 40-F filed with the United States Securities and Exchange Commission on www.sec.gov. 2020 guidance is based on assumptions including the forecasted state of operations from our assets based on the public statements and other disclosures by the third-party owners and operators of the underlying properties (subject to our assessment thereof).

For 2020, the Company is pleased to provide the following guidance for its mining and energy segments, respectively.

	2020 Guidance	2019 Actual	2018 Actual
Gold & Gold Equivalent sales[(1),(2)]	550,000 - 580,000 GEOs	516,438 GEOs sold	447,902 GEOs sold
Energy revenue[(3)]	$80 - $95 million	$115.9 million	$86.1 million

(1) Of the 550,000 to 580,000 GEOs, Franco-Nevada expects to receive 375,000 to 405,000 GEOs under its various streams. For the year ended December 31, 2019, the Company earned 345,466 GEOs from its streams.

(2) In forecasting GEOs for 2020, gold, silver, platinum and palladium metals have been converted to GEOs using commodity prices of $1,500 Au, $17.00 Ag, $900 Pt and $2,000 Pd.

(3) In forecasting revenue from Energy assets for 2020, the Company assumed a WTI oil price of $45 per barrel and a Henry Hub natural gas price of $2.00 per mcf.

Gold equivalent sales: GEO sales in 2019 exceeded our guidance, with strong production from our Cobre Panama, Candelaria, and Guadalupe-Palmarejo streams, as well as higher than anticipated royalties from our Hemlo NPI. For 2020, we continue to expect significant growth in GEO sales based on the following:

- **Latin America:** We expect sales from Cobre Panama to range between 90,000 and 110,000 GEOs as the mine continues to ramp up in 2020. Sales in 2020 for Candelaria are expected to range between 70,000 and 80,000 GEOs, as production from the mine is expected to increase with improving copper head grades, the Candelaria South Sector underground mine now operational and the mill optimization project on-track to be completed in Q1/2020. Antamina silver ounces sold are expected to increase compared to 2019, as we anticipate the mid-point of our long-term expected annual range of 2.8 million to 3.2 million silver ounces. Increases from these assets are expected to be partly offset by a decrease from Antapaccay based upon lower head grades as per the life of mine plan, where we expect between 60,000 and 70,000 GEOs in sales.
- **U.S.:** We expect higher production from South Arturo, where commercial production at the El Nino underground mine was ahead of schedule in Q3/2019, and from Stillwater, where production continues to benefit from the Blitz project and high palladium prices. Bald Mountain experienced delays with the construction and commissioning of the heap leach pad at the Vantage Complex and production at Marigold is transitioning away from higher royalty grounds. Royalties from the Goldstrike NPI are also expected to decrease.
- **Canada:** We expect a first full year of production from Dublin Gulch (Eagle) where first gold was poured in September 2019 and higher royalties from our Hemlo NPI. Production from Sudbury is expected to decrease, with Levack-Morrison mine being placed on care and maintenance in March 2019, and we expect no revenue from Musselwhite as the mine continues to recover from a fire early in April 2019.
- **Rest of World:** Production from Sabodala is expected to decrease, having fulfilled its fixed deliveries requirements in 2019, with future stream deliveries now being based on a trailing 6% of gold production. Royalties from Subika are also expected to decrease based on mine sequencing in the Subika open pit and a change in mining method at Subika Underground.

Energy revenue: Revenue from our Energy assets also exceeded our 2019 guidance, reflecting the addition of the Marcellus royalty as well as strong performances from our existing U.S. and Canadian assets. In 2020, based on a more conservative outlook, we expect revenue from Energy to decrease year-over-year based on weaker prices and the following additional factors:

- **U.S.:** We expect revenue from the SCOOP/STACK to be flat compared to 2019, reflecting additional royalty rights acquired through the Royalty Acquisition Venture with Continental, partly offset by the impact of a downturn in gas and NGL prices, and a decrease in rig activity in the basin. Royalties from the Marcellus asset, acquired effective March 1, 2019, are expected to increase modestly year-over-year, reflecting a first full year of production, partly offset by lower prices for gas and NGLs which are at historic lows at the beginning of 2020. Revenue from the Permian Basin is expected to decrease compared to 2019, reflecting the decline of some high-royalty interest wells which came online in 2019. We also have not included lease bonus revenue in our 2020 guidance, which amounted to $2.0 million in 2019.
- **Canada:** We expect revenue for the Weyburn NRI to be lower than last year due to an increase in capital spending budgeted by the operator as they bring new wells online, which will help bolster future production levels. For Orion, in 2020, we assumed a higher differential for the Western Canada Select benchmark price (versus WTI) than what was realized in 2019. The differential in 2019 benefited from government-imposed production curtailments in Alberta which have since been reduced.

Depletion: The Company has estimated depletion and depreciation expense to be between $260.0 million to $290.0 million for 2020.

Capital commitments: With respect to the Royalty Acquisition Venture held with Continental, the Company is expected to contribute, subject to satisfaction of agreed upon development thresholds, up to $100.0 million in 2020.

Market Overview

The prices of precious metals, gold in particular, are the largest factors in determining profitability and cash-flow from operations for Franco-Nevada. Historically, the price of gold has been subject to volatile price movements and is affected by numerous macroeconomic and industry factors that are beyond the Company's control. Major influences on the gold price include the level of interest rates, inflation expectations, currency exchange rate fluctuations including the relative strength of the U.S. dollar, and the supply of and demand for gold.

Commodity price volatility also impacts the number of GEOs when converting non-gold commodities to GEOs. Silver, platinum, palladium and other mining commodities are converted to GEOs by dividing associated revenue, which includes settlement adjustments, by the relevant gold price. The price used in the computation of GEOs earned from a particular asset varies depending on the royalty or stream agreement, which may make reference to the market price realized by the operator, or the average price for the month, quarter, or year in which the mining commodity was produced or sold.

During 2019, gold prices averaged $1,392/oz, up 9.8% compared to $1,268/oz in 2018. Silver prices averaged $16.20/oz in 2019, an increase of 3.1% compared to $15.71/oz in 2018. Platinum and palladium prices averaged $863/oz and $1,539/oz, respectively, in 2019, compared to $881/oz and $1,028/oz, respectively, in 2018, an increase of 2.0% and 49.7%, respectively. Precious metal prices rallied in the latter part of 2019, closing the year at $1,523/oz Au, $18.05/oz Ag, $971/oz Pt, and $1,920/oz Pd.

During the year, Edmonton Light prices averaged C$68.99/bbl, flat compared to 2018, while WTI averaged $57.00/bbl, a 12.0% decrease from 2018. Henry Hub natural gas prices averaged $2.53/mcf in 2019 compared to $3.07/mcf in 2018.

Selected Financial Information

(in millions, except Average Gold Price, GEOs sold, Margin, per ounce amounts and per share amounts)	For the three months ended December 31, 2019	2018	For the year ended December 31, 2019	2018
Statistical Measures				
Average Gold Price	**$ 1,480**	$ 1,228	**$ 1,392**	$ 1,268
GEOs sold(1)	**153,396**	104,877	**516,438**	447,902
Statement of Income and Comprehensive Income				
Revenue	**$ 258.1**	$ 148.2	**$ 844.1**	$ 653.2
Depletion and depreciation	**72.7**	61.5	**263.2**	247.7
Costs of sales	**46.3**	24.8	**144.8**	118.2
Operating income	**129.0**	(19.3)	**410.2**	188.8
Net income	**113.3**	(31.3)	**344.1**	139.0
Basic earnings per share	**$ 0.60**	$ (0.17)	**$ 1.83**	$ 0.75
Diluted earnings per share	**$ 0.60**	$ (0.17)	**$ 1.83**	$ 0.75
Dividends declared per share	**$ 0.25**	$ 0.24	**$ 0.99**	$ 0.95
Dividends declared (including DRIP)	**$ 47.6**	$ 44.9	**$ 187.0**	$ 177.8
Weighted average shares outstanding	**188.8**	186.4	**187.7**	186.1
Non-IFRS Measures				
Cash Costs(2) attributable to GEOs sold	**$ 44.1**	$ 21.5	**$ 137.5**	$ 105.2
Cash Costs(2) per GEO sold	**$ 287**	$ 208	**$ 266**	$ 239
Adjusted EBITDA(2)	**$ 201.7**	$ 118.7	**$ 673.4**	$ 519.6
Adjusted EBITDA(2) per share	**$ 1.07**	$ 0.64	**$ 3.59**	$ 2.79
Margin(2)	**78.1%**	80.1%	**79.8%**	79.5%
Adjusted Net Income(2)	**$ 110.8**	$ 44.7	**$ 341.5**	$ 217.0
Adjusted Net Income(2) per share	**$ 0.59**	$ 0.24	**$ 1.82**	$ 1.17
Statement of Cash Flows				
Net cash provided by operating activities	**$ 184.6**	$ 97.8	**$ 617.7**	$ 474.8
Net cash used in investing activities	**$ (1.8)**	$ (285.3)	**$ (436.1)**	$ (988.7)
Net cash (used in) provided by financing activities	**$ (142.6)**	$ 182.5	**$ (119.8)**	$ 77.6

(expressed in millions)	As at December 31, 2019	As at December 31, 2018
Statement of Financial Position		
Cash and cash equivalents	**$ 132.1**	$ 69.7
Total assets	**5,280.6**	4,931.8
Debt	**80.0**	207.6
Deferred income tax liabilities	**82.4**	67.3
Total shareholders' equity	**5,062.2**	4,631.9
Working capital(3)	**225.3**	153.5

(1) Refer to Note 1 at the bottom of page 9 of this Annual Report for the methodology for calculating GEOs and, for illustrative purposes, to the average commodity price table on pages 16 and 21 of this Annual Report for indicative prices which may be used in the calculations of GEOs for the year ended December 31, 2019 and 2018, respectively.

(2) Cash costs, Adjusted EBITDA, Margin and Adjusted Net Income are non-IFRS financial measures with no standardized meaning under IFRS. For further information and a detailed reconciliation, please see the "Non-IFRS Financial Measures" section of this Annual Report.

(3) The Company defines Working Capital as current assets less current liabilities.

Revenue by Asset

Our portfolio is well-diversified with GEOs and revenue being earned from 55 Mining assets and 56 Energy assets in various jurisdictions. The following table details revenue earned from our various royalty, stream and working interests for the years ended December 31, 2019 and 2018:

(expressed in millions) Property	Interest and %	For the three months ended December 31, 2019	For the three months ended December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2018
GOLD & GOLD EQUIVALENTS					
Latin America					
Cobre Panama	Stream (indexed) Gold & Silver	**$ 32.8**	$ –	**$ 64.7**	$ –
Candelaria	Stream 68% Gold & Silver	**30.9**	11.3	**103.1**	70.5
Antapaccay	Stream (indexed) Gold & Silver	**29.1**	21.9	**100.4**	97.5
Antamina	Stream 22.5% Silver	**10.2**	10.9	**44.9**	51.1
Guadalupe-Palmarejo	Stream 50% Gold	**17.3**	6.8	**49.7**	45.3
Other		**1.3**	1.8	**6.4**	3.9
United States					
Goldstrike	NSR 2-4%, NPI 2.4-6%	**$ 4.1**	$ 6.3	**$ 21.2**	$ 19.0
Stillwater	NSR 5% PGM	**13.1**	6.6	**39.8**	21.3
Gold Quarry	NSR 7.29%	**5.9**	3.3	**15.6**	14.4
Marigold	NSR 1.75-5%, GR 0.5-4%	**1.7**	2.5	**8.7**	10.2
Bald Mountain	NSR/GR 0.875-5%	**3.8**	4.1	**8.9**	14.5
South Arturo	GR 4-9%	**1.1**	0.1	**1.8**	4.1
Other		**3.0**	2.9	**6.4**	14.9
Canada					
Sudbury	Stream 50% PGM & Gold	**$ 13.1**	$ 6.3	**$ 41.2**	$ 23.3
Detour Lake	NSR 2%	**4.7**	4.4	**16.8**	15.8
Hemlo	NSR 3%, NPI 50%	**5.6**	1.6	**18.2**	7.1
Golden Highway	NSR 2-10%	**1.8**	1.3	**7.0**	8.0
Brucejack	NSR 1.2%	**1.6**	0.3	**5.6**	0.3
Kirkland Lake	NSR 1.5-5.5%, NPI 20%	**1.4**	1.3	**5.2**	4.6
Other		**6.7**	5.2	**20.5**	16.2
Rest of World					
MWS	Stream 25%	**$ 12.1**	$ 8.2	**$ 37.1**	$ 32.9
Sabodala	Stream 6%	**6.3**	6.9	**29.5**	28.5
Karma	Stream 4.875%, Fixed to 80,625 oz	**5.6**	5.6	**20.2**	22.5
Tasiast	NSR 2%	**3.1**	2.1	**10.9**	6.3
Subika	NSR 2%	**5.3**	2.9	**17.4**	9.4
Duketon	NSR 2%	**1.5**	0.8	**7.7**	6.0
Edikan	NSR 1.5%	**0.9**	0.9	**3.6**	4.3
Other		**4.1**	3.7	**15.7**	15.2
		$ 228.1	$ 130.0	**$ 728.2**	$ 567.1
ENERGY					
United States					
SCOOP/STACK	Various Royalty Rates	**$ 7.0**	$ 4.9	**$ 26.2**	$ 15.7
Permian Basin	Various Royalty Rates	**5.3**	6.3	**20.0**	23.1
Marcellus	GORR 1%	**4.9**	–	**18.0**	–
Canada					
Weyburn	NRI 11.71%, ORR 0.44%, WI 2.56%	**$ 8.1**	$ 4.6	**$ 33.8**	$ 35.5
Orion	GORR 4%	**2.6**	0.6	**10.2**	3.7
Other		**2.1**	1.8	**7.7**	8.1
		$ 30.0	$ 18.2	**$ 115.9**	$ 86.1
Revenue		**$ 258.1**	$ 148.2	**$ 844.1**	$ 653.2

Review of Quarterly Financial Performance

The prices of precious metals, oil and gas and production from Mining and Energy assets are the largest factors in determining profitability and cash flow from operations for Franco-Nevada. The following table summarizes average commodity prices and average exchange rates during the periods presented.

Quarterly average prices and rates		Q4/2019	Q3/2019	Q4/2018	QOQ (Q4/2019-Q3/2019)	YOY (Q4/2019-Q4/2018)
Gold[1]	($/oz)	$ 1,480	$ 1,474	$ 1,228	0.4%	20.5%
Silver[2]	($/oz)	17.31	17.02	14.55	1.7%	19.0%
Platinum[3]	($/oz)	907	883	822	2.7%	10.3%
Palladium[3]	($/oz)	1,800	1,533	1,157	17.4%	55.6%
Edmonton Light	(C$/bbl)	66.87	69.09	47.95	(3.2%)	39.5%
West Texas Intermediate	($/bbl)	56.94	56.41	58.70	0.9%	(3.0%)
Henry Hub	($/mcf)	2.42	2.33	3.76	3.9%	(35.6%)
CAD/USD exchange rate[4]		0.7576	0.7574	0.7575	0.0%	0.0%

(1) Based on LBMA Gold Price PM Fix.
(2) Based on LBMA Silver Price.
(3) Based on London PM Fix.
(4) Based on Bank of Canada daily rates.

Revenue

Revenue and GEO sales by commodity, geographical location and type of interest for the three months ended December 31, 2019 and 2018 is as follows:

For the three months ended December 31,	Gold Equivalent Ounces[1] 2019	2018	Variance	Revenue *(in millions)* 2019	2018	Variance
Commodity						
Gold	117,698	79,623	38,075	$ 174.8	$ 98.3	$ 76.5
Silver	15,427	12,895	2,532	22.8	16.1	6.7
PGM	16,271	8,830	7,441	24.6	11.2	13.4
Other Mining assets	4,000	3,529	471	5.9	4.4	1.5
Mining	153,396	104,877	48,519	$ 228.1	$ 130.0	$ 98.1
Energy	–	–	–	30.0	18.2	11.8
	153,396	104,877	48,519	$ 258.1	$ 148.2	$ 109.9
Geography						
Latin America	81,697	42,435	39,262	$ 121.6	$ 52.7	$ 68.9
United States	22,235	21,244	991	49.9	37.1	12.8
Canada	23,247	16,066	7,181	47.7	27.3	20.4
Rest of World	26,217	25,132	1,085	38.9	31.1	7.8
	153,396	104,877	48,519	$ 258.1	$ 148.2	$ 109.9
Type						
Revenue-based royalties	38,765	31,900	6,865	$ 78.0	$ 51.5	$ 26.5
Streams	105,434	62,378	43,056	157.4	78.0	79.4
Profit-based royalties	5,008	5,521	(513)	12.5	8.9	3.6
Other	4,189	5,078	(889)	10.2	9.8	0.4
	153,396	104,877	48,519	$ 258.1	$ 148.2	$ 109.9

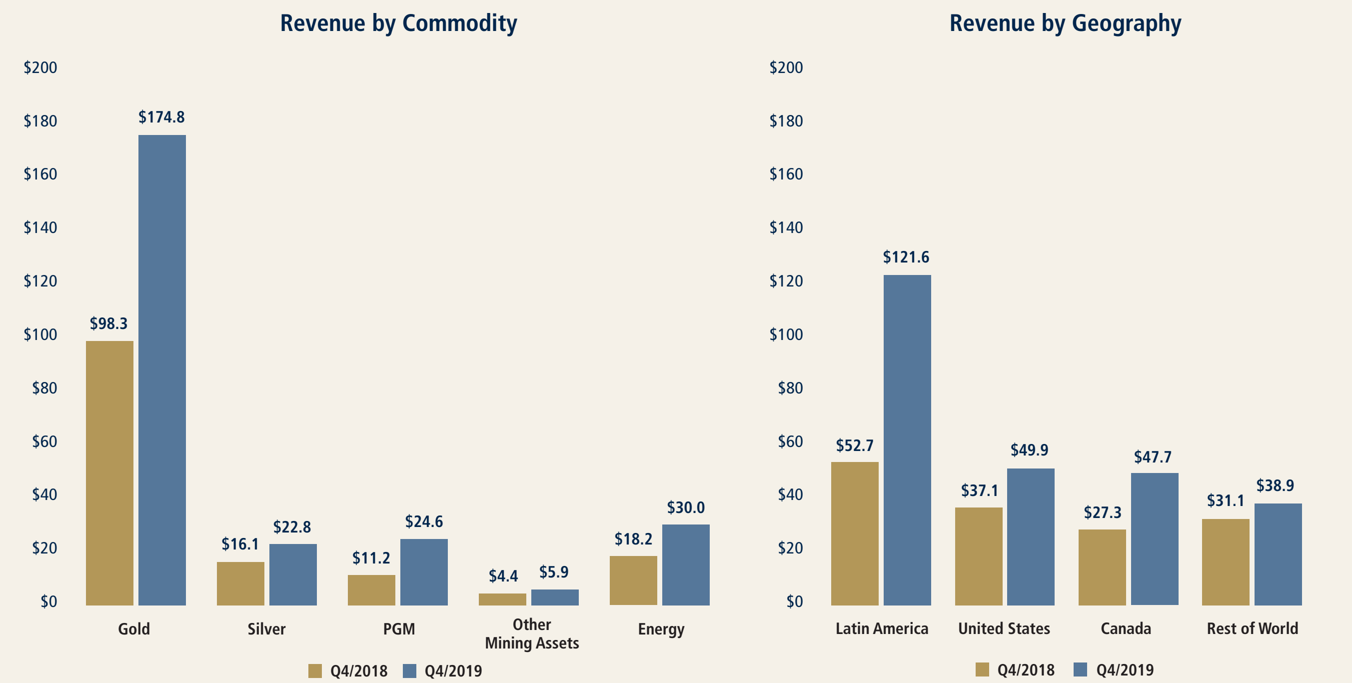
(1) Refer to Note 1 at the bottom of page 9 of this Annual Report for the methodology for calculating GEOs and, for illustrative purposes, to the average commodity price table above for indicative prices which may be used in the calculations of GEOs.

Revenue for Q4/2019 was $258.1 million, up 74.2% from Q4/2018, and comprised $228.1 million from Mining assets and $30.0 million from Energy assets. Several of our Mining assets performed strongly during the quarter, aided by rallying metal prices towards the end of the year, resulting in an increase in Mining revenue of 75.5% quarter-over-quarter. Energy revenue in Q4/2019 increased 64.8% compared to the same period in 2018, primarily reflecting the addition of the Marcellus royalty and higher royalties from the Weyburn NRI.

Mining assets contributed 88.4% of the Company's total revenue in Q4/2019, compared to 87.7% in Q4/2018. Geographically, the Company remains heavily invested in the Americas, representing 84.9% of revenue in Q4/2019, compared to 79.0% in Q4/2018.

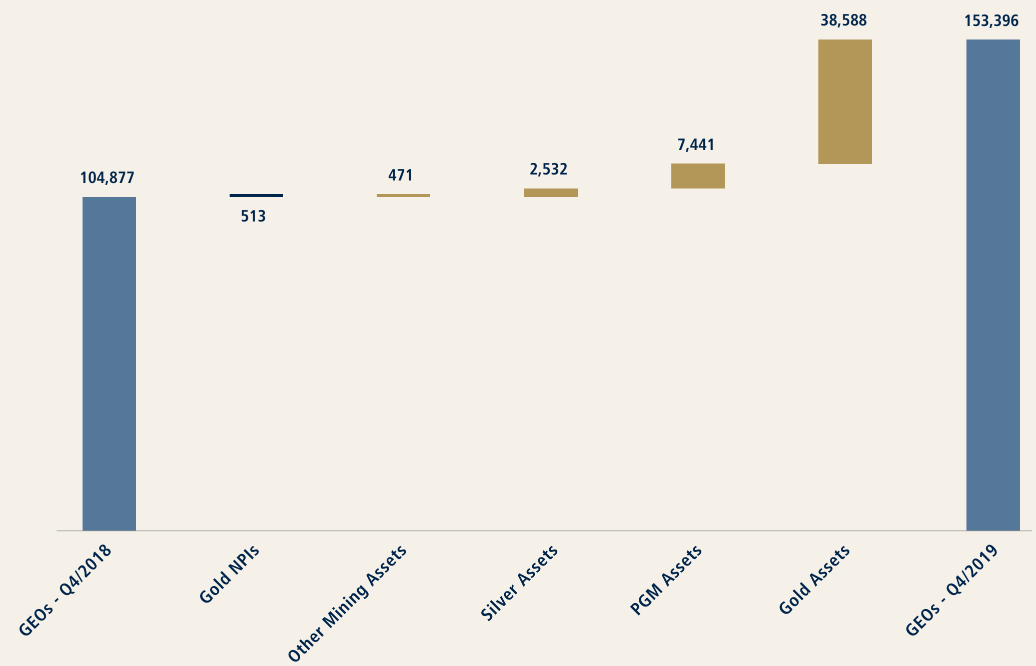
Quarterly Revenue by Commodity and Geography - Q4/2018 to Q4/2019

(expressed in millions)



GEO Sales

GEO Reconciliation - Q4/2018 to Q4/2019



GEOs sold in Q4/2019 totaled 153,396 ounces, compared to 104,877 GEOs in Q4/2018. The quarter-over-quarter increase was primarily due to the following assets:

- **Cobre Panama** - Cobre Panama had a strong quarter of production as ramp-up continues. Franco-Nevada sold 22,028 GEOs in Q4/2019.
- **Candelaria** - GEOs sold from the Candelaria stream more than doubled quarter-over-quarter, with 20,728 GEOs in Q4/2019 compared to 9,152 in Q4/2018, as ore was sourced directly from the open pit and less from low grade stockpiles and production benefited from the development of the Candelaria Underground South Sector.
- **Guadalupe-Palmarejo** - Production at the La Nación deposit, located between the Independencia and Guadalupe mines and predominantly on stream lands, ramped up through the end of 2019, resulting in 11,644 GEOs being sold in Q4/2019 compared to 5,457 GEOs in Q4/2018. Sales in Q4/2019 included 2,390 ounces which had been received in Q3/2019.
- **Sudbury** - 8,420 GEOs were sold in Q4/2019, compared to 4,712 GEOs in Q4/2018, primarily from the McCreedy mine.
- **Stillwater** - Royalties from Stillwater benefited from an increase in production as the Blitz project continues to ramp-up and higher palladium prices resulting in a higher conversion to GEOs. 8,846 GEOs were sold in Q4/2019, compared to 5,412 GEOs in Q4/2018.

The above increases were partly offset by the following:

- **Antamina** - Antamina delivered fewer silver ounces, with 6,892 GEOs sold in Q4/2019 compared to 8,710 in Q4/2018, as expected based on the 2019 life of mine plan. Due to higher gold prices relative to silver, the number of silver ounces received also converted to fewer GEOs in the 2019 period than in the same period in 2018.
- **Sabodala** - 4,265 GEOs were sold from the Sabodala stream in Q4/2019, with 1,695 ounces remaining in inventory at the end of the period, compared to 5,625 GEOs sold in Q4/2018.

