

ROYAL GOLD INC  
Form 10-Q  
February 05, 2010

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended December 31, 2009**  
or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**  
**Commission File Number: 001-13357**

**Royal Gold, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation)**

**54-0835164**  
**(I.R.S. Employer**  
**Identification No.)**

**1660 Wynkoop Street, Suite 1000**  
**Denver, Colorado**  
**(Address of Principal Executive Office)**

**80202**  
**(Zip Code)**

**Registrant's telephone number, including area code (303) 573-1660**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Edgar Filing: ROYAL GOLD INC - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 42,155,611 shares of the Company's common stock, par value \$0.01 per share, were outstanding as of January 29, 2010.

---

**INDEX**

	<b>PAGE</b>
<b>PART I FINANCIAL INFORMATION</b>	
Item 1. Financial Statements (Unaudited)	
<u>Consolidated Balance Sheets</u>	2
<u>Consolidated Statements of Operations and Comprehensive Income</u>	3
<u>Consolidated Statements of Cash Flows</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	31
Item 4. <u>Controls and Procedures</u>	31
<b>PART II OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	32
Item 1A. <u>Risk Factors</u>	33
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
Item 3. <u>Defaults Upon Senior Securities</u>	33
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	33
Item 5. <u>Other Information</u>	33
Item 6. <u>Exhibits</u>	33
<b>SIGNATURES</b>	34
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

---

**Table of Contents**

**ROYAL GOLD, INC.**  
Consolidated Balance Sheets  
(In thousands except share data)

	December 31, 2009 (Unaudited)	June 30, 2009
Current assets		
Cash and equivalents	\$ 316,837	\$ 294,566
Royalty receivables	32,440	20,597
Income tax receivable	4,279	2,372
Deferred tax assets	158	166
Prepaid expenses and other	720	1,007
Total current assets	354,434	318,708
Royalty interests in mineral properties, net	435,311	455,966
Restricted cash – compensating balance		19,250
Inventory – restricted	9,943	10,622
Other assets	4,665	5,378
Total assets	\$ 804,353	\$ 809,924
Current liabilities		
Accounts payable	\$ 3,575	\$ 2,403
Dividends payable	3,684	3,259
Other	545	527
Total current liabilities	7,804	6,189
Net deferred tax liabilities	21,224	23,371
Chilean loan facility		19,250
Other long-term liabilities	831	703
Total liabilities	29,859	49,513
Commitments and contingencies (Note 12)		
Stockholders' equity		
Common stock, \$.01 par value, authorized 100,000,000 shares; and issued 40,741,654 and 40,480,311 shares, respectively	407	405
Additional paid-in capital	710,478	702,407
Accumulated other comprehensive income (loss)	68	(80)
Accumulated earnings	56,503	46,709
Treasury stock, at cost (74,430 and 0 shares, respectively)	(3,557)	

Edgar Filing: ROYAL GOLD INC - Form 10-Q

Total Royal Gold stockholders' equity	763,899	749,441
Non-controlling interests	10,595	10,970
Total stockholders' equity	774,494	760,411
Total liabilities and stockholders' equity	\$ 804,353	\$ 809,924

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

2

---

**Table of Contents****ROYAL GOLD, INC.**Consolidated Statements of Operations and Comprehensive Income  
(Unaudited, in thousands except share data)

	For The Three Months Ended	
	December 31, 2009	December 31, 2008
Royalty revenues	\$ 34,740	\$ 14,622
Costs and expenses		
Costs of operations (exclusive of depreciation, depletion and amortization shown separately below)	1,638	613
General and administrative	2,972	2,122
Exploration and business development	2,828	963
Depreciation, depletion and amortization	12,101	8,537
Total costs and expenses	19,539	12,235
Operating income	15,201	2,387
Gain on royalty restructuring		31,500
Interest and other income	150	166
Interest and other expense	(166)	(357)
Income before income taxes	15,185	33,696
Income tax expense	(4,833)	(11,998)
Net income	10,352	21,698
Less: Net income attributable to non-controlling interests	(737)	(301)
Net income attributable to Royal Gold stockholders	\$ 9,615	\$ 21,397
Net income	\$ 10,352	\$ 21,698
Adjustments to comprehensive income, net of tax		
Unrealized change in market value of available for sale securities	94	240
Comprehensive income	\$ 10,446	\$ 21,938
Comprehensive income attributable to non-controlling interests	(737)	(301)
Comprehensive income attributable to Royal Gold stockholders	\$ 9,709	\$ 21,637
Net income per share attributable to Royal Gold stockholders:		
Basic earnings per share	\$ 0.24	\$ 0.63

Edgar Filing: ROYAL GOLD INC - Form 10-Q

Basic weighted average shares outstanding	40,578,426	33,961,206
Diluted earnings per share	\$ 0.23	\$ 0.62
Diluted weighted average shares outstanding	40,962,137	34,375,388
Cash dividends declared per common share	\$ 0.09	\$ 0.08

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

3

---



**Table of Contents****ROYAL GOLD, INC.**Consolidated Statements of Operations and Comprehensive Income  
(Unaudited, in thousands except share data)

	For The Six Months Ended	
	December 31, 2009	December 31, 2008
Royalty revenues	\$ 60,853	\$ 30,701
Costs and expenses		
Costs of operations (exclusive of depreciation, depletion and amortization shown separately below)	2,839	1,460
General and administrative	5,167	3,793
Exploration and business development	3,713	1,637
Depreciation, depletion and amortization	23,179	12,960
Total costs and expenses	34,898	19,850
Operating income	25,955	10,851
Gain on royalty restructuring		31,500
Interest and other income	1,903	983
Interest and other expense	(521)	(523)
Income before income taxes	27,337	42,811
Income tax expense	(7,864)	(15,127)
Net income	19,473	27,684
Less: Net income attributable to non-controlling interests	(2,733)	(538)
Net income attributable to Royal Gold stockholders	\$ 16,740	\$ 27,146
Net income	\$ 19,473	\$ 27,684
Adjustments to comprehensive income, net of tax		
Unrealized change in market value of available for sale securities	147	(72)
Comprehensive income	\$ 19,620	\$ 27,612
Comprehensive income attributable to non-controlling interests	(2,733)	(538)
Comprehensive income attributable to Royal Gold stockholders	\$ 16,887	\$ 27,074
Net income per share attributable to Royal Gold stockholders:		
Basic earnings per share	\$ 0.41	\$ 0.80

Edgar Filing: ROYAL GOLD INC - Form 10-Q

Basic weighted average shares outstanding	40,540,283	33,943,851
Diluted earnings per share	\$ 0.41	\$ 0.79
Diluted weighted average shares outstanding	40,942,564	34,343,827
Cash dividends declared per common share	\$ 0.17	\$ 0.15

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

4

---

**Table of Contents**

**ROYAL GOLD, INC.**  
Consolidated Statements of Cash Flows  
(Unaudited, in thousands)

	For The Six Months Ended	
	December 31, 2009	December 31, 2008
Cash flows from operating activities:		
Net income	\$ 19,473	\$ 27,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	23,179	12,960
Gain on distribution to non-controlling interest	(1,742)	
Deferred tax benefit	(1,446)	(2,541)
Non-cash employee stock compensation expense	3,087	1,551
Gain on royalty restructuring		(31,500)
Tax benefit of stock-based compensation exercises	(739)	(253)
Changes in assets and liabilities:		
Royalty receivables	(13,416)	1,484
Prepaid expenses and other assets	634	(289)
Accounts payable	1,417	2,236
Income taxes (receivable) payable	(2,007)	11,372
Other	(557)	(499)
Net cash provided by operating activities	\$ 27,883	\$ 22,205
Cash flows from investing activities:		
Acquisition of royalty interests in mineral properties		(186,110)
Proceeds from royalty restructuring		31,500
Change in restricted cash compensating balance	19,250	(3,500)
Proceeds on sale of Inventory restricted	3,108	
Deferred acquisition costs	(343)	(62)
Other	(81)	(15)
Net cash provided by (used in) investing activities	\$ 21,934	\$ (158,187)
Cash flows from financing activities:		
Tax benefit of stock-based compensation exercises	739	253
(Prepayment of) borrowings under Chilean loan facility	(19,250)	3,500
Common stock dividends	(6,522)	(4,768)
Distribution to non-controlling interests	(3,108)	
Proceeds from issuance of common stock	594	723
Debt issuance costs	(2)	(721)
Other	3	
Net cash used in financing activities	\$ (27,546)	\$ (1,013)
Net increase (decrease) in cash and equivalents	22,271	(136,995)

Edgar Filing: ROYAL GOLD INC - Form 10-Q

Cash and equivalents at beginning of period	294,566	192,035
Cash and equivalents at end of period	\$ 316,837	\$ 55,040
Non-cash investing and financing activities:		
Royalty restructuring	\$ (1,572)	\$
Treasury stock	\$ (3,557)	\$

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

**Table of Contents**

**ROYAL GOLD, INC.**

Notes to Consolidated Financial Statements

(Unaudited)

**1. OPERATIONS, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

**Operations**

Royal Gold, Inc. ( Royal Gold , the Company , we , us , or our ), together with its subsidiaries, is engaged in the business of acquiring and managing precious metals royalties. Royalties are passive (non-operating) interests in mining projects that provide the right to revenue or production from the project after deducting specified costs, if any.

We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. We also fund exploration on properties thought to contain precious metals and seek to obtain royalties and other carried ownership interests in such properties through the subsequent transfer of operating interests to other mining companies. Substantially all of our revenues are and will be expected to be derived from royalty interests. We do not conduct mining operations at this time.

**Summary of Significant Accounting Policies**

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for a fair statement have been included in this Form 10-Q. Operating results for the three and six months ended December 31, 2009, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2010. These interim unaudited financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 filed with the Securities and Exchange Commission on August 21, 2009 ( Fiscal 2009 10-K ).

**Recently Adopted Accounting Standards**

*Accounting Standards Codification*

Effective September 15, 2009, the Financial Accounting Standards Board Accounting Standards Codification ( FASB ASC ) has become the source of authoritative U.S. GAAP. The FASB ASC only changes the referencing of financial accounting standards and does not change or alter existing U.S. GAAP. The adoption of the FASB ASC has had no impact on the Company's consolidated financial statements.

*Non-controlling Interests in Consolidated Financial Statements*

On July 1, 2009, the Company adopted a new accounting standard included in FASB ASC 810, *Consolidation*. The adoption of the new accounting standard changed the presentation of its non-controlling (minority) interests. Except for presentation changes, the adoption of the new accounting standard had no impact on the Company's consolidated financial position, results of operations or cash flows.

