

ROYAL GOLD INC

FORM 10-Q (Quarterly Report)

Filed 02/06/09 for the Period Ending 12/31/08

Address	1660 WYNKOOP STREET SUITE 1000 DENVER, CO 80202-1132
Telephone	3035731660
CIK	0000085535
Symbol	RGLD
SIC Code	6795 - Mineral Royalty Traders
Industry	Gold & Silver
Sector	Basic Materials
Fiscal Year	06/30

**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, 2008

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)

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

84-0835164
(I.R.S. Employer
Identification No.)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☐
(Do not check if a 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 34,008,851 shares of the Company's common stock, par value \$0.01 per share, were outstanding as of January 30, 2009.

Introductory Note:

On November 6, 2008, the Company filed an amended Annual Report on Form 10-K/A with the Securities and Exchange Commission (“SEC”) restating the Company’s annual financial statements for fiscal year 2008, and for each of the quarters comprising fiscal year 2008, due to an error in revenue accounting as discussed in Note 1 to consolidated financial statements contained herein. The financial statements and related disclosures for the three and six months ended December 31, 2007 have been restated in this document to reflect the revenue accounting error.

INDEX

	<u>PAGE</u>
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Comprehensive Income	3
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3. Quantitative and Qualitative Disclosures about Market Risk	42
Item 4. Controls and Procedures	42
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	43
Item 1A. Risk Factors	43
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	44
Item 3. Defaults Upon Senior Securities	44
Item 4. Submission of Matters to a Vote of Security Holders	44
Item 5. Other Information	44
Item 6. Exhibits	45
SIGNATURES	46
EX-10.1	
EX-10.2	
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	

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

	December 31, 2008 (Unaudited)	June 30, 2008 (As Restated)
Current assets		
Cash and equivalents	\$ 55,040	\$ 192,035
Royalty receivables	14,833	16,317
Income taxes receivable	—	2,186
Deferred tax assets	140	131
Prepaid expenses and other	<u>709</u>	<u>308</u>
Total current assets	70,722	210,977
Royalty interests in mineral properties, net (Note 3)	475,724	300,670
Restricted cash — compensating balance	19,250	15,750
Inventory — restricted	11,654	11,170
Other assets	<u>5,277</u>	<u>7,283</u>
Total assets	<u>\$ 582,627</u>	<u>\$ 545,850</u>
Current liabilities		
Accounts payable	\$ 6,378	\$ 4,753
Income taxes payable	8,610	—
Dividends payable	2,736	2,384
Other	<u>1,827</u>	<u>1,797</u>
Total current liabilities	19,551	8,934
Net deferred tax liabilities	23,631	26,034
Term loan facility (Note 5)	19,250	15,750
Other long-term liabilities	<u>490</u>	<u>504</u>
Total liabilities	<u>62,922</u>	<u>51,222</u>
Commitments and contingencies (Note 11)		
Minority interest in subsidiary	11,976	11,411
Stockholders' equity		
Common stock, \$0.01 par value, authorized 100,000,000 shares; and issued 34,007,184 and 33,926,495 shares, respectively	340	339
Additional paid-in capital	465,862	463,335
Accumulated other comprehensive (loss) income	(7)	65
Accumulated earnings	<u>41,534</u>	<u>19,478</u>
Total stockholders' equity	<u>507,729</u>	<u>483,217</u>
Total liabilities and stockholders' equity	<u>\$ 582,627</u>	<u>\$ 545,850</u>

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

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

	For The Three Months Ended	
	December 31, 2008	December 31, 2007 (As Restated)
Royalty revenues	\$ 14,622	\$ 14,710
Costs and expenses		
Costs of operations (exclusive of depreciation, depletion and amortization shown separately below)	613	896
General and administrative	2,122	1,968
Exploration and business development	963	1,851
Depreciation, depletion and amortization	8,537	3,606
Total costs and expenses	12,235	8,321
Operating income	2,387	6,389
Gain on royalty restructuring (Note 2)	31,500	—
Interest and other income	166	2,072
Interest and other expense	(357)	(789)
Income before income taxes	33,696	7,672
Current tax expense	(14,116)	(2,715)
Deferred tax benefit	2,118	486
Minority interest in income of consolidated subsidiary	(301)	(322)
Loss from equity investment	—	(511)
Net income	\$ 21,397	\$ 4,610
Adjustments to comprehensive income		
Unrealized change in market value of available for sale securities, net of tax	240	13
Comprehensive income	\$ 21,637	\$ 4,623
Net income	\$ 21,397	\$ 4,610
Preferred dividends	—	(1,204)
Net income available to common stockholders	\$ 21,397	\$ 3,406
Basic earnings per share	\$ 0.63	\$ 0.11
Basic weighted average shares outstanding	33,961,206	29,777,468
Diluted earnings per share	\$ 0.62	\$ 0.11
Diluted weighted average shares outstanding	34,375,388	30,124,299

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

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

	For The Six Months Ended	
	December 31, 2008	December 31, 2007 (As Restated)
Royalty revenues	\$ 30,701	\$ 27,213
Costs and expenses		
Costs of operations	1,460	1,742
General and administrative	3,793	3,527
Exploration and business development	1,637	2,481
Depreciation, depletion, and amortization	12,960	6,008
Total costs and expenses	19,850	13,758
Operating income	10,851	13,455
Gain on royalty restructuring (Note 2)	31,500	—
Interest and other income	1,123	3,952
Interest and other expense	(664)	(1,163)
Income before income taxes	42,810	16,244
Current tax expense	(17,668)	(5,927)
Deferred tax benefit	2,541	923
Minority interest in income of consolidated subsidiary	(537)	(542)
Loss from equity investment	—	(550)
Net income	\$ 27,146	\$ 10,148
Adjustments to comprehensive income		
Unrealized loss in market value of available for sale securities, net of tax	(72)	(173)
Comprehensive income	\$ 27,074	\$ 9,975
Net income	\$ 27,146	\$ 10,148
Preferred dividends	—	(1,204)
Net income available to common stockholders	\$ 27,146	\$ 8,944
Basic earnings per share	\$ 0.80	\$ 0.30
Basic weighted average shares outstanding	33,943,851	29,253,504
Diluted earnings per share	\$ 0.79	\$ 0.30
Diluted weighted average shares outstanding	34,343,827	29,455,599

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

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

	For The Six Months Ended	
	December 31, 2008	December 31, 2007 (As Restated)
Cash flows from operating activities		
Net income	\$ 27,146	\$ 10,148
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	12,960	6,008
Deferred tax benefit	(2,541)	(923)
Non-cash employee stock compensation expense	1,551	1,418
Gain on royalty restructuring (Note 2)	(31,500)	—
Loss on available for sale securities	—	48
Note receivable — Battle Mountain Gold Exploration	—	(714)
Tax benefit of stock-based compensation exercises	(253)	(114)
Changes in assets and liabilities:		
Royalty receivables	1,485	1,437
Prepaid expenses and other assets	(208)	(2,318)
Accounts payable	2,207	2,367
Income taxes payable (receivable)	11,372	(621)
Other	(14)	371
Net cash provided by operating activities	\$ 22,205	\$ 17,107
Cash flows from investing activities		
Capital expenditures for property and equipment	\$ (15)	\$ (11)
Acquisition of royalty interests in mineral properties	(186,110)	(2,300)
Proceeds from royalty restructuring (Note 2)	31,500	—
Restricted cash — compensating balance	(3,500)	—
Deferred acquisition costs	(62)	(56)
Battle Mountain acquisition, net of cash acquired of \$1,398,181	—	(2,933)
Net cash used in investing activities	\$ (158,187)	\$ (5,300)
Cash flows from financing activities:		
Tax benefit of stock-based compensation exercises	\$ 253	\$ 114
Debt issuance costs	(721)	—
Term loan facility (Note 5)	3,500	—
Common dividends paid	(4,768)	(3,755)
Gold loan payoff — Battle Mountain	—	(6,852)
Net proceeds from issuance of common stock	723	398
Net proceeds from issuance of preferred stock	—	111,098
Net cash (used in) provided by financing activities	\$ (1,013)	\$ 101,003
Net (decrease) increase in cash and equivalents	(136,995)	112,810
Cash and equivalents at beginning of period	192,035	82,842
Cash and equivalents at end of period	\$ 55,040	\$ 195,652
Supplemental cash flow information:		
Non-cash financing activities:		
Battle Mountain acquisition (with common stock)	\$ —	\$ 35,832

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

ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited, in thousands except share data, per ounce and per pound amounts)

1. OPERATIONS, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENTLY ADOPTED AND 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.

Restatement

As part of the Company’s royalty monitoring program during the first fiscal quarter of 2009, Royal Gold identified a \$3.1 million overpayment with respect to the Company’s GSR1 and GSR2 royalties at the Cortez Pipeline Mining Complex (“Cortez”), which the Company received and recognized as royalty revenues. The overpayment of the royalty was the result of the operator incorrectly including non-Royal Gold royalty production in the Company’s quarterly GSR1 and GSR2 royalty payments commencing in January 2007 and continuing through fiscal year 2008.

The error that caused the overpayment of royalty payments was not timely identified by our controls and procedures in place and \$3.1 million was incorrectly recognized as royalty revenue, resulting in a material overstatement of royalty revenue for fiscal year 2008. On November 3, 2008, the Company’s Audit Committee of the Board of Directors, in consultation with management, concluded that due to the error in accounting for royalty revenue, our previously issued consolidated financial statements as of and for the fiscal year ended June 30, 2008 and for each of the quarters comprising the fiscal year should no longer be relied upon and should be restated.

On November 6, 2008, the Company filed an amended Annual Report on Form 10-K/A (“Amended 10-K”) with the SEC restating the Company’s annual consolidated financial statements for fiscal year 2008 and for each of the quarters comprising fiscal year 2008. The consolidated financial statements and related disclosures for the quarter ended December 31, 2007 have been restated in this report to reflect the revenue accounting error discussed above. Refer to Note 20A of the Amended 10-K for the effects of the restatement on the Company’s consolidated financial statements as of and for the fiscal year ended June 30, 2008 and to Note 20B of the Amended 10-K for the effects of the restatement on the Company’s consolidated financial statements for each of the quarters comprising fiscal year 2008.

The effect of the restatement on the Company’s consolidated balance sheet for the fiscal year ended June 30, 2008 is illustrated in the following table:

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited, in thousands except share data, per ounce and per pound amounts)

Consolidated Balance Sheet Items

	As of June 30, 2008 (in thousands)		
	As Previously Reported	Adjustment	As Restated
Royalty receivables	\$ 17,627	\$(1,310)	\$ 16,317
Income tax receivable	1,310	876	2,186
Total current assets	211,411	(434)	210,977
Total assets	546,284	(434)	545,850
Accounts payable	3,122	1,631	4,753
Total current liabilities	7,303	1,631	8,934
Total liabilities	49,591	1,631	51,222
Accumulated earnings	21,543	(2,065)	19,478
Total stockholders' equity	485,282	(2,065)	483,217
Total liabilities and stockholders' equity	546,284	(434)	545,850

The effects of the restatement on the Company's consolidated statement of operations and comprehensive income for the three and six months ended December 31, 2007 are illustrated in the following tables:

Consolidated Statement of Operations and Comprehensive Income Items

	For the three months ended December 31, 2007 (in thousands, except share data)		
	As Previously Reported	Adjustment	As Restated
Royalty revenue	\$ 15,396	\$ (686)	\$ 14,710
Cost of operations	930	(34)	896
Operating income	7,041	(652)	6,389
Income before income taxes	8,324	(652)	7,672
Income tax expense	2,425	(196)	2,229
Net income	5,065	(455)	4,610
Net income available to common shareholders	3,861	(455)	3,406

Basic earnings per share	\$ 0.13	\$(0.02)	\$ 0.11
Basic weighted average shares outstanding	29,777,468	—	29,777,468
Diluted earnings per share	\$ 0.13	\$(0.02)	\$ 0.11
Diluted weighted average shares outstanding	30,124,299	—	30,124,299

	For the six months ended December 31, 2007 (in thousands, except share data)		
	As Previously Reported	Adjustment	As Restated
Royalty revenue	\$ 28,213	\$(1,000)	\$ 27,213
Cost of operations	1,794	(52)	1,742
Operating income	14,405	(950)	13,455
Income before income taxes	17,194	(950)	16,244
Income tax expense	5,274	(270)	5,004
Net income	10,827	(679)	8,944
Net income available to common shareholders	10,827	(679)	8,944

Basic earnings per share	\$ 0.33	\$ (0.03)	\$ 0.30
Basic weighted average shares outstanding	29,253,504	—	29,253,504
Diluted earnings per share	\$ 0.33	\$ (0.03)	\$ 0.30
Diluted weighted average shares outstanding	29,455,599	—	29,455,599

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited, in thousands except share data, per ounce and per pound amounts)

The effects of the restatement on the Company's consolidated statement of cash flows for the six months ended December 31, 2007 is illustrated in the following table:

Consolidated Statement of Cash Flows Items

	For the six months ended December 31, 2007		
	(in thousands)		
	As Previously Reported	Adjustment	As Restated
Cash flows from operating activities:			
Net income	\$10,828	\$ (680)	\$10,148
Deferred tax benefit	(900)	(23)	(923)
Royalty receivables	437	1,000	1,437
Income taxes receivable	(374)	(247)	(621)
Accounts payable	2,417	(50)	2,367
Net cash provided by operating activities	17,110	(3)	17,107

Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles 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, 2008, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2009. These interim unaudited financial statements should be read in conjunction with the Company's Amended 10-K.

Recently Adopted Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 were adopted by the Company on July 1, 2008. The adoption of SFAS 157 during our first fiscal quarter of 2009 did not have a significant impact on the Company's consolidated financial statements. Refer to Note 10 for a discussion regarding the Company's fair value measurements as of December 31, 2008.

In February 2008, the FASB staff issued Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"). FSP 157-2 delayed the effective date of SFAS 157 for nonfinancial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of FSP 157-2 are effective for the Company's fiscal year beginning July 1, 2009; however, the Company does not expect the provisions to have a material impact, if any, on our consolidated financial statements.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited, in thousands except share data, per ounce and per pound amounts)

Fair Value Option for Financial Assets and Liabilities

In February 2007, the FASB issued Statement No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” (“SFAS 159”), which allows entities to choose to measure many financial instruments and certain other items at fair value, with the objective of improving financial reporting by mitigating volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of SFAS 159 were adopted July 1, 2008. The Company did not elect the Fair Value Option for any of its financial assets or liabilities, and therefore, the adoption of SFAS 159 had no impact on the Company’s consolidated financial position, results of operations or cash flows.

Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards

In June 2007, the Emerging Issues Task Force (“EITF”) reached consensus on Issue No. 06-11 “*Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*.” EITF Issue No. 06-11 requires that the tax benefit related to dividend and dividend equivalents paid on equity-classified, non-vested shares and non-vested share units, which are expected to vest, be recorded as an increase to additional paid-in capital. EITF No. 06-11 was to be applied prospectively for tax benefits on dividends declared in our fiscal year beginning July 1, 2008. The adoption of EITF 06-11 had an insignificant impact on the Company’s consolidated financial statements.

Recently Issued Accounting Pronouncements

In May 2008, the FASB issued Statement No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*,” (“SFAS 162”) which identifies the sources of accounting principles and the accounting framework for selecting the principles to be used in the preparation of financial statements of non-governmental entities that are presented in conformity with U.S. generally accepted accounting principles (“GAAP”). SFAS 162 is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “*The Meaning of Present Fairly in Conformity with GAAP*.” The Company does not expect the adoption of SFAS 162 to have an impact on its consolidated financial statements.

In March 2008, the FASB issued Statement No. 161, “*Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133*” (“SFAS 161”). SFAS 161 intends to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance and cash flows. SFAS 161 also requires disclosure about an entity’s strategy and objectives for using derivatives, the fair values of derivative instruments and their related gains and losses. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, and will be applicable to the Company’s fiscal year beginning July 1, 2009. The Company is evaluating the impact, if any, the adoption of SFAS 161 could have on its consolidated financial statements.

In December 2007, the FASB issued Statement No. 141 (revised 2007), “*Business Combinations*” (“SFAS 141R”), which significantly changes the ways companies account for business combinations and will generally require more assets acquired and liabilities assumed to be measured at their acquisition date fair value. Under SFAS 141R, legal fees and other transaction-related costs are expensed as incurred and are no longer included in goodwill as a cost of acquiring the business. SFAS 141R also requires, among other things, acquirers to estimate the acquisition date fair value of any contingent consideration and to recognize any subsequent changes in the fair value of contingent consideration in earnings. In addition,

ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited, in thousands except share data, per ounce and per pound amounts)

restructuring costs the acquirer expected, but was not obligated to incur, will be recognized separately from the business acquisition. SFAS 141R is effective for the Company's fiscal year beginning July 1, 2009, and is to be applied prospectively. The Company is evaluating the impact, if any, the adoption of SFAS 141R could have on its consolidated financial statements.

Also in December 2007, the FASB issued Statement No. 160, "*Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*" ("SFAS 160"). SFAS 160 requires all entities to report non-controlling interests in subsidiaries as a separate component of equity in the consolidated financial statements. SFAS 160 establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. Companies will no longer recognize a gain or loss on partial disposals of a subsidiary where control is retained. In addition, in partial acquisitions, where control is obtained, the acquiring company will recognize and measure at fair value 100 percent of the assets and liabilities, including goodwill, as if the entire target company had been acquired. SFAS 160 is effective for the Company's fiscal year beginning July 1, 2009, and is to be applied prospectively. The Company is evaluating the impact, if any, the adoption of SFAS 160 could have on its consolidated financial statements.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited, in thousands except share data, per ounce and per pound amounts)

2. ROYALTY ACQUISITION

Effective October 1, 2008, the Company completed its acquisition of royalties from Barrick for cash of approximately \$181.3 million and a restructuring of the Company's GSR2, GSR3 and NVR1 royalties at Cortez, valued at \$31.5 million, for net cash of approximately \$150.0 million. The transactions were completed pursuant to the Royalty Purchase and Sale Agreement dated July 30, 2008. The cash portion of the purchase price for the transaction was paid from the Company's cash on hand.

The royalty portfolio acquired consisted of royalties on 72 properties, including nine producing royalties, three development stage properties and 60 exploration stage projects. Eighteen of the exploration stage projects are considered to be in an evaluation stage as these properties are engaged in the search for reserves but currently contain additional mineralized material. Please refer to Note 3 for a further discussion on the key royalty assets acquired from Barrick.

The restructuring of Royal Gold's royalty positions at Cortez consisted of the following: (1) a reduction of the Company's GSR2 sliding-scale royalty, from a range of 0.72% to 9.0%, to match the current GSR1 sliding-scale royalty rate ranging from 0.40% to 5.0%, and (2) the elimination of Royal Gold's interest in the 0.71% GSR3 royalty and the 0.39% NVR1 royalty on the mining claims that comprise the undeveloped Crossroads deposit. The GSR3 and NVR1 royalties that cover areas outside the Crossroads deposit at Cortez were not affected by this transaction. The Crossroads deposit continues to be subject to the Company's GSR2 royalty at the reduced rate.

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 \$3.2 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* on our consolidated balance sheets. The amounts allocated to the acquired royalty interests in mineral properties acquired from Barrick are preliminary and are subject to change upon completion of final valuations.

As part of the royalty restructuring, as discussed above, the Company recognized a gain of \$31.5 million during the fiscal quarter ended December 31, 2008. The restructured royalties were a nonmonetary exchange and the fair value of the restructured royalties was determined based on expected future cash flows. The Company's basis in the restructured royalties was zero thus giving rise to the \$31.5 million gain. The royalty restructuring gain has been recorded as *Gain on royalty restructuring* on the Company's consolidated statements of operations and comprehensive income.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited, in thousands except share data, per ounce and per pound amounts)

3. ROYALTY INTERESTS IN MINERAL PROPERTIES

The following summarizes the Company's royalty interests in mineral properties as of December 31, 2008 and June 30, 2008.

As of December 31, 2008 (Amounts in thousands):	Cost	Accumulated Depletion	Net
Production stage royalty interests:			
Cortez	\$ 10,630	\$ (9,057)	\$ 1,573
Robinson	17,825	(5,391)	12,434
Leeville	17,495	(7,110)	10,385
Goldstrike-SJ Claims	20,788	(9,644)	11,144
Mulatos	34,214	(2,895)	31,319
Dolores	44,878	(18)	44,860
Taparko	33,570	(5,374)	28,196
Other	81,060	(15,934)	65,126
	260,460	(55,423)	205,037
Development stage royalty interests:			
Peñasquito (sulfide circuit)	95,146	—	95,146
Malartic	34,031	—	34,031
Pascua-Lama	20,446	—	20,446
Other	46,682	—	46,682
	196,305	—	196,305
Exploration stage royalty interests	74,653	(271)	74,382
Total royalty interests in mineral properties	\$531,418	\$ (55,694)	\$475,724
As of June 30, 2008 (Amounts in thousands):	Cost	Accumulated Depletion	Net
Production stage royalty interests:			
Cortez	\$ 10,630	\$ (8,901)	\$ 1,729
Robinson	17,825	(4,271)	13,554
Taparko	33,570	(4,514)	29,056
Leeville	17,495	(5,567)	11,928
Goldstrike-SJ Claims	20,788	(8,641)	12,147
Other	40,782	(11,598)	29,184
	141,090	(43,492)	97,598
Development stage royalty interests:			
Peñasquito (sulfide circuit)	95,146	—	95,146
Dolores	40,989	—	40,989
Pascua-Lama	20,446	—	20,446
Other	18,110	—	18,110
	174,691	—	174,691
Exploration stage royalty interests	28,652	(271)	28,381
Total royalty interests in mineral properties	\$344,433	\$ (43,763)	\$300,670

ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited, in thousands except share data, per ounce and per pound amounts)

As discussed in Note 2, effective October 1, 2008, the Company acquired a royalty portfolio from Barrick which consisted of 72 properties, including nine producing royalties, three development stage royalties and 60 exploration stage royalties.

Key royalty assets acquired from Barrick:

Mulatos — A sliding-scale net smelter return (“NSR”) royalty on the Mulatos mine, located in Sonora, Mexico, and operated by a subsidiary of Alamos Gold, Inc. Prior to October 1, 2008, we owned a 0.30%-1.50% NSR sliding-scale royalty on the property. The acquisition of the Barrick royalty portfolio consolidated the Mulatos royalty and increased our royalty interest to a 1.0% to 5.0% sliding-scale NSR royalty.

A portion (non-reserve) of our investment in Mulatos is classified as an exploration stage royalty interest, which is not subject to amortization. In the event that future proven and probable reserves associated with our royalty interest are developed at Mulatos, additional cost basis of our royalty interest will be reclassified to a development stage or a production stage royalty interest in future periods, as appropriate.

Malartic — A 2.0%-3.0% sliding-scale NSR royalty on the Canadian Malartic gold project, located in Quebec, Canada, and owned by Osisko Mining Corporation (“Osisko”). The Malartic royalty is associated with proven and probable reserves but is not currently in production and is therefore classified as a development stage royalty interest, which is not subject to amortization. The royalty is subject to a buy down right, which if exercised by Osisko would lower the sliding-scale NSR royalty to 1.0%-1.5%.

Siguiri — A sliding-scale NSR royalty currently paying 1.875% on the Siguiri gold mine, located in Guinea, West Africa, and operated by AngloGold Ashanti. The Siguiri royalty is currently in production and is classified as a production stage royalty interest, which is depleted using a units of production method.

Mt. Goode (Cosmos) — A 1.5% NSR royalty covering a portion of the Mt. Goode (Cosmos) nickel mine, located in Western Australia, Australia, and operated by Xstrata. The Mt. Goode (Cosmos) royalty is currently in production and is classified as a production stage royalty interest, which is depleted using a units of production method.

Allan — A sliding-scale royalty on the Allan potash mine, located in Saskatchewan, Canada, and operated by Potash Corporation of Saskatchewan. The royalty is currently paying at a rate of \$1.44 per ton of relative production, subject to reductions based on annual production. The Allan royalty is currently in production and is classified as a production stage royalty interest, which is depleted using a units of production method.

4. CREDIT FACILITY

On October 30, 2008, the Company and its wholly-owned subsidiaries, High Desert Mineral Resources, Inc. (“High Desert”) and RG Mexico, Inc. (“RG Mexico”), entered into the Credit Agreement with HSBC Bank USA, National Association (“HSBC Bank”), as administrative agent and a lender, Scotiabanc Inc., as a lender, HSBC Securities (USA) Inc. (“HSBC Securities”), as sole lead arranger and Bank of Nova Scotia, as sole syndication agent. The Credit Agreement replaced the Company’s \$80 million revolving credit facility with HSBC Bank.

The Credit Agreement provides the Company a \$125 million revolving credit facility with a maturity date of October 30, 2013. Borrowings under the credit facility will bear interest at a floating rate of LIBOR

ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited, in thousands except share data, per ounce and per pound amounts)

plus a spread ranging from 1.75% to 2.25%, based on the Company's leverage ratio (as defined). Unlike the prior credit facility, availability under the new credit facility is not limited by a borrowing base formula, therefore, the entire \$125 million is available under the new credit facility.

The royalties securing the new credit facility consist of the GSR1, GSR2, GSR3, and NVR1 royalties at the Cortez and the royalties at Goldstrike-SJ Claims, Leeville, Robinson, Dolores, Peñasquito and Mulatos (the "Collateral Royalties"). In addition to the Collateral Royalties, the credit facility is secured by 100% of Royal Gold's equity interests in High Desert and RG Mexico and substantially all of the present and future personal property and assets of the Company, High Desert and RG Mexico. The Credit Agreement contains financial covenants requiring the Company to maintain a leverage ratio (as defined) of 3.0 to 1.0 or less, a minimum consolidated net worth (as defined) of not less than a base amount that increases according to cumulative positive net income, an interest coverage ratio (as defined) of at least 3.0 to 1.0, a current ratio (as defined) of at least 1.5 to 1.0 and a facility coverage ratio (as defined) of at least 1.25 to 1.0.

As of December 31, 2008, the Company did not have any amounts outstanding under the new credit facility.

5. TERM LOAN FACILITY

Royal Gold Chile Limitada ("RGCL"), a wholly-owned subsidiary of Royal Gold, had a \$15.75 million term loan outstanding bearing interest at LIBOR plus 0.25% pursuant to a Term Loan Agreement between RGCL and HSBC Bank. On August 27, 2008, RGCL entered into an Amended and Restated Term Loan Agreement ("Amended and Restated Agreement") with HSBC Bank to amend the existing term loan facility. The Amended and Restated Agreement increased the maximum term loan principal amount from \$15.75 million to \$21.75 million, with such additional amounts available to be drawn at any time prior to October 1, 2008. Pursuant to the terms of the Amended and Restated Agreement, Royal Gold must maintain a restricted interest-bearing securities account (the "Collateral Account") on deposit at HSBC Securities with a balance equal to or in excess of the outstanding amounts on the term loan. Royal Gold entered into a Guarantee (the "Guarantee") for the life of the term loan, for the benefit of HSBC Bank to guaranty RGCL's obligations under the Amended and Restated Agreement and a security agreement granting HSBC Bank a security interest in the Collateral Account to secure RGCL's obligations under the Term Loan Agreement and its obligations under the Guarantee. The term loan will mature on March 1, 2012.

On September 19, 2008, RGCL drew an additional \$3.5 million under the Amended and Restated Agreement and Royal Gold securitized RGCL's additional obligation under the Amended Agreement by depositing \$3.5 million into the Collateral Account. As of December 31, 2008, \$19.25 million was outstanding under the term loan facility. The \$2.5 million additional amount available to be drawn under the Amended Agreement expired on October 1, 2008.

The \$19.25 million balance in the Collateral Account as of December 31, 2008, is recorded as *Restricted cash — compensating balance* on the Company's consolidated balance sheets. RGCL's \$19.25 million principal obligation under the Amended and Restated Agreement is recorded as *Note payable* on the Company's consolidated balance sheets.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited, in thousands except share data, per ounce and per pound amounts)

6. STOCK-BASED COMPENSATION

The Company recognized stock option and other stock-based compensation expense as follows:

	For The Three Months Ended		For The Six Months Ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Stock options	\$ 205	\$ 320	\$ 515	\$ 630
Stock appreciation rights	47	—	47	—
Restricted stock	639	436	901	563
Performance stock	24	124	88	225
Total non-cash compensation expense	<u>\$ 915</u>	<u>\$ 880</u>	<u>\$ 1,551</u>	<u>\$ 1,418</u>

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:

	For The Three Months Ended		For The Six Months Ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Stock-based compensation expense allocation:				
Cost of operations	\$ 110	\$ 88	\$ 185	\$ 158
General and administrative	585	546	932	809
Exploration and business	220	246	434	451
Total stock-based compensation expense	<u>\$ 915</u>	<u>\$ 880</u>	<u>\$ 1,551</u>	<u>\$ 1,418</u>

For the three and six months ended December 31, 2008 and 2007, 24,000 and 110,500 stock options, respectively, were granted at an exercise price of \$30.96 and \$29.75, respectively. As of December 31, 2008, there was \$0.9 million of unrecognized compensation expense related to non-vested stock options, which is expected to be recognized over a weighted-average period of 1.5 years. The total intrinsic value of options exercised during the three months ended December 31, 2008 and 2007 was \$1.1 million and \$0, respectively. The total intrinsic value of options exercised during the six months ended December 31, 2008 and 2007 was \$1.1 million and \$0.8 million, respectively. During the six months ended December 31, 2008 and 2007, 96,500 and 97,917 stock options vested, respectively, at a weighted-average grant date fair value of \$12.83 and \$12.40, respectively.

During the three and six months ended December 31, 2008, 50,500 stock appreciation rights were granted at an exercise price of \$30.96, which equals the closing market price of the Company's common stock on the date of grant. No stock appreciation rights were granted during the three and six months ended December 31, 2007. Stock appreciation rights granted vest based on one to three years of continuous service and have 10 year contractual terms and are settled in shares of Royal Gold common stock. As of December 31, 2008, there was \$0.6 million of unrecognized compensation expense related to non-vested stock appreciation rights, which is expected to be recognized over a weighted-average period of 1.4 years.

During the three and six months ended December 31, 2008 and 2007, 96,500 and 87,500 shares of restricted stock, respectively, were granted at a weighted-average grant date fair market value of \$30.96 and \$29.75, respectively. During the three and six months ended December 31, 2008 and 2007, 23,166 and 10,625 shares of restricted stock, respectively, vested at a weighted-average grant date fair market

ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited, in thousands except share data, per ounce and per pound amounts)

value \$26.51 and \$29.59, respectively. As of December 31, 2008, there was \$5.7 million of unrecognized compensation expense related to non-vested restricted stock, which is expected to be recognized over a remaining weighted-average vesting period of 3.8 years.

During the three and six months ended December 31, 2008 and 2007, 46,500 and 48,000 shares of performance stock, respectively, were granted at a weighted-average grant date fair market value of \$30.96 and \$29.75, respectively. During the three months ended December 31, 2008 and 2007, 9,000 and 0 shares of performance stock, respectively, vested at a weighted-average grant date fair market value of \$28.78 and \$0, respectively. During the six months ended December 31, 2008 and 2007, 9,000 shares of performance stock vested at a weighted-average grant date fair market value of \$28.78. As of December 31, 2008, there was \$0.1 million of unrecognized compensation expense related to non-vested performance stock, which is expected to be recognized over a remaining estimated vesting period of 0.75 years.

7. EARNINGS PER SHARE (“EPS”)

	For The Three Months Ended December 31, 2008		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$ 21,397	33,961,206	\$ 0.63
Effect of other dilutive securities	—	414,182	
Diluted EPS	<u>\$ 21,397</u>	<u>34,375,388</u>	<u>\$ 0.62</u>

	For The Three Months Ended December 31, 2007		
	Income (Numerator) (As Restated)	Shares (Denominator)	Per-Share Amount (As Restated)
Basic EPS			
Net income	\$ 4,610		
Preferred dividends	(1,204)		
Income available to common stockholders	\$ 3,406	29,777,468	\$ 0.11
Effect of other dilutive securities	—	346,831	
Diluted EPS	<u>\$ 3,406</u>	<u>30,124,299</u>	<u>\$ 0.11</u>

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited, in thousands except share data, per ounce and per pound amounts)

	For The Six Months Ended December 31, 2008		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$ 27,146	33,943,851	\$ 0.80
Effect of other dilutive securities	—	399,976	
Diluted EPS	<u>\$ 27,146</u>	<u>34,343,827</u>	<u>\$ 0.79</u>

	For The Six Months Ended December 31, 2007		
	Income (Numerator) (As Restated)	Shares (Denominator)	Per-Share Amount (As Restated)
Basic EPS			
Net income	\$ 10,148		
Preferred dividends	<u>(1,204)</u>		
Income available to common stockholders	\$ 8,944	29,253,504	\$ 0.30
Effect of other dilutive securities	—	202,095	
Diluted EPS	<u>\$ 8,944</u>	<u>29,455,599</u>	<u>\$ 0.30</u>

For the three months ended December 31, 2008 and 2007, all outstanding stock-based compensation awards were included in the computation of diluted EPS because the exercise price of the awards was less than the average market price of our common stock for the period.

For the six months ended December 31, 2008, all outstanding stock-based compensation awards were included in the computation of diluted EPS because the exercise price of the awards was less than the average market price of our common stock for the period. For the six months ended December 31, 2007, 240,100 stock-based compensation awards, at a weighted average purchase price of \$29.77 per share, were outstanding, but were not included in the computation of diluted EPS because the exercise price of these awards was greater than the average market price of our common stock for the period. For the six months ended December 31, 2007, 1,064,863 weighted shares of common stock into which the Preferred Stock could be converted were not included in the computation of diluted EPS as the result would be antidilutive.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited, in thousands except share data, per ounce and per pound amounts)

8. INCOME TAXES

	Three Months Ended December 31, 2008	2007 (As Restated)
Current income tax expense	\$ (14,116)	\$ (2,715)
Deferred income tax benefit	2,118	486
Income tax expense reported	<u>\$ (11,998)</u>	<u>\$ (2,229)</u>
Effective tax rate	<u>35.9%</u>	<u>32.6%</u>
	Six Months Ended December 31, 2008	2007 (As Restated)
Current income tax expense	\$ (17,668)	\$ (5,927)
Deferred income tax benefit	2,541	923
Income tax expense reported	<u>\$ (15,127)</u>	<u>\$ (5,004)</u>
Effective tax rate	<u>35.8%</u>	<u>33.0%</u>

The material 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, 2005, and the Colorado state return for tax years ended on or after June 30, 2004, are subject to examination by the relevant taxing authority.

As of December 31, 2008, the Company's total unrecognized tax benefits were \$0.4 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 \$0.08 million at December 31, 2008, and is included in *Other long-term liabilities* on the Company's consolidated balance sheets.

9. 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, INC.
Notes to Consolidated Financial Statements
(Unaudited, in thousands except share data, per ounce and per pound amounts)

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

	Royalty Revenue				Royalty Interests in Mineral Properties, net	
	Three months ended December 31,		Six months ended December 31,		As of December 31, 2008	As of June 30, 2008
	2008	2007 (As Restated)	2008	2007 (As Restated)		
USA	51%	84%	67%	89%	13%	18%
Mexico	18%	3%	14%	3%	44%	55%
Africa ⁽¹⁾	20%	7%	10%	5%	9%	12%
Canada	2%	1%	1%	1%	19%	2%
Other	9%	5%	8%	2%	15%	13%

⁽¹⁾ Consists of royalties on properties in Burkina Faso, Guinea and the Republic of Ghana.

10. FAIR VALUE MEASUREMENTS

The Company adopted the provision of SFAS 157 on July 1, 2007, with no significant impact on the Company's consolidated financial statements. SFAS 157 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 SFAS 157 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 that require 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 by level within the fair value hierarchy. The Company's financial liabilities are not within the scope of the provisions of SFAS 157.

	Fair Value at December 31, 2008			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market investments ⁽¹⁾	\$ 48,270	\$ 48,270	\$ —	\$ —
Restricted cash	19,250	19,250	—	—
Marketable equity securities ⁽²⁾	212	212	—	—
	<u>\$ 67,732</u>	<u>\$ 67,732</u>	<u>\$ —</u>	<u>\$ —</u>

⁽¹⁾ Included in *Cash and equivalents* in the Company's consolidated balance sheets.

⁽²⁾ Included in *Other assets* in the Company's consolidated balance sheets.

ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited, in thousands except share data, per ounce and per pound amounts)

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 restricted cash, which is included in *Restricted cash — compensating balance* in the Company's consolidated balance sheets, is invested in a money market fund which is traded by dealers or brokers in an active over-the-counter market. The Company's restricted cash is 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, 2008, 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 impairment losses have occurred relative to any of these assets during the six months ended December 31, 2008. If recognition of these assets at their fair value becomes necessary, such measurements will be determined utilizing Level 3 inputs.

11. COMMITMENTS AND CONTINGENCIES

Casmalia

On March 24, 2000, the United States Environmental Protection Agency ("EPA") notified Royal Gold and 92 other entities that they were considered potentially responsible parties ("PRPs") under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("Superfund"), at the Casmalia Resources Hazardous Waste Disposal Site (the "Site") in Santa Barbara County, California. EPA's allegation that Royal Gold was a PRP was based on the disposal of allegedly hazardous petroleum exploration wastes at the Site by Royal Gold's predecessor, Royal Resources, Inc., during 1983 and 1984.

After extensive negotiations, on September 23, 2002, Royal Gold, along with 35 members of the PRP group targeted by EPA, entered into a Partial Consent Decree with EPA and the United States Department of Justice intending to settle their liability for past and future clean-up costs incurred or expected to be incurred at the Site by the federal government. The United States District Court for the Central District of California entered the Partial Consent Decree on August 14, 2003. Based on the minimal volume of allegedly hazardous substances that Royal Resources, Inc. disposed of at the Site, which was characterized in volume as de minimis, our share of the \$25.3 million settlement amount was approximately \$0.1 million, which we deposited into the escrow account that the PRP group set up for that purpose in January 2002. The funds were paid to the United States Treasury on May 9, 2003 and the Partial Consent Decree was executed. As a result of the settlement, the United States of America may only pursue Royal Gold and the other PRPs for additional clean-up costs if the United States' total clean-up costs at the Site significantly exceed the expected cost of approximately \$272 million.

Royal Gold also executed a de minimis party Administrative Order on Consent ("AOC") with the State of California on January 15, 2009. The AOC will become effective after notice from the California Attorney General that the required 30-day public comment period has closed and that comments received, if any,

ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited, in thousands except share data, per ounce and per pound amounts)

do not require modifications to or withdrawal of the AOC by the State of California. It is not anticipated at this date that any such modifications or withdrawals will occur.

