

ROYAL GOLD INC

FORM 10-Q (Quarterly Report)

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**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 March 31, 2013

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 Offices)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 ☒
Non-accelerated filer ☐
(Do not check if a smaller reporting company)

Accelerated filer ☐
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 ☒

There were 64,374,956 shares of the Company’s common stock, par value \$0.01 per share, outstanding as of April 24, 2013. In addition, as of such date, there were 667,288 exchangeable shares of RG Exchangeco Inc. outstanding which are exchangeable at any time into shares of the Company’s common stock on a one-for-one basis and entitle their holders to voting, dividend and other rights economically equivalent to those of the Company’s common stock.

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ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2013	June 30, 2012
ASSETS		
Cash and equivalents	\$ 673,103	\$ 375,456
Royalty receivables	59,019	53,946
Income tax receivable	10,379	11,046
Prepaid expenses and other current assets	6,484	4,760
Total current assets	748,985	445,208
Royalty interests in mineral properties, net (Note 3)	2,104,043	1,890,988
Available-for-sale securities (Note 4)	14,154	15,015
Other assets	26,678	21,834
Total assets	<u>\$ 2,893,860</u>	<u>\$ 2,373,045</u>
LIABILITIES		
Accounts payable	\$ 2,446	\$ 2,615
Dividends payable	13,009	8,947
Other current liabilities	6,188	3,647
Total current liabilities	21,643	15,209
Debt (Note 5)	299,961	293,248
Net deferred tax liabilities	172,209	178,716
Uncertain tax positions	20,172	19,469
Other long-term liabilities	2,016	2,974
Total liabilities	<u>516,001</u>	<u>509,616</u>
Commitments and contingencies (Note 12)		
EQUITY		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; and 1 share issued	—	—
Common stock, \$.01 par value, 100,000,000 shares authorized; and 64,170,310 and 58,614,221 shares outstanding, respectively	642	586
Exchangeable shares, no par value, 1,806,649 shares issued, less 1,139,361 and 1,007,823 redeemed shares, respectively	29,367	35,156
Additional paid-in capital	2,140,410	1,656,357
Accumulated other comprehensive (loss) income	(113)	(13,763)
Accumulated earnings	183,586	160,123
Total Royal Gold stockholders' equity	2,353,892	1,838,459
Non-controlling interests	23,967	24,970
Total equity	2,377,859	1,863,429
Total liabilities and equity	<u>\$ 2,893,860</u>	<u>\$ 2,373,045</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)

	Three Months Ended		Nine Months Ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Royalty revenues	\$ 74,166	\$ 69,638	\$ 231,898	\$ 202,944
Costs and expenses				
General and administrative	7,163	4,431	18,953	15,786
Production taxes	2,422	2,593	7,098	7,690
Depreciation, depletion and amortization	21,649	19,721	64,269	58,360
Restructuring on royalty interests in mineral properties	—	—	—	1,328
Total costs and expenses	31,234	26,745	90,320	83,164
Operating income	42,932	42,893	141,578	119,780
Loss on available-for-sale securities	(12,121)	—	(12,121)	—
Interest and other income	129	476	268	3,798
Interest and other expense	(5,757)	(1,552)	(18,914)	(4,939)
Income before income taxes	25,183	41,817	110,811	118,639
Income tax expense	(18,286)	(14,864)	(51,062)	(41,297)
Net income	6,897	26,953	59,749	77,342
Net income attributable to non-controlling interests	(433)	(954)	(1,299)	(5,438)
Net income attributable to Royal Gold stockholders	\$ 6,464	\$ 25,999	\$ 58,450	\$ 71,904
Net income	\$ 6,897	\$ 26,953	\$ 59,749	\$ 77,342
Adjustments to comprehensive income, net of tax				
Unrealized change in market value of available for sale securities	(71)	3,904	(67)	(8,357)
Realized loss on available-for-sale securities	10,246	—	13,716	—
Comprehensive income	17,072	30,857	73,398	68,985
Comprehensive income attributable to non-controlling interests	(433)	(954)	(1,299)	(5,438)
Comprehensive income attributable to Royal Gold stockholders	\$ 16,639	\$ 29,903	\$ 72,099	\$ 63,547
Net income per share available to Royal Gold common stockholders:				
Basic earnings per share	\$ 0.10	\$ 0.44	\$ 0.93	\$ 1.27
Basic weighted average shares outstanding	64,837,598	58,953,216	62,723,061	56,486,455
Diluted earnings per share	\$ 0.10	\$ 0.44	\$ 0.93	\$ 1.26
Diluted weighted average shares outstanding	64,994,517	59,169,314	62,917,454	56,738,805
Cash dividends declared per common share	\$ 0.20	\$ 0.15	\$ 0.55	\$ 0.41

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

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

	Nine Months Ended	
	March 31, 2013	March 31, 2012
Cash flows from operating activities:		
Net income	\$ 59,749	\$ 77,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	64,269	58,360
Loss on available-for-sale securities	12,121	—
Amortization of debt discount	6,713	—
Non-cash stock-based compensation expense	5,808	5,560
Restructuring on royalty interests in mineral properties	—	1,328
Gain on distribution to non-controlling interest	(162)	(3,725)
Tax benefit of stock-based compensation exercises	(1,214)	(3,317)
Deferred tax benefit	(5,832)	(714)
Changes in assets and liabilities:		
Royalty receivables	(5,073)	(13,258)
Prepaid expenses and other assets	(4,223)	128
Accounts payable	(581)	(316)
Income tax payable (receivable)	(1,349)	3,161
Other liabilities	2,287	(1,647)
Net cash provided by operating activities	<u>\$ 132,513</u>	<u>\$ 122,902</u>
Cash flows from investing activities:		
Acquisition of royalty interests in mineral properties	(277,081)	(193,662)
Proceeds on sale of Inventory — restricted	237	5,514
Other	(55)	(157)
Net cash (used in) investing activities	<u>\$ (276,899)</u>	<u>\$ (188,305)</u>
Cash flows from financing activities:		
Proceeds from the issuance of common stock	473,771	271,440
Borrowing from credit facility	—	100,000
Repayment of debt	—	(211,700)
Common stock dividends	(30,925)	(20,554)
Distribution to non-controlling interests	(2,027)	(7,917)
Tax benefit of stock-based compensation exercises	1,214	3,317
Net cash provided by financing activities	<u>\$ 442,033</u>	<u>\$ 134,586</u>
Net increase in cash and equivalents	<u>297,647</u>	<u>69,183</u>
Cash and equivalents at beginning of period	<u>375,456</u>	<u>114,155</u>
Cash and equivalents at end of period	<u><u>\$ 673,103</u></u>	<u><u>\$ 183,338</u></u>

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

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

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

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, precious metals streams and similar interests. Royalties are non-operating interests in mining projects that provide the right to revenue or metals produced from the project after deducting specified costs, if any. We use the term “royalty interest” in these notes to the consolidated financial statements to refer to royalties, gold, silver or other metal stream interests, and other similar interests.

Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for a fair presentation of our interim financial statements have been included in this Form 10-Q. Operating results for the three and nine months ended March 31, 2013, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2013. These interim unaudited financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2012 filed with the Securities and Exchange Commission on August 9, 2012 (“Fiscal 2012 10-K”).

Recently Adopted Accounting Standards

In June 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-05, *Presentation of Comprehensive Income* (“ASU 2011-05”). ASU 2011-05 addresses the presentation of comprehensive income and provides entities with the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company has elected the single continuous statement of comprehensive income. Pursuant to ASU No. 2011-12, *Comprehensive Income (Topic 220) — Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting for Standards Update No. 2011-05*, the provisions of ASU 2011-05 became effective for the Company’s fiscal year beginning July 1, 2012. Since ASU 2011-05 addresses financial presentation only, its adoption did not impact the Company’s consolidated financial position or results of operations.

Recently Issued Accounting Standards

In February 2013, the FASB issued ASU No. 2013-2, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which amends the Comprehensive Income Topic of the Accounting Standards Codification. The updated standard requires the presentation of information out of accumulated other comprehensive income. ASU No. 2013-2 is effective for the Company’s fiscal year beginning July 1, 2013. The Company does not expect that the adoption of ASU No. 2013-2 will have a significant impact on our consolidated financial position or results of operations.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

2. ACQUISITIONS

Mt. Milligan III Gold Stream Acquisition

On August 8, 2012, Royal Gold entered into an amendment to its purchase and sale agreement with Thompson Creek Metals Company Inc. (“Thompson Creek”) whereby Royal Gold, among other things, agreed to purchase an additional 12.25% of the payable gold from the Mt. Milligan copper-gold project in exchange for a total of \$200 million, of which \$75 million was paid shortly after closing, and, when production is reached, cash payments for each payable ounce of gold delivered to Royal Gold, as discussed further below (the “Milligan III Acquisition”). Thompson Creek intends to use the proceeds from the Milligan III Acquisition to finance a portion of the construction of the Mt. Milligan project and related costs. Under the Milligan III Acquisition, Royal Gold increased its aggregate pre-production commitment in the Mt. Milligan project from \$581.5 million to \$781.5 million and agreed to purchase a total of 52.25% of the payable ounces of gold produced from the Mt. Milligan project at a cash purchase price equal to the lesser of \$435, with no inflation adjustment, or the prevailing market price for each payable ounce of gold (regardless of the number of payable ounces delivered to Royal Gold).

As of March 31, 2013, the Company has paid \$731.6 million of the aggregate pre-production commitment of \$781.5 million. The remaining scheduled quarterly payments include \$37 million due June 1, 2013 and \$12.9 million due September 1, 2013. Royal Gold’s obligation to make these quarterly payments is subject to the satisfaction of certain conditions included in the Milligan III Acquisition (including that the aggregate amount of historical payments made by Royal Gold plus the applicable quarterly payment is less than the aggregate costs of developing the Mt. Milligan project incurred or accrued by Thompson Creek as of the date of the applicable quarterly payment). In the event that a quarterly payment is postponed as a result of the failure by Thompson Creek to satisfy a condition precedent, all subsequent quarterly payments will be adjusted forward one full calendar quarter until such time as all conditions precedent have been satisfied for the next scheduled quarterly payment.

The Milligan III Acquisition has been accounted for as an asset acquisition. The \$75 million paid on August 15, 2012, and the scheduled payments of \$45 million, \$95 million and \$62 million paid on September 3, 2012, December 3, 2012, and March 1, 2013, respectively, plus direct transaction costs, have been recorded as a development stage royalty interest within *Royalty interests in mineral properties, net* on our consolidated balance sheets.

Acquisition of an Additional Royalty Option on the Kerr-Sulphurets-Mitchell Project

On December 13, 2012, Royal Gold purchased 1,004,491 common shares (the “Additional Seabridge Shares”) of Seabridge Gold Inc. (“Seabridge”) at a 15% premium to the volume weighted-average trading price of Seabridge common shares on the Toronto Stock Exchange for a five day trading period that ended December 11, 2012, for \$18.3 million (C\$18.0 million). Effective December 13, 2012, Royal Gold entered into an amendment (the “Seabridge Amendment”) to its option agreement with Seabridge (the “Seabridge Option Agreement”) to, among other things, remove the 270 day minimum holding period applicable to the Additional Seabridge Shares. Royal Gold sold the Additional Seabridge Shares in a private transaction to an unrelated party for \$14.6 million (C\$14.4 million) on December 13, 2012.

Upon Royal Gold’s purchase of the Additional Seabridge Shares, Royal Gold obtained the right, under the Seabridge Option Agreement, as amended by the Seabridge Amendment, to increase the net smelter return (“NSR”) royalty it may acquire on all of the gold and silver production from Seabridge’s Kerr-Sulphurets-Mitchell project (“KSM project”) in British Columbia by 0.75%. Royal Gold now holds the right to purchase either a 1.25% NSR royalty on such production for C\$100 million, or a 2.0% NSR

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

royalty for C\$160 million. If Royal Gold exercises its purchase right, the purchase price will be payable in three equal installments over the 540-day period following exercise.

The 15% premium on the Additional Seabridge Shares, which represents the value of the option to acquire the additional 0.75% NSR royalty on the KSM project, plus direct acquisition costs, was approximately \$2.4 million and has been recorded within *Other assets* on our consolidated balance sheets. The purchase and same day sale of the Additional Seabridge Shares resulted in a realized loss on trading securities of approximately \$1.3 million, which is recorded within *Interest and other expense* on our consolidated statements of operations and comprehensive income.