**Table of Contents**

**ROYAL GOLD, INC.**

Notes to Consolidated Financial Statements  
(Unaudited)

*Fair Value Measurements*

On July 1, 2009, the Company adopted a new accounting standard in FASB ASC 820, *Fair Value Measurements and Disclosures*, which delayed the effective date for disclosing all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis (at least annually). This standard did not have a material impact on the Company's consolidated financial position, results of operations or cash flows. Refer to Note 11 for a discussion regarding the Company's fair value measurements as of December 31, 2009.

**Recently Issued Accounting Standards**

In June 2009, new accounting guidance was issued that is expected to be included in FASB ASC 810,

*Consolidation*. This statement amends the consolidation guidance applicable to variable interest entities and is effective for our fiscal year beginning July 1, 2010. We are evaluating the impact, if any, this new accounting guidance will have on our consolidated financial statements.

**2. ACQUISITION OF INTERNATIONAL ROYALTY CORPORATION**

On December 17, 2009, Royal Gold and its wholly-owned Canadian subsidiary, RG Exchangeco Inc. (formerly 7296355 Canada Ltd.) (Exchangeco), entered into an Arrangement Agreement (the Agreement) with International Royalty Corporation (IRC), a global mineral royalty company based in Englewood, Colorado, to undertake a Plan of Arrangement (the Plan of Arrangement) whereby Royal Gold, through Exchangeco, will acquire all of the issued and outstanding common shares of IRC (the IRC Transaction).

At the election of each IRC shareholder, each common share of IRC will be exchanged for either C\$7.45 in cash (based on Royal Gold's share price and the currency exchange rate on December 14, 2009) or 0.1385 common shares of Royal Gold or a combination thereof, subject to a maximum of \$350 million in cash and a maximum of 7.75 million common shares of Royal Gold to be issued to IRC shareholders. If IRC shareholders elect to receive more than approximately \$314 million in cash, the number of Royal Gold common shares issued will be reduced on a pro-rated basis until such cash election reaches a maximum of \$350 million. Assuming the maximum share election, this offer consists of 0.0771 shares of Royal Gold plus \$3.12 in cash for each fully diluted share of IRC, implying 56% stock consideration. Assuming the maximum cash election, this offer consists of 0.0700 shares of Royal Gold plus \$3.48 in cash for each fully diluted share of IRC, implying 51% stock consideration.

IRC shareholders who are resident in Canada for Canadian federal income tax purposes will have the option to elect to receive up to 0.1385 exchangeable shares of Exchangeco in lieu of electing Royal Gold common shares. Each exchangeable share can be redeemed for one common share of Royal Gold at the election of the shareholder. No more than 7.75 million Royal Gold common shares and exchangeable shares will be issued in the aggregate.

IRC's board of directors has unanimously determined that the IRC Transaction is in the best interest of IRC and its shareholders and has recommended that IRC shareholders vote in favor of the transaction. All of the directors and senior officers of IRC, and certain significant IRC shareholders have entered into voting agreements in which, subject to the terms thereof, they have agreed to vote their shares in support of the IRC Transaction. Together, the IRC shareholders subject to the voting agreements represent a combined ownership of approximately 34% of IRC's fully diluted shares outstanding.

**Table of Contents**

**ROYAL GOLD, INC.**

Notes to Consolidated Financial Statements

(Unaudited)

The closing of the IRC Transaction is not subject to due diligence, Royal Gold shareholder approval or financing contingencies. The cash required for the acquisition will be sourced from available and unrestricted cash, together with committed credit facilities (see Notes 5 and 14) totaling \$225 million, including the HSBC Term Loan described in Note 14. The closing of the IRC Transaction is subject to, among other things, receipt of court approval and the affirmative vote of at least 66 2/3 percent of the votes cast by IRC shareholders and option holders at a special meeting of the IRC shareholders. In December 2009, Franco-Nevada Corporation, of Toronto, Canada ( Franco-Nevada ), made an unsolicited offer of C\$6.75 per share in cash for any and all of IRC 's outstanding common shares. Franco-Nevada amended its offer on January 19, 2010 by extending the expiration date of the offer to February 19, 2010. In light of this outstanding offer, and depending upon satisfaction of the closing conditions for the IRC Transaction, we can provide no assurance that the IRC Transaction will close.

Pursuant to the terms of the Agreement, IRC is subject to customary non-solicitation covenants. In the event a superior proposal is made, Royal Gold has the right to match such proposal, and in the event IRC 's board of directors changes its recommendation or terminates the Agreement in certain circumstances, IRC has agreed to pay Royal Gold a termination fee of \$32 million. In certain other circumstances where the IRC Transaction is not completed, IRC is obligated to reimburse Royal Gold 's expenses up to a maximum of \$5 million.

If the IRC Transaction closes, the Company expects the IRC Transaction to qualify as a business combination. As such, approximately \$2.2 million in IRC Transaction costs have been expensed during the six months ended December 31, 2009.

**3. ROYALTY ACQUISITIONS**

*Acquisition of Barrick Royalty Portfolio*

As discussed in further detail in the Company 's Fiscal 2009 10-K, effective October 1, 2008, the Company completed an acquisition of royalties from Barrick Gold Corporation ( Barrick ) for cash of approximately \$181.3 million, including a restructuring of its GSR2, GSR3 and NVR1 royalties at Cortez, valued at \$31.5 million, for net cash of approximately \$150.0 million. As part of the royalty restructuring, the Company recognized a gain of \$31.5 million during the fiscal quarter ended December 31, 2008. The transactions were completed pursuant to the Royalty Purchase and Sale Agreement dated July 30, 2008. The cash portion of the purchase price was paid from the Company 's cash on hand.

The acquisition of Barrick 's royalty portfolio has been accounted for as an asset acquisition using the purchase method of accounting. The total purchase price of \$181.3 million, plus direct transaction costs of approximately \$3.1 million, has been allocated to the acquired royalty interests according to their relative fair values and is recorded as separate components of *Royalty Interests in Mineral Properties, net* on our consolidated balance sheets. The amounts allocated to the acquired royalty interests in mineral properties acquired from Barrick were preliminary as of June 30, 2009, and were subject to change upon completion of final valuations based upon receipt of updated reserve and other information expected to be received from certain operators.

During the quarter ended September 30, 2009, we finalized our purchase accounting for the Barrick royalty portfolio acquisition. As such, we have allocated the total purchase price of \$181.3 million, plus direct transaction costs of approximately \$3.1 million, to the acquired royalty interests according to their relative fair market values. The operating impacts of the royalty interests acquired from Barrick have been reflected in the financial results of Royal Gold from October 1, 2008.

**Table of Contents****ROYAL GOLD, INC.**Notes to Consolidated Financial Statements  
(Unaudited)**4. ROYALTY INTERESTS IN MINERAL PROPERTIES**

The following summarizes the Company's royalty interests in mineral properties as of December 31, 2009 and June 30, 2009.

**As of December 31, 2009****(Amounts in thousands):**

	<b>Cost</b>	<b>Accumulated Depletion</b>	<b>Net</b>
Production stage royalty interests:			
Peñasquito <sup>(1)</sup>	\$ 99,172	\$ (1,019)	\$ 98,153
Dolores	44,878	(1,514)	43,364
Mulatos	43,442	(8,184)	35,258
Taparko	33,570	(19,315)	14,255
Robinson	17,825	(6,962)	10,863
Goldstrike	20,788	(10,634)	10,154
Leeville	18,322	(9,577)	8,745
Siguiri	11,000	(6,465)	4,535
Cortez	10,630	(9,398)	1,232
Other	64,370	(22,580)	41,790
	363,997	(95,648)	268,349
Development stage royalty interests:			
Canadian Malartic	35,500		35,500
Pascua-Lama	20,446		20,446
Other	42,745		42,745
	98,691		98,691
Exploration stage royalty interests	68,271		68,271
Total royalty interests in mineral properties	\$ 530,959	\$ (95,648)	\$ 435,311

(1) Includes the value for the oxide and sulfide circuits.



**Table of Contents****ROYAL GOLD, INC.**Notes to Consolidated Financial Statements  
(Unaudited)

<b>As of June 30, 2009</b> <b>(Amounts in thousands):</b>	<b>Cost</b>	<b>Accumulated Depletion</b>	<b>Net</b>
Production stage royalty interests:			
Dolores	\$ 44,878	\$ (607)	\$ 44,271
Mulatos	34,214	(5,618)	28,596
Taparko	33,570	(10,709)	22,861
Robinson	17,825	(6,238)	11,587
Goldstrike	20,788	(10,247)	10,541
Leeville	18,322	(8,246)	10,076
Siguiri	10,946	(3,659)	7,287
Peñasquito (oxide circuit)	4,026	(591)	3,435
Cortez	10,630	(9,192)	1,438
Other	66,678	(18,437)	48,241
	261,877	(73,544)	188,333
Development stage royalty interests:			
Peñasquito (sulfide circuit)	95,146		95,146
Canadian Malartic	34,031		34,031
Pascua-Lama	20,446		20,446
Other	27,743		27,743
	177,366		177,366
Exploration stage royalty interests	90,267		90,267
Total royalty interests in mineral properties	\$ 529,510	\$ (73,544)	\$ 455,966

**5. CREDIT FACILITY**

The Company maintains a \$125 million revolving credit facility with HSBC Bank USA, National Association ( HSBC Bank ) and Scotiabanc Inc. as lenders. The credit facility has a maturity date of October 30, 2013. Borrowings under the credit facility will bear interest at a floating rate of LIBOR plus a spread ranging from 1.75% to 2.25%, based on the Company's leverage ratio, as defined in the credit facility agreement. As of December 31, 2009, the Company did not have any amounts outstanding under the credit facility. As discussed in Note 2, the Company intends to draw \$125 million under this credit facility to partially fund the IRC Transaction.

**6. CHILEAN TERM LOAN FACILITY**

Royal Gold Chile Limitada ( RGCL ), a wholly-owned subsidiary of Royal Gold, had a \$19.25 million term loan outstanding bearing interest at LIBOR plus 0.25% pursuant to an Amended and Restated Term Loan Agreement (the Amended and Restated Agreement ) between RGCL and HSBC Bank. On September 23, 2009, RGCL prepaid the full \$19.25 million outstanding, plus interest, under the Amended and Restated Agreement. In addition to prepaying all outstanding amounts, RGCL notified HSBC Bank of its intention to terminate the Amended and Restated Agreement. Termination of the Amended and Restated Agreement was effective September 24, 2009.

To secure RGCL's obligations under the Amended and Restated Agreement, the Company maintained \$19.25 million in a Collateral Account at HSBC Bank. The Collateral Account balance was recorded as *Restricted cash compensating balance* on the Company's consolidated balance sheets. Upon the full prepayment and termination of the

Amended and Restated Agreement, the Collateral Account was closed and the \$19.25 million was reclassified to *Cash and equivalents* on the Company's consolidated balance sheets.