Under the terms of the federal Partial Consent Decree and the state AOC, we believe our potential liability with the United States of America, the State of California, and third parties to be effectively settled and any further exposure related to the Casmalia site to be a remote possibility.

12. 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 Executive Chairman, 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 received from the operator including the disbursement of royalty payments and record keeping for in-kind distributions to the limited partners, including our directors and Executive Chairman.

Effective with the Barrick royalty portfolio acquisition (see Note 2), CVP assigned to Barrick the portion of CVP’s royalty interests in the undeveloped Crossroads deposit at Cortez attributable to Royal Gold through its limited partnership interest in CVP and general partnership interest through DMFC. The portion transferred equaled a 0.3954% royalty interest. CVP’s royalty interest outside the undeveloped Crossroads deposit was unaffected by the Barrick transaction.

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 28,090 ounces of gold as of December 31, 2008, 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 \$11.7 million and \$11.2 million as of December 31, 2008 and June 30, 2008, respectively, while the fair value of such ounces was approximately \$24.4 million and \$25.6 million as of December 31, 2008 and June 30, 2008, respectively. None of the gold currently held in inventory as of December 31, 2008 and June 30, 2008, is attributed to Royal Gold, as the gold allocated to Royal Gold is typically sold within five days of receipt.

13. SUBSEQUENT EVENTS

Holloway-Holt

On October 1, 2008, as part of the Company’s acquisition of a portfolio of royalties from Barrick Gold Corporation, we acquired a royalty on a 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 Canada 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

ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited, in thousands except share data, per ounce and per pound amounts)

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. Newmont has responded St Andrew is responsible for all royalty obligations under the royalty agreement.

Barrick and we have been joined as necessary parties to the litigation. Trial concerning calculation of the royalty and the party or parties responsible for paying it commenced on January 30, 2009. The royalty is currently classified as a development stage royalty interest and the Company does not receive revenue from the royalty. At this time, the Company is unable to estimate the impact, if any, the litigation will have on the Company's consolidated financial statements.

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

Restatement

As part of the Company's royalty monitoring program during the first fiscal quarter of 2009, Royal Gold identified a \$3.1 million overpayment with respect to the Company's GSR1 and GSR2 royalties at the Cortez Pipeline Mining Complex ("Cortez"), which the Company received and recognized as royalty revenues. The overpayment of the royalty was the result of the operator incorrectly including non-Royal Gold royalty production in the Company's quarterly GSR1 and GSR2 royalty payments commencing in January 2007 and continuing through fiscal year 2008.

The error that caused the overpayment of royalty payments was not timely identified by our controls and procedures in place and \$3.1 million was incorrectly recognized as royalty revenue, resulting in a material overstatement of royalty revenue for fiscal year 2008. On November 3, 2008, the Company's Audit Committee of the Board of Directors, in consultation with management, concluded that due to the error in accounting for royalty revenue, our previously issued consolidated financial statements as of and for the fiscal year ended June 30, 2008 and for each of the quarters comprising the fiscal year should no longer be relied upon and should be restated.

On November 6, 2008, the Company filed an amended Annual Report on Form 10-K/A ("Amended 10-K") with the Securities and Exchange Commission restating the Company's annual consolidated financial statements for fiscal year 2008 and for each of the quarters comprising fiscal year 2008. The consolidated financial statements and related disclosures for the quarter ended December 31, 2007 have been restated in this report to reflect the revenue accounting error discussed above and this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") gives effect to the restatement.

General

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 the Amended 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 Amended 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. 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. During the quarter ended December 31, 2008, 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 price of gold and other metals, as well as production from our producing stage royalty interests. Royalty revenue for the quarter ended December 31, 2008 was \$14.6 million, compared to \$14.7 million for the quarter ended December 31, 2007. For the quarter ended December 31, 2008 and 2007, the price of gold averaged \$795 per ounce and \$786 per ounce, respectively, while the price of copper averaged \$1.79 per pound and \$3.28 per pound for the quarter ended December 31, 2008 and 2007, respectively. The slight decrease in royalty revenue for the quarter ended December 31, 2008, compared with the quarter ended December 31, 2007, resulted primarily from a decrease in production at Cortez and a decrease in royalty revenue at Robinson due to the negative provisional pricing adjustments, which resulted from the sharp decrease in copper prices during the period. These decreases were partially offset by a slight increase in gold prices, increased production at Leeville and Goldstrike-SJ Claims, production from the recently acquired Barrick royalty portfolio and commencement of production at Benso and Peñasquito. 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

Our Producing Royalty Interests

Our producing royalty interests are shown in the following table. Please refer to our Amended 10-K for further discussion on our principal producing royalty interests.

<u>Mine</u>	<u>Location</u>	<u>Operator</u>	<u>Royalty (Gold unless otherwise stated)</u>
Cortez	Nevada, USA	Barrick	GSR1: 0.40%-5.0% sliding- scale GSR GSR2 ⁽¹⁾ : 0.40%-5.0% sliding- scale GSR GSR3 ⁽¹⁾ : 0.71% GSR NVR1 ⁽¹⁾ : 0.39% NVR
Robinson	Nevada, USA	Quadra Mining Ltd. ("Quadra")	3.0% NSR (copper, gold, silver, molybdenum)
Leeville Mining Complex (Leeville North and Leeville South)	Nevada, USA	Newmont Mining Corporation ("Newmont")	1.8% NSR
Goldstrike-SJ Claims	Nevada, USA	Barrick	0.9% NSR
Troy ⁽²⁾	Montana, USA	Revett Minerals, Inc. ("Revett")	7.0% GSR (silver and copper)
Bald Mountain	Nevada, USA	Barrick	1.75%-3.5% sliding-scale NSR
Twin Creeks — Getchell ⁽³⁾	Nevada, USA	Newmont	2.0% Gross Proceeds Royalty ("GPR")
Wharf ⁽³⁾	South Dakota, USA	Goldcorp Inc. ("Goldcorp")	0.0%-2.0% sliding-scale NSR
Peñasquito (oxide) ⁽⁴⁾	Zacatecas, Mexico	Goldcorp	2.0% NSR (gold and silver)
Mulatos ⁽⁵⁾	Sonora, Mexico	Alamos Gold, Inc. ("Alamos")	1.0%-5.0% sliding-scale NSR
El Chanate ⁽⁶⁾	Sonora, Mexico	Capital Gold, Inc.	2.0%-4.0% sliding-scale NSR; 10.0% NPI
Dolores ⁽⁷⁾	Chihuahua, Mexico	Minefinders Corporation, Ltd. ("Minefinders")	1.25% NSR
Taparko ⁽⁸⁾	Burkina Faso, West Africa	High River Gold Mines Ltd. ("High River")	15% GSR (TB-GSR1) and a 0%-10% sliding-scale GSR (TB-GSR2)
Siguiri ^(3,9)	Guinea, West Africa	AngloGold	0.0%-1.875% sliding-scale NSR
Benso	Republic of Ghana, West Africa	Golden Star Resources Ltd.	1.5% NSR
Martha	Santa Cruz Province, Argentina	Coeur d'Alene Mines Corporation	2.0% NSR (silver)
Don Mario (Lower Mineralized Zone)	Chiquitos Province, Bolivia	Orvana Minerals Corp. ("Orvana")	3.0% NSR (gold, silver and copper)
El Toqui ⁽³⁾	Region XI, Chile	Breakwater Resources	1.0%-3.0% sliding-scale NSR (gold and zinc)
Williams	Ontario, Canada	Barrick (50%) and Teck Cominco Limited (50%)	0.72% NSR
Allan ⁽³⁾	Saskatchewan, Canada	Potash Corporation of Saskatchewan	\$0.36-\$1.44 per ton sliding scale and a \$0.25 per ton (potash)
El Limon	El Limon, Nicaragua	Central Sun Mining, Inc. ("Central Sun") (95%) and	3.0% NSR

		Inversiones Mineras S.A. (5%)	
Balcooma ⁽³⁾	Queensland, Australia	Kagara Zinc	1.5% NSR (gold and silver)
Mt. Goode (Cosmos South) ⁽³⁾	Western Australia, Australia	Xstrata	1.50% NSR (nickel)

⁽¹⁾ As part of the Barrick transaction, as discussed below within this MD&A, the GSR2 royalty rate was reduced to match the royalty rate of GSR1 and the portion of the GSR3 and NVR1 royalties on the mining claims that comprise the undeveloped Crossroads deposit at Cortez was eliminated. The NVR1 royalty is a 1.25% NVR royalty. The Company

owns 31.6% of the 1.25% NVR (or 0.39%), while our consolidated minority interest owns the remaining portion of the 1.25% NVR royalty.

- (2) Royalty will extend until either cumulative production of approximately 9.9 million ounces of silver and 84.7 million pounds of copper, or we receive \$10.5 million in cumulative payments, whichever occurs first. As of December 31, 2008, we have recognized royalty revenue associated with the GSR royalty totaling \$9.5 million, which is attributable to cumulative production of approximately 3.8 million ounces of silver and approximately 33.5 million pounds of copper.
- (3) Royalty acquired as part of the Barrick transaction, as discussed below within this MD&A.
- (4) The Peñasquito project consists of oxide and sulfide portions. The sulfide portion is classified as development stage as shown below.
- (5) As part of the Barrick transaction, as discussed below within this MD&A, the Mulatos sliding-scale royalty rate increased to 1.0%-5.0% from 0.30%-1.5%. The royalty is capped at 2.0 million gold ounces of production. Approximately 328,000 cumulative ounces of gold have been produced as of December 31, 2008.
- (6) The sliding-scale NSR royalty is capped once payments of approximately \$17.0 million have been received while the NPI royalty is capped at \$1.0 million. As of December 31, 2008, we have recognized \$1.3 million in royalty revenue on the NSR royalty and \$1.0 million on the NPI royalty.
- (7) Minefinders announced in January 2009 that their first gold and silver sales were made during the fourth quarter of calendar 2008. The gold sales were subject to the Company's 1.25% NSR during the period. As such, the Company reclassified the 1.25% NSR to production stage from development stage during the period.
- (8) 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, 2008, we have recognized approximately \$5.6 million in royalty revenue associated with TB-GSR1, which is attributable to cumulative production of 43,700 ounces of gold. Portions of our royalty interests at the Taparko mine are classified as development stage and exploration stage as shown below.
- (9) Royalty is subject to a dollar cap of approximately \$12.0 million. As of December 31, 2008, approximately \$10.8 million remains under the cap.

Our Development Stage Royalty Interests

We also own the following royalty interests that are currently in development stage and are not yet in production. Please refer to our Amended 10-K for further discussion on our principal development stage royalty interests.

<u>Mine</u>	<u>Location</u>	<u>Operator</u>	<u>Royalty (Gold unless otherwise stated)</u>
Peñasquito (sulfide circuit)	Zacatecas, Mexico	Goldcorp	2.0% NSR (gold, silver, lead and zinc)
Dolores	Chihuahua, Mexico	Minefinders	2.0% NSR ⁽¹⁾ (gold and silver)
Pascua-Lama	Region III, Chile	Barrick	0.16%-1.08% sliding-scale NSR 0.22% fixed rate royalty (copper)
Gold Hill	Nevada, USA	Kinross Gold Corporation (50%), Barrick (50%)	1.0%-2.0% sliding-scale NSR
Troy	Montana, USA	Revelt	6.1% GSR 2.0% GSR
Marigold	Nevada, USA	Goldcorp	2.0% NSR
Don Mario (Upper Mineralized Zone)	Chiquitos Province, Bolivia	Orvana	3.0% NSR
Taparko	Burkina Faso, West Africa	High River	2.0% GSR (TB-GSR3)
Relief Canyon	Nevada, USA	Firstgold Incorporated	4.0% NSR
Meekatharra (Paddy's Flat) ⁽²⁾	Western Australia, Australia	Mercator Gold	A\$10.00 per gold ounce produced
Reedy's Burnakura ⁽²⁾	Western Australia, Australia	ATW Venture Australia	1.5%-2.5% NSR
Malartic ⁽²⁾	Quebec, Canada	Osisko Mining Corporation ("Osisko")	2.0%-3.0% sliding-scale NSR
Holloway-Holt ^(2,3)	Ontario, Canada	St Andrews Goldfields	0.00013 x quarterly average gold price
Pine Cove ⁽²⁾	Newfoundland, Canada	New Island Resources (70%), Anaconda Gold (30%)	7.5% NPI

(1) Royalty becomes effective once the facility reaches commercial production. Minefinders announced in January 2009 that they expect to reach commercial production during the second quarter of calendar 2009.

(2) Royalty acquired as part of the Barrick transaction, as discussed below within this MD&A.

(3) In November 2008, the operator made application to a court in Ontario, Canada for a declaration that it is not obligated to pay the entire royalty payable under the royalty agreement. The operator claims that its predecessor in interest is responsible for payment of some or all of the royalty. See "Recent Developments, Property Developments" below within this MD&A for further discussion.

Operators' Production Estimates by Royalty for Calendar 2008

We received production estimates from the operators of our producing mines during the first calendar quarter of 2008. The following table shows such production estimates for calendar 2008 as well as the actual production reported to us by the various operators for year ended December 31, 2008. 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. Production estimates for the production stage royalty interests acquired as part of the Barrick transaction, as shown above, are not shown in the table below as the production estimates were not available. Please refer to our Results of Operations below for reported production of the acquired Barrick production stage royalty interests. The

Table of Contents

Company anticipates receiving calendar 2009 production guidance for each of its production stage royalty interests sometime during the first or second calendar quarter of 2009.

Operators' Production Estimate by Royalty for Calendar 2008 and Reported Production For the period January 1, 2008 through December 31, 2008

Royalty	Calendar 2008 Operator's Production Estimate ⁽¹⁾			Reported Production through December 31, 2008 ⁽²⁾		
	Gold (oz.)	Silver (oz.)	Copper (lbs.)	Gold (oz.)	Silver (oz.)	Copper (lbs.)
Cortez GSR1	316,000	—	—	208,684	—	—
Cortez GSR2 ⁽³⁾	51,000	—	—	79,227	—	—
Cortez GSR3 ⁽³⁾	367,000	—	—	287,911	—	—
Cortez NVR1 ⁽³⁾	242,000	—	—	167,267	—	—
Robinson ⁽⁴⁾	115,000	—	150 million	128,047	—	147 million
Leeville	415,000	—	—	458,176	—	—
SJ Claims	792,000	—	—	800,517	—	—
Troy	—	1.4 million	12.5 million	—	1.0 million	9.5 million
El Chanate ⁽⁵⁾	50,000	—	—	42,559	—	—
Mulatos	120,000	—	—	148,449	—	—
Don Mario ⁽⁶⁾	N/A	—	—	73,675	—	—
Peñasquito ⁽⁷⁾	67,000	2.3 million	—	16,558	1.2 million	—
El Limon	43,000	—	—	37,024	—	—
Williams	126,000	—	—	135,904	—	—
Dolores ⁽⁸⁾	10,000	350,000	—	2,440	42,800	—
Martha	—	3.2 million	—	—	2.9 million	—
Bald Mountain	28,000	—	—	24,262	—	—
Taparko ⁽⁹⁾	91,000	—	—	34,902	—	—
Benso	25,000	—	—	38,968	—	—

- (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 herein and in Part I, Item 1A, of our Amended 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, 2008 through December 31, 2008, as reported to us by the operators of the mines.
- (3) As part of the royalty acquisition transaction between Royal Gold and Barrick, as discussed below in this MD&A, GSR2 was reduced to match the royalty rate of GSR1 and the portion of the GSR3 and NVR1 royalties on the mining claims that comprise the undeveloped Crossroads deposit at Cortez were eliminated. None of the production estimates shown are attributable to the Crossroads deposit.
- (4) As a result of strong performance at Robinson through the first six months of calendar 2008, Quadra announced in July 2008 that it increased its 2008 annual metal production guidance from 130 million pounds to 150 million pounds of copper and from 100,000 ounces to 115,000 ounces of gold.
- (5) Reported production is from the date of acquisition in February 2008 through December 31, 2008.
- (6) The operator at Don Mario did not provide us a production estimate for calendar 2008.
- (7) Reported production estimate relates to the oxide circuit. In May 2008, Peñasquito poured the first gold from the oxide circuit and construction at Peñasquito continues to progress. As reported by Goldcorp, production from the oxide circuit is lower than estimated primarily due to a slower than expected ramp-up of gold production. Goldcorp expects production at Peñasquito from the first sulfide circuit by late calendar 2009 and expects the second sulfide circuit to be operational near the end of calendar 2010.
- (8) Minefinders had their first gold and silver production during the fourth quarter of calendar 2008, which was below their August 2008 announced initial production outlook for 2008 largely due to construction delays.

- (9) Reported production through December 31, 2008 at Taparko is below the operator's calendar 2008 production estimate primarily due to continued mill problems which are associated with the grinding mill drive-train. Please refer to "Recent Developments, Taparko Developments" below for further discussion.

Recent Developments

Acquisition of Barrick Royalty Portfolio

Effective October 1, 2008, the Company completed its acquisition of royalties from Barrick for cash of approximately \$181.3 million and a restructuring of the Company's GSR2, GSR3 and NVR1 royalties at Cortez, valued at \$31.5 million, for net cash of approximately \$150 million. The transactions were completed pursuant to the Royalty Purchase and Sale Agreement ("the Agreement") dated July 30, 2008. The cash portion of the purchase price for the transaction was paid from the Company's cash on hand.

The royalty portfolio acquired consisted of royalties on 72 properties, including nine producing royalties, three development stage properties and 60 exploration stage projects. Eighteen of the exploration stage projects are considered to be in an evaluation stage as these properties are engaged in the search for reserves but currently contain additional mineralized material. The restructuring of Royal Gold's royalty positions at Cortez consisted of the following: (1) a reduction of the Company's GSR2 sliding-scale royalty, from a range of 0.72% to 9.0%, to match the current GSR1 sliding-scale royalty rate ranging from 0.40% to 5.0%, and (2) the elimination of Royal Gold's interest in the 0.71% GSR3 royalty and the 0.39% NVR1 royalty on the mining claims that comprise the undeveloped Crossroads deposit. The GSR3 and NVR1 royalties that cover areas outside the Crossroads deposit at Cortez were not affected by this transaction. The Crossroads deposit continues to be subject to the Company's GSR2 royalty at the reduced rate.

The royalty portfolio, which was assembled by Barrick and various predecessor companies, including Placer Dome, Homestake, Lac Minerals, AurionGold, Delta Gold and Plutonic generated approximately \$4.0 million in royalty revenue to the Company for the three months ended December 31, 2008. The key assets in the Barrick royalty portfolio include the following properties:

Mulatos — A sliding-scale NSR royalty currently paying 3.5% on Alamos' Mulatos mine. Prior to October 1, 2008, we owned a 0.30%-1.50% sliding-scale NSR royalty on the property. This acquisition consolidated the Mulatos royalty and increased our royalty interest to a 1.0%-5.0% sliding-scale NSR royalty. At current commodity prices, the Mulatos royalty is 5.0%. As a result of the acquisition, the Company recognized approximately \$1.1 million in additional royalty revenue from Mulatos during the three months ended December 31, 2008. The royalty is capped at 2.0 million gold ounces of production and approximately 328,000 cumulative gold ounces have been produced through December 31, 2008;

Malartic — A 2.0%-3.0% sliding-scale NSR royalty on the Canadian Malartic gold project, owned by Osisko. Osisko announced the completion of a positive feasibility study resulting in proven and probable reserves of 202 million tons of ore, at a grade of 0.031 ounces per ton, containing 6.28 million ounces of gold. Osisko estimates that during the first five years of operation, Malartic would produce an average of 618,000 ounces of gold. The royalty is subject to a buy down right and is classified as a development stage royalty interest on the Company's consolidated balance sheets. If the buy down right is exercised by Osisko, the sliding-scale NSR royalty would be reduced to 1.0%-1.5%;

Siguiri — A sliding-scale NSR royalty currently paying 1.875% on the Siguiri gold mine in Guinea, West Africa, operated by AngloGold Ashanti. The Company recognized approximately \$1.2 million in royalty revenue from Siguiri during the three months ended December 31, 2008.

The royalty is capped on a dollar basis and approximately \$10.8 million remains to be paid as of December 31, 2008;

Mt. Goode (Cosmos) — A 1.5% NSR royalty covering a portion of Xstrata's Cosmos nickel mine in Australia. A large portion of the royalty interest is located to the south of the Cosmos and Cosmos Deeps ore bodies and includes potential future production from identified mineralization, including Tapinos, Prospero, Anomoly1 and AM2 deposits. The Company recognized approximately \$0.2 million in royalty revenue from Mt. Goode (Cosmos) during the three months ended December 31, 2008; and

Allan — A sliding-scale royalty on Potash Corporation of Saskatchewan's potash mine located in Canada. The royalty is currently paying at a rate of \$1.44 per ton relative to 40% of production, subject to reductions based on annual production. The Company recognized approximately \$0.1 million in royalty revenue from Allan during the three months ended December 31, 2008.

Please refer to Note 2 of the notes to consolidated financial statements for further discussion on the acquisition of the Barrick royalty portfolio.

Property Developments

Cortez

A portion of our revenue decrease at Cortez was attributable to the restructuring of the GSR2 royalty, from a range of 0.72% to 9.0%, to match the current GSR1 sliding-scale rate, which ranges from 0.40% to 5.0%, resulting in decrease in royalty revenue of approximately \$0.8 million. The decrease in royalty revenue at Cortez was also due to a decrease in production at Cortez. Production at Cortez was less than expected due to a production focus on the GAP deposit where Royal Gold has a royalty interest in approximately 50% of the deposit. Original production guidance called for a greater amount of production in an area that is entirely covered by Royal Gold's royalty interests. Royal Gold expects to receive the calendar 2009 Cortez production guidance in February 2009.

Taparko

The Taparko mine commenced gold production in August 2007 and has contributed approximately \$8.9 million in royalty revenue (from TB-GSR1 and TB-GSR2) since production commenced. Reserve characteristics, mining activity, and gold recovery performance has been near feasibility study estimates. However, mill performance has suffered since start-up due to problems associated with the grinding mill drive-train and production ceased on June 11, 2008. A new gear box to correct the mill problems was installed on October 29, 2008, and operations at Taparko re-commenced on November 4, 2008. In January 2009, High River completed further maintenance to improve mill performance over a nine day period when mill operations were suspended. Operations recommenced on January 21 with improved mill performance.

Pursuant to the Amended and Restated Funding Agreement dated February 22, 2006 (the "Funding Agreement") between Royal Gold, Inc. and Somita SA ("Somita"), a 90% owned subsidiary of High River and the operator of Taparko, Somita is in breach of certain obligations under the Funding Agreement. As of December 31, 2008, the Company has funded \$35 million to Somita 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. The pledge will remain in effect until Somita has repaid to the Company \$35 million. In addition, Royal Gold obtained as collateral a pledge of shares of certain equity investments in public companies held by High River. The collateral will remain in effect until the completion and attainment of certain production or performance standards at the Taparko mine. On November 21, 2008,

Table of Contents

High River announced the closing of an equity financing with Lybica Holding B.V., an affiliate of ZAO Severstal Resources, the mining division of OAO Severstal ("Severstal"). As a result of the equity financing, Severstal will indirectly hold approximately 50.1% of High River common stock. 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.

Robinson

Royalty revenue from the 3.0% NSR royalty at Robinson, pursuant to the Robinson royalty agreement, is recognized based upon three percent of revenue received by the operator of the mine, Quadra, for the sale of minerals from the Robinson mine, reduced by certain costs incurred by Quadra. Quadra's concentrate sales contracts with third-party smelters, in general, provide for a provisional payment based upon assays and quoted metal prices at the date of shipment. Final true up payments are subsequently based upon final assays and market metal prices set on a specified future date. Under current sales contracts between Quadra and its third party smelters, final pricing for copper sales is generally set at least four months after the date of shipment.

Royal Gold recognizes royalty revenue under the Robinson royalty agreement based on amounts contractually due pursuant to the calculations above for the underlying sale. In the event there are significant pricing variations between the provisional and final settlement periods in copper, and to a lesser extent, gold and silver, royalty revenue recognized by the Company on the Robinson royalty will be positively or negatively impacted.

During the three months ended December 31, 2008, the average price of copper was \$1.79 per pound, while the average price of copper during the three months ended September 30, 2008, was \$3.49. This significant decrease in the price of copper resulted in Quadra having significant negative final pricing adjustments. Furthermore, during the three months ended December 31, 2008, copper sales at Robinson decreased significantly when compared to the previous quarters of calendar 2008, which resulted in lower royalty revenue for the period and magnified the impact of the negative final pricing adjustments on the Company's royalty revenue during the period.

The negative final pricing adjustments impacted our royalty revenue by approximately \$3.3 million during the three months ended December 31, 2008. Prior to the price adjustments, the Company's royalty revenue for the period ended December 31, 2008 was \$2.0 million. After the price adjustments, the Company's royalty revenue for the quarter ended December 31, 2008 was negative in the amount of \$1.3 million. The negative royalty revenue recognized at Robinson during the period will be offset against future Robinson sales subject to the Company's royalty. Royal Gold may be subject to additional negative pricing adjustments during our third fiscal quarter of 2009 depending on the price of copper at the time of settlement.

Troy

In December 2008, Revett gave its employees at the Troy mine 60 day notice under the Worker Adjustment and Retraining Notification (WARN) Act that operations at Troy may be placed on care and maintenance if metal prices remain at currently depressed levels. Revett announced that it plans to continue operations until early February 2009 and continue thereafter as long as operations remain profitable.

The Company's production stage royalty interest at the Troy mine is a 7.0% GSR royalty on silver and copper produced and extends until either cumulative production of approximately 9.9 million ounces of silver and 84.7 million pounds of copper, or we receive \$10.5 million in cumulative payments, whichever occurs first. As of December 31, 2008, the Company recognized royalty revenue associated with the

Table of Contents

GSR royalty totaling \$9.5 million, which is attributable to cumulative production of approximately 3.2 million ounces of silver and approximately 33.0 million pounds of copper.

Rock Creek

Under the Revett agreement, the Company had the option to convert 1.3 million shares it held in Revett into a 1.0% NSR royalty on the Rock Creek mine. In December 2008, Royal Gold elected to exercise its option to convert all 1.3 million Revett shares held by us into the 1.0% NSR royalty at the Rock Creek mine. The Rock Creek mine is located in northwestern Montana, is owned by Revett and is classified as exploration stage royalty interest on the Company's consolidated balance sheets.

Holloway-Holt

On October 1, 2008, as part of the Company's acquisition of a portfolio of royalties from Barrick Gold Corporation, we acquired a royalty on a 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 Canada 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. Newmont has responded that St Andrew is responsible for all royalty obligations under the royalty agreement.

Barrick and we have been joined as necessary parties to the litigation. Trial concerning calculation of the royalty and the party or parties responsible for paying it commenced on January 30, 2009. The royalty is currently classified as a development stage royalty interest and the Company does not receive revenue from the royalty. At this time, the Company is unable to estimate the impact, if any, the litigation will have on the Company's consolidated financial statements.

Amended and Restated Credit Facility

On October 30, 2008, the Company entered into a Third Amended and Restated Credit Agreement (the "Credit Agreement") with HSBC Bank USA National Association ("HSBC Bank"), Scotiabanc Inc. ("Scotiabanc"), and The Bank of Nova Scotia ("Bank of Nova Scotia") which, among other things, increased the Company's existing credit facility from \$80 million to \$125 million and extended the maturity date to October 30, 2013. Refer to "Liquidity and Capital Resources" below within this MD&A for further discussion on the Credit Agreement.

Results of Operations

Quarter Ended December 31, 2008, Compared to Quarter Ended December 31, 2007

For the quarter ended December 31, 2008, we recorded net earnings of \$21.4 million, or \$0.63 per basic share and \$0.62 per diluted share, as compared to net earnings of \$4.6 million, or \$0.11 per basic and diluted share, for the quarter ended December 31, 2007. The increase in our earnings per share during the period was due to the one-time royalty restructuring gain of \$31.5 million as part of the Barrick royalty acquisition as discussed earlier in this MD&A. The effect of the one-time royalty restructuring gain was \$0.60 per basic share, after taxes.

Table of Contents

For the quarter ended December 31, 2008, we recognized total royalty revenue of \$14.6 million, at an average gold price of \$795 per ounce and an average copper price of \$1.79 per pound, compared to royalty revenue of \$14.7 million, at an average gold price of \$786 per ounce and an average copper price of \$3.28 per pound for the quarter ended December 31, 2007. The slight decrease in royalty revenue for the quarter ended December 31, 2008, compared with the quarter ended December 31, 2007, resulted primarily from a decrease in production at Cortez and a decrease in royalty revenue at Robinson due to the negative provisional pricing adjustments, which resulted from the sharp decrease in copper prices during the period. These decreases were partially offset by a slight increase in gold prices, increased production at Leeville and Goldstrike-SJ Claims, production from the recently acquired Barrick royalty portfolio and commencement of production at Benso and Peñasquito. Royalty revenue and the corresponding production, attributable to our royalty interests, for the quarter ended December 31, 2008 compared to the quarter ended December 31, 2007 is as follows:

Royalty Revenue and Production Subject to Our Royalty Interests
Quarter Ended December 31, 2008 and 2007
(In thousands, except reported production ozs. and lbs.)

Royalty	Metal(s)/ Element	Three Months Ended December 31, 2008		Three Months Ended December 31, 2007	
		Royalty Revenue	Reported Production ⁽¹⁾	Royalty Revenue	Reported Production ⁽¹⁾
Cortez ⁽²⁾	Gold	\$ 3,477	65,425oz.	\$6,239	146,066oz.
				(As Restated)	
Leeville	Gold	\$ 1,957	138,669oz.	\$1,257	86,217oz.
Goldstrike-SJ Claims	Gold	\$ 1,771	257,207oz.	\$1,288	183,211oz.
Mulatos ⁽³⁾	Gold	\$ 1,538	38,741oz.	\$ 356	30,324oz.
Taparko ⁽⁴⁾	Gold	\$ 1,375	7,505oz.	\$1,055	5,932oz.
Siguiri ⁽⁵⁾	Gold	\$ 1,213	81,431oz.	N/A	N/A
Balcooma ⁽⁵⁾	Base	\$ 611	N/A	N/A	N/A
Troy		\$ 574		\$ 349	
	Silver		343,010oz.		113,714oz.
	Copper		2.7 million lbs.		1.0 million lbs.
Twin Creeks-Getchell ⁽⁵⁾	Gold	\$ 501	31,536oz.	N/A	N/A
El Chanate ⁽⁶⁾	Gold	\$ 475	9,376oz.	N/A	N/A
Don Mario	Gold	\$ 445	17,653oz.	\$ 385	22,258oz.
Benso	Gold	\$ 401	38,968oz.	N/A	N/A
Peñasquito (oxide)		\$ 359		N/A	N/A
	Gold		10,057oz.	N/A	N/A
	Silver		0.9 million oz.	N/A	N/A
Wharf ⁽⁵⁾	Gold	\$ 284	17,903oz.	N/A	N/A
El Limon	Gold	\$ 222	9,321oz.	\$ 145	7,175oz.
Williams	Gold	\$ 194	37,792oz.	\$ 148	37,806oz.
Mt. Goode (Cosmos) ⁽⁵⁾	Nickel	\$ 176	2.4 million lbs.	N/A	N/A
Bald Mountain	Gold	\$ 133	—	\$ 132	16,069oz.
Allan ⁽⁵⁾	Potash	\$ 108	225,582 tons	N/A	N/A
Martha	Silver	\$ 85	415,645oz.	\$ 200	773,741oz.
Dolores ⁽⁷⁾	Gold	\$ 22	2,440oz.	N/A	N/A
El Toqui ⁽⁵⁾	Base	\$ 20	N/A	N/A	N/A
Joe Mann ⁽³⁾	Gold	\$ —	—	\$ 3	138oz.
Robinson ⁽⁸⁾		\$ (1,319)		\$3,153	
	Gold		22,844oz.		27,090oz.
	Copper		29.2 million lbs.		28.9 million lbs.
Total Royalty Revenue		\$14,622		\$14,710 (As Restated)	

⁽¹⁾ Reported production relates to the amount of metal sales, subject to our royalty interests, for the three months ended December 31, 2008 and December 31, 2007, as reported to us by the operators of the mines.

Table of Contents

- (2) As part of the Barrick transaction, as discussed earlier within this MD&A, the GSR2 royalty rate was reduced to match the royalty rate of GSR1, or 5.0% at current prices, resulting in a decrease in royalty revenue of approximately \$0.8 million during the period.
- (3) As part of the Barrick transaction, as discussed earlier within this MD&A, the Mulatos sliding-scale royalty rate increased to 5.0% from 1.5%, at current prices, resulting in additional royalty revenue of approximately \$1.1 million during the period.
- (4) Refer to “Recent Developments, Taparko Developments” earlier within this MD&A for a further discussion on recent developments at Taparko.
- (5) Royalty acquired in October 2008 as part of the Barrick transaction, as discussed earlier within this MD&A. Current period production information was not available for Balcooma and El Toqui.
- (6) Royalty acquired in February 2008. Reported production is associated with the Company’s NSR royalty at El Chanate.
- (7) Production began during the fourth quarter of calendar 2008.
- (8) The negative royalty revenue recognized at Robinson will be offset against future metal sales subject to our royalty. Refer to “Recent Developments, Property Developments, Robinson” earlier within this MD&A for a further discussion on recent developments at Robinson.

The slight decrease in royalty revenue for the quarter ended December 31, 2008, compared with the quarter ended December 31, 2007, resulted primarily from a decrease in production at Cortez and a decrease in royalty revenue at Robinson due to the negative provisional pricing adjustments, which resulted from the sharp decrease in copper prices during the period. These decreases were partially offset by increased production at Leeville and Goldstrike-SJ Claims, production from the recently acquired Barrick royalty portfolio and commencement of production at Benso and Peñasquito. 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 decreased to \$0.6 million for the quarter ended December 31, 2008, compared to \$0.9 million for the quarter ended December 31, 2007. The decrease was primarily due to a decrease in the Nevada Net Proceeds Tax expense, which resulted primarily from a decrease in royalty revenue from Robinson and Cortez.

General and administrative expenses increased to \$2.1 million for the quarter ended December 31, 2008, from \$2.0 million for the quarter ended December 31, 2007. The increase was primarily due to an increase in legal and general corporate costs.

Exploration and business development expenses decreased to \$1.0 million for the quarter ended December 31, 2008, from \$1.9 million for the quarter ended December 31, 2007. The decrease is due to a decrease in legal, tax and consulting services for business development activities during the period.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of \$0.9 million for the quarters ended December 31, 2008 and 2007. 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 6 of the notes to consolidated financial statements for further discussion of the allocation of non-cash stock compensation for the quarter ended December 31, 2008 and 2007.

Depreciation, depletion and amortization increased to \$8.6 million for the quarter ended December 31, 2008, from \$3.6 million for the quarter ended December 31, 2007. Depletion from the Barrick royalties acquired in October 2008 contributed approximately \$2.7 million in additional depletion during the period. Increased production at Leeville and Goldstrike-SJ Claims resulted in additional depletion of approximately \$0.5 million. Benso, Peñasquito and Dolores, which recently began

production, contributed \$0.6 million in additional depletion while an increase in depletion rates at Revett and Taparko resulted in additional depletion of approximately \$0.4 million.

Interest and other income decreased to \$0.2 million for the quarter ended December 31, 2008, from \$2.1 million for the quarter ended December 31, 2007. The decrease is due to a decrease in our invested cash and a significant decrease in interest rates associated with our invested cash.

During the quarter ended December 31, 2008, we recognized current and deferred tax expense totaling \$12.0 million compared with \$2.2 million during the quarter ended December 31, 2007. This resulted in an effective tax rate of 35.9% in the current period, compared with 32.6% in the prior period. The increase in our effective tax rate is the result of the royalty restructuring gain as part of the Barrick royalty portfolio acquisition, as discussed earlier in this MD&A, and an increase in the amount of foreign losses for which no tax benefit is currently recognized.

Six Months Ended December 31, 2008, Compared to Six Months Ended December 31, 2007

For the six months ended December 31, 2008, we recorded net earnings of \$27.1 million, or \$0.80 per basic share and \$0.79 per diluted share, as compared to net earnings of \$10.2 million, or \$0.30 per basic share and \$0.30 per diluted share, for the six months ended December 31, 2007. The increase in our earnings per share during the period was primarily due to the one-time royalty restructuring gain of \$31.5 million as part of the Barrick royalty acquisition as discussed earlier in this MD&A. The effect of the one-time royalty restructuring gain was \$0.60 per basic share, after taxes.

For the six months ended December 31, 2008, we recognized total royalty revenue of \$30.7 million, at an average gold price of \$834 per ounce and an average copper price of \$2.64 per pound, compared to royalty revenue of \$27.2 million, at an average gold price of \$732 per ounce and an average copper price of \$3.39 per pound for the six months ended December 31, 2007. The increase in royalty revenue for the six months ended December 31, 2008, compared with the six months ended December 31, 2007, resulted primarily from an increase in the average gold price, an increase in production at Leeville, Goldstrike-SJ Claims and Mulatos mines, production from the recently acquired Barrick royalty portfolio and commencement of production at Benso and Peñasquito. These increases were partially offset during the period by a decrease in production at Cortez and a decrease in royalty revenue at Robinson due to the negative provisional pricing adjustments, which resulted from the sharp decrease in copper prices during the period. Royalty revenue and the corresponding production, attributable to our royalty interests, for the six months ended December 31, 2008 compared to the six months ended December 31, 2007 is as follows:

Royalty Revenue and Production Subject to Our Royalty Interests
Six Months Ended December 31, 2008 and 2007
(In thousands, except reported production ozs. and lbs.)

