

ROYAL GOLD INC  
Form 10-K  
August 21, 2009



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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of Royal Gold on December 31, 2008, as reported on the NASDAQ Global Select Market was \$1,517,565,636. As of August 14, 2009, there were 40,763,195 shares of the registrant's common stock, \$0.01 par value, issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the 2009 Annual Meeting of Stockholders scheduled to be held on November 18, 2009, and to be filed within 120 days after June 30, 2009, are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K.

## INDEX

	<b>PAGE</b>
<b><u>PART I.</u></b>	
<u>ITEM 1. Business</u>	2
<u>ITEM 1A. Risk Factors</u>	9
<u>ITEM 1B. Unresolved Staff Comments</u>	19
<u>ITEM 2. Properties</u>	19
<u>ITEM 3. Legal Proceedings</u>	42
<u>ITEM 4. Submission of Matters to a Vote of Security Holders</u>	42
<b><u>PART II.</u></b>	
<u>ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	43
<u>ITEM 6. Selected Financial Data</u>	44
<u>ITEM 7. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations</u>	45
<u>ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	63
<u>ITEM 8. Financial Statements and Supplementary Data</u>	64
<u>ITEM 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure</u>	97
<u>ITEM 9A. Controls and Procedures</u>	97
<u>ITEM 9B. Other Information</u>	98
<b><u>PART III.</u></b>	
<u>ITEM 10. Directors, Executive Officers and Corporate Governance</u>	98
<u>ITEM 11. Executive Compensation</u>	98
<u>ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	99
<u>ITEM 13. Certain Relationships and Related Transactions and Director Independence</u>	99

<u>ITEM 14.</u>	<u>Principal Accountant Fees and Services</u>	99
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**PART IV.**

<u>ITEM 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	99
-----------------	---	----

<b><u>SIGNATURES</u></b>		100
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<b><u>EXHIBIT INDEX</u></b>		101
-----------------------------	--	-----

EX-10.46

EX-21.1

EX-23.1

EX-31.1

EX-31.2

EX-32.1

EX-32.2

**Table of Contents**

*This document (including information incorporated herein by reference) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which involve a degree of risk and uncertainty due to various factors affecting Royal Gold, Inc. and its subsidiaries. For a discussion of some of these factors, see the discussion in Item 1A, Risk Factors, of this report. In addition, please see our note about forward-looking statements included in Item 7, Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations ( MD&A ), of this report.*

**PART I**

**ITEM 1. BUSINESS**

**Overview**

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

During the fiscal year 2009, the Company received royalty revenue from 23 producing properties. In addition, we own royalty interests on 10 development stage properties and over 80 exploration stage properties, of which the Company considers 25 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 compliance costs or other operating costs on the properties in which we hold royalty interests. During the fiscal year ended June 30, 2009, we focused on the management of our existing royalty interests, the acquisition of royalty interests, and the creation of royalty interests through financing and strategic exploration alliances.

As discussed in further detail throughout this report, some significant developments to our business during fiscal year 2009 were as follows:

- (1) Our royalty revenues increased 11% to \$73.8 million, compared with \$66.3 million during fiscal year 2008;
- (2) On October 1, 2008, we completed the acquisition of 72 royalties from Barrick Gold Corporation ( Barrick ) for cash of approximately \$181.3 million, including a restructuring of the Company's GSR2, GSR3 and NVR1 royalties, valued at \$31.5 million, for net cash of approximately \$150 million. The royalty portfolio acquired from Barrick has generated approximately \$12.2 million in royalty revenue to the Company from the completion of the acquisition on October 1, 2008 to June 30, 2009;
- (3) In October 2008, the Company increased its existing credit facility from \$80 million to \$125 million and extended the maturity date to October 30, 2013;
- (4) In April 2009, we entered into a definitive agreement with a Chilean subsidiary of Teck Resources Limited ( Teck ), Compañía Minera Teck Carmen de Andacollo ( CDA ), to acquire

**Table of Contents**

an interest in the gold produced from the sulfide portion of the Andacollo project in Chile. We refer to this transaction throughout this report as the Teck Transaction;

- (5) In April 2009, we sold 6,500,000 shares of our common stock, at a price of \$38.00 per share, resulting in net proceeds to us of approximately \$235.3 million; and
- (6) We increased our calendar year dividend to \$0.32 per basic share, which is paid in quarterly installments throughout calendar year 2009. This represents a 14% increase compared with the dividend paid during calendar year 2008.