**Table of Contents****ROYAL GOLD, INC.**Notes to Consolidated Financial Statements  
(Unaudited)**7. STOCK-BASED COMPENSATION**

The Company recognized stock-based compensation expense as follows:

	<b>For The Three Months Ended</b>		<b>For The Six Months Ended</b>	
	<b>(In thousands)</b>		<b>(In thousands)</b>	
	<b>December 31, 2009</b>	<b>December 31, 2008</b>	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Stock options	\$ 126	\$ 205	\$ 261	\$ 515
Stock appreciation rights	115	47	192	47
Restricted stock	761	639	1,229	901
Performance stock	935	24	1,405	88
Total stock-based compensation expense	\$ 1,937	\$ 915	\$ 3,087	\$ 1,551

Stock-based compensation expense is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income as summarized below:

	<b>For The Three Months Ended</b>		<b>For The Six Months Ended</b>	
	<b>(In thousands)</b>		<b>(In thousands)</b>	
	<b>December 31, 2009</b>	<b>December 31, 2008</b>	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Stock-based compensation expense allocation:				
Cost of operations	\$ 389	\$ 110	\$ 659	\$ 185
General and administrative	1,097	585	1,663	932
Exploration and business development	451	220	765	434
Total stock-based compensation expense	\$ 1,937	\$ 915	\$ 3,087	\$ 1,551

For the three and six months ended December 31, 2009 and 2008, 21,060 and 24,000 stock options, respectively, were granted at an exercise price of \$53.00 and \$30.96, respectively. As of December 31, 2009, there was \$0.8 million of unrecognized compensation expense related to non-vested stock options, which is expected to be recognized over a weighted-average period of 2.09 years.

During the three and six months ended December 31, 2009 and 2008, 51,640 and 50,500 stock settled stock appreciation rights (SSARs), respectively, were granted at an exercise price of \$53.00 and \$30.96, respectively. As of December 31, 2009, there was \$1.4 million of unrecognized compensation expense related to non-vested SSARs, which is expected to be recognized over a weighted-average period of 1.71 years.

During the three and six months ended December 31, 2009 and 2008, 60,000 and 96,500 shares of restricted stock, respectively, were granted at a grant date fair market value of \$53.00 and \$30.96, respectively. As of December 31, 2009, there was \$6.7 million of unrecognized compensation expense related to non-vested restricted stock, which is expected to be recognized over a weighted-average period of 4.51 years.



**Table of Contents****ROYAL GOLD, INC.**Notes to Consolidated Financial Statements  
(Unaudited)

During the three and six months ended December 31, 2009 and 2008, 53,000 and 46,500 shares of performance stock, respectively, were granted at a grant date fair market value of \$53.00 and \$30.96, respectively. During the three and six months ended December 31, 2009 and 2008, 11,500 and 9,000 shares of performance stock, respectively, vested at a grant date fair market value of \$29.75 and \$28.78, respectively. As of December 31, 2009, there was \$3.2 million of unrecognized compensation expense related to non-vested performance stock, which is expected to be recognized over a remaining estimated vesting period of 0.83 years.

**8. EARNINGS PER SHARE ( EPS )****For The Three Months Ended December 31,  
2009****(In thousands, except share and per-share  
data)**

	<b>Income (Numerator)</b>	<b>Shares (Denominator)</b>	<b>Per-Share Amount</b>
Basic EPS			
Income available to common stockholders	\$ 9,615	40,578,426	\$ 0.24
Effect of other dilutive securities		383,711	
Diluted EPS	\$ 9,615	40,962,137	\$ 0.23

**For The Three Months Ended December 31,  
2008****(In thousands, except share and per-share data)**

	<b>Income (Numerator)</b>	<b>Shares (Denominator)</b>	<b>Per-Share Amount</b>
Basic EPS			
Income available to common stockholders	\$ 21,397	33,961,206	\$ 0.63
Effect of other dilutive securities		414,182	
Diluted EPS	\$ 21,397	34,375,388	\$ 0.62

**For The Six Months Ended December 31, 2009  
(In thousands, except share and per-share  
data)**

	<b>Income (Numerator)</b>	<b>Shares (Denominator)</b>	<b>Per-Share Amount</b>
Basic EPS			
Income available to common stockholders	\$ 16,740	40,540,283	\$ 0.41
Effect of other dilutive securities		402,281	
Diluted EPS	\$ 16,740	40,942,564	\$ 0.41

**For The Six Months Ended December 31, 2008**

	<b>(In thousands, except share and per-share data)</b>		
	<b>Income (Numerator)</b>	<b>Shares (Denominator)</b>	<b>Per-Share Amount</b>
Basic EPS			
Income available to common stockholders	\$ 27,146	33,943,851	\$ 0.80
Effect of other dilutive securities		399,976	
Diluted EPS	\$ 27,146	34,343,827	\$ 0.79

For the three and six months ended December 31, 2009, 132,700 stock-based compensation awards, with a grant date price of \$53.00, were excluded from the computation of diluted EPS as the result would be anti-dilutive. For the three and six months ended December 31, 2008, all stock-based compensation awards were included in the computation of diluted EPS.

**Table of Contents****ROYAL GOLD, INC.**Notes to Consolidated Financial Statements  
(Unaudited)**9. INCOME TAXES**

	<b>Three Months Ended December 31, (In thousands)</b>		<b>Six Months Ended December 31, (In thousands)</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	Income tax expense	\$ 4,833	\$ 11,998	\$ 7,864
Effective tax rate	31.8%	35.6%	28.8%	35.3%

The significant income tax returns the Company files are the U.S. federal income tax return, which has a three year statute of limitations, and the Colorado state income tax return, which has a four year statute of limitations. The U.S. federal return for tax years ended on or after June 30, 2007, and the Colorado State return for tax years ended on or after June 30, 2006, are subject to examination by the relevant taxing authority.

As of December 31, 2009, the Company's total unrecognized tax benefits were \$0.7 million for uncertain tax positions. The liability for unrecognized tax benefits is reflected within *Other long-term liabilities* on the Company's consolidated balance sheets.

Interest and penalties associated with the liability for unrecognized tax benefits is approximately \$0.1 million at December 31, 2009, and is included in *Other long-term liabilities* on the Company's consolidated balance sheets.

**10. SEGMENT INFORMATION**

We manage our business under one operating segment, consisting of royalty acquisition and management activities. All of our assets and revenues are attributable to the royalty operating segment.

Royal Gold's royalty revenue and long-lived assets (royalty interests in mineral properties, net) are geographically distributed as shown in the following table.

	<b>Royalty Revenue</b>				<b>Royalty Interests in Mineral Properties, net</b>	
	<b>Three Months Ended</b>		<b>Six Months Ended</b>		<b>As of</b>	<b>As of</b>
	<b>December 31,</b>		<b>December 31,</b>		<b>December</b>	<b>June 30,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>31, 2009</b>	<b>2009</b>
United States	48%	51%	47%	67%	12%	13%
Mexico	13%	18%	15%	14%	46%	45%
Canada	2%	2%	2%	1%	24%	19%
Chile	1%		1%		6%	6%
Africa <sup>(1)</sup>	30%	20%	29%	10%	5%	8%
Other	6%	9%	6%	8%	7%	9%

(1) Consists of royalties on properties in Burkina Faso and Guinea.

**Table of Contents****ROYAL GOLD, INC.**Notes to Consolidated Financial Statements  
(Unaudited)**11. FAIR VALUE MEASUREMENTS**

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Quoted prices for identical instruments in active markets;

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3: Prices or valuation techniques requiring inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets measured at fair value on a recurring basis (at least annually) by level within the fair value hierarchy. The Company's financial liabilities are not within the scope of FASB ASC 820.

	<b>Fair Value at December 31, 2009</b>			
	<b>(In thousands)</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets:				
Money market investments	\$ 289,583	\$ 289,583	\$	\$
Restricted cash				
Marketable equity securities	358	358		
	\$ 289,941	\$ 289,941	\$	\$

The Company invests in money market funds, which are traded by dealers or brokers in active over-the-counter markets. The Company's money market funds, which are invested in United States treasury bills or United States treasury backed securities, are classified within Level 1 of the fair value hierarchy.

The Company's marketable equity securities classified within Level 1 of the fair value hierarchy are valued using quoted market prices in active markets. The fair value of the Level 1 marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

As of December 31, 2009, the Company also had assets that, under certain conditions, are subject to measurement at fair value on a non-recurring basis like those associated with royalty interests in mineral properties, intangible assets and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition are applicable if any of these assets are determined to be impaired; however, no triggering events have occurred relative to any of these assets during the six months ended December 31, 2009. If recognition of these assets at their fair value becomes necessary, such measurements will be determined utilizing Level 3 inputs.



**Table of Contents****ROYAL GOLD, INC.**Notes to Consolidated Financial Statements  
(Unaudited)**12. COMMITMENTS AND CONTINGENCIES***Holt*

On October 1, 2008, as part of the Company's acquisition of a portfolio of royalties from Barrick, we acquired a royalty on the Holt portion of the development stage Holloway-Holt mining project in Ontario, Canada, owned by St Andrew Goldfields Ltd. (St Andrew). St Andrew succeeded Newmont Canada Corporation (Newmont Canada) as owner of the Holloway-Holt mining project in November 2006. By virtue of the Company's acquisition of Barrick's royalty portfolio, RGLD Gold Canada, Inc. (RGLD Gold) succeeded Barrick as the royalty payee under the royalty agreement.

On or about November 3, 2008, St Andrew filed an action in the Ontario Superior Court of Justice (the Court) seeking, among other things, declarations by the Court that St Andrew's obligation in respect of the royalty is limited to only a portion of the total royalty payable, and that any additional royalty obligations under the royalty agreement remain the responsibility of Newmont Canada. Newmont Canada responded that St Andrew is responsible for all royalty obligations under the royalty agreement.

Royal Gold and RGLD Gold (collectively Royal Gold) and Barrick were joined as necessary parties to the litigation in January 2009. Trial concerning calculation of the royalty and the party or parties responsible for paying it was held from January 30, 2009 to February 12, 2009. On July 23, 2009, the Court held that Royal Gold is entitled to payment from Newmont Canada of the full amount of the sliding-scale NSR royalty on gold produced from the Holt mine. The Court also held that St Andrew's sole obligation is to reimburse Newmont Canada for payment of the royalty up to a flat rate of 0.013% of the net smelter returns for gold, silver and other metals. On August 21, 2009, Newmont Canada appealed the Court's decision to the Court of Appeal of Ontario and on December 9, 2009, made Royal Gold a party to the appeal.

The Holt royalty is currently classified as a development stage royalty interest and the Company does not currently receive revenue from the royalty.