Royalty	Metal(s) / Element	Six Months Ended December 31, 2008		Six Months Ended December 31, 2007	
		Royalty Revenue	Reported Production ⁽¹⁾	Royalty Revenue	Reported Production ⁽¹⁾
Cortez ⁽²⁾	Gold	\$ 8,012	126,101oz.	\$11,607 (As Restated)	274,338oz.
Leeville	Gold	\$ 3,628	245,497oz.	\$ 2,099	148,132oz.
Robinson ⁽³⁾		\$ 3,514		\$ 6,706	
	Gold		60,331oz.		53,157oz.
	Copper		69.6 million lbs.		61.4 million lbs.
Goldstrike-SJ Claims	Gold	\$ 3,413	472,713oz.	\$ 2,443	370,684oz.
Mulatos ⁽⁴⁾	Gold	\$ 2,075	79,861oz.	\$ 579	52,346oz.
Troy		\$ 1,456		\$ 907	
	Silver		599,001oz.		295,276oz.
	Copper		5.0 million lbs.		2.7 million lbs.
Taparko ⁽⁵⁾	Gold	\$ 1,398	7,622oz.	\$ 1,489	8,798oz.
El Chanate ⁽⁶⁾	Gold	\$ 1,239	21,653oz.	N/A	N/A
Siguiri ⁽⁷⁾	Gold	\$ 1,213	81,431oz.	N/A	N/A
Don Mario ⁽⁸⁾	Gold	\$ 833	35,721oz.	\$ 385	22,258oz.
Balcooma ⁽⁷⁾	Base	\$ 611	N/A	N/A	N/A
Twin Creeks-Getchell ⁽⁷⁾	Gold	\$ 501	31,536oz.	N/A	N/A
Peñasquito (oxide)		\$ 478		N/A	N/A
	Gold		14,940oz.	N/A	N/A
	Silver		1.1 million oz.	N/A	N/A
El Limon ⁽⁸⁾	Gold	\$ 477	18,880oz.	\$ 145	7,175oz.
Benso ⁽⁹⁾	Gold	\$ 401	38,968oz.	N/A	N/A
Williams ⁽⁸⁾	Gold	\$ 360	67,813oz.	\$ 148	37,806oz.
Wharf ⁽⁷⁾	Gold	\$ 284	17,903oz.	N/A	N/A
Martha	Silver	\$ 243	0.9 million oz.	\$ 370	1.4 million oz.
Bald Mountain	Gold	\$ 239	7,050oz.	\$ 332	32,848oz.
Mt. Goode (Cosmos) ⁽⁷⁾	Nickel	\$ 176	2.4 million lbs.	N/A	N/A
Allan ⁽⁷⁾	Potash	\$ 108	225,582 tons	N/A	N/A
Dolores ⁽⁸⁾	Gold	\$ 22	2,440oz.	N/A	N/A
El Toqui ⁽⁷⁾	Base	\$ 20	N/A	N/A	N/A
Joe Mann ⁽⁸⁾	Gold	\$ —	—	\$ 3	138oz.
Total Royalty Revenue		\$30,701		\$27,213 (As Restated)	

⁽¹⁾ Reported production relates to the amount of metal sales, subject to our royalty interests, for the six months ended December 31, 2008 and December 31, 2007, as reported to us by the operators of the mines.

Table of Contents

- (2) As part of the Barrick transaction, as discussed earlier within this MD&A, the GSR2 royalty rate was reduced to match the royalty rate of GSR1, or 5% at current prices, resulting in a decrease in royalty revenue of approximately \$0.8 million during the period.
- (3) Refer to “Recent Developments, Robinson Developments” earlier within this MD&A for a further discussion on recent developments at Robinson.
- (4) As part of the Barrick transaction, as discussed earlier within this MD&A, the Mulatos sliding-scale royalty rate increased to 5.0% from 1.5%, at current prices, resulting in additional royalty revenue of approximately \$1.1 million during the period.
- (5) Refer to “Recent Developments, Taparko Developments” earlier within this MD&A for a further discussion on recent developments at Taparko.
- (6) Royalty acquired in February 2008. Reported production is associated with the Company’s NSR royalty at El Chanate.
- (7) Royalty acquired in October 2008 as part of the Barrick transaction, as discussed earlier within this MD&A. Current period production information was not available for Balcooma and El Toqui.
- (8) Royalty acquired in October 2007.
- (9) Royalty acquired in December 2007 and began production during the third quarter of calendar 2008.

The increase in royalty revenue for the six months ended December 31, 2008, compared with the six months ended December 31, 2007, resulted primarily from an increase in the average gold price, an increase in production at Leeville, Goldstrike-SJ Claims and Mulatos mines, production from the recently acquired Barrick royalty portfolio and commencement of production at Benso and Peñasquito. These increases were partially offset during the period by a decrease in production at Cortez and a decrease in royalty revenue at Robinson due to the negative provisional pricing adjustments, which resulted from the sharp decrease in copper prices during the period. 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 decreased to \$1.5 million for the six months ended December 31, 2008, compared to \$1.7 million for the six months ended December 31, 2007. The decrease was primarily due to a decrease in the Nevada Net Proceeds Tax expense, which resulted primarily from a decrease in royalty revenue from Robinson and Cortez.

General and administrative expenses increased to \$3.8 million for the six months ended December 31, 2008, from \$3.5 million for the six months ended December 31, 2007. The increase was primarily due to an increase in legal and general corporate costs of approximately \$0.3 million during the period.

Exploration and business development expenses decreased to \$1.6 million for the six months ended December 31, 2008, from \$2.5 million for the six months ended December 31, 2007. The decrease is due to a decrease in legal, tax and consulting services for business development activities during the period.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of \$1.6 million for the six months ended December 31, 2008, compared to \$1.4 million for the six months ended December 31, 2007. 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 6 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, 2008 and 2007.

Depreciation, depletion and amortization increased to \$13.0 million for the six months ended December 31, 2008, from \$6.0 million for the six months ended December 31, 2007. Depletion from the Barrick royalties acquired in October 2008 contributed approximately \$2.7 million in additional depletion

during the period. Depletion from the Battle Mountain Gold Exploration Corp. royalties acquired in October 2007 and the El Chanate royalties acquired in February 2008 contributed approximately \$1.6 million in additional depletion during the period. Increased production at Leeville and Goldstrike-SJ Claims resulted in additional depletion of approximately \$0.8 million while an increase in depletion rates at Revett resulted in additional depletion of approximately \$0.4 million. Benso, Peñasquito and Dolores, which recently began production, contributed \$0.6 million in additional depletion.

Interest and other income decreased to \$1.1 million for the six months ended December 31, 2008, from \$4.0 million for the six months ended December 31, 2007. The decrease is due to a decrease in our invested cash and a significant decrease in interest rates associated with our invested cash.

During the six months ended December 31, 2008, we recognized current and deferred tax expense totaling \$15.1 million compared with \$5.0 million during the six months ended December 31, 2007. This resulted in an effective tax rate of 35.8% in the current period, compared with 33.0% in the prior period. The increase in our effective tax rate is the result of the royalty restructuring gain as part of the Barrick royalty portfolio acquisition, as discussed earlier in this MD&A, and an increase in the amount of foreign losses for which no tax benefit is currently recognized.

Liquidity and Capital Resources

Overview

At December 31, 2008, we had current assets of \$70.7 million compared to current liabilities of \$19.6 million for a current ratio of 4 to 1. This compares to current assets of \$211.0 million and current liabilities of \$8.9 million at June 30, 2008, resulting in a current ratio of approximately 24 to 1. The decrease in our current ratio is primarily due to a decrease in cash and cash equivalents as a result of the acquisition of the Barrick royalty portfolio during the period. On October 2, 2008, we used \$150 million in net cash on hand for the Barrick acquisition, as discussed earlier within this MD&A.

During the six months ended December 31, 2008, liquidity needs were met from \$30.7 million in royalty revenues (including \$0.6 million of minority interest), our available cash resources and interest and other income of \$1.1 million.

At December 31, 2008, 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.

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 anytime, 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 1, Item 1A of our Amended 10-K and Item 1A of this Quarterly Report on Form 10-Q for a discussion on certain risks that may impact the Company's liquidity and capital resources in light of the recent economic downturn.

Table of Contents

Recent Liquidity and Capital Resource Developments

Acquisition of Barrick Royalty Portfolio

Effective October 1, 2008, the Company completed its acquisition of royalties from Barrick for net cash of approximately \$150 million and a restructuring of the Company's GSR2, GSR3 and NVR1 royalties at Cortez. The cash portion of the purchase price for the transaction was paid from the Company's cash on hand on October 1, 2008. Please refer to "Recent Developments — Acquisition of Barrick Royalty Portfolio" within this MD&A for further discussion on this transaction.

Credit Facility Amendment

On October 30, 2008, the Company and its wholly-owned subsidiaries, High Desert Mineral Resources, Inc. ("High Desert") and RG Mexico, Inc. ("RG Mexico"), entered into a Credit Agreement with HSBC Bank, Scotiabanc and Bank of Nova Scotia as lenders. The Credit Agreement replaced the Company's \$80 million revolving credit facility with HSBC Bank.

The Credit Agreement provides the Company a \$125 million revolving credit facility with 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). Unlike the prior credit facility, availability under the new credit facility is not limited by a borrowing base formula, and \$125 million is available under the new credit facility.

The royalties securing the new credit facility consist of the GSR1, GSR2, GSR3, and NVR1 royalties at Cortez and the royalties at Claims, Leeville, Robinson, Dolores, Peñasquito and Mulatos (the "Collateral Royalties"). In addition to the Collateral Royalties, the credit facility is secured by 100% of Royal Gold's equity interests in High Desert and RG Mexico and substantially all of the present and future personal property and assets of the Company, High Desert and RG Mexico. The Credit Agreement contains financial covenants requiring the Company to maintain a leverage ratio (as defined) of 3.0 to 1.0 or less, a minimum consolidated net worth (as defined) of not less than a base amount that increases according to cumulative positive net income, an interest coverage ratio (as defined) of at least 3.0 to 1.0, a current ratio (as defined) of at least 1.5 to 1.0 and a facility coverage ratio (as defined) of at least 1.25 to 1.0.

As of December 31, 2008, the Company did not have any amounts outstanding under the new credit facility.

Common Stock Dividend Increase

On November 4, 2008, the Company's board of directors approved an increase in the Company's annual (calendar year) common stock dividend from \$0.28 per share to \$0.32 per share, payable on a quarterly basis of \$0.08 per share of common stock, beginning with the quarterly dividend paid on January 16, 2009.

Recently Adopted and Issued Accounting Pronouncements

Please refer to Note 1 of the notes to consolidated financial statements for a discussion on recently adopted and issued accounting pronouncements.

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 of timing of 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;
- 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, such as those recently occurred at High River with respect to the Taparko project;
- unanticipated grade and geological, metallurgical, processing or other problems at the properties;
- 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;
- 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 and 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 laws and enforcement and uncertain political and economic environments;
- risks associated with issuances of substantial additional common stock in connection with acquisitions or otherwise; and
- risks associated with the incurrence of substantial additional indebtedness if we take such actions in connection with acquisitions or otherwise;

as well as other factors described elsewhere in this report and other reports filed with the SEC. 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 statement 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 and other metals. Gold 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 Amended 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, 2008, we reported royalty revenues of \$30.7 million, with an average gold price for the period of \$834 per ounce and an average copper price of \$2.64 per pound. Approximately 81% of our total recognized revenues for the six months ended December 31, 2008, were attributable to gold sales from our gold producing royalty interests, as shown within the MD&A. For the six months ended December 31, 2008, if the price of gold had averaged higher or lower by \$50 per ounce, we would have recorded an increase or decrease in revenues of approximately \$1.2 million, respectively. Approximately 13% of our total recognized revenues for the six months ended December 31, 2008, were primarily attributable to copper sales at Robinson and Revett. For the six months ended December 31, 2008, 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 \$1.2 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2008, the Company’s management, with the participation of the President and Chief Executive Officer and its Chief Financial Officer and Treasurer of the Company, 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, 2008, 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 by 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.

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 Control over Financial Reporting

To address the material weakness in our internal control over financial reporting that existed as of June 30, 2008, as more fully described in Part II, Item 9A of our Amended 10-K, during the quarter ended

December 31, 2008, the Company instituted material changes in its controls and procedures over its royalty monitoring program. Specifically, the Company enhanced its controls over royalty monitoring to ensure that non-royalty, or commingled, production is both reconciled and reviewed timely by appropriate Company personnel.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

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 Amended 10-K. The following risk factors have materially changed or have been identified since our Amended 10-K:

If the current economic downturn continues and is prolonged, it is likely to affect the ability of some or all of our operators to meet liquidity needs or operate profitably and could have material adverse effects on the value of and revenue from our royalty interests; the current economic downturn may also negatively affect on our ability to obtain financing for additional royalty acquisitions..

The value of and revenue from our royalty interests may be materially negatively affected if commodity prices for the various metals on which we have royalties or which are the primary production at mines on which we have royalties decline significantly, as has occurred with respect to copper during 2008 and 2009. In addition, our royalty interests and revenues may be materially negatively affected if our operators do not have the financial strength or sufficient financing to cover the costs of operating or developing a mine, causing an operator to curtail, delay or close operations at a mine site. Our operators’ financial strength or ability to secure financing is affected by the regional and global conditions in which they operate. Many economists believe that the U.S. economy, and possibly the global economy, has entered into a recession as a result of the recent deterioration in the credit markets and the related financial crisis, as well as a variety of other factors. A continued significant economic slowdown may negatively affect many commodity prices and our operators’ financial strength, and in turn, their ability to meet the costs of operating or developing the mines on which we have royalty interests. Furthermore, disruption and volatility of financial markets could also limit our operators’ access to financing needed for operations. If any of our operators suffer these material adverse effects or enter into bankruptcy or liquidation, or undergo a change of control, our royalty interests and the value of and income from our royalty interests may be materially negatively affected. In addition, a continued economic downturn or credit crisis could adversely affect our ability to obtain debt or equity financing for additional royalty acquisitions.

Royalty interests are subject to contest by operators of mining projects and holders of mining rights.

Our business includes the risk that operators of mining projects and holders of mining claims, tenements, concessions, mining licenses or other interests in land and mining rights may contest the existence or geographic extent of our royalty interests. While Royal Gold seeks to confirm the existence, validity and enforceability of the royalties it acquires, there can be no assurance that such disputes will not arise. For example, the operator of the Holloway-Holt mining project on which we have royalty interests has

Table of Contents

contested the extent of its obligations under our royalty agreement. As a general matter, royalty interests in mining projects or properties are subject to uncertainties and complexities arising from the application of contract and property laws governing private parties and/or local or national governments in the jurisdiction where mining projects are located.

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 5, 2008, we held our 2008 Annual Meeting of Stockholders. The matters voted upon at the meeting, for shareholders of record as of September 16, 2008, and the vote with respect to each matter is set forth below:

1. To elect three Class III Directors of Royal Gold, Inc. to serve until the 2011 Annual Meeting of Stockholders:

	For	Withheld
M. Craig Haase	26,813,464	1,475,306
S. Oden Howell, Jr.	26,726,713	1,562,057
Donald Worth	26,811,264	1,477,506

2. To approve an amendment to the Company's 2004 Omnibus Long-Term Incentive Plan to increase the number of shares of common stock reserved for issuance thereunder from 900,000 to 1,300,000 and to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended:

For:	Against:	Abstain:
19,128,857	2,057,005	115,238

3. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accountants of the Company for the fiscal year ending June 30, 2009:

For:	Against:	Abstain:
27,520,434	699,656	68,680

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	Third Amended and Restated Credit Agreement dated as of October 31, 2008 by and among Royal Gold, Inc., High Desert Mineral Resources, Inc., RG Mexico, Inc., HSBC Bank USA, National Association, HSBC Securities (USA) Inc. and Bank of Nova Scotia
10.2	2004 Omnibus Long-Term Incentive Plan, as amended
10.3	Form of Incentive Stock Option Agreement under Royal Gold's 2004 Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Royal Gold's Current Report on Form 8-K filed on November 7, 2008)
10.4	Form of Non-qualified Stock Option Agreement under Royal Gold's 2004 Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to Royal Gold's Current Report on Form 8-K filed on November 7, 2008)
10.5	Form of Restricted Stock Agreement under Royal Gold's 2004 Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to Royal Gold's Current Report on Form 8-K filed on November 7, 2008)
10.6	Form of Performance Share Agreement under Royal Gold's 2004 Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to Royal Gold's Current Report on Form 8-K filed on November 7, 2008)
10.7	Form of Stock Appreciation Rights Agreement under Royal Gold's 2004 Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 to Royal Gold's Current Report on Form 8-K filed on November 7, 2008)
31.1	Certification of President and Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
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.

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 6, 2009

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

Date: February 6, 2009

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

EXECUTION COPY

\$125,000,000

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

among

ROYAL GOLD, INC.,
as a Borrower,

HIGH DESERT MINERAL RESOURCES, INC.,
as a Borrower

THE GUARANTORS
FROM TIME TO TIME PARTY HERETO,
as Guarantors,

THE LENDERS,

HSBC BANK USA, NATIONAL ASSOCIATION,
as Administrative Agent,

HSBC SECURITIES (USA) INC.,
as Sole Lead Arranger

and

THE BANK OF NOVA SCOTIA,
as Sole Syndication Agent

Dated as of October 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	2
DEFINITIONS	
Section 1.1	2
Section 1.2	21
Section 1.3	21
ARTICLE II	22
THE LOANS; AMOUNT AND TERMS	
Section 2.1	22
Section 2.2	23
Section 2.3	23
Section 2.4	24
Section 2.5	24
Section 2.6	24
Section 2.7	24
Section 2.8	25
Section 2.9	26
Section 2.10	27
Section 2.11	28
Section 2.12	29
Section 2.13	29
Section 2.14	30
Section 2.15	31
ARTICLE III	32
REPRESENTATIONS AND WARRANTIES	
Section 3.1	32
Section 3.2	33
Section 3.3	33
Section 3.4	34
Section 3.5	35
Section 3.6	35
Section 3.7	35
Section 3.8	36
Section 3.9	36
Section 3.10	36
Section 3.11	36
Section 3.12	36
Section 3.13	37
Section 3.14	37
Section 3.15	37
Section 3.16	37
Section 3.17	37
Section 3.18	38

TABLE OF CONTENTS

	<u>Page</u>
Section 3.19	38
Material Contracts	
ARTICLE IV	38
COLLATERAL SECURITY	
Section 4.1	38
Security Documents	
Section 4.2	38
No Limitation on Application of Security Interest	
Section 4.3	38
Maintenance of Security Over Minimum Collateral Royalties	
Section 4.4	38
Perfection and Maintenance of Liens	
Section 4.5	39
Security Documents	
ARTICLE V	39
CONDITIONS PRECEDENT	
Section 5.1	39
Conditions to Closing and Initial Loan	
Section 5.2	41
Conditions to All Loans	
ARTICLE VI	42
AFFIRMATIVE COVENANTS	
Section 6.1	42
Financial Statements and Information	
Section 6.2	43
Notices	
Section 6.3	45
Payment of Taxes and Other Obligations	
Section 6.4	45
Payment of Indebtedness	
Section 6.5	46
Conduct of Business and Maintenance of Existence	
Section 6.6	46
Maintenance of Royalty Interests and Defend Title	
Section 6.7	46
Maintenance of Liens	
Section 6.8	46
Maintenance and Perfection of Pledged Assets	
Section 6.9	46
[Intentionally Omitted]	
Section 6.10	46
Insurance	
Section 6.11	47
Inspection of Property; Books and Records; Discussions	
Section 6.12	47
Compliance with Law	
Section 6.13	47
Environmental Laws	
Section 6.14	48
Compliance with ERISA	
Section 6.15	48
Further Assurances	
Section 6.16	48
Financial Covenants	
Section 6.17	48
Addition of Guarantors	
ARTICLE VII	49
NEGATIVE COVENANTS	
Section 7.1	49
Indebtedness	
Section 7.2	50
Liens	
Section 7.3	50
Guaranty Obligations	
Section 7.4	50
Nature of Business	
Section 7.5	51
Dissolution or Sale of Assets	
Section 7.6	51
Mergers	
Section 7.7	52
Advances and Loans	

TABLE OF CONTENTS

	<u>Page</u>
Section 7.8	Transactions with Affiliates
Section 7.9	[Intentionally Omitted]
Section 7.10	Organizational Documents
Section 7.11	Modification of Material Agreements
Section 7.12	Limitation on Restricted Actions
Section 7.13	Maintenance of Collateral Royalties
Section 7.14	No Further Negative Pledges
Section 7.15	No Prepayment of Permitted Subordinated Indebtedness
Section 7.16	Restrictive and Inconsistent Agreements
ARTICLE VIII	EVENTS OF DEFAULT
Section 8.1	Events of Default
Section 8.2	Acceleration; Remedies
ARTICLE IX	THE AGENT
Section 9.1	Appointment
Section 9.2	Delegation of Duties
Section 9.3	Exculpatory Provisions
Section 9.4	Reliance by Administrative Agent
Section 9.5	Notice of Default
Section 9.6	Non-Reliance on Administrative Agent and Other Lenders
Section 9.7	Indemnification
Section 9.8	Administrative Agent in Its Individual Capacity
Section 9.9	Successor Administrative Agent
Section 9.10	Nature of Duties
ARTICLE X	MISCELLANEOUS
Section 10.1	Amendments, Waivers and Release of Collateral
Section 10.2	Substitution of Lenders
Section 10.3	Notices
Section 10.4	No Waiver; Cumulative Remedies
Section 10.5	Survival of Representations and Warranties
Section 10.6	Payment of Expenses and Taxes; Indemnification
Section 10.7	Successors and Assigns; Participations; Purchasing Lenders
Section 10.8	Adjustments; Set-off
Section 10.9	Table of Contents and Section Headings
Section 10.10	Counterparts
Section 10.11	Effectiveness
Section 10.12	Severability
Section 10.13	Integration

TABLE OF CONTENTS

	<u>Page</u>
Section 10.14	Consent to Jurisdiction
Section 10.15	Governing Law
Section 10.16	Confidentiality
Section 10.17	Acknowledgments
Section 10.18	USA Patriot Act
Section 10.19	Joint and Several Liability
ARTICLE XI	GUARANTY
Section 11.1	The Guaranty
Section 11.2	Bankruptcy
Section 11.3	Continuing Guaranty
Section 11.4	Nature of Liability
Section 11.5	Independent Obligation
Section 11.6	Authorization
Section 11.7	Reliance
Section 11.8	Waiver
Section 11.9	Confirmation of Payment

SCHEDULES

Schedule 1.1(a)	Collateral Royalties
Schedule 1.1(b)	Lenders' Administrative Details Schedule
Schedule 1.1(c)	Existing Mortgages
Schedule 1.1(d)	Royalty Interests (Non-Collateral Royalties)
Schedule 3.4(b)	Project Governmental Approvals
Schedule 3.4(c)	Compliance Exceptions
Schedule 3.5	Litigation
Schedule 3.9	Subsidiaries
Schedule 3.12	Royalty Agreement Exceptions
Schedule 3.19	Material Contract Exceptions
Schedule 6.10	Insurance
Schedule 7.1	Existing Indebtedness
Schedule 7.2	Existing Liens
Schedule 7.7	Debt Investments
Schedule 10.17	Acknowledgment

EXHIBITS

Exhibit A	Form of Assignment Agreement
Exhibit B	Form of Joinder Agreement
Exhibit C	Form of Promissory Note
Exhibit D	Form of Notice of Borrowing
Exhibit E	Form of Notice of Extension
Exhibit F	Form of Pledge Agreement
Exhibit G	[Omitted]
Exhibit H	Form of Secretary's Certificate
Exhibit I	Form of Security Agreement
Exhibit J	Form of Officer's Certificate
Exhibit K	Form of Quarterly Compliance Certificate
Exhibit L	Form of Mortgage Amendment
Exhibit M	Form of Ratification and Confirmation
Exhibit N	Form of Projected Revenue Certificate

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This **THIRD AMENDED AND RESTATED CREDIT AGREEMENT** dated as of October 30, 2008, is by and among ROYAL GOLD, INC., a corporation organized and existing under the laws of the State of Delaware, as a borrower (“Royal Gold”), HIGH DESERT MINERAL RESOURCES, INC., a corporation incorporated under the laws of the State of Delaware and a wholly-owned subsidiary of Royal Gold, as a borrower (“High Desert”, with each of Royal Gold and High Desert individually referred to herein as a “Borrower” and collectively referred to herein as the “Borrowers”), those Subsidiaries of a Borrower identified as a “Guarantor” on the signature pages hereto and such other Subsidiaries of a Borrower as may from time to time become a party hereto, as Guarantors, those banks and financial institutions identified as a “Lender” on the signature pages hereto and such other banks or financial institutions as may from time to time become parties to this Agreement as Lenders (individually a “Lender” and collectively the “Lenders”), HSBC BANK USA, NATIONAL ASSOCIATION a national banking association organized under the laws of the United States, as administrative agent for the Lenders hereunder (in such capacity, the “Administrative Agent”), HSBC SECURITIES (USA) INC., as the Sole Lead Arranger and THE BANK OF NOVA SCOTIA, as the Sole Syndication Agent.

Recitals

A. Royal Gold and HSBC Bank USA, National Association entered into that certain Second Amended and Restated Loan Agreement dated as of January 5, 2007 (as amended, modified, continued or restated prior to the date hereof, the “Existing Agreement”). Royal Gold and HSBC Bank USA, National Association desire to (i) extend the maturity date of the Existing Agreement, (ii) increase the Committed Amount under the Existing Agreement, and (iii) to otherwise amend, restate, modify and continue the Existing Agreement as provided in this Agreement and to continue any Loans under the Existing Agreement as Loans under this Agreement.

B. This Agreement and the Loans made pursuant hereto are secured by Liens on the Collateral in favor of the Administrative Agent, which Liens, and the associated Security Documents, shall be ratified, continued and affirmed. Each of the Borrowers shall be jointly and severally liable for the payment and performance of all obligations hereunder and under the other Credit Documents.

C. The Existing Agreement is hereby amended, continued and restated in its entirety as set forth in this Agreement.

Agreement

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Defined Terms.

As used in this Agreement, terms defined in the preamble to this Agreement have the meanings therein indicated, and the following terms have the following meanings:

“ Administrative Agent ” shall have the meaning set forth in the first paragraph of this Agreement and includes any successors in such capacity.

“ Affected Lender ” shall have the meaning set forth in Section 10.2.

“ Affiliate ” shall mean as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, a Person shall be deemed to be “controlled by” a Person if such Person possesses, directly or indirectly, power either (a) to vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. Notwithstanding the foregoing, no Agent or Lender shall be deemed an Affiliate of a Borrower solely by reason of the relationship created by the Credit Documents.

“ Agent ” or “ Agents ” shall mean a reference to the Administrative Agent and the Syndication Agent, collectively or individually, as such reference requires.

“ Agreement ” or “ Credit Agreement ” shall mean this Credit Agreement, as amended, restated, amended and restated, extended, replaced, modified, revised or supplemented from time to time in accordance with its terms together with all Schedules and Exhibits hereto.

“ Applicable Percentage ” shall be determined from time to time by reference to the Leverage Ratio and shall be equal to the following:

	<u>Leverage Ratio</u>	<u>Applicable Percentage</u>
Level I	≤ 1.0 to 1.0	1.75%
Level II	≤ 2.0 to 1.0	1.875%
Level III	> 2.0 to 1.0	2.25%

“ Applicable Reserve Percentage ” shall mean for any day, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher 1/100th of 1%) which is in effect for such day as prescribed by any banking authority or other applicable Governmental Authority (or any successor) to which any Lender is subject for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for purposes of making Loans at the LIBOR Rate or any other category of deposits or liabilities by

reference to which the LIBOR Rate is determined. The Applicable Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Approved Bank” shall mean (a) any commercial bank of recognized standing having capital and surplus in excess of \$250,000,000 or (b) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof, or from Moody’s is at least P-1 or the equivalent thereof, or from Dominion Bond Rating Service Limited is at least R-1 or the equivalent thereof.

“Approved Fund” shall mean any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender, or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Approved Metals Price” shall mean, with respect to any Metal, the lesser of (a) ninety percent (90%) of the applicable Spot Price for such Metal, or (b) (i) for Gold, \$550.00 per Ounce of Gold; (ii) for Silver, \$10.00 per Ounce of Silver; (iii) for Copper, \$2.00 per pound of Copper; (iv) for lead, \$0.50 per pound of lead; (v) for zinc, \$0.70 per pound of zinc; (vi) for molybdenum, \$10.00 per pound of molybdenum; and (vii) for nickel, \$6.00 per pound of nickel.

“Assignment Agreement” shall mean an Assignment Agreement, substantially in the form of Exhibit A

“Bankruptcy Code” shall mean the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

“Bankruptcy Laws” shall mean the Bankruptcy Code, the Ley de Concursos Mercantiles of Mexico and all other Requirements of Law pertaining or applicable to bankruptcy, insolvency, debtor relief, debtor protection, liquidation, reorganization, arrangement, receivership, moratorium, assignment for the benefit of creditors or other similar laws applicable in Mexico, the United States, or other applicable jurisdictions as in effect from time to time.

“Base Rate” shall mean, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day; (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%; or (c) the Lenders’ actual cost of funds in effect on such day, as determined by each Lender in its sole discretion and provided to the Administrative Agent. For purposes hereof: “Prime Rate” shall mean, at any time, the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in the Prime Rate occurs. The parties hereto acknowledge that the rate announced publicly by the Administrative Agent as its Prime Rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks; and “Federal Funds Effective Rate” shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published on the next succeeding Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which

determination shall be conclusive in the absence of manifest error) that it is unable to ascertain the Federal Funds Effective Rate, for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Base Rate shall be determined without regard to clause (b) of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or in the actual cost of funds shall be effective on the opening of business on the date of such change.

“ Base Rate Loan ” shall mean a Loan bearing interest at a rate per annum equal to the sum of (i) the Base Rate, plus (ii) the Applicable Percentage; the applicable Base Rate shall be re-determined by the Administrative Agent on each day that a change in the Base Rate occurs.

“ Borrower ” and “ Borrowers ” shall have the meaning set forth in the first paragraph of this Agreement.

“ Borrowing Date ” shall mean, in respect of any Loan, the date such Loan is made.

“ Business Day ” shall mean a day other than a Saturday, Sunday or other day on which commercial banks in Denver, Colorado, New York, New York and Toronto, Ontario are authorized or required by law to close.

“ Capital Expenditure ” shall mean, for any period, all capital expenditures of the Credit Parties and their Subsidiaries on a Consolidated basis for such period, as determined in accordance with GAAP and reflected on the Consolidated balance sheet of the Borrowers.

“ Capital Lease ” shall mean any lease of property, real or personal, the obligations with respect to which are required to be capitalized on a balance sheet of the lessee in accordance with GAAP.

“ Capital Lease Obligations ” shall mean the capitalized lease obligations relating to a Capital Lease determined in accordance with GAAP.

“ Capital Stock ” shall mean (i) in the case of a corporation, capital stock, (ii) in the case of a *sociedad anonima de capital variable*, the corporate capital interests or *capital social*, (iii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (iv) in the case of a partnership, partnership interests (whether general or limited), (v) in the case of a limited liability company, membership interests and (vi) any other right, interest, participation or classification similar to the foregoing that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

“ Cash Equivalents ” shall mean (i) securities issued or directly and fully guaranteed or insured by Canada or the United States of America or any agency or instrumentality thereof having maturities of not more than twelve months from the date of acquisition (“ Government Obligations ”), (ii) Canadian dollar denominated or Dollar denominated time deposits, certificates of deposit, Eurodollar time deposits and Eurodollar certificates of deposit of an Approved Bank, in each case with maturities of not more than 364 days from the date of acquisition, (iii) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the

parent company thereof), or any variable rate notes issued by, or guaranteed by any domestic corporation rated by two out of three of the following ratings agencies as A-1 (or the equivalent thereof) or better by S&P, or P-1 (or the equivalent thereof) or better by Moody's, or R-1 (or the equivalent thereof) or better by Dominion Bond Rating Service Limited, and maturing within six months of the date of acquisition, (iv) repurchase agreements with a bank or trust company (including a Lender) or a recognized securities dealer having capital and surplus in excess of \$500,000,000 for direct obligations issued by or fully guaranteed by Canada or the United States of America, (v) obligations of any province of Canada or state of the United States or any political subdivision thereof for which the payment of the principal, interest and redemption price shall have been arranged by irrevocably deposited government obligations maturing as to principal and interest at times and in amounts sufficient to provide such payment, (vi) auction preferred stock rated by two out of three of the following ratings agencies in the highest short-term credit rating category by S&P, Moody's or Dominion Bond Rating Service Limited and (vii) shares of money market mutual or similar funds that (A) invest exclusively in assets satisfying the requirements of clauses (i) through (vi) of this definition or (B) comply with Rule 2a-7 of the Investment Company Act of 1940.

“ Change of Control ” shall mean the occurrence of any of the following events: (a) any “person” or “group” (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act becomes the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act) of more than 25% of then outstanding Voting Stock of a Borrower, measured by voting power rather than the number of shares, or (b) Continuing Directors shall cease for any reason to constitute a majority of the members of the board of directors of a Borrower then in office, or (c) the Borrower or the Guarantors shall cease to directly or indirectly own and control the Capital Stock that each of them has pledged to the Administrative Agent pursuant to a Pledge Agreement.

“ Closing Date ” shall mean the date of this Agreement.

“ Collateral ” shall mean a collective reference to the collateral which is identified in, and at any time will be, or is intended to be, subject to or covered by, a Security Document and any other property or assets of a Credit Party, whether tangible or intangible, whether real or personal and whether now or hereafter acquired, that may from time to time secure the Obligations, including the Collateral Royalties.

“ Collateral Requirement ” shall have the meaning set forth in Section 4.3.

“ Collateral Royalties ” means, initially, those Royalties set forth on Schedule 1.1(a) hereto, together with, from time to time hereafter, any other Royalty Interest subject to a Mortgage or other Security Document satisfactory to the Required Lenders in their sole discretion.

“ COMEX ” means the division of the New York Mercantile Exchange on which commodities, futures and options are traded, which was formerly known as the Commodity Exchange.

“Commitment” shall mean, with respect to each Lender, the commitment of such Lender to make Loans in an aggregate principal amount at any time outstanding up to an amount equal to such Lender’s Commitment Percentage of the Committed Amount.

“Commitment Fee” shall have the meaning set forth in Section 2.2(a).

“Commitment Fee Percentage” shall be determined from time to time by reference to the Leverage Ratio and shall be equal to the following:

	<u>Leverage Ratio</u>	<u>Commitment Fee Percentage</u>
Level I	≤ 1.0 to 1.0	0.375%
Level II	≤ 2.0 to 1.0	0.50%
Level III	> 2.0 to 1.0	0.675%

“Commitment Percentage” shall mean, for each Lender, the percentage identified as its Commitment Percentage on the Lenders’ Administrative Details Schedule or in the Assignment Agreement pursuant to which such Lender became a Lender hereunder, as such percentage may be modified in connection with any assignment made in accordance with the provisions of Section 10.7(c).

“Commitment Period” shall mean the period beginning on the date of satisfaction of the conditions precedent set forth in Section 5.1 to, but not including, the Maturity Date.

“Committed Amount” shall mean the maximum aggregate principal amount of Loans that may be made by the Lenders hereunder, subject to the terms and conditions herein, at any time, with such Committed Amount at the Closing Date being equal to \$125,000,000.

“Consolidated” or “consolidated” shall mean, with reference to any term defined herein, such term as applied to the accounts of Royal Gold and its Subsidiaries, consolidated in accordance with GAAP.

“Consolidated EBITDA” shall mean, for any period, Consolidated Net Income of the Borrowers and their Subsidiaries determined in accordance with GAAP for such period plus (a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of (i) Consolidated Interest Expense for such period, (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation, amortization, depletion and non-cash reclamation for such period, and (iv) any extraordinary or non-recurring charges or non-cash charges, including non-cash charges resulting from requirements to mark-to-market derivative obligations (including commodity-linked securities) for such period (provided that any cash payment made with respect to any such non-cash charge shall be subtracted in computing Consolidated EBITDA for the period in which such cash payment is made), and minus (b) without duplication and to the extent included in determining such Consolidated Net Income, any

extraordinary or non-recurring gains or non-cash gains for such period, all determined on a consolidated basis in accordance with GAAP.

“ Consolidated Interest Expense ” shall mean, for any period, the interest expense (including imputed interest expense in respect of capital lease obligations) of the Borrowers and their Subsidiaries determined on a consolidated basis in accordance with GAAP.

“ Consolidated Net Income ” shall mean, for any period, the consolidated net income (or deficit) of the Borrowers and their Subsidiaries, after deduction of all expenses, taxes, and other proper charges, determined in accordance with GAAP.

“ Consolidated Net Worth ” shall mean, at any time, the value of all Consolidated tangible assets of the Borrowers and their Subsidiaries which would be shown on a Consolidated balance sheet prepared as of such time in accordance with GAAP, excluding all intangible assets, minus the sum of (x) all amounts which would be shown on such balance sheets as minority interests in any such Subsidiary, plus (y) all Consolidated liabilities of the Borrowers and their Subsidiaries which would be shown on such balance sheet prepared as of such time in accordance with GAAP.

“ Consolidated Total Indebtedness ” means, without duplication, in relation to the Borrowers and their Subsidiaries, (A) the sum of (a) all obligations for borrowed money, (b) all obligations evidenced by bonds, debentures, notes or similar instruments, (c) all obligations under conditional sale or other title retention agreements relating to property acquired and under all purchase money obligations, (d) all obligations in respect of the deferred purchase price of property or services, (e) all other obligations secured by any lien on property owned or acquired, whether or not the obligations secured thereby have been assumed limited to the fair market value of the property secured thereby, (f) all guarantees of the obligations of others, (g) all capital lease obligations, (h) all obligations, contingent or otherwise, as an account party (including reimbursement obligations to the issuer) in respect of letters of credit and letters of guarantee which support or secure obligations of others, (i) the aggregate of all negative mark to market amounts in respect of hedge obligations (netted against the aggregate of all positive mark to market amounts in respect of hedge obligations), (k) all obligations in respect of prepaid production arrangements, prepaid forward sale arrangements or derivative contracts in respect of which the Borrowers or their Subsidiaries receive upfront payments in consideration of an obligation to deliver product or commodities (or make cash payments based on the value of product or commodities) at a future time, and (1) all obligations, contingent or otherwise, in respect of bankers’ acceptances; minus (B) any amounts borrowed under the Term Loan Agreement, provided that such facility continues to be secured by cash collateral held in a pledged account with HSBC Bank USA, National Association; provided, that, for all purposes herein, Consolidated Total Indebtedness, with respect to the Borrowers or the Credit Parties, shall mean all Consolidated Total Indebtedness of the Borrowers and their Subsidiaries on a Consolidated basis; provided, further, that Consolidated Total Indebtedness shall not include Indebtedness among the Credit Parties to the extent such Indebtedness would be eliminated on a Consolidated basis.

“ Continuing Directors ” shall mean during any period of 24 consecutive months commencing after the Closing Date, individuals who at the beginning of such 24 month period were directors of a Borrower (together with any new director whose election by such Borrower’s

board of directors was approved by, or whose nomination for election by such Borrower's shareholders was recommended by, a vote of at least a majority of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously approved or recommended as described in this parenthetical).

"Copper" means high grade copper upon which the COMEX spot price is based.

"Credit Documents" shall mean this Agreement, each of the Notes, any Joinder Agreement, any Assignment Agreement, the Security Documents, the Ratification, each Fee Letter and all other agreements, documents, certificates and Instruments delivered to the Administrative Agent or any Lender by any Credit Party in connection herewith or therewith, together with all amendments, modifications, supplements, revisions, extensions and restatements of the foregoing, as well as any other document or agreement which the Lenders and the Borrowers agree is a Credit Document.