3. ROYALTY INTERESTS IN MINERAL PROPERTIES

The following summarizes the Company's royalty interests in mineral properties as of March 31, 2013 and June 30, 2012.

As of March 31, 2013 (Amounts in thousands):	Cost	Accumulated Depletion	Net
Production stage royalty interests:			
Andacollo	\$ 272,998	\$ (40,571)	\$ 232,427
Voisey's Bay	150,138	(47,761)	102,377
Peñasquito	99,172	(11,599)	87,573
Las Cruces	57,230	(10,710)	46,520
Mulatos	48,092	(23,080)	25,012
Wolverine	45,158	(6,346)	38,812
Dolores	44,878	(7,505)	37,373
Canadian Malartic	38,800	(5,688)	33,112
Holt	34,612	(5,679)	28,933
Gwalia Deeps	31,070	(6,219)	24,851
Inata	24,871	(8,636)	16,235
Leeville	18,322	(15,397)	2,925
Robinson	17,825	(10,806)	7,019
Cortez	10,630	(9,705)	925
Other	211,246	(121,015)	90,231
	<u>1,105,042</u>	<u>(330,717)</u>	<u>774,325</u>
Development stage royalty interests:			
Mt. Milligan	733,044	—	733,044
Pascua-Lama	372,105	—	372,105
Other	47,145	—	47,145
	<u>1,152,294</u>	<u>—</u>	<u>1,152,294</u>
Exploration stage royalty interests	<u>177,424</u>	<u>—</u>	<u>177,424</u>
Total royalty interests in mineral properties	<u>\$ 2,434,760</u>	<u>\$ (330,717)</u>	<u>\$ 2,104,043</u>

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

As of June 30, 2012

(Amounts in thousands):

	Cost	Restructuring	Accumulated Depletion	Net
Production stage royalty interests:				
Andacollo	\$ 272,998	\$ —	\$ (27,345)	\$ 245,653
Voisey's Bay	150,138	—	(33,192)	116,946
Peñasquito	99,172	—	(9,075)	90,097
Las Cruces	57,230	—	(6,499)	50,731
Mulatos	48,092	—	(18,721)	29,371
Wolverine	45,158	—	(1,625)	43,533
Dolores	44,878	—	(6,021)	38,857
Canadian Malartic	38,800	—	(3,292)	35,508
Gwalia Deep	28,119	—	(4,398)	23,721
Holt	25,428	—	(2,980)	22,448
Inata	24,871	—	(7,320)	17,551
Leeville	18,322	—	(14,436)	3,886
Robinson	17,825	—	(9,872)	7,953
Cortez	10,630	—	(9,673)	957
Other	208,463	—	(112,105)	96,358
	<u>1,090,124</u>	<u>—</u>	<u>(266,554)</u>	<u>823,570</u>
Development stage royalty interests:				
Mt. Milligan	455,943	—	—	455,943
Pascua-Lama	372,105	—	—	372,105
Other	40,022	(1,328)	—	38,694
	<u>868,070</u>	<u>(1,328)</u>	<u>—</u>	<u>866,742</u>
Exploration stage royalty interests	200,676	—	—	200,676
Total royalty interests in mineral properties	<u>\$ 2,158,870</u>	<u>\$ (1,328)</u>	<u>\$ (266,554)</u>	<u>\$ 1,890,988</u>

4. AVAILABLE FOR SALE SECURITIES

The Company's available for sale securities as of March 31, 2013 and June 30, 2012 consists of the following (amounts in thousands):

	As of March 31, 2013			
	Cost Basis	Unrealized		Fair Value
		Gain	Loss	
Non-current:				
Seabridge Gold, Inc.	\$ 14,064	—	—	\$ 14,064
Other	203	—	(113)	90
	<u>\$ 14,267</u>	<u>\$ —</u>	<u>\$ (113)</u>	<u>\$ 14,154</u>
	As of June 30, 2012			
	Cost Basis	Unrealized		Fair Value
		Gain	Loss	
Non-current:				
Seabridge Gold, Inc.	\$ 28,574	—	(13,716)	\$ 14,858
Other	203	—	(46)	\$ 157
	<u>\$ 28,777</u>	<u>\$ —</u>	<u>\$ (13,762)</u>	<u>\$ 15,015</u>

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

The Company's policy for determining whether declines in fair value of available-for-sale securities are other than temporary includes a quarterly analysis of the investments and a review by management of all investments for which the cost exceeds the fair value. Any temporary declines in fair value are recorded as a charge to other comprehensive income. This evaluation considers a number of factors including, but not limited to, the length of time and extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, and management's ability and intent to hold the securities until fair value recovers. If such impairment is determined by the Company to be other-than-temporary, the investment's cost basis is written down to fair value and recorded in net income during the period the Company determines such impairment to be other-than-temporary. The new cost basis is not changed for subsequent recoveries in fair value.

The most significant available-for-sale security is the investment in Seabridge common stock, acquired in June 2011 and discussed in greater detail within our Fiscal 2012 10-K. During quarter ended March 31, 2013, the Company corrected the original cost basis of the shares, which was overstated by \$2.4 million. Based on the Company's quarterly analysis, including the severity of the market decline in Seabridge common stock during the quarter ended March 31, 2013, the Company determined that the impairment of its investment in Seabridge common stock is other-than-temporary as of March 31, 2013. As a result of the impairment, the Company recognized a loss on available-for-sale securities of \$12.1 million during the three months ended March 31, 2013. There were no impairments recognized on our available-for-sale securities during our fiscal year ended June 30, 2012. The Company will continue to evaluate its investment in Seabridge common stock considering additional facts and circumstances as they arise, including, but not limited to, the progress of development of Seabridge's KSM project.

5. DEBT

The Company's non-current debt as of March 31, 2013 and June 30, 2012 consists of the following:

	As of March 31, 2013	As of June 30, 2012
	Non-current	Non-current
	(Amounts in thousands)	
Convertible notes due 2019, net	\$ 299,961	\$ 293,248
Total debt	\$ 299,961	\$ 293,248

Convertible Senior Notes Due 2019

In June 2012, the Company completed an offering of \$370 million aggregate principal amount of 2.875% convertible senior notes due 2019 ("2019 Notes"). The 2019 Notes bear interest at the rate of 2.875% per annum, and the Company is required to make semi-annual interest payments on the outstanding principal balance of the 2019 Notes on June 15 and December 15 of each year, beginning December 15, 2012. The 2019 Notes mature on June 15, 2019. Interest expense recognized on the 2019 Notes for the three and nine months ended March 31, 2013, was \$5.2 million and \$15.5 million, respectively, and included the contractual coupon interest, the accretion of the debt discount and amortization of the debt issuance costs.

Revolving credit facility

The Company maintains a \$350 million revolving credit facility. As of March 31, 2013, the Company had no amounts outstanding under the revolving credit facility.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

On January 21, 2013, Royal Gold entered into Amendment No. 2 to Fifth Amended and Restated Revolving Credit Agreement (the “Amendment”), which amends the Company’s existing Fifth Amended and Restated Revolving Credit Agreement, dated May 30, 2012 (as amended from time to time, the “Revolving Credit Agreement”), among Royal Gold, as the borrower, certain subsidiaries of Royal Gold, as guarantors, HSBC Bank USA, National Association, as administrative agent and a lender, The Bank of Nova Scotia, as a lender, Goldman Sachs Bank USA, as a lender, and the other lenders from time to time party thereto, HSBC Securities (USA) Inc., as the sole lead arranger and joint bookrunner, and ScotiaBank, as syndication agent and joint bookrunner.

The Amendment revised the Revolving Credit Agreement to, among other things, (i) remove the current ratio, interest coverage ratio and debt service coverage ratio financial covenants, (ii) add a financial covenant requiring the Company to maintain a secured debt ratio below a certain level, (iii) increase the amount of unsecured indebtedness the Company is permitted to incur subject to its pro forma compliance with a leverage ratio test and to allow certain prepayments, refinancing and replacement of such unsecured indebtedness, (iv) increase the interest rate for borrowings under the Revolving Credit Agreement when the leverage ratio exceeds 3.0 to 1.0, and (v) take certain acquisitions into account in determining compliance with financial covenants. Except as set forth in the Amendment, all other terms and conditions of the Revolving Credit Agreement remain in full force and effect. At March 31, 2013, the Company was in compliance with each financial covenant.

6. STOCKHOLDERS’ EQUITY

Common Stock Offering

On October 15, 2012, we sold 5,250,000 shares of our common stock, at a price of \$90.00 per share, resulting in proceeds of \$472.5 million before expenses. The Company has invested the proceeds from this offering in United States treasury bills or cash bank accounts and intends to use the net proceeds from the offering for the acquisition of additional royalty interests and for general corporate purposes.

7. STOCK-BASED COMPENSATION

The Company recognized stock-based compensation expense as follows:

	Three Months Ended		Nine Months Ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	(Amounts in thousands)		(Amounts in thousands)	
Stock options	\$ 113	\$ 111	\$ 370	\$ 349
Stock appreciation rights	378	297	1,196	921
Restricted stock	613	572	2,392	2,223
Performance stock	805	514	1,850	2,067
Total stock-based compensation expense	<u>\$ 1,909</u>	<u>\$ 1,494</u>	<u>\$ 5,808</u>	<u>\$ 5,560</u>

Stock-based compensation expense is included within general and administrative in the consolidated statements of operations and comprehensive income.

As of March 31, 2013, there was \$0.6 million of unrecognized compensation expense related to non-vested stock options, which is expected to be recognized over a weighted-average period of 1.8 years.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

As of March 31, 2013, there was \$1.7 million of unrecognized compensation expense related to non-vested stock-settled stock appreciation rights, which is expected to be recognized over a weighted-average period of 1.7 years.

The restricted stock awards granted to officers and certain employees during the nine months ended March 31, 2013, vest over a three year period beginning after a two-year holding period from the date of grant, with one-third of the shares vesting after years three, four and five, respectively. As of March 31, 2013, there was \$5.8 million of unrecognized compensation expense related to non-vested restricted stock, which is expected to be recognized over a weighted-average vesting period of 3.4 years.

As of March 31, 2013, there was \$3.5 million of unrecognized compensation expense related to non-vested performance stock, which is expected to be recognized over a weighted-average vesting period of 1.5 years.

8. EARNINGS PER SHARE (“EPS”)

Basic earnings per common share were computed using the weighted average number of shares of common stock outstanding during the period, considering the effect of participating securities. Unvested stock-based compensation awards that contain non-forfeitable rights to dividends or dividend equivalents are considered participating securities and are included in the computation of earnings per share pursuant to the two-class method. The Company’s unvested restricted stock awards contain non-forfeitable dividend rights and participate equally with common stock with respect to dividends issued or declared. The Company’s unexercised stock options, unexercised SSARs and unvested performance stock do not contain rights to dividends. Under the two-class method, the earnings used to determine basic earnings per common share are reduced by an amount allocated to participating securities. Use of the two-class method has an immaterial impact on the calculation of basic and diluted earnings per common share.