**13. RELATED PARTY**

Crescent Valley Partners, L.P. (CVP) was formed as a limited partnership in April 1992. It owns a 1.25% net value royalty (NVR1) on production of minerals from a portion of Cortez. Denver Mining Finance Company (DMFC), our wholly-owned subsidiary, is the general partner and holds a 2.0% interest in CVP. In addition, Royal Gold holds a 29.6% limited partner interest in the partnership, while our Chairman of the Board of Directors, the Chairman of our Audit Committee and one other member of our board of directors hold an aggregate 35.56% limited partner interest. The general partner performs administrative services for CVP in receiving and processing the royalty payments from the operator, including the disbursement of royalty payments and record keeping for in-kind distributions to the limited partners, which includes certain directors and our Chairman.

CVP receives its royalty from the Cortez Joint Venture in-kind. The Company, as well as certain other limited partners, sell their pro-rata shares of such gold immediately and receive distributions in cash, while CVP holds gold for certain other limited partners. Such gold inventories, which totaled 22,425 and 28,090 ounces of gold as of December 31, 2009 and 2008, respectively, are held by a third party refinery in Utah for the account of the limited partners of CVP. The inventories are carried at historical cost and are classified as *Inventory - restricted* on the consolidated balance sheets. The carrying value of the gold in inventory was approximately \$9.9 million and \$10.6 million as of December 31, 2009 and June 30, 2009, respectively, while the fair value of such ounces was approximately \$24.4 million and \$23.3 million as of December 31, 2009 and June 30, 2009, respectively. None of the gold currently held in inventory as of December 31, 2009 and June 30, 2009, is attributed to Royal Gold, as the gold allocated to Royal Gold's CVP partnership interest is typically sold within five days of receipt.

**Table of Contents**

**ROYAL GOLD, INC.**

Notes to Consolidated Financial Statements  
(Unaudited)

**14. SUBSEQUENT EVENTS**

The Company evaluated all events or transactions that occurred after December 31, 2009, through February 5, 2010, the date the Company issued these financial statements. The events that occurred after December 31, 2009, through February 5, 2010, were as follows:

*HSBC Bank Term Loan*

In connection with the IRC Transaction described in Note 2, on January 21, 2010, we entered into an agreement to obtain a new \$100 million term loan from HSBC Bank (the *HSBC Term Loan*) to partially fund our acquisition of IRC. The HSBC Term Loan will be funded in conjunction with the closing of the IRC Transaction. HSBC Securities (USA) Inc. acted as sole lead arranger for the HSBC Term Loan. The HSBC Term Loan will mature 18-months from the funding date with principal repayments equal to 10% of the funded amount scheduled to occur every three months, beginning three months after funding and interest will accrue at LIBOR plus 2.25%. The HSBC Term Loan is guaranteed by three wholly-owned subsidiaries of Royal Gold (the *Guarantors*). The obligations under the HSBC Term Loan are secured by certain Canadian assets of Royal Gold that will be replaced with certain Chilean assets of Royal Gold. Funding under the HSBC Term Loan is subject only to delivery of a borrowing notice and certain customary closing certificates by Royal Gold and the Guarantors.

*Completion of Andacollo Production Interest Acquisition*

As discussed in more detail in the Company's Fiscal 2009 10-K, on April 3, 2009, the Company entered into a definitive agreement (*Master Agreement*) with a Chilean subsidiary of Teck Resources Limited (*Teck*), Compañía Minera Teck Carmen de Andacollo (*CDA*), to acquire an interest in the gold produced from the sulfide portion of the Andacollo project in Chile (the *Andacollo Production Interest*). We refer to this transaction throughout this report as the *Teck Transaction*. The purchase price for the Andacollo Production Interest consists of \$217.9 million in cash and 1,204,136 of the Company's common shares.

On January 25, 2010, the Company completed the Teck Transaction for the consideration mentioned above. The Company expects to account for the Teck Transaction as an asset purchase and will complete the accounting during the quarter ended March 31, 2010.

**Table of Contents**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**General**

Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. We recommend that you read this MD&A in conjunction with our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended June 30, 2009 filed with the Securities and Exchange Commission (the SEC ) on August 21, 2009 ( Fiscal 2009 10-K ).

This MD&A contains forward-looking information. You should review our important note about forward-looking statements following this MD&A.

We refer to GSR, NSR, and other types of royalty interests throughout this MD&A. These terms are defined in our Fiscal 2009 10-K.

**Overview**

Royal Gold, together with its subsidiaries, is engaged in the business of acquiring and managing precious metals royalties. Royalties are passive (non-operating) interests in mining projects that provide the right to revenue or production from the project after deducting specified costs, if any. We seek to acquire existing royalties or to finance projects that are in production or in development stage in exchange for royalty interests. We are engaged in a continual review of opportunities to acquire existing royalties, to create new royalties through the financing of mine development or exploration, or to acquire companies that hold royalties. We currently, and generally at any time, have acquisition opportunities in various stages of active review, including, for example, our engagement of consultants and advisors to analyze particular opportunities, analysis of technical, financial and other confidential information, submission of indications of interest, participation in preliminary discussions and involvement as a bidder in competitive auctions.

The Company owns royalties on 21 producing properties, 13 development stage properties and over 80 exploration stage properties, of which the Company considers 24 to be evaluation stage projects. The Company uses evaluation stage to describe exploration stage properties that contain mineralized material and on which operators are engaged in the search for reserves. We do not conduct mining operations nor are we required to contribute to capital costs, exploration costs, environment costs or other mining costs on the properties in which we hold royalty interests. During the quarter ended December 31, 2009, we focused on the management of our existing royalty interests, the acquisition of royalty interests, and the creation of royalty interests through financing and strategic exploration alliances.

Our financial results are primarily tied to the prices of gold, silver, copper and other metals, as well as production from our producing stage royalty interests. Royalty revenue for the quarter ended December 31, 2009 was \$34.7 million (which includes \$0.6 million of non-controlling interest), compared to \$14.6 million (which includes \$0.3 million of non-controlling interest) for the quarter ended December 31, 2008. For the quarters ended December 31, 2009 and 2008, the price of gold averaged \$1,100 and \$795 per ounce, respectively, the price of silver averaged \$17.57 and \$10.21 per ounce, respectively, and the price of copper averaged \$3.01 and \$1.79 per pound, respectively. For the three months ended December 31, 2009, Royal Gold derived 84% of its total royalty revenue from gold royalties, 2% of its total royalty revenue from silver royalties, 9% of its total royalty revenue from copper royalties and 5% of its total royalty revenue from other metal royalties, compared to 95% of its total royalty revenue from gold royalties, 4% of its total royalty revenue from silver royalties, 0% of its total royalty revenue from copper royalties, and 1% of its total royalty revenue from other metal royalties for the three months ended December 31, 2008.

The increase in royalty revenue for the quarter ended December 31, 2009, compared with the quarter ended December 31, 2008, resulted primarily from an increase in gold and copper prices and an increase in production at Taparko, Cortez, Robinson, Leeville and Mulatos. These increases were partially offset by a decrease in production at Goldstrike. Please refer to Recent Developments, Property Developments below within this MD&A for further discussion on recent developments regarding properties covered by certain of our royalty interests.



**Table of Contents****Principal Royalties**

Our principal producing royalty interests are shown in the following table. The Company considers both historical and future potential revenues in determining which royalties in our portfolio are principal to our business. Estimated future potential royalty revenues from both producing and development properties are based on a number of factors, including reserves subject to our royalty interests, production estimates, feasibility studies, metal price assumptions, mine life, legal status and other factors and assumptions, any of which could change and could cause Royal Gold to conclude that one or more of such royalties is no longer principal to our business.

Please refer to our Fiscal 2009 10-K for further discussion of our principal producing royalty interests.

<b>Mine</b>	<b>Location</b>	<b>Operator</b>	<b>Royalty (Gold unless otherwise stated)</b>
Cortez	Nevada, USA	Barrick Gold Corporation ( Barrick )	GSR1: 0.40% to 5.0% sliding-scale GSR  GSR2: 0.40% to 5.0% sliding-scale GSR GSR3: 0.71% GSR NVR1: 0.39% NVR
Robinson	Nevada, USA	Quadra Mining Ltd. ( Quadra )	3.0% NSR (copper, gold, silver, molybdenum)
Leeville	Nevada, USA	Newmont Mining Corporation ( Newmont )	1.8% NSR
Goldstrike	Nevada, USA	Barrick	0.9% NSR
Peñasquito <sup>(1)</sup>	Zacatecas, Mexico	Goldcorp Inc. ( Goldcorp )	2.0% NSR (gold and silver)
Mulatos <sup>(2)</sup>	Sonora, Mexico	Alamos Gold, Inc. ( Alamos )	1.0% to 5.0% sliding-scale NSR
Taparko <sup>(3)</sup>	Burkina Faso, West Africa	High River Gold Mines Ltd. ( High River )	15% GSR (TB-GSR1) and a 0% to 10% sliding-scale GSR (TB-GSR2)
Siguiri <sup>(4)</sup>	Guinea, West Africa	AngloGold Ashanti ( Anglogold )	0.0% to 1.875% sliding-scale NSR
Dolores	Chihuahua, Mexico	Minefinders Corporation, Ltd. ( Minefinders )	3.25% NSR; 2.0% NSR (silver)

(1) The Peñasquito project consists of oxide and sulfide portions. The sulfide portion began production during the fourth quarter of

calendar 2009.

- (2) The Mulatos royalty is capped at 2.0 million gold ounces of production. Approximately 506,000 cumulative ounces of gold have been produced as of December 31, 2009.
- (3) TB-GSR1 will remain in effect until cumulative production of 804,420 ounces of gold is achieved or until cumulative payments of \$35 million have been made to Royal Gold, whichever occurs first. TB-GSR2 will remain in effect until the termination of TB-GSR1. As of December 31, 2009, we have recognized approximately \$20.1 million in royalty revenue associated with TB-GSR1, which is attributable to cumulative production of approximately 142,000 ounces of gold.

- (4) The Siguri royalty is subject to a dollar cap of approximately \$12.0 million. As of December 31, 2009, approximately \$4.9 million remains under the cap.

**Table of Contents**

Our principal development royalties are shown in the following table and are not yet in production. Please refer to our Fiscal 2009 10-K for further discussion of our principal development stage royalty interests.