"Credit Party" or "Credit Parties" shall mean any of the Borrowers or the Guarantors, individually or collectively, as appropriate.

"Current Ratio" shall mean, at any date, the ratio of (a) the current assets of the Credit Parties and their Subsidiaries determined on a Consolidated basis in accordance with GAAP, excluding therefrom any cash or Cash Equivalent of the Credit Parties pledged as collateral under the Term Loan Agreement to the extent that such cash or Cash Equivalent would otherwise constitute a current asset to (b) the current liabilities of the Credit Parties and their Subsidiaries determined on a Consolidated basis in accordance with GAAP, excluding therefrom the aggregate amount of loans outstanding to Royal Gold Chile Limitada under the Term Loan Agreement to the extent such loans would otherwise constitute current liabilities.

"Default" shall mean any of the events specified in Section 8.1, whether or not any requirement for the giving of notice or the lapse of time, or both, or any other condition, has been satisfied.

"Default Rate" shall mean an interest rate equal to the sum of the LIBOR Rate, plus the Applicable Percentage, plus two and one-half percent (2.5%) per annum.

"Defaulting Lender" shall mean, at any time, any Lender that, at such time (a) has failed to make a Loan required pursuant to the term of this Agreement in accordance with the terms hereof, (b) has failed to pay to the Administrative Agent or any Lender an amount owed by such Lender pursuant to the terms of this Agreement, or (c) has been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or to a receiver, trustee or similar official.

"Dollars" and "\$" shall mean dollars in lawful currency of the United States of America.

"Eligible Assignee" shall mean (a) a Lender, (b) an Affiliate of a Lender, and (c) any other Person (other than a natural person) approved by (i) the Administrative Agent and (ii) unless an Event of Default has occurred and is continuing, the Borrowers (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, Eligible Assignee shall not include any Credit Party or any Affiliate or Subsidiary thereof.

“ Employee Benefit Plan ” shall mean any pension plan or other similar employee benefit plan regulated by or within the meaning of ERISA or any other similar legislation pursuant to which any Credit Party establishes a pension for or otherwise makes contributions in respect of its employees.

“ Environmental Laws ” shall mean any and all applicable Requirements of Law regulating or relating to pollution or protection of human health or the environment, as now or hereafter in effect, including Requirements of Law regulating or relating to emissions, discharges, releases or threatened releases of Materials of Environmental Concern, pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment (including ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes, and the applicable World Bank Guidelines and Criteria and International Finance Corporation Guidelines, each as in effect from time to time.

“ ERISA ” means the Employee Retirement Income Security Act of 1974, and the rules and regulations thereunder, each as amended or modified from time to time.

“ ERISA Affiliate ” means any Person who together with a Borrower or any of its Subsidiaries are treated as a single employer within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001(b) of ERISA.

“ Event of Default ” shall mean any of the events specified in Section 8.1.

“ Existing Agreement ” shall have the meaning given thereto in Recital A.

“ Expropriation Event ” shall mean the appropriation, confiscation, expropriation, cancellation, seizure or nationalization (by Requirement of Law, intervention, court order, condemnation, exercise of eminent domain or other action or form of taking) of ownership or control of a Credit Party or any of its Subsidiaries or of any Project or any substantial portion thereof, or any substantial portion of the rights related thereto, or any substantial portion of the economic value thereof, or which prevents or materially interferes with the ability of a Person to own or operate the property subject to such action, including by the imposition of any Tax, fee, charge or royalty.

“ Facility Coverage Ratio ” shall mean, at any date, the ratio of (a) Projected Facility Term Revenue to (b) the Committed Amount.

“ Fee Letters ” shall mean the Agent Fee Letter Agreement dated August 8, 2008, the letter from The Bank of Nova Scotia dated September 17, 2008, and any other agreements among the parties pertaining to the payment of fees to the Agents or the Lenders, as each may be amended, modified or otherwise supplemented.

“ Fund ” shall mean any Person (other than a natural person) that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“ GAAP ” shall mean generally accepted accounting principles in effect in the United States applied on a consistent basis, subject, however, to the provisions of Section 1.3 for the purpose of determination of compliance with the financial covenants set out in Section 6.16.

“ Gold ” shall mean gold of minimum purity of at least 0.995 fineness conforming in all respects with the requirements for good delivery on the London Bullion Market.

“ Governmental Approvals ” shall mean any authorization, license, permit, consent, approval, lease, ruling, certification, exemption, filing, variance, decree, sanction, publication, declaration or registration, or other action whether written or oral, of, by, from or on behalf of any Governmental Authority.

“ Governmental Authority ” shall mean the government of any nation, and any provincial, territorial, divisional, state, county, regional, city or other political subdivision thereof, and any tribal, aboriginal or native government, and any entity, court, arbitrator or board of arbitrators, agency, department, commission, board, bureau, regulatory authority or other instrumentality of any of them exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government or Requirements of Law, and any securities exchange or securities regulatory authority to which a Credit Party is subject.

“ Guarantor ” shall mean the Subsidiaries of a Borrower identified as a “Guarantor” on the signature pages hereto and any other Person that executes a Joinder Agreement, together with their successors and permitted assigns.

“ Guaranty ” shall mean the guaranty of the Guarantors set forth in Article XI.

“ Guaranty Obligations ” shall mean, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation in respect of Indebtedness, whether or not contingent, (i) to purchase any such Indebtedness or any property constituting security therefor, (ii) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (iii) to lease or purchase Property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (iv) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the lesser of (a) the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guaranty Obligation.

“ Hedging Agreement ” shall mean, with respect to any Person, any agreement or transaction entered into to protect such Person against fluctuations in the price of gold, silver or other metals, interest rates, currency, raw materials, fuel or commodity values, including any

forward sales, spot deferred sales, options, swaps, price fixing commitment, interest rate swap, cap or collar agreement or similar arrangement between such Person and one or more counterparties, any foreign currency exchange agreement, currency protection agreements, commodity purchase or option agreements or other interest or exchange rate or commodity price hedging agreements or other similar agreements or arrangements.

“ High Desert ” shall have the meaning given to such term in the Preamble.

“ Indebtedness ” shall mean, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, indentures or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of property or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within six months of the incurrence thereof) which would appear as liabilities on a balance sheet of such Person, (e) all obligations of such Person under take-or-pay or similar arrangements or under commodities agreements, (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guaranty Obligations of such Person with respect to Indebtedness of another Person, (h) the principal portion of all Capital Lease Obligations of such Person, (i) all net payment obligations of such Person under Hedging Agreements, (j) the maximum amount of all letters of credit issued or bankers’ acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (k) all preferred Capital Stock issued by such Person and which by the terms thereof could be (at the request of the holders thereof or otherwise) subject to mandatory sinking fund payments, redemption or other acceleration, (l) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product and (m) the Indebtedness of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer; provided however that Indebtedness shall not include Indebtedness among the Credit Parties to the extent such Indebtedness would be eliminated on a Consolidated basis.

“ Instrument ” means any contract, agreement, indenture, mortgage, document, writing or other instrument (whether formal agreement, letter or otherwise) under which any obligation is evidenced, assumed or undertaken, or any Lien (or right or interest therein) is granted or perfected.

“ Interest Coverage Ratio ” means, on any date, the ratio of (a) Consolidated EBITDA to (b) Consolidated Interest Expense, in each case, for the four most recently completed fiscal quarters most recently ended on or prior to such date.

“ Interest Payment Date ” shall mean (a) as to any Loan having an Interest Period of three months or less, the last day of such Interest Period, (b) as to any Loan having an Interest Period

longer than three months, the day that is three months after the first day of such Interest Period and the last day of such Interest Period, and (c) as to any Base Rate Loan, the fifteenth (15th) day following the last day of each calendar month.

“ Interest Period ” shall mean, with respect to any Loan,

(i) initially, the period commencing on the Borrowing Date or extension date, as the case may be, with respect to a Loan and ending one, two, three or six months thereafter, as selected by the Borrowers in the Notice of Borrowing or Notice of Conversion given with respect thereto; and

(ii) thereafter, each period commencing on the last day of the immediately preceding Interest Period applicable to such Loan and ending one, two or three months thereafter, or of a longer period of days if available and agreed to by the Lenders, as selected by the Borrowers by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto;

provided that the foregoing provisions are subject to the following:

(A) if any Interest Period pertaining to a Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(B) any Interest Period pertaining to a Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such interest Period) shall end on the last Business Day of the relevant calendar month;

(C) if the Borrowers shall fail to give notice as provided above, the Borrowers shall be deemed to have selected a Loan with an Interest Period of one month;

(D) no Interest Period in respect of any Loan shall extend beyond the Maturity Date; and

(E) no more than four (4) Loans may be in effect at any time. For purposes hereof, Loans with different Interest Periods shall be considered as separate Loans, even if they shall begin on the same date and have the same duration, although borrowings, extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new Loan with a single Interest Period.

“ Investment ” shall mean all investments, in cash or by delivery of property made, directly or indirectly in or to any Person, whether by acquisition of shares of Capital Stock,

property, assets, indebtedness or other obligations or securities or by loan, credit advance, capital contribution or otherwise.

“ Irrevocable Payment Instructions ” shall mean irrevocable payment instructions to certain counterparties in respect of cash payments owing to a Borrower, with such instructions to be in the form attached hereto as Exhibit G.

“ Joinder Agreement ” shall mean a Joinder Agreement substantially in the form of Exhibit B, executed and delivered by a new or additional Guarantor.

“ Lender ” shall have the meaning set forth in the first paragraph of this Agreement.

“ Lenders’ Administrative Details Schedule ” shall mean, with respect to any Lender, Schedule 1.1(b) (as revised or updated by any Lender from time to time) containing such Lender’s contact information for purposes of notices provided under this Credit Agreement and account details for purposes of payments made to such Lender under this Credit Agreement.

“ Leverage Ratio ” means, on any date, the ratio of (a) Consolidated Total Indebtedness as of such date to (b) Consolidated EBITDA for the period of four consecutive fiscal quarters most recently ended on or prior to such date.

“ LIBOR ” shall mean, for any Loan for any Interest Period therefor, a rate of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the rate per annum appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term “LIBOR” shall mean, for any Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If, for any reason, neither of such rates is available, then “LIBOR” shall mean the rate per annum at which, as determined by the Administrative Agent, Dollars in an amount comparable to the Loans then requested are being offered to leading banks at approximately 11:00 A.M. London time, two (2) Business Days prior to the commencement of the applicable Interest Period for settlement in immediately available funds by leading banks in the London interbank market for a period equal to the Interest Period selected.

“ LIBOR Lending Office ” shall mean, initially, the office of each Lender designated as such Lender’s LIBOR Lending Office shown on the Lenders’ Administrative Details Schedule; and thereafter, such other office of such Lender as such Lender may from time to time specify to the Administrative Agent and the Borrowers as the office of such Lender at which the Loans of such Lender are to be made.

“ LIBOR Rate ” shall mean a rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{1.00 - \text{Applicable Reserve Percentage}}$$

“ Lien ” shall mean any mortgage, deed of trust, pledge, charge, hypothecation, assignment for security purposes, deposit arrangement for security purposes, preferential right, option, encumbrance, lien (statutory or other), or other security interest or collateral arrangement, or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any Capital Lease having substantially the same economic effect as any of the foregoing).

“ Loan ” shall have the meaning set forth in Section 2.1.

“ Material Adverse Effect ” shall mean an effect or change, resulting or occurring from any event or occurrence of any nature whatsoever, whether individually or in the aggregate, which is materially adverse to (a) the business, assets, operations, property or condition (financial or otherwise) of the Credit Parties and their Subsidiaries taken as a whole, (b) the ability of the Credit Parties, taken as a whole, to make any payment or otherwise perform their obligations under this Agreement, any of the Notes or any other Credit Document when such payments and obligations are required to be performed, (c) a Collateral Royalty, or (d) the validity or enforceability of this Agreement, any of the Notes or any of the other Credit Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder or the perfection or priority of any Lien in favor of the Administrative Agent.

“ Material Contract ” shall mean any contract or agreement to which any Credit Party or any of its Subsidiaries is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could reasonably be expected to have a Material Adverse Effect, including each Royalty Agreement relating to a Collateral Royalty.

“ Materials of Environmental Concern ” shall mean any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, pollutants, contaminants or other materials or substances defined or regulated in or under any Environmental Law, including asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

“ Maturity Date ” shall mean October 30, 2013, as such date may be extended pursuant to Section 2.5.

“ Metals ” shall mean Gold, Silver, Copper, lead, zinc, molybdenum, nickel, and all other metals, minerals, ores and similar substances.

“ Mortgages ” shall mean those Mortgages, Deeds of Trust, Security Agreement, Pledge and Financing Statements and other similar documents set forth on Schedule 1.1(c) hereto, as each of such Mortgages has been or may be amended, modified, supplemented, continued, restated, or amended and restated, from time to time in accordance with their respective terms.

“ Mortgage Amendments ” shall mean, collectively, each of the Mortgage amendments, supplements or amendments and restatements to be delivered by a Credit Party, substantially in the form of Exhibit L hereto.

“ Moody’s ” shall mean Moody’s Investors Service, Inc.

“ Non-Credit Party Royalty Interests ” shall mean all Royalties now owned or hereafter acquired by or for the benefit of a Subsidiary of a Credit Party that is not itself a Credit Party.

“ Notes ” shall mean the promissory notes and the amended and restated promissory note of the Borrowers in favor of the Lenders evidencing the Loans provided pursuant hereunder, individually or collectively, as appropriate, substantially in the form of Exhibit C, as such promissory notes may be amended, modified, supplemented, extended, renewed or replaced from time to time.

“ Notice of Borrowing ” shall mean a request for a Loan borrowing pursuant to Section 2.1(b)(i) pursuant to a Form of Notice of Borrowing in the form attached as Exhibit D.

“ Notice of Extension ” shall mean the written notice of extension of a Loan, in each case substantially in the form of Exhibit E.

“ Obligations ” shall mean all of the obligations, indebtedness, liabilities, duties, covenants and agreements of the Borrowers and the other Credit Parties to each Lender and each Agent, whenever arising and whether joint, several, or joint and several, established by or arising under or in connection with this Agreement, the Notes, any of the other Credit Documents, any Hedging Agreement with a Lender (or an Affiliate of a Lender), or any account (including cash management accounts) or other cash management services provided by a Lender (or an Affiliate of a Lender), including, in each case, the payment of principal, interest, fees, expenses, reimbursements and indemnification obligations and all other amounts and the performance of all other obligations.

“ Operating Lease ” shall mean, as applied to any Person, any lease (including, without limitation, leases which may be terminated by the lessee at any time) of any property (whether real, personal or mixed) which is not a Capital Lease other than any such lease in which that Person is the lessor.

“ Ounce ” means a fine ounce troy weight.

“ Participant ” shall have the meaning set forth in Section 10.7(b).

“ Permitted Liens ” shall mean:

- (i) Liens created by or otherwise existing, under or in connection with this Agreement or the other Credit Documents;
- (ii) purchase money Liens securing purchase money indebtedness (and refinancings thereof) to the extent permitted under Section 7.1(c);

(iii) Liens for Taxes, assessments, charges or other governmental levies not yet due or as to which the period of grace (not to exceed 30 days), if any, related thereto has not expired or which are being diligently contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrowers or their Subsidiaries, as the case may be, in conformity with GAAP;

(iv) carriers', warehousemen's, mechanics', materialmen's, repairmen's inchoate, unperfected or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 20 days or which are being diligently contested in good faith by appropriate proceedings; provided that a reserve, bond or other appropriate provision shall have been made therefore to the reasonable satisfaction of the Administrative Agent;

(v) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation and deposits securing liability to insurance carriers under insurance or self-insurance arrangements;

(vi) any interest or title of a lessor under any lease entered into by any Credit Party or any Subsidiary in the ordinary course of its business and covering only the assets so leased;

(vii) deposits and bonds to secure the performance of bids, trade contracts (other than for Consolidated Total Indebtedness), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(viii) Liens existing on the Closing Date and set forth on Schedule 7.2; provided that (a) no such Lien shall at any time be extended to cover property or assets other than the property or assets subject thereto on the Closing Date and (b) the principal amount of the Indebtedness secured by such Liens shall not be increased, extended, renewed, refunded or refinanced;

(ix) Liens of HSBC Bank USA, National Association over one or more deposit accounts in connection with the Term Loan Agreement;

(x) easements, rights-of-way, zoning restrictions, minor defects or irregularities in title and other similar encumbrances which do not individually or in the aggregate interfere in any material respect with the occupation, value or use of the property to which such Lien is attached or with such Person's activities or operations on such property;

(xi) Liens and minor title defects reflected in the Title Opinions, to the extent not objected to by the Administrative Agent;

(xii) any Lien with respect to judgments, orders or awards to the extent such judgments, orders or awards secured thereby shall not, either individually or in the aggregate, result in an Event of Default under Section 8.1(f);

(xiii) rights of setoff or bankers' Liens upon deposits of cash or broker's Liens upon securities accounts in favor of financial institutions, banks or other depository institutions; and

(xiv) any Lien with respect to interests in pre-feasibility, feasibility or development stage properties not currently producing Metals, which properties are not included in the calculation of Projected Facility Term Revenue; provided that such Liens do not secure Indebtedness.

" Permitted Subordinated Indebtedness " shall have the meaning set forth in Section 7.1(i).

" Person " shall mean an individual, partnership, corporation, limited liability company, *sociedad anonima*, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

" Pipeline Project " means the Project relating to the Pipeline Project Properties, as described on the Schedule of Collateral Royalties in Schedule 1.1(a).

" Pledge Agreements " shall mean (i) each of the Pledge Agreements dated as of the Closing Date to be executed in favor of the Administrative Agent by a Borrower, substantially in the form of Exhibit F hereto, and (ii) any other pledge agreement, document, agreement, arrangement or Instrument executed by a Credit Party to secure the Obligations, in each case as any of the foregoing may be amended, modified, restated or supplemented from time to time.

" Products " shall mean, without limitation, all ore, minerals, concentrate, doré bar and refined Metals produced on behalf of, or payable to, a Credit Party pursuant to a Royalty Interest from a Project Property.

" Project " means each mine, mining project and properties, including Project Properties, in which a Credit Party has or acquires a Royalty Interest. As of the Closing Date, the Projects include those set forth on Schedule 1.1(d) hereto.

" Project Managers " means the operator or manager of each Project, with the Project Manager for each Project in existence on the date hereof set forth on Schedule 1.1(d) hereto.

" Project Properties " means all real property right, title or interests, now owned or hereafter acquired, included in each of the Projects, which are burdened with a Royalty Interest, including all fee property, concessions, unpatented mining claims and other real property interests which are identified in any Royalty Agreement, together with all relocations, modifications, additions or amendments thereof, and all lands subject thereto.

" Projected Facility Term Revenue " means the product of (A) 100% of the Royalty Metals, on a consolidated basis, over a period of time equal to the greater of (i) the remaining number of days until the Maturity Date or (ii) a period of thirty-six (36) months from the date of determination, multiplied by (B) the applicable Approved Metals Price.

“ Projected Revenue Certificate ” shall mean a certificate of the Borrowers signed by a Responsible Officer setting forth a calculation of the Royalty Metals, the Projected Facility Term Revenue and the Facility Coverage Ratio, substantially in the form of Exhibit N attached hereto.

“ Property ” shall mean all real estate, surface and subsurface rights and interests, minerals, mineral leases, mineral rights, lands, concessions, licenses, exploration or exploitation rights, claims, water rights and other property right, title and interest, howsoever characterized or designated, that are owned, leased, operated, held or controlled, directly or indirectly, by any Borrower or any of their Subsidiaries, including all such rights and interests associated with the Projects, together with all rights, titles and interests hereafter acquired.

“ Purchasing Lenders ” shall have the meaning set forth in Section 10.7(c).

“ Ratification ” means the Ratification and Confirmation Agreement of even date herewith in the form set forth in Exhibit M hereto.

“ Request for Extension ” shall have the meaning set forth in Section 2.7.

“ Required Lenders ” shall mean (a) for so long as any one Lender and its Affiliates control fifty percent (50%) or more of the Commitment Percentage, those Lenders holding in the aggregate greater than 66.667% of (i) the outstanding Loans and unfunded Commitments or (ii) if the Commitments have been terminated, the outstanding Loans; and (b) at any time that no Lender and its Affiliates controls fifty percent (50%) or more of the Commitment Percentage, those Lenders holding in the aggregate greater than 50.1% of (i) the outstanding Loans and unfunded Commitments or (ii) if the Commitments have been terminated, the outstanding Loans; provided, however, that if any Lender shall be a Defaulting Lender at such time, then there shall be excluded from the determination of Required Lenders, Obligations owing to such Defaulting Lender and such Defaulting Lender’s Commitments, or after termination of the Commitments, the principal balance of the Obligations owing to such Defaulting Lender.

“ Requirement of Law ” shall mean each law, statute, code, ordinance, treaty, order, rule, regulation, judgment, ruling, decree, injunction, franchise, permit, certificate, license, authorization, regulation, approval or other direction of any Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject, and as to any Person, the Certificate of Incorporation and By-laws or other organizational or governing documents of such Person.

“ Responsible Officer ” shall mean, as to (a) a Borrower, any of the President, the Chief Executive Officer or the Chief Financial Officer or (b) any other Credit Party, any duly authorized officer thereof.

“ Royal Gold ” shall have the meaning set forth in the Preamble.

“ Royalties ” shall mean any share of mineral production, including, gross smelter return royalties, net smelter return royalties, overriding royalties, non-participating royalties, production payments, net profit interests and all other mineral royalties of every type and characterization, whether constituting a real property or a personal property interest.

“ Royalty Agreements ” means, collectively, each of the agreements with or for the benefit of a Credit Party relating to a Royalty Interest, whether now or hereafter in existence, and all amendments, modifications, extensions and renewals thereof.

“ Royalty Interests ” means all Royalties now owned or hereafter acquired by or for the benefit of a Credit Party, in or relating to a Project, with the Collateral Royalties in existence as of the Closing Date described on Schedule 1.1(a) hereto and all other Royalties (other than the Collateral Royalties) in existence and held by a Credit Party as of the Closing Date described on Schedule 1.1(d) hereto, and all Metals received or receivable with respect thereto, now held or hereafter acquired by a Credit Party, whether pursuant to a Royalty Agreement or otherwise.

“ Royalty Metals ” means, as of any date of determination, an amount approved by the Required Lenders, which shall be equal to the aggregate ounces or pounds, as applicable, of Metals projected to be payable to the Credit Parties (in cash or in kind) from the date of determination through the later of (i) the remaining term of the Loans until the Maturity Date or (ii) thirty-six (36) months with respect to the Royalty Interests held by the Credit Parties, which shall be based on current, commercially reasonable projections of production from each applicable Project. Calculations of Royalty Metals to be included as Royalties from Projects either not in production at the Closing Date or acquired by a Credit Party after the Closing Date and accepted by the Required Lenders as Royalties for purposes of this calculation shall be based on the reserve report set forth in the applicable then-current mine plan for such Project or such other current, commercially reasonable projections of production, unless the Required Lenders, in their reasonable discretion, elect to audit the information used as the basis of such calculation, develop their own conclusions based on their independent analysis of such information, and prepare their own calculation of the Royalty Metals for such Project, in which event the Required Lenders’ determination shall be conclusive. Calculations of Royalty Metals shall include all reasonable deductions for shipping, smelting, contractual and other standard deductions (which deductions shall be described with reasonable specificity in the Borrowers’ calculations).

“ S&P ” shall mean Standard & Poor’s Ratings Group, a division of The McGraw Hill Companies, Inc.

“ Securities Exchange Act ” shall mean the Securities Exchange Act of 1934, together with any amendment thereto or replacement thereof and any rules or regulations promulgated thereunder.

“ Security Agreement ” shall mean the Security Agreement of even date herewith among the Borrowers, the Guarantors and the Administrative Agent, as amended, modified, supplemented or restated from time to time.

“ Security Documents ” shall mean the Mortgages, the Mortgage Amendments, the Security Agreement, the Pledge Agreements and any other agreement, assignment, document or Instrument executed and delivered in connection with (i) the granting, attachment, formalization and perfection of the Administrative Agent’s security interests and Liens arising thereunder, including UCC financing statements, PPSA financing statements and other similar registrations, filings or instruments, (ii) the pledge or subordination of Indebtedness to or in favor of the Administrative Agent or (iii) any other mortgage, deed, security, subordination, guaranty or

support agreement or arrangement with respect to the Obligations or any Credit Document, as any of the foregoing may be amended, modified, supplemented, continued, restated, or amended and restated from time to time.

“Silver” shall mean silver of minimum purity of at least 0.999 fineness conforming in all respects with the requirements for good delivery on the London Bullion Market.

“Spot Price” shall mean, with respect to Gold and Silver, the price fixing for such Metal by the London Bullion Market Association as reported in The Wall Street Journal or any other agreed upon successor publication for the applicable date, time or time period; and, with respect to any other Metal, the spot COMEX price as reported in The Wall Street Journal or any other agreed upon successor publication for the applicable date, time or time period; and, with respect to any Metal for which a spot price is not quoted by COMEX, the spot price for such Metal established by the London Metal Exchange or such other pricing source used by the Administrative Agent in its reasonable discretion.

“Subsidiary” shall mean, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. For purposes of clarity, as of the Closing Date, Crescent Valley Partners, L.P. shall be deemed a Subsidiary of Royal Gold. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a Subsidiary or Subsidiaries of a Borrower.

“Syndication Agent” shall have the meaning set forth in the first paragraph of this Agreement and includes any successors in such capacity.

“Taxes” shall mean all present and future taxes, levies, duties, imposts, deductions, charges, withholdings and other similar levies and liabilities of whatever nature, including stamp, sales, use, documentary, value added, excise, registration, property and income taxes.

“Term Loan Agreement” shall mean the Amended and Restated Term Loan Agreement dated August 27, 2008 between HSBC Bank USA, National Association and Royal Gold Chile Limitada, as amended, modified, increased, replaced or refinanced from time to time.

“Title Opinions” means those legal opinions from counsel to the Borrowers pertaining to the Collateral Royalties and the respective Borrower’s right, title and interest in and to such Collateral Royalties previously delivered to HSBC Bank USA, National Association, together with any additional or future legal opinions pertaining to the Collateral Royalties and the respective Borrower’s right, title and interest in and to such Collateral Royalties, in form and substance acceptable to the Administrative Agent.

“Transfer Effective Date” shall have the meaning set forth in each Assignment Agreement.

“ Voting Stock ” shall mean, with respect to any Person, Capital Stock issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

Section 1.2 Other Definitional Provisions; Time References.

(a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes or other Credit Documents or any certificate or other document made or delivered pursuant hereto.

(b) The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(d) The word “including” means “including without limitation” or “including, but not limited to,” and does not create or denote a limitation.

(e) Unless otherwise expressly indicated, each time reference in any Credit Document shall be to New York time.

Section 1.3 Accounting Terms. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP applied on a basis consistent with the most recent audited consolidated financial statements of the Borrowers delivered to the Administrative Agent; provided that, if the Borrowers shall notify the Administrative Agent that they wish to amend any covenant in Section 6.16 (or the definitions used therein) to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrowers that the Required Lenders wish to amend Section 6.16 or any definition used therein for such purpose), then compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrowers and the Required Lenders.

The Borrowers shall deliver to the Administrative Agent at the same time as the delivery of any annual or quarterly financial statements given in accordance with the provisions of Section 6.1, (a) a description in reasonable detail of any material change in the application of accounting principles employed in the preparation of such financial statements from those applied in the most recently preceding quarterly or annual financial statements as to which no objection shall have been made in accordance with the provisions above and (b) a reasonable estimate of the effect on the financial statements on account of such changes in application.

ARTICLE II
THE LOANS; AMOUNT AND TERMS

Section 2.1 Revolving Loans.

(a) Revolving Commitment. During the Commitment Period, subject to the terms and conditions hereof, the Lenders severally agree to make revolving credit loans (the “Loans”) to the Borrowers from time to time in an aggregate principal amount of up to the Committed Amount; provided, however, that (i) with regard to each Lender individually, the sum of such Lender’s Commitment Percentage of outstanding Loans shall not exceed such Lender’s Commitment, and (ii) with regard to the Lenders collectively, the aggregate sum of the outstanding Loans shall not exceed the Committed Amount. Loans may be repaid and reborrowed in accordance with the provisions hereof.

(b) Loan Borrowing Procedure.

(i) Notice of Borrowing. The Borrowers shall request a Loan borrowing by delivering a written Notice of Borrowing (or telephone notice promptly confirmed in writing by delivery of a written Notice of Borrowing, which delivery may be by facsimile) to the Administrative Agent not later than 11:00 a.m. on the third Business Day prior to the date of the requested borrowing. Each such Notice of Borrowing shall be irrevocable and shall specify (A) that a Loan is requested, (B) the date of the requested borrowing (which shall be a Business Day), (C) the aggregate principal amount to be borrowed, and (D) the requested Interest Period(s). If the Borrowers shall fail to specify an applicable Interest Period in the Notice of Borrowing, then such notice shall be deemed to be a request for an Interest Period of one month. The Administrative Agent shall give notice to each Lender promptly upon receipt of each Notice of Borrowing, the contents thereof and each such Lender’s share thereof.

(ii) Minimum Amounts. Each Loan shall be in a minimum aggregate amount of \$1,000,000 and in integral multiples of \$500,000 in excess thereof.

(iii) Advances. Each Lender will make its Commitment Percentage of each Loan borrowing available to the Administrative Agent for the account of the Borrowers at the office of the Administrative Agent specified in the Lenders’ Administrative Details Schedule, or at such other office as the Administrative Agent may designate in writing, by 1:00 p.m. on the date specified in the applicable Notice of Borrowing in Dollars and in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrowers by the Administrative Agent by crediting the account of the Borrowers on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

(c) Repayment. The principal amount of all Loans shall be due and payable in full on the Maturity Date. Each Borrower covenants and agrees to pay the Loans in accordance with the terms of this Agreement and the Notes.

(d) Interest. Except as set forth in Section 2.11 hereof, Loans shall bear interest at a per annum rate equal to the sum of the LIBOR Rate plus the Applicable Percentage. Each Borrower covenants and agrees to promptly pay interest on the Loans on each Interest Payment Date, with such interest payable in arrears.

(e) Amendment, Restatement and Continuance. This Agreement amends, restates, continues and replaces the Existing Agreement, and nothing contained in this Agreement shall be deemed or construed to be a repayment, satisfaction or novation of the Loans outstanding under the Existing Agreement, or to release, terminate, novate or in any way impair any Lien or Security Document that guarantees or secures the payment and performance of the Loans, this Agreement and the other Credit Documents. All Liens and Security Documents that guarantee or secure such payment and performance shall extend to and apply to all Loans made hereunder and under the Note, and such Liens and Security Documents shall be continued, ratified and confirmed. Any Interest Periods applicable to amounts outstanding as of the Closing Date under the Existing Agreement shall continue until the expiration date applicable thereto, without being effected by this Agreement.

Section 2.2 Fees.

(a) Commitment Fee. In consideration of the Commitment, the Borrowers agree to pay to the Administrative Agent, for the ratable benefit of the Lenders, a commitment fee (the “Commitment Fee”) in an amount equal to the Commitment Fee Percentage per annum on the average daily unused portion of the Committed Amount beginning on the Closing Date. The Commitment Fee shall be payable quarterly in arrears on the 15th day following the last day of each calendar quarter for the prior calendar quarter.

(b) Agent Fees. On or prior to the Closing Date, the Borrowers agree to pay to the Administrative Agent the fees described in the Fee Letters. During the term of this Agreement, the Borrowers agree to pay to the Administrative Agent for its account, an agent’s fee in the amount of \$10,000 per annum payable (i) on the Closing Date if more than one Lender is a party hereto, (ii) if only one Lender is a party hereto as of the Closing Date, on the date that the first additional Lender receives an assignment of a portion of the Commitment, and (iii) on each anniversary of the date on which such agent’s fee is first paid, during the term hereof, so long as more than one Lender continues to hold a portion of the Commitment on such anniversary date.

(c) Finality of Fees. All fees hereunder are fully earned and payable when due and are non-refundable.

Section 2.3 Commitment Reductions.

(a) Voluntary Reduction. The Borrowers shall have the right at any time and from time to time, upon at least five (5) Business Days prior written notice from the Borrowers to the Administrative Agent, to permanently reduce the Committed Amount by an aggregate principal amount not less than \$1,000,000, plus any whole multiples of \$1,000,000 in excess thereof or any amount in excess thereof which would reduce the Committed Amount to the aggregate sum of the outstanding Loans.

(b) Commitment Reduction Repayment. Upon the giving of notice set forth in Section 2.3(a), which shall be irrevocable, each permanent reduction in the Committed Amount permitted pursuant to this Section 2.3 and any amounts due as a result thereof shall be due and payable on the date set forth therein.

(c) Maturity Date. The Commitment shall automatically terminate on the Maturity Date.

Section 2.4 Prepayments.

(a) Optional Prepayments. The Borrowers shall have the right to prepay Loans in whole or in part from time to time; provided, however, that each partial prepayment of a Loan shall be in a minimum principal amount of \$1,000,000 and integral multiples of \$500,000 in excess thereof or, if less, the unpaid balance thereof. The Borrowers shall give three (3) Business Days' irrevocable notice of prepayment to the Administrative Agent (which shall notify the Lenders thereof as soon as practicable). Each prepayment pursuant to this Section 2.4(a) shall be applied to the outstanding Loans as the Borrowers may elect; provided, however, each prepayment shall be applied in direct order of Interest Period maturities. All prepayments under this Section 2.4(a) shall be subject to Section 2.14, but otherwise without premium or penalty. Interest on the principal amount prepaid shall be payable on the next occurring Interest Payment Date that would have occurred had such Loan not been prepaid or, at the request of the Administrative Agent, interest on the principal amount prepaid shall be payable on any date that a prepayment is made hereunder through the date of prepayment.

(b) Mandatory Prepayments. If at any time after the Closing Date, the aggregate sum of all the outstanding Loans shall exceed the Committed Amount, the Borrowers shall immediately prepay the Loans in an amount sufficient to eliminate such excess (such prepayment to be applied to the Loans in direct order of Interest Period maturities).

Section 2.5 Default Rate and Payment Dates. Upon the occurrence, and during the continuance, of an Event of Default, the principal of and, to the extent permitted by law, interest on the Loans and any other amounts owing hereunder or under the other Credit Documents shall bear interest, payable on demand, at the Default Rate.

Section 2.6 Extension of an Interest Period. Any Loans may be continued or extended upon the expiration of an Interest Period with respect thereto by delivery by the Borrowers of a Notice of Extension to the Administrative Agent not later than 11:00 a.m. on the third Business Day prior to the last day of the Interest Period applicable thereto. If the Borrower shall fail to deliver a Notice of Extension as contemplated by this Section 2.6, the Borrowers shall be deemed to have delivered a Notice of Extension, including all certifications therein, requesting an Interest Period of one-month.

Section 2.7 Extension of Scheduled Maturity Date.

(a) Request for Extension. So long as no Default or Event of Default has occurred, the Borrowers may, on any Business Day during a period of time beginning on the day that is sixty (60) days prior to each anniversary of the Closing Date and ending on the day that is thirty (30) days prior to each anniversary of the Closing Date, irrevocably request in writing that the

Lenders extend the Maturity Date for an additional year, from the date of October 30, 2013 to October 30, 2014 (the “ Request for Extension ”). Upon receipt of the Request for Extension, the Administrative Agent shall promptly provide it to all Lenders. The Administrative Agent shall notify the Borrowers whether or not the Lenders have consented to the Request for Extension by no later than thirty (30) days after the Administrative Agent receives the Request for Extension. Each Lender may approve or reject in its sole discretion the Borrowers’ Request for Extension.

(b) Terms and Conditions Binding. If the Request for Extension is approved by the Lenders, this Agreement shall continue with full force and effect upon the same terms and conditions as those set forth herein (except as amended, supplemented or modified in accordance with the terms hereof) until the Maturity Date as extended in accordance herewith.

(c) Miscellaneous Terms. Each Request for Extension shall be irrevocable and binding on the Borrowers. The failure of the Borrowers to make any Request for Extension within the time period specified therefor shall thereby terminate the Borrowers’ option to make such a Request for Extension. The failure of any Lender to respond to a Request for Extension within the thirty (30) day consideration period shall be deemed a rejection of the Request for Extension by such Lender.

Section 2.8 Computation of Interest and Fees.

(a) Interest payable hereunder and all other fees and other amounts payable hereunder shall be calculated on the basis of a 360 day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrowers and the Lenders of each determination of a LIBOR Rate on the Business Day of the determination thereof.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrowers and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrowers, deliver to the Borrowers a statement showing the computations used by the Administrative Agent in determining any interest rate.

(c) It is the intent of the Lenders and the Credit Parties to conform to and contract in strict compliance with applicable usury law from time to time in effect. All agreements between the Lenders and the Credit Parties are hereby limited by the provisions of this paragraph which shall override and control all such agreements, whether now existing or hereafter arising and whether written or oral. In no way, nor in any event or contingency (including but not limited to prepayment or acceleration of the maturity of any Obligation), shall the interest taken, reserved, contracted for, charged, or received under this Agreement, under the Notes or otherwise, exceed the maximum nonusurious amount permissible under applicable law. If, from any possible construction of any of the Credit Documents or any other document, interest would otherwise be payable in excess of the maximum nonusurious amount, any such construction shall be subject to the provisions of this paragraph and such interest shall be automatically reduced to the maximum nonusurious amount permitted under applicable law, without the necessity of execution of any amendment or new document. If any Lender shall ever receive anything of value which is characterized as interest on the Loans under applicable law and which would, apart from this provision, be in excess of the maximum nonusurious amount, an amount equal to the amount

which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the Loans and not to the payment of interest, or refunded to the Borrowers or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal amount of the Loans. The right to demand payment of the Loans or any other Indebtedness evidenced by any of the Credit Documents does not include the right to receive any interest which has not otherwise accrued on the date of such demand, and the Lenders do not intend to charge or receive any unearned interest in the event of such demand. All interest paid or agreed to be paid to the Lenders with respect to the Loans shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term (including any renewal or extension) of the Loans so that the amount of interest on account of such indebtedness does not exceed the maximum nonusurious amount permitted by applicable law.

Section 2.9 Pro Rata Treatment and Payments.