The following tables summarize the effects of dilutive securities on diluted EPS for the period :

	Three Months Ended		Nine Months Ended	
	March 31, 2013 (in thousands, except share data)	March 31, 2012 (in thousands, except share data)	March 31, 2013 (in thousands, except share data)	March 31, 2012 (in thousands, except share data)
Net income available to Royal Gold common stockholders	\$ 6,464	\$ 25,999	\$ 58,450	\$ 71,904
Weighted-average shares for basic EPS	64,837,598	58,953,216	62,723,061	56,486,455
Effect of other dilutive securities	156,919	216,098	194,393	252,350
Weighted-average shares for diluted EPS	64,994,517	59,169,314	62,917,454	56,738,805
Basic earnings per share	\$ 0.10	\$ 0.44	\$ 0.93	\$ 1.27
Diluted earnings per share	\$ 0.10	\$ 0.44	\$ 0.93	\$ 1.26

The calculation of weighted average shares includes all of our outstanding stock: common stock and exchangeable shares. Exchangeable shares are the equivalent of common shares in that they have the same dividend rights and share equitably in undistributed earnings and are exchangeable on a one-for-one basis for shares of our common stock. The Company intends to settle the principal amount of the 2019 Notes in cash. As a result, there will be no impact to diluted earnings per share unless the share price of the Company’s common stock exceeds the conversion price of \$105.31.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

9. INCOME TAXES

	Three Months Ended		Nine Months Ended	
	March 31,	March 31,	March 31,	March 31,
	2013	2012	2013	2012
	(Amounts in thousands, except rate)		(Amounts in thousands, except rate)	
Income tax expense	\$ 18,286	\$ 14,864	\$ 51,062	\$ 41,297
Effective tax rate	72.6%	35.6%	46.1%	34.8%

The increase in the effective tax rate for the three months ended March 31, 2013, is primarily related to (i) the recognized loss on available-for-sale securities (Note 4), (ii) an increase in tax expense relating to an increase in foreign currency exchange gains, and (iii) a reduction in foreign tax credits claimed. The increase in tax expense for the three months ended March 31, 2013, is partially offset by a decrease in tax expense related to changes in estimates for uncertain tax positions as well as a decrease in tax expense related to earnings from non-U.S. subsidiaries. The recognized loss on available-for-sale securities resulted in an increase in our effective tax rate of 20.3% and 3.6% for the three and nine months ended, March 31, 2013, respectively, due to the recording of a valuation allowance on a deferred tax asset. The increase in the effective tax rate for the nine months ended March 31, 2013, is primarily related to (i) the recognized loss on available-for-sale securities, (ii) an increase in tax expense related to changes in estimates for uncertain tax positions, and (iii) a reduction in foreign tax credits claimed.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. Federal, state and local, and non-U.S. income tax examinations by tax authorities for fiscal years before 2008.

As a result of the filing of our U.S. consolidated tax return during the quarter ended March 31, 2013, we recorded \$3.1 million of income tax expense resulting from an error identified as part of the annual provision-to-return true-up process. In accordance with applicable U.S. GAAP, management quantitatively and qualitatively evaluated the materiality of the error and determined the error to be immaterial to our Fiscal 2012 10-K.

As of March 31, 2013 and June 30, 2012, the Company had \$20.2 million and \$19.5 million of total gross unrecognized tax benefits, respectively. The increase in gross unrecognized tax benefits was primarily related to tax positions of International Royalty Corporation entities taken prior to or upon the acquisition by the Company during fiscal year 2010. If recognized, these unrecognized tax benefits would have a positive impact the Company's effective income tax rate.

The Company's continuing practice is to recognize potential interest and/or penalties related to unrecognized tax benefits as part of its income tax expense. At March 31, 2013 and June 30, 2012, the amount of accrued income-tax-related interest and penalties was \$3.8 million and \$2.8 million, respectively.

During the quarter ended December 31, 2012, the Company made a foreign withholding tax payment of approximately \$17.2 million. During the quarter ended March 31, 2013, the Company recovered approximately \$8.5 million of the foreign withholding tax payment, and we expect to recover the remaining payment within the next twelve months. As of March 31, 2013, \$8.7 million is recorded within *Income tax receivable* on our consolidated balance sheets.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

10. SEGMENT INFORMATION

The Company manages its business under a single operating segment, consisting of the acquisition and management of royalty interests. 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 Property, net	
	Three Months Ended		Nine Months Ended		As of	As of
	March 31,		March 31,		March 31,	June 30,
	2013	2012	2013	2012	2013	2012
Chile	32%	25%	29%	25%	31%	35%
Canada	26%	25%	24%	24%	51%	43%
Mexico	17%	23%	19%	20%	8%	9%
United States	15%	15%	17%	18%	4%	5%
Australia	3%	5%	3%	5%	3%	3%
Africa	3%	4%	3%	4%	1%	1%
Other	4%	3%	5%	4%	2%	4%

11. FAIR VALUE MEASUREMENTS

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

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

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

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

The following table sets forth the Company's financial assets measured at fair value on a recurring basis (at least annually) by level within the fair value hierarchy.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

	At March 31, 2013				
	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
Assets (In thousands):					
United States treasury bills ⁽¹⁾	\$ 500,000	\$ 500,000	\$ 500,000	\$ —	\$ —
Money market investments ⁽¹⁾	\$ 183	\$ 183	\$ 183	\$ —	\$ —
Marketable equity securities ⁽²⁾	\$ 14,154	\$ 14,154	\$ 14,154	\$ —	\$ —
Total assets		<u>\$ 514,337</u>	<u>\$ 514,337</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities (In thousands):					
Debt ⁽³⁾	\$ 370,000	\$ 391,738	\$ 391,738	\$ —	\$ —
Total liabilities		<u>\$ 391,738</u>	<u>\$ 391,738</u>	<u>\$ —</u>	<u>\$ —</u>

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

⁽²⁾ Included in *Available for sale securities* in the Company's consolidated balance sheets.

⁽³⁾ Included in the carrying amount is the equity component of our 2019 Notes in the amount of \$77 million, which is included within *Additional paid-in capital* in the Company's consolidated balance sheets.

The Company invests primarily in United States treasury bills with maturities of 90 days or less, which are classified within Level 1 of the fair value hierarchy. The Company also 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 also 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. The Company's debt classified within Level 1 of the fair value hierarchy is valued using quoted prices in an active market.

As of March 31, 2013, the Company also had assets that, under certain conditions, are subject to measurement at fair value on a non-recurring basis like those associated with royalty interests in mineral properties, intangible assets and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition are applicable if any of these assets are determined to be impaired; however, no triggering events have occurred relative to any of these assets during the nine months ended March 31, 2013. If recognition of these assets at their fair value becomes necessary, such measurements will be determined utilizing Level 3 inputs.

12. COMMITMENTS AND CONTINGENCIES

Mt. Milligan Gold Stream Acquisition

Refer to Note 2 for discussion on the Company's commitment to Thompson Creek as part of the Mt. Milligan gold stream acquisitions.

Tulsequah Chief Gold and Silver Stream Acquisition

As of March 31, 2013, the Company has a remaining commitment of \$50 million as part of its Tulsequah Chief gold and silver stream acquisition in December 2011.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

Voisey's Bay

The Company owns a royalty on the Voisey's Bay mine in Newfoundland and Labrador owned by Vale Newfoundland & Labrador Limited ("VNL"). The royalty is owned by the Labrador Nickel Royalty Limited Partnership ("LNRLP"), in which the Company's wholly-owned indirect subsidiary, Canadian Minerals Partnership, is the general partner and 89.99% owner. The remaining interests in LNRLP are owned by Altius Investments Ltd. (10%), a company unrelated to Royal Gold, and the Company's wholly-owned indirect subsidiary, Voisey's Bay Holding Corporation (0.01%).

On October 16, 2009, LNRLP filed a claim in the Supreme Court of Newfoundland and Labrador Trial Division against Vale Inco Limited, now known as Vale Canada Limited ("Vale Canada") and its wholly-owned subsidiaries, Vale Inco Atlantic Sales Limited and VNL, related to the calculation of the NSR on the sale of concentrates, including nickel concentrates, from the Voisey's Bay mine to Vale Canada. The claim asserts that Vale Canada is incorrectly calculating the NSR and requests an order in respect of the correct calculation of future payments. The claim also requests specific damages for underpayment of past royalties to the date of the claim in an amount not less than \$29 million, together with additional damages until the date of trial, interest, costs and other damages. The litigation is in the discovery phase.

13. RELATED PARTY

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

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 12,864 and 12,581 ounces of gold as of March 31, 2013 and June 30, 2012, respectively, are held by a third party refinery in Utah for the account of the limited partners of CVP. The inventories are carried at historical cost and are classified within *Other assets* on the Company's consolidated balance sheets. The carrying value of the gold in inventory was approximately \$8.0 million and \$7.4 million as of March 31, 2013 and June 30, 2012, respectively, while the fair value of such ounces was approximately \$20.6 million and \$20.1 million as of March 31, 2013 and June 30, 2012, respectively. None of the gold currently held in inventory as of March 31, 2013 and June 30, 2012, is attributed to Royal Gold, as the gold allocated to Royal Gold's CVP partnership interest is typically sold within five days of receipt.

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

General

This Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. Royal Gold, Inc. (“Royal Gold”, the “Company”, “we”, “us”, or “our”), recommends that you read this MD&A in conjunction with our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 filed with the Securities and Exchange Commission (the “SEC”) on August 9, 2012 (the “Fiscal 2012 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,” “stream” and other types of royalty interests throughout this MD&A. These terms are defined in our Fiscal 2012 10-K.

Overview

Royal Gold, together with its subsidiaries, is engaged in the business of acquiring and managing precious metals royalties, precious metals streams and similar interests. Royalties are non-operating interests in mining projects that provide the right to revenue or metals produced from the project after deducting specified costs, if any. We use the term “royalty interest” in this Quarterly Report on Form 10-Q to refer to royalties, gold, silver or other metal stream interests, and other similar interests. We seek to acquire existing royalty interests 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 royalty interests, to create new royalty interests through the financing of mine development or exploration, or to acquire companies that hold royalty interests. 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 negotiations and involvement as a bidder in competitive processes.

As of March 31, 2013, the Company owned royalty interests on 36 producing properties, 23 development stage properties and 146 exploration stage properties, of which the Company considers 48 to be evaluation stage projects. The Company uses “evaluation stage” to describe exploration stage properties that contain mineralized material and on which operators are engaged in the search for reserves. We do not conduct mining operations nor are we required to contribute to capital costs, exploration costs, environmental costs or mining, processing or other operating costs on the properties in which we hold royalty interests. During the three months ended March 31, 2013, we focused on the management of our existing royalty interests and the acquisition of royalty interests.

Our financial results are primarily tied to the price of gold and, to a lesser extent, the price of silver, copper and nickel, together with the amounts of production from our producing stage royalty interests. The prices of gold, silver, copper, nickel and other metals have fluctuated widely in recent years. The marketability and the price of metals are influenced by numerous factors beyond the control of the Company and declines in the price of gold, silver, copper or nickel could have a material and adverse effect on the Company’s results of operations and financial condition.

For the three and nine months ended March 31, 2013 and 2012, gold, silver, copper and nickel price averages and percentage of royalty revenues by metal were as follows:

Metal	Three months ended				Nine months ended			
	March 31, 2013		March 31, 2012		March 31, 2013		March 31, 2012	
	Average Price	Percentage of Royalty Revenue	Average Price	Percentage of Royalty Revenue	Average Price	Percentage of Royalty Revenue	Average Price	Percentage of Royalty Revenue
Gold (\$/ounce)	\$ 1,632	73%	\$ 1,691	64%	\$ 1,668	71%	\$ 1,694	67%
Silver (\$/ounce)	\$ 30.11	6%	\$ 32.63	8%	\$ 30.87	7%	\$ 34.47	7%
Copper (\$/pound)	\$ 3.60	8%	\$ 3.77	8%	\$ 3.56	11%	\$ 3.75	11%
Nickel (\$/pound)	\$ 7.85	10%	\$ 8.91	14%	\$ 7.65	8%	\$ 9.08	11%
Other	N/A	3%	N/A	6%	N/A	3%	N/A	4%

Principal Royalty Interests

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

Please refer to our Fiscal 2012 10-K for further discussion of our principal producing and development royalty interests.

Principal Producing Properties

Mine	Location	Operator	Royalty (Gold unless otherwise stated)
Andacollo ⁽¹⁾	Region IV, Chile	Compañía Minera Teck Carmen de Andacollo ("Teck")	75% of gold produced (until 910,000 payable ounces; 50% thereafter)
Canadian Malartic	Quebec, Canada	Osisko Mining Corporation ("Osisko")	1.0% to 1.5% sliding-scale NSR
Cortez	Nevada, USA	Barrick Gold Corporation ("Barrick")	GSR1: 0.40% to 5.0% sliding-scale GSR GSR2: 0.40% to 5.0% sliding-scale GSR GSR3: 0.71% GSR NVR1: 0.39% NVR
Dolores	Chihuahua, Mexico	Pan American Silver Corp. ("Pan American")	3.25% NSR; 2.0% NSR (silver)
Holt	Ontario, Canada	St Andrew Goldfields Ltd. ("St Andrew")	0.00013 x quarterly average gold price NSR
Las Cruces	Andalucía, Spain	Inmet Mining Corporation ("Inmet")	1.5% NSR (copper)
Leeville	Nevada, USA	Newmont Mining Corporation ("Newmont")	1.8% NSR
Mulatos ⁽²⁾	Sonora, Mexico	Alamos Gold, Inc. ("Alamos")	1.0% to 5.0% sliding-scale NSR
Peñasquito	Zacatecas, Mexico	Goldcorp Inc. ("Goldcorp")	2.0% NSR (gold, silver, lead, zinc)
Robinson	Nevada, USA	KGHM International Ltd. ("KGHM")	3.0% NSR (copper, gold, silver, molybdenum)
Voisey's Bay	Newfoundland and Labrador, Canada	Vale Newfoundland & Labrador Limited ("Vale")	2.7% NSR (nickel, copper, cobalt)
Wolverine	Yukon Territory, Canada	Yukon Zinc Corporation ("Yukon Zinc")	0.00% to 9.45% sliding-scale NSR (gold and silver)

⁽¹⁾ There have been approximately 151,000 cumulative payable ounces produced as of March 31, 2013.