**Certain Definitions**

*Additional Mineralized Material:* Additional mineralized material is that part of a mineral system that has potential economic significance but cannot be included in the proven and probable ore reserve estimates until further drilling and metallurgical work is completed, and until other economic and technical feasibility factors based upon such work have been resolved. The Securities and Exchange Commission (the SEC) does not recognize this term. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves.

*Gross Proceeds Royalty (GPR):* A royalty in which payments are made on contained ounces rather than recovered ounces.

*Gross Smelter Return (GSR) Royalty:* A defined percentage of the gross revenue from a resource extraction operation, in certain cases reduced by certain contract-defined costs paid by or charged to the operator.

*g/t:* A unit representing grams per tonne.

*Net Smelter Return (NSR) Royalty:* A defined percentage of the gross revenue from a resource extraction operation, less a proportionate share of incidental transportation, insurance, refining and smelting costs.

*Net Value Royalty (NVR):* A defined percentage of the gross revenue from a resource extraction operation, less certain contract-defined transportation costs, milling costs and taxes.

*Proven (Measured) Reserves:* Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, and the grade is computed from the results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that the size, shape, depth and mineral content of the reserves are well established.

*Probable (Indicated) Reserves:* Reserves for which the quantity and grade are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance of probable (indicated) reserves, although lower than that for proven (measured) reserves, is high enough to assume geological continuity between points of observation.

*Payable Metal:* Ounces or pounds of metal in concentrate payable to the operator after deduction of a percentage of metal in concentrate that is paid to a third-party smelter pursuant to smelting contracts.

*Reserve:* That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

*Royalty:* The right to receive a percentage or other denomination of mineral production from a resource extraction operation.

*Ton:* A unit of weight equal to 2,000 pounds or 907.2 kilograms.

*Tonne:* A unit of weight equal to 2,204.6 pounds or 1,000 kilograms.

**Table of Contents****Our Producing Royalty Interests**

Our producing royalty interests on mines that were in production and generated revenue to the Company during all or part of fiscal year 2009 are shown in the following table. The number of properties listed here as production stage could change periodically due to developments at the properties. Please see Item 2, Properties, of this report for further discussion of our principal producing royalty interests.

<b>Mine</b>	<b>Location</b>	<b>Operator</b>	<b>Royalty (Gold unless otherwise stated)</b>
Cortez	Nevada, USA	Barrick	GSR1: 0.40%-5.0% sliding-scale GSR GSR2 <sup>(1)</sup> : 0.40%-5.0% sliding-scale GSR GSR3 <sup>(1)</sup> : 0.71% GSR NVR1 <sup>(1)</sup> : 0.39% NVR
Robinson	Nevada, USA	Quadra Mining Ltd. ( Quadra )	3.0% NSR (copper, gold, silver, molybdenum)
Leeville	Nevada, USA	Newmont Mining Corporation ( Newmont )	1.8% NSR
Goldstrike	Nevada, USA	Barrick	0.9% NSR
Bald Mountain	Nevada, USA	Barrick	1.75%-3.5% sliding-scale NSR
Twin Creeks <sup>(2)</sup>	Nevada, USA	Newmont	2.0% GPR
Wharf <sup>(2)</sup>	South Dakota, USA	Goldcorp Inc. ( Goldcorp )	0.0%-2.0% sliding-scale NSR
Troy <sup>(3)</sup>	Montana, USA	Revett Minerals, Inc. ( Revett )	7.0% GSR (silver and copper)
Peñasquito (oxide) <sup>(4)</sup>	Zacatecas, Mexico	Goldcorp	2.0% NSR (gold and silver)
Mulatos <sup>(5)</sup>	Sonora, Mexico	Alamos Gold, Inc. ( Alamos )	1.0%-5.0% sliding-scale NSR
El Chanate <sup>(6)</sup>	Sonora, Mexico	Capital Gold, Inc.	2.0%-4.0% sliding-scale NSR
Dolores <sup>(7)</sup>	Chihuahua, Mexico	Minefinders Corporation, Ltd. ( Minefinders )	1.25% NSR; 2.0% NSR (gold and silver)
Taparko <sup>(8)</sup>	Burkina Faso, West Africa	High River Gold Mines Ltd. ( High River )	15% GSR (TB-GSR1); 0%-10% sliding-scale GSR (TB-GSR2)
Siguiri <sup>(2,9)</sup>	Guinea, West Africa	AngloGold	0.0%-1.875% sliding-scale NSR
Benso <sup>(10)</sup>	Republic of Ghana, West Africa	Golden Star Resources Ltd. ( Golden Star )	1.5% NSR
Martha	Santa Cruz Province, Argentina	Coeur d Alene Mines Corporation	2.0% NSR (silver)
Don Mario (Lower Mineralized Zone)	Chiquitos Province, Bolivia	Orvana Minerals Corp. ( Orvana )	3.0% NSR
El Toqui <sup>(2)</sup>	Region XI, Chile	Breakwater Resources	1.0%-3.0% sliding-scale NSR (gold and zinc)
Williams	Ontario, Canada	Barrick	0.72% NSR
Allan <sup>(2)</sup>	Saskatchewan, Canada	Potash Corporation of Saskatchewan	\$0.36-\$1.44 per ton sliding scale; \$0.25 per ton (potash)
El Limon	El Limon, Nicaragua	B2Gold Corp. (95%) and Inversiones Mineras S.A.	3.0% NSR