<b>Mine</b>	<b>Location</b>	<b>Operator</b>	<b>Royalty (Gold unless otherwise stated)</b>
Andacollo <sup>(1)</sup>	Region IV, Chile	Compañía Minera Teck Carmen de Andacollo ( CDA )	75% NSR
Pascua-Lama	Region III, Chile	Barrick	0.16% to 1.08% sliding-scale NSR 0.22% fixed rate royalty (copper)
Canadian Malartic <sup>(2)</sup>	Quebec, Canada	Osisko Mining Corporation ( Osisko )	2.0% to 3.0% sliding-scale NSR
Holt <sup>(3)</sup>	Ontario, Canada	St Andrew Goldfields Ltd. ( St Andrew )	0.00013 x quarterly average gold price NSR

(1) On January 25, 2010, the Company acquired a production interest in the gold produced from the sulfide portion of the Andacollo copper and gold project in Chile ( Andacollo Royalty ). The Andacollo Royalty entitles the Company to receive 75% of the gold produced from the sulfide portion of the deposit at the Andacollo project until 910,000 payable ounces of gold have been sold, and 50% of the gold produced



in excess of  
910,000 payable  
gold ounces.  
Refer to Recent  
Developments,  
Business  
Developments  
below within  
this MD&A for  
a further  
discussion on  
the Andacollo  
Royalty  
acquisition.

- (2) The Canadian  
Malartic royalty  
is subject to a  
buy down right,  
which if  
exercised by  
Osisko would  
lower the  
sliding-scale  
NSR royalty to  
1.0% to 1.5%.
- (3) Refer to Recent  
Developments,  
Property  
Developments  
as discussed  
below within  
this MD&A for  
a further  
discussion on  
recent  
developments at  
Holt.

**Table of Contents****Operators Production Estimates by Royalty for Calendar 2009**

We received annual production estimates from the operators of our producing mines during the first calendar quarter of 2009. The following table shows such production estimates for our principal producing properties for calendar 2009 as well as the actual production reported to us by the various operators through December 31, 2009. The estimates and production reports are prepared by the operators of the mining properties. We do not participate in the preparation or calculation of the operators' estimates or production reports and have not independently assessed or verified the accuracy of such information.

## Operators Production Estimate by Royalty for Calendar 2009 and Reported Production

## Principal Producing Properties

For the period January 1, 2009 through December 31, 2009

Royalty	Calendar 2009 Operator's Production Estimate <sup>(1)</sup>			Reported Production through December 31, 2009 <sup>(2)</sup>		
	Gold (oz.)	Silver (oz.)	Copper (lbs.)	Gold (oz.)	Silver (oz.)	Copper (lbs.)
Cortez GSR1	345,296			352,049		
Cortez GSR2	614			10,014		
Cortez GSR3	345,910			362,063		
Cortez NVR1	232,627			255,342		
Robinson <sup>(3)</sup>	90,000		120 million	95,735		111.5 million
Leeville	426,212			467,774		
Goldstrike	440,879			437,951		
Peñasquito <sup>(4)</sup>	70,000	2.3 million		89,012	3.4 million	
Mulatos <sup>(5)</sup>	170,000			178,413		
Dolores <sup>(6)</sup>	100,000	2.0 million		74,989	1.0 million	
Taparko	76,000			98,035		
Siguiri	300,000			316,230		

(1) There can be no assurance that production estimates received from our operators will be achieved.

Please refer to our cautionary language regarding forward-looking statements following this MD&A, as well as the Risk Factors identified in Part I, Item 1A, of our Fiscal 2009 10-K for information regarding factors that could affect actual results.

- (2) Reported production relates to the amount of metal sales, subject to our royalty interests, for the period January 1, 2009 through December 31, 2009, as reported to us by the operators of the mines.
  
- (3) Quadra announced that annual production guidance for copper has been reduced to 120 million pounds of copper from 140 million pounds of copper due to its limited access to hypogene ore in the Veteran pit, which adversely

affected  
blending  
capabilities.  
Gold production  
guidance was  
reduced to  
90,000 ounces  
from 100,000  
ounces.

- (4) The operator's  
production  
estimate relates  
to the oxide  
circuit. The  
sulfide circuit  
began  
production  
during the fourth  
quarter of  
calendar 2009.
  
- (5) In August 2009,  
Alamos  
announced that  
estimated annual  
gold production  
has been  
increased to  
between 160,000  
and 170,000  
ounces from  
between 145,000  
and 160,000  
ounces. The  
increase in  
reported  
production was  
the result of  
higher than  
planned  
recoveries,  
which was due  
to operational  
improvements.
  
- (6) The reported  
production  
shown was  
estimated by the  
Company based

on previous  
information  
received from  
the operator.

**Table of Contents****Recent Developments****Business Developments***Entry into Arrangement Agreement with International Royalty Corporation*

On December 17, 2009, Royal Gold and its wholly-owned Canadian subsidiary, RG Exchangeco Inc. (formerly 7296355 Canada Ltd.) ( Exchangeco ), entered into an Arrangement Agreement (the Agreement ) with International Royalty Corporation ( IRC ), a global mineral royalty company based in Englewood, Colorado, to undertake a Plan of Arrangement (the Plan of Arrangement ) whereby Royal Gold, through Exchangeco, will acquire all of the issued and outstanding common shares of IRC (the IRC Transaction ).

At the election of each IRC shareholder, each common share of IRC will be exchanged for either C\$7.45 in cash (based on Royal Gold's share price and the currency exchange rate on December 14, 2009) or 0.1385 common shares of Royal Gold or a combination thereof, subject to a maximum of \$350 million in cash and a maximum of 7.75 million common shares of Royal Gold to be issued to IRC shareholders. If IRC shareholders elect to receive more than approximately \$314 million in cash, the number of Royal Gold common shares issued will be reduced on a pro-rated basis until such cash election reaches a maximum of \$350 million. Assuming the maximum share election, this offer consists of 0.0771 shares of Royal Gold plus \$3.12 in cash for each fully diluted share of IRC, implying 56% stock consideration. Assuming the maximum cash election, this offer consists of 0.0700 shares of Royal Gold plus \$3.48 in cash for each fully diluted share of IRC, implying 51% stock consideration.

IRC shareholders who are resident in Canada for Canadian federal income tax purposes will have the option to elect to receive up to 0.1385 exchangeable shares of Exchangeco in lieu of electing Royal Gold common shares. Each exchangeable share can be redeemed for one common share of Royal Gold at the election of the shareholder. No more than 7.75 million Royal Gold common shares and exchangeable shares will be issued in the aggregate.

IRC's board of directors has unanimously determined that the IRC Transaction is in the best interest of IRC and its shareholders and has recommended that IRC shareholders vote in favor of the transaction. All of the directors and senior officers of IRC, and certain significant IRC shareholders have entered into voting agreements in which, subject to the terms thereof, they have agreed to vote their shares in support of the IRC Transaction. Together, the IRC shareholders subject to the voting agreements represent a combined ownership of approximately 34% of IRC's fully diluted shares outstanding.

The closing of the IRC Transaction is not subject to due diligence, Royal Gold shareholder approval or financing contingencies. The cash required for the acquisition will be sourced from available and unrestricted cash, together with committed credit facilities totaling \$225 million, including the HSBC Term Loan as discussed below within this MD&A under Liquidity and Capital Resources. The closing of the IRC Transaction is subject to, among other things, receipt of court approval and the affirmative vote of at least 66 2/3 percent of the votes cast by IRC shareholders and option holders at a special meeting of the IRC shareholders. In December 2009, Franco-Nevada Corporation, of Toronto, Canada ( Franco-Nevada ), made an unsolicited offer of C\$6.75 per share in cash for any and all of IRC's outstanding common shares. Franco-Nevada amended its offer on January 19, 2010, by extending the expiration date of the offer to February 19, 2010. In light of this outstanding offer, and depending upon satisfaction of the closing conditions for the IRC Transaction, we can provide no assurance that the IRC Transaction will close.

Pursuant to the terms of the Agreement, IRC is subject to customary non-solicitation covenants. In the event a superior proposal is made, Royal Gold has the right to match such proposal, and in the event IRC's board of directors changes its recommendation or terminates the Agreement in certain circumstances, IRC has agreed to pay Royal Gold a termination fee of \$32 million. In certain other circumstances where the IRC Transaction is not completed, IRC is obligated to reimburse Royal Gold's expenses up to a maximum of \$5 million.

**Table of Contents***Acquisition of Andacollo Production Interest*

On April 3, 2009, the Company entered into a definitive agreement ( *Master Agreement* ) with a Chilean subsidiary of Teck Resources Limited ( *Teck* ), Compañía Minera Teck Carmen de Andacollo ( *CDA* ), to acquire an interest in the gold produced from the sulfide portion of the Andacollo project in Chile. The purchase price for the Andacollo Royalty consists of \$217.9 million in cash and 1,204,136 of the Company's common shares. On January 25, 2010, the Company completed its acquisition of the Andacollo Royalty.

The Andacollo Royalty will equal 75% of the gold produced from the sulfide portion of the deposit at the Andacollo mine until 910,000 payable ounces of gold have been sold, and 50% of the gold produced in excess of 910,000 payable ounces of gold. The mine, located about 34 miles southeast of the city of La Serena, Chile, produces copper from the oxide portion of the deposit and Teck is currently commissioning facilities to produce both copper and gold from the sulfide portion of the deposit. The Andacollo Royalty will not cover copper production.

Proven and probable reserves, as estimated by the operator as of December 31, 2008, for the sulfide portion are 393.5 million tonnes (433.7 million tons) with a grade of 0.39% copper and 0.13 g/t (0.004 ozs/ton) gold. This equates to 1.6 million contained ounces of gold. Reserves were estimated using a copper price of \$1.50 per pound and a gold price of \$480 per ounce. Gold will be produced as a by-product of copper production, with a gold recovery rate estimated by the operator to be approximately 61%.

Once the mine is in full production, the operator expects the mill to have a capacity of 55,000 tonnes (60,630 tons) per day. The operator estimates that the mine will produce on average approximately 53,000 ounces of gold and 76,000 tonnes (83,775 tons) of copper in concentrate annually for the first ten years of commercial production, with an estimated mine life of 20 years. Ore has been introduced to the mill and shipment of copper concentrate is expected to commence in April 2010. Full commercial production is expected to be reached in the first half of calendar 2010.

Please also see Part I, Item 1A, Risk Factors *Additional risks that Royal Gold may face as a result of the Teck Transaction are set forth below*, in our Fiscal 2009 10-K for further discussion on potential risks associated with the Teck Transaction.

**Property Developments***Taparko*

The Taparko mine commenced gold production in August 2007 and has contributed approximately \$32.8 million in royalty revenue (from TB-GSR1 and TB-GSR2) since production commenced. Gold sales at Taparko for the three months ended December 31, 2009, and December 31, 2008 were approximately 32,202 ounces and 7,505 ounces, respectively. The increase in gold sales during the period was attributable to improved mill throughput, mill availability, and recoveries.