Energy Revenue

Energy assets earned revenue of $30.0 million (87% oil and 13% gas) for the quarter, an increase of 64.8% compared to $18.2 million (97% oil and 3% gas) in Q4/2018. U.S. assets represented 57.3% of Franco-Nevada's Energy revenue. The increase in Energy revenue was primarily due to the following assets:

- **Marcellus** - The royalty from the Marcellus, which was acquired in July 2019, contributed $4.9 million in Q4/2019.
- **SCOOP/STACK** - Royalties from the SCOOP/STACK contributed $7.0 million in Q4/2019 compared to $4.9 million in Q4/2018, due to additional contribution from the Royalty Acquisition Venture with Continental.
- **Weyburn** - Revenue from the Weyburn Unit during the quarter was $8.1 million, compared to $4.6 million in Q4/2018, due higher realized prices and lower capital and operating costs compared to Q4/2018. The actual realized price from the NRI was C$63.35/boe, compared to C$52.30/boe for Q4/2018.

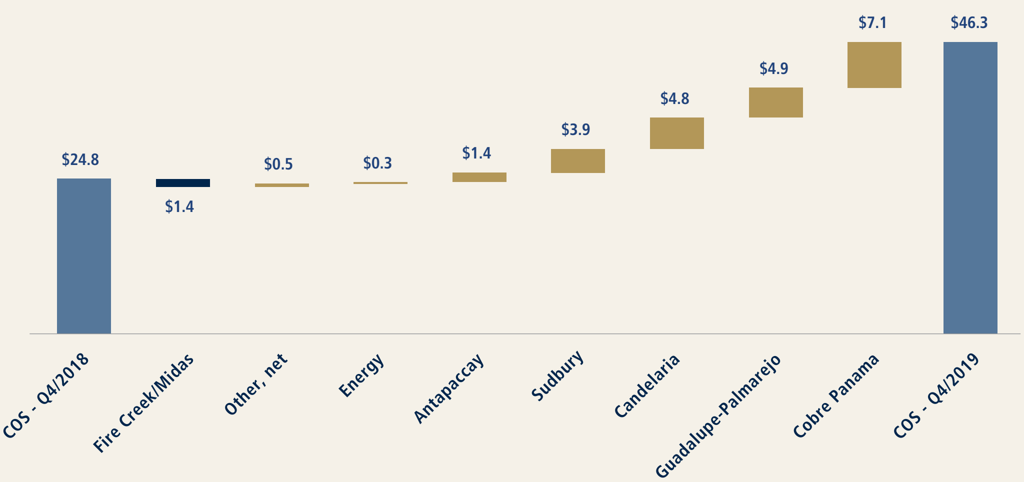
The above increases were partly offset by the following:

- **Permian Basin** - Revenue from the Permian Basin decreased from $6.3 million in Q4/2018 to $5.3 million in Q4/2019, primarily due to lower realized prices.

Costs of Sales

Costs of Sales Reconciliation - Q4/2018 to Q4/2019

(expressed in millions)



The following table provides a breakdown of costs of sales incurred in the periods presented:

(expressed in millions)	For the three months ended December 31, 2019	2018	Variance
Costs of stream sales	**$ 43.5**	$ 20.9	$ 22.6
Costs of prepaid ounces	**–**	1.4	(1.4)
Mineral production taxes	**0.6**	0.6	–
Mining costs of sales	**$ 44.1**	$ 22.9	$ 21.2
Energy costs of sales	**2.2**	1.9	0.3
	$ 46.3	$ 24.8	$ 21.5

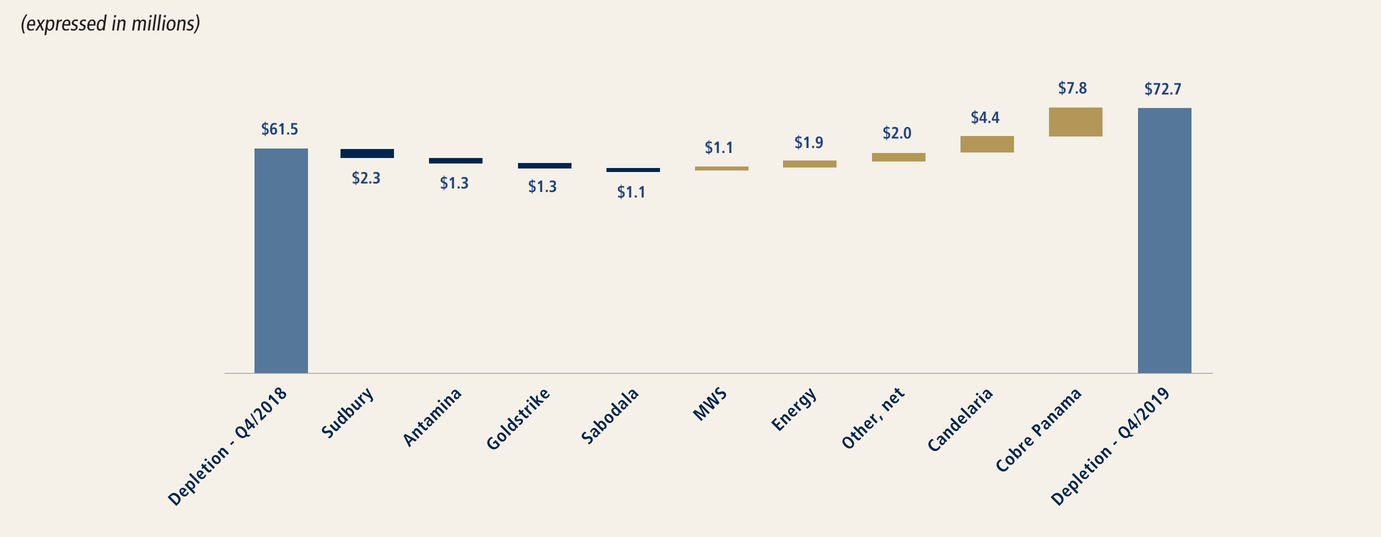
Costs of stream sales almost doubled quarter-over-quarter, reflecting a 69.0% increase in stream GEOs sold, from 105,434 GEOs in Q4/2019 compared to 62,378 GEOs in Q4/2018. Costs of sales per ounce also increased as a result of higher metal prices, as certain streams carry a cost per ounce which varies based on spot prices. The Company also received more ounces from the McCreedy West stream, which currently carries a higher cash payment per ounce relative to other streams.

Costs of prepaid ounces was nil in Q4/2019, as Fire Creek/Midas met its fixed delivery requirements in 2018.

Depletion and Depreciation

Depletion and depreciation expense totaled $72.7 million in Q4/2019, compared to $61.5 million in Q4/2018. While GEOs sold increased quarter-over-quarter, depletion expense increased to a lesser extent as the incremental GEOs were earned from assets carrying lower depletion rates.

Depletion Reconciliation - Q4/2018 to Q4/2019



Impairment Charges

There were no impairment charges recorded in Q4/2019. In Q4/2018, the Company recorded impairments of $54.4 million and $21.0 million with respect to the Levack-Morrison and Podolsky mines, respectively, and wrote-off $0.6 million for abandoned tenements, concessions or grounds which were subject to royalty rights held by the Company.

Income Taxes

Income tax expense for the quarter was $17.2 million in Q4/2019 (Q4/2018 - $11.7 million), comprised of a current income tax expense of $13.9 million (Q4/2018 - $9.2 million) and a deferred income tax expense of $3.3 million (Q4/2018 - $2.5 million). The increase in total tax expense was due to higher income earned in Q4/2019, partially offset by a reduction as a result of a change in the apportionment of income by jurisdiction. Income tax expense in proportion to income was also higher in Q4/2018 as a result of an increase in unrecognized deductible temporary differences.

The Company is undergoing an audit by the Canada Revenue Agency of its 2012-2015 taxation years. Refer to the "Liquidity and Capital Resources - Contingencies" section of this MD&A for further details.

Net Income

Net income for Q4/2019 was $113.3 million, or $0.60 per share, compared to net loss of $31.3 million, or $0.17 per share, for the same period in 2018. The increase in net income reflects higher revenue earned from the Company's Mining and Energy assets, coupled with lower depletion rates per ounce for certain assets. The Company also did not record impairment charges in the current quarter. Adjusted Net Income, which adjusts for foreign exchange gains and losses and other income and expenses, among other items, was $110.8 million, or $0.59 per share, compared to $44.7 million, or $0.24 per share, earned in Q4/2018.

Review of Annual Financial Performance

The prices of precious metals, oil and gas and the actual production from Mining and Energy assets are the largest factors in determining profitability and cash flow from operations for Franco-Nevada. The following table summarizes average commodity prices and average exchange rates during the periods presented.

Annual average prices and rates		2019	2018	Variance
Gold[1]	($/oz)	**$ 1,392**	$ 1,268	9.8%
Silver[2]	($/oz)	**16.20**	15.71	3.1%
Platinum[3]	($/oz)	**863**	881	(2.0%)
Palladium[3]	($/oz)	**1,539**	1,028	49.7%
Edmonton Light	(C$/bbl)	**68.99**	68.99	–%
West Texas Intermediate	($/bbl)	**57.00**	64.78	(12.0%)
Henry Hub	($/mcf)	**2.53**	3.07	(17.6%)
CAD/USD exchange rate[4]		**0.7536**	0.7721	(2.4%)

(1) Based on LBMA Gold Price PM Fix.
(2) Based on LBMA Silver Price.
(3) Based on London PM Fix.
(4) Based on Bank of Canada daily rates.

Revenue

Revenue and GEO sales by commodity, geographical location and type of interest for the year ended December 31, 2019 and 2018 by commodity, geographical location is as follows:

	Gold Equivalent Ounces[1]			Revenue *(in millions)*		
For the year ended December 31,	2019	2018	Variance	2019	2018	Variance
Commodity						
Gold	**387,663**	344,107	43,556	**$ 545.8**	$ 435.8	$ 110.0
Silver	**58,906**	61,737	(2,831)	**83.2**	78.2	5.0
PGM	**52,813**	30,946	21,867	**75.6**	39.1	36.5
Other Mining assets	**17,056**	11,112	5,944	**23.6**	14.0	9.6
Mining	**516,438**	447,902	68,536	**$ 728.2**	$ 567.1	$ 161.1
Energy	**–**	–	–	**115.9**	86.1	29.8
	516,438	447,902	68,536	**$ 844.1**	$ 653.2	$ 190.9
Geography						
Latin America	**260,389**	211,862	48,527	**$ 369.2**	$ 268.3	$ 100.9
United States	**73,820**	77,776	(3,956)	**166.6**	137.2	29.4
Canada	**80,570**	59,513	21,057	**166.2**	122.6	43.6
Rest of World	**101,659**	98,751	2,908	**142.1**	125.1	17.0
	516,438	447,902	68,536	**$ 844.1**	$ 653.2	$ 190.9
Type						
Revenue-based royalties	**134,611**	119,964	14,647	**$ 266.7**	$ 197.9	$ 68.8
Streams	**345,466**	293,476	51,990	**490.8**	371.7	119.1
Profit-based royalties	**20,466**	17,091	3,375	**49.7**	44.0	5.7
Other	**15,895**	17,371	(1,476)	**36.9**	39.6	(2.7)
	516,438	447,902	68,536	**$ 844.1**	$ 653.2	$ 190.9

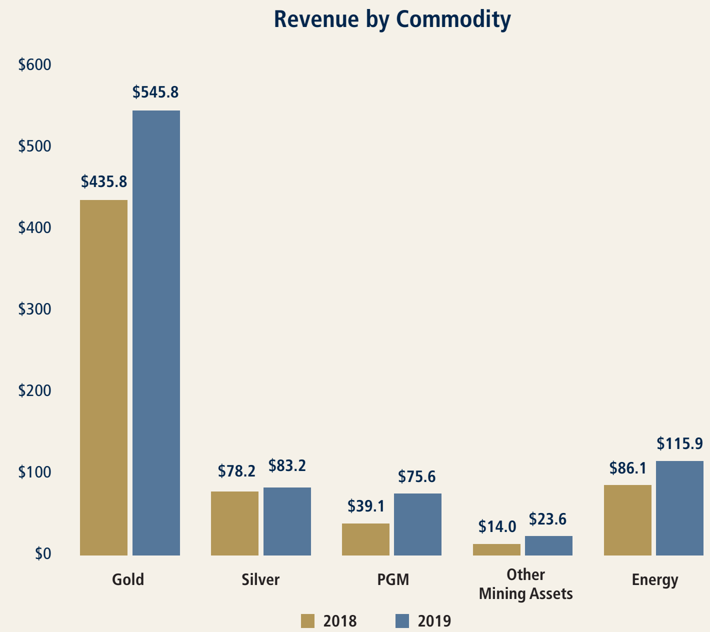
(1) Refer to Note 1 at the bottom of page 9 of this Annual Report for the methodology for calculating GEOs and, for illustrative purposes, to the average commodity price table above for indicative prices which may be used in the calculations of GEOs.

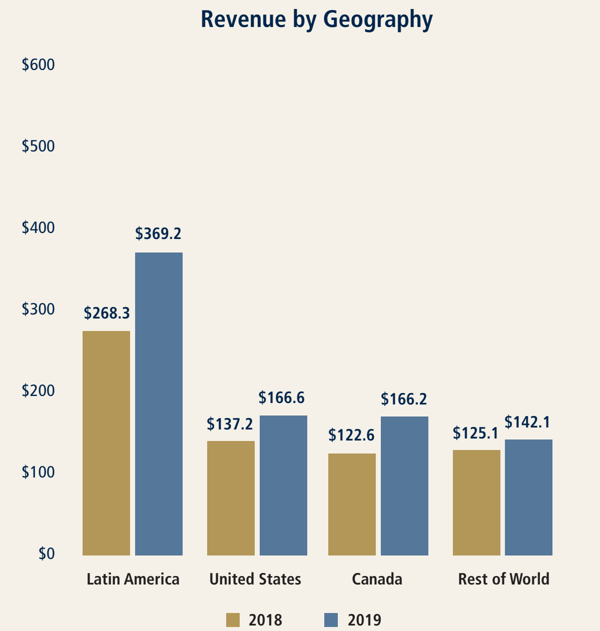
Revenue in 2019 was $844.1 million, up 29.2% from 2018 due to an increase in GEOs sold of 15.3%, higher metal prices, and revenue from recently acquired Energy assets.

Mining revenue comprised 86.3% of total revenue in 2019, compared to 86.8% in 2018. We continue to earn the majority of our revenue from the Americas, at 83.2% compared to 80.8% in 2018.

Annual Revenue by Commodity and Geography - 2018 to 2019

(expressed in millions)

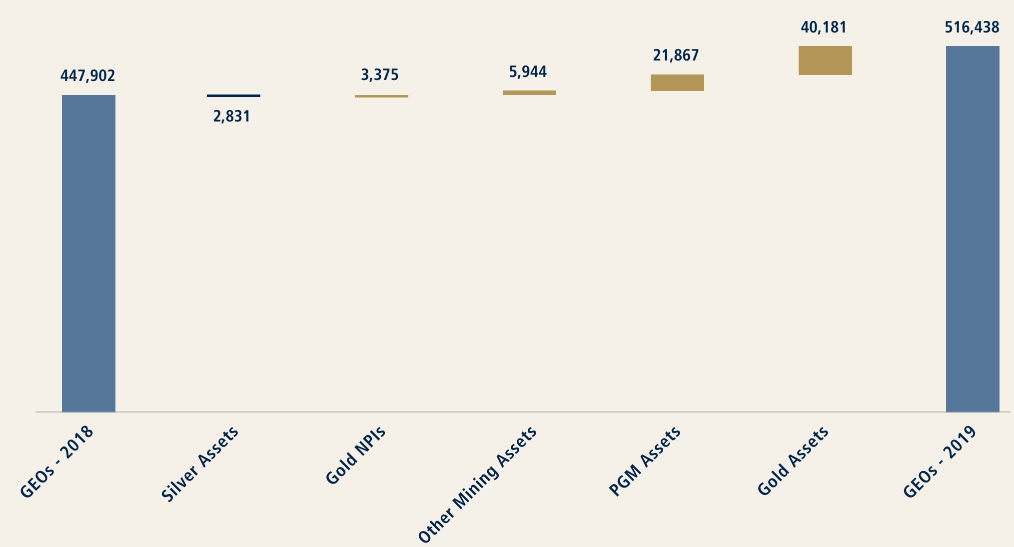




GEO Sales

GEOs sold in 2019 totaled 516,438 ounces, compared to 447,902 GEOs in 2018.

GEO Reconciliation - 2018 to 2019



The year-over-year increase in GEOs sold was primarily due to the following assets:

- **Cobre Panama** - The Company received its first gold and silver ounces from Cobre Panama during the year, and sold 43,554 GEOs in 2019, above our guidance of 20,000 to 40,000 GEOs as ramp-up is progressing well.
- **Candelaria** - 73,638 GEOs were sold from the Company's Candelaria stream, an increase from 55,671 GEOs sold in 2018, as the mine resumed normal operations following the pitwall slide that occurred in late 2017 and benefits from several reinvestment initiatives from the last few years.
- **Stillwater** - 28,600 GEOs were sold from Stillwater, up compared to 16,794 GEOs in the same period in 2018. Royalties from Stillwater benefited from both an increase in volumes as the Blitz project continues to ramp-up and higher palladium prices.
- **Sudbury** - 27,956 GEOs were sold from Sudbury, up from the 18,508 GEOs in 2018. The Sudbury assets comprise the McCreedy West and Levack-Morrison mines. Although the Levack-Morrison mine was placed on care and maintenance at the end of March, the impact for 2019 was offset by the production from McCreedy West which restarted operations in the second half of 2018. Sudbury also benefited from higher palladium prices, resulting in a higher conversion to GEOs.

The above increases were partly offset by the following assets:

- **Antapaccay** - 71,521 GEOs were sold from the Antapaccay stream, down from 76,877 GEOs in 2018. The year-over-year decrease was expected as part of Antapaccay's 2019 life of mine plan.
- **Antamina** - 31,850 GEOs were sold from the Antamina stream, down from 40,384 GEOs in 2018. Revenue was lower year-over-year as expected based on the 2019 life of mine plan. Further, due to higher gold prices relative to silver, the number of silver ounces received converted to fewer GEOs in 2019 period than in 2018.

Energy Revenue

The Company's Energy assets contributed revenue of $115.9 million in 2019 (84% oil and 16% gas), an increase of 34.6% compared to $86.1 million in 2018 (97% oil and 3% gas). The Company's U.S. Energy assets contributed 55.4% of the Company's Energy revenue. The year-over-year increase in Energy revenue was primarily due to the following assets:

- **Marcellus** - The royalty from the Marcellus, which was acquired in July 2019, contributed $18.0 million in 2019.
- **SCOOP/STACK** - Royalties from the SCOOP/STACK generated $26.2 million in revenue in 2019, compared to $15.7 million in 2018, due to additional contribution from the Royalty Acquisition Venture with Continental.
- **Orion** - Revenue more than doubled, with Orion generating $10.2 million in 2019 (2018 - $3.7 million). Revenue was positively impacted by lower differentials for heavy oil prices compared to the 2018 period, as well as increased production due to expanded capacity.

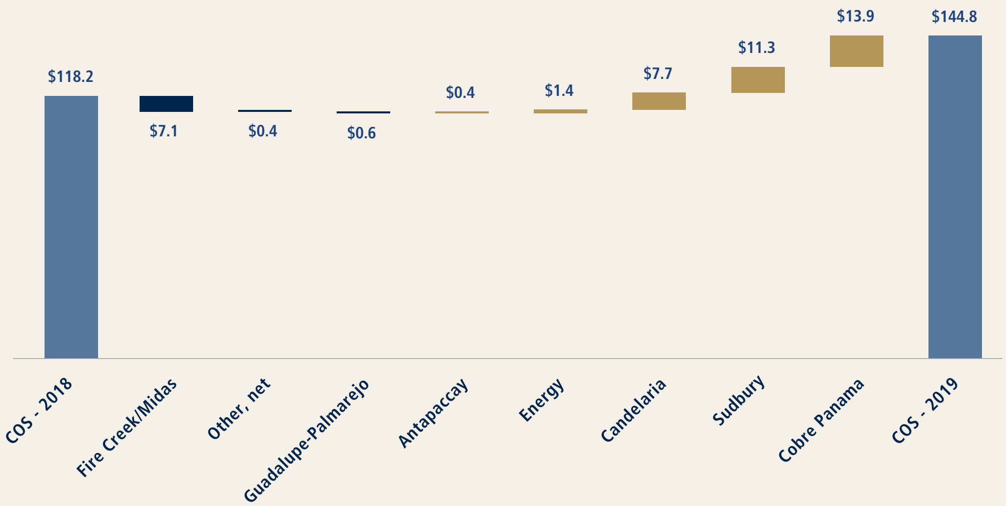
The above increases were partly offset by the following:

- **Permian Basin** - Revenue from the Permian Basin decreased from $23.1 million in 2018 to $20.0 million in 2019, primarily due to a decrease of $1.1 million in lease bonus revenue, a decline in some high-royalty interest wells, and lower realized prices.
- **Weyburn** - Revenue from the Weyburn Unit in 2019 decreased to $33.8 million from $35.5 million in 2018. This was primarily a reflection of weaker oil prices during the year. The actual realized price from the Weyburn NRI was C$65.18/boe compared to C$66.42/boe in 2018.

Costs of Sales

Costs of Sales Reconciliation - 2018 to 2019

(expressed in millions)



The following table provides a breakdown of costs of sales incurred in the periods presented:

(expressed in millions)	For the year ended December 31, 2019	2018	Variance
Costs of stream sales	**$ 135.1**	$ 102.9	$ 32.2
Costs of prepaid ounces	**–**	7.1	(7.1)
Mineral production taxes	**2.4**	2.3	0.1
Mining costs of sales	**$ 137.5**	$ 112.3	$ 25.2
Energy costs of sales	**7.3**	5.9	1.4
	$ 144.8	$ 118.2	$ 26.6

Costs of stream ounces in 2019 increased 31.3% relative to 2018, reflecting an increase in stream GEOs sold of 17.8% as well as higher gold prices. The Company also received more ounces from the McCreedy West stream, which currently carries a higher cash payment per ounce relative to other streams.

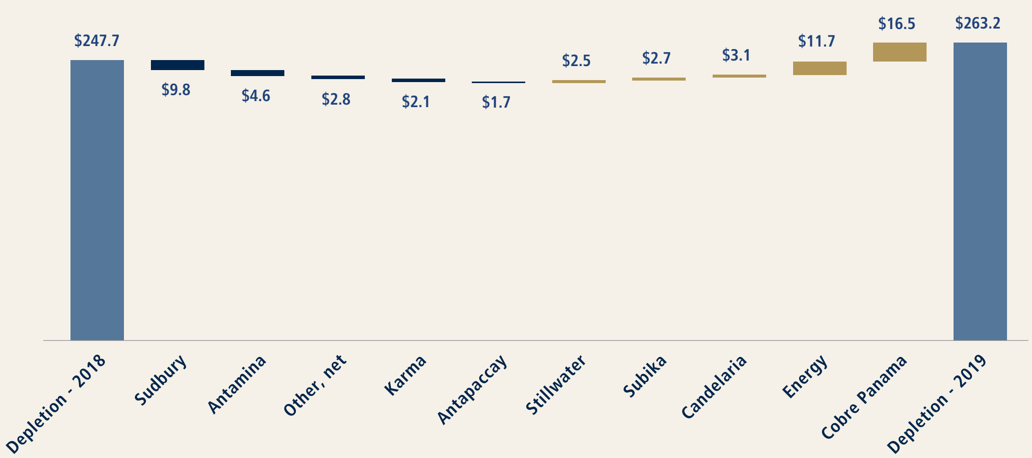
Costs of prepaid ounces was nil in 2019, as Fire Creek/Midas met its fixed delivery requirement in 2018.

Depletion and Depreciation

Depletion and depreciation expense totaled $263.2 million in 2019, compared to $247.7 million in 2018. While GEOs sold increased quarter-over-quarter, depletion expense increased to a lesser extent as the incremental GEOs were earned from assets carrying lower depletion rates. Depletion on a per ounce basis also decreased for certain of the Company's assets where reserves increased year-over-year.

Depletion Reconciliation - 2018 to 2019

(expressed in millions)



Impairment Charges

There were no impairment charges recorded in 2019. In 2018, the Company recorded impairments of $54.4 million and $21.0 million with respect to the Levack-Morrison and Podolsky mines, respectively, and wrote-off $0.6 million for abandoned tenements, concessions or grounds which were subject to royalty rights held by the Company.