Balcooma <sup>(2)</sup> Mt. Goode (Cosmos South) <sup>(2)</sup>	Queensland, Australia Western Australia, Australia	(5%) Kagara Zinc Xstrata	1.5% NSR (copper and zinc) 1.50% NSR (nickel)
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(1) As part of the Barrick transaction, as discussed within Item 7, MD&A, of this report, the GSR2 royalty rate was reduced to match the royalty rate of GSR1, and the portion of the GSR3 and NVR1 royalties on the mining claims that comprise the undeveloped Crossroads deposit at Cortez was eliminated. The Crossroads deposit, currently in development stage, continues to be subject to the Company's GSR2 royalty at the reduced rate. The NVR1 royalty is a 1.25% NVR royalty. The Company owns 31.6% of the 1.25% NVR (or 0.39%), while our consolidated minority interest owns the remaining portion of the 1.25% NVR

royalty.

- (2) Royalty  
acquired as part  
of the Barrick  
transaction as  
discussed within  
Item 7, MD&A,  
of this report.

**Table of Contents**

- (3) As of June 30, 2009, the \$10.5 million cap on the 7.0% GSR royalty at Troy was met. As such, the royalty will cease providing revenue to the Company effective June 30, 2009.
- (4) The Peñasquito project consists of oxide and sulfide portions. The sulfide portion is classified as development stage as shown below and is estimated by Goldcorp to commence production during the second half of calendar year 2009 and reach commercial production in the first quarter of calendar year 2010.
- (5) Royalty is capped at 2.0 million gold ounces of production. Approximately 416,000 cumulative ounces of gold have been produced as of

June 30, 2009.

As part of the Barrick transaction as discussed within Item 7, MD&A, of this report, our royalty interest at Mulatos increased to a 1.0% to 5.0% sliding-scale NSR from a 0.30% to 1.50% sliding-scale NSR.

- (6) Royalty is capped once payments of approximately \$17.0 million have been received. As of June 30, 2009, approximately \$14.7 million remains under the cap.
  
- (7) The first gold and silver sales were made at Dolores during the fourth quarter of calendar year 2008. The gold sales were subject to the Company's 1.25% NSR during the period. Also, in May 2009, Minefinders announced that commercial production was reached at

Dolores  
effective May 1,  
2009. The  
Company's 2.0%  
NSR royalty  
applies to gold  
and silver sales  
upon  
achievement of  
commercial  
production by  
Minefinders.

- (8) TB-GSR1 will remain in effect until cumulative production of 804,420 ounces of gold is achieved or until cumulative payments of \$35.0 million have been made to Royal Gold, whichever occurs first. TB-GSR2 will remain in effect until the termination of TB-GSR1. As of June 30, 2009, we have recognized approximately \$11.2 million in royalty revenue associated with TB-GSR1, which is attributable to cumulative production of 84,000 ounces of gold.
- (9) Royalty is subject to a dollar cap of approximately

\$12.0 million.  
As of June 30,  
2009,  
approximately  
\$7.9 million  
remains under  
the cap.