Somita SA ( *Somita* ), a 90% owned subsidiary of High River and the operator of Taparko, is in breach of certain obligations under the Amended and Restated Funding Agreement dated February 22, 2006 (the *Funding Agreement* ) between Royal Gold, Inc. and Somita. Royal Gold has invested \$35 million for the development of the Taparko mine under the Funding Agreement. As security for the Company's investment in Somita, two of High River's subsidiaries have pledged their equity interests in Somita and High River (West Africa) Ltd., the corporate parent of Somita. This pledge will remain in effect until

**Table of Contents**

certain production and performance standards have been attained at the Taparko mine, sufficient to satisfy the Completion Test, as defined in the Funding Agreement. High River has notified the Company that Somita is attempting to satisfy the Completion Test. The Completion Test commenced on December 1, 2009, and will continue for 90 days. If Somita satisfies the requirements of the Completion Test, the pledge of the equity interests in Somita and its corporate parent (High River (West Africa) Ltd.) will terminate and this security will be released.

In addition, Royal Gold obtained as collateral a pledge of shares of certain equity investments in public companies held by High River. The market value of the pledged shares is approximately \$59.5 million as of December 31, 2009. The Company's carrying value of its royalty interests at Taparko was approximately \$15.3 million as of December 31, 2009. The pledge of High River's equity investments will remain in effect until the satisfaction of certain requirements as provided in the construction contract between Somita and its construction contractor, so long as there are no outstanding claims by the Company against the pledged securities.

Royal Gold has not agreed to forbear pursuing any of its remedies under the Funding Agreement or other agreements with High River and its affiliates.

*Peñasquito*

Goldcorp reported that ore throughput rates for the first sulfide processing line have reached operational production levels and construction of the second sulfide processing line is on schedule for completion in the third calendar quarter of 2010. Goldcorp also stated that production of both lead and zinc concentrates has ramped-up consistent with expectations and that achievement of commercial production of the sulfide Line 1 and Line 2 remains on track for the third calendar quarter of 2010.

*Holt*

On October 1, 2008, as part of the Company's acquisition of a portfolio of royalties from Barrick, we acquired a royalty on the Holt portion of the development stage Holloway-Holt mining project in Ontario, Canada, owned by St Andrew. St Andrew succeeded Newmont Canada Corporation (Newmont Canada) as owner of the Holloway-Holt mining project in November 2006. By virtue of the Company's acquisition of Barrick's royalty portfolio, RGLD Gold Canada, Inc. (RGLD Gold) succeeded Barrick as the royalty payee under the royalty agreement.

On or about November 3, 2008, St Andrew filed an action in the Ontario Superior Court of Justice (the Court) seeking, among other things, declarations by the Court that St Andrew's obligation in respect of the royalty is limited to only a portion of the total royalty payable, and that any additional royalty obligations under the royalty agreement remain the responsibility of Newmont Canada. Newmont Canada responded that St Andrew is responsible for all royalty obligations under the royalty agreement.

Royal Gold and RGLD Gold (collectively Royal Gold) and Barrick were joined as necessary parties to the litigation in January 2009. Trial concerning calculation of the royalty and the party or parties responsible for paying it was held from January 30, 2009 to February 12, 2009. On July 23, 2009, the Court held that Royal Gold is entitled to payment from Newmont Canada of the full amount of the sliding-scale NSR royalty on gold produced from the Holt mine. The Court also held that St Andrew's sole obligation is to reimburse Newmont Canada for payment of the royalty up to a flat rate of 0.013% of the net smelter returns for gold, silver and other metals. On August 21, 2009, Newmont Canada appealed the Court's decision to the Court of Appeal of Ontario and on December 9, 2009, made Royal Gold a party to the appeal.

The Holt royalty is classified as a development stage royalty interest and the Company does not currently receive revenue from the royalty.



**Table of Contents**

*Troy*

On October 13, 2009, the Company and Genesis Inc. ( Genesis ), a wholly-owned subsidiary of Revett Silver Company and the operator of the Troy mine, finalized a restructuring of the Company's 6.1% and 2.0% GSR royalties at the Troy mine into one perpetual 3.0% royalty. The restructured 3.0% perpetual royalty will commence on July 1, 2010, and applies to all production from the Troy mine in addition to an expanded area of interest in the vicinity of the mine. The Company paid Genesis approximately \$1.5 million in consideration for the restructured royalty.

Also on October 13, 2009, Genesis satisfied its outstanding \$1.5 million obligation due to the Company pursuant to our 7.0% GSR production payment royalty at the Troy mine. The 7.0% GSR production payment royalty was subject to a \$10.5 million cap, which was met as of June 30, 2009. Upon receipt of payment of the \$1.5 million obligation, the 7.0% GSR production payment royalty terminated.

**Results of Operations**

Quarter Ended December 31, 2009, Compared to Quarter Ended December 31, 2008

For the quarter ended December 31, 2009, we recorded net income attributable to Royal Gold stockholders of \$9.6 million, or \$0.24 per basic share and \$0.23 per diluted share, as compared to net income attributable to Royal Gold stockholders of \$21.4 million, or \$0.63 per basic share and \$0.62 per diluted share, for the quarter ended December 31, 2008. The decrease in our earnings per share during the period was due to the one-time royalty restructuring gain of \$31.5 million during the quarter ended December 31, 2008, as part of the Barrick royalty acquisition. The effect of the one-time royalty restructuring gain during the quarter ended December 31, 2008, was \$0.60 per basic share, after taxes.

For the quarter ended December 31, 2009, we recognized total royalty revenue of \$34.7 million (which includes \$0.6 million of non-controlling interest), at an average gold price of \$1,100 per ounce and an average copper price of \$3.01 per pound, compared to royalty revenue of \$14.6 million (which includes \$0.3 million of non-controlling interest), at an average gold price of \$795 per ounce and an average copper price of \$1.79 per pound for the quarter ended December 31, 2008. Royalty revenue and the corresponding production, attributable to our royalty interests, for the quarter ended December 31, 2009 compared to the quarter ended December 31, 2008 is as follows:

**Table of Contents**

Royalty Revenue and Production Subject to Our Royalty Interests  
 Quarter Ended December 31, 2009 and 2008  
 (In thousands, except reported production ozs. and lbs.)

Royalty	Metal(s)	Three Months Ended December 31, 2009		Three Months Ended December 31, 2008	
		Royalty Revenue	Reported Production <sup>(1)</sup>	Royalty Revenue	Reported Production <sup>(1)</sup>
Cortez	Gold	\$ 8,870	124,973 oz.	\$ 3,477	65,425 oz.
Taparko <sup>(2)</sup>	Gold	\$ 8,864	32,202 oz.	\$ 1,375	7,505 oz.
Robinson		\$ 3,644		\$ (1,319)	
	Gold		24,057 oz.		22,844 oz.
	Copper		31.7 million lbs.		29.2 million lbs.
Leeville	Gold	\$ 2,955	150,328 oz.	\$ 1,957	138,669 oz.
Mulatos	Gold	\$ 2,443	43,928 oz.	\$ 1,538	38,741 oz.
Siguiri	Gold	\$ 1,588	77,042 oz.	\$ 1,213	81,431 oz.
Peñasquito <sup>(2)</sup>		\$ 1,100		\$ 359	
	Gold		28,120 oz.		10,057 oz.
	Silver		1.2 million oz.		935,784 oz.
Goldstrike	Gold	\$ 646	64,420 oz.	\$ 1,771	257,207 oz.
Dolores <sup>(3)</sup>		\$ 396		\$ 22	
	Gold		19,305 oz.		2,440 oz.
	Silver		349,248 oz.		N/A
Other <sup>(4)</sup>	Various	\$ 4,234	N/A	\$ 4,229	N/A
<b>Total Royalty Revenue</b>		<b>\$ 34,740</b>		<b>\$ 14,622</b>	

(1) Reported production relates to the amount of metal sales, subject to our royalty interests, for the three months ended December 31, 2009 and December 31, 2008, as reported to us by the operators of the mines.

(2) Refer to Recent Developments, Property Developments

earlier within this MD&A for further discussion of recent developments at the property.

- (3) The reported production shown was estimated by the Company based on previous information received from the operator.
- (4) Other includes all of the Company's non-principal producing royalties as of December 31, 2009 and 2008. Individually, no royalty included within the Other category contributed greater than 5% of our total royalty revenue for either period.

The increase in royalty revenue for the quarter ended December 31, 2009, compared with the quarter ended December 31, 2008, resulted primarily from an increase in gold and copper prices, an increase in production at Taparko, Cortez, Robinson, Leeville and Mulatos, and commencement of production from the sulfide circuit at Peñasquito. These increases were partially offset by a decrease in production at Goldstrike. Please refer to Recent Developments, Property Developments earlier within this MD&A for further discussion of recent developments regarding properties covered by certain of our royalty interests.

Cost of operations increased to \$1.6 million for the quarter ended December 31, 2009, compared to \$0.6 million for the quarter ended December 31, 2008. The increase was primarily due to an increase in the Nevada Net Proceeds Tax expense of approximately \$0.5 million, which resulted from an increase in royalty revenue from Cortez and Robinson. An increase in non-cash stock compensation allocated to cost of operations of approximately \$0.3 million also contributed to the overall increase.

General and administrative expenses increased to \$3.0 million for the quarter ended December 31, 2009, from \$2.1 million for the quarter ended December 31, 2008. The increase was primarily due to an increase in the non-cash stock compensation allocated to general and administrative expense of approximately \$0.5 million and an increase in accounting and tax services of approximately \$0.3 million.



**Table of Contents**

Exploration and business development expenses increased to \$2.8 million for the quarter ended December 31, 2009, from \$1.0 million for the quarter ended December 31, 2008. The increase was primarily due to an increase in legal, tax, financial advisory and accounting fees associated with the IRC Transaction, as discussed above, of approximately \$2.1 million.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of \$1.9 million for the quarter ended December 31, 2009, compared to \$0.9 million for the quarter ended December 31, 2008. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. Please refer to Note 7 of the notes to consolidated financial statements for further discussion of the allocation of non-cash stock compensation for the quarters ended December 31, 2009 and 2008.

Depreciation, depletion and amortization increased to \$12.1 million for the quarter ended December 31, 2009, from \$8.5 million for the quarter ended December 31, 2008. Increased production at Taparko resulted in additional depletion of approximately \$4.2 million during the period. This increase was partially offset by a decrease in depletion at Revett of approximately \$0.5 million due to the cap being met on the GSR royalty during the fourth quarter of fiscal 2009. The increase was also offset by a decrease in depletion rates at Leeville, which resulted in a decrease of depletion expense of approximately \$0.2 million during the period.