(a) Pro Rata Treatment. Each borrowing of Loans and any reduction of the Commitments shall be made pro rata according to the respective Commitment Percentages of the Lenders. Each payment (other than prepayments) of principal or interest under this Agreement or any Note shall be applied pro rata, first, to any fees and expenses then due and owing by the Borrowers hereunder, second, to interest then due and owing hereunder and under the Notes and, third, to principal then due and owing hereunder and under the Notes. Each payment on account of any fees and expenses hereunder shall be made pro rata in accordance with the respective amounts due and owing. Each optional prepayment of the Loans shall be applied in accordance with Section 2.4(a) and each mandatory prepayment of the Loans shall be applied in accordance with Section 2.4(b). Prepayments made pursuant to Section 2.12 shall be applied in accordance with such section. All payments (including prepayments) to be made by the Borrowers on account of principal, interest and fees shall be made without defense, set-off or counterclaim and shall be made to the Administrative Agent for the account of the Lenders at the Administrative Agent's office specified on the Lenders' Administrative Details Schedule in Dollars and in immediately available funds not later than 12:00 Noon on the date when due. The Administrative Agent shall distribute such payments to the Lenders entitled thereto promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day.

(b) Allocation of Payments After Event of Default. Notwithstanding any other provisions of this Agreement to the contrary, after the exercise of remedies by the Administrative Agent or the Lenders pursuant to Section 8.2 (or after the Commitments shall automatically terminate and the Loans (with accrued interest thereon) and all other amounts under the Credit Documents shall automatically become due and payable in accordance with the terms of such Section), all amounts collected or received by the Administrative Agent or any Lender on

account of the Obligations or any other amounts outstanding under any of the Credit Documents or in respect of the Collateral shall be paid over or delivered as follows:

FIRST, to the payment of all out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Administrative Agent in connection with enforcing the rights of the Lenders under the Credit Documents and any protective advances made by the Administrative Agent with respect to the Collateral under or pursuant to the terms of the Security Documents;

SECOND, to payment of any fees owed to the Agents;

THIRD, to the payment of all out-of-pocket costs and expenses (including without limitation, reasonable attorneys' and consultants' fees) of each of the Lenders in connection with enforcing its rights under the Credit Documents or otherwise with respect to the Obligations owing to such Lender;

FOURTH, to the payment of all of the Obligations consisting of interest and any accrued fees not paid under the foregoing;

FIFTH, to the payment of the outstanding principal amount of the Obligations and any breakage, termination or other payments due on the Obligations, and any interest accrued thereon together with all Obligations arising under any Hedging Agreement with a Lender (or an Affiliate of a Lender) or any account (including cash management accounts) or other cash management services provided by a Lender (or an Affiliate of a Lender);

SIXTH, to all other Obligations and all other obligations which shall have become due and payable under the Credit Documents or otherwise and not repaid pursuant to clauses "FIRST" through "FIFTH" above; and

SEVENTH, to the payment of the surplus, if any, to whomever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category.

Section 2.10 Non-Receipt of Funds by the Administrative Agent.

(a) Unless the Administrative Agent shall have been notified in writing by a Lender prior to the date a Loan is to be made by such Lender (which notice shall be effective upon receipt) that such Lender does not intend to make the proceeds of such Loan available to the Administrative Agent, the Administrative Agent may assume that such Lender has made such proceeds available to the Administrative Agent on such date, and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrowers a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent, the Administrative Agent shall be able to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, in accordance with the terms hereof, the

Administrative Agent will promptly notify the Borrowers, and the Borrowers shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from such Lender or the Borrowers, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrowers to the date such corresponding amount is recovered by the Administrative Agent at a per annum rate equal to the applicable rate for the applicable borrowing pursuant to the Notice of Borrowing.

(b) Unless the Administrative Agent shall have been notified in writing by the Borrowers, prior to the date on which any payment is due from it hereunder (which notice shall be effective upon receipt) that the Borrowers do not intend to make such payment, the Administrative Agent may assume that the Borrowers have made such payment when due, and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to each Lender on such payment date an amount equal to the portion of such assumed payment to which such Lender is entitled hereunder, and if the Borrowers have not in fact made such payment to the Administrative Agent, such Lender shall, on demand, repay to the Administrative Agent the amount made available to such Lender. If such amount is repaid to the Administrative Agent on a date after the date such amount was made available to such Lender, such Lender shall pay to the Administrative Agent on demand interest on such amount in respect of each day from the date such amount was made available by the Administrative Agent to such Lender to the date such amount is recovered by the Administrative Agent at a per annum rate equal to the LIBOR Rate.

(c) A certificate of the Administrative Agent submitted to the Borrowers or any Lender with respect to any amount owing under this Section 2.10 shall be conclusive in the absence of manifest error.

Section 2.11 Inability to Determine Interest Rate; Base Rate Loans. Notwithstanding any other provision of this Agreement, if (i) the Administrative Agent shall reasonably determine (which determination shall be conclusive and binding absent manifest error) that, by reason of circumstances affecting the relevant market, reasonable and adequate means do not exist for ascertaining LIBOR for such Interest Period, including that LIBOR quotations are unavailable or insufficient in number or (ii) the Required Lenders shall reasonably determine (which determination shall be conclusive and binding absent manifest error) that the LIBOR Rate does not adequately and fairly reflect the cost to such Lenders of funding Loans that the Borrowers have requested during such Interest Period, the Administrative Agent shall forthwith give telephone notice of such determination, confirmed in writing, to the Borrowers and the Lenders at least two Business Days prior to the first day of such Interest Period. Until any such notice has been withdrawn by the Administrative Agent, no further Loans shall be made as, continued as, or converted into, LIBOR Rate Loans for the Interest Periods so affected, and all Loans outstanding shall be converted into a Base Rate Loan (i) on the last day of the then-current Interest Period if the Lenders may lawfully continue to maintain the Loans as LIBOR Rate Loans to such day, or (ii) immediately if the Administrative Agent or any Lender shall determine that any Lender may not lawfully continue to maintain the Loans as LIBOR Rate Loans to such day. Furthermore, until any such notice has been withdrawn by the Administrative Agent, all Loans requested by the Borrowers or advanced by any Lender

hereunder shall be made and advanced as a Base Rate Loan, to which all other terms and conditions of this Agreement shall apply.

Section 2.12 Illegality. Notwithstanding any other provision of this Agreement, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof by the relevant Governmental Authority to any Lender shall make it unlawful for such Lender or its LIBOR Lending Office to make or maintain LIBOR Rate Loans as contemplated by this Agreement or to obtain in the interbank eurodollar market through its LIBOR Lending Office the funds with which to make such Loans, (a) such Lender shall promptly notify the Administrative Agent and the Borrowers thereof, and (b) the commitment of such Lender hereunder to make LIBOR Rate Loans or continue LIBOR Rate Loans as such shall forthwith be suspended until the Administrative Agent shall give notice that the condition or situation which gave rise to the suspension shall no longer exist. The Borrowers hereby agree to promptly pay any Lender, upon its demand, any additional amounts necessary to compensate such Lender for actual and direct costs (but not including anticipated profits) reasonably incurred by such Lender in making any repayment in accordance with this Section including, but not limited to, any interest or fees payable by such Lender to lenders of funds obtained by it in order to make or maintain its LIBOR Rate Loans hereunder. A certificate as to any additional amounts payable pursuant to this Section submitted by such Lender, through the Administrative Agent, to the Borrowers shall be conclusive in the absence of manifest error. Each Lender agrees to use reasonable efforts (including reasonable efforts to change its LIBOR Lending Office) to avoid or to minimize any amounts which may otherwise be payable pursuant to this Section; provided, however, that such efforts shall not cause the imposition on such Lender of any additional costs or legal or regulatory burdens deemed by such Lender in its sole discretion to be material.

Section 2.13 Requirements of Law.

(a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject such Lender to any tax of any kind whatsoever with respect to any LIBOR Rate Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for tax on the overall net income of such Lender or franchise taxes imposed on it in lieu of net income taxes and changes in the rate of such taxes);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the LIBOR Rate hereunder; or

(iii) shall impose on such Lender any other condition not otherwise expressly excluded above;

and the result of any of the foregoing is to increase the cost to such Lender of making or maintaining LIBOR Rate Loans or to reduce any amount receivable hereunder or under any Note or Loan, then, in any such case, the Borrowers shall promptly pay such Lender, within fifteen (15) days after its demand, any additional amounts necessary to compensate such Lender for such additional cost or reduced amount receivable which such Lender reasonably deems to be material as determined by such Lender with respect to its LIBOR Rate Loans. A certificate as to any additional amounts payable pursuant to this Section submitted by such Lender, through the Administrative Agent, to the Borrowers shall be conclusive in the absence of manifest error. Each Lender agrees to use reasonable efforts (including reasonable efforts to change its LIBOR Lending Office, as the case may be) to avoid or to minimize any amounts which might otherwise be payable pursuant to this paragraph of this Section; provided, however, that such efforts shall not cause the imposition on such Lender of any additional costs or other disadvantages deemed by such Lender to be material.

(b) If any Lender shall have reasonably determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority made subsequent to the date hereof does or shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount reasonably deemed by such Lender to be material, then from time to time, within fifteen (15) days after demand by such Lender, the Borrowers shall pay to such Lender such additional amount as shall be certified by such Lender as being required to compensate it for such reduction. Such a certificate as to any additional amounts payable under this Section submitted by a Lender (which certificate shall include a description of the basis for the computation), through the Administrative Agent, to the Borrowers shall be conclusive absent manifest error.

(c) The agreements in this Section 2.13 shall survive the termination of this Agreement and payment of the Notes and all other amounts payable hereunder.

Section 2.14 Indemnity . The Borrowers hereby agree to indemnify each Lender and to hold such Lender harmless from any liabilities, claims, costs, charges, funding loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrowers in payment of the principal amount of or interest on any Loan by such Lender in accordance with the terms hereof, (b) default by the Borrowers in accepting a borrowing after the Borrowers have given a notice in accordance with the terms hereof, (c) default by the Borrowers in making any prepayment after the Borrowers have given a notice in accordance with the terms hereof, and/or (d) any payment or prepayment of a Loan, or the extension thereof, on a day which is not the last day of the Interest Period with respect thereto, in each case including, but not limited to, any such loss, expense, cost or liability arising from interest, fees, costs or charges payable by such Lender to lenders of funds obtained by it in order to maintain its Loans hereunder. A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender, through the Administrative Agent, to the Borrowers shall be conclusive in the absence of manifest error.

The agreements in this Section shall survive termination of this Agreement and payment of the Notes and all other amounts payable hereunder.

Section 2.15 Taxes.

(a) All payments made by the Borrowers hereunder or under any Note shall be made free and clear of, and without deduction or withholding for, any present or future Taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any Governmental Authority or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding any Tax imposed on or measured by the net income or profits of a Lender or franchise taxes imposed on it in lieu of net income taxes, in each case pursuant to the laws of the jurisdiction in which it is organized or the jurisdiction in which the principal office or applicable lending office of such Lender is located or any subdivision thereof or therein) and all interest, penalties or similar liabilities with respect thereto. If any Taxes are so levied or imposed, the Borrowers agree to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Note. The Borrowers will furnish to the Administrative Agent as soon as practicable after the date the payment of any Taxes is due pursuant to applicable law certified copies (to the extent reasonably available and required by law) of tax receipts evidencing such payment by the Borrowers. The Borrowers agree to indemnify and hold harmless each Lender, and reimburse such Lender upon its written request, for the amount of any Taxes so levied or imposed and paid by such Lender.

(b) Each Lender agrees to use reasonable efforts (including reasonable efforts to change its LIBOR Lending Office, as the case may be) to avoid or to minimize any amounts which might otherwise be payable pursuant to this Section; provided, however, that such efforts shall not cause the imposition on such Lender of any additional costs or other disadvantages deemed by such Lender in its sole discretion to be material.

(c) If the Borrowers pay any additional amount pursuant to this Section 2.15 with respect to a Lender, such Lender shall use reasonable efforts to obtain a refund of tax or credit against its tax liabilities on account of such payment; provided that such Lender shall have no obligation to use such reasonable efforts if either (i) it is in an excess foreign tax credit position or (ii) it believes in good faith, in its sole discretion, that claiming a refund or credit would cause adverse tax consequences to it. In the event that such Lender receives such a refund or credit, such Lender shall pay to the Borrowers an amount that such Lender reasonably determines is equal to the net tax benefit obtained by such Lender as a result of such payment by the Borrowers. In the event that no refund or credit is obtained with respect to the Borrowers' payments to such Lender pursuant to this Section 2.15, then such Lender shall upon request provide a certification that such Lender has not received a refund or credit for such payments. Nothing contained in this Section 2.15(c) shall require a Lender to disclose or detail the basis of its calculation of the amount of any tax benefit or any other amount or the basis of its determination referred to in the proviso to the first sentence of this Section 2.15 (c) to the Borrowers or any other party.

(d) Each Lender that is not a “United States person” (as such term is defined in Section 7701(a)(30) of the Code) (a “Foreign Lender”) shall submit to Borrowers and Administrative Agent on or before the date such financial institution becomes a party hereto, two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Foreign Lender and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Foreign Lender by Borrowers pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Foreign Lender by Borrowers pursuant to this Agreement) or such other evidence satisfactory to Borrowers and Administrative Agent that such Foreign Lender is entitled to an exemption from, or reduction of, United States withholding tax. Thereafter and from time to time, each such Foreign Lender shall: (i) promptly submit to Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to Borrowers and Administrative Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Foreign Lender by Borrowers pursuant to this Agreement; (ii) promptly notify Administrative Agent of any change in circumstances that would modify or render invalid any claimed exemption or reduction; and (iii) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Foreign Lender, and as may be reasonably necessary (including the re-designation of its lending office) to avoid any requirement of applicable laws that Borrowers make any deduction or withholding for taxes from amounts payable to such Foreign Lender. If any Foreign Lender fails to deliver the forms or other documentation referred to in this subsection, then the Borrowers shall not be required to pay any additional amount to such Foreign Lender under Section 2.15(a) with respect to any withholding tax imposed by Sections 1441 and 1442 of the Code; provided that if such Foreign Lender shall have satisfied the requirement of this Section 2.15(d) on the date such Foreign Lender became a Lender, nothing in this Section 2.15(d) shall relieve the Borrowers of their obligations to pay any amounts pursuant to Section 2.15(a) in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Foreign Lender is no longer properly entitled to deliver forms, certificates or other evidence at a subsequent date establishing the fact that such Foreign Lender or is not subject to withholding.

(e) The agreements in this Section 2.15 shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder.

ARTICLE III REPRESENTATIONS AND WARRANTIES

To induce the Lenders to enter into this Agreement and to make the Loans herein provided for, the Credit Parties hereby represent and warrant to the Administrative Agent and to each Lender that:

Section 3.1 Corporate Existence; Compliance with Law. Each of the Credit Parties (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of

its organization, (b) has the requisite corporate power, authority and right to acquire, lease, own and operate, as applicable, all its property and to conduct the business in which it is currently engaged, (c) is duly qualified to conduct business and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that the failure to so qualify or be in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.2 Corporate Power; Authorization; Enforceable Obligations. Each of the Credit Parties has full corporate power, authority and right to execute, deliver and perform the Credit Documents to which it is party and has taken all necessary limited liability company or corporate action to authorize the execution, delivery and performance by it of the Credit Documents to which it is party. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery or performance of any Credit Document by the Credit Parties (other than those which have been obtained) or with the validity or enforceability of any Credit Document against the Credit Parties (except such filings as are necessary in connection with the perfection of the Liens created by such Credit Documents). Each Credit Document to which it is a party has been duly executed and delivered on behalf of each of the Credit Parties. Each Credit Document to which it is a party constitutes a legal, valid and binding obligation of each of the Credit Parties, enforceable against such Credit Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 3.3 Financial Condition; No Material Adverse Effect.

(a) The audited Consolidated financial statements of the Borrowers for the twelve-month period ending June 30, 2008, and the related Consolidated statements of income and of cash flows for the fiscal year ended on such date, all of which have been furnished to the Administrative Agent, have been prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein and fairly present the financial condition of the Borrowers and their Subsidiaries as of the date or dates thereof and results of operations for the periods covered thereby. Such financial statements and the notes thereto disclose all material liabilities, direct or contingent, of the Borrowers and their Subsidiaries that are required to be disclosed under GAAP.

(b) Subsequent to the respective dates as of which information is given in such financial statements, there has been no change or event that, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect.

Section 3.4 Compliance with Laws; No Conflict; No Default.

(a) The execution, delivery and performance by each Credit Party of the Credit Documents to which such Credit Party is a party, in accordance with their respective terms, the borrowings hereunder and the transactions contemplated hereby do not and will not, by the passage of time, the giving of notice or otherwise, (i) violate any Requirement of Law applicable to such Credit Party, (ii) conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws, articles of organization, operating agreement or other organizational documents of such Credit Party or any material indenture, agreement or other instrument to which such Person is a party or by which any of its properties may be bound or any Governmental Approval of such Person, except to the extent that such conflict, breach or default with respect to any such indenture, agreement or instrument could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Person other than Liens arising under the Credit Documents.

(b) Each Credit Party (i) has all Governmental Approvals required by law for it to conduct its business in all material respects, and (ii) is in compliance with each Governmental Approval applicable to it and in compliance with all other Requirements of Law relating to it or any of its respective properties, in each case except to the extent the failure to obtain such Governmental Approval or failure to comply with such Governmental Approval or Requirement of Law could not reasonably be expected to have a Material Adverse Effect. Except as set forth in Schedule 3.4(b) and except for matters that do not have or would not reasonably be expected to have a Material Adverse Effect, to the knowledge of the Credit Parties, the Project Managers of each of the Projects have obtained all material Governmental Approvals required to operate such Projects as currently being operated in accordance with the then-effective mine plan therefore and are operating such Projects in material compliance therewith.

(c) Except as set forth in Schedule 3.4(c) hereto, (i) each Credit Party has complied in all material respects with all Requirements of Law, (ii) to the knowledge of each Credit Party, each Project is in compliance with all Requirements of Law relating to the operation of such Project, in each case except to the extent that the failure to obtain a Governmental Approval or the failure to comply with such Governmental Approval or Requirement of Law has not had, and would not reasonably be expected to have, a Material Adverse Effect, and (iii) to the knowledge of each Credit Party, no investigation is currently being conducted by any local, state or federal agency with respect to enforcement of Requirements of Law that would reasonably be expected to have a Material Adverse Effect. Except as disclosed in Schedule 3.4(c), no Credit Party has knowledge of any existing violation of Requirements of Law or notices thereof issued by any Governmental Authority, with respect to a Credit Party or a Project, that has had or would reasonably be expected to have a Material Adverse Effect.

(d) None of the Credit Parties is in default under or with respect to any of its Material Contracts, or any judgment, order or decree to which it is a party, in any respect that has had or could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

Section 3.5 No Material Litigation. Except as set forth in Schedule 3.5 hereto, no Credit Party is a party to any action, suit or proceeding at law or in equity, by or before any Governmental Authority (or, to the knowledge of any Credit Party, threatened in writing) against or affecting any Credit Party, any Royalty Interest, or any Project that has had, or would reasonably be expected to have a Material Adverse Effect, or which may affect the legality, validity or enforceability of this Agreement or any other Credit Document. Except as set forth in Schedule 3.5, to the knowledge of each Credit Party, there is no action, suit or proceeding at law or in equity, by or before any Governmental Authority now pending or threatened against or, with direct and specific application, affecting, any Credit Party, the Royalty Interests or any Project, which has had, or would reasonably be expected to have, a Material Adverse Effect, or which may affect the legality, validity or enforceability of this Agreement or any other Credit Document, and no judgments are outstanding which could reasonably be expected to have a Material Adverse Effect.

Section 3.6 Employee Benefit Plans. Each Employee Benefit Plan established or maintained by the Borrowers or any other Credit Party complies, and has been maintained and administered, in all material respects in accordance with applicable Requirements of Law. Each Employee Benefit Plan is fully funded on a going concern basis in accordance with its terms and applicable Requirements of Law, and the present value of all accrued benefits under any such plans do not exceed the value of the assets of such plans allocable to such accrued benefits by an amount that could reasonably be expected to have a Material Adverse Effect. No material liability exists with respect to any Employee Benefit Plan that has been terminated.

Section 3.7 Environmental Matters.

(a) To the knowledge of the Credit Parties, the Projects are owned, leased, developed, operated or otherwise utilized in compliance with all applicable Environmental Laws and Governmental Approvals, in each case except to the extent that the failure to comply with such Environmental Laws or Governmental Approvals has not had, and would not reasonably be expected to have, a Material Adverse Effect.

(b) No Credit Party has received any written or actual notice of violation, alleged violation, non-compliance, notice of investigation, liability or potential liability regarding Materials of Environmental Concern, compliance with Environmental Laws or other environmental matters with regard to any of the Projects, in each case, except as those that have not had, and would not reasonably be expected to have, a Material Adverse Effect, nor does any Credit Party have knowledge that any such notice will be received or is being threatened.

(c) No judicial proceeding or governmental or administrative action under any Environmental Law is pending or, to the knowledge of any Credit Party threatened, against any Credit Party, or to the knowledge of any Credit Party is pending against any Project that has had, or would reasonably be expected to have, a Material Adverse Effect. To the knowledge of the Credit Parties, there are no consent decrees or other clean-up orders, mitigation orders, compliance orders, remediation orders, decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to any Project that have had, or would reasonably be expected to have, a Material Adverse Effect.

Section 3.8 Purpose of Loans. The proceeds of the Loans shall be used by the Borrowers to pay any fees and expenses in connection with this Agreement and to provide for the working capital and general corporate requirements of the Borrowers and their Subsidiaries.

Section 3.9 Subsidiaries. Set forth on Schedule 3.9 is a complete and accurate list of all Subsidiaries of the Credit Parties as of the Closing Date. Information on the attached Schedule includes jurisdiction of incorporation or organization; the number of authorized shares of each class of Capital Stock or other equity interests; the number of outstanding shares of each class of Capital Stock or other equity interests, the owner thereof and the percentage of such ownership; and the number and effect, of all outstanding options, warrants, rights of conversion or purchase and similar rights. The outstanding Capital Stock and other equity interests of all such Subsidiaries is validly issued, fully paid and non-assessable and is owned free and clear of all Liens (other than Permitted Liens).

Section 3.10 Ownership; Insurance.

(a) Each of the Credit Parties has good, legal and valid title to (or in the case of any leased premises, easement properties or licensed property, valid leasehold, easement or license interests, which are in full force and effect, in) its real property and good title to, or a valid leasehold interest in, its personal property.

(b) Each of the Credit Parties has and maintains in full force and effect adequate insurance in accordance with Section 6.10 hereof and which insurance is described in full as of the Closing Date on Schedule 6.10.

Section 3.11 Title to Royalty Interests; Liens. Schedule 1.1(a) sets forth, as of the Closing Date, a complete and accurate listing and description of each Collateral Royalty, including the Project and the Royalty Interest associated therewith. Schedule 1.1(d) sets forth, as of the Closing Date, a complete and accurate listing of each of the Royalty Interests, other than the Collateral Royalties. Each Credit Party has good and marketable title to the Collateral Royalties owned by it, free and clear of any claims or rights of title and free and clear of all Liens except for Permitted Liens; and each Credit Party has good title to the Royalty Interests (other than the Collateral Royalties) owned by it, free and clear of any claims or rights of title and free and clear of all Liens except for Permitted Liens.

Section 3.12 Royalty Agreements. Schedule 1.1(a) sets forth a complete and accurate list of all Royalty Agreements of each Credit Party relating to a Collateral Royalty and in effect as of the Closing Date. Each Royalty Agreement relating to a Collateral Royalty is (i) a legal, valid and binding obligation of the Credit Party that is a party thereto, and to each Credit Party's knowledge, each other party thereto, and (ii) other than as set forth in Schedule 3.12, each such Royalty Agreement is, and after giving effect to the transactions contemplated by the Credit Documents will be, in full force and effect in accordance with the terms thereof. To the extent requested by the Administrative Agent, the Borrowers have delivered or made available to the Administrative Agent a true and complete copy of each Royalty Agreement listed on Schedule 1.1(a). No Credit Party is in breach of or in default under any Royalty Agreement for a Collateral Royalty. As of the Closing Date and since the date thereof, other than as set forth on Schedule 3.12, no Credit Party has made any unresolved allegation that any counterparty to a

Material Contract has breached or defaulted under any such agreement in a material respect, except for allegations of breach or default that a Credit Party has diligently pursued and resolved within thirty (30) days of obtaining knowledge thereof and which has not had, and would not reasonably be likely to have, a Material Adverse Effect during such period of time. To the knowledge of each Credit Party, other than as set forth on Schedule 3.12, no counterparty to any Material Contract is in material breach of or in material default of any such Material Contract, except for allegations of breach or default that a Credit Party is diligently pursuing and will resolve within thirty (30) days of obtaining knowledge thereof and which breach or default has not had, and would not reasonably be likely to have, a Material Adverse Effect.

Section 3.13 Indebtedness. Except as otherwise permitted under Section 7.1, the Credit Parties and their Subsidiaries have no Indebtedness.

Section 3.14 Taxes. Each of the Credit Parties and their Subsidiaries has filed, or caused to be filed, all Tax returns (federal, provincial, state, local, foreign or otherwise) required to be filed and has paid (a) all amounts of Taxes shown thereon to be due (including interest and penalties) and (b) all other Taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except, in each case, for such Taxes (i) which are not yet delinquent, (ii) that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP, or (iii) that arise and become due in jurisdictions outside of the United States, Canada or Mexico and which are not material either individually or in the aggregate. Each Credit Party has established reserves which are reasonably believed by the officers and representatives of such Credit Party to be adequate for the payment of such taxes. None of the Credit Parties is aware of any proposed Taxes or Tax assessments against it or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect.

Section 3.15 No Burdensome Restrictions. None of the Credit Parties or any of its Subsidiaries is a party to any agreement or Instrument or subject to any other obligation or any charter or corporate restriction or any provision of any applicable Requirement of Law which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 3.16 Limitations on Incurrence of Indebtedness. No Credit Party is subject to any Requirement of Law limiting its ability to borrow money or to incur or perform the Obligations or to grant Liens with respect to the Collateral as set forth in the Security Documents.

Section 3.17 Accuracy and Completeness of Information. No factual information heretofore, contemporaneously or hereafter furnished by or on behalf of any Credit Party or any of its Subsidiaries to the Administrative Agent or any Lender for purposes of or in connection with this Agreement or any other Credit Document contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances when made, not materially misleading; provided, however, that projections contained therein are not to be viewed as factual and that actual results during the periods covered thereby may differ from the results set forth in such projections by a material amount. There is no fact now known to any Credit Party or any of its Subsidiaries which has, or could reasonably be expected to have, a Material Adverse Effect.

Section 3.18 Events of Default. No event has occurred and is continuing, or would result from the incurring of the Obligations by the Borrowers under this Agreement, that, individually or in the aggregate, constitute, or could be reasonably expected to constitute, a Default or Event of Default.

Section 3.19 Material Contracts. Except as set forth in Schedule 3.19 hereto, no Credit Party is a party to any material agreement or Instrument or subject to any charter or other corporate restriction that has had or could reasonably be expected to have a Material Adverse Effect. Each Material Contract of the Credit Parties is, and after giving effect to the transactions contemplated by the Credit Documents will be, in full force and effect in accordance with the terms thereof and no Borrower or Subsidiary thereof has violated in any respect any such Material Contract, the effect of which has had or could reasonably be expected to have a Material Adverse Effect.

ARTICLE IV COLLATERAL SECURITY

Section 4.1 Security Documents. As security for the prompt, complete and irrevocable payment and performance of the Obligations, each of the Credit Parties shall, contemporaneously with the execution of this Agreement, confirm, ratify and continue, or grant, execute and deliver, the Security Documents.

Section 4.2 No Limitation on Application of Security Interest. The Credit Parties agree that notwithstanding any provision of any other Credit Document to the contrary, the Liens created pursuant to the Security Documents shall secure all Obligations. All Obligations are a joint and several liability of the Borrowers.

Section 4.3 Maintenance of Security Over Minimum Collateral Royalties. The Credit Parties shall at all times grant and maintain Mortgages or other Security Documents satisfactory to the Required Lenders in their sole discretion over and with respect to Royalty Interests that generate Projected Facility Term Revenue equal to or greater than the greater of (a) fifty percent (50%) of the total Projected Facility Term Revenue, or (b) an amount equal to the Committed Amount (the “Collateral Requirement”).

Section 4.4 Perfection and Maintenance of Liens. Each Credit Party hereby authorizes the Administrative Agent and the other Lenders to file such UCC financing statements, PPSA financing statements and other agreements, documents, registrations, filings or Instruments with such Governmental Authorities in such jurisdictions as it determines to be desirable and to take such other actions as the Administrative Agent or any Lender determine to be necessary or desirable to legalize, authenticate, protect, perfect and maintain the perfection of first priority Liens in the Collateral identified in the Security Documents. The Credit Parties agree to cooperate with the Administrative Agent and the other Lenders in delivering all share certificates and other certificates of Capital Stock pledged pursuant to Pledge Agreement and in undertaking and completing all recordings, filings, registrations and other actions required in connection with the Security Documents, and each Credit Party further agrees to promptly take all such other actions as the Administrative Agent may reasonably determine to be necessary or

appropriate to confirm, perfect, maintain and protect the perfection of the Liens granted by the Security Documents.

Section 4.5 Security Documents. The Security Documents create valid security interests in, and Liens on, the Collateral purported to be covered thereby, which security interests and Liens are currently perfected security interests and Liens, prior to all other Liens, other than Permitted Liens.

ARTICLE V CONDITIONS PRECEDENT

Section 5.1 Conditions to Closing and Initial Loan. This Agreement shall become effective upon, and the obligation of each Lender to make the initial Loan hereunder is subject to, the satisfaction of the following conditions precedent:

(a) Execution of Credit Documents. The Administrative Agent shall have received (i) counterparts of this Agreement, (ii) a Note for the account of each Lender, (iii) counterparts to each Security Document, and (iv) counterparts to each other Credit Document, in each case conforming to the requirements of this Agreement and executed by a duly authorized officer of each party thereto, and in each case in form and substance reasonably satisfactory to the Lenders.

(b) Authority Documents. The Administrative Agent shall have received a certificate from the secretary of each Credit Party substantially in the form of Exhibit H attached hereto, together with certified copies of each of the following attachments:

(i) Articles of Incorporation/Charter Documents. Copies of the articles of incorporation or other charter documents, as applicable, of such Credit Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the jurisdiction of its incorporation;

(ii) Bylaws/Operating Agreement. A copy of the bylaws or comparable operating agreement of such Credit Party;

(iii) Resolutions. Copies of resolutions of the board of directors of such Credit Party approving and adopting the Credit Documents, the transactions contemplated therein and authorizing execution and delivery thereof;

(iv) Good Standing. Copies of certificates of good standing, existence or its equivalent with respect to such Credit Party certified as of a recent date by the appropriate Governmental Authorities of the state of incorporation or organization and each other state in which the failure to so qualify and be in good standing could reasonably be expected to have a Material Adverse Effect on the business or operations of such Credit Party; and

(v) Incumbency. Incumbency signatures of appropriate officers of such Credit Party, including each officer executing a Credit Document.

(c) Legal Opinions of Counsel. The Administrative Agent shall have received opinions of legal counsel (including local counsel to the extent required by the Administrative Agent) for the Credit Parties, dated the Closing Date and addressed to the Administrative Agent and the Lenders in form and substance reasonably acceptable to the Required Lenders.

(d) Evidence of Mortgage Amendment Filings. The Administrative Agent shall have received copies of each Mortgage Amendment as filed with the appropriate county recording office, together with a supplemental legal opinion from legal counsel to the Credit Parties, in form and content reasonably acceptable to the Required Lenders, confirming the perfection in favor of the Administrative Agent of enforceable first priority Liens on the Collateral Royalties and on the other property rights and interests of each Credit Party that are subject to the Security Documents, substantially in the form of the security legal opinions delivered to the Administrative Agent in connection with the Existing Agreement.

(e) Collateral. The Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent:

(i) searches of all Lien filings, registrations and records deemed necessary by the Administrative Agent, and copies of any documents, filings and Instruments on file in such jurisdictions;

(ii) all financing statements, registrations, filings or other Instruments for each appropriate jurisdiction as is necessary, in the Administrative Agent's sole discretion, to perfect the Administrative Agent's security interest in the Collateral;

(iii) all stock or membership certificates evidencing the Capital Stock pledged to the Administrative Agent pursuant to the Pledge Agreements, together with duly executed in blank, undated stock or transfer powers attached thereto; and

(iv) such other duly executed agreements, consents, notices or Instruments as are necessary, in the Administrative Agent's sole discretion, to formalize, legalize, protect and perfect the Administrative Agent's security interest in the Collateral.

(f) Liability, Casualty and Business Interruption Insurance. The Administrative Agent shall have received copies of insurance policies or certificates of insurance evidencing liability, casualty and business interruption insurance meeting the requirements set forth herein or in the Security Documents.

(g) Fees. The Agents and the Lenders shall have received all fees, if any, owing pursuant to the Fee Letters and Section 2.2.

(h) Consents. The Administrative Agent shall have received evidence that all material governmental, shareholder, board of director and third party consents and approvals necessary in connection with the financings and other transactions contemplated hereby have been obtained.

(i) Material Adverse Effect. No material adverse change shall have occurred since June 30, 2008 in the business, properties, operations or financial condition of the Credit Parties and their Subsidiaries taken as a whole.

(j) Officer's Certificates. The Administrative Agent shall have received a certificate executed by a Responsible Officer of the Borrowers as of the Closing Date, substantially in the form of Exhibit J hereto stating that (i) except as set forth on Schedule 3.5, there is no pending or, to the knowledge of any Credit Party threatened, litigation, investigation, bankruptcy or insolvency, injunction, order or claim affecting or relating to any Credit Party or any of its Subsidiaries, or any Royalty Interest or Project, which has had, or would reasonably be expected to have, a Material Adverse Effect, or which would reasonably be expected to affect the legality, validity or enforceability of this Agreement or the other Credit Documents, that has not been settled, dismissed, vacated, discharged or terminated prior to the Closing Date and (ii) immediately after giving effect to this Agreement (including the initial Loans hereunder), the other Credit Documents and all the transactions contemplated therein to occur on such date, (A) no Default or Event of Default exists, (B) all representations and warranties contained herein and in the other Credit Documents are true and correct in all material respects, and (C) the Credit Parties are in compliance with each of the financial covenants set forth in Section 6.16.

(k) Additional Matters. Such other approvals, opinions, documents or Instruments as the Administrative Agent may reasonably request, and all documents and legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

Section 5.2 Conditions to All Loans. The obligation of each Lender to make any Loan hereunder is subject to the satisfaction of the following conditions precedent on the date of making such Loan:

(a) Representations and Warranties. The representations and warranties made by the Credit Parties herein, in the Security Documents or which are contained in any certificate furnished at any time under or in connection herewith shall be true and correct on and as of the date of such Loan as if made on and as of such date, except for representations and warranties expressly stated to relate to a specific earlier date.

(b) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to such Loan.

(c) Compliance with Commitments. Immediately after giving effect to the making of any such Loan (and the application of the proceeds thereof), the aggregate sum of all outstanding Loans shall not exceed the Committed Amount.

(d) Litigation. Except for litigation disclosed on Schedule 3.5, there shall not exist any litigation, investigation, bankruptcy or insolvency, injunction, order or claim affecting or relating to any Credit Party or any of its Subsidiaries, or any Royalty Interest or Project, which has had, or would reasonably be expected to have, a Material Adverse Effect, or which would reasonably be expected to affect the legality, validity or enforceability of this Agreement and the other Credit Documents, that has not been settled, dismissed, vacated, discharged or terminated.

(e) Additional Conditions to Loans. All conditions set forth in Section 2.1, including delivery of an executed Notice of Borrowing, shall have been satisfied, and all of the conditions set forth in Section 5.1 shall have been, and shall remain, satisfied, and the Borrowers shall have certified the satisfaction of all such conditions precedent by its delivery of a Notice of Borrowing.

(f) Compliance Certificate. The Borrowers shall have delivered to the Administrative Agent a certificate of a Responsible Officer of the Borrowers demonstrating compliance with the financial covenants contained in Section 6.16 by calculation thereof as of the end of the most recently completed fiscal quarter.

(g) Projected Revenue Certificate. The Borrowers shall have provided to the Administrative Agent a Projected Revenue Certificate signed by a Responsible Officer of the Borrowers together with all information and data useful or necessary to calculate, determine and verify the Projected Term Facility Revenue, and the Administrative Agent shall have concurred with such calculation.

Each request for a Loan shall be deemed to constitute representations and warranties by the Borrowers as of the date of such Loan that the applicable conditions in paragraphs (a) through (g) of this Section have been, and remain, satisfied.

ARTICLE VI AFFIRMATIVE COVENANTS

The Credit Parties hereby covenant and agree that on the Closing Date, and thereafter for so long as this Agreement is in effect and until the Commitments have terminated, no Note remains outstanding and unpaid and all the Obligations owing to the Administrative Agent or any Lender hereunder, are irrevocably paid in full, the Credit Parties shall, and shall cause each of their Subsidiaries to:

Section 6.1 Financial Statements and Information. Furnish to the Administrative Agent:

(a) Annual Financial Statements. As soon as available, but in any event within ninety (90) days after the end of each fiscal year, a copy of the consolidated balance sheet of Royal Gold and its consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and of cash flows of Royal Gold and its consolidated Subsidiaries for such year which shall be audited by a firm of independent certified public accountants of recognized standing reasonably acceptable to the Administrative Agent, setting forth in each case in comparative form the figures for the previous year, reported on without a “going concern” or like qualification or exception, or qualification indicating that the scope of the audit was inadequate to permit such independent certified public accountants to certify such financial statements without such qualification;

(b) Quarterly Financial Statements. As soon as available and in any event within sixty (60) days after the end of each of the first three fiscal quarters of each fiscal year, a copy of the consolidated balance sheet of Royal Gold and its consolidated Subsidiaries as at the end of

such period and related consolidated statements of income and retained earnings and of cash flows for Royal Gold and its consolidated Subsidiaries for such quarterly period and for the portion of the fiscal year ending with such period, in each case setting forth in comparative form consolidated figures for the corresponding period or periods of the preceding fiscal year (subject to normal recurring year-end audit adjustments);

(c) Financial Statement Standards. All financial statements shall be complete and correct in all material respects (subject, in the case of interim statements, to normal recurring year-end audit adjustments and the lack of footnotes) and prepared in reasonable detail and, in the case of the annual and quarterly financial statements provided in accordance with subsections (a) and (b) above, in accordance with GAAP applied consistently throughout the periods reflected therein and further accompanied by a description of, and an estimation of the effect on the financial statements on account of, a change, if any, in the application of accounting principles as provided in Section 1.3;

(d) Officer's Certificate. At the time of delivery of the financial statements provided for in Sections 6.1(a) and 6.1(b) above, a certificate of a Responsible Officer of each Borrower substantially in the form of Exhibit K, (i) demonstrating compliance with the financial covenants contained in Section 6.16 by calculation thereof as of the end of each such fiscal period, and (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Credit Parties propose to take with respect thereto;

(e) Projected Revenue Certificate. The Borrowers shall deliver to the Administrative Agent a Projected Revenue Certificate signed by a Responsible Officer, together with all information, data and documentation supporting the calculations therein, (i) by not later than April 15 and October 15 of each year, and (ii) at any other time reasonably requested by the Administrative Agent, with such Projected Revenue Certificate to be delivered to the Administrative Agent within five (5) Business Days of a request. The Administrative Agent may request a Projected Revenue Certificate and a calculation of the Projected Facility Term Revenue at any time and from time to time, together with any data, information or documentation, as it deems necessary to analyze and confirm the Projected Facility Term Revenue, while any Loans are outstanding or prior to making any Loan; and

(f) Other Information. Each Credit Party shall deliver to the Administrative Agent such other information (in form reasonably acceptable to the Administrative Agent) regarding the conditions or operations, financial or otherwise, of each Credit Party, the Royalty Interests, the Projects, the Project Properties or any other properties or activities of a Credit Party as the Administrative Agent may reasonably request from time to time to the extent such information is in the possession or control of a Credit Party and not subject to confidentiality restrictions that prevent the Borrowers' disclosure thereof.