Income Taxes

Income tax expense in 2019 totaled $61.8 million (2018 - $50.1 million), comprised of a current income tax expense of $39.1 million (2018 - $40.1 million) and a deferred income tax expense of $22.7 million (2018 - $10.0 million). The increase in total tax expense was due to higher income earned in 2019, partially offset by a reduction as a result of a change in the apportionment of income by jurisdiction. Income tax expense in proportion to income was also higher in 2018 as a result of an increase in unrecognized deductible temporary differences.

The Company is undergoing an audit by the Canada Revenue Agency of its 2012-2015 taxation years. Refer to the "Liquidity and Capital Resources - Contingencies" section of this MD&A for further details.

Net Income

Net income in 2019 was $344.1 million, or $1.83 per share, compared to $139.0 million, or $0.75 per share, for 2018. The increase in net income reflects higher revenue earned from the Company's Mining and Energy assets, coupled with lower depletion rates per ounce for certain assets. The Company also did not record impairment charges in 2019. Adjusted Net Income was $341.5 million, or $1.82 per share, compared to $217.0 million, or $1.17 per share, earned in 2018.

General and Administrative Expenses

The following table provides a breakdown of general and administrative expenses incurred for the periods presented:

(expressed in millions)	For the three months ended December 31, 2019	2018	Variance	For the year ended December 31, 2019	2018	Variance
Salaries and benefits	**$ 4.3**	$ 2.0	$ 2.3	**$ 10.1**	$ 6.6	$ 3.5
Professional fees	**1.2**	0.4	0.8	**2.5**	2.8	(0.3)
Office costs	**0.1**	0.3	(0.2)	**0.4**	0.9	(0.5)
Board of Directors' costs	**1.9**	1.1	0.8	**5.1**	0.7	4.4
Share-based compensation	**1.3**	1.1	0.2	**5.5**	5.2	0.3
Other	**1.9**	0.3	1.6	**5.2**	6.4	(1.2)
	$ 10.7	$ 5.2	$ 5.5	**$ 28.8**	$ 22.6	$ 6.2

General and administrative expenses represented 4.1% of revenue for Q4/2019 (Q4/2018 - 3.5%) and 3.4% of revenue in 2019 (2018 - 3.5%). General and administrative expenses, which include business development costs, vary depending upon the level of business development related activity and the timing of completing transactions.

Board of Directors' fees vary according to the mark-to-market of the value of deferred share units ("DSUs") that are granted to the directors of the Company. The Company's closing share price at the end of 2019 was significantly higher than at the end of 2018, resulting in an increase in the DSU liability and the recognition of a mark-to-market expense in 2019.

Other Income and Expenses

Foreign Exchange and Other Income/Expenses

The following table provides a list of foreign exchange and other income/expenses incurred for the periods presented:

(expressed in millions)	For the three months ended December 31, 2019	2018	Variance	For the year ended December 31, 2019	2018	Variance
Foreign exchange gain (loss)	**$ 0.2**	$ 0.3	$ (0.1)	**$ (0.1)**	$ 0.4	$ (0.5)
Other income	**0.6**	0.9	(0.3)	**0.9**	1.4	(0.5)
Mark-to-market gain on warrants	**2.0**	–	2.0	**2.0**	–	2.0
	$ 2.8	$ 1.2	$ 1.6	**$ 2.8**	$ 1.8	$ 1.0

Under IFRS, all foreign exchange gains or losses related to monetary assets and liabilities held in a currency other than the functional currency are recorded in net income as opposed to other comprehensive income. The parent company's functional currency is the Canadian dollar, while the functional currency of certain of the Company's subsidiaries is the U.S. dollar.

Finance Income and Finance Expenses

The following table provides a breakdown of finance income and expenses incurred for the periods presented:

(expressed in millions)	For the three months ended December 31, 2019	2018	Variance	For the year ended December 31, 2019	2018	Variance
Finance income						
Interest	**$ 0.8**	$ 0.7	$ 0.1	**$ 3.5**	$ 3.1	$ 0.4
	$ 0.8	$ 0.7	$ 0.1	**$ 3.5**	$ 3.1	$ 0.4
Finance expenses						
Interest	**$ 1.2**	$ 1.5	$ (0.3)	**$ 7.4**	$ 1.5	$ 5.9
Standby charges	**0.5**	0.4	0.1	**2.1**	2.1	–
Amortization of debt issue costs	**0.3**	0.3	–	**0.9**	1.0	(0.1)
Accretion of lease liabilities	**0.1**	–	0.1	**0.2**	–	0.2
	$ 2.1	$ 2.2	$ (0.1)	**$ 10.6**	$ 4.6	$ 6.0

Finance income is earned on our cash and cash equivalents. Finance income also includes interest income in the amount of $0.6 million accrued on the Noront loan during Q4/2019 (Q4/2018 - $0.5 million), and $2.3 million in 2019 (2018 - $2.2 million). Finance expenses consist of interest expense incurred on our Corporate Revolver and Corporate Term Loan. The Company also incurs standby charges, which represent the costs of maintaining our credit facilities based on the undrawn amounts, and recognizes the amortization of costs incurred with respect to the initial set-up or subsequent amendments of our credit facilities. Finance expenses also includes the accretion expense on lease liabilities, as required under IFRS 16 *Leases*, effective January 1, 2019.

Summary of Quarterly Information

Selected quarterly financial and statistical information for the most recent eight quarters[1] is set out below:

(in millions, except Average Gold Price, Margin, GEOs, per GEO amounts and per share amounts)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue	**$ 258.1**	$ 235.7	$ 170.5	$ 179.8	$ 148.2	$ 170.6	$ 161.3	$ 173.1
Costs and expenses[2]	**129.1**	113.5	91.5	99.8	167.5	104.8	96.4	95.7
Operating income (loss)	**129.0**	122.2	79.0	80.0	(19.3)	65.8	64.9	77.4
Other income (expenses)	**1.5**	(2.7)	(1.3)	(1.8)	(0.3)	0.1	(0.2)	0.7
Income tax expense	**17.2**	17.9	13.7	13.0	11.7	13.8	11.1	13.5
Net income (loss)	**113.3**	101.6	64.0	65.2	(31.3)	52.1	53.6	64.6
Basic earnings (loss) per share	**$ 0.60**	$ 0.54	$ 0.34	$ 0.35	$ (0.17)	$ 0.28	$ 0.29	$ 0.35
Diluted earnings (loss) per share	**$ 0.60**	$ 0.54	$ 0.34	$ 0.35	$ (0.17)	$ 0.28	$ 0.29	$ 0.35
Net cash provided by operating activities	**$ 184.6**	$ 170.4	$ 119.1	$ 143.6	$ 97.8	$ 128.2	$ 111.3	$ 137.5
Net cash used in investing activities	**(1.8)**	(344.5)	(33.5)	(56.3)	(285.3)	(89.4)	(90.8)	(523.2)
Net cash (used in) provided by financing activities	**(142.6)**	(133.9)	241.4	(84.7)	182.5	(33.8)	(35.0)	(36.1)
Average Gold Price[3]	**$ 1,480**	$ 1,474	$ 1,310	$ 1,304	$ 1,228	$ 1,213	$ 1,306	$ 1,329
GEOs sold[4]	**153,396**	133,219	107,774	122,049	104,877	120,021	107,333	115,671
Cash Costs[5] attributable to GEOs sold	**$ 44.1**	$ 36.8	$ 25.6	$ 31.0	$ 21.5	$ 29.9	$ 26.5	$ 27.3
Cash Costs[5] per GEO sold	**$ 287**	$ 276	$ 238	$ 254	$ 208	$ 254	$ 252	$ 241
Adjusted EBITDA[5]	**$ 201.7**	$ 192.9	$ 137.9	$ 140.9	$ 118.7	$ 134.7	$ 126.3	$ 139.9
Adjusted EBITDA[5] per share	**$ 1.07**	$ 1.03	$ 0.74	$ 0.75	$ 0.64	$ 0.72	$ 0.68	$ 0.75
Margin[5]	**78.1%**	81.8%	80.9%	78.4%	80.1%	79.0%	78.3%	80.8%
Adjusted Net Income[5]	**$ 110.8**	$ 101.6	$ 64.0	$ 65.2	$ 44.7	$ 54.6	$ 53.7	$ 63.9
Adjusted Net Income[5] per share	**$ 0.59**	$ 0.54	$ 0.34	$ 0.35	$ 0.24	$ 0.29	$ 0.29	$ 0.34

(1) Sum of the quarters may not add up to yearly total due to rounding.

(2) Includes impairment charges on royalty, stream and working interests of $76.0 million recorded in Q4/2018.

(3) Based on LBMA Gold Price PM Fix.

(4) GEOs include production from our Mining assets and do not include Energy assets. GEOs are estimated on a gross basis for NSR royalties and, in the case of stream ounces, before the payment of the per ounce contractual price paid by the Company. For NPI royalties, GEOs are calculated taking into account the NPI economics. Silver, platinum, palladium and other mining commodities are converted to GEOs by dividing associated revenue, which includes settlement adjustments, by the relevant gold price. The price used in the computation of GEOs earned from a particular asset varies depending on the royalty or stream agreement, which may make reference to the market price realized by the operator, or the average price for the month, quarter, or year in which the mining commodity was produced or sold. For illustrative purposes, please refer to the average commodity price table on pages 16 and 21 of this Annual Report for indicative prices which may be used in the calculation of GEOs for the year ended December 31, 2019 and 2018, respectively.

(5) Cash Costs, Adjusted EBITDA, Margin and Adjusted Net Income are non-IFRS measures with no standardized meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-IFRS Financial Measures" section of this Annual Report.

Balance Sheet Review

Summary Balance Sheet and Key Financial Metrics

(expressed in millions, except debt to equity ratio)		At December 31, 2019		At December 31, 2018
Cash and cash equivalents	**$**	**132.1**	$	69.7
Current assets		**278.7**		178.5
Non-current assets		**5,001.9**		4,753.3
Total assets	**$**	**5,280.6**	$	4,931.8
Current liabilities		**53.4**		25.0
Non-current liabilities		**165.0**		274.9
Total liabilities	**$**	**218.4**	$	299.9
Total shareholders' equity	**$**	**5,062.2**	$	4,631.9
Debt	**$**	**80.0**	$	207.6
Total common shares outstanding		**189.4**		186.7
Key Financial Metrics				
Working Capital	**$**	**225.3**	$	153.5
Debt to equity		**0.02:1**		0.04:1

Assets

Total assets were $5,280.6 million at December 31, 2019 compared to $4,931.8 million at December 31, 2018. Our asset base is primarily comprised of non-current assets such as our royalty, stream and working interests, equity investments and loan receivable, while our current assets primarily comprise cash and cash equivalents, and accounts receivable. The increase in non-current assets reflects our investments in the Royalty Acquisition Venture with Continental, and the acquisitions of the Marcellus, Salares Norte, Valentine Lake, Eagle's Nest, and Premier royalties, partly offset by depletion and depreciation expense, as well as an increase in the fair value of our equity investments. Non-current assets also include the Noront Loan receivable, which was classified as a non-current asset based on its maturity date having been extended to September 30, 2022, from April 28, 2020 previously.

Liabilities

Total liabilities as at December 31, 2019 primarily comprise $80.0 million then outstanding under the Corporate Term Loan. The Corporate Term Loan is a two-year, unsecured, non-revolving credit facility with a maturity date of April 17, 2021. The Corporate Term Loan was initially drawn by $160 million to pay down amounts that were borrowed under the Corporate Revolver for the funding of the Royalty Acquisition Venture with Continental in 2018 and the acquisition of the Marcellus royalty in 2019. As of the date of this MD&A, all amounts borrowed under the Company's Corporate Term Loan and Corporate Revolver have been repaid.

Shareholders' Equity

Shareholders' equity increased by $430.3 million as at December 31, 2019 compared to December 31, 2018, reflecting net income of $344.1 million and proceeds of $136.0 million from issuances under the ATM Program, net of agent commission costs of $1.4 million and other share issuance costs of $1.0 million. Shareholders' equity also increased by $27.0 million and $13.2 million as a result of common shares issued as partial consideration for the acquisition of the Salares Norte royalty and the exercise of stock options, respectively. Declared dividends reduced shareholders' equity by $187.0 million, but were partly settled through the issuance of $48.8 million in common shares pursuant to the DRIP. Shareholders' equity also includes a gain on the fair value of investments of $9.9 million, and a gain of $32.3 million in currency translation adjustment in 2019.

Liquidity and Capital Resources

Cash flow for the year ended December 31, 2019 and 2018 was as follows:

(expressed in millions)	For the three months ended December 31, 2019	2018	For the year ended December 31, 2019	2018
Net cash provided by operating activities	**$ 184.6**	$ 97.8	**$ 617.7**	$ 474.8
Net cash used in investing activities	**(1.8)**	(285.3)	**(436.1)**	(988.7)
Net cash (used in) provided by financing activities	**(142.6)**	182.5	**(119.8)**	77.6
Effect of exchange rate changes on cash and cash equivalents	**0.2**	(2.2)	**0.6**	(5.1)
Net change in cash and cash equivalents	**$ 40.4**	$ (7.2)	**$ 62.4**	$ (441.4)

Operating Cash Flow

Net cash provided by operating activities was $617.7 million in 2019 (2018 - $474.8 million). Operating cash flow increased due to higher revenue from our growth in GEO production and Energy assets, coupled with higher metal prices than in the corresponding 2018 period. Also reflected in operating cash flow are proceeds from the sale of gold bullion the Company receives as settlement for certain of its royalties.

Investing Activities

Net cash used in investing activities was $436.1 million in 2019 (2018 - $988.7 million), which primarily consisted of the acquisition of the Marcellus royalty for a gross purchase price of $300.0 million, the funding of Franco-Nevada's share in the Royalty Acquisition Venture with Continental of $108.8 million, and the purchase of the Salares Norte, Valentine Lake, Eagle's Nest and Premier royalties. Comparatively, investing activities in the prior year period included the ongoing funding of the Cobre Panama Fixed Payment Stream deposit, the acquisition of the Cobre Panama Floating Payment Stream, the funding of $257.4 million for the Royalty Acquisition Venture with Continental, and the acquisition of the Delaware portfolio of oil and gas royalties.

Financing Activities

Net cash used in financing activities of $119.8 million in 2019 (2018 - cash provided of $77.6 million) included the full repayment of amounts borrowed against the Corporate Revolver, which had been drawn to fund contributions into the Royalty Acquisition Venture with Continental in 2018 and the acquisition of the royalty interest in the Marcellus in 2019. The repayment of the Corporate Revolver was funded in part with proceeds from the Corporate Term Loan of $160 million, of which $80 million was repaid before year-end. Financing activities also reflect net proceeds of $136.0 million from the ATM program, and dividends paid in cash of $138.2 million.

Capital Resources

Our cash and cash equivalents totaled $132.1 million as at December 31, 2019 (December 31, 2018 - $69.7 million). In addition, we held investments of $183.2 million as at December 31, 2019 (December 31, 2018 - $169.7 million), of which $141.7 million was held in publicly-traded equity instruments (December 31, 2018 - $132.8 million).

As at March 9, 2020, the Company also has a total of approximately $1.1 billion available under its two revolving credit facilities.

The Corporate Revolver is a $1.0 billion unsecured, revolving credit facility with a five-year term maturing March 22, 2024. Advances under the Corporate Revolver bear interest depending upon the currency of the advance and the Company's leverage ratio. Funds are generally drawn using LIBOR 30-day rates plus 100 basis points. As at December 31, 2019, the available balance under the Corporate Revolver was approximately $1.0 billion, with all borrowed amounts having been repaid before year-end.

The FNBC Revolver is a $0.1 billion unsecured, revolving credit facility with a one-year term maturing March 20, 2020. Funds are generally drawn using LIBOR 30-day rates plus 135 basis points. As of the date of this MD&A, the available balance was $0.1 billion.

The Company also has the Corporate Term Loan, a $160.0 million unsecured, non-revolving credit facility. At December 31, 2019, there remained $80.0 million in borrowings outstanding. Borrowings under the Corporate Term Loan bear interest at a rate of LIBOR 30-day rates plus 85 basis points. The Corporate Term Loan was amended on September 25, 2019 to extend the initial one-year term by an additional year, such that the maturity date is currently April 17, 2021. Subsequent to year-end, on February 14, 2020, funds borrowed under the Corporate Term Loan were repaid in full. The Corporate Term Loan is a non-revolving facility, and is therefore no longer available to draw.

Management's objectives when managing capital are to:

(a) ensure the preservation and availability of capital not being used for long-term investments by investing in low risk investments with high liquidity; and
(b) ensure that adequate levels of capital are maintained to meet the Company's operating requirements and other current liabilities.

As at December 31, 2019, the majority of funds were held in cash deposits with several financial institutions. Franco-Nevada invests its excess funds in term deposits. Certain investments with maturities upon acquisition of three months, or 92 days or less, were classified as term deposits within cash and cash equivalents on the statement of financial position.

Our performance is impacted by foreign currency fluctuations of the Canadian dollar and Australian dollar relative to the U.S. dollar. The largest exposure is with respect to the Canadian/U.S. dollar exchange rates as we hold a significant amount of our assets in Canada and report our results in U.S. dollars. The effect of volatility in these currencies against the U.S. dollar impacts our general and administrative expenses and depletion of Mining and Energy interests incurred in our Canadian and Australian entities due to their respective functional currencies. During Q4/2019, the Canadian dollar traded in a range of $0.7502 to $0.7699, closing the quarter at $0.7699, and the Australian dollar traded between $0.6702 and $0.7014, closing the quarter at $0.7029.

Our near-term cash requirements include funding of our commitments towards the Royalty Acquisition Venture with Continental, corporate administration costs, certain costs of operations, payment of dividends and income taxes directly related to the recognition of royalty, stream and working interest revenues. As a royalty and stream company, there are limited requirements for capital expenditures other than for the acquisition of additional royalties or streams and capital commitments for our working interests. Such acquisitions are entirely discretionary and will be consummated through the use of cash, as available, or through the issuance of common shares or other equity or debt securities, or use of our credit facilities. We believe that our current cash resources, available credit facilities and future cash flows will be sufficient to cover the costs of our commitments, operating and administrative expenses, and dividend payments for the foreseeable future.

Purchase Commitments

The following table summarizes Franco-Nevada's commitments to pay for gold, silver and PGM pursuant to the associated precious metals agreements:

	Attributable Payable Production to be Purchased			Per Ounce Cash Payment [1],[2]				
Interest	Gold	Silver	PGM	Gold	Silver	PGM	Term of Agreement [3]	Date of Contract
Antamina	0%	22.5% [4]	0%	n/a	5% [5]	n/a	40 years	7-Oct-15
Antapaccay	–% [6]	–% [7]	0%	20% [8]	20% [9]	n/a	40 years	10-Feb-16
Candelaria	68% [10]	68% [10]	0%	$400	$4.00	n/a	40 years	6-Oct-14
Cobre Panama Fixed Payment Stream	–% [11]	–% [12]	0%	$418 [13]	$6.27 [14]	n/a	40 years	19-Jan-18
Cobre Panama Floating Payment Stream	–% [15]	–% [16]	0%	20% [17]	20% [18]	n/a	40 years	19-Jan-18
Karma	4.875% [19]	0%	0%	20% [20]	n/a	n/a	40 years	11-Aug-14
Guadalupe-Palmarejo	50%	0%	0%	$800	n/a	n/a	40 years	2-Oct-14
Sabodala	6% [21]	0%	0%	20% [22]	n/a	n/a	40 years	12-Dec-13
MWS	25%	0%	0%	$400	n/a	n/a	40 years [23]	2-Mar-12
Cooke 4	7%	0%	0%	$400	n/a	n/a	40 years	5-Nov-09
Sudbury[24]	50%	0%	50%	$400	n/a	$400	40 years	15-Jul-08

(1) Subject to an annual inflationary adjustment except for Antamina, Antapaccay, Karma, Guadalupe-Palmarejo, and Sabodala.
(2) Should the prevailing market price for gold be lower than this amount, the per ounce cash payment will be reduced to the prevailing market price.
(3) Subject to successive extensions.
(4) Subject to a fixed payability of 90%. Percentage decreases to 15% after 86 million ounces of silver has been delivered under the agreement.
(5) Purchase price is 5% of the average silver price at the time of delivery.
(6) Gold deliveries are referenced to copper in concentrate shipped with 300 ounces of gold delivered for each 1,000 tonnes of copper in concentrate shipped, until 630,000 ounces of gold has been delivered. Thereafter, percentage is 30% of gold shipped.
(7) Silver deliveries are referenced to copper in concentrate shipped with 4,700 ounces of silver delivered for each 1,000 tonnes of copper in concentrate shipped, until 10.0 million ounces of silver has been delivered. Thereafter, percentage is 30% of silver shipped.
(8) Purchase price is 20% of the spot price of gold until 750,000 ounces of gold have been delivered, thereafter the purchase price is 30% of the spot price of gold.
(9) Purchase price is 20% of the spot price of silver until 12.8 million ounces of silver have been delivered, thereafter the purchase price is 30% of the spot price of silver.
(10) Percentage decreases to 40% after 720,000 ounces of gold and 12.0 million ounces of silver have been delivered under the agreement.
(11) Gold deliveries are indexed to copper in concentrate produced from the project. 120 ounces of gold per every 1 million pounds of copper produced until 808,000 ounces of gold delivered. Thereafter, 81 ounces of gold per 1 million pounds of copper produced until 1,716,188 ounces of gold delivered. Thereafter, 63.4% of the gold in concentrate.
(12) Silver deliveries are indexed to copper in concentrate produced from the project. 1,376 ounces of silver per every 1 million pounds of copper produced until 9,842,000 ounces of silver delivered. Thereafter 1,776 ounces of silver per 1 million pounds of copper produced until 29,731,000 ounces of silver delivered. Thereafter, 62.1% of the silver in concentrate.
(13) After 1,341,000 ounces of gold delivered, purchase price is the greater of 50% of spot and $418.27 per ounce. As the mill throughput for 30 consecutive days commensurate with annual capacity of 58 million tonnes per annum was not reached by January 1, 2019, Franco Nevada will receive a 5% annual rate of return until such mill throughput was achieved, through a reduction of the applicable fixed gold price of $100 per ounce or a delivery of additional ounces for no consideration.
(14) After 21,510,000 ounces of silver delivered, purchase price is the greater of 50% of spot and $6.27 per ounce.
(15) Gold deliveries are indexed to copper in concentrate produced from the project. 30 ounces of gold per every 1 million pounds of copper produced until 202,000 ounces of gold delivered. Thereafter 20.25 ounces of gold per 1 million pounds of copper produced until 429,047 ounces of gold delivered. Thereafter, 15.85% of the gold in concentrate.
(16) Silver deliveries are indexed to copper in concentrate produced from the project. 344 ounces of silver per every 1 million pounds of copper produced until 2,460,500 ounces of silver delivered. Thereafter, 444 ounces of silver per 1 million pounds of copper produced until 7,432,750 ounces of silver delivered. Thereafter 15.53% of the silver in concentrate.
(17) After 604,000 ounces of gold delivered, purchase price is 50% of the spot price of gold. As the mill throughput for 30 consecutive days commensurate with annual capacity of 58 million tonnes per annum was not reached by January 1, 2019, Franco-Nevada will receive a 5% annual rate of return until such mill throughput was achieved, through a reduction of the applicable fixed gold price of $100 per ounce or a delivery of additional ounces for no consideration.
(18) After 9,618,000 ounces of silver delivered, purchase price is 50% of the spot price of silver.
(19) Gold deliveries are fixed at 15,000 ounces per annum from March 31, 2016 until February 28, 2021 (exclusive of an aggregate 5,625 gold ounces, or 703 gold ounces per quarter, to be delivered as a result of the exercise by the operator of its option to increase the upfront deposit). Thereafter, percentage is 4.875%.
(20) Purchase price is 20% of the average gold price at the time of delivery.
(21) Gold deliveries are fixed at 1,875 ounces per month until December 31, 2019. Thereafter, percentage is 6% of gold produced.
(22) Purchase price is 20% of prevailing market price at the time of delivery.
(23) Agreement is capped at 312,500 ounces of gold.
(24) The Company is committed to purchase 50% of the precious metals contained in ore from the properties. Payment is based on gold equivalent ounces. For McCreedy West, the fixed price per gold equivalent ounce was increased to $800 per ounce (with no annual inflationary adjustment), effective July 1, 2018 until December 31, 2021.

Acquisition of Royalty Rights with Continental Resources, Inc.