During the quarter ended December 31, 2009, we recognized income tax expense totaling \$4.8 million compared with \$12.0 million during the quarter ended December 31, 2008. This resulted in an effective tax rate of 31.8% in the current period, compared with 35.6% in the quarter ended December 31, 2008. The decrease in our effective tax rate is the result of the one-time royalty restructuring gain as part of the Barrick royalty portfolio acquisition during the quarter ended December 31, 2008. This decrease was partially offset by an increase in the amount of foreign losses for which no tax benefit is currently recognized.

**Six Months Ended December 31, 2009, Compared to Six Months Ended December 31, 2008**

For the six months ended December 31, 2009, we recorded net income attributable to Royal Gold stockholders of \$16.7 million, or \$0.41 per basic share and diluted share, as compared to net income attributable to Royal Gold stockholders of \$27.1 million, or \$0.80 per basic share and \$0.79 per diluted share, for the six months ended December 31, 2008. The decrease in our earnings per share during the period was due to the one-time royalty restructuring gain of \$31.5 million during the quarter ended December 31, 2008, as part of the Barrick royalty acquisition. The effect of the one-time royalty restructuring gain was \$0.60 per basic share, after taxes.

For the six months ended December 31, 2009, we recognized total royalty revenue of \$60.9 million (including \$1.0 million in non-controlling interest), at an average gold price of \$1,028 per ounce and an average copper price of \$2.83 per pound, compared to total royalty revenue of \$30.7 million (including \$0.6 million in non-controlling interest), at an average gold price of \$834 per ounce and an average copper price of \$2.64 per pound for the six months ended December 31, 2008. Royalty revenue and the corresponding production, attributable to our royalty interests, for the six months ended December 31, 2009 compared to the six months ended December 31, 2008 is as follows:

**Table of Contents**

Royalty Revenue and Production Subject to Our Royalty Interests  
Six Months Ended December 31, 2009 and 2008  
(In thousands, except reported production ozs. and lbs.)

Royalty	Metal(s)	Six Months Ended December 31, 2009		Six Months Ended December 31, 2008	
		Royalty Revenue	Reported Production <sup>(1)</sup>	Royalty Revenue	Reported Production <sup>(1)</sup>
Taparko <sup>(2)</sup>	Gold	\$ 14,829	57,552 oz.	\$ 1,398	7,622 oz.
Cortez	Gold	\$ 14,697	219,837 oz.	\$ 8,012	126,101 oz.
Robinson		\$ 5,500		\$ 3,514	
	Gold		42,326 oz.		60,331 oz.
	Copper		52.8 million lbs.		69.6 million lbs.
Leeville	Gold	\$ 5,272	284,150 oz.	\$ 3,628	245,497 oz.
Mulatos <sup>(3)</sup>	Gold	\$ 4,668	90,368 oz.	\$ 2,075	79,861 oz.
Siguiri <sup>(4)</sup>	Gold	\$ 3,007	155,843 oz.	\$ 1,213	81,431 oz.
Peñasquito <sup>(2)</sup>		\$ 1,727		\$ 478	
	Gold		51,020 oz.		14,940 oz.
	Silver		1.9 million oz.		1.1 million oz.
Goldstrike	Gold	\$ 1,603	174,149 oz.	\$ 3,413	472,713 oz.
Dolores <sup>(5)</sup>		\$ 1,508		\$ 22	
	Gold		38,610 oz.		2,440 oz.
	Silver		698,496 oz.		N/A
Other	Various	\$ 8,042	N/A	\$ 6,948	N/A
<b>Total Royalty Revenue</b>		<b>\$ 60,853</b>		<b>\$ 30,701</b>	

(1) Reported production relates to the amount of metal sales, subject to our royalty interests, for the six months ended December 31, 2009 and December 31, 2008, as reported to us by the operators of the mines.

(2) Refer to Recent Developments, Property

Developments earlier within this MD&A for a further discussion on recent developments at the property.

- (3) Effective October 1, 2008, the sliding-scale royalty rate increased to 5.0% from 1.5%, at current gold prices.
- (4) Royalty acquired on October 1, 2008.
- (5) The reported production shown was estimated by the Company based on previous information received by the operator.

The increase in royalty revenue for the six months ended December 31, 2009, compared with the six months ended December 31, 2008, resulted primarily from an increase in the average gold and copper prices, an increase in production at Taparko, Cortez, Leeville and Mulatos mines and production from the recently acquired Barrick royalty portfolio. These increases were partially offset by a decrease in production at Goldstrike during the six months ended December 31, 2009. Please refer to Recent Developments, Property Developments earlier within this MD&A for a further discussion on recent developments regarding properties covered by certain of our royalty interests.

Cost of operations increased to \$2.8 million for the six months ended December 31, 2009, compared to \$1.5 million for the six months ended December 31, 2008. The increase was primarily due to an increase in non-cash compensation allocated to cost of operations of approximately \$0.5 million, an increase in the Nevada Net Proceeds Tax expense of approximately \$0.4 million, which resulted primarily from an increase in royalty revenue from Cortez and Robinson, and an increase in legal fees associated with our royalty interests of approximately \$0.2 million.

General and administrative expenses increased to \$5.2 million for the six months ended December 31, 2009, from \$3.8 million for the six months ended December 31, 2008. The increase was primarily due to an increase in non-cash compensation allocated to general and administrative expense of approximately \$0.7 million and an increase in accounting and tax expenses of approximately \$0.3 million during the six months ended December 31, 2009.

**Table of Contents**

Exploration and business development expenses increased to \$3.7 million for the six months ended December 31, 2009, from \$1.6 million for the six months ended December 31, 2008. The increase was due to an increase in legal, tax, financial advisory and accounting fees associated with the IRC transaction, as discussed above, of approximately \$2.2 million.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of \$3.1 million for the six months ended December 31, 2009, compared to \$1.6 million for the six months ended December 31, 2008. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. Please refer to Note 7 of the notes to consolidated financial statements for further discussion of the allocation of non-cash stock compensation for the six months ended December 31, 2009 and 2008.

Depreciation, depletion and amortization increased to \$23.2 million for the six months ended December 31, 2009, from \$13.0 million for the six months ended December 31, 2008. Increased production at Taparko and Mulatos resulted in additional depletion of approximately \$7.7 million and \$1.4 million, respectively, during the period. Also, an increase in the depletion rate at Siguiriri during the period resulted in additional depletion of approximately \$1.7 million.

Interest and other income increased to \$1.9 million for the six months ended December 31, 2009, from \$1.0 million for the six months ended December 31, 2008. The increase was primarily due to a \$1.7 million gain on distributions of *Inventory restricted* attributable to non-controlling interest holders. The increase was partially offset by a decrease in interest rates associated with our invested cash.

During the six months ended December 31, 2009, we recognized income tax expense totaling \$7.9 million compared with \$15.1 million during the six months ended December 31, 2008. This resulted in an effective tax rate of 28.8% in the current period, compared with 35.3% during the six months ended December 31, 2008. The decrease in our effective tax rate is the result of the one-time royalty restructuring gain as part of the Barrick royalty portfolio acquisition during the quarter ended December 31, 2008. This decrease was partially offset by an increase in the amount of foreign losses for which no tax benefit is currently recognized.

**Liquidity and Capital Resources****Overview**

At December 31, 2009, we had current assets of \$354.4 million compared to current liabilities of \$7.8 million for a current ratio of 45 to 1. This compares to current assets of \$318.7 million and current liabilities of \$6.2 million at June 30, 2009, resulting in a current ratio of approximately 51 to 1.

At December 31, 2009, our cash and equivalents as shown on the consolidated balance sheets were primarily held in money market accounts which are invested in United States treasury bills or United States treasury backed securities. We are not invested in auction rate securities. The Company has not experienced any losses related to these balances and management believes its credit risk to be minimal.

As further discussed earlier within this MD&A under Recent Developments, Business Developments, the Company entered into a Master Agreement with CDA, a Chilean subsidiary of Teck, to acquire the Andacollo Royalty. The purchase price for the Andacollo Royalty consists of \$217.9 million in cash and 1,204,136 shares of the Company's Common Stock. On January 25, 2010, the Company completed the Andacollo Royalty acquisition. The cash portion of the purchase price was funded using cash on hand.

Also as discussed earlier within this MD&A under Recent Developments, Business Developments, the Company entered into a Plan of Arrangement whereby Royal Gold, through its wholly-owned Canadian subsidiary, Exchangeco, and with the unanimous support of IRC's board of directors, will acquire all of



**Table of Contents**

the issued and outstanding common shares of IRC. The cash required for the acquisition will be sourced from available and unrestricted cash, together with committed credit facilities totaling \$225 million, including the HSBC Term Loan as discussed below.

During the six months ended December 31, 2009, liquidity needs were met from \$60.9 million in royalty revenues (including \$1.0 million of non-controlling interest) and our available cash resources.

We believe that our current financial resources and funds generated from operations will be adequate to cover anticipated expenditures for cost of operation expenses, general and administrative expense costs, exploration and business development costs, and capital expenditures for the foreseeable future. Our current financial resources are also available for royalty acquisitions and to fund dividends. Our long-term capital requirements are primarily affected by our ongoing acquisition activities. The Company currently, and generally at any time, seeks acquisition opportunities in various stages of active review. In the event of a substantial royalty or other acquisition, we may seek additional debt or equity financing opportunities.

Please refer to our risk factors included in Part I, Item 1A of our Fiscal Year 2009 10-K for a discussion on certain risks that may impact the Company's liquidity and capital resources in light of the recent economic downturn.

**Recent Liquidity and Capital Resource Developments***HSBC Bank Term Loan*

In connection with the IRC Transaction described earlier in this MD&A under Recent Developments, Business Developments, on January 21, 2010, we entered into an agreement to obtain a new \$100 million term loan from HSBC Bank USA, National Association (the HSBC Term Loan) to partially fund our acquisition of IRC. The HSBC Term Loan will be funded in conjunction with the closing of the IRC Transaction. HSBC Securities (USA) Inc. acted as sole lead arranger for the HSBC Term Loan. The HSBC Term Loan will mature 18-months from the funding date with principal repayments equal to 10% of the funded amount scheduled to occur every three months, beginning three months after funding and interest will accrue at LIBOR plus 2.25%. The HSBC Term Loan is guaranteed by three wholly-owned subsidiaries of Royal Gold (the Guarantors). The obligations under the HSBC Term Loan are secured by certain Canadian assets of Royal Gold that will be replaced with certain Chilean assets of Royal Gold. Funding under the HSBC Term Loan is subject only to delivery of a borrowing notice and certain customary closing certificates by Royal Gold and the Guarantors.