Section 6.2 Notices. Promptly provide written notice to the Administrative Agent (which shall promptly transmit such notice to each Lender) of:

(a) the occurrence of any Default or Event of Default, which notice shall be provided in any event within two (2) Business Days after any Credit Party knows or has reason to know thereof;

(b) the occurrence of any default or event of default known to a Credit Party under any Material Contract of any Credit Party or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect or involve a monetary claim in excess of \$2,000,000;

(c) any litigation, lawsuit, action, claim or dispute, or any investigation or proceeding known to any Credit Party, (i) affecting any Credit Party or any of its Subsidiaries which, if adversely determined, could reasonably be expected to have a Material Adverse Effect or involve a monetary claim in excess of \$2,000,000, (ii) affecting or with respect to this Agreement or any other Credit Document or (iii) involving an environmental claim or potential liability of any Credit Party or any of its Subsidiaries under Environmental Laws in excess of \$2,000,000;

(d) any loss or damage to the Collateral in excess of \$1,000,000, exclusive of diminution in value caused solely by changes in the price of any Metal from time to time;

(e) the consummation by any Credit Party of any purchase or acquisition transaction involving a Royalty Interest with a value in excess of \$10,000,000, whether a new Royalty Interest or an addition to or increase in an existing Royalty Interest;

(f) any acquisition of an additional interest in a Project that is subject to a Collateral Royalty;

(g) every notice, and the contents thereof, received by a Borrower in relation to any renewal of any rights with respect to, or having a material adverse effect upon any Collateral Royalty or associated Project, including notices pertaining to the loss of or a failure to obtain or a failure to be able to renew such interest in a material part of such Project, together with a copy of such notice if in writing;

(h) every default or other adverse claim or demand made by any Person which would, if successful, constitute a Material Adverse Effect;

(i) every press release issued by a Credit Party together with a copy of such press release, and any other occurrence, matter, event or thing (other than changes in the price of Gold or other Metals) constituting a Material Adverse Effect, together with a reasonably detailed explanation of such other occurrence, matter, event or thing;

(j) each material memorandum, letter or report received by a Credit Party from any Project Manager concerning any Collateral Royalty or associated Project, including (to the extent received by a Borrower and not subject to confidentiality restrictions that prevent such Credit Party from disclosure thereof) the annual strategic business plan and all reserve, mine plan and/or operating reports received by a Credit Party with respect to a Project that is subject to a Collateral Royalty, together with a copy of such plans and reports;

(k) any notice of any material violation of or material noncompliance by any Credit Party or any Subsidiary thereof with any Requirement of Law received by any Credit Party from any Governmental Authority;

(l) any amendment or waiver of, or any notice of default or event of default with respect to, the Term Loan Agreement;

(m) promptly after a Responsible Officer of a Credit Party obtains knowledge thereof, any attachment, judgment, Lien, levy or order exceeding \$2,000,000 that is, or is reasonably likely to be, assessed against any Credit Party other than Permitted Liens; and

(n) promptly after a Responsible Officer of a Credit Party obtains knowledge thereof, any other development, occurrence or event (other than changes in the price of Gold or other Metals) which could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Credit Parties propose to take with respect thereto, if any. In the case of any notice of a Default or Event of Default, the Borrowers shall specify that such notice is a Default or Event of Default notice on the face thereof.

Section 6.3 Payment of Taxes and Other Obligations. Each Credit Party and its Subsidiaries shall pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its Taxes in the United States, Canada and Mexico, all its material Taxes in all jurisdictions other than the United States, Canada and Mexico, and all other material obligations and liabilities of whatever nature which, in each of the foregoing cases, if unpaid, could become a Lien upon the Collateral, and any additional costs that are imposed as a result of any failure to so pay, discharge or otherwise satisfy such Taxes, obligations and liabilities. Each Credit Party shall have the right, however, to contest in good faith the validity or amount of any such Taxes by proper proceedings timely instituted, and may permit the Taxes so contested to remain unpaid during the period of such contest if: (a) it diligently prosecutes such contest, (b) it sets aside on its books adequate reserves in conformity with GAAP with respect to the contested items, (c) during the period of such contest, the enforcement of any contested item is effectively stayed, (d) such contest does not involve any material risk of the sale, forfeiture or loss of any part of the Collateral and provided such non-payment is permitted by the appropriate taxing legislation. Each Credit Party shall promptly pay or cause to be paid any valid final judgment enforcing any such taxes and cause the same to be satisfied of record.

Section 6.4 Payment of Indebtedness. Except as would not constitute a Default or an Event of Default pursuant to Section 8.1(d), each Credit Party shall pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all of its Indebtedness and other material obligations of whatever nature, except for any Indebtedness or other material obligations which are being contested in good faith and by appropriate proceedings if (a) reserves in conformity with GAAP with respect thereto are maintained on its books, and (b) such contest does not involve any material risk of the sale, forfeiture or loss of any part of the Collateral.

Section 6.5 Conduct of Business and Maintenance of Existence. Each Credit Party shall continue to engage in business of the same general type as conducted by it on the Closing Date; preserve, renew and keep in full force and effect its existence and good standing in its jurisdiction of organization and each other jurisdiction where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect; take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business; comply with all Material Contracts except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.6 Maintenance of Royalty Interests and Defend Title. Each Credit Party shall, at its own cost and expense, maintain, warrant and defend the title to the Collateral Royalties and the other Collateral against the claims and demands of all Persons whomsoever, except as permitted in writing by the Administrative Agent and except for matters disclosed in the Title Opinion and not objected to by the Administrative Agent.

Section 6.7 Maintenance of Liens. Each Credit Party shall take all action required or desirable to maintain and preserve the Liens of the Administrative Agent on the Collateral and, to the extent required under each Security Document, the first priority thereof. Each Credit Party, at no cost to the Administrative Agent or any Lender, shall from time to time execute, deliver, file and record, and each Credit Party authorizes the Administrative Agent to file and record, any and all further Instruments (including financing statements, continuation statements and similar statements with respect to any of the Security Documents) reasonably requested by the Administrative Agent for such purposes, including such as may be necessary to include within the Collateral (a) any additional real property interests or other increase in the Collateral Royalties and (b) any other or additional Royalty Interests included or added as a Collateral Royalty.

Section 6.8 Maintenance and Perfection of Pledged Assets. Each Credit Party shall, and shall cause each of its Subsidiaries to, cause 100% of the Capital Stock of each of High Desert and RG Mexico, Inc. to be subject at all times to a first priority, perfected Lien in favor of the Administrative Agent pursuant to the terms and conditions of the Security Documents or such other security documents as the Administrative Agent shall reasonably request, including the delivery of all share certificates therefor.

Section 6.9 [Intentionally Omitted].

Section 6.10 Insurance. Maintain with financially sound and reputable insurance companies (i) insurance on all its property (including without limitation its tangible Collateral) insuring against at least such risks as are usually insured against in the same or a similar business and as required by Requirements of Law and (ii) liability insurance covering at least such risks as are usually insured against in the same or a similar business and as required by Requirements of Law; and furnish to the Administrative Agent, upon request, full information as to the insurance carried. The present insurance coverage of the Credit Parties as of the Closing Date is outlined as to carrier, policy number, expiration date, type and amount on Schedule 6.10. Upon the request of the Administrative Agent from time to time, each Credit Party shall deliver to the Administrative Agent evidence of the insurance then in effect, including a detailed list of such insurance containing the information set forth on Schedule 6.10.

Section 6.11 Inspection of Property; Books and Records; Discussions.

(a) Keep proper books of records and accounts in which full, true, correct and complete entries shall be made of all dealings and transactions in relation to its businesses and activities, such entries to be in conformity with GAAP and all Requirements of Law.

(b) Permit, during normal business hours and upon reasonable notice, the Administrative Agent, any Lender or any agent or representative of the foregoing to examine the books of record and accounts, to visit, examine and inspect the properties of the Credit Parties, to examine and make abstracts from any of the books and records of the Credit Parties and their Subsidiaries and to discuss the affairs, finances and accounts of each Credit Party with such Credit Party's principal officers, engineers, technical staff and independent accountants, at such intervals as the Administrative Agent may desire; provided, however, that (1) the Administrative Agent, the Lenders and their agents and representatives shall provide such Credit Party with at least five Business Days' notice of any visit and shall use commercially reasonable efforts not to disrupt such Credit Party's business during any such visits, and (2) so long as no Event of Default shall have occurred and be continuing, the Credit Parties shall not be responsible for the cost and expense of any visit or inspection to a Project or more than one visit or inspection per calendar year in the aggregate by the Administrative Agent and the Lenders. Upon any request by the Administrative Agent to visit and inspect any Project associated with a Collateral Royalty, each Credit Party will use commercially reasonable efforts to make arrangements with the Project Manager for such a visit to and inspection of such Project Property by the Administrative Agent or its agents or representatives (it being understood that any such inspection or visit shall be (1) at the risk of the Administrative Agent and the Lenders, as applicable, and (2) subject to all limitations applicable to inspections of or visits to such Projects by the Credit Parties).

Section 6.12 Compliance with Law. Each Credit Party shall, and shall cause each of its Subsidiaries to, comply in all respects with all Requirements of Law, including Environmental Laws and Governmental Approvals, applicable to it and its property, except where any noncompliance or violation has not had, and could not reasonably be expected to have, a Material Adverse Effect.

Section 6.13 Environmental Laws. Defend, indemnify and hold harmless the Agents and the Lenders, and their respective Affiliates, employees, agents, consultants, representatives, officers, managers and directors, from and against any and all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way relating to or associated with the violation of, noncompliance with or investigation, liability, claim, lawsuit, failure or action under, any Environmental Law applicable to the operations of the Credit Parties or any of their Subsidiaries or to the Properties or the Projects, or any orders, requirements, remediation, reclamation, settlements, response or demands of Governmental Authorities related thereto, or with respect to the release, presence, handling or disposal of Materials of Environmental Concern at any Property or Project, including reasonable attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise out of (i) the gross negligence or willful misconduct of the party seeking indemnification therefor as determined by a court of competent jurisdiction in a final and non-appealable judgment or (ii) any other loan facility or other interest in the Properties

or the Projects not attributable to this Agreement or the other Credit Documents. The agreements in this paragraph shall survive repayment of the Obligations.

Section 6.14 Compliance with ERISA. Each Credit Party shall (a) comply with all applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Plans, (b) not take any action or fail to take any action the result of which could be a liability to the PBGC or to a Multiemployer Plan, (c) not participate in any prohibited transaction that would result in any civil penalty under ERISA or tax under the Code, (d) operate each Plan in such a manner that will not incur any tax liability under Section 4980B of the Code or any liability to any qualified beneficiary as defined in Section 4980B of the Code and (e) furnish to the Administrative Agent upon the Administrative Agent's request such additional information about any Plan as may be reasonably requested by the Administrative Agent.

Section 6.15 Further Assurances. Each Credit Party shall execute, acknowledge and deliver to the Administrative Agent such other and further documents and Instruments and do or cause to be done such other acts as the Administrative Agent reasonably determines to be necessary or desirable to effect the intent of the parties to this Agreement or otherwise to protect and preserve the interests of the Administrative Agent and the Lenders hereunder, promptly upon request of the Administrative Agent, including the execution and delivery of any and all documents which are necessary or advisable to create, protect or maintain in favor of the Administrative Agent, for the benefit of the Lenders, Liens on all Collateral of the Credit Parties as may be required by this Agreement or any Security Document that are duly perfected in accordance with all applicable Requirements of Law.

Section 6.16 Financial Covenants. The Credit Parties shall at all times maintain and comply with the following financial covenants:

- (a) Leverage Ratio. The Leverage Ratio shall be less than or equal to 3.0 to 1.0.
- (b) Consolidated Net Worth. A Consolidated Net Worth of not less than an amount equal to (i) 80% multiplied by (ii) the sum of (A) \$480,782,000, plus (B) 50% of the cumulative positive quarterly net income for the period beginning July 1, 2008 and ending with the most recently completed fiscal quarter for which financial statements have been provided pursuant to Section 6.1(b).
- (c) Interest Coverage Ratio. The Interest Coverage Ratio shall be greater than 3.0 to 1.0.
- (d) Current Ratio. The Current Ratio shall be greater than or equal to 1.5 to 1.0.
- (e) Facility Coverage Ratio. The Facility Coverage Ratio shall be greater than or equal to 1.25 to 1.0.

Section 6.17 Addition of Guarantors. The Borrowers may at any time cause a Subsidiary to join this Agreement as a Guarantor by causing such Subsidiary to sign and deliver to the Administrative Agent a Joinder Agreement. If, at any time, the Facility Coverage Ratio, as calculated based solely on Royalty Metals owned by or payable to the Credit Parties and excluding any Royalty Metals owned by or payable to non-Credit Party Subsidiaries, shall be

less than 1.25 to 1.0, then the Credit Parties shall promptly cause sufficient Subsidiaries to join this Agreement as a Guarantor so that the Facility Coverage Ratio calculated based solely on Royalty Metals owned by or payable to the Credit Parties shall be equal to or greater than 1.25 to 1.0 at all times. Such additional Subsidiaries shall sign and deliver to the Administrative Agent a Joinder Agreement. For the purpose of clarification, the covenant set forth in Section 6.16(e) shall always be applicable.

ARTICLE VII NEGATIVE COVENANTS

The Credit Parties hereby covenant and agree that on the Closing Date, and thereafter for so long as this Agreement is in effect and until the Commitments have terminated, no Note remains outstanding and unpaid and the Obligations owing to the Administrative Agent or any Lender hereunder, are irrevocably paid in full, that:

Section 7.1 Indebtedness. Each of the Credit Parties will not, nor will it permit any Subsidiary to, contract, create, incur, assume or permit to exist any Indebtedness, except, to the extent that none of the following, individually or in the aggregate, would create or result in a breach of the Leverage Ratio:

(a) Indebtedness arising or existing under this Agreement and the other Credit Documents;

(b) Indebtedness existing as of the Closing Date as referenced in the financial statements referenced in Section 3.3 (and set out more specifically in Schedule 7.1 hereto) together with any refinancings or replacements thereof that do not increase the principal amount thereof;

(c) Indebtedness incurred after the Closing Date consisting of Capital Leases or Indebtedness incurred to provide all or a portion of the purchase price of furniture, fixtures and equipment provided that (i) such Indebtedness when incurred shall not exceed the purchase price or cost of construction of such furniture, fixtures and equipment; (ii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing; and (iii) the total amount of all such Indebtedness shall not exceed \$1,000,000 at any time outstanding and renewals, refinancings or extensions thereof in a principal amount not in excess of that outstanding as of the date of such renewal, refinancing or extension;

(d) Unsecured intercompany Indebtedness between any Credit Parties, between Subsidiaries of the Credit Parties or between any Credit Party and a Subsidiary thereof; provided that any such Indebtedness owing by a Credit Party to a Subsidiary shall be fully subordinated to the Obligations hereunder on terms and conditions satisfactory to the Required Lenders;

(e) Indebtedness and obligations owing under Hedging Agreements entered into in order to manage existing or anticipated business risks and not for speculative purposes; provided, that at all times no such Hedging Agreement requires a Credit Party or a Subsidiary to post collateral or margin to secure its obligations under such Hedging Agreement;

(f) Indebtedness in respect of Guaranty Obligations to the extent permitted under Section 7.3;

(g) Unsecured Indebtedness issued and owed by a Credit Party or any Subsidiary in an aggregate amount not to exceed \$5,000,000 at any time;

(h) Indebtedness owed to HSBC Bank USA, National Association arising or existing under the Term Loan Agreement, including any restatements thereof or increases in the principal amount thereof, provided that such Indebtedness is incurred solely by Royal Gold Chile Limitada, is guaranteed by Royal Gold, is secured by cash collateral in an amount not less than the aggregate outstanding principal amount under the Term Loan Agreement, and is used solely for the acquisition of interests in mining properties or mining royalties in Chile; and

(i) Indebtedness of any Borrower that is subordinated to the Obligations; provided, however, that (i) the subordination of such Indebtedness is pursuant to a written subordination agreement satisfactory to the Required Lenders in their sole discretion, (ii) the terms, conditions and amount of any such subordinated Indebtedness shall be satisfactory to the Required Lenders in their sole discretion, (iii) the stated maturity date or mandatory redemption date of such subordinated Indebtedness shall not be prior to the Maturity Date, including as such Maturity Date may be extended pursuant to the terms of this Agreement, and (iv) immediately prior to and immediately after giving pro forma effect to the full amount of such subordinated Indebtedness, no Default or Event of Default shall occur hereunder ("Permitted Subordinated Indebtedness").

Section 7.2 Liens. Each of the Credit Parties will not, nor will it permit any Subsidiary to, directly or indirectly, contract, create, incur, assume, permit or suffer to exist, or agree to grant or create, any Lien with respect to any of its property or assets of any kind (whether real or personal, tangible or intangible), including the Royalty Interests, the Non-Credit Party Royalty Interests or any Collateral, whether now owned or hereafter acquired, except for Permitted Liens. Notwithstanding the foregoing, if a Credit Party shall grant a Lien on any of its assets in violation of this Section 7.2, then it shall be deemed to have simultaneously granted an equal and ratable Lien on any such assets in favor of the Administrative Agent for the benefit of the Lenders, to the extent such a Lien has not already been granted to the Administrative Agent.

Section 7.3 Guaranty Obligations. The Credit Parties will not, directly or indirectly, enter into or otherwise become or be liable in respect of any Guaranty Obligations other than (a) those in favor of the Administrative Agent or the Lenders in connection herewith, and (b) Guaranty Obligations by the Credit Parties and their Subsidiaries with respect to Indebtedness permitted under Section 7.1 (except, as regards Indebtedness under subsection (b) thereof, only if and to the extent such Indebtedness was guaranteed on the Closing Date).

Section 7.4 Nature of Business. Each of the Credit Parties will not, nor will it permit any Subsidiary to, engage in any business activities or operations substantially different from the business of ownership of non-executory interests in mining properties or capital stock of companies in the mining sector and activities and operations reasonably related thereto; provided, however, that the Credit Parties shall be permitted to enter into exploration agreements with respect to mining properties owned by it and into joint venture agreements or other similar

business arrangements pursuant to which its executory or ownership interests are convertible into Royalties.

Section 7.5 Dissolution or Sale of Assets. Each of the Credit Parties will not, nor will it permit any Subsidiary to (whether in one transaction or in a series of transactions and whether directly or indirectly): (a) dissolve, liquidate or wind up its affairs, except for the dissolution, liquidation or winding up of the affairs of any Subsidiary that is not a Credit Party at such time as such Subsidiary has no material assets; provided that the Credit Parties have provided advance written notice thereof to the Administrative Agent; or (b) sell, assign, transfer, lease to a third party or otherwise dispose of its business or assets as a whole or in an amount which constitutes a substantial portion thereof; or (c) sell, assign, transfer, lease to a third party or otherwise dispose of any material property or asset, including any Royalty Interest or Non-Credit Party Royalty Interest or any portion of the foregoing; or (d) agree to do any of the foregoing at a future time; except, in the case of clause (b) with respect to any Subsidiary that is not a Credit Party that undertakes any of the following actions or in the case of clause (c) with respect to any Credit Party or any Subsidiary that undertakes any of the following actions, each of which shall be permitted so long as the Facility Coverage Ratio requirement set forth in Section 6.16(e) shall continue to be satisfied after the completion of any of the following:

(i) the sale, assignment, lease, transfer or other disposition in the ordinary course of business of (A) inventory or property that has become obsolete or worn out or no longer used in the conduct of business, (B) Non-Credit Party Royalty Interests and Royalty Interests (other than Collateral Royalties) in respect of Metals other than precious Metals, (C) Non-Credit Party Royalty Interests and Royalty Interests (other than Collateral Royalties) in respect of precious Metals in an aggregate amount not to exceed \$5,000,000 in the aggregate in any calendar year, or (D) other assets not constituting Royalty Interests or Non-Credit Party Royalty Interests in an aggregate amount not to exceed \$1,000,000 in any calendar year;

(ii) the swap or exchange of any Non-Credit Party Royalty Interest or Royalty Interest not constituting a Collateral Royalty for another Non-Credit Party Royalty Interest or Royalty Interest of at least reasonably equivalent value, as determined by the Board of Directors of Royal Gold and approved in writing by the Administrative Agent (or, to the extent that the Royalty Interest or Non-Credit Party Royalty Interest to be acquired is less than reasonably equivalent value, such swap or exchange shall be permitted if the net disposition amount would be permitted pursuant to the immediately preceding clause (i)); or

(iii) the sale, assignment, lease or transfer of property or assets, other than a Collateral Royalty, to the Credit Parties or any Subsidiary thereof.

Section 7.6 Mergers. Each of the Credit Parties will not, nor will it permit any Subsidiary to, (whether in one transaction or in a series of transactions and whether directly or indirectly): (a) enter into any transaction of amalgamation, merger, consolidation, partnership, joint venture or other combination where such combination involves a contribution by a Credit Party or a Subsidiary thereof of all or a substantial portion of its assets, except, in each case, for the amalgamation, merger or consolidation of a Credit Party or a Subsidiary thereof with and into

another Credit Party or the amalgamation, merger or consolidation of any Subsidiary that is not a Credit Party with and into another Subsidiary that is not a Credit Party; provided that if a Borrower is a party thereto, such Borrower will be the surviving corporation, or (b) agree to do any of the foregoing at a future time.

Section 7.7 Advances and Loans. Each of the Credit Parties will not, nor will it permit any Subsidiary to, lend money or extend credit or make advances (collectively, “Debt Investments”) to any Person except for: (a) receivables owing to any Credit Party or any of its Subsidiaries, and advances to suppliers and other extensions of trade credit, in each case if created, acquired or made in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; (b) intercompany Debt Investments permitted pursuant to Section 7.1; (c) non-cash consideration received in connection with sales of property or assets permitted under Section 7.5; (d) Debt Investments existing as of the Closing Date as set forth on Schedule 7.7; (e) purchases and investments made in connection with the creation, development, acquisition or other investment in any Royalty Interest or Non-Credit Party Royalty Interest; (f) Debt Investments to employees of the Credit Parties or any Subsidiary to finance travel, entertainment and relocation expenses and other ordinary business purposes; (g) customary deposits in connection with operating leases and good faith deposits made in connection with an acquisition otherwise permitted hereunder; (h) Cash Equivalents; and (i) Guaranty Obligations otherwise permitted hereunder. For clarity, the requirements of this Section 7.7 shall not limit the ability of the Credit Parties or any Subsidiary thereof to make equity investments in or to invest in Royalty Interests or Non-Credit Party Royalty Interests.

Section 7.8 Transactions with Affiliates. Each of the Credit Parties will not, nor will it permit any Subsidiary to, enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any officer, director, shareholder or Affiliate that is not a Credit Party or Subsidiary thereof other than on terms and conditions substantially as favorable as would be obtainable in a comparable arm’s-length transaction with a Person other than an officer, director, shareholder or Affiliate, except for (a) dividends and distributions to shareholders otherwise permitted hereunder and (b) expense reimbursement and reasonable salaries and other reasonable director or employee compensation to officers and directors of the Credit Parties and their Subsidiaries.

Section 7.9 [Intentionally Omitted]

Section 7.10 Organizational Documents. Each of the Credit Parties will not, nor will they permit any of its Subsidiaries to, amend, modify or change their articles of incorporation (or corporate charter or other similar organizational document), operating agreement or bylaws (or other similar document) in any material respect.

Section 7.11 Modification of Material Agreements. Each of the Credit Parties will not, nor will it permit any of its Subsidiaries to, without the approval of the Administrative Agent, modify or amend any Collateral Royalty, any Material Contract or any confidentiality agreements or provisions to which a Credit Party is a party or otherwise subject in connection with a Collateral Royalty or a Material Contract if such modification or amendment would be adverse to the Lenders in any material respect. With respect to any confidentiality agreement that any Credit Party may execute with respect to (i) any existing Collateral Royalty or a Project

related thereto, or (ii) any Royalty Interest or the Project associated with such Royalty Interest acquired after the date hereof with the proceeds of a Loan, such Credit Party shall use commercially reasonable efforts to include appropriate provisions in such confidentiality agreement authorizing the Credit Parties to provide to the Administrative Agent and the Lenders information obtained by such Credit Party pursuant to such confidentiality agreement.

Section 7.12 Limitation on Restricted Actions. Each of the Credit Parties will not, nor will it permit any Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Person to (a) pay dividends or make any other distributions to any Credit Party on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness or other obligation owed to any Credit Party, (c) make loans or advances to any Credit Party, (d) sell, lease or transfer any of its properties or assets to any Credit Party, or (e) act as a Guarantor and pledge its assets pursuant to the Credit Documents or any renewals, refinancings, exchanges, refundings or extension thereof, except (in respect of any of the matters referred to in clauses (a)-(e) above) for such encumbrances or restrictions existing under or by reason of (i) this Agreement and the other Credit Documents, (ii) applicable Requirements of Law, (iii) pursuant to any document or Instrument governing Indebtedness permitted by Section 7.1(c), provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (iv) any Permitted Lien or any document or Instrument governing any Permitted Lien, provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien, (v) customary restrictions on the assignment of or granting of a Lien on a particular lease, sublease, license or contract set forth in such lease, sublease, license or contract entered into in the ordinary course of business, (vi) restrictions on the pledge of interests in or assets of joint ventures contained in the applicable joint venture agreement, (vii) customary restrictions and conditions relating to a disposition of property or assets permitted hereunder pending the consummation of such disposition, and (viii) restrictions contained in the Term Loan Agreement.

Section 7.13 Maintenance of Collateral Royalties. Each of the Credit Parties will not, nor will it permit any Subsidiary to, enter into any agreement or undertaking, or otherwise act to sell, assign, transfer or create or suffer the creation of rights of any Person other than a Credit Party or the Administrative Agent or the Lenders in or with respect to a Collateral Royalty or any Metals accruing to the account of a Credit Party pursuant thereto.

Section 7.14 No Further Negative Pledges. Each of the Credit Parties will not, nor will it permit any Subsidiary to, enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security to secure obligations under such agreement if security is given for some other obligation, except (a) pursuant to this Agreement and the other Credit Documents, (b) pursuant to any document or Instrument governing Indebtedness incurred pursuant to Section 7.1(c), provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (c) in connection with any Permitted Lien or any document or Instrument governing any Permitted Lien, provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien, (d) customary restrictions on the assignment of or granting of a lien on a particular lease, sublease, license or contract set forth in such lease,

sublease, license or contract entered into in the ordinary course of business, (e) restrictions on the pledge of interests in or assets of joint ventures contained in the applicable joint venture agreement, (f) customary restrictions and conditions relating to a disposition of property or assets permitted hereunder pending the consummation of such disposition, and (g) restrictions contained in the Term Loan Agreement.

Section 7.15 No Prepayment of Permitted Subordinated Indebtedness. To the extent that any Borrower has incurred Permitted Subordinated Indebtedness in accordance with Section 7.1(h) hereof, such Borrower shall pay such Permitted Subordinated Indebtedness only in accordance with the terms thereof and shall not (i) voluntarily prepay any principal of or interest on any such Permitted Subordinated Indebtedness, (ii) use proceeds from any Loan to make any payment or prepayment of principal of or interest on, or to create a sinking fund payment in respect of, any such Permitted Subordinated Indebtedness, or (iii) pay, prepay, redeem or purchase or deposit funds or property for the payment, prepayment, redemption or purchase of Permitted Subordinated Indebtedness, except, in each case, for regularly scheduled interest payments on the Permitted Subordinated Indebtedness made in compliance with the subordination terms thereof. The Borrower shall not make any payment on any Permitted Subordinated Indebtedness if such payment would violate the subordination provisions thereof or result in a Default or Event of Default hereunder.

Section 7.16 Restrictive and Inconsistent Agreements. Each of the Credit Parties will not, nor will it permit any Subsidiary to, enter into any agreement, Instrument or undertaking or incur or suffer any obligation prohibiting or inconsistent with the performance by such Credit Party of the Obligations or its obligations under any Royalty Agreement.

ARTICLE VIII EVENTS OF DEFAULT

Section 8.1 Events of Default. An Event of Default shall exist upon the occurrence of any of the following specified events (each an “Event of Default”):

(a) Any Borrower shall fail to pay (i) any principal on any Loan when due (whether at maturity, by reason of acceleration or otherwise) in accordance with the terms hereof, or (ii) within five (5) Business Days of the date when due, any interest, costs, fees or any other Obligation or other amount payable hereunder or under any Credit Document when due (whether at maturity, by reason of acceleration or otherwise) in accordance with the terms hereof; or any Guarantor shall fail to pay on the Guaranty in respect of any of the foregoing or in respect of any other Guaranty Obligations hereunder; or

(b) Any representation or warranty of a Credit Party made or deemed made herein, in the Security Documents or in any of the other Credit Documents or which is contained in any certificate, document or financial statement furnished at any time under or in connection with this Agreement provided by a Responsible Officer shall prove to have been incorrect, false or misleading in any material respect on or as of the date made or deemed made; or

(c) Any Credit Party shall fail to observe, perform or comply with any covenant contained in this Agreement (other than the covenants referred to in paragraph (a) above) and

such Credit Party shall have not remedied such default within ten (10) days after written notice of such default has been given by the Administrative Agent to the Borrowers; or

(d) A default shall occur under any Credit Document, any Royalty Agreement pertaining to a Collateral Royalty or any agreement pertaining to Indebtedness permitted hereunder; or any Credit Party or any Subsidiary thereof shall fail to pay any Indebtedness with a value, individually or in the aggregate, in excess of \$2,500,000 (excluding Indebtedness evidenced by the Notes) or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the Instrument relating to such Indebtedness; or any other default under any Instrument relating to any such Indebtedness, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such Instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or, other than as described in this Agreement, any Credit Party shall default or fail to perform under any Credit Document and such Credit Party shall have not remedied such default within ten (10) days after written notice of such default has been given by the Administrative Agent to the Borrowers; or

(e) (i) Any Credit Party or any of its Subsidiaries shall initiate or commence any case, proceeding or other action (A) under any existing or future Bankruptcy Law, or otherwise seeking to have it judged bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Credit Party or any of its Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Credit Party or any of its Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against any Credit Party or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of their assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Credit Party or any of its Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Credit Party or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(f) One or more judgments, orders, decrees or arbitration awards shall be entered against any Credit Party or any Subsidiary thereof involving in the aggregate a liability (to the extent not covered by third-party insurance with respect to which coverage has not been disputed by the insurer) of \$2,500,000 or more, and all such judgments, orders, decrees or arbitration awards shall not have been paid and satisfied, vacated, discharged, stayed or bonded pending appeal within thirty (30) days from the entry thereof, or any injunction, temporary restraining order or similar decree shall be issued against any Credit Party, any of its Subsidiaries or any of

their respective Properties or Projects that could reasonably be expected to result in a Material Adverse Effect; or

(g) Any involuntary Lien or Liens for amounts then due in the aggregate sum of \$250,000 or more, of any kind or character (other than Permitted Liens) shall attach to any assets or property of any Credit Party if such Lien or Liens are not discharged or bonded pending proceedings to release such Lien or Liens within sixty (60) days after the date of attachment or unless such Lien or Liens are being contested in good faith; or

(h) An Expropriation Event occurs with respect to any Collateral Royalty or a Collateral Royalty is sold under threat of such taking, or possession of any material portion of a Project Property pertaining to a Collateral Royalty is taken through exercise of such power; or

(i) Any Governmental Authority shall commence an investigation or take any action with respect to any Credit Party or any Project or the Collateral, which would result in a Material Adverse Effect on any Credit Party, unless such action is set aside, dismissed or withdrawn within ninety (90) days of its institution or such action is being contested in good faith and its effect is stayed during such contest; or

(j) There shall exist a defect or deficiency in title to any Royalty Interest or the Project Properties (other than as identified in the Title Opinion) which results in a Material Adverse Effect, and the Credit Parties have not remedied such defect or deficiency within ten (10) days after written notice of default has been given to the Borrowers by the Administrative Agent or any Lender; or

(k) Any Lien established or purported to be established by the Security Documents shall fail to constitute a valid and effective Lien in the Collateral described therein, perfected and with first priority to the extent required by the Security Document related thereto, or any Credit Party shall so state in writing, and the Credit Parties have not remedied such default within ten (10) days after written notice of default has been given to the Borrowers by the Administrative Agent or any Lender; or

(l) There shall occur a Change of Control; or

(m) Any event or change occurs with respect to the Pipeline Project, including the abandonment or termination or the taking by power of expropriation or eminent domain of all or any material portion thereof, which has a Material Adverse Effect; or

(n) The aggregate principal amount of all Loans shall exceed the Committed Amount at any time; or

(o) [Intentionally Omitted]; or

(p) The Guaranty or any provision thereof for any reason shall cease to be in full force and effect or any Guarantor or any Person acting by or on behalf of any Guarantor shall deny or disaffirm any Guarantor's obligations under the Guaranty; or

(q) Any other Credit Document shall fail to be in full force and effect or to give the Administrative Agent and/or the Lenders the rights, powers and privileges purported to be created thereby in any material respect (except as such documents may be terminated or no longer in force and effect in accordance with the terms thereof, other than those indemnities and provisions which by their terms shall survive).

Section 8.2 Acceleration; Remedies. Upon the occurrence and during the continuation of an Event of Default, then, (a) if such event is an Event of Default specified in Section 8.1(e) above, automatically the Commitments shall immediately terminate and the Loans (with accrued interest thereon), and all other Obligations under the Credit Documents shall immediately become due and payable, without notice from the Administrative Agent or any Lender, and (b) if such event is any other Event of Default, any of the following actions may be taken: with the written consent of the Required Lenders, the Administrative Agent may, or upon the written request of the Required Lenders, the Administrative Agent shall, (i) by notice to the Borrowers declare all or any portion of the Commitments to be terminated forthwith, whereupon such Commitments shall immediately terminate, (ii) by notice of default to the Borrowers, declare the Loans (with accrued interest thereon) and all other Obligations under the Credit Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable, (iii) hire, at the expense of the Credit Parties, one or more Independent Engineers or other consultants, and the Credit Parties agree to cooperate with such engineers and consultants, (iv) exercise any rights or remedies of the Administrative Agent or the Lenders under this Agreement or any other Credit Document, including, without limitation, any rights or remedies with respect to the Collateral, and (v) exercise any and all rights or remedies available to the Administrative Agent or Lenders under applicable Requirements of Law, whether under law, in equity or otherwise.

ARTICLE IX THE AGENT

Section 9.1 Appointment. Each Lender hereby irrevocably designates and appoints HSBC Bank USA, National Association as the Administrative Agent of such Lender under this Agreement, and each such Lender irrevocably authorizes HSBC Bank USA, National Association, as the Administrative Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent.

Section 9.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care. Without limiting the foregoing, the Administrative Agent

may appoint one of its affiliates as its agent to perform the functions of the Administrative Agent hereunder relating to the advancing of funds to the Borrowers and distribution of funds to the Lenders and to perform such other related functions of the Administrative Agent hereunder as are reasonably incidental to such functions.

Section 9.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement (except for its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrowers or any officer thereof contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of any of the Credit Documents or for any failure of the Borrowers to perform their obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance by the Borrowers of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Borrowers.

Section 9.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrowers), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless (a) a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent and (b) the Administrative Agent shall have received the written agreement of such assignee to be bound hereby as fully and to the same extent as if such assignee were an original Lender party hereto, in each case in form satisfactory to the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under any of the Credit Documents in accordance with a request of the Required Lenders or all of the Lenders, as may be required under this Agreement, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

Section 9.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrowers referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such

action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided, however, that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders except to the extent that this Agreement expressly requires that such action be taken, or not taken, only with the consent or upon the authorization of the Required Lenders, or all of the Lenders, as the case may be.

Section 9.6 Non-Reliance on Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representation or warranty to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrowers, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrowers and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrowers. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrowers which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 9.7 Indemnification. The Lenders agree to indemnify the Administrative Agent in its capacity hereunder (to the extent not reimbursed by the Borrowers and without limiting the obligation of the Borrowers to do so), ratably according to their respective Commitment Percentages in effect on the date on which indemnification is sought under this Section, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of any Credit Document or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided, however, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting from the Administrative Agent's gross negligence or willful misconduct, as determined by a court of competent jurisdiction. The agreements in this Section 9.7 shall survive the termination of this Agreement and payment of the Notes and all other amounts payable hereunder.

Section 9.8 Administrative Agent in Its Individual Capacity. The Administrative Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrowers as though the Administrative Agent were not the Administrative Agent hereunder. With respect to its Loans made or renewed by it and any Note issued to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms “Lender” and “Lenders” shall include the Administrative Agent in its individual capacity.

Section 9.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days’ prior notice to the Borrowers and the Lenders. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the Notes, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall be approved by the Borrowers with such approval not to be unreasonably withheld (provided, however if an Event of Default shall exist at such time, no approval of the Borrowers shall be required hereunder), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term “Administrative Agent” shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent’s rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Administrative Agent’s resignation as Administrative Agent, the provisions of this Section 9.9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

Section 9.10 Nature of Duties. Except as otherwise expressly stated herein, any agent (other than the Administrative Agent) listed from time to time on the cover page of this Agreement shall have no obligations, responsibilities or duties under this Agreement or under any other Credit Document other than obligations, responsibilities and duties applicable to all Lenders in their capacity as Lenders; provided, however, that such agents shall be entitled to the same rights, protections, exculpations and indemnifications granted to the Administrative Agent under this Article IX in their capacity as an agent.