As described in the Corporate Developments section above, the Company has a strategic relationship with a subsidiary of Continental to jointly acquire royalty rights in the SCOOP and STACK plays of Oklahoma. Franco-Nevada is expecting to contribute to the Royalty Acquisition Venture with Continental, subject to satisfaction of agreed upon development thresholds, $100 million per year over the three-year period ended December 31, 2021. Given the favourable pace of acquisitions since the inception of the venture, the Company increased its capital contributions in 2018 and 2019. These accelerated contributions will reduce Franco-Nevada's commitment in 2021. As at December 31, 2019, the total remaining commitment was $100.0 million in 2020 and $43.8 million in 2021.

Contingencies

Canada Revenue Agency Audit

The Canada Revenue Agency ("CRA") is conducting an audit of Franco-Nevada's 2012-2015 taxation years.

(a) Canadian Domestic Tax Matters (2014-2015):

In October 2019, certain wholly-owned Canadian subsidiaries of the Company received Notices of Reassessment for the 2014 and 2015 taxation years (the "Domestic Reassessments") in which the CRA is seeking to increase income by adjusting the timing of the deduction of the upfront payments which were made in connection with precious metal stream agreements. The CRA's position is that the upfront payment should be deducted for income tax purposes in a similar manner to how such upfront payment is expensed for financial statement purposes. Consequently, the CRA's position results in a slower deduction of the upfront payment and an acceleration of the payment of Canadian taxes. This results in the Company being subject to an incremental payment of Federal and provincial income taxes for these years of C$1.4 million ($1.1 million) plus interest and applicable penalties (after applying available non-capital losses and other deductions). The Company has filed formal Notices of Objection with the CRA against the Domestic Reassessments.

If the CRA were to audit and reassess the particular Canadian subsidiaries of the Company for taxation years 2016 through 2019 on the same basis, the Company estimates that it would be subject to an incremental payment of Canadian tax for these years of approximately C$31.4 million ($24.2 million) plus interest and applicable penalties (after applying available non-capital losses and other deductions).

(b) Mexico (2013-2015):

In December 2018, the Company received a Notice of Reassessment from the CRA for the 2013 taxation year (the "2013 Reassessment") in relation to its Mexican subsidiary. The reassessment was made on the basis of the transfer pricing provisions in the Income Tax Act (Canada) (the "Act") and asserts that a majority of the income earned by the Mexican subsidiary should have been included in the income of the Company and subject to tax in Canada. The 2013 Reassessment results in additional Federal and provincial income taxes of C$10.8 million ($8.3 million) plus interest and applicable penalties but before any relief under the Canada-Mexico tax treaty.

In December 2019, the Company received Notices of Reassessment for the 2014 and 2015 taxation years (the "2014 and 2015 Reassessments", and collectively with the Domestic Reassessments and the 2013 Reassessment, the "Reassessments") on the same basis as the 2013 Reassessment, resulting in additional Federal and provincial income taxes of C$13.9 million ($10.7 million) plus interest and applicable penalties but before any relief under the Canada-Mexico tax treaty. The Company has filed a formal Notice of Objection with the CRA against the 2013 Reassessment and is in the process of filing Notices of Objection against the 2014 and 2015 Reassessments.

For taxation years 2013 through 2015, the Company's Mexican subsidiary paid a total of 419.4 million Pesos ($30.3 million) in cash taxes, at a 30% tax rate, to the Mexican tax authorities on income earned in Mexico. If required, the Company intends to seek relief from double taxation under the Canada-Mexico tax treaty.

If the CRA were to audit and reassess the Company for taxation years 2016 through 2019 on the same basis, the Company estimates that it would be subject to additional Canadian tax for these years of approximately C$4.6 million ($3.5 million) plus interest and applicable penalties but before any relief under the Canada-Mexico tax treaty. During the years 2016 through 2019, the Company's Mexican subsidiary paid 71.0 million Pesos ($3.8 million) in cash taxes, at a 30% tax rate, to the Mexican tax authorities on income earned in Mexico.

(c) Barbados (2014-2015):

The 2014 and 2015 Reassessments also reassess the Company in relation to its Barbadian subsidiary. The reassessments were made on the basis of the transfer pricing provisions in the Act and assert that a majority of the income relating to certain precious metal streams earned by the Barbadian subsidiary should have been included in the income of the Company and subject to tax in Canada, resulting in additional Federal and provincial income taxes of C$6.5 million ($5.0 million) plus interest and applicable penalties. The Company is in the process of filing formal Notices of Objection with the CRA against the 2014 and 2015 Reassessments.

If the CRA were to audit and reassess the Company for taxation years 2016 through 2019 on the same basis, the Company estimates that it would be subject to additional Canadian tax for 2016 through 2018 of approximately C$62.2 million ($47.9 million) as previously announced, and for 2019 of approximately C$41.8 million ($32.2 million), plus interest and applicable penalties.

Management believes that the Company and its subsidiaries have filed their tax returns and paid all applicable taxes in compliance with Canadian and applicable foreign tax laws and, as a result, no amounts have been recorded in the financial statements of the Company for the Reassessments, or for any potential tax liability that may arise in respect of these matters. The Company does not believe that the Reassessments are supported by Canadian tax law and jurisprudence and intends to vigorously defend its tax filing positions.

The CRA audit is ongoing and there can be no assurance that the CRA will not further challenge the manner in which the Company or any of its subsidiaries has filed its income tax returns and reported its income. In the event that the CRA successfully challenges the manner in which the Company or a subsidiary has filed its tax returns and reported its income, this could potentially result in additional income taxes, penalties and interest, which could have a material adverse effect on the Company.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the consolidated financial statements.

In particular, the areas which require management to make significant judgements, estimates and assumptions in determining carrying values are:

Reserves and Resources

Royalty, stream and working interests comprise a large component of the Company's assets and, as such, the reserves and resources of the properties to which the interests relate have a significant effect on the Company's financial statements. These estimates are applied in determining the depletion of and assessing the recoverability of the carrying value of royalty, stream and working interests. For mineral royalty and stream interests, the public disclosures of reserves and resources that are released by the operators of the interests involve assessments of geological and geophysical studies and economic data and the reliance on a number of assumptions, including commodity prices and production costs. For energy interests, the estimated reserves in reserve reports prepared by independent petroleum consultants or other qualified parties engaged by the Company reflect similar assessments of geological and geophysical studies and economic data and reliance on assumptions. These assumptions are, by their very nature, subject to interpretation and uncertainty.

The estimates of reserves and resources may change based on additional knowledge gained subsequent to the initial assessment. Changes in the estimates of reserves and resources may materially affect the recorded amounts of depletion and the assessed recoverability of the carrying value of royalty, stream and working interests.

Impairment of Royalty, Stream and Working Interests

Assessment of impairment of royalty, stream, working interests and energy well equipment at the end of each reporting period requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that give rise to the requirement to conduct a formal impairment test on the Company's royalty, stream and working interests, and/or energy equipment. Indicators which could trigger an impairment test include, but are not limited to, a significant change in operator reserve and resource estimates, industry or economic trends, current or forecast commodity prices, and other relevant operator information. The assessment of fair values requires the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, reserve/resource conversion, foreign exchange rates, future capital expansion plans and the associated production implications. In addition, the Company may use other approaches in determining fair value which may include judgment and estimates related to (i) dollar value per ounce or pound of reserve/resource; (ii) cash-flow multiples; and (iii) market capitalization of comparable assets. Changes in any of the assumptions and estimates used in determining the fair value of the royalty, stream or working interests, or energy well equipment could impact the impairment analysis.

Asset Acquisitions and Business Combinations

The assessment of whether an acquisition meets the definition of a business, or whether assets are acquired is an area of key judgment. If deemed to be a business combination, applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of royalty, stream or working interests generally requires a high degree of judgment, and include estimates of mineral reserves and resources acquired, future metal prices, discount rates and reserve/resource conversion. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities.

Joint Arrangements

Judgment is required to determine whether the Company has joint control of a contractual arrangement, which requires continuous assessment of the relevant activities and whether the decisions in relation to those activities require unanimous consent. Judgment is also continually required to classify a joint arrangement as either a joint operation or a joint venture when the arrangement has been structured through a separate vehicle. Classifying the arrangement requires the Company to assess its rights and obligations arising from the arrangement. Specifically, the Company considers the legal form of the separate vehicle, the terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires significant judgment, and a different conclusion on joint control, or whether the arrangement is a joint operation or a joint venture, may have a material impact on the accounting treatment.

The Company evaluated its joint arrangement with Continental, whereby the Company acquired a 49.9% economic interest in TMRC II, in accordance with IFRS 11 *Joint Arrangements*. The Company concluded that the arrangement qualified as a joint operation based on the terms of the contractual agreement which specify how revenues and expenses are shared. Under the agreement, revenues generated by the royalty assets of TMRC II are to be distributed based on the performance of the assets against agreed upon development thresholds and the tranche in which the assets were acquired, resulting in the Company receiving distributions ranging between 50-75% of revenue. As a result, the Company has concluded that its rights are tied to the assets of TMRC II, rather than the net results of the entity.

Income Taxes

The interpretation and application of existing tax laws, regulations or rules in Canada, Barbados, the United States, Australia or any of the countries in which the mining operations are located or to which shipments of gold, silver or platinum group metals are made requires the use of judgment. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on facts and circumstances of the relevant tax position considering all available evidence. Differing interpretation of these laws, regulations or rules could result in an increase in the Company's taxes, or other governmental charges, duties or impositions.

In assessing the probability of realizing deferred income tax assets, the Company makes estimates related to expectations of future taxable income and expected timing of reversals of existing temporary differences. Such estimates are based on forecasted cash flows from operations which require the use of estimates and assumptions such as long-term commodity prices and recoverable ounces of gold, silver and platinum group metals. Therefore, the amount of deferred income tax assets recognized on the balance sheet could be reduced if the actual results differ significantly from forecast. The Company reassesses its deferred income tax assets at the end of each reporting period.

Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

New and Amended Standards Adopted by the Company

The following standard was effective and implemented for the annual period as of January 1, 2019.

IFRS 16 *Leases*

Effective January 1, 2019, the Company has adopted IFRS 16 *Leases* ("IFRS 16"). IFRS 16 requires lessees to recognize assets and liabilities for most leases. The new standard was applied using a modified retrospective approach whereby the effects of the change in accounting policies for leases as at January 1, 2019 are presented together as a single adjustment to the opening balance of deficit. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 *Leases*.

As permitted under transitional provisions, the Company has elected to use the following practical expedients:

- Not to separate non-lease from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.
- Not to recognize right-of-use assets and associated liabilities for low value assets or lease terms of 12 months or less.
- Measure its right-of-use assets at amounts equal to the associated lease liabilities; as such, the adjustment to deficit on transition is nil.

The Company's significant lease arrangements relate to its office premises. Adoption of the new standard resulted in the recognition of right-of-use assets of $2.8 million within other assets on the statement of financial position, measured at an amount equal to the related lease liability.

IFRIC 23 *Uncertainty over Income Tax Treatments*

Effective January 1, 2019, the Company has adopted IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23"). IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The application of IFRIC 23 did not have a significant impact on the Company's consolidated financial statements.

New Accounting Standards Issued But Not Yet Effective

Amendments to IFRS 3 *Business Combinations*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* ("IFRS 3"). The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020 and apply prospectively. Earlier application is permitted. While it is generally expected that the application of the amendments will result in more acquisitions being accounted for as asset acquisitions, the Company will evaluate the impact of the amendments based on the nature and terms of acquisitions the Company may complete in future periods.

Outstanding Share Data

Franco-Nevada is authorized to issue an unlimited number of common and preferred shares. A detailed description of the rights, privileges, restrictions and conditions attached to each class of authorized shares is included in our most recent Annual Information Form, a copy of which can be found on SEDAR at www.sedar.com and in our Form 40-F, a copy of which can be found on EDGAR at www.sec.gov.

As of March 9, 2020, the number of common shares outstanding or issuable pursuant to other outstanding securities is as follows:

Common Shares	Number
Outstanding	189,391,718
Issuable upon exercise of Franco-Nevada options[(1)]	824,520
Issuable upon vesting of Franco-Nevada RSUs	107,971
Diluted common shares	190,324,209

(1) There were 824,520 stock options under our share compensation plan outstanding to directors, officers, employees and others with exercise prices ranging from C$33.12 to C$129.32 per share.

Franco-Nevada has not issued any preferred shares.

Internal Control Over Financial Reporting and Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining Franco-Nevada's internal control over financial reporting and other financial disclosure and our disclosure controls and procedures.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Franco-Nevada's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Franco-Nevada; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of Franco-Nevada are being made only in accordance with authorizations of management and directors of Franco-Nevada; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Franco-Nevada's assets that could have a material effect on Franco-Nevada's financial statements. Internal control over other financial disclosure is a process designed to ensure that other financial information included in this MD&A, fairly represents in all material respects the financial condition, results of operations and cash flows of Franco-Nevada for the periods presented in this MD&A.

Franco-Nevada's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to Franco-Nevada, including its consolidated subsidiaries, is made known to management by others within those entities, particularly during the period in which this report is prepared and that information required to be disclosed by Franco-Nevada in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Due to its inherent limitations, internal control over financial reporting and other financial disclosure may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

An evaluation was carried out under the supervision of the CEO and CFO and with the participation of management, of the effectiveness of the design and operation of Franco-Nevada's internal control over financial reporting as of the end of the period covered by this report based on the framework and criteria established in *Internal Control - Integrated Framework* (2013) as issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on that evaluation, the CEO and CFO have concluded that Franco-Nevada's internal control over financial reporting was effective as of December 31, 2019.

An evaluation was also carried out under the supervision of the CEO and CFO and with the participation of management, of the effectiveness of the design and operation of Franco-Nevada's disclosure controls and procedures (as defined under applicable Canadian securities laws and in Rule 13a - 15(e) and Rule 15d - 15(e) under the U.S. *Securities Exchange Act of 1934*), and based on that evaluation the CEO and the CFO have concluded that, as of December 31, 2019, Franco-Nevada's disclosure controls and procedures were effective.

For the year ended December 31, 2019, there has been no change in Franco-Nevada's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, Franco-Nevada's internal control over financial reporting.

Franco-Nevada's report of management's assessment regarding internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the U.S. *Securities Exchange Act of 1934*) is included in the Management's Report on Internal Control over Financial Reporting that accompanies Franco-Nevada's Annual Consolidated Financial Statements for the fiscal year ended December 31, 2019.

Non-IFRS Financial Measures

Cash Costs attributable to GEOs sold and Cash Costs per GEO sold

Cash Costs attributable to GEOs sold and Cash Costs per GEO sold are non-IFRS financial measures. Cash Costs are calculated by starting with total costs of sales and removing depletion and depreciation, costs not attributable to GEOs sold such as our Energy operating costs, and other non-cash costs of sales such as costs related to our prepaid gold purchase agreement. Cash Costs per GEO sold are calculated by dividing Cash Costs by the number of GEOs sold in the period, excluding prepaid GEOs.

Management uses Cash Costs and Cash Costs per GEO sold to evaluate the Company's ability to generate positive cash flow from its mining royalty, stream and working interests. Management and certain investors also use this information to evaluate the Company's performance relative to peers in the mining industry who present this measure on a similar basis. Cash Costs and Cash Costs per GEO are only intended to provide additional information to investors and analysts and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. They do not have any standardized meaning under IFRS, and may not be comparable to similar measures presented by other issuers.

Reconciliation of Cash Costs and Cash Costs per GEO sold:

(expressed in millions, except per GEO amounts)	For the three months ended December 31, 2019	2018	For the year ended December 31, 2019	2018
Total costs of sales	**$ 119.0**	$ 86.3	**$ 408.0**	$ 365.9
Depletion and depreciation	**(72.7)**	(61.5)	**(263.2)**	(247.7)
Energy operating costs	**(2.2)**	(1.9)	**(7.3)**	(5.9)
Non-cash costs of sales	**–**	(1.4)	**–**	(7.1)
Cash Costs attributable to GEOs sold	**$ 44.1**	$ 21.5	**$ 137.5**	$ 105.2
GEOs, excluding prepaid ounces	**153,396**	103,344	**516,438**	439,902
Cash Costs per GEO sold	**$ 287**	$ 208	**$ 266**	$ 239

Adjusted EBITDA and Adjusted EBITDA per share

Adjusted EBITDA and Adjusted EBITDA per share are non-IFRS financial measures, which exclude the following from net income and earnings per share ("EPS"):

- Income tax expense/recovery;
- Finance expenses;
- Finance income;
- Depletion and depreciation;
- Non-cash costs of sales;
- Impairment charges related to royalty, stream and working interests;
- Impairment of investments;
- Gains/losses on sale of royalty, stream and working interests;
- Gains/losses on investments;
- Foreign exchange gains/losses and other income/expenses; and
- Unusual non-recurring items

Management uses Adjusted EBITDA and Adjusted EBITDA per share to evaluate the underlying operating performance of the Company as a whole for the reporting periods presented, to assist with the planning and forecasting of future operating results, and to supplement information in its financial statements. Management believes that in addition to measures prepared in accordance with IFRS such as Net Income and EPS, our investors and analysts use Adjusted EBITDA and Adjusted EBITDA per share to evaluate the results of the underlying business of the Company, particularly since the excluded items are typically not included in our guidance, with the exception of depletion and depreciation expense. While the adjustments to net income and EPS in these measures include items that are both recurring and non-recurring, management believes that Adjusted EBITDA and Adjusted EBITDA per share are useful measures of the Company's performance because they adjust for items which may not relate to or have a disproportionate effect on the period in which they are recognized, impact the comparability of our core operating results from period to period, are not always reflective of the underlying operating performance of our business and/or are not necessarily indicative of future operating results. Adjusted EBITDA and Adjusted EBITDA per share are only intended to provide additional information to investors and analysts, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. They do not have any standardized meaning under IFRS, and may not be comparable to similar measures presented by other issuers.

Reconciliation of Net Income to Adjusted EBITDA:

(expressed in millions, except per share amounts)	For the three months ended December 31, 2019	2018	For the year ended December 31, 2019	2018
Net Income	**$ 113.3**	$ (31.3)	**$ 344.1**	$ 139.0
Income tax expense	**17.2**	11.7	**61.8**	50.1
Finance expenses	**2.1**	2.2	**10.6**	4.6
Finance income	**(0.8)**	(0.7)	**(3.5)**	(3.1)
Depletion and depreciation	**72.7**	61.5	**263.2**	247.7
Non-cash costs of sales	**–**	1.4	**–**	7.1
Impairment of royalty, stream and working interests	**–**	76.0	**–**	76.0
Foreign exchange (gains)/losses and other (income)/expenses	**(2.8)**	(2.1)	**(2.8)**	(1.8)
Adjusted EBITDA	**$ 201.7**	$ 118.7	**$ 673.4**	$ 519.6
Basic weighted average shares outstanding	**188.8**	186.4	**187.7**	186.1
Basic EPS	**$ 0.60**	$ (0.17)	**$ 1.83**	$ 0.75
Income tax expense	**0.09**	0.06	**0.33**	0.27
Finance expenses	**–**	0.01	**0.06**	0.02
Finance income	**–**	–	**(0.02)**	(0.02)
Depletion and depreciation	**0.39**	0.33	**1.40**	1.33
Non-cash costs of sales	**–**	0.01	**–**	0.04
Impairment of royalty, stream and working interests	**–**	0.41	**–**	0.41
Foreign exchange (gains)/losses and other (income)/expenses	**(0.01)**	(0.01)	**(0.01)**	(0.01)
Adjusted EBITDA per share	**$ 1.07**	$ 0.64	**$ 3.59**	$ 2.79

Margin

Margin is a non-IFRS financial measure which is defined by the Company as Adjusted EBITDA divided by revenue. The Company uses Margin in its annual incentive compensation process to evaluate management's performance in increasing revenue and containing costs. Margin is intended to provide additional information, does not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for a measure of performance in accordance with IFRS.

Reconciliation of Net Income to Margin:

(expressed in millions, except Margin)	For the three months ended December 31, 2019	2018	For the year ended December 31, 2019	2018
Net Income	**$ 113.3**	$ (31.3)	**$ 344.1**	$ 139.0
Income tax expense	**17.2**	11.7	**61.8**	50.1
Finance expenses	**2.1**	2.2	**10.6**	4.6
Finance income	**(0.8)**	(0.7)	**(3.5)**	(3.1)
Depletion and depreciation	**72.7**	61.5	**263.2**	247.7
Non-cash costs of sales	**–**	1.4	**–**	7.1
Impairment of royalty, stream and working interests	**–**	76.0	**–**	76.0
Foreign exchange (gains)/losses and other (income)/expenses	**(2.8)**	(2.1)	**(2.8)**	(1.8)
Adjusted EBITDA	**$ 201.7**	$ 118.7	**$ 673.4**	$ 519.6
Revenue	**258.1**	148.2	**844.1**	653.2
Margin	**78.1%**	80.1%	**79.8%**	79.5%

Adjusted Net Income and Adjusted Net Income per share

Adjusted Net Income and Adjusted Net Income per share are non-IFRS financial measures, which exclude the following from net income and EPS:

- Foreign exchange gains/losses and other income/expenses;
- Impairment charges related to royalty, stream and working interests;
- Impairment of investments;
- Gains/losses on sale of royalty, stream and working interests;
- Gains/losses on investments;
- Unusual non-recurring items; and
- Impact of income taxes on these items.

Management uses Adjusted Net Income and Adjusted Net Income per share to evaluate the underlying operating performance of the Company as a whole for the reporting periods presented, to assist with the planning and forecasting of future operating results, and to supplement information in its financial statements. Management believes that in addition to measures prepared in accordance with IFRS such as Net Income and EPS, our investors and analysts use Adjusted Net Income and Adjusted Net Income per share to evaluate the results of the underlying business of the Company, particularly since the excluded items are typically not included in our guidance. While the adjustments to net income and EPS in these measures include items that are both recurring and non-recurring, management believes that Adjusted Net Income and Adjusted Net Income per share are useful measures of the Company's performance because they adjust for items which may not relate to or have a disproportionate effect on the period in which they are recognized, impact the comparability of our core operating results from period to period, are not always reflective of the underlying operating performance of our business and/or are not necessarily indicative of future operating results. Adjusted Net Income and Adjusted Net Income per share are intended to provide additional information to investors and analysts and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. They do not have any standardized meaning under IFRS, and may not be comparable to similar measures presented by other issuers.