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⁽²⁾ The Mulatos royalty is capped at 2.0 million gold ounces of production. Approximately 1.1 million cumulative ounces of gold have been produced as of March 31, 2013.

Principal Development Properties

Mine	Location	Operator	Royalty or similar interests (Gold unless otherwise stated)
Mt. Milligan	British Columbia, Canada	Thompson Creek Metals Inc. ("Thompson Creek")	52.25% of the payable gold
Pascua-Lama	Region III, Chile	Barrick	0.78% to 5.23% sliding-scale NSR 1.05% fixed rate royalty (copper)

Operators' Production Estimates by Royalty Interest for Calendar 2012

We received annual production estimates from many of the operators of our producing mines during the first calendar quarter of 2013. The following table shows such production estimates for our principal producing properties for calendar 2013 as well as the actual production reported to us by the various operators through March 31, 2013. 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. Please refer to "Recent Developments, Property Developments" below within this MD&A for further discussion on any updates at our principal producing or development properties.

Operators' Production Estimate by Royalty Interest for Calendar 2013 and Reported Production Principal Producing Properties For the period January 1, 2013 through March 31, 2013

Royalty	Calendar 2013 Operator's Production Estimate ⁽¹⁾			Reported Production through March 31, 2013 ⁽²⁾		
	Gold (oz.)	Silver (oz.)	Base Metals (lbs.)	Gold (oz.)	Silver (oz.)	Base Metals (lbs.)
Andacollo	63,000	—	—	18,966	—	—
Canadian Malartic	485,000-510,000	—	—	88,053	—	—
Cortez GSR1	48,000	—	—	16,041	—	—
Cortez GSR2	16,000	—	—	—	—	—
Cortez GSR3	64,000	—	—	16,041	—	—
Cortez NVR1	53,000	—	—	11,236	—	—
Dolores	63,500-68,000	3.3-3.5 million	—	12,304	0.7 million	—
Holt	52,000-58,000	—	—	14,950	—	—
Las Cruces						
Copper			151-159 million			38.3 million
Leeville	228,000	—	—	56,697	—	—
Mulatos	180,000-200,000	—	—	59,489	—	—
Peñasquito	360,000-400,000	20-21 million		68,214	3.9 million	
Lead			145-160 million			24.2 million
Zinc			285-305 million			50.4 million
Robinson ⁽³⁾	N/A	—		10,036	—	
Copper			N/A			24.8 million
Voisey's Bay ⁽³⁾						
Copper			N/A			15.6 million
Nickel			N/A			44.7 million
Wolverine ⁽³⁾	N/A	N/A		4,063	0.9 million	

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- (1) There can be no assurance that production estimates received from our operators will be achieved. Please refer to our cautionary language regarding forward-looking statements following this MD&A, as well as the Risk Factors identified in Part I, Item 1A, of our Fiscal 2012 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, 2013 through March 31, 2013, as reported to us by the operators of the mines.
 - (3) The Company did not receive calendar 2013 production guidance from the operator.

Property Developments

The following information is provided by the operators of the property, either to Royal Gold or in various documents made publicly available. Reported production, as used below, relates to the amount of metal sales subject to our royalty interests, as reported to us by the operators of the mines.

Andacollo

Reported production at Andacollo increased approximately 44% during the quarter ended March 31, 2013, when compared to the quarter ended March 31, 2012, primarily due to increased mill throughput as a result of the recently installed crushing circuit and the planned mining of higher grade ore. Over the last few quarters, Andacollo has established steady state operations.

Cortez

Reported production at Cortez decreased approximately 31% during the quarter ended March 31, 2013, when compared to the quarter ended March 31, 2012, as Barrick continues to prioritize production from their higher grade Cortez Hills operation that is not covered by our royalty interest. The Company expects production to remain at these lower levels until Barrick returns to steady state mining at the Pipeline Complex.

Holt

Reported production at Holt increased approximately 69% during the quarter ended March 31, 2013, when compared to the quarter ended March 31, 2012. St Andrews reported that construction of the new ore pass was completed early in the first quarter of calendar 2013 and has resulted in operational improvements and increased production activity at Holt.

Mt. Milligan

Thompson Creek reported that as of December 31, 2012, overall construction progress on the Mt. Milligan project was estimated at 81%. Thompson Creek also reported that the overall project remains on schedule, with initial production to commence in the third quarter of calendar 2013, followed by commercial production expected in the fourth calendar quarter of 2013.

Mulatos

Reported production at Mulatos increased approximately 18% during the quarter ended March 31, 2013, when compared to the quarter ended March 31, 2012. Alamos reported that the increase in reported production was primarily attributable to higher crusher throughput. Crusher throughput in the first quarter of calendar 2013 averaged 17,900 tonnes per day, 29% higher than the first quarter of calendar 2012. In addition, Alamos reported that first quarter of calendar 2013 production benefited from a full quarter of production from the Escondida high-grade zone that was not in production in the prior year.

Pascua-Lama

As of March 31, 2013, Barrick reported it had spent approximately \$4.8 billion on the construction of the Pascua-Lama project. About 70% of the structural steel was erected for the process plant facility, 65% of concrete has been poured, 55% of earthworks was completed, and the ore conveyance tunnel was approximately 80% complete.

During the fourth quarter of calendar 2012, Barrick reported that pre-stripping activities in Chile were halted to address increased dust in the open pit area and that the project has since strengthened dust mitigation and control measures. In addition, regulatory restrictions have also been placed on the project due to the need to repair and improve certain aspects of the water management system in Chile. Completion of measures to address these aspects is targeted for the first quarter of calendar 2014.

Subsequently, Barrick suspended construction work on the Chilean side of the project in April in response to a preliminary injunction issued by a Chilean court. The action alleges non-compliance with the environmental requirements of the project's Chilean environmental approval. Construction activities in Argentina, where the majority of the project's critical infrastructure is located, including the process plant and tailings storage facility, were not affected.

Given these pending regulatory and legal issues, Barrick stated on April 24, 2013, that they were unable to fully assess the impact on the capital budget, operating costs and schedule of the project.

Peñasquito

Reported production for all metals at Peñasquito decreased during the quarter ended March 31, 2013, when compared to the quarter ended March 31, 2012. Goldcorp's annual guidance for Peñasquito anticipated lower production in the first half of calendar 2012 as the mine moves from a lower grade portion of the pit to higher grade ore. Goldcorp also reported that ongoing studies to develop a long-term water strategy continues to progress and that they have identified a new water source within their current permitted basin that has the potential to supply sufficient water to continue the plant ramp-up to full design capacity. Goldcorp noted that current water availability is expected to be sufficient to achieve calendar 2013 production guidance of 360,000 to 400,000 ounces of gold.

Voisey's Bay

Vale reported that production decreased during the quarter due primarily to feed availability as a result of a crusher failure and a severe snow storm that delayed haulage from the mine. In late March 2013, the Government of Newfoundland and Labrador, announced amendments to their Voisey's Bay Development Agreement including a commitment from Vale to pursue underground mining to extend the mine life. The agreement also allows Vale to continue processing concentrate outside of the province while construction is being finalized at the Long Harbour processing plant.

Wolverine

Reported production at Wolverine increased significantly during the quarter ended March 31, 2013, when compared to the quarter ended March 31, 2012. Yukon Zinc reported that process circuit modifications and the integration of new equipment have enabled production improvements.

Results of Operations

Quarter Ended March 31, 2013, Compared to Quarter Ended March 31, 2012

For the quarter ended March 31, 2013, we recorded net income attributable to Royal Gold stockholders of \$6.5 million, or \$0.10 per basic and diluted share, as compared to net income attributable to Royal Gold stockholders of \$26.0 million, or \$0.44 per basic and diluted share, for the quarter ended March 31, 2012. The decrease in our net income attributable to Royal Gold stockholders was principally attributable to an other-than-temporary impairment loss recognized on our available-for-sale securities, as discussed further below. The decrease in our earnings per share was also attributable to an increase in interest expense associated with our 2.875% convertible senior notes due 2019 (“2019 Notes”), as discussed below. This decrease was partially offset by an increase in royalty revenue, which is also discussed further below.

For the quarter ended March 31, 2013, we recognized total royalty revenue of \$74.2 million, at an average gold price of \$1,632 per ounce, an average silver price of \$30.11 per ounce, an average nickel price of \$7.85 per pound and an average copper price of \$3.60 per pound, compared to royalty revenue of \$69.6 million, at an average gold price of \$1,691 per ounce, an average silver price of \$32.63 per ounce, an average nickel price of \$8.91 per pound and an average copper price of \$3.77 per pound for the quarter ended March 31, 2012. Royalty revenue and the corresponding production, attributable to our royalty interests, for the quarter ended March 31, 2013 compared to the quarter ended March 31, 2012 is as follows:

Royalty Revenue and Production Subject to Our Royalty Interests
Quarter Ended March 31, 2013 and 2012
(In thousands, except reported production ozs. and lbs.)

Royalty	Metal(s)	Three Months Ended March 31, 2013		Three Months Ended March 31, 2012	
		Royalty Revenue	Reported Production ⁽¹⁾	Royalty Revenue	Reported Production ⁽¹⁾
Andacollo	Gold	\$ 23,112	18,966 oz.	\$ 16,782	13,174 oz.
Voisey's Bay		\$ 9,204		\$ 10,726	
	Nickel		44.7 million lbs.		50.9 million lbs.
	Copper		15.6 million lbs.		9.7 million lbs.
Peñasquito		\$ 5,366		\$ 9,156	
	Gold		68,214 oz.		87,517 oz.
	Silver		3.9 million oz.		6.6 million oz.
	Lead		24.2 million lbs.		52.4 million lbs.
	Zinc		50.4 million lbs.		75.9 million lbs.
Holt	Gold	\$ 5,167	14,950 oz.	\$ 3,281	8,839 oz.
Mulatos	Gold	\$ 4,790	59,489 oz.	\$ 4,230	50,493 oz.
Robinson		\$ 2,739		\$ 2,607	
	Gold		10,036 oz.		5,673 oz.
	Copper		24.8 million lbs.		23.8 million lbs.
Wolverine		\$ 2,279		\$ 847	
	Gold		4,063 oz.		393 oz.
	Silver		0.9 million oz.		0.3 million oz.
Cortez	Gold	\$ 2,110	16,041 oz.	\$ 2,595	23,362 oz.
Las Cruces	Copper	\$ 2,067	38.3 million lbs.	\$ 1,706	29.9 million lbs.
Canadian Malartic	Gold	\$ 2,000	88,053 oz.	\$ 2,352	90,845 oz.
Leeville	Gold	\$ 1,719	56,697 oz.	\$ 1,956	64,291 oz.
Dolores		\$ 1,050		\$ 1,352	
	Gold		12,304 oz.		14,510 oz.
	Silver		0.7 million oz.		0.9 million oz.
Other ⁽²⁾	Various	\$ 12,563	N/A	\$ 12,048	N/A
Total Royalty Revenue		\$ 74,166		\$ 69,638	

⁽¹⁾ Reported production relates to the amount of metal sales, subject to our royalty interests, for the three months ended March 31, 2013 and 2012, as reported to us by the operators of the mines.

⁽²⁾ "Other" includes all of the Company's non-principal producing royalty interests. Individually, no royalty interest included within the "Other" category contributed greater than 5% of our total royalty revenue for either period.

The increase in royalty revenue for the quarter ended March 31, 2013, compared with the quarter ended March 31, 2012, resulted primarily from production increases at Andacollo and Holt, and the continued ramp-up at Wolverine. These increases were partially offset by production decreases at Peñasquito and Voisey's Bay (nickel), and a decrease in the average gold, silver, copper and nickel prices. Please refer to "Property Developments" earlier within this MD&A for further discussion on any recent developments regarding properties covered by certain of our royalty interests.