ARTICLE X MISCELLANEOUS

Section 10.1 Amendments, Waivers and Release of Collateral. Neither this Agreement, nor any of the Notes, nor any of the other Credit Documents, nor any terms hereof or thereof may be amended, supplemented, waived or modified except in accordance with the provisions of this Section nor may be released except as specifically provided herein or in the Security Documents or in accordance with the provisions of this Section 10.1. The Required Lenders may, or, with the written consent of the Required Lenders, the Administrative Agent may, from time to time, (a) enter into with the Borrowers written amendments, supplements or modifications hereto and to the other Credit Documents for the purpose of adding any provisions to this Agreement or the other Credit Documents or changing in any manner the rights of the Lenders or of the Borrowers hereunder or thereunder or (b) waive, on such terms and conditions

as the Required Lenders may specify in such instrument, any of the requirements of this Agreement or the other Credit Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement, modification or release shall:

(i) (A) reduce or increase the amount or extend the scheduled date of maturity of any Loan or Note or any installment thereon or waive any payment default (other than a payment default that has been cured), or (B) reduce the stated rate of any interest or fee payable hereunder (other than interest at the increased post-default rate) or extend the scheduled date of any payment thereof, in each case without the written consent of all Lenders,

(ii) increase the Committed Amount without the written consent of all Lenders or the amount of any Lender's Commitment without the written consent of all Lenders directly affected thereby, or

(iii) amend, modify or waive any provision of this Section 10.1 or change the percentages specified in the definition of Required Lenders, without the written consent of all the Lenders, or

(iv) amend, modify or waive any provision of Article IX without the written consent of the then Administrative Agent, or

(v) release a Borrower or any other Credit Party from its obligations under the Credit Documents or any Guarantor from its obligations under the Guaranty, without the written consent of all of the Lenders, or

(vi) release all of the Collateral or any material portion of the Collateral that would result in the value of the Collateral being less than the Collateral Requirement or amend the definition of Collateral Requirement, in each case, without the written consent of all of the Lenders; or

(vii) amend, modify or waive any provision of the Credit Documents requiring consent, approval or request of the Required Lenders or all Lenders, without the written consent of all of the Required Lenders or all Lenders, as appropriate, and, provided, further, that no amendment, waiver or consent affecting the rights or duties of the Administrative Agent under any Credit Document shall in any event be effective, unless in writing and signed by the Administrative Agent, as applicable, in addition to the Lenders required hereinabove to take such action.

Any such waiver, any such amendment, supplement or modification and any such release shall apply equally to each of the Lenders and shall be binding upon the Borrowers, the other Credit Parties, the Lenders, the Administrative Agent and all future holders of the Notes. In the case of any waiver, the Borrowers, the other Credit Parties, the Lenders, and the Administrative Agent shall be restored to their former position and rights hereunder and under the outstanding Loans and Notes and other Credit Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Notwithstanding any of the foregoing to the contrary, the consent of the Borrowers shall not be required for any amendment, modification or waiver of the provisions of Article IX (other than the provisions of Section 9.9); provided, however, that the Administrative Agent will provide written notice to the Borrowers of any such amendment, modification or waiver.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (x) each Lender is entitled to vote as such Lender sees fit on any reorganization plan or similar action under applicable Bankruptcy Law that affects the Loans, and each Lender acknowledges that applicable Bankruptcy Law may supersede the unanimous consent provisions set forth herein and (y) the Required Lenders may consent to allow a Credit Party to use cash collateral in the context of a bankruptcy or insolvency proceeding.

Section 10.2 Substitution of Lenders. In the event (a) the Borrowers receive a claim from any Lender for compensation under Section 2.13 hereof, (b) the Borrowers receive notice from any Lender of any illegality pursuant to Section 2.12 hereof, (c) any Lender is in default in any material respect with respect to its obligations under the Credit Documents, (d) any Lender fails to consent to a Request for Extension submitted in accordance with Section 2.7 hereof, or (e) a Lender or Participant fails to consent to an amendment or waiver requested under Section 10.1 or Section 10.7(b) hereof, as applicable, at a time when the Required Lenders or other Participants, as applicable, have approved such amendment or waiver (any such Lender or Participant referred to in clause (a), (b), (c), (d) or (e) above being hereinafter referred to as an “Affected Lender”), the Borrowers may, in addition to any other rights the Borrowers may have hereunder or under applicable law, require, at its expense, any such Affected Lender to assign, at par, without recourse, all of its interest, rights, and obligations hereunder (including all of its Commitments and the Loans and other amounts at any time owing to it hereunder and the other Credit Documents) to an Eligible Assignee specified by the Borrowers, *provided* that (i) such assignment shall not conflict with or violate any law, rule or regulation or order of any court or other governmental authority, (ii) the Borrowers shall have paid to the Affected Lender all monies (together with amounts due such Affected Lender hereunder as if the Loans owing to it were prepaid rather than assigned) other than such principal owing to it hereunder, and (iii) the assignment is entered into in accordance with, and subject to the consents required by (other than the consent of the Affected Lender), Section 10.7 hereof (provided any assignment fees and reimbursable expenses due thereunder shall be paid by the Borrowers).

Section 10.3 Notices. Except as otherwise provided in Article II, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile or e-mail), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made (a) when delivered by hand, (b) when transmitted via telecopy (or other facsimile device) to the number set out herein, (c) the Business Day immediately following the day on which the same has been delivered prepaid (or pursuant to an invoice arrangement) to a reputable national overnight air courier service, (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, or (e) when delivered by e-mail, upon the sender’s receipt of an acknowledgment from the intended recipient (such as by the “return receipt requested” function, as available, return e-mail or other written acknowledgment), provided that if such notice, request or demand is not sent during the normal business hours of the recipient, such notice, request or demand shall be deemed to have been sent

at the opening of business on the next Business Day for the recipient, in each case, addressed as follows in the case of the Borrowers, the other Credit Parties and the Administrative Agent, and, with respect to each Lender, as set forth in the Lenders' Administrative Details Schedule, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Notes:

The Borrowers and the other Credit Parties:

c/o Royal Gold, Inc.
1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202-1132
Attention: Chief Financial Officer
Facsimile: (303) 595-9385
E-mail: swenger@royalgold.com
Telephone: (303) 573-1660

with a copy to:

c/o Royal Gold, Inc.
1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202-1132
Attention: General Counsel
Facsimile: (303) 595-9385
E-mail: bkirchhoff@royalgold.com
Telephone: (303) 573-1660

The Administrative Agent:

HSBC Bank USA, National Association
452 Fifth Avenue
New York, New York 10018
Attention: Mr. Bill Edge
Facsimile: (212) 525-6581
E-mail: bill.edge@us.hsbc.com
Telephone: (212) 525-6481

Section 10.4 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Section 10.5 Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant

hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans.

Section 10.6 Payment of Expenses and Taxes; Indemnification.

(a) The Borrowers agree to pay within thirty (30) days after receipt of an invoice therefor, all costs and expenses in connection with the preparation, negotiation, execution, delivery, registration and administration of this Agreement, the Note and the other Credit Documents and any amendment, supplement or modification to or extension or restatement of, this Agreement and the other Credit Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and out-of-pocket expenses of counsel and of technical advisors and consultants for the Administrative Agent with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities under this Agreement; provided, however, that so long as no Event of Default shall have occurred and be continuing, the Borrowers' prior written consent (not to be unreasonably withheld) shall be obtained before the Administrative Agent retains a technical advisor or other technical consultant. The Borrowers further agree to pay on demand all losses, costs and expenses, if any (including reasonable counsel fees and expenses), in connection with the preservation of any rights of the Lender under, or the enforcement of, or legal advice in respect of the rights or responsibilities of the Lender under, this Agreement, the Note and the other Credit Documents, including losses, costs and expenses sustained by the Lender as a result of any failure by any Borrower to perform or observe its obligations contained herein or in the Note held by the Lender or in connection with any refinancing or restructuring of the Loan in the nature of a "workout." The Borrowers further agree to pay on demand, and to indemnify, and hold each Lender and each Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other similar taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, the Credit Documents and any such other documents

(b) Each Credit Party agrees to pay, indemnify, and hold each Lender, each Agent, their respective Affiliates and their respective directors, partners, managers, principals, officers, employees, agents, consultants and representatives (collectively, the "Indemnified Parties") harmless from and against, any and all other liabilities, obligations, losses, damages, penalties, actions, claims, judgments, awards, fines, settlements, suits, costs, charges, expenses or disbursements of any kind or nature whatsoever (irrespective of whether the Indemnified Party is named as a party to any litigation or proceeding and whether it is joint, several or joint and several) with respect to the execution, delivery, enforcement, performance and administration of any Credit Document, any such other documents, agreements and Instruments or the transactions contemplated thereby, the use, or proposed use, of proceeds of the Loans, or otherwise with respect to any Project or Property or any activity, occurrence or event thereon or associated therewith (all of the foregoing, collectively, a "Third Party Claim"), and will reimburse the Indemnified Parties for all costs and expenses (including reasonable attorneys' fees and expenses) on demand as they are incurred in connection with the investigation of, preparation for or defense or prosecution of any pending or threatened Third Party Claim or any action or

proceeding arising therefrom; provided, however, that the Borrowers shall not have any obligation hereunder to the Administrative Agent or any Lender with respect to Third Party Claims arising from (i) the gross negligence or willful misconduct of the Administrative Agent or any such Lender, as determined by a court of competent jurisdiction in a final and non-appealable judgment or (ii) any other loan facility involving the Administrative Agent or a Lender and a Property or Project that does not involve or is not attributable to a Credit Party, a Credit Party's interest therein or actions with respect thereto, this Agreement or any other Credit Document; provided, further, that (i) each Indemnified Party shall promptly notify the Borrowers in writing upon becoming aware of the initiation of any Third Party Claim against it, (ii) the Borrowers shall be entitled to participate in the defense of any such Third Party Claim and, if the Borrowers so choose, to assume the defense, at the Borrowers' expense, of any such Third Party Claim with counsel selected by the Borrowers (it being understood that any Indemnified Party shall have the right to participate in such defense and employ counsel separate from the counsel employed by the Borrowers, and that such counsel shall be at the expense of such Indemnified Party unless such Indemnified Party shall have been advised by counsel that there may be legal defenses available to it that are inconsistent with or in addition to those available to the Borrowers, in which case such counsel shall be at the Borrowers' expense) and (iii) no Indemnified Party shall settle any Third Party Claim without the Borrowers' prior written consent (such consent not to be unreasonably withheld). The agreements in this Section 10.6 shall survive repayment of the Loans, Notes and all other amounts payable hereunder.

Section 10.7 Successors and Assigns; Participations; Purchasing Lenders.

(a) This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Lenders, the Agents, all future holders of the Notes and their respective successors and assigns, except that the Borrowers and the Guarantors may not assign or transfer any of their rights or obligations under this Agreement or the other Credit Documents without the prior written consent of all the Lenders.

(b) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other entities (" Participants ") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender, or any other interest of such Lender hereunder. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement, and the Borrowers and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. No Lender shall transfer or grant any participation under which the Participant shall have rights to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) extend the scheduled maturity of any Loan or Note or any installment thereon in which such Participant is participating, or reduce the stated rate or extend the time of payment of interest or fees thereon (except in connection with a waiver of interest at the increased post-default rate) or reduce the principal amount thereof, or increase the amount of the Participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default shall not constitute a change in the terms of such

participation, and that an increase in any Commitment or Loan shall be permitted without consent of any participant if the Participant's participation is not increased as a result thereof), (ii) release all or substantially all of the Guarantors from their obligations under the Guaranty, (iii) release all or substantially all of the Collateral, or (iv) consent to the assignment or transfer by the Borrowers or the Guarantors of any of their rights and obligations under this Agreement. In the case of any such participation, the Participant shall not have any rights under this Agreement or any of the other Credit Documents (the Participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the Participant relating thereto) and all amounts payable by the Borrowers hereunder shall be determined as if such Lender had not sold such participation; provided, that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time, sell or assign to any Lender or any Affiliate thereof and, with the consent of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrowers (in each case, which consent shall not be unreasonably withheld), to one or more additional banks or financial institutions or entities (" Purchasing Lenders "), all or any part of its rights and obligations under this Agreement and the Notes in minimum amounts of \$5,000,000 (or, if less, the entire amount of such Lender's interests and obligations), pursuant to an Assignment Agreement, executed by such Purchasing Lender and such transferor Lender (and, in the case of a Purchasing Lender that is not then a Lender or an affiliate or Approved Fund thereof, the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrowers), and delivered to the Administrative Agent for its acceptance and recording. Upon such execution, delivery, acceptance and recording, from and after the Transfer Effective Date specified in such Assignment Agreement, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment Agreement, have the rights and obligations of a Lender hereunder with a Commitment as set forth therein, and (y) the transferor Lender thereunder shall, to the extent provided in such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). Such Assignment Agreement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Notes. On or prior to the Transfer Effective Date specified in such Assignment Agreement, the Borrowers, at their own expense, shall execute and deliver to the Administrative Agent in exchange for the Notes delivered to the Administrative Agent pursuant to such Assignment Agreement new Notes to the order of such Purchasing Lender in an amount equal to the Commitment assumed by it pursuant to such Assignment Agreement and, unless the transferor Lender has not retained a Commitment hereunder, new Notes to the order of the transferor Lender in an amount equal to the Commitment retained by it hereunder. Such new Notes shall be dated the Closing Date and shall

otherwise be in the form of the Notes replaced thereby. The Notes surrendered by the transferor Lender shall be returned by the Administrative Agent to the Borrowers marked “canceled”.

(d) The Administrative Agent shall maintain at its address referred to in Section 10.3 a copy of each Assignment Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in such register shall be conclusive, in the absence of manifest error, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in such register as the owner of the Loan recorded therein for all purposes of this Agreement.

(e) Upon its receipt of a duly executed Assignment Agreement, together with payment to the Administrative Agent by the transferor Lender or the Purchasing Lender, as agreed between them, of a registration and processing fee in the amount of \$3,500 for each Purchasing Lender (other than an affiliate of such Lender or an Approved Fund) listed in such Assignment Agreement and the Notes subject to such Assignment Agreement, the Administrative Agent shall (i) accept such Assignment Agreement and (ii) give prompt notice of such acceptance and recordation to the Lenders and the Borrowers.

(f) The Borrowers authorize each Lender to disclose to any Participant or Purchasing Lender (each, a “Transferee”) and any prospective Transferee any and all financial information in such Lender’s possession concerning the Borrowers and their Affiliates which has been delivered to such Lender by or on behalf of the Borrowers pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Borrowers in connection with such Lender’s credit evaluation of the Borrowers and their Affiliates prior to becoming a party to this Agreement, in each case subject to Section 10.16.

Section 10.8 Adjustments; Set-off.

(a) Each Lender agrees that if any Lender (a “benefited Lender”) shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any Collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8.1(e), or otherwise) in a greater proportion than any such payment to or Collateral received by any other Lender, if any, in respect of such other Lender’s Loans, or interest thereon, such benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender’s Loan, or shall provide such other Lenders with the benefits of any such Collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such Collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Borrowers agree that each Lender so purchasing a portion of another Lender’s Loans may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(b) In addition to any rights and remedies of the Lenders provided by law (including, without limitation, other rights of set-off), each Lender shall have the right, without prior notice to the Borrowers or the applicable Credit Party, any such notice being expressly waived by the Credit Parties to the extent permitted by applicable law, upon the occurrence and during the continuance of any Event of Default, to setoff and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held by or owing to such Lender or any branch or agency thereof to or for the credit or the account of the Borrowers or any other Credit Party, or any part thereof in such amounts as such Lender may elect, against and on account of the Loans and other Obligations of the Borrowers and the other Credit Parties to the Administrative Agent and the Lenders and claims of every nature and description of the Administrative Agent and the Lenders against the Borrowers and the other Credit Parties, in any currency, whether arising hereunder or under any other Credit Document, as such Lender may elect, whether or not the Administrative Agent or the Lenders have made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The aforesaid right of set-off may be exercised by such Lender against the Borrowers, any other Credit Party or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver or execution, judgment or attachment creditor of the Borrowers or any other Credit Party, or against anyone else claiming through or against the Borrowers, any other Credit Party or any such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off shall not have been exercised by such Lender prior to the occurrence of any Event of Default. Each Lender agrees promptly to notify the Borrowers and the Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

Section 10.9 Table of Contents and Section Headings. The table of contents and the Section and subsection headings herein are intended for convenience only and shall be ignored in construing this Agreement.

Section 10.10 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrowers and the Administrative Agent.

Section 10.11 Effectiveness. This Agreement shall become effective on the date on which all of the parties have signed a copy hereof (whether the same or different copies) and shall have delivered the same to the Administrative Agent pursuant to Section 10.3 or, in the case of the Lenders, shall have given to the Administrative Agent written notice (actually received) at such office that the same has been signed and mailed to it.

Section 10.12 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any

such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.13 Integration. This Agreement and the Notes represent the agreement of the Credit Parties, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent, the Credit Parties or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the Notes. This Agreement amends, restates, replaces and supersedes all prior agreements and understandings, both written and oral, among the parties, with respect to the subject matter hereof.

Section 10.14 Consent to Jurisdiction.

(a) EACH CREDIT PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN NEW YORK, NEW YORK OVER ANY SUIT, ACTION OR PROCEEDING (A “ **PROCEEDING** ”) ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTE OR THE SECURITY DOCUMENTS AND EACH CREDIT PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH CREDIT PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM OR IMPROPER VENUE TO THE MAINTENANCE OF ANY SUCH PROCEEDING. EACH CREDIT PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH CREDIT PARTY AT ITS ADDRESS REFERRED TO IN SECTION 10.3 HEREOF. EACH CREDIT PARTY AGREES THAT A FINAL JUDGMENT IN ANY SUCH PROCEEDING SHALL BE CONCLUSIVE AND MAY BE EXECUTED UPON AND ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(b) NOTHING IN THIS SECTION 10.14 SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING ANY SUIT, ACTION OR PROCEEDING AGAINST A CREDIT PARTY OR ITS PROPERTY IN THE COURTS OF OTHER JURISDICTIONS. THE TAKING OF ANY PROCEEDINGS IN ANY ONE OR MORE JURISDICTIONS SHALL NOT PRECLUDE THE TAKING OF ANY PROCEEDINGS IN ANY OTHER JURISDICTION.

(c) EACH BORROWER AND THE LENDER HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTE, THE SECURITY DOCUMENTS AND ANY OTHER CREDIT DOCUMENTS REFERRED TO HEREIN OR THE OBLIGATIONS UNDER ANY THEREOF.

Section 10.15 Governing Law. THIS AGREEMENT, AND ANY INSTRUMENT OR AGREEMENT REQUIRED HEREUNDER, UNLESS OTHERWISE SPECIFICALLY PROVIDED HEREIN OR THEREIN, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, PROVIDED, HOWEVER, THAT THE MORTGAGES SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE STATE IN WHICH THEY ARE FILED.

Section 10.16 Confidentiality. The Administrative Agent and each Lender agree that they will not disclose without the prior consent of the Borrowers any non-public, confidential or proprietary information of or with respect to any Credit Party or any Subsidiary thereof which is furnished pursuant to this Agreement, any other Credit Document or any documents contemplated by or referred to herein or therein (the “Information”), except that any Agent and any Lender may disclose any such Information (a) to its employees, affiliates, agents, representatives, auditors, consultants, engineers (including the Independent Engineer) or counsel or to another Agent or Lender each of whom shall have been made aware of this confidentiality requirement and shall have agreed to abide by its provisions, (b) as has become generally available to the public other than by a breach of this Section 10.16, (c) as may be required or appropriate in any report, statement or testimony submitted to any Governmental Authority having or claiming to have jurisdiction over such Lender or Agent or to the Federal Reserve Board or the Federal Deposit Insurance Corporation or the Office of the Comptroller of the Currency or the National Association of Insurance Commissioners or similar organizations (whether in the United States, Canada or any other jurisdiction) or their successors, (d) as may be required or appropriate in response to any summons or subpoena or any Requirement of Law applicable to such Lender or Agent, (e) to (i) any prospective Participant or assignee in connection with any contemplated transfer pursuant to Section 10.7 or (ii) any actual or prospective counterparty (or its advisors) to any Hedging Agreement relating to the Borrowers, provided that such prospective counterparty or transferee shall have been made aware of this Section 10.16 and shall have agreed to be bound by its provisions as if it were a party to this Credit Agreement, (f) to Gold Sheets and other similar bank trade publications; such information to consist of deal terms and other information regarding the credit facilities evidenced by this Credit Agreement customarily found in such publications, (g) in connection with any claim, suit, action or proceeding for the purpose of defending itself, reducing its liability, or protecting or exercising any of its claims, rights, remedies or interests under or in connection with the Credit Documents, or (h) any nationally recognized rating agency that requires access to information about a Lender’s investment portfolio in connection with ratings issued with respect to such Lender; provided, however, that in the case of any disclosure pursuant to clause (d), the applicable Agent or Lender shall give the Borrowers at least ten days prior written notice (unless less time is permitted by the applicable proceeding) before disclosing any of the Confidential Information in any such proceeding and, in making such disclosure, the Agent or any Lender, as applicable, shall disclose only that portion thereof required to be disclosed and shall take all reasonable efforts to preserve the confidentiality thereof.

Section 10.17 Acknowledgments. Each of the parties hereto hereby acknowledges that:

- (a) it has been advised by counsel in the negotiation, execution and delivery of each Credit Document;

(b) neither any Agent nor any Lender has any fiduciary relationship with or duty to the Borrowers or any other Credit Party arising out of or in connection with this Agreement and the relationship between the Agents and Lenders, on one hand, and the Borrowers and the other Credit Parties, on the other hand, in connection herewith is solely that of debtor and creditor;

(c) no joint venture or partnership exists among the Lenders or the Agents, or among the Borrowers or the other Credit Parties and the Lenders or the Agents; and

(d) the Administrative Agent and the Lenders acknowledge receipt of the information described on Schedule 10.17 and agree that, notwithstanding anything to the contrary in this Agreement or the other Credit Documents, the occurrence of the events as described therein shall not constitute a Default or Event of Default hereunder; provided, that this acknowledgement and agreement by the Administrative Agent and the Lenders is effective only to the extent specifically set forth herein and it shall not: (i) be deemed or construed as a waiver or consent to any breach or default other than as specifically described herein, nor as a waiver of any breach or default of which the Administrative Agent and the Lenders have not been informed; (ii) be deemed as a consent to any other or further action, undertaking, departure or variance other than as specifically consented to hereby; (iii) affect the right of the Administrative Agent and the Lenders to demand compliance with all terms and conditions of this Agreement in all other instances; or (iv) be deemed or construed as a waiver of, amendment of, consent to or modification of any other term or provision of this Agreement or of any transaction, departure or future action on the part of a Credit Party that requires the consent, approval or waiver of the Administrative Agent or any Lender.

Section 10.18 USA Patriot Act . Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Patriot Act”) hereby notifies the Credit Parties that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies each Credit Party, which information includes the name and address of such Credit Party and other information that will allow each such Lender to identify the Credit Party in accordance with the Act.

Section 10.19 Joint and Several Liability . The Borrowers are engaged in related businesses and integrated to such an extent that the financial strength and flexibility of each Borrower has a direct, tangible and immediate impact on the success of the other Borrower. Each of the Borrowers acknowledges and agrees that (i) it is a co-borrower hereunder and shall be jointly and severally, with the other Borrower, directly and primarily liable for the payment and performance of the Note and the Obligations, regardless of which Borrower actually receives Loans or the amount of such Loans received, (ii) each of the Borrowers shall have the obligation of a co-maker and shall be a primary obligor with respect to the Loans, the Note and the other Obligations, it being agreed that the Loans to each Borrower inure to the benefit of both Borrowers, and (iii) the Administrative Agent and each Lender are relying on such joint and several liability of the Borrowers in entering into this Agreement and extending the Loans. Each Borrower hereby unconditionally and irrevocably agrees that upon default in the payment when due of any principal, interest, fee or other amount hereunder, it will forthwith pay the same, without notice of demand. The Administrative Agent and the Lenders shall be entitled to rely upon any notice, request or communication received by it from any one Borrower on behalf of

both Borrowers, and shall be entitled to treat its giving of any notice hereunder pursuant to Section 10.3 hereof as notice to each and all Borrowers.

ARTICLE II GUARANTY

Section 11.1 The Guaranty. In order to induce the Lenders to enter into this Credit Agreement and the Notes and to extend credit hereunder and thereunder and in recognition of the direct benefits to be received by the Guarantors from the Loans hereunder, each of the Guarantors hereby agrees with the Administrative Agent and the Lenders as follows: each Guarantor hereby unconditionally and irrevocably jointly and severally guarantees as primary obligor and not merely as surety the full and prompt payment when due, whether upon maturity, by acceleration or otherwise, of any and all Obligations. If any or all of the indebtedness becomes due and payable hereunder or under any other Credit Document, each Guarantor unconditionally promises to pay such indebtedness to the Administrative Agent and the Lenders, or their respective order, on demand, together with any and all reasonable costs, fees and expenses which may be incurred by the Administrative Agent or the Lenders in collecting any of the Obligations.

Notwithstanding any provision to the contrary contained herein or in any other of the Credit Documents, to the extent the obligations of a Guarantor shall be adjudicated to be invalid or unenforceable for any reason (including, because of any applicable Requirement of Law relating to fraudulent conveyances or transfers or similar principles) then the obligations of each such Guarantor hereunder shall be limited to the maximum amount that is permissible under applicable Requirements of Law, including Bankruptcy Laws.

Section 11.2 Bankruptcy. Additionally, each of the Guarantors unconditionally and irrevocably guarantees jointly and severally the payment of any and all Obligations of the Borrowers to the Administrative Agent and the Lenders whether or not due or payable by the Borrowers upon the occurrence of any of the events specified in Section 8.1(e), and unconditionally promises to pay such Obligations to the Administrative Agent for the account of the Lenders, or order, on demand, in lawful money of the United States. Each of the Guarantors further agrees that to the extent that the Borrowers or a Guarantor shall make a payment or a transfer of an interest in any property to the Administrative Agent or any Lender, which payment or transfer or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, or otherwise is avoided, and/or required to be repaid to the Borrowers or a Guarantor, the estate of the Borrowers or a Guarantor, a trustee, receiver or any other party under any Bankruptcy Law, common law or equitable cause or other Requirement of Law, then to the extent of such avoidance or repayment, the obligation or part thereof intended to be satisfied shall be revived and continued in full force and effect as if said payment had not been made.

Section 11.3 Continuing Guaranty. This guaranty is a continuing guaranty and shall: (i) remain in full force and effect until the later of (x) the irrevocable payment in full of the Obligations and all other amounts payable by the Guarantor, and (y) all the Commitments have been terminated; (ii) be binding on each Guarantor, its successors and assigns; and (iii) inure to the benefit of and be enforceable by the Administrative Agent, the Lenders and their successors,

pledges, transferees and assigns. Without limiting the generality of the foregoing, any Lender may pledge, assign or otherwise transfer all or any portion of its rights and obligations under any Credit Document to any other Person, and such Person shall thereupon become vested with all the benefits in respect thereof granted to such Person herein or otherwise.

Section 11.4 Nature of Liability . The liability of each Guarantor hereunder is exclusive and independent of any security for or other guaranty of the Obligations of the Borrowers whether executed by any such Guarantor, any other guarantor or by any other party, and no Guarantor's liability hereunder shall be affected or impaired by (a) any direction as to application of payment by the Borrowers or by any other party, or (b) any other continuing or other guaranty, undertaking or maximum liability of a guarantor or of any other party as to the Obligations of the Borrowers, or (c) any payment on or in reduction of any such other guaranty or undertaking, or (d) any dissolution, termination or increase, decrease or change in personnel by the Borrowers, or (e) any payment made to the Administrative Agent or the Lenders on the Obligations which the Administrative Agent or such Lenders repay to the Borrowers pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each of the Guarantors waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding.

Section 11.5 Independent Obligation. The obligations of each Guarantor hereunder are independent of the obligations of any other Guarantor or the Borrowers, and a separate action or actions may be brought and prosecuted against each Guarantor whether or not action is brought against any other Guarantor or the Borrowers and whether or not any other Guarantor or the Borrowers is joined in any such action or actions.

Section 11.6 Authorization. Each of the Guarantors authorizes the Administrative Agent and each Lender without notice or demand (except as shall be required by applicable statute and cannot be waived), and without affecting or impairing its liability hereunder, from time to time to (a) amend, modify, renew, restate, compromise, extend, continue, increase, accelerate or otherwise change the time for payment of, or otherwise change the terms of the Obligations or any part thereof in accordance with this Credit Agreement and any other Credit Document, as applicable, including any increase or decrease of the rate of interest thereon, (b) take and hold security from any Guarantor or any other party for the payment of this Guaranty or the Obligations and exchange, enforce, waive and release any such security, (c) apply such security and direct the order or manner of sale thereof as the Administrative Agent and the Lenders in their discretion may determine and (d) release or substitute any one or more endorsers, Guarantors, the Borrowers or other obligors.

Section 11.7 Reliance. It is not necessary for the Administrative Agent or the Lenders to inquire into the capacity or powers of any Borrower or the officers, directors, members, partners or agents acting or purporting to act on its behalf, and any Obligations made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

Section 11.8 Waiver.

(a) Each of the Guarantors waives any right (except as shall be required by applicable statute and cannot be waived) to require the Administrative Agent or any Lender to (i) proceed

against the Borrowers, any other guarantor or any other party, (ii) proceed against or exhaust any security held from the Borrowers, any other guarantor or any other party, or (iii) pursue any other remedy in the Administrative Agent's or any Lender's power whatsoever. Each of the Guarantors waives any defense based on or arising out of any defense of any Borrower, any other guarantor or any other party other than payment in full of the Obligations (other than contingent indemnity obligations), including without limitation any defense based on or arising out of the disability of a Borrower, any other guarantor or any other party, or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of a Borrower other than payment in full of the Obligations. The Administrative Agent may, at its election, foreclose on any security held by the Administrative Agent by one or more judicial or nonjudicial sales (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Administrative Agent or any Lender may have against a Borrower or any other party, or any security, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Obligations have been paid in full and the Commitments have been terminated. Each of the Guarantors waives any defense arising out of any such election by the Administrative Agent or any of the Lenders, even though such election operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of the Guarantors against any Borrower or any other party or any security.

(b) Each of the Guarantors waives all presentments, demands for performance, protests and notices, including without limitation notices of nonperformance, notice of protest, notices of dishonor, notices of acceptance of this Guaranty, and notices of the existence, creation or incurring of new, additional, restated or continued Obligations. Each Guarantor assumes all responsibility for being and keeping itself informed of each Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks which such Guarantor assumes and incurs hereunder, and agrees that neither the Administrative Agent nor any Lender shall have any duty to advise such Guarantor of information known to it regarding such circumstances or risks.

(c) Each Guarantor waives all other acts or omissions to act or delay of any kind by the Administrative Agent, any Lender or any other Person or any other circumstance whatsoever that might, but for the provisions of this paragraph, constitute a legal or equitable discharge of the obligations of any Guaranty, and each Guarantor waives all other defenses available to a guarantor or surety, whether at law or in equity.

(d) The Borrowers and the Guarantors are engaged in related businesses and integrated to such an extent that the financial strength and flexibility of each Borrower has a direct, tangible and immediate impact on the success of each Guarantor. Each Guarantor will derive substantial direct and indirect benefit from the extensions of credit to the Borrowers hereunder. Each Guarantor hereby waives any right to revoke this Guaranty, and acknowledges that this Guaranty is continuing in nature and applies to all Obligations, whether existing now or in the future. Each Guarantor knowingly waives certain rights and defenses as set forth in this Agreement in contemplation of the benefits that it will receive.

(e) Each of the Guarantors hereby agrees it will not exercise any rights of subrogation which it may at any time otherwise have as a result of this Guaranty (whether contractual, under applicable Bankruptcy Law, or otherwise) to the claims of the Administrative Agent or the

Lenders against any Borrower or any other guarantor of the Obligations of a Borrower owing to the Administrative Agent or the Lenders (collectively, the “Other Parties”) and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from any Other Party which it may at any time otherwise have as a result of this Guaranty until such time as the Obligations shall have been paid in full and the Commitments have been terminated. Each of the Guarantors hereby further agrees not to exercise any right to enforce any other remedy which the Administrative Agent or the Lenders now have or may hereafter have against any Other Party, any endorser or any other guarantor of all or any part of the Obligations of a Borrower and any benefit of, and any right to participate in, any security or collateral given to or for the benefit of the Administrative Agent and the Lenders to secure payment of the Obligations of a Borrower until such time as the Obligations (other than contingent indemnity obligations) shall have been paid in full and the Commitments have been terminated.

Section 11.9 Confirmation of Payment. The Administrative Agent and the Lenders will, upon request after payment of the Obligations which are the subject of this Guaranty and termination of the Commitments relating thereto, confirm to the Borrowers, the Guarantors or any other Person that such indebtedness and obligations have been paid and the Commitments relating thereto terminated, subject to the provisions of Section 11.2.

At such time as the Obligations which are the subject of this Guaranty have been irrevocably paid in full and the Commitments have been terminated, this Guaranty and all obligations of the Guarantors hereunder shall terminate and be of no further force and effect, all without delivery of any Instrument or performance of any act by any Person.

(remainder of this page intentionally blank)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by its proper and duly authorized officers as of the day and year first above written.

BORROWERS :

ROYAL GOLD, INC.

By: /s/ Tony Jensen
Name: Tony Jensen
Title: President and Chief Executive Officer

HIGH DESERT MINERAL RESOURCES, INC.

By: /s/ Tony Jensen
Name: Tony Jensen
Title: President

GUARANTOR :

RG MEXICO, INC.

By: /s/ Bruce Kirchhoff
Name: Bruce Kirchhoff
Title: Vice President and General Counsel

[signature pages continue]

ADMINISTRATIVE AGENT
AND LENDER:

HSBC BANK USA, NATIONAL ASSOCIATION
as Administrative Agent and as a Lender

By: /s/ William S. Edge, III

Name: William S. Edge, III

Title: Managing Director

SOLE LEAD ARRANGER:

HSBC SECURITIES (USA) INC.
as Sole Lead Arranger

By: /s/ William S. Edge, III

Name: William S. Edge, III

Title: Managing Director

[signature pages continue]

LENDER:

SCOTIABANC INC.

as a Lender

By: /s/ J.F. Todd

Name: J.F. Todd

Title: Managing Director

[signature pages continue]

ROYAL GOLD, INC.

2004 OMNIBUS LONG-TERM INCENTIVE PLAN
Adopted on November 10, 2004, as amended

Royal Gold, Inc., a Delaware corporation (the “Company”), sets forth herein the terms of its 2004 Omnibus Long-Term Incentive Plan (the “Plan”), as follows:

1. PURPOSE

The Plan is intended to enhance the Company’s and its Affiliates’ (as defined herein) ability to attract and retain highly qualified officers, directors, key employees, and other persons, and to motivate such officers, directors, key employees, and other persons to serve the Company and its Affiliates and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plan provides for the grant of stock options, stock appreciation rights, restricted stock, stock units, unrestricted stock, dividend equivalent rights and cash awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms hereof. Stock options granted under the Plan may be non-qualified stock options or incentive stock options, as provided herein.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

2.1 **“Affiliate”** means, with respect to the Company, any company or other trade or business that controls, is controlled by or is under common control with the Company within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any Subsidiary.

2.2 **“Annual Incentive Award”** means an Award made subject to attainment of performance goals (as described in **Section 14**) over a performance period of up to one year (the fiscal year, unless otherwise specified by the Committee).

2.3 **“Award”** means a grant of an Option, Stock Appreciation Right, Restricted Stock, Unrestricted Stock, Stock Unit, Dividend Equivalent Rights, or cash award under the Plan.

2.4 **“Award Agreement”** means the written agreement between the Company and a Grantee that evidences and sets out the terms and conditions of an Award.

2.5 **“Benefit Arrangement”** shall have the meaning set forth in **Section 15** hereof.

2.6 **“Board”** means the Board of Directors of the Company.

2.7 **“Cause”** means, as determined by the Board and unless otherwise provided in an applicable agreement with the Company or an Affiliate, (i) gross negligence or willful misconduct in connection with the performance of duties; (ii) conviction of a criminal offense (other than minor traffic offenses); or (iii) material breach of any term of any employment, consulting or other services, confidentiality, intellectual property or non-competition agreements, if any, between the Service Provider and the Company or an Affiliate.

2.8 **“Code”** means the Internal Revenue Code of 1986, as now in effect or as hereafter amended.

2.9 **“Committee”** means a committee of, and designated from time to time by resolution of, the Board, which shall be constituted as provided in **Section 3.2** .

2.10 **“Company”** means Royal Gold, Inc.

2.11 **“Corporate Transaction”** means (i) the dissolution or liquidation of the Company or a merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity, (ii) a sale of substantially all of the assets of the Company to another person or entity, or (iii) any transaction (including without limitation a merger or reorganization in which the Company is the surviving entity) which results in any person or entity (other than persons who are stockholders or Affiliates immediately prior to the transaction) owning 50% or more of the combined voting power of all classes of stock of the Company.

2.12 **“Covered Employee”** means a Grantee who is a Covered Employee within the meaning of Section 162(m)(3) of the Code.

2.13 **“Disability”** means the Grantee is unable to perform each of the essential duties of such Grantee's position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than 12 months; provided, however, that, with respect to rules regarding expiration of an Incentive Stock Option following termination of the Grantee's Service, Disability shall mean the Grantee is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

2.14 **“Dividend Equivalent Right”** means a right, granted to a Grantee under Section 13 hereof, to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.

2.15 **“Effective Date”** means October 6, 2004, the date the Plan is approved by the Board.

2.16 **“Exchange Act”** means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.17 **“Fair Market Value”** means the value of a share of Stock, determined as follows: if on the Grant Date or other determination date the Stock is listed on an established national or regional stock exchange, is admitted to quotation on The Nasdaq Stock Market, Inc. or is publicly traded on an established securities market, the Fair Market Value of a share of Stock shall be the closing price of the Stock on such exchange or in such market (if there is more than one such exchange or market the Board shall determine the appropriate exchange or market) on the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Stock is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Stock is not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of the Stock as determined by the Board in good faith.

2.18 **“Family Member”** means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the Grantee, any person sharing the Grantee's household (other than a tenant or employee), a trust in which any one or more of these persons have more than fifty percent of the beneficial interest, a foundation in which any one or more of these persons (or the Grantee) control the management of assets, and any other entity in which one or more of these persons (or the Grantee) own more than fifty percent of the voting interests.

2.19 **“Grant Date”** means, as determined by the Board, the latest to occur of (i) the date as of which the Board approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under **Section 6** hereof, or (iii) such other date as may be specified by the Board.

2.20 **“Grantee”** means a person who receives or holds an Award under the Plan.

2.21 **“Incentive Stock Option”** means an “incentive stock option” within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.

2.22 **“Non-qualified Stock Option”** means an Option that is not an Incentive Stock Option.