Reconciliation of Net Income to Adjusted Net Income:

(expressed in millions, except per share amounts)	For the three months ended December 31, 2019	2018	For the year ended December 31, 2019	2018
Net Income	**$ 113.3**	$ (31.3)	**$ 344.1**	$ 139.0
Foreign exchange (gains)/losses and other (income)/expenses	**(2.8)**	(2.1)	**(2.8)**	(1.8)
Impairment of royalty, stream and working interests	**–**	76.0	**–**	76.0
Tax effect of adjustments	**0.3**	(0.3)	**0.2**	(0.6)
Other tax related adjustments:				
Barbados Tax Reform impact	**–**	2.4	**–**	2.4
U.S. Tax Reform impact	**–**	–	**–**	2.0
Adjusted Net Income	**$ 110.8**	$ 44.7	**$ 341.5**	$ 217.0
Basic weighted average shares outstanding	**188.8**	186.4	**187.7**	186.1
Basic EPS	**$ 0.60**	$ (0.17)	**$ 1.83**	$ 0.75
Foreign exchange (gains)/losses and other (income)/expenses	**(0.01)**	(0.01)	**(0.01)**	(0.01)
Impairment of royalty, stream and working interests	**–**	0.41	**–**	0.41
Tax effect of adjustments	**–**	–	**–**	–
Other tax related adjustments:				
Barbados Tax Reform impact	**–**	0.01	**–**	0.01
U.S. Tax Reform impact	**–**	–	**–**	0.01
Adjusted Net Income per share	**$ 0.59**	$ 0.24	**$ 1.82**	$ 1.17

Cautionary Statement on Forward-Looking Information

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995, respectively, which may include, but are not limited to, statements with respect to future events or future performance, management's expectations regarding Franco-Nevada's growth, results of operations, estimated future revenues, carrying value of assets, future dividends and requirements for additional capital, mineral reserve and mineral resource estimates, production estimates, production costs and revenue, future demand for and prices of commodities, expected mining sequences, business prospects and opportunities, audits being conducted by the CRA, the expected exposure for current and future assessments and available remedies, the remedies relating to and consequences of the ruling of the Supreme Court of Panama in relation to the Cobre Panama project, the aggregate value of Common Shares which may be issued pursuant to the ATM Program, the Company's expected use of the net proceeds of the ATM Program, and expected succession planning. In addition, statements (including data in tables) relating to reserves and resources and gold equivalent ounces are forward-looking statements, as they involve implied assessment, based on certain estimates and assumptions, and no assurance can be given that the estimates and assumptions are accurate and that such reserves and resources and GEOs will be realized. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budgets", "scheduled", "estimates", "forecasts", "predicts", "projects", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Franco-Nevada to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual events or results to differ materially from any forward-looking statement, including, without limitation: fluctuations in the prices of the primary commodities that drive royalty and stream revenue (gold, platinum group metals, copper, nickel, uranium, silver, iron-ore and Energy); fluctuations in the value of the Canadian and Australian dollar, Mexican Peso and any other currency in which revenue is generated, relative to the U.S. dollar; changes in national and local government legislation, including permitting and licensing regimes and taxation policies and the enforcement thereof; regulatory, political or economic developments in any of the countries where properties in which Franco-Nevada holds a royalty, stream or other interest are located or through which they are held; risks related to the operators of the properties in which Franco-Nevada holds a royalty, stream or other interest, including changes in the ownership and control of such operators; influence of macroeconomic developments; business opportunities that become available to, or are pursued by Franco-Nevada; reduced access to debt and equity capital; litigation; title, permit or license disputes related to interests on any of the properties in which Franco-Nevada holds a royalty, stream or other interest; whether or not the Company is determined to have "passive foreign investment company" ("PFIC") status as defined in Section 1297 of the United States Internal Revenue Code of 1986, as amended; potential changes in Canadian tax treatment of offshore streams; excessive cost escalation as well as development, permitting, infrastructure, operating or technical difficulties on any of the properties in which Franco-Nevada holds a royalty, stream or other interest; access to sufficient pipeline capacity; actual mineral content may differ from the reserves and resources contained in technical reports; rate and timing of production differences from resource estimates, other technical reports and mine plans; risks and hazards associated with the business of development and mining on any of the properties in which Franco-Nevada holds a royalty, stream or other interest, including, but not limited to unusual or unexpected geological and metallurgical conditions, slope failures or cave-ins, flooding and other natural disasters, terrorism, civil unrest or an outbreak of contagious disease; and the integration of acquired assets. The forward-looking statements contained in this MD&A are based upon assumptions management believes to be reasonable, including, without limitation: the ongoing operation of the properties in which Franco-Nevada holds a royalty, stream or other interest by the owners or operators of such properties in a manner consistent with past practice; the accuracy of public statements and disclosures made by the owners or operators of such underlying properties; no material adverse change in the market price of the commodities that underlie the asset portfolio; the Company's ongoing income and assets relating to determination of its PFIC status; no material changes to existing tax treatment; the expected application of tax laws and regulations by taxation authorities; the expected assessment and outcome of any audit by any taxation authority; no adverse development in respect of any significant property in which Franco-Nevada holds a royalty, stream or other interest; the accuracy of publicly disclosed expectations for the development of underlying properties that are not yet in production; integration of acquired assets; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated or intended. However, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned that forward-looking statements are not guarantees of future performance. In addition, there can be no assurance as to the outcome of the ongoing audit by the CRA or the Company's exposure as a result thereof. Franco-Nevada cannot assure investors that actual results will be consistent with these forward-looking statements. Accordingly, investors should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

For additional information with respect to risks, uncertainties and assumptions, please refer to Franco-Nevada's most recent Annual Information Form filed with the Canadian securities regulatory authorities on www.sedar.com and Franco-Nevada's most recent Annual Report filed on Form 40-F filed with the SEC on www.sec.gov. The forward-looking statements herein are made as of the date of this MD&A only and Franco-Nevada does not assume any obligation to update or revise them to reflect new information, estimates or opinions, future events or results or otherwise, except as required by applicable law.

Management's Report On Internal Control Over Financial Reporting

Franco-Nevada Corporation's ("Franco-Nevada") management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in rules 13a-15(f) and 15d-15(f) under the United States *Securities Exchange Act of 1934*, as amended.

Franco-Nevada's management assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2019. Franco-Nevada's management conducted an evaluation of the Company's internal control over financial reporting based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on Franco-Nevada's management's assessment, Franco-Nevada's internal control over financial reporting is effective as at December 31, 2019.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2019 has been audited by PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, as stated in their report appearing herein.

/s/ David Harquail

David Harquail
Chief Executive officer

/s/ Sandip Rana

Sandip Rana
Chief Financial officer

March 9, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Franco-Nevada Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Franco-Nevada Corporation and its subsidiaries (together, the Company) as of December 31, 2019 and 2018, and the related consolidated statements of income and comprehensive income, cash flows and changes in shareholders' equity for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of indicators of impairment of royalty, stream and working interests

As described in notes 2, 3 and 8 to the consolidated financial statements, the Company's royalty, stream and working interests carrying value was $4,797.8 million as of December 31, 2019. Management assesses at the end of each reporting period whether there are any indicators that the carrying value may not be recoverable or that an impairment loss previously recognized may no longer exist (together, indicators of impairment) that give rise to the requirement to conduct a formal impairment test. Impairment is assessed at the cash-generating unit (CGU) level, which is usually at the individual royalty, stream and working interest level for each property from which cash inflows are generated. Management uses significant judgment when assessing whether there are indicators of impairment, including significant changes in operator reserve and resource estimates, industry or economic trends, current or forecast commodity prices and other relevant operator information. For energy interests, management uses reserve reports prepared by independent petroleum consultants or other qualified parties engaged by the Company (management's specialists).

The principal considerations for our determination that performing procedures relating to the assessment of indicators of impairment of royalty, stream and working interests is a critical audit matter are (i) there was significant judgment by management when assessing whether there were indicators of impairment which would require a formal impairment test to be performed; which in turn led to (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to management's assessment of indicators of impairment, including significant changes in operator reserve and resource estimates, industry or economic trends, current or forecast commodity prices and other relevant operator information.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of indicators of impairment of royalty, stream and working interests. These procedures also included, among others, evaluating the reasonableness of management's assessment of indicators of impairment for a sample of royalty, stream and working interests, including significant changes in operator reserve and resource estimates, industry or economic trends, current or forecast commodity prices and other relevant operator information by considering (i) the current and past performance of royalty, stream and working interests; (ii) the consistency with external market and industry data; (iii) the publicly disclosed information by operators of royalty, stream and working interests; and (iv) whether management's assessment of indicators of impairment was consistent with evidence obtained in other areas of the audit. The work of management's specialists was used in performing the procedures to evaluate the reasonableness of management's assessment of indicators of impairment related to significant changes in reserve estimates for energy interests. As a basis for using this work, the specialists' qualifications and objectivity were understood, as well as their methods and assumptions. The procedures performed also included an evaluation of their findings.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
March 9, 2020

We have served as the Company's auditor since 2007.

Consolidated Statements of Financial Position

(in million of U.S. dollars)

	At December 31, 2019	At December 31, 2018
Assets		
Cash and cash equivalents *(Note 5)*	$ 132.1	$ 69.7
Receivables	97.8	75.5
Prepaid expenses and other *(Note 7)*	48.8	33.3
Current assets	$ 278.7	$ 178.5
Royalty, stream and working interests, net *(Note 8)*	$ 4,797.8	$ 4,555.6
Investments and loan receivable *(Note 6)*	183.2	169.7
Deferred income tax assets	6.8	17.3
Other assets *(Note 9)*	14.1	10.7
Total assets	$ 5,280.6	$ 4,931.8
Liabilities		
Accounts payable and accrued liabilities *(Note 10)*	$ 41.8	$ 23.6
Current income tax liabilities	11.6	1.4
Current liabilities	$ 53.4	$ 25.0
Lease liabilities	$ 2.6	$ –
Debt *(Note 11)*	80.0	207.6
Deferred income tax liabilities	82.4	67.3
Total liabilities	$ 218.4	$ 299.9
Shareholders' Equity *(Note 19)*		
Share capital	$ 5,390.7	$ 5,158.3
Contributed surplus	14.2	15.6
Deficit	(164.4)	(321.7)
Accumulated other comprehensive loss	(178.3)	(220.3)
Total shareholders' equity	$ 5,062.2	$ 4,631.9
Total liabilities and shareholders' equity	$ 5,280.6	$ 4,931.8

Commitments and contingencies *(Notes 22 and 23)*

Subsequent events *(Note 24)*

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors and authorized for issue on March 9, 2020.

/s/ Pierre Lassonde *|* */s/ Randall Oliphant*

Pierre Lassonde
Director

Randall Oliphant
Director

Consolidated Statements of Income and Comprehensive Income

(in millions of U.S. dollars and shares, except per share amounts)

	For the year ended December 31, 2019	2018
Revenue *(Note 14)*	$ **844.1**	$ 653.2
Costs of sales		
Costs of sales *(Note 15)*	$ **144.8**	$ 118.2
Depletion and depreciation	**263.2**	247.7
Total costs of sales	$ **408.0**	$ 365.9
Gross profit	$ **436.1**	$ 287.3
Other operating expenses (income)		
General and administrative expenses	$ **28.8**	$ 22.6
Impairment of royalty, streams and working interests *(Note 8)*	**–**	76.0
Gain on sale of gold bullion	**(2.9)**	(0.1)
Total other operating expenses (income)	$ **25.9**	$ 98.5
Operating income	$ **410.2**	$ 188.8
Foreign exchange gain and other income (expenses)	$ **2.8**	$ 1.8
Income before finance items and income taxes	$ **413.0**	$ 190.6
Finance items *(Note 17)*		
Finance income	$ **3.5**	$ 3.1
Finance expenses	**(10.6)**	(4.6)
Net income before income taxes	$ **405.9**	$ 189.1
Income tax expense *(Note 18)*	**61.8**	50.1
Net income	$ **344.1**	$ 139.0
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit and loss:		
Currency translation adjustment	$ **32.3**	$ (68.3)
Items that will not be reclassified subsequently to profit and loss:		
Gain (loss) on changes in the fair value of equity investments at fair value through other comprehensive income (loss) ("FVTOCI"), net of income tax *(Note 6)*	**9.9**	(18.4)
Other comprehensive income (loss)	$ **42.2**	$ (86.7)
Comprehensive income	$ **386.3**	$ 52.3
Earnings per share *(Note 20)*		
Basic	$ **1.83**	$ 0.75
Diluted	$ **1.83**	$ 0.75
Weighted average number of shares outstanding *(Note 20)*		
Basic	**187.7**	186.1
Diluted	**188.0**	186.4

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(in million of U.S. dollars)

	For the year ended December 31, 2019	2018
Cash flows from operating activities		
Net income	$ 344.1	$ 139.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and depreciation	263.2	247.7
Share-based payments	4.9	5.2
Impairment of royalty, stream and working interests	–	76.0
Non-cash costs of sales	–	7.1
Unrealized foreign exchange gain	–	(0.4)
Deferred income tax expense	22.7	10.0
Other non-cash items	(7.8)	(1.1)
Acquisition of gold bullion	(31.8)	(25.6)
Proceeds from sale of gold bullion	36.2	12.5
Operating cash flows before changes in non-cash working capital	$ 631.5	$ 470.4
Changes in non-cash working capital:		
Increase in receivables	$ (22.3)	$ (9.6)
(Increase) decrease in prepaid expenses and other	(14.3)	11.6
Increase in current liabilities	22.8	2.4
Net cash provided by operating activities	$ 617.7	$ 474.8
Cash flows from investing activities		
Acquisition of royalty, stream and working interests	$ (443.9)	$ (988.0)
Acquisition of energy well equipment	(1.3)	(1.6)
Acquisition of investments	(3.9)	–
Proceeds from sale of investments	13.0	0.9
Net cash used in investing activities	$ (436.1)	$ (988.7)
Cash flows from financing activities		
Proceeds from draw of revolving credit facilities	$ 275.0	$ 237.0
Repayment of revolving credit facilities	(485.0)	(27.0)
Proceeds from draw of term loan	160.0	–
Repayment of term loan	(80.0)	–
Proceeds from at-the-market equity offering	136.0	–
Credit facility amendment costs	(0.8)	(0.5)
Payment of dividends	(138.2)	(136.1)
Proceeds from exercise of stock options	13.2	4.2
Net cash (used in) provided by financing activities	$ (119.8)	$ 77.6
Effect of exchange rate changes on cash and cash equivalents	$ 0.6	$ (5.1)
Net change in cash and cash equivalents	$ 62.4	$ (441.4)
Cash and cash equivalents at beginning of period	$ 69.7	$ 511.1
Cash and cash equivalents at end of period	$ 132.1	$ 69.7
Supplemental cash flow information:		
Cash paid for interest expense and loan standby fees	$ 9.5	$ 3.7
Income taxes paid	$ 38.6	$ 28.5

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(in million of U.S. dollars)

	Share capital *(Note 19)*	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at January 1, 2019	$ 5,158.3	$ 15.6	$ (220.3)	$ (321.7)	$ 4,631.9
Net income	–	–	–	344.1	344.1
Other comprehensive income	–	–	42.2	–	42.2
Total comprehensive income					$ 386.3
At-the-market equity offering	$ 136.0	$ –	$ –	$ –	$ 136.0
Acquisition of Salares Norte	27.0	–	–	–	27.0
Exercise of stock options	17.3	(4.1)	–	–	13.2
Share-based payments	–	6.0	–	–	6.0
Vesting of restricted share units	3.3	(3.3)	–	–	–
Transfer of gain on disposal of equity investments at FVTOCI	–	–	(0.2)	0.2	–
Dividend reinvestment plan	48.8	–	–	–	48.8
Dividends declared	–	–	–	(187.0)	(187.0)
Balance at December 31, 2019	**$ 5,390.7**	**$ 14.2**	**$ (178.3)**	**$ (164.4)**	**$ 5,062.2**
Balance at January 1, 2018	$ 5,107.8	$ 14.2	$ (133.6)	$ (282.9)	$ 4,705.5
Net income	–	–	–	139.0	139.0
Other comprehensive loss	–	–	(86.7)	–	(86.7)
Total comprehensive income					$ 52.3
Exercise of stock options	$ 5.5	$ (1.3)	$ –	$ –	$ 4.2
Share-based payments	–	6.0	–	–	6.0
Vesting of restricted share units	3.3	(3.3)	–	–	–
Dividend reinvestment plan	41.7	–	–	–	41.7
Dividends declared	–	–	–	(177.8)	(177.8)
Balance at December 31, 2018	$ 5,158.3	$ 15.6	$ (220.3)	$ (321.7)	$ 4,631.9

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018
(expressed in millions of U.S. dollars, except per share amounts, unless otherwise noted)

Note 1 - Corporate Information

Franco-Nevada Corporation ("Franco-Nevada" or the "Company") is incorporated under the *Canada Business Corporations Act*. The Company is a royalty and stream company focused on precious metals (gold, silver, and platinum group metals) and has a diversity of revenue sources with a target of no more than 20% of revenue from energy (oil, gas and natural gas liquids). The Company owns a portfolio of royalty, stream and working interests, covering properties at various stages, from production to early exploration located in Latin America, United States, Canada, Australia, Europe and Africa.

The Company's shares are listed on the Toronto Stock Exchange and the New York Stock Exchange and the Company is domiciled in Canada. The Company's head and registered office is located at 199 Bay Street, Suite 2000, Toronto, Ontario, Canada.

Note 2 - Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") under the historical cost convention, except for equity investments, warrants and receivables from provisionally priced concentrate sales which are measured at fair value. These consolidated financial statements were authorized for issuance by the Board of Directors on March 9, 2020.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (its "subsidiaries") (together the "Company").

(i) Subsidiaries

These consolidated financial statements include the accounts of Franco-Nevada and its subsidiaries. All intercompany accounts, transactions, income and expenses, and profits or losses have been eliminated on consolidation. The Company consolidates subsidiaries where it has the ability to exercise control. Control of an investee is defined to exist when the Company is exposed to variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, it has all of the following: power over the investee (i.e. existing rights that give the Company the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. Control is presumed to exist where the Company owns more than one half of the voting rights unless it can be demonstrated that ownership does not constitute control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The consolidated financial statements include all assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating intercompany transactions.

Material subsidiaries of the Company and their geographic locations at December 31, 2019 were as follows:

Entity	Jurisdiction	Economic Interest
Franco-Nevada U.S. Corporation	Delaware	100%
Franco-Nevada GLW Holdings Corp.	British Columbia	100%
Franco-Nevada Canada Holdings Corp.	Canada	100%
Franco-Nevada (Barbados) Corporation	Barbados	100%
Franco-Nevada Australia Pty Ltd.	Australia	100%
Franco-Nevada Delaware LLC	Delaware	100%
Franco-Nevada Texas LP	Texas	100%
Minera Global Copper Chile S.A.	Chile	100%
FN Subco Inc.	British Columbia	100%
FN Holdings ULC	Alberta	100%

All the above entities are classified as subsidiaries of the Company. There are no significant restrictions on the Company's ability to access or use assets or settle liabilities of its subsidiaries.

(ii) Joint arrangements

A joint arrangement is defined as an arrangement over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control. There are two types of joint arrangement, joint operations ("JO") and joint ventures ("JV").

A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to the Company's interest in any JO, the Company would recognize its share of any assets, liabilities, revenues and expenses of the JO.

The Company participates in a strategic relationship with Continental Resources, Inc. ("Continental"), to jointly acquire mineral rights in the South Central Oklahoma Oil Province ("SCOOP") and Sooner Trend Anadarko Basin Canadian and Kingfisher Counties ("STACK") plays of Oklahoma. The mineral interests are acquired through a royalty acquisition entity, The Mineral Resource Company II, LLC ("TMRC II"), in which the Company holds an economic interest of 49.9%. The Company funds 80% of the contributions to TMRC II, with the remainder funded by Continental. The Company determined that it has joint control over TMRC II given that decisions about relevant activities require unanimous consent of the parties to the joint arrangement. The Company further determined that the joint arrangement is a JO, based on the terms of the contractual agreement which specify how revenues and expenses are shared between the parties.

The Company also participates in joint operations with respect to energy working interests but does not have joint control. A working interest is an ownership position in the energy property and related operating assets, whereby the Company is liable for its proportionate share of gross costs of capital and operations based on information received from the operator. The Company's share of the assets, liabilities, revenues and expenses of each joint operation are recognized in the statements of financial position and statements of income and comprehensive income.

(c) Business combinations

On the acquisition of a business, the acquisition method of accounting is used whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) of the business on the basis of the fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available, which period shall not exceed twelve months from the acquisition date and are adjusted to reflect the transaction as of the acquisition date.

The results of businesses acquired during the period are consolidated into the consolidated financial statements from the date on which control commences at the date of acquisition and taken out of the consolidated financial statements from the date on which control ceases.

When all or part of the purchase consideration is contingent on future events, the cost of the acquisition initially recorded includes an estimate of the fair value of the contingent liability amounts expected to be payable in the future. The cost of acquisition is adjusted when revised estimates are made, with corresponding adjustments made to the consolidated statement of income and comprehensive income.

When a business is acquired in a number of stages, the cost of each stage is compared with the fair value of the identifiable net assets at the date of that purchase. When the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. If the fair value attributable to the Company's share of the identifiable net assets exceeds the cost of acquisition, the difference is recognized as a gain in the consolidated statement of income and comprehensive income. Acquisition costs are expensed.

(d) Currency translation

(i) Functional and presentation currency

The functional currency for each entity within the Franco-Nevada group is the currency of the primary economic environment in which it operates.

These consolidated financial statements are expressed in United States dollars, which is the functional currency of the majority of the subsidiaries. The parent Company's functional currency is the Canadian dollar. The U.S. dollar is used as the presentation currency of the Company to ensure comparability with the Company's peers. References herein to C$ are to Canadian dollars.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective subsidiary, using the exchange rate prevailing at the dates of the transaction (spot exchange rates). Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items and available-for-sale securities at the date of the consolidated statements of financial position are recognized in net income. Non-monetary items measured at historical cost are translated into the functional currency using the exchange rate at the date of the transaction.

The results and financial position of the subsidiaries that have a functional currency different from the presentation currency are translated into U.S. dollars, the group's presentation currency, as follows:

- assets and liabilities for each subsidiary are translated at the closing exchange rate at the date of the balance sheet;
- income and expenses for each subsidiary are translated at the average exchange rates during the period; and
- all resulting exchange differences are charged/credited to the currency translation adjustment in other comprehensive income.

(e) Royalty, stream and working interests

Royalty, stream and working interests consist of acquired royalty interests, stream metal purchase agreements, and working interests in producing, advanced/development and exploration stage properties. Royalty, stream and working interests are recorded at cost and capitalized as tangible assets with finite lives. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses. The cost of royalty, stream and working interests is determined by reference to the cost model under IAS 16. The major categories of the Company's interests are producing, advanced and exploration. Producing assets are those that have generated revenue from steady-state operations for the Company or are expected to in the next year. Advanced assets are interests on projects which are not yet producing, but where in management's view, the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration assets represent interests on projects where technical feasibility and commercial viability of extracting a mineral resource are not demonstrable. Royalty, stream and working interests for producing and advanced assets are recorded at cost and capitalized in accordance with IAS 16, while exploration assets are recorded and capitalized in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources* ("IFRS 6").

Management uses the following criteria in its assessment of technical feasibility and commercial viability:

(i) Geology: there is a known mineral deposit which contains mineral reserves or resources; or the project is adjacent to a mineral deposit that is already being mined or developed and there is sufficient geologic certainty of converting the deposit into mineral reserves or resources.

(ii) Accessibility and authorization: there are no significant unresolved issues impacting the accessibility and authorization to develop or mine the mineral deposit, and social, environmental and governmental permits and approvals to develop or mine the mineral deposit appear obtainable.

Producing mineral royalty and stream interests are depleted using the units-of-production method over the life of the property to which the interest relates. The life of the property is estimated using life of mine models specifically associated with the mineral royalty or stream properties which include proven and probable reserves and may include a portion of resources expected to be converted into reserves. Where life of mine models are not available, the Company uses publicly available statements of reserves and resources for the mineral royalty or stream properties to estimate the life of the property and portion of resources that the Company expects to be converted into reserves. Where life of mine models and publicly available reserve and resource statements are not available, depletion is based on the Company's best estimate of the volumes to be produced and delivered under the contract. The Company relies on information available to it under contracts with operators and/or public disclosures for information on reserves and resources from the operators of the producing mineral and stream interests.

Producing energy interests are depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available estimated proved and probable reserves specifically associated with the energy properties. For energy interests, management uses reserve reports prepared by independent petroleum consultants or other qualified parties engaged by the Company.

On acquisition of a producing royalty, stream or working interest, an allocation of its fair value is attributed to the exploration potential of the interest. The estimated fair value of this acquired exploration potential is recorded as an asset (non-depletable interest) on the acquisition date. Updated reserve and resource information obtained from the operators of the royalty, stream or working interest properties is used to determine the amount to be converted from non-depletable interest to depletable interest. If the cost of a royalty, stream or working interest includes contingent consideration, the contingent consideration is measured at fair value on the date of acquisition and included in the cost of the interest. Any changes in the fair value of the contingent consideration subsequent to the acquisition date are recorded against the cost of the interest acquired.

Acquisition costs of advanced and exploration stage royalty, stream and working interests are capitalized and are not depleted until such time as revenue-generating activities begin. The Company may receive advance minimum payments prior to the commencement of production on some of its interests. In these circumstances, the Company would record depletion expense as described above, up to a maximum of the total of the advance minimum payment received.

(f) Working interests in energy properties

Acquired energy working interests are accounted for at cost and capitalized as tangible assets of developing or operating properties, or in accordance with IFRS 6 for exploration properties. For each energy property on which the Company has a working interest, the Company bears its proportionate share of the gross costs of capital and operations based on information received from the operator. Such capital costs are capitalized to energy well equipment which is a component of other assets on the statement of financial position.

Capitalized costs, other than those related to energy well equipment, are depreciated when the asset is available for its intended use on a units-of-production basis, whereby the denominator is the proved and probable reserves associated with the energy properties. For energy well equipment, capitalized costs are depreciated by application of a 25% declining balance method.

(g) Impairment of non-financial assets

Producing and advanced mineral, stream and working interests are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Impairment is assessed at the level of cash-generating units ("CGUs") which, in accordance with IAS 36 *Impairment of Assets* ("IAS 36") are identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets. This is usually at the individual royalty, stream, or working interest level for each property from which cash inflows are generated.

An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount, which is the higher of fair value less costs of disposal ("FVLCD") and value-in-use ("VIU"). The future cash flow expected is derived using estimates of proven and probable reserves, a portion of resources that is expected to be converted into reserves and information regarding the mineral, stream and energy properties, respectively, that could affect the future recoverability of the Company's interests. Discount factors are determined individually for each asset and reflect their respective risk profiles. In certain circumstances, the Company may use a market approach in determining the recoverable amount which may include an estimate of (i) net present value of estimated future cash flows; (ii) dollar value per ounce or pound of reserve/resource; (iii) cash-flow multiples; and/or (iv) market capitalization of comparable assets. Impairment losses are charged to the royalty, stream or working interest and any associated energy well equipment in the case of working interests. Assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the conditions that gave rise to the recognition of an impairment loss are subsequently reversed and the asset's recoverable amount exceeds its carrying amount. Impairment losses can be reversed only to the extent that the recoverable amount does not exceed the carrying value that would have been determined had no impairment been recognized previously.