General and administrative expenses increased to \$7.2 million for the quarter ended March 31, 2013, from \$4.4 million for the quarter ended March 31, 2012. The increase was primarily due to an increase in legal fees, tax consulting and general consulting fees associated with business development activities during the period.

Depreciation, depletion and amortization increased to \$21.6 million for the three months ended March 31, 2013, from \$19.7 million for the three months ended March 31, 2012. The increase was

primarily attributable to production increases at Andacollo and Holt, which resulted in additional depletion expense of approximately \$1.7 million during the period. The increase was also attributable to the continued ramp-up at Wolverine, which resulted in additional depletion expense of approximately \$1.7 million during the period. These increases were partially offset by production decreases at Peñasquito and Voisey's Bay (nickel), which resulted in a decrease in depletion expense of \$0.8 million during the period.

During the quarter ended March 31, 2013, the Company recognized a \$12.1 million loss on available-for-sale securities related to an other-than-temporary impairment on its investment in Seabridge Gold Inc. ("Seabridge") common stock. The effect of the recognized loss, net of tax, during the quarter ended March 31, 2013, was \$0.17 per basic share. Refer to Note 4 of the notes to consolidated financial statements in this Quarterly Report on Form 10-Q for further discussion on the other-than-temporary impairment loss.

Interest and other expense increased to \$5.8 million for the quarter ended March 31, 2013, from \$1.6 million for the quarter ended March 31, 2012. The increase was primarily attributable to interest expense associated with our 2019 Notes issued in June 2012. Interest expense recognized on the 2019 Notes for the three months ended March 31, 2013, was \$5.2 million and included the contractual coupon interest (\$2.6 million), the accretion of the debt discount (\$2.3 million) and amortization of the debt issuance costs (\$0.3 million). There were no interest payments made on our 2019 Notes during the three months ended March 31, 2013. The Company is required to make semi-annual interest payments on the outstanding principal balance of the 2019 Notes on June 15 and December 15 of each year.

During the quarter ended March 31, 2013, we recognized income tax expense totaling \$18.3 million compared with \$14.9 million during the quarter ended March 31, 2012. This resulted in an effective tax rate of 72.6% in the current period, compared with 35.6% in the quarter ended March 31, 2012. The increase in the effective rate for the three months ended March 31, 2013, is primarily related to (i) the recording of a valuation allowance on the deferred tax asset that was generated as a result of the recognized loss on available-for-sale securities, (ii) an increase in tax expense relating to an increase in foreign currency exchange gains, and (iii) a reduction in foreign tax credits claimed. The increase in the effective tax rate for the three months ended March 31, 2013, was partially offset by a decrease in income tax expense related to changes in estimates for uncertain tax positions as well as a decrease in income tax expense related to earnings from non-U.S. subsidiaries. Excluding the recognized loss on available-for-sale securities, the effective tax rate for the three months ended March 31, 2013, would have been 52.3%. For a complete discussion of the factors that influence our effective tax rate, refer to Note 13 to the notes to consolidated financial statements in the Company's Fiscal 2012 10-K.

Nine Months Ended March 31, 2013, Compared to Nine Months Ended March 31, 2012

For the nine months ended March 31, 2013, we recorded net income attributable to Royal Gold stockholders of \$58.5 million, or \$0.93 per basic and diluted share, as compared to net income attributable to Royal Gold stockholders of \$71.9 million, or \$1.27 per basic share and \$1.26 per diluted share, for the nine months ended March 31, 2012. The decrease in our earnings per share was principally attributable to an other-than-temporary impairment loss recognized on our available-for-sale securities, which is discussed below. The decrease in our earnings per share was also attributable to an increase in interest expense associated with our 2019 Notes and the issuance of 5.25 million shares of common stock in October 2012 as part of a registered offering. The decrease in our earnings per share was partially offset by an increase in royalty revenue during the period, which is discussed below.

For the nine months ended March 31, 2013, we recognized total royalty revenue of \$231.9 million, at an average gold price of \$1,668 per ounce, an average silver price of \$30.87 per ounce, an average nickel price of \$7.65 per pound and an average copper price of \$3.56 per pound, compared to royalty revenue of \$202.9 million, at an average gold price of \$1,694 per ounce, an average silver price of \$34.47 per ounce, an average nickel price of \$9.08 per pound and an average copper price of \$3.75 per pound for the nine

months ended March 31, 2012. Royalty revenue and the corresponding production, attributable to our royalty interests, for the nine months ended March 31, 2013 compared to the nine months ended March 31, 2012 is as follows:

Royalty Revenue and Production Subject to Our Royalty Interests
Nine Months Ended March 31, 2013 and 2012
(In thousands, except reported production ozs. and lbs.)

Royalty	Metal(s)	Nine Months Ended March 31, 2013		Nine Months Ended March 31, 2012	
		Royalty Revenue	Reported Production ⁽¹⁾	Royalty Revenue	Reported Production ⁽¹⁾
Andacollo	Gold	\$ 65,942	52,919 oz.	\$ 49,800	39,530 oz.
Voisey's Bay		\$ 25,813		\$ 29,999	
	Nickel		107.4 million lbs.		101.0 million lbs.
	Copper		90.5 million lbs.		104.3 million lbs.
Peñasquito		\$ 23,129		\$ 21,289	
	Gold		290,470 oz.		203,964 oz.
	Silver		15.9 million oz.		15.5 million oz.
	Lead		89.5 million lbs.		121.8 million lbs.
	Zinc		220.6 million lbs.		221.8 million lbs.
Holt	Gold	\$ 15,535	42,896 oz.	\$ 11,108	29,697 oz.
Mulatos	Gold	\$ 13,536	163,110 oz.	\$ 10,199	123,192 oz.
Robinson		\$ 11,161		\$ 8,240	
	Gold		30,711 oz.		21,838 oz.
	Copper		102.8 million lbs.		72.8 million lbs.
Cortez	Gold	\$ 6,950	60,024 oz.	\$ 10,358	89,827 oz.
Canadian Malartic	Gold	\$ 6,652	276,067 oz.	\$ 5,196	205,812 oz.
Las Cruces	Copper	\$ 6,560	122.8 million lbs.	\$ 4,494	81.8 million lbs.
Leeville	Gold	\$ 5,939	194,476 oz.	\$ 8,127	268,477 oz.
Wolverine		\$ 5,547		\$ 1,680	
	Gold		8,466 oz.		454 oz.
	Silver		2.1 million oz.		0.7 million oz.
Dolores		\$ 3,573		\$ 4,447	
	Gold		40,523 oz.		51,118 oz.
	Silver		2.3 million oz.		2.4 million oz.
Other ⁽²⁾	Various	\$ 41,561	N/A	\$ 38,007	N/A
Total Royalty Revenue		\$ 231,898		\$ 202,944	

⁽¹⁾ Reported production relates to the amount of metal sales, subject to our royalty interests, for the nine months ended March 31, 2013 and 2012, as reported to us by the operators of the mines.

⁽²⁾ "Other" includes all of the Company's non-principal producing royalty interests. Individually, no royalty interest included within the "Other" category contributed greater than 5% of our total royalty revenue for either period.

The increase in royalty revenue for the nine months ended March 31, 2013, compared with the nine months ended March 31, 2012, resulted primarily from production increases at Andacollo, Holt, Mulatos and Robinson and the continued ramp-up at Canadian Malartic and Wolverine. These increases were partially offset by a decrease in the average gold, silver, copper and nickel prices and decreases in production at Voisey's Bay (copper), Cortez and Leeville. 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.

General and administrative expenses increased to \$19.0 million for the nine months ended March 31, 2013, from \$15.8 million for the nine months ended March 31, 2012. The increase was

primarily due to an increase in legal fees, tax consulting and general consulting fees associated with business development activities during the period.

Depreciation, depletion and amortization increased to \$64.3 million for the nine months ended March 31, 2013, from \$58.4 million for the nine months ended March 31, 2012. The increase was primarily attributable to production increases at Andacollo, Holt and Mulatos, which resulted in additional depletion expense of approximately \$4.1 million during the period. The increase was also attributable to the continued ramp-up at Wolverine, which resulted in additional depletion expense of approximately \$4.1 million during the period. These increases were partially offset by production decreases at Voisey's Bay (copper) and Leeville, which resulted in a decrease in depletion expense of \$0.4 million during the period.

During the quarter ended March 31, 2013, the Company recognized a \$12.1 million loss on available-for-sale securities related to an other-than-temporary impairment on its investment in Seabridge common stock. The effect of the recognized loss, net of tax, during the nine months ended March 31, 2013, was \$0.17 per basic share. Refer to Note 4 of the notes to consolidated financial statements in this Quarterly Report on Form 10-Q for further discussion on the other-than-temporary impairment loss.

Interest and other income decreased to \$0.3 million for the nine months ended March 31, 2013, from \$3.8 million for the nine months ended March 31, 2012. The decrease was primarily due to a decrease in gains on distributions of restricted gold inventory attributable to non-controlling interest holders of approximately \$3.6 million during the period.

Interest and other expense increased to \$18.9 million for the nine months ended March 31, 2013, from \$4.9 million for the nine months ended March 31, 2012. The increase was primarily attributable to interest expense associated with our 2019 Notes issued in June 2012. Interest expense recognized on the 2019 Notes for the nine months ended March 31, 2013, was \$15.5 million and included the contractual coupon interest (\$7.9 million), the accretion of the debt discount (\$6.7 million) and amortization of the debt issuance costs (\$0.8 million). During the nine months ended March 31, 2013, the Company made \$5.2 million in interest payments on our 2019 Notes. The Company is required to make semi-annual interest payments on the outstanding principal balance of the 2019 Notes on June 15 and December 15 of each year.

During the nine months ended March 31, 2013, we recognized income tax expense totaling \$51.1 million compared with \$41.3 million during the nine months ended March 31, 2012. This resulted in an effective tax rate of 46.1% in the current period, compared with 34.8% during the nine months ended March 31, 2012. The increase in the effective tax rate for the nine months ended March 31, 2013, is primarily related to (i) the recognized loss on available-for-sale securities during the period, (ii) an increase in income tax expense related to changes in estimates for uncertain tax positions, and (iii) a reduction in foreign tax credits claimed. Excluding the recognized loss on available-for-sale securities, the effective tax rate for the nine months ended March 31, 2013, would have been 42.5%. For a complete discussion of the factors that influence our effective tax rate, refer to Note 13 to the notes to consolidated financial statements in the Company's Fiscal 2012 10-K.

Liquidity and Capital Resources

Overview

At March 31, 2013, we had current assets of \$749.0 million compared to current liabilities of \$21.6 million for a current ratio of 35 to 1. This compares to current assets of \$445.2 million and current liabilities of \$15.2 million at June 30, 2012, resulting in a current ratio of approximately 29 to 1. The increase in our current ratio and total current assets when compared to June 30, 2012, was primarily attributable to an increase in our cash and equivalents during the period due to our recent common stock offering as discussed below.

During the quarter ended March 31, 2013, liquidity needs were met from \$74.2 million in royalty revenues and our available cash resources. As of March 31, 2013, the Company had \$350 million available and no amounts outstanding under its revolving credit facility. The Company was in compliance with each financial covenant under its revolving credit facility as of March 31, 2013. Refer to Note 5 of our notes to consolidated financial statements for further discussion on our debt.

We believe that our current financial resources and funds generated from operations will be adequate to cover anticipated expenditures for debt service, general and administrative expense costs, exploration costs and capital expenditures for the foreseeable future. Our current financial resources are also available to fund dividends and for acquisitions of royalty interests, including the remaining commitments incurred in connection with the Mt. Milligan and Tulsequah Chief acquisitions. Our long-term capital requirements are primarily affected by our ongoing acquisition activities. The Company currently, and generally at any time, has acquisition opportunities in various stages of active review. In the event of one or more substantial royalty interest or other acquisitions, we may seek additional debt or equity financing as necessary.

Please refer to our risk factors included in Part 1, Item 1A of our Fiscal 2012 10-K for a discussion of certain risks that may impact the Company's liquidity and capital resources.