2.23 **“Option”** means an option to purchase one or more shares of Stock pursuant to the Plan.

2.24 **“Option Price”** means the exercise price for each share of Stock subject to an Option.

2.25 **“Option Proceeds”** means, with respect to an Option, the sum of (i) the Option Price paid in cash, if any, to purchase shares of Stock under such Option, plus (ii) the value of all Federal, state, and local deductions to which the Company is entitled with respect to the exercise of such Option determined using the highest Federal tax rate applicable to corporations and a blended tax rate for state and local taxes based on the jurisdictions in which the Company does business and giving effect to the deduction of state and local taxes for Federal tax purposes.

2.26 **“Other Agreement”** shall have the meaning set forth in **Section 15** hereof.

2.27 **“Outside Director”** means a member of the Board who is not an officer or employee of the Company.

2.28 **“Performance Award”** means an Award made subject to the attainment of performance goals (as described in **Section 14**) over a performance period of up to ten (10) years.

2.29 **“Plan”** means this Royal Gold, Inc. 2004 Omnibus Long-Term Incentive Plan.

2.30 **“Purchase Price”** means the purchase price for each share of Stock pursuant to a grant of Restricted Stock or Unrestricted Stock.

2.31 **“Reporting Person”** means a person who is required to file reports under Section 16(a) of the Exchange Act.

2.32 **“Restricted Stock”** means shares of Stock, awarded to a Grantee pursuant to **Section 10** hereof.

2.33 **“SAR Exercise Price”** means the per share exercise price of an SAR granted to a Grantee under **Section 9** hereof.

2.34 **“Securities Act”** means the Securities Act of 1933, as now in effect or as hereafter amended.

2.35 **“Service”** means service as a Service Provider to the Company or an Affiliate. Unless otherwise stated in the applicable Award Agreement, a Grantee's change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or an Affiliate. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Board, which determination shall be final, binding and conclusive.

2.36 **“Service Provider”** means an employee, officer or director of the Company or an Affiliate, or a consultant or adviser currently providing services to the Company or an Affiliate.

2.37 **“Stock”** means the common stock, par value \$.01 per share, of the Company.

2.38 **“Stock Appreciation Right”** or **“SAR”** means a right granted to a Grantee under **Section 9** hereof.

2.39 **“Stock Unit”** means a bookkeeping entry representing the equivalent of shares of Stock, awarded to a Grantee pursuant to **Section 10** hereof.

2.40 **“Subsidiary”** means any “subsidiary corporation” of the Company within the meaning of Section 424(f) of the Code.

2.41 **“Termination Date”** means the date upon which an Option shall terminate or expire, as set forth in **Section 8.3** hereof.

2.42 **“Ten Percent Stockholder”** means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding stock of the Company, its parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

2.43 **“Unrestricted Stock”** means an Award pursuant to **Section 11** hereof.

3. ADMINISTRATION OF THE PLAN

3.1. Board.

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company's certificate of incorporation and by-laws and applicable law. The Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan, any Award or any Award Agreement. All such actions and determinations shall be by the affirmative vote of a majority of the members of the Board present at a meeting or by unanimous consent of the Board executed in writing in accordance with the Company's certificate of incorporation and by-laws and applicable law. The interpretation and construction by the Board of any provision of the Plan, any Award or any Award Agreement shall be final, binding and conclusive.

3.2. Committee.

The Board from time to time may delegate to the Committee such powers and authorities related to the administration and implementation of the Plan, as set forth in **Section 3.1** above and other applicable provisions, as the Board shall determine, consistent with the certificate of incorporation and by-laws of the Company and applicable law.

(i) Except as provided in Subsection (ii) and except as the Board may otherwise determine, the Committee, if any, appointed by the Board to administer the Plan shall consist of two or more Outside Directors of the Company who: (a) qualify as "outside directors" within the meaning of Section 162(m) of the Code and who (b) meet such other requirements as may be established from time to time by the Securities and Exchange Commission for plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act and who comply with the independence requirements of the stock exchange on which the Common Stock is listed.

(ii) The Board may also appoint one or more separate committees of the Board, each composed of one or more directors of the Company who need not be Outside Directors, who may administer the Plan with respect to employees or other Service Providers who are not officers or directors of the Company, may grant Awards under the Plan to such employees or other Service Providers, and may determine all terms of such Awards.

In the event that the Plan, any Award or any Award Agreement entered into hereunder provides for any action to be taken by or determination to be made by the Board, such action may be taken or such determination may be made by the Committee if the power and authority to do so has been delegated to the Committee by the Board as provided for in this Section. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final, binding and conclusive. To the extent permitted by law, the Committee may delegate its authority under the Plan to a member of the Board.

3.3. Terms of Awards.

Subject to the other terms and conditions of the Plan, the Board shall have full and final authority to:

- (i) designate Grantees,
- (ii) determine the type or types of Awards to be made to a Grantee,
- (iii) determine the number of shares of Stock to be subject to an Award,
- (iv) establish the terms and conditions of each Award (including, but not limited to, the exercise price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the shares of Stock subject thereto, and any terms or conditions that may be necessary to qualify Options as Incentive Stock Options),
- (v) prescribe the form of each Award Agreement evidencing an Award, and

(vi) amend, modify, or supplement the terms of any outstanding Award. Such authority specifically includes the authority, in order to effectuate the purposes of the Plan but without amending the Plan, to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside the United States to recognize differences in local law, tax policy, or custom.

As a condition to any subsequent Award, the Board shall have the right, at its discretion, to require Grantees to return to the Company Awards previously made under the Plan. Subject to the terms and conditions of the Plan, any such new Award shall be upon such terms and conditions as are specified by the Board at the time the new Award is made. The Board shall have the right, in its discretion, to make Awards in substitution or exchange for any other award under another plan of the Company, any Affiliate, or any business entity to be acquired by the Company or an Affiliate. The Company may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee on account of actions taken by the Grantee in violation or breach of or in conflict with any employment agreement, non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Company or any Affiliate thereof or any confidentiality obligation with respect to the Company or any Affiliate thereof or otherwise in competition with the Company or any Affiliate thereof, to the extent specified in such Award Agreement applicable to the Grantee. Furthermore, the Company may annul an Award if the Grantee is an employee of the Company or an Affiliate thereof and is terminated for Cause as defined in the applicable Award Agreement or the Plan, as applicable. The grant of any Award shall be contingent upon the Grantee executing the appropriate Award Agreement.

Notwithstanding the foregoing, no amendment or modification may be made to an outstanding Option or SAR which reduces the Option Price or SAR Exercise Price, either by lowering the Option Price or SAR Exercise Price or by canceling the outstanding Option or SAR and granting a replacement Option or SAR with a lower exercise price without the approval of the stockholders of the Company, provided, that, appropriate adjustments may be made to outstanding Options and SARs pursuant to **Section 17**.

3.4. Deferral Arrangement.

The Board may permit or require the deferral of any award payment into a deferred compensation arrangement, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest or dividend equivalents, including converting such credits into deferred Stock equivalents and restricting deferrals to comply with hardship distribution rules affecting 401(k) plans. Any such deferrals shall be made in compliance with Code Section 409A.

3.5. No Liability.

No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award or Award Agreement.

3.6. Book Entry.

Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of stock certificates through the use of book-entry.

4. STOCK SUBJECT TO THE PLAN

Stock issued or to be issued under the Plan shall be authorized but unissued shares; or, to the extent permitted by applicable law, issued shares that have been reacquired by the Company. Subject to adjustment as provided in **Section 17** hereof, the number of shares of Stock available for issuance under the Plan shall be the sum of one million three hundred thousand (1,300,000), and any shares of Stock available for grant (including shares which become available due to forfeitures of outstanding awards) under the Company's Equity Incentive Plan. Notwithstanding the preceding sentence and also subject to adjustment as provided in **Section 17** hereof, the aggregate number of shares of Stock which cumulatively may be available for issuance pursuant to Awards other than Awards of Options or SARs shall not exceed six hundred fifty thousand (650,000), and the aggregate number of shares of Stock that may be issued under the Plan shall not exceed one million three hundred thousand (1,300,000). If any shares covered by an Award are not

purchased or are forfeited, or if an Award otherwise terminates without delivery of any Stock subject thereto, then the number of shares of Stock counted against the aggregate number of shares available under the Plan with respect to such Award shall, to the extent of any such forfeiture or termination, again be available for making Awards under the Plan. If the Option Price of any Option granted under the Plan, or if pursuant to **Section 18.3** the withholding obligation of any Grantee with respect to an Option or other Award, is satisfied by tendering shares of Stock to the Company (by either actual delivery or by attestation) or by withholding shares of Stock, the number of shares of Stock issued net of the shares of Stock tendered or withheld shall be deemed delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan. The number of shares of Stock reserved under this **Section 4** shall be increased by the number of any shares of Stock that are repurchased by the Company with Option Proceeds in respect of the exercise of an Option; provided, however, that the number of shares of Stock contributed to the number of shares reserved under this **Section 4** in respect of the use of Option Proceeds for repurchase shall not be greater than: (A) the amount of such Option Proceeds divided by, (B) the Fair Market Value on the date of exercise of the applicable Option. The Board shall have the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other transactions to which Section 424(a) of the Code applies, provided such substitutions and assumptions are permitted by Section 424 of the Code and the regulations promulgated thereunder. The number of shares of Stock reserved pursuant to **Section 4** may be increased by the corresponding number of Awards assumed and, in the case of a substitution, by the net increase in the number of shares of Stock subject to Awards before and after the substitution.

5. EFFECTIVE DATE, DURATION AND AMENDMENTS

5.1. Effective Date.

The Plan shall be effective as of the Effective Date, subject to approval of the Plan by the Company's stockholders within one year of the Effective Date. Upon approval of the Plan by the stockholders of the Company as set forth above, all Awards made under the Plan on or after the Effective Date shall be fully effective as if the stockholders of the Company had approved the Plan on the Effective Date. If the stockholders fail to approve the Plan within one year after the Effective Date, any Awards made hereunder shall be null and void and of no effect.

5.2. Term.

The Plan shall terminate automatically ten (10) years after its adoption by the Board and may be terminated on any earlier date as provided in **Section 5.3**.

5.3. Amendment and Termination of the Plan.

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan as to any shares of Stock as to which Awards have not been made. An amendment shall be contingent on approval of the Company's stockholders to the extent stated by the Board, required by applicable law or required by applicable stock exchange listing requirements.

6. AWARD ELIGIBILITY AND LIMITATIONS

6.1. Service Providers and Other Persons.

Subject to this **Section 6**, Awards may be made under the Plan to: (i) any Service Provider to the Company or of any Affiliate, including any Service Provider who is an officer or director of the Company, or of any Affiliate, as the Board shall determine and designate from time to time, (ii) any Outside Director, and (iii) any other individual whose participation in the Plan is determined to be in the best interests of the Company by the Board.

6.2. Successive Awards.

An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

6.3. Limitation on Shares of Stock Subject to Awards and Cash Awards.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act:

(i) the maximum number of shares of Stock subject to Options or SARs that can be awarded under the Plan to any person eligible for an Award under **Section 6** hereof is one hundred thousand (100,000) per calendar year;

(ii) the maximum number of shares that can be awarded under the Plan, other than pursuant to an Option or SARs, to any person eligible for an Award under **Section 6** hereof is one hundred thousand (100,000) per calendar year; and

(iii) the maximum amount that may be earned as an Annual Incentive Award or other cash Award in any calendar year by any one Grantee shall be \$1,000,000, and the maximum amount that may be earned as a Performance Award or other cash Award in respect of a performance period by any one Grantee shall be \$2,000,000.

The preceding limitations in this **Section 6.3** are subject to adjustment as provided in **Section 17** hereof.

6.4. Stand-Alone, Additional, Tandem, and Substitute Awards.

Awards granted under the Plan may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Affiliate, or any business entity to be acquired by the Company or an Affiliate, or any other right of a Grantee to receive payment from the Company or any Affiliate. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Board shall require the surrender of such other Award in consideration for the grant of the new Award. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Affiliate, in which the value of Stock subject to the Award is equivalent in value to the cash compensation (for example, Stock Units or Restricted Stock), or in which the Option Price, grant price or purchase price of the Award in the nature of a right that may be exercised is equal to the Fair Market Value of the underlying Stock minus the value of the cash compensation surrendered (for example, Options granted with an Option Price "discounted" by the amount of the cash compensation surrendered).

7. AWARD AGREEMENT

Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement, in such form or forms as the Board shall from time to time determine. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Agreement evidencing an Award of Options shall specify whether such Options are intended to be Non-qualified Stock Options or Incentive Stock Options, and in the absence of such specification such options shall be deemed Non-qualified Stock Options.

8. TERMS AND CONDITIONS OF OPTIONS

8.1. Option Price.

The Option Price of each Option shall be fixed by the Board and stated in the Award Agreement evidencing such Option. The Option Price of each Option shall be at least the Fair Market Value on the Grant Date of a share of Stock; *provided, however*, that in the event that a Grantee is a Ten Percent Stockholder, the Option Price of an Option granted to such Grantee that is intended to be an Incentive Stock Option shall be not less than 110 percent of the Fair Market Value of a share of Stock on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a share of Stock.

8.2. Vesting.

Subject to **Sections 8.3** and **17.3** hereof, each Option granted under the Plan shall become exercisable at such times and under such conditions as shall be determined by the Board and stated in the Award Agreement. For purposes of this **Section 8.2**, fractional numbers of shares of Stock subject to an Option shall be rounded down to the next nearest whole number. No Option shall be exercisable in whole or in part prior to the date the Plan is approved by the Stockholders of the Company as provided in **Section 5.1** hereof.

8.3. Term.

Each Option granted under the Plan shall terminate, and all rights to purchase shares of Stock thereunder shall cease, upon the expiration of ten years from the date such Option is granted, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Board and stated in the Award Agreement relating to such Option (the "Termination Date"); *provided, however*, that in the event that the Grantee is a Ten Percent Stockholder, an Option granted to such Grantee that is intended to be an Incentive Stock Option shall not be exercisable after the expiration of five years from its Grant Date.

8.4. Termination of Service.

Each Award Agreement shall set forth the extent to which the Grantee shall have the right to exercise the Option following termination of the Grantee's Service. Such provisions shall be determined in the sole discretion of the Board, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service.

8.5. Limitations on Exercise of Option.

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, prior to the date the Plan is approved by the stockholders of the Company as provided herein or after the occurrence of an event referred to in **Section 17** hereof which results in termination of the Option.

8.6. Method of Exercise.

An Option that is exercisable may be exercised by the Grantee's delivery to the Company of written notice of exercise on any business day, at the Company's principal office, on the form specified by the Company. Such notice shall specify the number of shares of Stock with respect to which the Option is being exercised and shall be accompanied by payment in full of the Option Price of the shares for which the Option is being exercised plus the amount (if any) of federal and/or other taxes which the Company may, in its judgment, be required to withhold with respect to an Award. The minimum number of shares of Stock with respect to which an Option may be exercised, in whole or in part, at any time shall be the lesser of (i) 100 shares or such lesser number set forth in the applicable Award Agreement and (ii) the maximum number of shares available for purchase under the Option at the time of exercise.

8.7. Rights of Holders of Options.

Unless otherwise stated in the applicable Award Agreement, an individual holding or exercising an Option shall have none of the rights of a stockholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject shares of Stock or to direct the voting of the subject shares of Stock) until the shares of Stock covered thereby are fully paid and issued to him. Except as provided in **Section 17** hereof, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

8.8. Delivery of Stock Certificates.

Promptly after the exercise of an Option by a Grantee and the payment in full of the Option Price, such Grantee shall be entitled to the issuance of a stock certificate or certificates evidencing his or her ownership of the shares of Stock subject to the Option.

8.9. Transferability of Options.

Except as provided in **Section 8.10**, during the lifetime of a Grantee, only the Grantee (or, in the event of legal incapacity or incompetency, the Grantee's guardian or legal representative) may exercise an Option. Except as provided in **Section 8.10**, no Option shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

8.10. Family Transfers.

If authorized in the applicable Award Agreement, a Grantee may transfer, not for value, all or part of an Option which is not an Incentive Stock Option to any Family Member. For the purpose of this **Section 8.10**, a "not for value" transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in that entity. Following a transfer under this **Section 8.10**, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Options are prohibited except to Family Members of the original Grantee in accordance with this **Section 8.10** or by will or the laws of descent and distribution. The events of termination of Service of **Section 8.4** hereof shall continue to be applied with respect to the original Grantee, following which the Option shall be exercisable by the transferee only to the extent, and for the periods specified, in **Section 8.4**.

8.11. Limitations on Incentive Stock Options.

An Option shall constitute an Incentive Stock Option only (i) if the Grantee of such Option is an employee of the Company or any Subsidiary of the Company; (ii) to the extent specifically provided in the related Award Agreement; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the shares of Stock with respect to which all Incentive Stock Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee's employer and its Affiliates) does not exceed \$100,000. This limitation shall be applied by taking Options into account in the order in which they were granted.

9. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

9.1. Right to Payment.

An SAR shall confer on the Grantee to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Board. The Award Agreement for an SAR shall specify the grant price of the SAR, which may be fixed at the Fair Market Value of a share of Stock on the date of grant or may vary in accordance with a predetermined formula while the SAR is outstanding. SARs may be granted in conjunction with all or part of an Option granted under the Plan or at any subsequent time during the term of such Option, in conjunction with all or part of any other Award or without regard to any Option or other Award.

9.2. Other Terms.

The Board shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which an SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which SARs shall cease to be or become exercisable following termination of Service or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Grantees, whether or not an SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR.

10. TERMS AND CONDITIONS OF RESTRICTED STOCK AND STOCK UNITS

10.1. Grant of Restricted Stock or Stock Units.

Awards of Restricted Stock or Stock Units may be made for no consideration (other than par value of the shares which is deemed paid by Services already rendered).

10.2. Restrictions.

At the time a grant of Restricted Stock or Stock Units is made, the Board may, in its sole discretion, establish a period of time (a “restricted period”) applicable to such Restricted Stock or Stock Units. Each Award of Restricted Stock or Stock Units may be subject to a different restricted period. The Board may, in its sole discretion, at the time a grant of Restricted Stock or Stock Units is made, prescribe restrictions in addition to or other than the expiration of the restricted period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Stock or Stock Units in accordance with **Section 14.1** and **14.2** . Notwithstanding the foregoing and except in the case of accelerated vesting for Grantees whose age plus years of Service total at least sixty-five (65), (i) Restricted Stock that vests solely by the passage of time shall not vest in full in less than three (3) years from the Grant Date and (ii) Restricted Stock for which vesting may be accelerated by achieving performance targets shall not vest in full in less than one (1) year from the Grant Date. Neither Restricted Stock nor Stock Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the restricted period or prior to the satisfaction of any other restrictions prescribed by the Board with respect to such Restricted Stock or Stock Units.

10.3. Restricted Stock Certificates.

The Company shall issue, in the name of each Grantee to whom Restricted Stock has been granted, stock certificates representing the total number of shares of Restricted Stock granted to the Grantee, as soon as reasonably practicable after the Grant Date. The Board may provide in an Award Agreement that either (i) the Secretary of the Company shall hold such certificates for the Grantee's benefit until such time as the Restricted Stock is forfeited to the Company or the restrictions lapse, or (ii) such certificates shall be delivered to the Grantee, provided, however, that such certificates shall bear a legend or legends that comply with the applicable securities laws and regulations and makes appropriate reference to the restrictions imposed under the Plan and the Award Agreement.

10.4. Rights of Holders of Restricted Stock.

Unless the Board otherwise provides in an Award Agreement, holders of Restricted Stock shall have the right to vote such Stock and the right to receive any dividends declared or paid with respect to such Stock. The Board may provide that any dividends paid on Restricted Stock must be reinvested in shares of Stock, which may or may not be subject to the same vesting conditions and restrictions applicable to such Restricted Stock. All distributions, if any, received by a Grantee with respect to Restricted Stock as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Grant.

10.5. Rights of Holders of Stock Units.

10.5.1. Voting and Dividend Rights.

Unless the Board otherwise provides in an Award Agreement, holders of Stock Units shall have no rights as stockholders of the Company. The Board may provide in an Award Agreement evidencing a grant of Stock Units that the holder of such Stock Units shall be entitled to receive, upon the Company's payment of a cash dividend on its outstanding Stock, a cash payment for each Stock Unit held equal to the per-share dividend paid on the Stock. Such Award Agreement may also provide that such cash payment will be deemed reinvested in additional Stock Units at a price per unit equal to the Fair Market Value of a share of Stock on the date that such dividend is paid.

10.5.2. Creditor's Rights.

A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

10.6. Termination of Service.

Unless the Board otherwise provides in an Award Agreement or in writing after the Award Agreement is issued, upon the termination of a Grantee's Service, any Restricted Stock or Stock Units held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Stock or Stock Units, the Grantee shall have no further rights with respect to such Award, including but not limited to any right to vote Restricted Stock or any right to receive dividends with respect to shares of Restricted Stock or Stock Units.

10.7. Purchase of Restricted Stock.

The Grantee shall be required, to the extent required by applicable law, to purchase the Restricted Stock from the Company at a Purchase Price equal to the greater of (i) the aggregate par value of the shares of Stock represented by such Restricted Stock or (ii) the Purchase Price, if any, specified in the Award Agreement relating to such Restricted Stock. The Purchase Price shall be payable in a form described in **Section 12** or, in the discretion of the Board, in consideration for past Services rendered to the Company or an Affiliate.

10.8. Delivery of Stock.

Upon the expiration or termination of any restricted period and the satisfaction of any other conditions prescribed by the Board, the restrictions applicable to shares of Restricted Stock or Stock Units settled in Stock shall lapse, and, unless otherwise provided in the Award Agreement, a stock certificate for such shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

11. TERMS AND CONDITIONS OF UNRESTRICTED STOCK AWARDS

The Board may, in its sole discretion, grant (or sell at par value or such other higher purchase price determined by the Board) an Unrestricted Stock Award to any Grantee pursuant to which such Grantee may receive shares of Stock free of any restrictions ("Unrestricted Stock") under the Plan. Unrestricted Stock Awards may be granted or sold as described in the preceding sentence in respect of past services and other valid consideration, or in lieu of, or in addition to, any cash compensation due to such Grantee.

12. FORM OF PAYMENT FOR OPTIONS AND RESTRICTED STOCK

12.1. General Rule.

Payment of the Option Price for the shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock shall be made in cash or in cash equivalents acceptable to the Company.

12.2. Surrender of Stock.

To the extent the Award Agreement so provides, payment of the Option Price for shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock may be made all or in part through the tender to the Company of shares of Stock, which shares, if acquired from the Company and if so required by the Company, shall have been held for at least six months at the time of tender and which shall be valued, for purposes of determining the extent to which the Option Price or Purchase Price has been paid thereby, at their Fair Market Value on the date of exercise or surrender.

12.3. Cashless Exercise.

With respect to an Option only (and not with respect to Restricted Stock), to the extent permitted by law and to the extent the Award Agreement so provides, payment of the Option Price for shares purchased pursuant to the exercise of an Option may be made all or in part by delivery (on a form acceptable to the Board) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell shares of Stock and to deliver all or part of the sales proceeds to the Company in payment of the Option Price and any withholding taxes described in **Section 18.3**.

12.4. Other Forms of Payment.

To the extent the Award Agreement so provides, payment of the Option Price for shares purchased pursuant to exercise of an Option or the Purchase Price for Restricted Stock may be made in any other form that is consistent with applicable laws, regulations and rules.

13. TERMS AND CONDITIONS OF DIVIDEND EQUIVALENT RIGHTS

13.1. Dividend Equivalent Rights.

A Dividend Equivalent Right is an Award entitling the recipient to receive credits based on cash distributions that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the recipient. A Dividend Equivalent Right may be granted hereunder to any Grantee as a component of another Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment. Dividend Equivalent Rights may be settled in cash or Stock or a combination thereof, in a single installment or installments, all determined in the sole discretion of the Board. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other award. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other award.

13.2. Termination of Service.

Except as may otherwise be provided by the Board either in the Award Agreement or in writing after the Award Agreement is issued, a Grantee's rights in all Dividend Equivalent Rights or interest equivalents shall automatically terminate upon the Grantee's termination of Service for any reason.

14. TERMS AND CONDITIONS OF PERFORMANCE AND ANNUAL INCENTIVE AWARDS

14.1. Performance Conditions.

The right of a Grantee to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Board. The Board may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce the amounts payable under any Award subject to performance conditions, except as limited under Sections 14.2 hereof in the case of a Performance Award or Annual Incentive Award intended to qualify under Code Section 162(m). If and to the extent required under Code Section 162(m), any power or authority relating to a Performance Award or Annual Incentive Award intended to qualify under Code Section 162(m), shall be exercised by the Committee and not the Board.

14.2. Performance or Annual Incentive Awards Granted to Designated Covered Employees.

If and to the extent that the Committee determines that a Performance or Annual Incentive Award to be granted to a Grantee who is designated by the Committee as likely to be a Covered Employee should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance or Annual Incentive Award shall be contingent upon achievement of pre-established performance goals and other terms set forth in this Section 14.2.

14.2.1. Performance Goals Generally.

The performance goals for such Performance or Annual Incentive Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this **Section 14.2**. Performance goals shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder including the

requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being “substantially uncertain.” The Committee may determine that such Performance or Annual Incentive Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance or Annual Incentive Awards. Performance goals may differ for Performance or Annual Incentive Awards granted to any one Grantee or to different Grantees.

14.2.2. Business Criteria.

One or more of the following business criteria for the Company, on a consolidated basis, and/or specified subsidiaries or business units of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used exclusively by the Committee in establishing performance goals for such Performance or Annual Incentive Awards: (1) total stockholder return; (2) such total stockholder return as compared to total return (on a comparable basis) of a publicly available index such as, but not limited to, the Standard & Poor’s 500 Stock Index; (3) net income; (4) pretax earnings; (5) earnings before interest expense, taxes, depreciation and amortization; (6) pretax operating earnings after interest expense and before bonuses, service fees, and extraordinary or special items; (7) operating margin; (8) earnings per share; (9) return on equity; (10) return on capital; (11) return on investment; (12) operating earnings; (13) working capital; (14) ratio of debt to stockholders’ equity; (15) revenue and (16) free cash flow and free cash flow per share. Business criteria may be measured on an absolute basis or on a relative basis (i.e., performance relative to peer companies) and on a GAAP or non-GAAP basis.

14.2.3. Timing For Establishing Performance Goals.

Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance or Annual Incentive Awards, or at such other date as may be required or permitted for “performance-based compensation” under Code Section 162(m).

14.2.4. Performance or Annual Incentive Award Pool.

The Committee may establish a Performance or Annual Incentive Award pool, which shall be an unfunded pool, for purposes of measuring Company performance in connection with Performance or Annual Incentive Awards.

14.2.5. Settlement of Performance or Annual Incentive Awards; Other Terms.

Settlement of such Performance or Annual Incentive Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance or Annual Incentive Awards. The Committee shall specify the circumstances in which such Performance or Annual Incentive Awards shall be paid or forfeited in the event of termination of Service by the Grantee prior to the end of a performance period or settlement of Performance Awards.

14.3. Written Determinations.

All determinations by the Committee as to the establishment of performance goals, the amount of any Performance Award pool or potential individual Performance Awards and as to the achievement of performance goals relating to Performance Awards, and the amount of any Annual Incentive Award pool or potential individual Annual Incentive Awards and the amount of final Annual Incentive Awards, shall be made in writing in the case of any Award intended to qualify under Code Section 162(m). To the extent required to comply with Code Section 162(m), the Committee may delegate any responsibility relating to such Performance Awards or Annual Incentive Awards.

14.4. Status of Section 14.2 Awards Under Code Section 162(m).

It is the intent of the Company that Performance Awards and Annual Incentive Awards under Section 14.2 hereof granted to persons who are designated by the Committee as likely to be Covered Employees within the meaning of Code Section 162(m) and regulations thereunder shall, if so designated by

the Committee, constitute “qualified performance-based compensation” within the meaning of Code Section 162(m) and regulations thereunder. Accordingly, the terms of Section 14.2, including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Grantee will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee, at the time of grant of Performance Awards or an Annual Incentive Award, as likely to be a Covered Employee with respect to that fiscal year. If any provision of the Plan or any agreement relating to such Performance Awards or Annual Incentive Awards does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

15. PARACHUTE LIMITATIONS

Notwithstanding any other provision of this Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by a Grantee with the Company or any Affiliate, except an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this paragraph (an “Other Agreement”), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Grantee (including groups or classes of Grantees or beneficiaries of which the Grantee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Grantee (a “Benefit Arrangement”), if the Grantee is a “disqualified individual,” as defined in Section 280G(c) of the Code, any Option, Restricted Stock or Stock Unit held by that Grantee and any right to receive any payment or other benefit under this Plan shall not become exercisable or vested (i) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Grantee under this Plan, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Grantee under this Plan to be considered a “parachute payment” within the meaning of Section 280G(b)(2) of the Code as then in effect (a “Parachute Payment”) and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Grantee from the Company under this Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Grantee without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to exercise, vesting, payment, or benefit under this Plan, in conjunction with all other rights, payments, or benefits to or for the Grantee under any Other Agreement or any Benefit Arrangement would cause the Grantee to be considered to have received a Parachute Payment under this Plan that would have the effect of decreasing the after-tax amount received by the Grantee as described in clause (ii) of the preceding sentence, then the Grantee shall have the right, in the Grantee’s sole discretion, to designate those rights, payments, or benefits under this Plan, any Other Agreements, and any Benefit Arrangements that should be reduced or eliminated so as to avoid having the payment or benefit to the Grantee under this Plan be deemed to be a Parachute Payment, provided, however, that in order to comply with Code Section 409A, the reduction or elimination will be performed in the order in which each dollar of value subject to an Award reduces the Parachute Payment to the greatest extent.

16. REQUIREMENTS OF LAW

16.1. General.

The Company shall not be required to sell or issue any shares of Stock under any Award if the sale or issuance of such shares would constitute a violation by the Grantee, any other individual exercising an Option, or the Company of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares hereunder, no shares of Stock may be issued or sold to the Grantee or any other individual exercising an Option pursuant to such Award unless such listing,

registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or the delivery of any shares of Stock underlying an Award, unless a registration statement under such Act is in effect with respect to the shares of Stock covered by such Award, the Company shall not be required to sell or issue such shares unless the Board has received evidence satisfactory to it that the Grantee or any other individual exercising an Option may acquire such shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Board shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of shares of Stock pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the shares of Stock covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

16.2. Rule 16b-3.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards pursuant to the Plan and the exercise of Options granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

17. EFFECT OF CHANGES IN CAPITALIZATION

17.1. Changes in Stock.

If the number of outstanding shares of Stock is increased or decreased or the shares of Stock are changed into or exchanged for a different number or kind of shares or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Company occurring after the Effective Date, the number and kinds of shares for which grants of Options and other Awards may be made under the Plan shall be adjusted proportionately and accordingly by the Company. In addition, the number and kind of shares for which Awards are outstanding shall be adjusted proportionately and accordingly so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. Any such adjustment in outstanding Options or SARs shall not change the aggregate Option Price or SAR Exercise Price payable with respect to shares that are subject to the unexercised portion of an outstanding Option or SAR, as applicable, but shall include a corresponding proportionate adjustment in the Option Price or SAR Exercise Price per share. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. Notwithstanding the foregoing, in the event of any distribution to the Company's stockholders of securities of any other entity or other assets (including an extraordinary cash dividend but excluding a non-extraordinary dividend payable in cash or in stock of the Company) without receipt of consideration by the Company, the Company may, in such manner as the Company deems appropriate, adjust (i) the number and kind of shares subject to outstanding Awards and/or (ii) the exercise price of outstanding Options and Stock Appreciation Rights to reflect such distribution.

17.2. Reorganization in Which the Company Is the Surviving Entity Which does not Constitute a Corporate Transaction.

Subject to **Section 17.3** hereof, if the Company shall be the surviving entity in any reorganization, merger, or consolidation of the Company with one or more other entities which does not constitute a Corporate Transaction, any Option or SAR theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to such Option or SAR would have been entitled immediately following such reorganization, merger, or consolidation, with a corresponding proportionate adjustment of the Option Price or SAR Exercise Price per share so that the aggregate Option Price or SAR Exercise Price thereafter shall be the same as the aggregate Option Price or SAR Exercise Price of the shares remaining subject to the Option or SAR immediately prior to such reorganization, merger, or consolidation. Subject to any contrary language in an Award Agreement evidencing an Award, any restrictions applicable to such Award shall apply as well to any replacement shares received by the Grantee as a result of the reorganization, merger or consolidation. In the event of a transaction described in this Section 17.2, Stock Units shall be adjusted so as to apply to the securities that a holder of the number of shares of Stock subject to the Stock Units would have been entitled to receive immediately following such transaction.

17.3. Corporate Transaction.

Subject to the exceptions set forth in the last sentence of this **Section 17.3** and the last sentence of **Section 17.4**:

(i) upon the occurrence of a Corporate Transaction, all outstanding shares of Restricted Stock and all Stock Units shall be deemed to have vested, and all restrictions and conditions applicable to such shares of Restricted Stock shall be deemed to have lapsed and the shares of stock subject to such Stock Units shall be delivered, immediately prior to the occurrence of such Corporate Transaction, and

(ii) either of the following two actions shall be taken:

(A) fifteen days prior to the scheduled consummation of a Corporate Transaction, all Options and SARs outstanding hereunder shall become immediately exercisable and shall remain exercisable for a period of fifteen days, or

(B) the Board may elect, in its sole discretion, to cancel any outstanding Awards of Options, Restricted Stock, Stock Units and/or SARs and pay or deliver, or cause to be paid or delivered, to the holder thereof an amount in cash or securities having a value (as determined by the Board acting in good faith), in the case of Restricted Stock or Stock Units, equal to the formula or fixed price per share paid to holders of shares of Stock and, in the case of Options or SARs, equal to the product of the number of shares of Stock subject to the Option or SAR (the "Award Shares") multiplied by the amount, if any, by which (I) the formula or fixed price per share paid to holders of shares of Stock pursuant to such transaction exceeds (II) the Option Price or SAR Exercise Price applicable to such Award Shares.

With respect to the Company's establishment of an exercise window, (i) any exercise of an Option or SAR during such fifteen-day period shall be conditioned upon the consummation of the event and shall be effective only immediately before the consummation of the event, and (ii) upon consummation of any Corporate Transaction the Plan, and all outstanding but unexercised Options and SARs shall terminate. The Board shall send written notice of an event that will result in such a termination to all individuals who hold Options and SARs not later than the time at which the Company gives notice thereof to its stockholders.

This **Section 17.3** shall not apply to any Corporate Transaction to the extent that provision is made in writing in connection with such Corporate Transaction for the assumption or continuation of the Options, SARs, Restricted Stock and Stock Units theretofore granted, or for the substitution for such Options, SARs, Restricted Stock and Stock Units for new common stock options and stock appreciation rights and new common stock restricted stock and stock units relating to the stock of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number of shares (disregarding any consideration that is not common stock) and option and stock appreciation right exercise prices, in which event the Plan,

Options, SARs, Restricted Stock and Stock Units theretofore granted shall continue in the manner and under the terms so provided.

17.4. Adjustments.

Adjustments under this **Section 17** related to shares of Stock or securities of the Company shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share. The Board shall determine the effect of a Corporate Transaction upon Awards other than Options, SARs, Stock Units and Restricted Stock, and such effect shall be set forth in the appropriate Award Agreement. The Board may provide in the Award Agreements at the time of grant, or any time thereafter with the consent of the Grantee, for different provisions to apply to an Award in place of those described in **Sections 17.1, 17.2 and 17.3**.

17.5. No Limitations on Company.

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

18. GENERAL PROVISIONS

18.1. Disclaimer of Rights.

No provision in the Plan or in any Award or Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Company either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a director, officer, consultant or employee of the Company or an Affiliate. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

18.2. Nonexclusivity of the Plan.

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board in its discretion determines desirable, including, without limitation, the granting of stock options otherwise than under the Plan.

18.3. Withholding Taxes.

The Company or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, state, or local taxes of any kind required by law to be withheld with respect to the vesting of or other lapse of restrictions applicable to an Award or upon the issuance of any shares of Stock upon the exercise of an Option or pursuant to an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Company or the Affiliate, as the case may be, any amount that the Company or the Affiliate may reasonably determine to be necessary to satisfy such withholding obligation. Subject to the prior approval of the Company or the Affiliate, which may be withheld by the Company or the Affiliate, as the case may be, in its sole discretion, the Grantee may elect to satisfy such obligations, in whole

or in part, (i) by causing the Company or the Affiliate to withhold shares of Stock otherwise issuable to the Grantee or (ii) by delivering to the Company or the Affiliate shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. In no case shall the shares withheld or delivered exceed the minimum required federal, state, and FICA statutory withholding rates. The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Company or the Affiliate as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this **Section 18.3** may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

18.4. Captions.

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

18.5. Other Provisions.

Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion.

18.6. Number and Gender.

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

18.7. Severability.

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

18.8. Governing Law.

The validity and construction of this Plan and the instruments evidencing the Award hereunder shall be governed by the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the instruments evidencing the Awards granted hereunder to the substantive laws of any other jurisdiction.

Section 18.9. Section 409A

The Board intends to comply with Code Section 409A, or an exemption to Code Section 409A, with regard to Grants hereunder that constitute nonqualified deferred compensation within the meaning of Code Section 409A. To the extent that the Board determines that a Grantee would be subject to the additional 20% tax imposed on certain nonqualified deferred compensation plans pursuant to Code Section 409A as a result of any provision of any Grant granted under this Plan, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional tax. The nature of any such amendment shall be determined by the Board.

EXHIBIT 31.1

I, Tony Jensen, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Royal Gold, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f), and 15d-15(f), for the registrant and have:
 - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I, have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

February 6, 2009

/s/ Tony Jensen

Tony Jensen
President and Chief Executive Office

EXHIBIT 31.2

I, Stefan Wenger, certify that:

- (1) I have reviewed this report on Form 10-Q of Royal Gold, Inc.;
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact nor omits to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f), and 15d-a5(f), for the registrant and have:
 - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I, have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

February 6, 2009

/s/ Stefan Wenger

Stefan Wenger
Chief Financial Officer and Treasurer

EXHIBIT 32.1

In connection with the quarterly report on Form 10-Q of Royal Gold, Inc. (the “Company”), for the period ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tony Jensen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

February 6, 2009

/s/ Tony Jensen

Tony Jensen
President and Chief Executive Officer

EXHIBIT 32.2

In connection with the quarterly report on Form 10-Q of Royal Gold, Inc. (the “Company”), for the period ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stefan Wenger, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

February 6, 2009

/s/ Stefan Wenger

Stefan Wenger
Chief Financial Officer and Treasurer