Gold bullion and prepaid expenses are similarly assessed for impairment whenever indicators of impairment exist in accordance with IAS 36. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount, which is the higher of FVLCD and VIU.

Interests classified as exploration are assessed for impairment whenever indicators of impairment exist in accordance with IFRS 6. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount, which is the higher of FVLCD and VIU. An interest that has previously been classified as exploration is also assessed for impairment before reclassification to either advanced or producing, and the impairment loss, if any, is recognized in net income.

(h) Financial instruments

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable, accrued liabilities, debt, and investments, including equity investments, loans receivable, and warrants. Financial instruments are recognized initially at fair value.

Under the IFRS 9 model for classification the Company has classified its financial assets as described below.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are recorded at amortized cost using the effective interest method.

(ii) Receivables

Receivables, other than those related to stream agreements with provisional pricing mechanisms, are classified as financial assets at amortized cost and measured using the effective interest method less any impairment loss allowance. The loss allowance for receivables is measured based on lifetime expected credit losses.

(iii) Investments

Investments comprise equity interests in publicly-traded and privately-held entities, warrants, marketable securities with original maturities at the date of the purchase of more than three months and a loan receivable.

The Company's equity investments are held for strategic purposes and not for trading. The Company made an irrevocable election to designate these investments in common shares at FVTOCI. FVTOCI investments are recognized initially at fair value plus transaction costs. Subsequent to initial recognition, FVTOCI investments are measured at fair value and changes in the fair value are recognized directly in other comprehensive income (loss). When an equity investment at FVTOCI is sold, the accumulated gains or losses are reclassified from accumulated other comprehensive income (loss) directly to deficit.

Translation differences on equity securities classified as FVTOCI are included in other comprehensive income (loss).

Derivative instruments, such as warrants and receivables related to stream agreements with provisional pricing mechanisms, are classified as fair value through profit and loss ("FVTPL") and are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value. In the case of receivables related to stream agreements with provisional pricing, once the final settlement price is determined the financial instrument is no longer a derivative and is classified as a financial asset at amortized cost. Changes in the fair value of receivables related to stream agreements with provisional pricing mechanisms are recognized in revenue in the statement of income and other comprehensive income. Changes in fair value of warrants are recognized as other income (expenses) in the statement of income and comprehensive income.

Loans receivable are classified as financial assets at amortized cost because these instruments are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest. Loans are measured at amortized cost using the effective interest method, less any impairment loss allowance. The impairment loss allowance for the loan receivable is measured based on expected credit losses under the general approach. Interest income is recognized by applying the effective interest rate method and presented as finance income in the statement of income and comprehensive income.

(iv) Financial liabilities

Financial liabilities, including accounts payable, accrued liabilities and debt, are classified as financial liabilities to be subsequently measured at amortized cost using the effective interest method.

(i) Revenue recognition

The Company generates revenue from contracts with customers under each of its royalty, stream and working interests. The Company has determined that each unit of a commodity that is delivered to a customer under a royalty, stream, or working interest arrangement is a performance obligation for the delivery of a good that is separate from each other unit of the commodity to be delivered under the same arrangement.

(i) Stream arrangements

Under its stream arrangements, the Company acquires commodities from operators of mining properties on which the Company has stream interests. The Company sells the commodities received under these arrangements to its customers under separate sales contracts.

For those stream arrangements where the Company acquires refined metal from the operator, the Company sells the refined metal to third party financial institutions or brokers. The Company transfers control over the commodity on the date the commodity is delivered to the customer's metal account, which is the date that title to the commodity and the risks and rewards of ownership transfer to the customer and the customer is able to direct the use of and obtain substantially all of the benefits from the commodity. The transaction price for these sales is fixed at the delivery date based on the spot price for the commodity and payment of the transaction price is generally due immediately when control has been transferred.

For those stream arrangements where the Company acquires the commodities in concentrate form from the operator, the Company sells the concentrate under sales contracts with independent smelting companies. The Company transfers control over the concentrate at the time of shipment, which is when the risks and rewards of ownership and title pass to the independent smelting company. The final prices for metals contained in the concentrate are determined based on the market price for the metals on a specified future date after shipment. Upon transfer of control at shipment, the Company records revenue and a corresponding receivable from these sales based on forward commodity prices at the time of shipment.

Variations between the price recorded at the transfer of control and the actual final price set under the contracts with the smelting companies are caused by changes in market commodity prices, and result in an embedded derivative in the receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included as a component of stream revenue. These provisional price adjustments associated with concentrate sales are not considered to be revenue from contracts with customers as they arise from changes in market commodity prices.

(ii) Royalty arrangements

For royalty interests, the Company sells commodities to customers under contracts that are established by the operator of each mining or energy property on which the royalty interest is held. The Company recognizes revenue from these sales when control over the commodity transfers to the customer. This transfer of control generally occurs when the operator of the mining or energy property on which the royalty interest is held physically delivers the commodity to the customer. At this point in time, the risks and rewards of ownership have transferred to the customer and the Company has an unconditional right to payment.

Revenue from royalty arrangements is measured at the transaction price agreed in the royalty arrangement with the operator of each mining or energy property. The transaction price will reflect the gross value of the commodity sold less deductions that vary based on the terms of the royalty arrangement.

(iii) Working interest arrangements

The Company sells its proportionate share of the crude oil, natural gas and natural gas liquids to third-party customers using the services of a third-party marketing agent. The Company transfers control over the oil and gas at the time it enters the pipeline system, which is when title and the risks and rewards of ownership are transferred to customers and the Company has an unconditional right to payment. Revenue is measured at the transaction price set by reference to monthly market commodity prices plus certain price adjustments. Price adjustments include product quality and transportation adjustments and market differentials.

(j) Costs of sales

Costs of sales includes various production taxes that are recognized with the related revenues and the Company's share of the gross operating costs for the working interests in the energy properties.

For stream agreements, the Company purchases gold, silver or platinum group metals for a cash payment of the lesser of a set contractual price, subject to annual inflationary adjustments, and the prevailing market price per ounce of gold and/or silver when purchased. Under certain stream agreements, the Company purchases gold and/or silver for a cash payment that is a fixed percentage of the prevailing market price per ounce of gold and/or silver when purchased.

In certain instances, the Company purchases a fixed amount of gold by providing an initial deposit. The initial deposit is recorded as a prepaid gold asset and classified within current prepaid expenses and other assets or non-current other assets dependent on whether delivery will occur within 12 months of the reporting date. When gold is delivered to the Company it is recorded as inventory until such time as it is sold and the cost of the gold is recorded as a cost of sale.

(k) Income taxes

The income tax expense or recovery represents the sum of current and deferred income taxes.

Current income tax payable is based on taxable profit for the year. Taxable profit differs from net income as reported in the consolidated statement of income and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated by using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are enacted or substantively enacted at the statement of financial position date and are expected to apply to the period when the deferred tax asset is realized or the liability is settled. Deferred tax is charged or credited in the consolidated statement of income and other comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also accounted for within equity.

(l) Stock options

The Company may issue equity-settled share-based payments to directors, officers, employees and consultants under the terms of its share compensation plan. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of equity-settled share-based payments is expensed over the expected service period with a corresponding change to contributed surplus and is based on the Company's estimate of shares that will ultimately vest.

Fair value is measured by use of the Black-Scholes option pricing valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is estimated by considering historic average share price volatility. Any consideration paid or received upon the exercise of the stock options or purchase of shares is credited to share capital.

(m) Restricted share units

The Company may grant performance-based or time-based restricted share units ("RSUs") to officers and employees under the terms of its share compensation plan. When each RSU vests, the Company plans to settle every RSU with one common share of the parent company. The Company recognizes the fair value of the RSUs as share-based compensation expense which is determined with reference to the weighted average trading price of the Company's common shares over the five trading days immediately preceding the date of issuance. The amount recognized reflects the number of awards for which the related service and non-market performance conditions associated with these awards are expected to be met. The Company expenses the fair value of the RSUs over the applicable service period, with a corresponding change in contributed surplus. Time-based RSUs vest over a three year period on the anniversary of the date of grant. For performance vesting conditions, the grant date fair value of the restricted share unit is measured to reflect such conditions and this estimate is not updated between expected and actual outcomes. Performance-based RSUs vest at the end of a three year period following the achievement of certain performance criteria and target settlement will range from 0% to 100% of the value.

(n) Deferred share units

Non-executive directors may choose to convert their directors' fees into deferred share units ("DSUs") under the terms of the Company's deferred share unit plan (the "DSU Plan"). Directors must elect to convert their fees prior to January 1 in each year. The Company may also award DSUs to non-executive directors under the DSU Plan as compensation. When dividends are declared by the Company, directors are also credited with dividend equivalents in the form of additional DSUs based on the number of vested DSUs each director holds on the record date for the payment of a dividend. Retainer, conversion and dividend equivalent DSUs vest immediately. The fair value of DSUs at the time of conversion or award, as applicable, is determined with reference to the weighted average trading price of the Company's common shares over the five trading days immediately preceding the date of conversion or award, as applicable. The fair value of the DSUs, which are settled in cash, is recognized as a share-based compensation expense with a corresponding increase in liabilities, over the service period. The fair value of the DSUs is marked to the quoted market price of the Company's common shares at each reporting date with a corresponding change in the consolidated statement of income and comprehensive income. Participants are not allowed to redeem their DSUs until retirement or termination of directorship. The cash value of the DSUs at the time of redemption is equivalent to the market value of the Company's common shares when redemption takes place.

(o) Segment reporting

The Company is engaged in the management and acquisition of royalties, streams and working interests in the mining and energy sectors. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO") who fulfills the role of the chief operating decision-maker. The CEO is responsible for allocating resources and assessing performance of the Company's operating segments.

(p) Earnings per share

Basic earnings per share is computed by dividing the net income or loss by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflects the effect of all potentially dilutive common share equivalents, which includes dilutive share options and restricted share units granted to employees and warrants computed using the treasury stock method.

New and Amended Standards Adopted by the Company

The following standard was effective and implemented for the annual period as of January 1, 2019.

IFRS 16 *Leases*

Effective January 1, 2019, the Company has adopted IFRS 16 *Leases* ("IFRS 16"). IFRS 16 requires lessees to recognize assets and liabilities for most leases. The new standard was applied using a modified retrospective approach whereby the effects of the change in accounting policies for leases as at January 1, 2019 are presented together as a single adjustment to the opening balance of deficit. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 *Leases*.

As permitted under transitional provisions, the Company has elected to use the following practical expedients:

- Not to separate non-lease from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.
- Not to recognize right-of-use assets and associated liabilities for low value assets or lease terms of 12 months or less.
- Measure its right-of-use assets at amounts equal to the associated lease liabilities; as such, the adjustment to deficit on transition is nil.

The Company's significant lease arrangements relate to its office premises. Adoption of the new standard resulted in the recognition of right-of-use assets of $2.8 million within other assets on the statement of financial position, measured at an amount equal to the related lease liability.

IFRIC 23 *Uncertainty over Income Tax Treatments*

Effective January 1, 2019, the Company has adopted IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23"). IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The application of IFRIC 23 did not have a significant impact on the Company's consolidated financial statements.

New Accounting Standards Issued But Not Yet Effective

Amendments to IFRS 3 *Business Combinations*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* ("IFRS 3"). The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020 and apply prospectively. Earlier application is permitted. While it is generally expected that the application of the amendments will result in more acquisitions being accounted for as asset acquisitions, the Company will evaluate the impact of the amendments based on the nature and terms of acquisitions the Company may complete in future periods.

Note 3 - Significant judgments, estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the consolidated financial statements.

In particular, the areas which require management to make significant judgements, estimates and assumptions in determining carrying values are:

Reserves and Resources

Royalty, stream and working interests comprise a large component of the Company's assets and, as such, the reserves and resources of the properties to which the interests relate have a significant effect on the Company's financial statements. These estimates are applied in determining the depletion of and assessing the recoverability of the carrying value of royalty, stream and working interests. For mineral royalty and stream interests, the public disclosures of reserves and resources that are released by the operators of the interests involve assessments of geological and geophysical studies and economic data and the reliance on a number of assumptions, including commodity prices and production costs. For energy interests, the estimated reserves in reserve reports prepared by independent petroleum consultants or other qualified parties engaged by the Company reflect similar assessments of geological and geophysical studies and economic data and reliance on assumptions. These assumptions are, by their very nature, subject to interpretation and uncertainty.

The estimates of reserves and resources may change based on additional knowledge gained subsequent to the initial assessment. Changes in the estimates of reserves and resources may materially affect the recorded amounts of depletion and the assessed recoverability of the carrying value of royalty, stream and working interests.

Impairment of Royalty, Stream and Working Interests

Assessment of impairment of royalty, stream, working interests and energy well equipment at the end of each reporting period requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that give rise to the requirement to conduct a formal impairment test on the Company's royalty, stream and working interests, and/or energy equipment. Indicators which could trigger an impairment test include, but are not limited to, a significant change in operator reserve and resource estimates, industry or economic trends, current or forecast commodity prices, and other relevant operator information. The assessment of fair values requires the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, reserve/resource conversion, foreign exchange rates, future capital expansion plans and the associated production implications. In addition, the Company may use other approaches in determining fair value which may include judgment and estimates related to (i) dollar value per ounce or pound of reserve/resource; (ii) cash-flow multiples; and (iii) market capitalization of comparable assets. Changes in any of the assumptions and estimates used in determining the fair value of the royalty, stream or working interests, or energy well equipment could impact the impairment analysis.

Asset Acquisitions and Business Combinations

The assessment of whether an acquisition meets the definition of a business, or whether assets are acquired is an area of key judgment. If deemed to be a business combination, applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of royalty, stream or working interests generally requires a high degree of judgment, and include estimates of mineral reserves and resources acquired, future metal prices, discount rates and reserve/resource conversion. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities.

Joint Arrangements

Judgment is required to determine whether the Company has joint control of a contractual arrangement, which requires continuous assessment of the relevant activities and whether the decisions in relation to those activities require unanimous consent. Judgment is also continually required to classify a joint arrangement as either a joint operation or a joint venture when the arrangement has been structured through a separate vehicle. Classifying the arrangement requires the Company to assess its rights and obligations arising from the arrangement. Specifically, the Company considers the legal form of the separate vehicle, the terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires significant judgment, and a different conclusion on joint control, or whether the arrangement is a joint operation or a joint venture, may have a material impact on the accounting treatment.

The Company evaluated its joint arrangement with Continental, whereby the Company acquired a 49.9% economic interest in TMRC II, in accordance with IFRS 11. The Company concluded that the arrangement qualified as a joint operation based on the terms of the contractual agreement which specify how revenues and expenses are shared. Under the agreement, revenues generated by the royalty assets of TMRC II are to be distributed based on the performance of the assets against agreed upon development thresholds and the tranche in which the assets were acquired, resulting in the Company receiving distributions ranging between 50-75% of revenue. As a result, the Company has concluded that its rights are tied to the assets of TMRC II, rather than the net results of the entity.

Income Taxes

The interpretation and application of existing tax laws, regulations or rules in Canada, Barbados, the United States, Australia or any of the countries in which the mining operations are located or to which shipments of gold, silver or platinum group metals are made requires the use of judgment. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on facts and circumstances of the relevant tax position considering all available evidence. Differing interpretation of these laws, regulations or rules could result in an increase in the Company’s taxes, or other governmental charges, duties or impositions.

In assessing the probability of realizing deferred income tax assets, the Company makes estimates related to expectations of future taxable income and expected timing of reversals of existing temporary differences. Such estimates are based on forecasted cash flows from operations which require the use of estimates and assumptions such as long-term commodity prices and recoverable ounces of gold, silver and platinum group metals. Therefore, the amount of deferred income tax assets recognized on the balance sheet could be reduced if the actual results differ significantly from forecast. The Company reassesses its deferred income tax assets at the end of each reporting period.

Functional Currency

The functional currency for each of the Company’s subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Note 4 - Acquisitions and other transactions

(a) Acquisition of Eagle's Nest Royalty Interest - Ontario, Canada

On December 23, 2019, Franco-Nevada acquired a 1% gross revenue royalty on Noront Resources Ltd.'s ("Noront") Eagle's Nest nickel, copper and platinum group metals deposit in the Ring of Fire mining district of Ontario, Canada, for C$5.0 million ($3.8 million).

The acquisition of the Eagle's Nest royalty has been accounted for as an asset acquisition.

(b) Acquisition of Project 81 Royalty Interest and Noble Common Shares - Ontario, Canada

On November 22, 2019, Franco-Nevada acquired a 2% NSR on Noble Mineral Exploration's ("Noble") 55,000 hectare patented land package known as Project 81 in the Timmins-Cochrane area of Ontario, Canada, in exchange for Franco-Nevada agreeing to waive its pre-emptive and buy-back rights in respect of a historical third party royalty, which was subsequently terminated. Franco-Nevada's 2% NSR covers the Crawford Nickel-Sulphide Project, which was recently spun out by Noble to Canada Nickel Company Inc. As part of the arrangement, Noble issued C$500,000 of Noble common shares to Franco-Nevada.

The acquisition of the Project 81 royalty has been accounted for as an asset acquisition.

(c) Acquisition of Premier Gold Royalty Interests

On September 25, 2019, Franco-Nevada acquired two royalties from Premier Gold Mines Limited ("Premier") for $6.0 million, including a 2% net smelter royalty ("NSR") on property owned by Newmont Corporation adjoining its Musselwhite Mine in Northwestern Ontario and a 1.5% NSR on Nevada Gold Mines LLC's Rain/Emigrant and Saddle properties located at the south end of the Carlin Trend in Nevada.

The acquisitions of the Premier royalties have been accounted for as asset acquisitions.

(d) Acquisition of U.S. Oil & Gas Royalty Interest - Marcellus, Pennsylvania, USA

On July 22, 2019, Franco-Nevada acquired from Range Resources Corporation ("Range") an overriding royalty interest on acreage in the Marcellus for a gross purchase price of $300.0 million. The royalty is calculated as 1% of gross production, less allowed deductions from approximately 350,000 net acres of Range's working interest position in Washington, Western Allegheny and Southern Beaver Counties in Pennsylvania. The royalty applies to existing production and future development from the Marcellus formation as well as future potential development from the Utica and Upper Devonian formations.

The acquisition has an effective date of March 1, 2019. Between the effective date and the closing date, the asset has generated approximately $9.4 million in royalties.

The acquisition of the Marcellus royalty has been accounted for as an asset acquisition.

(e) Acquisition of U.S. Oil & Gas Mineral Rights with Continental Resources, Inc. - SCOOP and STACK, Oklahoma, USA

The Company, through a wholly-owned subsidiary, has a strategic relationship with Continental to acquire, through a jointly-owned entity (the "Royalty Acquisition Venture"), royalty rights in the SCOOP and STACK plays of Oklahoma.

In the year ended December 31, 2019, the Company recorded contributions to the Royalty Acquisition Venture of $114.4 million (2018 - 261.8 million). As at December 31, 2019, $5.6 million included in accrued liabilities relates to contributions to the Royalty Acquisition Venture funded after year-end. As at December 31, 2019, the total cumulative investment in the Royalty Acquisition Venture totalled $376.2 million and Franco-Nevada has remaining commitments of up to $143.8 million to be funded by December 31, 2021.

The Royalty Acquisition Venture is accounted for as a joint operation in accordance with IFRS 11 *Joint Arrangements*.

(f) Acquisition of Valentine Lake Royalty Interest - Newfoundland, Canada

On February 21, 2019, Franco-Nevada acquired a 2% NSR on Marathon Gold Corporation's ("Marathon") Valentine Lake Gold Camp in central Newfoundland for C$18.0 million ($13.7 million). Marathon has an option to buy back 0.5% of the NSR for $7.0 million until December 31, 2022.

The acquisition of the Valentine Lake royalty has been accounted for as an asset acquisition.

(g) Acquisition of Salares Norte Royalty Interest - Chile

On January 31, 2019, Franco-Nevada, through a wholly-owned subsidiary, acquired an existing 2% NSR on Gold Fields' Salares Norte project in the Atacama region of northern Chile for $32.0 million, comprised of $27.0 million of Franco-Nevada common shares (366,499 common shares) and $5.0 million in cash. Gold Fields has an option to buy back 1% of the NSR for $6.0 million within 24 months of the commencement of commercial production.

The acquisition of the Salares Norte royalty has been accounted for as an asset acquisition.

(h) Acquisition of Additional Stream and Update on the Cobre Panama Project - Panama

On January 19, 2018, the Company, through a wholly-owned subsidiary, entered into an amended and restated stream agreement with First Quantum Minerals Ltd. ("First Quantum") and Korea Resources Corp. ("KORES"). The amended and restated stream agreement covers 100% of the Cobre Panama project ("Cobre Panama"). Cobre Panama is located in Panama, is 90% owned by First Quantum and 10% by KORES.

The amended and restated stream agreement comprises two distinct precious metals streams: the original stream covering First Quantum's initial 80% interest in the project (the "Fixed Payment Stream") and a new stream covering (i) First Quantum's additional 10% interest in the project First Quantum acquired from LS-Nikko Copper Inc. in 2017 and (ii) KORES' 10% interest in the project (the "Floating Payment Stream").

Fixed Payment Stream

Under the terms of the Fixed Payment Stream, Franco-Nevada funded a deposit of $1.0 billion against future deliveries of gold and silver from Cobre Panama. The deposit was funded on a pro-rata basis of 1:3 to First Quantum's share of the capital costs for Cobre Panama in excess of $1.0 billion. For the year ended December 31, 2018, the Company funded $273.4 million, towards the Fixed Payment Stream, thereby fulfilling its $1.0 billion commitment in the fourth quarter of 2018.

Under the terms of the amended and restated stream agreement, the fixed price for the Fixed Payment Stream is $418 per ounce of gold and $6.27 per ounce of silver (each increased by a 1.5% annual inflation factor), until 1,341,000 ounces of gold and 21,500,000 ounces of silver have been delivered. Thereafter, the ongoing payment will be the greater of 50% of the fixed price and 50% of the spot price.

Floating Payment Stream

The purchase price of the Floating Payment Stream was $356.0 million and was funded upfront upon closing on March 16, 2018. The terms of the Floating Payment Stream, other than the ongoing price, are similar to the Fixed Payment Stream, including initially linking precious metals deliveries to copper in concentrate shipped. Under the Floating Payment Stream, the ongoing price per ounce for deliveries is 20% of the spot price until 604,000 ounces of gold and 9,618,000 ounces of silver have been delivered. Thereafter, the ongoing payment will be 50% of the spot price.

The acquisition of the Floating Payment Stream for $356.0 million has been accounted for as an asset acquisition. The amended and restated stream agreement had no impact on the original accounting of the Fixed Payment Stream.

(i) Acquisition of Bowen Basin Coal Royalties - Australia

On February 28, 2018, Franco-Nevada, through a wholly-owned subsidiary, acquired a portfolio of metallurgical coal royalties located in the Bowen Basin of Queensland, Australia for cash consideration of A$4.2 million. The portfolio includes certain claims that comprise the producing Moorvale mine, the Olive Downs project which had permitting applications, and another 33 exploration tenements. The Bowen Basin Coal royalties are production payments of A$0.10 per tonne, adjusted for consumer price index changes since December 31, 1997.

The acquisition of the Bowen Basin Coal royalties has been accounted for as an asset acquisition.

(j) Acquisition of U.S. Oil & Gas Royalties - Delaware, Texas, USA

On February 20, 2018, the Company, through a wholly-owned subsidiary, closed the acquisition of a royalty portfolio in the Delaware Basin, which represents the western portion of the Permian Basin, for $101.3 million. The royalties are derived principally from mineral title which provides a perpetual interest in royalty lands.

The acquisition of the Delaware Basin royalties has been accounted for as an asset acquisition.

Note 5 - Cash and Cash Equivalents

As at December 31, 2019 and 2018, cash and cash equivalents were primarily held in interest-bearing deposits.

Cash and cash equivalents comprised the following:

	At December 31, 2019	At December 31, 2018
Cash deposits	$ 118.7	$ 60.3
Term deposits	13.4	9.4
	$ 132.1	$ 69.7

Note 6 - Investments and loan receivable

Investments comprise the following: (i) equity interests in various public and non-public entities which the Company acquired through the open market or through transactions; (ii) warrants in various publicly-listed companies; and (iii) a loan receivable extended to Noront Resources Ltd. as part of the Company's acquisition of royalty rights in the Ring of Fire mining district of Ontario, Canada, in April 2015. The loan, which initially had a maturity date of April 28, 2020, was extended to September 30, 2022 under substantially the same terms and conditions.