*Prepayment and Termination of Chilean Term Loan Facility*

Royal Gold Chile Limitada (RGCL), a wholly-owned subsidiary of Royal Gold, had a \$19.25 million term loan outstanding bearing interest at LIBOR plus 0.25% pursuant to an Amended and Restated Term Loan Agreement (Amended and Restated Agreement) between RGCL and HSBC Bank. On September 23, 2009, RGCL prepaid the full \$19.25 million outstanding, plus interest, under the Amended and Restated Agreement. In addition to prepaying all outstanding amounts, RGCL notified HSBC Bank of its intention to terminate the Amended and Restated Agreement. Termination of the Amended and Restated Agreement was effective September 24, 2009.

To secure RGCL's obligations under the Amended and Restated Agreement, the Company maintained \$19.25 million in a Collateral Account at HSBC Bank. The Collateral Account balance was recorded as *Restricted cash compensating balance* on the Company's consolidated balance sheets. Upon the full prepayment and termination of the Amended and Restated Agreement, the Collateral Account was closed and the \$19.25 million was reclassified to *Cash and equivalents* on the Company's consolidated balance sheets.

**Table of Contents**

**Recently Adopted and Issued Accounting Standards**

Please refer to Note 1 of the Notes to Consolidated Financial Statements for a discussion on recently adopted and issued accounting standards.

**Forward-Looking Statements**

Cautionary Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: With the exception of historical matters, the matters discussed in this report are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projections or estimates contained herein. Such forward-looking statements include statements regarding projected production estimates and estimates pertaining to timing and commencement of production from the operators of our royalty properties; the adequacy of financial resources and funds to cover anticipated expenditures for general and administrative expenses as well as costs associated with exploration and business development and capital expenditures, and our expectation that substantially all our revenues will be derived from royalty interests. Factors that could cause actual results to differ materially from these forward-looking statements include, among others:

changes in gold and other metals prices on which our royalties are paid or prices associated with the primary metal mined at our royalty properties;

the production at or performance of our producing royalty properties;

decisions and activities of the operators of our royalty properties;

the ability of operators to bring projects into production and operate in accordance with feasibility studies;

liquidity or other problems our operators may encounter;

unanticipated grade and geological, metallurgical, processing or other problems at the royalty properties;

mine operating and ore processing facility problems, pit wall or tailings dam failures, natural catastrophes such as floods or earthquakes and access to raw materials, water and power;

changes in project parameters as plans of the operators are refined;

changes in estimates of reserves and mineralization by the operators of our royalty properties;

economic and market conditions;

future financial needs;

federal, state and foreign legislation governing us or the operators of our royalty properties;

the availability of royalties for acquisition or other acquisition opportunities and the availability of debt or equity financing necessary to complete such acquisitions;

our ability to make accurate assumptions regarding the valuation, timing and amount of royalty payments when making acquisitions;

risks associated with conducting business in foreign countries, including application of foreign laws to contract and other disputes, environmental and permitting laws, community unrest and labor disputes, and enforcement and uncertain political and economic environments;

risks associated with issuances of substantial additional common stock or incurrence of substantial indebtedness in connection with acquisitions or otherwise;

acquisition and maintenance of permits and authorizations, completion of construction and commencement and continuation of production at the royalty properties;

**Table of Contents**

changes to management and key employees; and

failure to complete future acquisitions, including the IRC Transaction; as well as other factors described elsewhere in this report and our other reports filed with the Securities and Exchange Commission. Most of these factors are beyond our ability to predict or control. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements. We disclaim any obligation to update any forward-looking statements made herein. Readers are cautioned not to put undue reliance on forward-looking statements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our earnings and cash flow are significantly impacted by changes in the market price of gold, silver, copper and other metals. Gold, silver, copper and other metal prices can fluctuate significantly and are affected by numerous factors, such as demand, production levels, economic policies of central banks, producer hedging, world political and economic events, and the strength of the U.S. dollar relative to other currencies. Please see *Volatility in gold, copper and other metal prices may have an adverse impact on the value of our royalty interests and reduce our royalty revenues*, under Part I, Item 1A of our Fiscal 2009 10-K, for more information that can affect gold and other prices as well as historical gold, silver and copper prices.

During the six month period ended December 31, 2009, we reported royalty revenues of \$60.9 million, with an average gold price for the period of \$1,028 per ounce and an average copper price of \$2.83 per pound. Approximately 85% of our total recognized revenues for the six months ended December 31, 2009, were attributable to gold sales from our gold producing royalty interests, as shown within the MD&A. For the six months ended December 31, 2009, if the price of gold had averaged higher or lower by \$50 per ounce, we would have recorded an increase in revenue of approximately \$2.9 million or a decrease in revenue of approximately \$2.5 million. Approximately 8% of our total recognized revenues for the six months ended December 31, 2009, were attributable to copper sales from our copper producing royalty interests. For the six months ended December 31, 2009, if the price of copper had averaged higher or lower by \$0.50 per pound, we would have recorded an increase or decrease in revenues of approximately \$0.9 million, respectively.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

As of December 31, 2009, the Company's management, with the participation of the President and Chief Executive Officer and its Chief Financial Officer and Treasurer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based on such evaluation, the Company's President and Chief Executive Officer and its Chief Financial Officer and Treasurer have concluded that, as of December 31, 2009, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods and that such information is accumulated and communicated to the Company's management, including the President and Chief Executive Officer and its Chief Financial Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure.

**Table of Contents**

Disclosure controls and procedures involve human diligence and compliance and are subject to lapses in judgment and breakdowns resulting from human failures. As a result, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

**Changes in Internal Controls**

There has been no change in the Company's internal control over financial reporting during the three months ended December 31, 2009, that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

*Holt*

On October 1, 2008, as part of the Company's acquisition of a portfolio of royalties from Barrick, we acquired a royalty on the Holt portion of the development stage Holloway-Holt mining project in Ontario, Canada, owned by St Andrew Goldfields Ltd. ( St Andrew ). St Andrew succeeded Newmont Canada Corporation ( Newmont Canada ) as owner of the Holloway-Holt mining project in November 2006. By virtue of the Company's acquisition of Barrick's royalty portfolio, RGLD Gold Canada, Inc. ( RGLD Gold ) succeeded Barrick as the royalty payee under the royalty agreement.

On or about November 3, 2008, St Andrew filed an action in the Ontario Superior Court of Justice (the Court ) seeking, among other things, declarations by the Court that St Andrew's obligation in respect of the royalty is limited to only a portion of the total royalty payable, and that any additional royalty obligations under the royalty agreement remain the responsibility of Newmont Canada. Newmont Canada responded that St Andrew is responsible for all royalty obligations under the royalty agreement.

Royal Gold and RGLD Gold (collectively Royal Gold ) and Barrick were joined as necessary parties to the litigation in January 2009. Trial concerning calculation of the royalty and the party or parties responsible for paying it was held from January 30, 2009 to February 12, 2009. On July 23, 2009, the Court held that Royal Gold is entitled to payment from Newmont Canada of the full amount of the sliding-scale NSR royalty on gold produced from the Holt mine. The Court also held that St Andrew's sole obligation is to reimburse Newmont Canada for payment of the royalty up to a flat rate of 0.013% of the net smelter returns for gold, silver and other metals. On August 21, 2009, Newmont Canada appealed the Court's decision to the Court of Appeal of Ontario and on December 9, 2009, made Royal Gold a party to the appeal.

**Table of Contents**

**ITEM 1A. RISK FACTORS**

Information regarding risk factors appears in Item 2 MD&A Forward-Looking Statements, and various risks faced by us are also discussed elsewhere in Item 2 MD&A of this Quarterly Report on Form 10-Q. In addition, risk factors are included in Part I, Item 1A of our Fiscal 2009 10-K.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Not applicable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

On November 18, 2009, we held our 2009 Annual Meeting of Stockholders. The matters voted upon at the meeting, for shareholders of record as of September 29, 2009, and the vote with respect to each matter is set forth below:

1. To elect two Class I Directors of Royal Gold, Inc. to serve until the 2012 Annual Meeting of Stockholders:

	For	Against	Withheld
Stanley Dempsey	35,053,281	225,890	46,714
Tony Jensen	35,164,943	114,470	46,472

2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accountants of the Company for the fiscal year ending June 30, 2010:

**ITEM 5. OTHER INFORMATION**

Not applicable.

**ITEM 6. EXHIBITS**

The exhibits to this report are listed in the Exhibit Index.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ROYAL GOLD, INC.**

Date: February 5, 2010

By: */s/ Tony Jensen*  
Tony Jensen  
President and Chief Executive Officer

Date: February 5, 2010

By: */s/ Stefan Wenger*  
Stefan Wenger  
Chief Financial Officer and Treasurer

**Table of Contents**

**ROYAL GOLD, INC.  
EXHIBIT INDEX**

**Exhibit**

<b>Number</b>	<b>Description</b>
2.1	Amended and Restated Arrangement Agreement, dated January 15, 2010, among Royal Gold, Inc., RG Exchangeco Inc. (formerly, 7296355 Canada Ltd.) and International Royalty Corporation (filed as Exhibit 2.1 to the Company's Current Report of Form 8-K on January 22, 2010).
3.1	Restated Certificate of Incorporation, as amended (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q on February 8, 2008 and incorporated herein by reference).
3.2	Amended and Restated Bylaws, as amended (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on November 23, 2009 and incorporated herein by reference).
3.3	Amended and Restated Certificate of Designations of Series A Junior Participating Preferred Stock of Royal Gold, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on September 10, 2007 and incorporated herein by reference).
4.1	Amendment No. 1 to the Stockholder Agreement, dated January 12, 2010 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K on January 15, 2010).
10.1	Amended and Restated Master Agreement by and between Royal Gold, Inc. and Compañía Minera Teck Carmen de Andacollo, dated as of January 12, 2010, along with the related Form of Royalty Agreement attached thereto as Exhibit C (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on January 15, 2010).
10.2	Term Loan Facility Agreement, dated as of January 20, 2010, among Royal Gold, Inc., as a Borrower, Royal Gold Chile Limitada, as a Guarantor, RGLD Gold Canada, Inc., as a Guarantor, High Desert Mineral Resources, Inc., as a Guarantor, the other Guarantors from time to time party thereto, HSBC Bank USA, National Association, as Administrative Agent and a Lender, and HSBC Securities (USA) Inc., as Sole Lead Arranger (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on January 22, 2010).
10.3	Pledge, Security and Subordination Agreement, dated as of January 20, 2010, by Royal Gold, Inc. in favor of HSBC Bank USA, National Association (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K on January 22, 2010).
10.4	General Security Agreement, dated as of January 20, 2010, by RGLD Gold Canada, Inc. in favor of HSBC Bank USA, National Association (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K on January 22, 2010).
10.5	Promissory Note, dated January 20, 2010 by Royal Gold, Inc. to HSBC Bank USA, National Association (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K on January 22, 2010).
31.1	Certification of President and Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.



**Table of Contents**

**Exhibit**

**Number Description**

31.2	Certification of Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Written Statement of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Written Statement of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.