Recent Liquidity and Capital Resource Developments

Amendment to Revolving Credit Agreement

On January 21, 2013, Royal Gold entered into Amendment No. 2 to Fifth Amended and Restated Revolving Credit Agreement (the "Amendment"), which amends the Company's existing Fifth Amended and Restated Revolving Credit Agreement, dated May 30, 2012 (as amended from time to time, the "Revolving Credit Agreement"), among Royal Gold, as the borrower, certain subsidiaries of Royal Gold, as guarantors, HSBC Bank USA, National Association, as administrative agent and a lender, The Bank of Nova Scotia, as a lender, Goldman Sachs Bank USA, as a lender, and the other lenders from time to time party thereto, HSBC Securities (USA) Inc., as the sole lead arranger and joint bookrunner, and ScotiaBank, as syndication agent and joint bookrunner.

The Amendment revised the Revolving Credit Agreement to, among other things, (i) remove the current ratio, interest coverage ratio and debt service coverage ratio financial covenants, (ii) add a financial covenant requiring the Company to maintain a secured debt ratio below a certain level, (iii) increase the amount of unsecured indebtedness the Company is permitted to incur subject to its pro forma compliance with a leverage ratio test and to allow certain prepayments, refinancing and replacement of such unsecured indebtedness, (iv) increase the interest rate for borrowings under the Revolving Credit Agreement when the leverage ratio exceeds 3.0 to 1.0 and (v) take certain acquisitions into account in determining compliance with financial covenants. Except as set forth in the Amendment, all other terms and conditions of the Revolving Credit Agreement remain in full force and effect.

Dividend Increase

On November 14, 2012, we announced an increase in our annual dividend for calendar 2013 from \$0.60 to \$0.80, payable on a quarterly basis of \$0.20 per share. The newly declared dividend is 33% higher than the dividend paid during calendar 2012. The first quarter calendar 2013 dividend of \$0.20 per share was paid on January 18, 2013, to shareholders of record at the close of business on January 4, 2013. The quarterly dividend of US\$0.20 is also payable to holders of exchangeable shares of RG Exchangeco Inc.

Common Stock Offering

On October 15, 2012, we sold 5,250,000 shares of our common stock, at a price of \$90.00 per share, resulting in proceeds of \$472.5 million before expenses. The Company has invested the proceeds from

this offering in United States treasury bills or cash bank accounts and intends to use the net proceeds from the offering for the acquisition of additional royalty interests and for general corporate purposes.

Summary of Cash Flows

Operating Activities

Net cash provided by operating activities totaled \$132.5 million for the nine months ended March 31, 2013, compared to \$122.9 million for the nine months ended March 31, 2012. The increase was primarily due to an increase in proceeds received from our royalty interests, net of production taxes, of approximately \$32.8 million. The increase was partially offset by an increase in tax payments of approximately \$10.5 million, a net payment of approximately \$3.7 million for an additional royalty option on Seabridge's Kerr-Sulphurets-Mitchell project, an increase in general corporate costs of approximately \$2.9 million, and an increase in interest payments made of approximately \$1.3 million.

Investing Activities

Net cash used in investing activities totaled \$276.9 million for the nine months ended March 31, 2013, compared to cash used in investing activities of \$188.3 million for the nine months ended March 31, 2012. The increase in cash used in investing activities is primarily due to an increase in acquisitions of royalty interests in mineral properties (or Mt. Milligan funding) compared to the same period of the prior year.

Financing Activities

Net cash provided by financing activities totaled \$442.0 million for the nine months ended March 31, 2013, compared to cash provided by financing activities of \$134.6 million for the nine months ended March 31, 2012. The increase in cash provided by financing activities is primarily due to the sale of 5,250,000 shares of our common stock, resulting in proceeds of \$472.5 million, during the current period. The increase is also attributable to a reduction in debt payments resulting from the Company having no amounts outstanding under its revolving credit facility during the nine months ended March 31, 2013.

Recently Adopted Accounting Standards

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

Critical Accounting Policies

Available-for-Sale-Securities

The Company's policy for determining whether declines in fair value of available-for-sale securities are other than temporary includes a quarterly analysis of the investments and a review by management of all investments for which the cost exceeds the fair value. Any temporary declines in fair value are recorded as a charge to other comprehensive income. This evaluation considers a number of factors including, but not limited to, the length of time and extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, and management's ability and intent to hold the securities until fair value recovers. If such impairment is determined by the Company to be other-than-temporary, the investment's cost basis is written down to fair value and recorded in net income during the period the Company determines such impairment to be other-than-temporary. The new cost basis is not changed for

subsequent recoveries in fair value. Refer to Note 4 of the notes to consolidated financial statements for further discussion on the Company's available-for-sale securities.

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 Quarterly Report on Form 10-Q are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projections or estimates contained herein. Such forward-looking statements include statements regarding projected production estimates and estimates pertaining to timing and commencement of production from the operators of properties where we hold royalty interests; 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. Words such as "may," "could," "should," "would," "believe," "estimate," "expect," "anticipate," "plan," "forecast," "potential," "intend," "continue," "project" and variations of these words, comparable words and similar expressions generally indicate forward-looking statements, which speak only as of the date the statement is made. Do not unduly rely on forward-looking statements. Actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, among others:

- changes in gold and other metals prices on which our royalty interests are paid or changes in prices of the primary metals mined at properties where we hold royalty interests;
- the production at or performance of properties where we hold royalty interests;
- the ability of operators to bring projects, particularly on development stage properties, into production on schedule or operate in accordance with feasibility studies;
- decisions and activities of the operators of properties where we hold royalty interests;
- liquidity or other problems our operators may encounter;
- hazards and risks at the properties where we hold royalty interests that are normally associated with developing and mining properties, including unanticipated grade and geological, metallurgical, processing or other problems, mine operating and ore processing facility problems, pit wall or tailings dam failures, industrial accidents, environmental hazards and natural catastrophes such as floods or earthquakes and access to raw materials, water and power;
- changes in project parameters as plans of the operators of properties where we hold royalty interests are refined;
- changes in estimates of reserves and mineralization by the operators of properties where we hold royalty interests;
- contests to our royalty interests and title and other defects to the properties where we hold royalty interests;
- economic and market conditions;
- future financial needs;
- federal, state and foreign legislation governing us or the operators of properties where we hold royalty interests;
- the availability of royalty interests for acquisition or other acquisition opportunities and the availability of debt or equity financing necessary to complete such acquisitions;

- our ability to make accurate assumptions regarding the valuation, timing and amount of revenue to be derived from our royalty interests when evaluating acquisitions;
- risks associated with conducting business in foreign countries, including application of foreign laws to contract and other disputes, environmental, real estate, contract and permitting laws, currency fluctuations, expropriation of property, repatriation of earnings, taxation, price controls, inflation, import and export regulations, community unrest and labor disputes, endemic health issues, corruption, enforcement and uncertain political and economic environments;
- changes in laws governing us, the properties where we hold royalty interests or the operators of such properties;
- risks associated with issuances of additional common stock or incurrence of indebtedness in connection with acquisitions or otherwise including risks associated with the issuance and conversion of convertible notes;
- acquisition and maintenance of permits and authorizations, completion of construction and commencement and continuation of production at the properties where we hold royalty interests;
- changes in management and key employees; and
- failure to complete future acquisitions;

as well as other factors described elsewhere in this Quarterly Report on Form 10-Q, our Fiscal 2012 10-K and our 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 statements made herein, except as required by law. 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 flows are significantly impacted by changes in the market price of gold and, to a lesser extent, the price of silver, copper and nickel. Gold, silver, copper, nickel 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, silver, copper, nickel and other metal prices may have an adverse impact on the value of our royalty interests and may reduce our royalty revenues. Certain of our royalty contracts have features that may amplify the negative effects of a drop in metals prices*,” under Part I, Item 1A of our Fiscal 2012 10-K, for more information that can affect gold, silver, copper, nickel and other metal prices as well as historical gold, silver, copper and nickel prices.

During the nine month period ended March 31, 2013, we reported royalty revenues of \$231.9 million, with an average gold price for the period of \$1,668 per ounce, an average silver price of \$30.87 per ounce, an average copper price of \$3.56 per pound and an average nickel price of \$7.65 per pound. Approximately 71% of our total recognized revenues for the nine months ended March 31, 2013 were attributable to gold sales from our gold producing royalty interests, as shown within the MD&A. For the nine months ended March 31, 2013, if the price of gold had averaged 10% higher or lower per ounce, we would have recorded an increase or decrease in revenue of approximately \$17.7 million or \$17.4 million, respectively.

Approximately 11% of our total recognized revenues for the nine months ended March 31, 2013 were attributable to copper sales from our copper producing royalty interests. For the nine months ended March 31, 2013, if the price of copper had averaged 10% higher or lower per pound, we would have recorded an increase or decrease in revenue of approximately \$2.9 million.

Approximately 8% of our total recognized revenues for the nine months ended March 31, 2013 were attributable to nickel sales from our nickel producing royalty interests. For the nine months ended March 31, 2013, if the price of nickel had averaged 10% higher or lower per pound, we would have recorded an increase or decrease in revenue of approximately \$2.5 million.

Approximately 7% of our total recognized revenues for the nine months ended March 31, 2013 were attributable to silver sales from our silver producing royalty interests. For the nine months ended March 31, 2013, if the price of silver had averaged 10% higher or lower per ounce, we would have recorded an increase or decrease in revenues of approximately \$1.8 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of March 31, 2013, the Company's management, with the participation of the President and Chief Executive Officer (the principal executive officer) and Chief Financial Officer and Treasurer (the principal financial and accounting officer) 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 the Chief Financial Officer and Treasurer have concluded that, as of March 31, 2013, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods and that such information is accumulated and communicated to the Company's management, including the President and Chief Executive Officer and the 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 Controls

There has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2013, that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Voisey's Bay

Refer to Note 12 of our notes to consolidated financial statements for a discussion on litigation associated with our Voisey's Bay royalty. There was no material development to this litigation during the three months ended March 31, 2013.

ITEM 1A. RISK FACTORS

Information regarding risk factors appears in Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements," and various risks faced by us are also discussed below and elsewhere in Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q. In addition, risk factors are included in Part I, Item 1A of our Fiscal 2012 10-K.

Acquired royalty interests, particularly on development stage properties, are subject to the risk that they may not produce anticipated revenues.

The royalty interests we acquire may not produce anticipated revenues. The success of our acquisitions of royalty interests is based on our ability to make accurate assumptions regarding the valuation, timing and amount of revenues to be derived from our royalty interests, particularly with respect to acquisitions of royalty interests on development stage properties. If an operator does not bring a property into production and operate in accordance with feasibility studies, technical or reserve reports or other plans due to lack of capital, inexperience, unexpected problems, or otherwise, then the acquired royalty interest may not yield sufficient revenues to be profitable. Furthermore, operators of development stage properties must obtain all necessary environmental permits and access to water, power and other raw materials needed to begin production, and there can be no assurance operators will be able to do so.

The Pascua-Lama mining project in Chile and Argentina and the Mt. Milligan mining project in Canada are among our principal development stage acquisitions. In 2012, Barrick revised the date for initial gold production from the Pascua-Lama project. Initial gold production, previously expected in mid-calendar 2013, is now expected in the second half of calendar 2014, with an increase in capital costs to \$8.0 to \$8.5 billion. On April 10, 2013, Barrick announced that it became aware that a Chilean court had issued a preliminary injunction halting construction activities on the Chilean portion of the Pascua-Lama project. Barrick later reported that it was suspending construction work on the Chilean side of the project while working to address environmental and other regulatory requirements to the satisfaction of Chilean authorities. However, according to Barrick, construction activities in Argentina are not affected, where the majority of Pascua-Lama's critical infrastructure is located. While Barrick has stated that it is unable to fully assess the impact on the overall capital budget, operating costs and schedule of the Pascua-Lama project until the regulatory and legal issues are clarified, the failure of the Pascua-Lama project, or any of our other principal properties, to produce anticipated revenues on schedule or at all could have a material adverse effect on our business, results of operations, cash flows, financial condition or the other benefits we expect to achieve from the acquisition of royalty interests. Further, as mines on which we have royalty interests mature, we can expect overall declines in production over the years unless operators are able to replace reserves that are mined through mine expansion or successful new exploration. There can be no assurance that the operators of properties where we hold royalty interests will be able to maintain or increase production or replace reserves as they are mined.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The exhibits to this Quarterly Report on Form 10-Q are listed in the Exhibit Index.