Investments and loan receivable comprised the following:

	At December 31, 2019	At December 31, 2018
Equity investments	$ 145.6	$ 136.7
Loan receivable	34.6	32.3
Warrants	3.0	0.7
	$ 183.2	$ 169.7

The change in the fair value of equity investments recognized in other comprehensive income (loss) for the periods ended December 31, 2019 and 2018 were as follows:

	2019	2018
Gain (loss) on change in the fair value of equity investments at FVTOCI	$ 11.4	$ (21.4)
Deferred tax (expense) recovery in other comprehensive income	(1.5)	3.0
Gain (loss) on change in the fair value of equity investments at FVTOCI, net of tax	$ 9.9	$ (18.4)

Note 7 - Prepaid expenses and other current assets

Prepaid expenses and other current assets comprised the following:

	At December 31, 2019	At December 31, 2018
Gold bullion	$ 26.2	$ 27.8
Prepaid expenses	17.5	5.4
Stream ounces inventory	4.4	–
Debt issue costs	0.7	0.1
	$ 48.8	$ 33.3

Note 8 - Royalty, stream and working interests

a) Royalties, Streams and Working Interests

Royalty, stream and working interests, net of accumulated depletion and impairment charges, comprised the following:

As at December 31, 2019	Cost	Accumulated Depletion (1)	Impairment	Carrying Value
Mining royalties	$ 1,035.7	$ (620.1)	$ –	$ 415.6
Streams	4,346.3	(1,542.3)	–	2,804.0
Energy	1,756.4	(402.8)	–	1,353.6
Advanced	203.2	(32.3)	–	170.9
Exploration	66.2	(12.5)	–	53.7
	$ 7,407.8	$ (2,610.0)	$ –	$ 4,797.8

(1) Accumulated depletion includes previously recognized impairment charges.

As at December 31, 2018	Cost	Accumulated Depletion (1)	Impairment	Carrying Value
Mining royalties	$ 1,021.4	$ (571.3)	$ –	$ 450.1
Streams	4,346.3	(1,303.3)	(75.4)	2,967.6
Energy	1,303.8	(337.2)	–	966.6
Advanced	159.9	(30.1)	–	129.8
Exploration	54.7	(12.6)	(0.6)	41.5
	$ 6,886.1	$ (2,254.5)	$ (76.0)	$ 4,555.6

(1) Accumulated depletion includes previously recognized impairment charges.

Changes in royalty, stream and working interests for the periods ended December 31, 2019 and December 31, 2018 were as follows:

	Mineral Royalties	Streams	Energy	Advanced	Exploration	Total
Balance at January 1, 2018	$ 486.1	$ 2,575.4	$ 682.7	$ 151.9	$ 43.1	$ 3,939.2
Acquisitions	0.5	630.4	354.5	1.8	1.4	988.6
Transfers	16.4	–	–	(16.4)	–	–
Impairments	–	(75.4)	–	–	(0.6)	(76.0)
Depletion	(42.5)	(162.8)	(37.3)	(1.1)	(0.2)	(243.9)
Impact of foreign exchange	(10.4)	–	(33.3)	(6.4)	(2.2)	(52.3)
Balance at December 31, 2018	**$ 450.1**	**$ 2,967.6**	**$ 966.6**	**$ 129.8**	**$ 41.5**	**$ 4,555.6**
Acquisitions *(Note 3)*	–	–	419.0	46.0	11.9	476.9
Transfers	5.9	–	–	(5.9)	–	–
Depletion	(46.0)	(163.6)	(49.0)	(0.9)	(0.2)	(259.7)
Impact of foreign exchange	5.6	–	17.0	1.9	0.5	25.0
Balance at December 31, 2019	**$ 415.6**	**$ 2,804.0**	**$ 1,353.6**	**$ 170.9**	**$ 53.7**	**$ 4,797.8**

Of the total net book value as at December 31, 2019, $3,743.8 million (December 31, 2018 - $2,233.0 million) is depletable and $1,054.0 million (December 31, 2018 - $2,322.6 million) is non-depletable.

(b) Impairments of royalties, streams and working interests

The Company recorded impairment charges for the year ended December 31, 2018, as summarized in the following table:

	2018
Royalty, stream and working interests, net:	
Sudbury assets	
Levack-Morrison	$ 54.4
Podolsky	21.0
McCreedy-West	–
Exploration assets	0.6
Total impairment losses	$ 76.0

Sudbury assets

The Company's Sudbury assets comprise the Levack-Morrison, Podolsky and McCreedy-West streams. The mines are operated by KGHM International Ltd. ("KGHM"). As a result of KGHM's ongoing optimization of the multi-year plan of operating activities in the Sudbury Basin, KGHM decided to halt the extraction of ore from the Levack-Morrison deposit, and recommence production at the McCreedy-West mine. The Company was notified of KGHM's intentions in December 2018. As KGHM's optimization plan encompasses all of the Sudbury assets, management considered the announcement to be an indicator of impairment for all three assets, and performed an impairment assessment or each affected asset. Each asset is considered a separate CGU for impairment purposes.

The FVLCD for the Sudbury assets was determined by calculating the net present value ("NPV") of the estimated future cash flows generated by the expected remaining mining of gold and platinum group metals at each of the stream assets. The estimates of future cash flows were derived from the life of mine plans prepared by the operator. Based on observable market or publicly available data, the Company's management made assumptions of future commodity prices to estimate future revenues. The future cash flows were discounted using an after-tax discount rate which reflects specific market risk factors associated with the Sudbury assets. The Company estimated the recoverable amount of its Levack-Morrison, Podolsky and McCreedy-West interests to be $3.6 million, nil, and $11.0 million, respectively.

The key assumptions in the impairment assessment consisted of the estimated number of remaining ounces to be mined at each asset, with no value assigned to resources beyond proven and probable reserves. For 2019, the Company used prices averaging $1,284, $864 and $1,184, per ounce of gold, platinum and palladium, respectively. For 2020, the Company used prices averaging $1,318, $931 and $1,137, per ounce of gold, platinum and palladium, respectively. The Company also used a discount rate of 5%. The Company also performed sensitivity analyses on these key assumptions that impact the impairment calculations, by applying a change of 10% on the estimated number of ounces to be mined, 10% on the gold price assumption and a change of 300 basis points for the discount rate assumption. These sensitivity analyses did not result in a significant change in the estimated recoverable amount and impairment charge.

Exploration assets

The Company was notified, pursuant to various royalty agreements, that the explorer/developer had abandoned tenements, concessions or ground which was subject to royalty rights held by the Company. In these circumstances, the Company wrote-off the carrying value of the associated exploration assets to nil. For the year ended December 31, 2018, the total amount written off was $0.6 million.

Note 9 - Other assets

Other assets comprised the following:

	At December 31, 2019	At December 31, 2018
Energy well equipment, net	$ 9.3	$ 10.2
Right-of-use assets, net	2.5	–
Furniture and fixtures, net	0.4	0.5
Debt issue costs	1.9	–
	$ 14.1	$ 10.7

Note 10 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	At December 31, 2019	At December 31, 2018
Accounts payable	$ 6.8	$ 7.3
Accrued liabilities	35.0	16.3
	$ 41.8	$ 23.6

Note 11 - Debt

Changes in obligations related to the Company's credit facilities were as follows:

	Corporate Revolver	Corporate Term Loan	FNBC Revolver	Total
Size of facility	$ 1,000.0	$ 160.0	$ 100.0	$ 1,260.0
Balance at January 1, 2018	$ –	$ –	$ –	$ –
Drawdowns	210.0	–	27.0	237.0
Repayment	–	–	(27.0)	(27.0)
Balance at December 31, 2018	$ 210.0	$ –	$ –	$ 210.0
Drawdowns	275.0	160.0	–	435.0
Repayment	(485.0)	(80.0)	–	(565.0)
Balance at December 31, 2019	$ –	$ 80.0	$ –	$ 80.0

(a) Corporate Revolver

The Company has a five-year $1.0 billion unsecured revolving term credit facility (the "Corporate Revolver"). During the year ended December 31, 2019, the Company drew down $275.0 million to finance the acquisition of an oil and gas royalty in the Marcellus, as referenced in *Note 4(d)*. As at December 31, 2019, the Company has fully repaid the amounts borrowed, with $325.0 million of cash on hand and $160.0 million drawn from the term loan as described in *Note 11(b)*.

The Corporate Revolver has a maturity of March 22, 2024. Advances under the Corporate Revolver can be drawn as follows:

U.S. dollars

- Base rate advances with interest payable monthly at the Canadian Imperial Bank of Commerce ("CIBC") base rate, plus between 0.00% and 1.05% per annum depending upon the Company's leverage ratio; or
- LIBOR loans for periods of 1, 2, 3 or 6 months with interest payable at a rate of LIBOR, plus between 1.00% and 2.05% per annum, depending on the Company's leverage ratio.

Canadian dollars

- Prime rate advances with interest payable monthly at the CIBC prime rate, plus between 0.00% and 1.05% per annum, depending on the Company's leverage ratio; or
- Bankers' acceptances for a period of 30 to 180 days with a stamping fee calculated on the face amount between 1.00% and 2.05%, depending on the Company's leverage ratio.

All loans are readily convertible into loans of other types, described above, on customary terms and upon provision of appropriate notice. Borrowings under the Corporate Revolver are guaranteed by certain of the Company's subsidiaries and are unsecured.

The Corporate Revolver is subject to a standby fee of 0.20% to 0.41% per annum, depending on the Company's leverage ratio, even if no amounts are outstanding under the Corporate Revolver.

(b) Corporate Term Loan

On April 17, 2019, the Company entered into an unsecured, one-year term credit facility (the "Corporate Term Loan") in the amount of $160.0 million to pay down amounts borrowed under the Corporate Revolver, as referenced in *Note 11(a)*. On September 25, 2019, the term of the Corporate Term Loan was extended by an additional year to April 17, 2021.

Advances under the Corporate Term Loan were drawn as a one-month LIBOR loan with interest payable at a rate of LIBOR plus 0.85%.

(c) FNBC Revolver

The Company's subsidiary, Franco-Nevada (Barbados) Corporation ("FNBC"), has an unsecured revolving term credit facility (the "FNBC Revolver"). The FNBC Revolver provides for the availability over a one-year period of up to $100.0 million in borrowings.

The FNBC Revolver has a maturity date of March 20, 2020. Advances under the FNBC Revolver can be drawn in U.S. dollars as follows:

- Base rate advances with interest payable monthly at the CIBC base rate, plus 0.35% per annum; or
- LIBOR loans for periods of 1, 2, 3 or 6 months with interest payable at a rate of LIBOR plus 1.35% per annum.

All loans are readily convertible into loans of other types on customary terms and upon provision of appropriate notice.

The FNBC Revolver is subject to a standby fee of 0.27% per annum, even if no amounts are outstanding.

Note 12 - Fair value measurements

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same - to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

There were no transfers between the levels of the fair value hierarchy during the year ended December 31, 2019.

Assets and Liabilities Measured at Fair Value on a Recurring Basis:

As at December 31, 2019	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Aggregate Fair Value**
Receivables from provisional concentrate sales	$ –	$ 16.4	$ –	**$ 16.4**
Equity investments	141.7	–	3.9	**145.6**
Warrants	–	3.0	–	**3.0**
	$ 141.7	**$ 19.4**	**$ 3.9**	**$ 165.0**

As at December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Aggregate Fair Value
Receivables from provisional concentrate sales	$ –	$ 8.5	$ –	$ 8.5
Equity investments	132.8	–	3.9	136.7
Warrants	–	0.7	–	0.7
	$ 132.8	$ 9.2	$ 3.9	$ 145.9

The fair values of the Company's remaining financial assets and liabilities, which include cash and cash equivalents, receivables, loan receivables, accounts payable and accrued liabilities, and debt approximate their carrying values due to their short-term nature, historically negligible credit losses, fair value of collateral, or floating interest rate.

The Company has not offset financial assets with financial liabilities.

Assets Measured at Fair Value on a Non-Recurring Basis:

As at December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Aggregate Fair Value
Royalty, stream and working interests	$ –	$ –	$ 14.6	$ 14.6
	$ –	$ –	$ 14.6	$ 14.6

The valuation techniques that are used to measure fair value are as follows:

(a) Receivables

The fair values of receivables arising from gold and platinum group metal concentrate sales contracts that contain provisional pricing mechanisms are determined using the appropriate quoted forward prices from the exchange that is the principal active market for the particular metal. As such, these receivables are classified within Level 2 of the fair value hierarchy.

(b) Investments

The fair values of publicly-traded investments are determined based on a market approach reflecting the closing prices of each particular security at the statement of financial position date. The closing prices are quoted market prices obtained from the exchange that is the principal active market for the particular security, and therefore are classified within Level 1 of the fair value hierarchy.

The Company holds one equity investment that does not have a quoted market price in an active market. The Company has assessed the fair value of the instrument based on a valuation technique using unobservable discounted future cash flows. As a result, the fair value is classified within Level 3 of the fair value hierarchy.

The fair values of warrants are estimated using the Black-Scholes pricing model which requires the use of inputs that are observable in the market. As such, these investments are classified within Level 2 of the fair value hierarchy.

(c) Royalty, stream, and working interests

The fair values of royalty, stream, and working interests are determined primarily using a market approach using unobservable discounted future cash-flows. As a result, the fair values are classified within Level 3 of the fair value hierarchy.

Note 13 - Financial Risk Management

The Company's financial instruments are comprised of financial assets and liabilities. The Company's principal financial liabilities comprise accounts payable, accrued liabilities and debt. The Company's principal financial assets are cash and cash equivalents, receivables, loan receivables, and investments. The main purpose of these financial instruments is to manage short-term cash flow and working capital requirements and fund future acquisitions.

The Company is engaged in the business of acquiring, managing and creating resource royalties and streams. Royalties and streams are interests that provide the right to revenue or production from the various properties, after deducting specified costs, if any. These activities expose the Company to a variety of financial risks, which include direct exposure to market risks (which includes commodity price risk, foreign exchange risk and interest rate risk), credit risk, liquidity risk and capital risk management.

Management designs strategies for managing some of these risks, which are summarized below. The Company's executive management oversees the management of financial risks. The Company's executive management ensures that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk appetite.

The Company's overall objective from a risk management perspective is to safeguard its assets and mitigate risk exposure by focusing on security rather than yield.

(a) Market Risks

Market risks are the risks that change in market factors, such as commodity prices, foreign exchange rates or interest rates, will affect the value of the Company's financial instruments. The Company manages market risks by either accepting it or mitigating it through the use of economic strategies.

Commodity Price Risk

The Company's royalties, working interests and streams are subject to fluctuations from changes in market prices of the underlying commodities. The market prices of gold, silver, platinum, palladium, oil and gas are the primary drivers of the Company's profitability and ability to generate free cash flow. All of the Company's future revenue is not hedged in order to provide shareholders with full exposure to changes in the market prices of these commodities.

Foreign Exchange Risk

The functional currencies of the Company's entities include the Canadian, U.S. and Australian dollars with the reporting currency of the Company being the U.S. dollar. The Company is primarily exposed to currency fluctuations relative to the U.S. dollar on balances and transactions that are denominated and settled in Canadian dollars and Australian dollars. The Company has exposure to the Canadian dollar through its Canadian energy activities and corporate administration costs. Consequently, fluctuations in the U.S. dollar exchange rate against these currencies increase the volatility of depletion, corporate administration costs and overall net earnings, when translated into U.S. dollars.

The Company records currency translation adjustment gains or losses primarily due to the fluctuation of the U.S. dollar in relation to its Canadian assets and liabilities. During the year ended December 31, 2019, the U.S. dollar weakened in relation to the Canadian dollar. As a result, the Company recorded a currency translation adjustment gain of $32.3 million (2018 - loss of $68.3 million).

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. As at December 31, 2019, the Company's interest rate exposure arises mainly from the interest receipts on cash and cash equivalents and interest payment on our variable-rate debt of $80.0 million (2018 - $207.6 million).

The following table shows the approximate interest rate sensitivities of our financial assets and liabilities as at December 31, 2019 and 2018:

	Effect on Net Income		Effect on Equity	
	2019	2018	**2019**	2018
0.5% increase	$ 0.3	$ 0.1	$ 0.3	$ 0.1
0.5% decrease	(0.3)	(0.1)	(0.3)	(0.1)

(b) Credit Risk

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents, receivables and loan receivables. The Company closely monitors its financial assets and maintains its cash deposits in several high-quality financial institutions and as such does not have any significant concentration of credit risk.

As at December 31, 2019, the Company is unaware of any information which would cause it to believe that these financial assets are not fully recoverable.

(c) Liquidity Risk

Liquidity risk is the risk of loss from not having access to sufficient funds to meet both expected and unexpected cash demands. The Company manages its exposure to liquidity risk through prudent management of its statement of financial position, including maintaining sufficient cash balances and access to credit facilities. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. Management continuously monitors and reviews both actual and forecasted cash flows, including acquisition activities.

As at December 31, 2019, the Company held $132.1 million in either cash, cash equivalents or highly-liquid investments (2018 - $69.7 million). All of the Company's financial liabilities are due within one year, with the exception of the Corporate Term Loan which has a maturity date of April 17, 2021, as referenced in *Note 11(b)*. The Company's near-term cash requirements include corporate administration costs, certain costs of sales, including the ore purchase commitments described in *Note 22*, dividends and income taxes directly related to the recognition of royalty, stream and working interest revenues. In addition, the Company is committed to fund the acquisition of mineral rights through the Royalty Acquisition Venture pursuant to its agreement with Continental as described in *Note 4(e)*.

(d) Capital Risk Management

The Company's primary objective when managing capital is to provide a sustainable return to shareholders through managing and growing the Company's resource asset portfolio while ensuring capital protection. The Company defines capital as its cash, cash equivalents, short-term investments and long-term investments which is managed by the Company's management subject to approved policies and limits by the Board of Directors.

There were no changes in the Company's approach to capital management during the year ended December 31, 2019 compared to the prior year. The Company is not subject to material externally imposed capital requirements or significant financial covenants or capital requirements with our lenders. The Company is in compliance with all its covenants under its credit facility as at December 31, 2019.

As at December 31, 2019, the Company has cash and cash equivalents totaling $132.1 million (2018 - $69.7 million), investments and a loan receivable totaling $183.2 million (2018 - $169.7 million), of which $141.7 million (2018 - $132.8 million) are held in liquid securities. The Company also has approximately $1.1 billion (2018 - $1.1 billion) available under its unsecured revolving term credit facilities. All of these sources of capital are available to the Company to meet its near-term cash requirements and grow its portfolio of assets.

Note 14 - Revenue

Revenue classified by commodity, geography and type comprised the following:

	2019	2018
Commodity		
Gold[1]	$ 545.8	$ 435.8
Silver	83.2	78.2
Platinum-group metals[1]	75.6	39.1
Other mining commodities	23.6	14.0
Mining	$ 728.2	$ 567.1
Energy	115.9	86.1
	$ 844.1	$ 653.2
Geography		
Latin America	$ 369.2	$ 268.3
United States	166.6	137.2
Canada[1]	166.2	122.6
Rest of World	142.1	125.1
	$ 844.1	$ 653.2
Type		
Revenue-based royalties	$ 266.7	$ 197.9
Streams[1]	490.8	371.7
Profit-based royalties	49.7	44.0
Other	36.9	39.6
	$ 844.1	$ 653.2

(1) Includes revenue of $0.3 million and $7.8 million of provisional pricing adjustments for gold and platinum-group metals, respectively (2018 - $1.3 million and $2.4 million, respectively).

Note 15 - Costs of sales

Costs of sales comprised the following:

	2019	2018
Costs of stream sales	$ 135.1	$ 102.9
Costs of prepaid ounces	–	7.1
Mineral production taxes	2.4	2.3
Mining costs of sales	$ 137.5	$ 112.3
Energy costs of sales	7.3	5.9
	$ 144.8	$ 118.2

Note 16 - Related party disclosures

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Board of Directors and the executive management team.

Compensation for key management personnel of the Company was as follows:

	2019	2018
Short-term benefits(1)	$ 4.6	$ 3.0
Share-based payments(2)	5.9	4.9
	$ 10.5	$ 7.9

(1) Includes salary, benefits and short-term accrued incentives/other bonuses earned in the period.
(2) Represents the expense of stock options and restricted share units, and mark-to-market charges on deferred share units during the year.

Note 17 - Finance income and expenses

Finance income and expenses for the periods ended December 31, 2019 and 2018 were as follows:

	2019	2018
Finance income		
Interest	$ 3.5	$ 3.1
	$ 3.5	$ 3.1
Finance expenses		
Interest	$ 7.4	$ 1.5
Standby charges	2.1	2.1
Amortization of debt issue costs	0.9	1.0
Accretion of lease liabilities	0.2	–
	$ 10.6	$ 4.6

Note 18 - Income taxes

Income tax expense for the periods ended December 31, 2019 and 2018 was as follows:

	2019	2018
Current income tax expense		
Expense for the year	$ 42.3	$ 34.1
Adjustment in respect of prior years	(3.2)	6.0
Current income tax expense	$ 39.1	$ 40.1
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences in the current year	20.2	(7.7)
U.S. Tax Reform impact	–	2.0
Impact of changes in tax rate	(1.0)	2.9
Change in unrecognized deductible temporary differences	(0.1)	19.0
Adjustments in respect of prior years	3.4	(6.2)
Other	0.2	–
Deferred income tax expense	22.7	10.0
	$ 61.8	$ 50.1

A reconciliation of the provision for income taxes computed at the combined Canadian federal and provincial statutory rate to the provision for income taxes as shown in the consolidated statement of income and comprehensive income for the years ended December 31, 2019 and 2018, is as follows:

	2019	2018
Net income before income taxes	$ 405.9	$ 189.1
Statutory tax rate	26.6%	26.6%
Tax expense at statutory rate	$ 108.0	$ 50.4
Reconciling items:		
Change in unrecognized deductible temporary differences	(0.1)	19.0
Income/expenses not taxed	(4.3)	(1.0)
Differences in foreign statutory tax rates	(42.8)	(24.7)
Differences due to changing future tax rates	(1.0)	2.9
U.S. Tax Reform impact	–	2.0
Foreign withholding tax	0.3	0.6
Temporary differences subject to initial recognition exemption	1.5	1.0
Other	0.2	(0.1)
Net income tax expense	$ 61.8	$ 50.1

Income tax expense (recovery) recognized in other comprehensive income is as follows:

	2019			2018		
	Before Tax Gain	Tax (Expense)	After Tax Gain	Before Tax (Loss)	Tax Recovery	After Tax (Loss)
Gain (loss) on change in the fair value of equity investments at FVTOCI	$ 11.4	$ (1.5)	$ 9.9	$ (21.4)	$ 3.0	$ (18.4)
Cumulative translation adjustment	32.3	–	32.3	(68.3)	–	(68.3)
Other comprehensive income (loss)	$ 43.7	$ (1.5)	$ 42.2	$ (89.7)	$ 3.0	$ (86.7)
Deferred tax	$ –	$ (1.5)	$ –	$ –	$ 3.0	$ –

The significant components of deferred income tax assets and liabilities as at December 31, 2019 and 2018, respectively, are as follows:

	2019	2018
Deferred income tax assets:		
Deductible temporary differences relating to:		
Royalty, stream and working interests	$ 6.5	$ 16.2
Non-capital loss carry-forwards	0.3	1.9
Other	–	(0.8)
	$ 6.8	$ 17.3
Deferred income tax liabilities:		
Taxable temporary differences relating to:		
Share issue and debt issue costs	$ (1.7)	$ (3.7)
Royalty, stream and working interests	89.0	74.8
Non-capital loss carry-forwards	(4.3)	(2.6)
Investments	4.3	2.5
Other	(4.9)	(3.7)
	$ 82.4	$ 67.3
Deferred income tax liabilities, net	$ 75.6	$ 50.0

The movement in net deferred taxes during the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Balance, beginning of year	$ 50.0	$ 45.8
Recognized in profit/loss	22.5	10.0
Recognized in other comprehensive income (loss)	1.5	(3.0)
Recognized in equity	0.4	–
Other	1.2	(2.8)
Deferred income tax liabilities, net	$ 75.6	$ 50.0

The following table summarizes the Company's non-capital losses at December 31, 2019 that can be applied against future taxable profit:

Country	Type	Amount	Expiry Date
Canada	Non-Capital Losses	$ 16.3	2029-2038
Chile	Non-Capital Losses	1.0	No expiry
		$ 17.3	

Unrecognized deferred tax assets and liabilities

The aggregate amount of taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognized as at December 31, 2019 is $393.7 million (2018 - $347.7 million). No deferred tax liabilities are recognized on the temporary differences associated with investment in subsidiaries because the company controls the timing of reversal and it is not probable that they will reverse in the foreseeable future.

The aggregate amount of deductible temporary differences associated with other items, for which deferred tax assets have not been recognized as at December 31, 2019 is $72.7 million (2018 - $75.7 million). No deferred tax asset is recognized in respect of these items because it is not probable that future taxable profits will be available against which the company can utilize the benefit.

Deductible temporary differences and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	2019	2018
Royalty, stream and working interests	$ 48.0	$ 50.9
Tax losses (expiry dates - 2029-2038)	24.7	24.8
	$ 72.7	$ 75.7

The Company is undergoing an audit by the Canada Revenue Agency of its 2012-2015 taxation years, as referenced in *Note 23*.

Note 19 - Shareholders' equity

(a) Share capital

The Company's authorized capital stock includes an unlimited number of common shares (189,381,388 common shares issued and outstanding as at December 31, 2019) having no par value and preferred shares issuable in series (issued - nil).

Changes in share capital in the year ended December 31, 2019 and year ended December 31, 2018 were as follows:

	Number of shares	Amount
Balance at January 1, 2018	185,930,331	$ 5,107.8
Exercise of stock options	94,018	5.5
Vesting of restricted share units	52,882	3.3
Dividend reinvestment plan *(Note 15(c))*	615,250	41.7
Balance at December 31, 2018	**186,692,481**	**$ 5,158.3**
At-the-market equity offering *(Note 15(b))*	1,433,400	136.0
Acquisition of Salares Norte *(Note 3(e))*	366,499	27.0
Exercise of stock options	283,863	17.3
Vesting of restricted share units	46,375	3.3
Dividend reinvestment plan *(Note 15(c))*	558,770	48.8
Balance at December 31, 2019	**189,381,388**	**$ 5,390.7**

(b) At-the-Market Equity Program

On July 19, 2019, the Company established an at-the-market equity program (the "ATM Program") whereby the Company is permitted to issue up to an aggregate of $200 million worth of common shares from treasury at prevailing market prices to the public through the Toronto Stock Exchange, the New York Stock Exchange or any other marketplace on which the common shares are listed, quoted or otherwise trade. The volume and timing of distributions under the ATM Program is determined at the Company's sole discretion, subject to applicable regulatory limitations and blackout periods. The ATM Program is effective until July 18, 2020, unless terminated prior to such date by the Company.

During the year ended December 31, 2019, the Company issued 1,433,400 common shares at an average price per common share of $96.56. The gross proceeds to the Company from these issuances were $138.4 million, and the net proceeds were $136.0 million after deducting agent commission costs of $1.4 million and other share issuance costs of $1.0 million.

(c) Dividends

In 2019, the Company declared dividends of $0.99 per common share (2018 - $0.95 per common share).

Dividends paid in cash and through the Company's Dividend Reinvestment Plan ("DRIP") were as follows:

	2019	2018
Cash dividends	**$ 138.2**	$ 136.1
DRIP dividends	**48.8**	41.7
	$ 187.0	$ 177.8

(d) Stock-based payments

On March 7, 2018, the Company's Board of Directors adopted an amended and restated share compensation plan covering both stock options and RSUs effective May 9, 2018 (the "Plan"). Pursuant to the Plan, the Company may grant incentive stock options to directors, officers, employees and consultants at the discretion of the Board of Directors. The exercise price and vesting period of any option is fixed by the Board of Directors on the date of grant. The term of options is at the sole discretion of the Board of Directors but may not exceed ten years from the date of grant. Options expire on the earlier of the expiry date or the date of termination and are non-transferable. The options granted will be adjusted in the event of an amalgamation, rights offering, share consolidation or subdivision or other similar adjustments of the share capital of the Company. The aggregate number of common shares that may be issued under the Plan is limited to 9,700,876 common shares. Within any one-year period, the number of common shares issued to any single insider participant under the Plan shall not exceed 5% of the common shares then issued and outstanding.

Options to purchase common shares of the Company that have been granted in accordance with the Plan and pursuant to other agreements are as follows:

	2019		2018	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Stock options outstanding, beginning of year	**1,015,409**	**C$ 69.13**	955,603	C$ 64.48
Granted	**104,881**	**C$ 129.32**	153,824	C$ 92.77
Exercised	**(283,863)**	**C$ 59**	(94,018)	C$ 60.49
Stock options outstanding, end of the year	**836,427**	**C$ 80.01**	1,015,409	C$ 69.13
Exercisable stock options, end of the year	**596,402**	**C$ 68.05**	710,064	C$ 60.40

Options granted during the years ended December 31, 2019 and 2018 have a ten-year term and vest over three years in equal portions on the anniversary of the grant date. The fair value of stock options was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions, resulting in a fair value of $2.2 million, or a weighted average fair value of C$28.11 per stock option, (2018 - $3.0 million, or C$25.77 per stock option).

	2019	2018
Risk-free interest rate	**1.62%**	2.05%
Expected dividend yield	**1.02%**	1.38%
Expected price volatility of the Company's common shares	**27.5%**	32.7%
Expected life of the option	**4 years**	5 years
Forfeiture rate	**0%**	0%

During the year ended December 31, 2019, an expense of $2.3 million (2018 - $2.6 million) related to stock options has been included in the consolidated statement of income and other comprehensive income, and $0.5 million (2018 - $0.4 million), was capitalized to royalty, stream and working interest, net, respectively. As at December 31, 2019, there was $3.5 million (2018 - $3.9 million) of total unrecognized non-cash stock-based compensation relating to stock options granted under the Plan, which is expected to be recognized over a weighted average period of 1.7 years (2018 - 1.7 years).

Options to purchase common shares outstanding at December 31, 2019, exercise prices and weighted average lives to maturity as follows:

Exercise price	Options outstanding	Options exercisable	Weighted average life *(years)*
C$33.12	1,500	1,500	0.90
C$40.87	38,076	38,076	3.95
C$42.43	2,000	2,000	2.25
C$46.17	90,000	90,000	3.63
C$55.58	27,397	27,397	2.95
C$58.67	35,000	35,000	5.64
C$59.52	53,376	53,376	4.95
C$65.76	65,258	65,258	5.95
C$75.45	178,936	178,936	6.95
C$88.76	45,082	13,261	8.64
C$94.57	98,562	27,835	8.95
C$100.10	96,359	63,763	7.95
C$129.32	104,881	–	9.95
	836,427	596,402	6.86

(e) Restricted share units

During the year ended December 31, 2019, 20,153 performance-based RSUs (2018 - 24,724) and 19,863 time-based RSUs (2018 - 24,341) were awarded to management of the Company. The fair value of the RSUs, which is determined with reference to the weighted average trading price of the Company's common shares over the five trading days immediately preceding the date of issuance, was determined to be $3.9 million in 2019 (2018 - $3.4 million). Included in the Company's stock-based compensation expense is an amount of $2.6 million (2018 - $2.6 million) relating to RSUs. In addition, $0.6 million related to the RSUs was capitalized to royalty, stream and working interest, net (2018 - $0.5 million). As at December 31, 2019, there is $6.4 million (2018 - $5.4 million) of total unrecognized non-cash stock-based compensation expense relating to non-vested restricted share units granted under the Plan, which is expected to be recognized over a weighted average period of 2.1 years (2018 - 2.1 years).

(f) Deferred Share Unit Plan

During the year ended December 31, 2019, 18,448 DSUs and dividend equivalent DSUs were granted to directors under the DSU Plan (2018 - 18,420), and no DSUs and dividend equivalent DSUs were redeemed (2018 - 15,298). The value of the DSU liability as at December 31, 2019 was $10.8 million (2018 - $6.1 million). The mark-to-market adjustment recorded for the year ended December 31, 2019 in respect of the DSU Plan, resulted in a loss of $2.8 million (2018 - gain of $0.3 million).

(g) Outstanding Stock Options and Restricted Share Units

The following table sets out the maximum shares that would be outstanding if all of the stock options and RSUs at December 31, 2019 and 2018 were exercised:

	2019	2018
Common shares outstanding	**189,381,388**	186,692,481
Stock options	**836,427**	1,015,409
Restricted Share Units	**108,978**	115,337
	190,326,793	187,823,227

Note 20 - Earnings per share ("EPS")

	2019			2018		
	Net income	**Shares** *(in millions)*	**Per Share Amount**	Net income	Shares *(in millions)*	Per Share Amount
Basic EPS	**$ 344.1**	**187.7**	**$ 1.83**	$ 139.0	186.1	$ 0.75
Effect of dilutive securities	**–**	**0.3**	**–**	–	0.3	–
Diluted EPS	**$ 344.1**	**188.0**	**$ 1.83**	$ 139.0	186.4	$ 0.75

For the year ended December 31, 2019, a weighted average of 6,034 stock options (2018 - 103,893 stock options) was excluded in the computation of diluted EPS due to the strike price exceeding the average share price during the year. Further, a weighted average of 1,143 time-based RSUs (2018 - 17,523 stock options and 1,400 time-based RSUs) was excluded due to being anti-dilutive. RSUs totaling 65,972 (2018 - 69,442 RSUs) were excluded from the computation of diluted EPS due to the performance criteria for the vesting of the RSUs not being measurable as at December 31, 2019.

Note 21 - Segment reporting

The chief operating decision-maker organizes and manages the business under two operating segments, consisting of royalty, stream and working interests in each of the mining and energy sectors.

The Company's reportable segments for purposes of assessing performance are presented as follows:

	2019			2018		
	Mining	**Energy**	**Total**	Mining	Energy	Total
Revenue	**$ 728.2**	**$ 115.9**	**$ 844.1**	$ 567.1	$ 86.1	$ 653.2
Income/(expenses)						
Costs of sales	**$ 137.5**	**$ 7.3**	**$ 144.8**	$ 112.3	$ 5.9	$ 118.2
Depletion and depreciation	**210.7**	**49.0**	**259.7**	206.6	37.3	243.9
Segment gross profit	**$ 380.0**	**$ 59.6**	**$ 439.6**	$ 248.2	$ 42.9	$ 291.1

A reconciliation of total segment gross profit to consolidated net income before income taxes is presented below:

	2019	2018
Total segment gross profit	**$ 439.6**	$ 291.1
Other operating (income)/expenses		
General and administrative expenses	**$ 28.8**	$ 22.6
Impairment of royalty, streams and working interests	**–**	76.0
Gain on sale of bullion	**(2.9)**	(0.1)
Depreciation	**3.5**	3.8
Foreign exchange (gain) and other (income) expenses	**(2.8)**	(1.8)
Income before finance items and income taxes	**$ 413.0**	$ 190.6
Finance items		
Finance income	**$ 3.5**	$ 3.1
Finance expenses	**(10.6)**	(4.6)
Net income before income taxes	**$ 405.9**	$ 189.1

Revenues earned during the years ended December 31, 2019 and 2018 are presented by geographic area based on the location of the mining operations giving rise to the royalty, stream or working interest:

	2019	2018
Latin America		
Peru	**$ 145.3**	$ 148.6
Chile	**103.1**	70.5
Panama	**64.7**	–
Other	**56.1**	49.2
United States	**166.6**	137.2
Canada	**166.2**	122.6
Rest of World	**142.1**	125.1
	$ 844.1	$ 653.2

For the year ended December 31, 2019, two interests generated revenue totaling $103.1 million and $100.4 million, (2018 - two interests generated revenue totaling $97.5 million and $70.5 million), each comprising 12% (2018 - 15% and 11%, respectively) of revenue.

Royalty, stream and working interests as at December 31, 2019 and 2018 are presented by geographic area based on the location of the mining operations giving rise to the royalty, stream or working interest.

	2019	2018
Latin America		
Panama	**$ 1,348.4**	$ 1,364.9
Peru	**825.5**	886.2
Chile	**504.2**	504.0
Other	**48.1**	52.6
United States	**1,300.2**	931.1
Canada	**504.9**	503.9
Rest of World	**266.5**	312.9
	$ 4,797.8	$ 4,555.6

Investments of $183.2 million (2018 - $169.7 million) are held in Canada. Energy well equipment, included in other non-current assets, of $9.3 million (2018 - $10.2 million) is located in Canada.

Note 22 - Commitments

(a) Ore purchase commitments

The following table summarizes the Company's commitments pursuant to the associated precious metals agreements:

	Attributable Payable Production to be Purchased			Per Ounce Cash Payment [1], [2]				
Interest	Gold	Silver	PGM	Gold	Silver	PGM	Term of Agreement [3]	Date of Contract
Antamina	0%	22.5% [4]	0%	n/a	5% [5]	n/a	40 years	7-Oct-15
Antapaccay	–% [6]	–% [7]	0%	20% [8]	20% [9]	n/a	40 years	10-Feb-16
Candelaria	68% [10]	68% [10]	0%	$400	$4.00	n/a	40 years	6-Oct-14
Cobre Panama Fixed Payment Stream	–% [11]	–% [12]	0%	$418 [13]	$6.27 [14]	n/a	40 years	19-Jan-18
Cobre Panama Floating Payment Stream	–% [15]	–% [16]	0%	20% [17]	20% [18]	n/a	40 years	19-Jan-18
Karma	4.875% [19]	0%	0%	20% [20]	n/a	n/a	40 years	11-Aug-14
Guadalupe-Palmarejo	50%	0%	0%	$800	n/a	n/a	40 years	2-Oct-14
Sabodala	6% [21]	0%	0%	20% [22]	n/a	n/a	40 years	12-Dec-13
MWS	25%	0%	0%	$400	n/a	n/a	40 years [23]	2-Mar-12
Cooke 4	7%	0%	0%	$400	n/a	n/a	40 years	5-Nov-09
Sudbury[24]	50%	0%	50%	$400	n/a	$400	40 years	15-Jul-08

(1) Subject to an annual inflationary adjustment except for Antamina, Antapaccay, Karma, Guadalupe-Palmarejo, and Sabodala.
(2) Should the prevailing market price for gold be lower than this amount, the per ounce cash payment will be reduced to the prevailing market price.
(3) Subject to successive extensions.
(4) Subject to a fixed payability of 90%. Percentage decreases to 15% after 86 million ounces of silver has been delivered under the agreement.
(5) Purchase price is 5% of the average silver price at the time of delivery.
(6) Gold deliveries are referenced to copper in concentrate shipped with 300 ounces of gold delivered for each 1,000 tonnes of copper in concentrate shipped, until 630,000 ounces of gold has been delivered. Thereafter, percentage is 30% of gold shipped.
(7) Silver deliveries are referenced to copper in concentrate shipped with 4,700 ounces of silver delivered for each 1,000 tonnes of copper in concentrate shipped, until 10.0 million ounces of silver has been delivered. Thereafter, percentage is 30% of silver shipped.
(8) Purchase price is 20% of the spot price of gold until 750,000 ounces of gold have been delivered, thereafter the purchase price is 30% of the spot price of gold.
(9) Purchase price is 20% of the spot price of silver until 12.8 million ounces of silver have been delivered, thereafter the purchase price is 30% of the spot price of silver.
(10) Percentage decreases to 40% after 720,000 ounces of gold and 12.0 million ounces of silver have been delivered under the agreement.
(11) Gold deliveries are indexed to copper in concentrate produced from the project. 120 ounces of gold per every 1 million pounds of copper produced until 808,000 ounces of gold delivered. Thereafter, 81 ounces of gold per 1 million pounds of copper produced until 1,716,188 ounces of gold delivered. Thereafter, 63.4% of the gold in concentrate.
(12) Silver deliveries are indexed to copper in concentrate produced from the project. 1,376 ounces of silver per every 1 million pounds of copper produced until 9,842,000 ounces of silver delivered. Thereafter 1,776 ounces of silver per 1 million pounds of copper produced until 29,731,000 ounces of silver delivered. Thereafter, 62.1% of the silver in concentrate.
(13) After 1,341,000 ounces of gold delivered, purchase price is the greater of 50% of spot and $418.27 per ounce. As the mill throughput for 30 consecutive days commensurate with annual capacity of 58 million tonnes per annum was not reached by January 1, 2019, Franco Nevada will receive a 5% annual rate of return until such mill throughput was achieved, through a reduction of the applicable fixed gold price of $100 per ounce or a delivery of additional ounces for no consideration.
(14) After 21,510,000 ounces of silver delivered, purchase price is the greater of 50% of spot and $6.27 per ounce.
(15) Gold deliveries are indexed to copper in concentrate produced from the project. 30 ounces of gold per every 1 million pounds of copper produced until 202,000 ounces of gold delivered. Thereafter 20.25 ounces of gold per 1 million pounds of copper produced until 429,047 ounces of gold delivered. Thereafter, 15.85% of the gold in concentrate.
(16) Silver deliveries are indexed to copper in concentrate produced from the project. 344 ounces of silver per every 1 million pounds of copper produced until 2,460,500 ounces of silver delivered. Thereafter, 444 ounces of silver per 1 million pounds of copper produced until 7,432,750 ounces of silver delivered. Thereafter 15.53% of the silver in concentrate.
(17) After 604,000 ounces of gold delivered, purchase price is 50% of the spot price of gold. As the mill throughput for 30 consecutive days commensurate with annual capacity of 58 million tonnes per annum was not reached by January 1, 2019, Franco-Nevada will receive a 5% annual rate of return until such mill throughput was achieved, through a reduction of the applicable fixed gold price of $100 per ounce or a delivery of additional ounces for no consideration.
(18) After 9,618,000 ounces of silver delivered, purchase price is 50% of the spot price of silver.
(19) Gold deliveries are fixed at 15,000 ounces per annum from March 31, 2016 until February 28, 2021 (exclusive of an aggregate 5,625 gold ounces, or 703 gold ounces per quarter, to be delivered as a result of the exercise by the operator of its option to increase the upfront deposit). Thereafter, percentage is 4.875%.
(20) Purchase price is 20% of the average gold price at the time of delivery.
(21) Gold deliveries are fixed at 1,875 ounces per month until December 31, 2019. Thereafter, percentage is 6% of gold produced.
(22) Purchase price is 20% of prevailing market price at the time of delivery.
(23) Agreement is capped at 312,500 ounces of gold.
(24) The Company is committed to purchase 50% of the precious metals contained in ore from the properties. Payment is based on gold equivalent ounces. For McCreedy West, the fixed price per gold equivalent ounce was increased to $800 per ounce (with no annual inflationary adjustment), effective July 1, 2018 until December 31, 2021.

(b) Continental Royalty Acquisition Venture

The Company is committed to fund its share of the acquisition of mineral rights acquired through the Continental Royalty Acquisition Venture as described in *Note 4(e).*

Note 23 - Contingencies

Canada Revenue Agency Audit:

The Canada Revenue Agency ("CRA") is conducting an audit of Franco-Nevada's 2012-2015 taxation years.

(a) Canadian Domestic Tax Matters (2014-2015):

In October 2019, certain wholly-owned Canadian subsidiaries of the Company received Notices of Reassessment for the 2014 and 2015 taxation years (the "Domestic Reassessments") in which the CRA is seeking to increase income by adjusting the timing of the deduction of the upfront payments which were made in connection with precious metal stream agreements. The CRA's position is that the upfront payment should be deducted for income tax purposes in a similar manner to how such upfront payment is expensed for financial statement purposes. Consequently, the CRA's position results in a slower deduction of the upfront payment and an acceleration of the payment of Canadian taxes. This results in the Company being subject to an incremental payment of Federal and provincial income taxes for these years of C$1.4 million ($1.1 million) plus interest and applicable penalties (after applying available non-capital losses and other deductions). The Company has filed formal Notices of Objection with the CRA against the Domestic Reassessments.

If the CRA were to audit and reassess the particular Canadian subsidiaries of the Company for taxation years 2016 through 2019 on the same basis, the Company estimates that it would be subject to an incremental payment of Canadian tax for these years of approximately C$31.4 million ($24.2 million) plus interest and applicable penalties (after applying available non-capital losses and other deductions).

(b) Mexico (2013-2015):

In December 2018, the Company received a Notice of Reassessment from the CRA for the 2013 taxation year (the "2013 Reassessment") in relation to its Mexican subsidiary. The reassessment was made on the basis of the transfer pricing provisions in the Income Tax Act (Canada) (the "Act") and asserts that a majority of the income earned by the Mexican subsidiary should have been included in the income of the Company and subject to tax in Canada. The 2013 Reassessment results in additional Federal and provincial income taxes of C$10.8 million ($8.3 million) plus interest and applicable penalties but before any relief under the Canada-Mexico tax treaty.

In December 2019, the Company received Notices of Reassessment for the 2014 and 2015 taxation years (the "2014 and 2015 Reassessments", and collectively with the Domestic Reassessments and the 2013 Reassessment, the "Reassessments") on the same basis as the 2013 Reassessment, resulting in additional Federal and provincial income taxes of C$13.9 million ($10.7 million) plus interest and applicable penalties but before any relief under the Canada-Mexico tax treaty. The Company has filed a formal Notice of Objection with the CRA against the 2013 Reassessment and is in the process of filing Notices of Objection against the 2014 and 2015 Reassessments.

For taxation years 2013 through 2015, the Company's Mexican subsidiary paid a total of 419.4 million Pesos ($30.3 million) in cash taxes, at a 30% tax rate, to the Mexican tax authorities on income earned in Mexico. If required, the Company intends to seek relief from double taxation under the Canada-Mexico tax treaty.

If the CRA were to audit and reassess the Company for taxation years 2016 through 2019 on the same basis, the Company estimates that it would be subject to additional Canadian tax for these years of approximately C$4.6 million ($3.5 million) plus interest and applicable penalties but before any relief under the Canada-Mexico tax treaty. During the years 2016 through 2019, the Company's Mexican subsidiary paid 71.0 million Pesos ($3.8 million) in cash taxes, at a 30% tax rate, to the Mexican tax authorities on income earned in Mexico.

(c) Barbados (2014-2015):

The 2014 and 2015 Reassessments also reassess the Company in relation to its Barbadian subsidiary. The reassessments were made on the basis of the transfer pricing provisions in the Act and assert that a majority of the income relating to certain precious metal streams earned by the Barbadian subsidiary should have been included in the income of the Company and subject to tax in Canada, resulting in additional Federal and provincial income taxes of C$6.5 million ($5.0 million) plus interest and applicable penalties. The Company is in the process of filing formal Notices of Objection with the CRA against the 2014 and 2015 Reassessments.

If the CRA were to audit and reassess the Company for taxation years 2016 through 2019 on the same basis, the Company estimates that it would be subject to additional Canadian tax for 2016 through 2018 of approximately C$62.6 million ($47.9 million) as previously announced, and for 2019 of approximately C$41.8 million ($32.2 million), plus interest and applicable penalties.

Management believes that the Company and its subsidiaries have filed their tax returns and paid all applicable taxes in compliance with Canadian and applicable foreign tax laws and, as a result, no amounts have been recorded in the financial statements of the Company for the Reassessments, or for any potential tax liability that may arise in respect of these matters. The Company does not believe that the Reassessments are supported by Canadian tax law and jurisprudence and intends to vigorously defend its tax filing positions.

The CRA audit is ongoing and there can be no assurance that the CRA will not further challenge the manner in which the Company or any of its subsidiaries has filed its income tax returns and reported its income. In the event that the CRA successfully challenges the manner in which the Company or a subsidiary has filed its tax returns and reported its income, this could potentially result in additional income taxes, penalties and interest, which could have a material adverse effect on the Company.

Note 24 - Subsequent events

Term Loan Repayment

Subsequent to December 31, 2019, on February 14, 2020, the Company paid down the outstanding balance of $80.0 million under its Corporate Term Loan.

Corporate Information

Executive Management

David Harquail
Chief Executive Officer

Paul Brink
President & Chief Operating Officer

Sandip Rana
Chief Financial Officer

Lloyd Hong
Chief Legal Officer & Corporate Secretary

Directors

Pierre Lassonde
Chair

David Harquail
Chief Executive Officer

Tom Albanese

Derek Evans

Dr. Catharine Farrow

Louis Gignac

Jennifer Maki

Randall Oliphant

Hon. David R. Peterson

Elliott Pew

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Auditors

PricewaterhouseCoopers LLP
Toronto, Canada

Listings

Toronto Stock Exchange
New York Stock Exchange
- Common shares: FNV

Share Capital

As at March 9, 2020

Common shares outstanding	189,391,718
Reserved for: Options & other	932,491
Fully diluted:	190,324,209

Transfer Agent

Computershare Investor Services Inc.
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Annual and Special Meeting

Franco-Nevada Corporation will hold its Annual and Special Meeting at the TMX Broadcast Centre, Exchange Tower, 130 King Street West, Toronto on Wednesday, May 6, 2020 at 4:00 pm.

FNV TSX/NYSE

WORLD GOLD COUNCIL MEMBER

Franco Nevada

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