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: May 2, 2013

By: /s/ Tony Jensen
Tony Jensen
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 2, 2013

By: /s/ Stefan Wenger
Stefan Wenger
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

ROYAL GOLD, INC.
EXHIBIT INDEX

Exhibit Number	Description
10.1	Amendment No. 2 to Fifth Amended and Restated Revolving Credit Agreement among Royal Gold, Inc., High Desert Mineral Resources, Inc., RG Exchangeco Inc., RG Mexico, Inc., HSBC Bank USA, National Association, as administrative agent and a lender, The Bank of Nova Scotia, as a lender, Goldman Sachs Bank USA, as a lender, and the other lenders from time to time party thereto, HSBC Securities (USA) Inc., as the sole lead arranger and joint bookrunner, and ScotiaBank, as syndication agent and joint bookrunner, dated January 21, 2013.
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under those sections.

AMENDMENT NO. 2 TO
FIFTH AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THIS AMENDMENT NO. 2 TO FIFTH AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT dated as of January 21, 2013 (the “Amendment”), 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” or “Borrower”), HIGH DESERT MINERAL RESOURCES, INC., a corporation organized and existing under the laws of the State of Delaware and a wholly-owned subsidiary of Royal Gold, as a guarantor (“High Desert”), RG EXCHANGE CO INC., an amalgamated corporation validly existing under the Canada Business Corporations Act, as a guarantor (“RG Exchangeco”), RG MEXICO, INC., a corporation organized and existing under the laws of the State of Delaware, as a guarantor (“RG Mexico”), those additional guarantors identified as a “Guarantor” on the signature pages hereto as guarantors and such additional guarantors from time to time party hereto, as guarantors (the “Additional Guarantors”) (with each of High Desert, RG Exchangeco, RG Mexico and the Additional Guarantors individually referred to herein as a “Guarantor” and collectively referred to herein as the “Guarantors”), HSBC BANK USA, NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States (“HSBC Bank”), as a lender, THE BANK OF NOVA SCOTIA, a bank organized and existing under the laws of Canada (“Scotia”), as a lender, GOLDMAN SACHS BANK USA, as a lender (“Goldman”), and 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 (the “Additional Lenders”) (with each of HSBC Bank, Scotia, Goldman and the Additional Lenders individually referred to herein as a “Lender” and collectively referred to herein as the “Lenders”), HSBC Bank, as administrative agent for the Lenders hereunder (in such capacity, the “Administrative Agent”), HSBC SECURITIES (USA) INC., as sole lead arranger and a joint bookrunner, and SCOTIABANK, as the syndication agent and a joint bookrunner.

Recitals

A. The Administrative Agent, the Lenders, the Borrower and the Guarantors are parties to that certain Fifth Amended and Restated Revolving Credit Agreement dated as of May 30, 2012, as amended by that certain Amendment No. 1 to Fifth Amended and Restated Revolving Credit Agreement, dated as of July 10, 2012 (as otherwise amended, modified, supplemented and restated from time to time, the “Credit Agreement”).

B. The Borrower has requested certain amendments to the financial covenants contained in Section 6.16 of the Credit Agreement and to make certain other amendments to the Credit Agreement as set forth herein.

C. The Administrative Agent, the Lenders, the Borrower and the Guarantors desire hereby to amend the Credit Agreement, including to revise the financial covenants contained in the Credit Agreement. The Administrative Agent, the Lenders, the Borrower and the Guarantors

further desire to ratify and confirm the Credit Agreement (as so amended) and the other Credit Documents.

Agreement

NOW, THEREFORE, in consideration of the premises and the mutual agreements, representations and warranties herein set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Defined Terms.** Capitalized terms used but not defined in this Amendment shall have the meanings given thereto in the Credit Agreement.

2. **Agreements and Amendments to the Credit Agreement.**

a. Subject to the terms and conditions set forth herein, the Credit Agreement is hereby amended to the extent necessary to give effect to the provisions of this Amendment and to incorporate the provisions of this Amendment into the Credit Agreement. The Credit Agreement, together with this Amendment (upon its effectiveness), shall be read together and have effect so far as practicable as though the provisions thereof and the relevant provisions hereof are contained in one document.

b. The Credit Agreement is hereby amended by deleting the following Definitions from Section 1.1:

“Current Ratio”

“Debt Service Coverage Ratio”

“Interest Coverage Ratio”

c. The Credit Agreement is hereby amended by adding the following Definitions to Section 1.1:

“Acquired EBITDA” shall mean, with respect to any Acquired Entity or Asset for any period, the amount of consolidated EBITDA of such Acquired Entity or Asset for such period, all as determined on a consolidated basis for such Acquired Entity or Asset in accordance with GAAP.

“Acquired Entity or Asset” shall mean any Person, property, asset, Royalty, Metal Streaming Transaction or business acquired by the Borrower or any Subsidiary thereof during any relevant period to the extent not subsequently sold, transferred, abandoned or otherwise disposed by the Borrower or a Subsidiary thereof.

“Consolidated Secured Debt” means, without duplication, the Consolidated Total Indebtedness of the Borrower and its Subsidiaries that is secured by a Lien on any assets or property of the Borrower or any of its Subsidiaries as of such date.

“Post-Acquisition Period” shall mean, with respect to any acquisition of any Acquired Entity or Asset, the period beginning on the date such acquisition is

consummated and ending on the last day of the sixth full consecutive fiscal quarter immediately following the date on which such acquisition is consummated.

“ Pro Forma Adjustment ” means, for any relevant period of measurement that includes all or any part of a fiscal quarter included in any Post-Acquisition Period, with respect to the Acquired EBITDA of the applicable Acquired Entity or Asset or the Consolidated EBITDA of the Borrower, the pro forma increase or decrease in such Acquired EBITDA or such Consolidated EBITDA, as the case may be, projected by the Borrower in good faith as a result of the acquisition of an Acquired Entity or Asset during the full Post-Acquisition Period; *provided* , that any such pro forma increase or decrease to such Acquired EBITDA or such Consolidated EBITDA, as the case may be, shall be without duplication for amounts already included in such Acquired EBITDA or such Consolidated EBITDA, as the case may be, for such relevant period.

“ Pro Forma Basis ” and “ Pro Forma Compliance ” shall mean, with respect to compliance with any test or covenant hereunder, that (a) to the extent applicable, the Pro Forma Adjustment shall have been made, and (b) all Specified Transactions and the following transactions in connection therewith shall be deemed to have occurred as of the first day of the applicable period of measurement in such test or covenant: (i) income statement items (whether positive or negative) attributable to the assets, property or Person subject to such Specified Transaction, (A) in the case of a sale, transfer or other disposition of all or substantially all stock in any Subsidiary shall be excluded, and (B) in the case of an acquisition described in the definition of Specified Transaction, shall be included, (ii) any retirement of Indebtedness, and (iii) any Indebtedness incurred or assumed by the Borrower or any of its Subsidiaries in connection therewith and if such Indebtedness has a floating or formula rate, shall have an implied rate of interest for the applicable period for purposes of this definition determined by utilizing the rate which is or would be in effect with respect to such Indebtedness as at the relevant date of determination; *provided* , that, without limiting the application of the Pro Forma Adjustment pursuant to (a) above (but without duplication thereof), the foregoing pro forma adjustments may be applied to any such test or covenant solely to the extent that such adjustments are consistent with the definition of Consolidated EBITDA and give effect to events (including operating expense reductions) that are (w) directly attributable to such transaction, (x) expected to have a continuing impact on the Borrower and its Subsidiaries, (y) factually supportable, or (z) otherwise consistent with the definition of Pro Forma Adjustment.

“ Pro Forma Certificate ” shall mean any certificate of a Responsible Officer of the Borrower delivered to the Administrative Agent with respect to any calculation of a Pro Forma Adjustment or to demonstrate Pro Forma Compliance.

“ Secured Debt Ratio ” means, on any date of measurement, the ratio of (a) Consolidated Secured Debt 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.

“Specified Transaction” shall mean, with respect to any period, (i) any event, action or transaction that by the terms of this Agreement requires “Pro Forma Compliance” with a test or covenant hereunder or requires such test or covenant to be calculated on a “Pro Forma Basis”, (ii) any investment, acquisition, sale, transfer or other disposition of assets (including Royalties and Metal Streaming Transactions), and (iii) incurrence or repayment of Indebtedness or dividend.

d. The Credit Agreement is hereby amended by adding the following proviso at the end of the definition “Consolidated EBITDA”:

provided, that there shall be included in determining Consolidated EBITDA for any period (to the extent not included in Consolidated Net Income), without duplication, (a) the Acquired EBITDA of any Acquired Entity or Asset (but not the Acquired EBITDA of any related Person, property, business or assets to the extent not so acquired), based on the actual Acquired EBITDA of such Acquired Entity or Asset for such period (including the portion thereof occurring prior to such acquisition), and (b) an adjustment in respect of each Acquired Entity or Asset equal to the amount of the Pro Forma Adjustment with respect to such Acquired Entity or Asset for such period (including the portion thereof occurring prior to such acquisition) as specified in a Pro Forma Certificate and delivered to the Administrative Agent.

e. The Credit Agreement is hereby amended by deleting the defined term “Applicable Percentage” and substituting the following therefor:

“Applicable Percentage” shall be determined from time to time by reference to the Leverage Ratio, shall be effective as of the calculation date of such Leverage Ratio and shall be equal to the following:

	Leverage Ratio	Applicable Percentage
Level I	< 1.0 to 1.0	1.75%
Level II	< 2.0 to 1.0	1.875%
Level III	< 3.0 to 1.0	2.25%
Level IV	< 4.0 to 1.0	2.50%
Level V	> 4.0 to 1.0	3.00%

f. The Credit Agreement is hereby amended by deleting the defined term “Commitment Fee Percentage” therefrom and substituting the following therefor:

“Commitment Fee Percentage” shall be determined from time to time by reference to the Leverage Ratio, effective as of the last date 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	≤ 3.0 to 1.0	0.50%
Level IV	≤ 4.0 to 1.0	0.50%
Level V	> 4.0 to 1.0	0.50%

g. The Credit Agreement is hereby amended by deleting the defined term “Leverage Ratio” therefrom and substituting the following therefor:

“Leverage Ratio” means, on any date of measurement, the ratio of: (a) the sum of (i) Consolidated Total Indebtedness as of such date, *minus* (ii) the aggregate cash and cash equivalents included in the cash accounts listed on the consolidated balance sheet of the Borrower and its Subsidiaries as at such date to (b) Consolidated EBITDA for the period of four consecutive fiscal quarters most recently ended on or prior to such date.

h. The Credit Agreement is hereby amended by deleting Section 6.1(d) and substituting the following therefor:

(d) Officer’s Certificate. At the time of delivery of the financial statements provided for in Sections 6.1(a) and 6.1(b), (i) a certificate of a Responsible Officer of the Borrower, substantially in the form of Exhibit J, (A) demonstrating compliance with the financial covenants contained in Section 6.16 by calculation thereof as of the end of each such fiscal period, including on a Pro Forma Basis to the extent applicable, and (B) 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, and (ii) during any Post-Acquisition Period to the extent there is any Pro Forma Adjustment, a Pro Forma Certificate.

i. The Credit Agreement is hereby amended by deleting Section 6.16 therefrom and substituting the following therefor:

Section 6.16 Financial Covenants. The Credit Parties shall at all times maintain and comply with the following financial covenants (including, as applicable during any Post-Acquisition Period, calculated, if applicable, on a Pro Forma Basis):

(a) Leverage Ratio. The Leverage Ratio shall (i) through December 31, 2013, be less than or equal to 4.75 to 1.0, (ii) after December 31, 2013 through September 30, 2014, be less than or equal to 4.0 to 1.0, and (iii) after September 30, 2014, be less than or equal to 3.5 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) \$1,600,000,000, plus (B) 50% of the cumulative positive quarterly net income for the period beginning July 1, 2012 and ending with the most recently completed fiscal quarter for which financial statements have been provided pursuant to Section 6.1(b).

(c) Secured Debt Ratio. The Secured Debt Ratio shall not be greater than 1.5 to 1.0.

j. The Credit Agreement is hereby amended by deleting the introductory clause of Section 7.1 and substituting the following therefor:

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 for the following, but only to the extent that none of the following, either individually or in the aggregate, would create or result in a breach of the Leverage Ratio covenant set forth in Section 6.16(a), including on a Pro Forma Basis assuming the incurrence of such Indebtedness:

k. The Credit Agreement is hereby amended by deleting Section 7.1(g) therefrom and substituting the following therefor:

(g) Unsecured Indebtedness of any Credit Party or any Subsidiary; *provided*, that the Credit Parties shall have delivered to the Administrative Agent a Pro Forma Certificate signed by a Responsible Officer, at least five (5) Business Days prior to the incurrence of such unsecured Indebtedness providing a calculation of the Leverage Ratio on a Pro Forma Basis assuming the incurrence of such Indebtedness and stating that the Credit Parties have determined in good faith after reasonable investigation that the incurrence of the proposed Indebtedness pursuant to this clause (g) shall not cause or result in a violation of the Leverage Ratio covenant set forth in Section 6.16(a);

l. The Credit Agreement is hereby amended by deleting Section 7.1(h) therefrom and substituting the following therefor:

(h) [Reserved];

m. The Credit Agreement is hereby amended by deleting Section 7.1(i) therefrom and substituting the following therefor:

(i) [Reserved]; and

n. The Credit Agreement is hereby amended by replacing the clause “Each of the Credit Parties” appearing in the first line of Section 7.10 thereof with the clause “Except as set forth on Schedule 7.10, each of the Credit Parties”

o. The Credit Agreement is hereby amended by deleting Section 7.15 therefrom and substituting the following therefor:

Section 7.15 No Prepayment of Permitted Indebtedness. To the extent that any Credit Party has incurred Indebtedness permitted in accordance with Sections 7.1(g) or 7.1(j) hereof, such Credit Party shall repay such Indebtedness only in accordance with the terms thereof and shall not (a) voluntarily prepay any principal of or interest on any such permitted Indebtedness, (b) 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 Indebtedness, or (c) pay, prepay, redeem or purchase or deposit funds or property for the payment, prepayment, redemption or purchase of permitted Indebtedness, except, in each case, (i) for regularly scheduled interest payments on such permitted Indebtedness made in compliance with the terms and conditions thereof, (ii) with respect to Indebtedness incurred in accordance with Section 7.1(j), in compliance with the terms and conditions of the subordination agreement with respect thereto, and (iii) with respect to Indebtedness permitted in accordance with Sections 7.1(g) or 7.1(j) refinancing, repayments, prepayments, repurchases or redemptions of such permitted Indebtedness with the proceeds of Indebtedness that: (A) is permitted by Section 7.1(g) or Section 7.1(j), (B) does not have a scheduled maturity date prior to the Maturity Date, and (C) has terms material to the interests of the Lenders that are not materially less advantageous to the Lenders than those of such Indebtedness that is being refinanced, repaid, prepaid, repurchased or redeemed. No Credit Party will make any payment on any such permitted Indebtedness if such payment would result in a Default or Event of Default hereunder, or with respect to Indebtedness incurred in accordance with Section 7.1(j), if such payment would result in a breach or default of the subordination agreement with respect thereto.

p. The Credit Agreement is hereby amended by replacing the existing Exhibit J with Exhibit J attached hereto and attaching to the Credit Agreement as Schedule 7.10 the Schedule 7.10 attached hereto.

q. As a condition to the Lender entering into this Amendment, the Borrower and each other Credit Party irrevocably confirm and agree that each of the Credit Documents executed by the Borrower and/or the other Credit Parties, and all guaranties, grants of security, debentures, mortgages, liens, deeds, pledges and rights thereunder, are hereby extended, continued, ratified and confirmed, remain in full force and effect and apply to the Credit Agreement as amended hereby.

r. This Amendment and all other Instruments executed and delivered by the Borrower or any other Credit Party in connection with this Amendment are and shall be deemed to be “Credit Documents” for all purposes.

3. Representations and Warranties.

a. The Borrower and each other Credit Party hereby remake and restate each of their representations and warranties in the Credit Agreement and the other Credit Documents, effective as of the date of this Amendment, which representations and warranties are incorporated herein by reference as if fully set forth.

b. The Borrower and each other Credit Party hereby further represent and warrant that (i) this Amendment has been duly authorized, executed and delivered by each of them, (ii) this Amendment is binding upon and enforceable against each of them in accordance with its terms, (iii) no Default or Event of Default has occurred and is continuing or will occur as a result of the consummation of the transactions contemplated hereby, and (iv) the Recitals set forth above are true and correct in all respects.

4. Conditions Precedent. This Amendment shall become effective as of the date hereof upon (and only upon) satisfaction of the following conditions precedent:

a. The Lender has received duly executed originals of this Amendment from each Credit Party and from the Required Lenders.

b. The Lender shall have received evidence reasonably satisfactory to the Lender that the Security Documents remain in full force and effect as valid and perfected Liens on the Collateral, except for Permitted Liens.

c. The Borrower and the other Credit Parties shall have obtained all necessary approvals and consents of Governmental Authorities and other Persons, if any, required in connection with the execution, delivery and performance of this Amendment and the other Instruments contemplated hereby and the performance of the transactions contemplated thereby.

d. The Administrative Agent shall have received such other Instruments, certificates, information and opinions as the Administrative Agent may reasonably request, in each case, in form and substance reasonably satisfactory to the Administrative Agent.

5. Miscellaneous Provisions.

a. This Amendment is a Credit Document. The Credit Agreement as amended by this Amendment is hereby ratified, approved, confirmed and continued in each and every respect, and the parties hereto agree that the Credit Agreement remains in full force and effect in accordance with its terms. Nothing contained herein shall be construed to release, terminate or act as a novation of, in whole or in part, any Credit Document or any guaranty, lien, mortgage, deed, pledge or security interest granted pursuant thereto. All references to the Credit Agreement in each of the Credit Documents and in any other document or instrument shall hereafter be deemed to refer to the Credit Agreement as amended hereby. This Amendment shall not be construed as a waiver or amendment of any other provision of the Credit Agreement or the other Credit Documents or for any purpose, or a consent to any other, further or future action on the part of the Borrower or the other Credit Parties that would require the waiver or consent of the Lender, except, in each case, as expressly set forth herein.

b. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, excluding that body of law relating to conflict of laws.

c. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Amendment may be validly executed and delivered by facsimile, portable document format (.pdf) or other electronic transmission, and a signature by facsimile, portable document format (.pdf) or other electronic transmission shall be as effective and binding as delivery of a manually executed original signature.

d. The execution, delivery and effectiveness of this Amendment shall not prejudice, limit, or operate, or be deemed to operate, as a waiver of, any rights, powers or remedies of the Administrative Agent or the Lenders under the Credit Agreement or any other Credit Document or constitute a waiver of any provision thereof, except as expressly set forth herein.

e. This Amendment shall be binding upon and inure to the benefit of the Lenders, the Borrower and the other Credit Parties, and their respective successors and assigns permitted by the Credit Agreement.

f. The Borrower shall pay all reasonable costs, fees and expenses paid or incurred by the Administrative Agent incident to this Amendment and the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and expenses of the Administrative Agent's counsel in connection with the negotiation, preparation, delivery and execution of this Amendment and any related documents and instruments.

* * * * *

remainder of this page intentionally blank

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the date first above written.

Borrower:

ROYAL GOLD, INC.

By: /s/Stefan Wenger
Name: Stefan Wenger
Title: CFO and Treasurer

Guarantors:

HIGH DESERT MINERAL RESOURCES, INC.

By: /s/Bruce C. Kirchhoff
Name: Bruce C. Kirchhoff
Title: Vice President

RG MEXICO, INC.

By: /s/Bruce C. Kirchhoff
Name: Bruce C. Kirchhoff
Title: Vice President

RG EXCHANGE CO INC.

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

Administrative Agent and Lender:

HSBC BANK USA, NATIONAL ASSOCIATION

By: /s/Alexandra Barrows
Name: Alexandra Barrows
Title: Vice President

Lender:

THE BANK OF NOVA SCOTIA

By: /s/Ray Clarke
Name: Ray Clarke
Title: Managing Director

By: /s/Asif Rafiq
Name: Asif Rafiq
Title: Associate Director

Lender:

GOLDMAN SACHS BANK USA

By: /s/Barbara Fabbri
Name: Barbara Fabbri
Title: Authorized Signatory

[Second Amendment Signature Page]

EXHIBIT J

FORM OF
COMPLIANCE CERTIFICATE

HSBC Bank USA, National Association, as Administrative Agent

[Address]

[Address]

Dear Sirs,

Reference is made herein to that certain Fifth Amended and Restated Revolving Credit Agreement, dated as of May 30, 2012, as amended by that certain Amendment No. 1 to Fifth Amended and Restated Revolving Credit Agreement, dated as of July 12, 2012, as further amended by that certain Amendment No. 2 to Fifth Amended and Restated Revolving Credit Agreement, dated as of January 21, 2013 (together with all other amendments, restatements, amendments and restatements, modifications, revisions, increases, supplements, extensions, continuations, replacements or refinancings from time to time in accordance with the terms thereof, the “Credit Agreement”), by and among ROYAL GOLD, INC., a corporation organized and existing under the laws of the State of Delaware (“Royal Gold” or “Borrower”), as a borrower, HIGH DESERT MINERAL RESOURCES, INC., a corporation organized and existing under the laws of the State of Delaware and a wholly-owned subsidiary of Royal Gold, as a guarantor, RG EXCHANGE CO INC., an amalgamated corporation validly existing under the *Canada Business Corporations Act*, as a guarantor, RG MEXICO, INC., a corporation organized and existing under the laws of the State of Delaware, as a guarantor, those additional guarantors as identified as “Guarantor” on the signature pages thereto and such additional guarantors from time to time party thereto, as guarantors, HSBC BANK USA, NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States (“HSBC Bank”), as a lender, THE BANK OF NOVA SCOTIA, a bank organized and existing under the laws of Canada (“Scotia”), as a lender, GOLDMAN SACHS BANK USA, (“Goldman”), as a lender, those banks and financial institutions identified as a “Lender” on the signature pages thereto and such other banks or financial institutions as may from time to time become parties thereto (the “Additional Lenders”), as lenders (HSBC Bank, Scotia, Goldman and the Additional Lenders are referred to herein as the “Lenders”), HSBC Bank, as administrative agent for the Lenders (in such capacity, the “Administrative Agent”), HSBC SECURITIES (USA) INC., as sole lead arranger and joint bookrunner, and SCOTIABANK, as syndication agent and joint bookrunner.

This Compliance Certificate (the “Certificate”) is delivered to you pursuant to Section [5.2(f)][6.1(d)] of the Credit Agreement. Unless otherwise defined herein, capitalized terms used in this Certificate have the meanings assigned to such terms in the Credit Agreement, as applicable.

The Borrower hereby certifies, represents and warrants to the Administrative Agent that as at the fiscal quarter ending on

_____, ____:

1. The Leverage Ratio is _____. [through December 31, 2013, less than or equal to 4.75 to 1.0; after December 31, 2013 through September 30, 2014, less than or equal to 4.0 to 1.0; and after September 30, 2014, less than or equal to 3.5 to 1.0]
2. The Consolidated Net Worth is \$ _____. [not less than an amount equal to (i) 80% multiplied by (ii) the sum of (A) \$1,600,000,000, plus (B) 50% of the cumulative positive quarterly net income for the period beginning July 1, 2012 and ending with the most recently completed fiscal quarter for which financial statements have been provided pursuant to Section 6.1(b) of the Credit Agreement.]
3. The Secured Debt Ratio is _____. [no greater than 1.5 to 1.0]

The Borrower hereby certifies and warrants that, as of the date of this Certificate, no Default or Event of Default has occurred and is continuing.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF the Borrower has caused this Certificate to be executed and delivered to the Administrative Agent as of this _____ day of _____ 20 ____.

ROYAL GOLD, INC.

By: _____
Name: _____
Title: _____

ANNEXURE 1

Calculations

J - 4

Schedule 7.10

Permitted Amendments to Material Contracts

None.

CERTIFICATION

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 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 control 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 control 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 control over financial reporting.

May 2, 2013

/s/Tony Jensen

Tony Jensen
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Stefan Wenger, 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 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 control 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 control 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 control over financial reporting.

May 2, 2013

/s/Stefan Wenger

Stefan Wenger

Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Royal Gold, Inc. (the "Company"), for the period ended March 31, 2013, 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 results of operations of the Company.

May 2, 2013

/s/Tony Jensen

Tony Jensen
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Royal Gold, Inc. (the "Company"), for the period ended March 31, 2013, 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 results of operations of the Company.

May 2, 2013

/s/ Stefan Wenger

Stefan Wenger

Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)