- (10) In May 2009, Golden Star exercised its right of repurchase on the 1.5% NSR royalty for \$3.4 million. As such, the royalty ceased providing revenue to the Company effective May 2009. See Recent Developments Property Developments within Item 7, MD&A, of this report for further detail.

### Our Development Stage Royalty Interests

We own royalty interests that are currently in development stage as they are either not yet in production or not yet generating revenue to the Company. Please see Item 2, Properties, of this report for further discussion on our principal development stage royalty interests.

The following royalty interests are currently in development stage as they have not yet provided revenue to the Company but are associated with a property currently in production.

<b>Mine</b>	<b>Location</b>	<b>Operator</b>	<b>Royalty (Gold unless otherwise stated)</b>
Marigold <sup>(1)</sup>	Nevada, USA	Goldcorp	2.0% NSR
Troy	Montana, USA	Revett	6.1% GSR (silver and copper) 2.0% GSR (silver and copper)
Peñasquito (sulfide)	Zacatecas, Mexico	Goldcorp	2.0% NSR (gold, silver, lead and zinc)
Taparko	Burkina Faso, West Africa	High River	2.0% GSR (TB GSR3); 0.75% milling royalty (TB MR1)
Don Mario (Upper Mineralized Zone)	Chiquitos Province, Bolivia	Orvana	3.0% NSR (gold, silver and copper)
Reedy s Burnakura <sup>(2,3)</sup>	Western Australia, Australia	ATW Gold Corp.	1.5%-2.5% NSR

Koolanooka <sup>(3)</sup>	Western Australia, Australia	Sinosteel Midwest Corporation Ltd.	AUD\$0.25 per ton (iron ore)
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- (1) Our royalty interest on the Marigold mine covers the majority of six sections of land, containing a number of open pits, but does not cover the current mining in the Basalt/Antler area. Approximately 45% of the current Marigold reserves are covered by this royalty.

**Table of Contents**

- (2) Royalty becomes payable after 300,000 gold ounces have been produced from the property. After an additional 75,000 gold ounces have been produced from the property, the royalty rate increases to 2.5% NSR. The Company has not yet determined how much production has been achieved to-date.
- (3) Royalty acquired as part of the Barrick transaction, as discussed below within Item 7, MD&A, of this report.

The following royalty interests are currently in development stage as they are not yet in production.

<b>Mine</b>	<b>Location</b>	<b>Operator</b>	<b>Royalty (Gold unless otherwise stated)</b>
Gold Hill	Nevada, USA	Kinross Gold Corporation (50%), Barrick (50%)	1.0%-2.0% sliding-scale NSR
Relief Canyon Pascua-Lama	Nevada, USA Region III, Chile	Firstgold Incorporated Barrick	3.0% NSR and 1.0% NSR 0.16%-1.08% sliding-scale NSR 0.22% fixed rate royalty (copper)
Meekatharra (Paddy's Flat) <sup>(1)</sup>	Western Australia, Australia	Mercator Gold	A\$10.00 per gold ounce produced
Canadian Malartic <sup>(1)</sup>	Quebec, Canada	Osisko Mining Corporation ( Osisko )	2.0%-3.0% sliding-scale NSR
Holt <sup>(1,2)</sup>	Ontario, Canada	St Andrew Goldfields Ltd. ( St Andrew )	0.00013 x quarterly average gold price



Pine Cove <sup>(1)</sup>	Newfoundland, Canada	New Island Resources (70%), Anaconda Gold (30%)	7.5% NPI
Lluvia deOro <sup>(3)</sup>	Sonora, Mexico	NWM Mining Corp.	4.0% NSR

(1) Royalty acquired as part of the Barrick transaction, as discussed below within Item 7, MD&A, of this report.

(2) In November 2008, the operator made application to a court in Ontario, Canada for a declaration that it is not obligated to the pay the entire royalty payable under the royalty agreement. The operator claims that its predecessor in interest is responsible for payment of some or all of the royalty. In July 2009, the Ontario, Canada court confirmed that the Company is entitled to payment of the royalty from the predecessor in interest. See Recent Developments Property Developments within Item 7, MD&A, of this

report.

- (3) The various parties claiming interest in the mining concessions subject to this royalty have disputed any royalty obligation.

**Our Exploration Stage Royalty Interests**

We own royalty interests on over 80 exploration stage projects on six continents. None of our exploration stage projects contain proven and probable reserves as of December 31, 2008, as determined by the owner or operator.

6

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**Table of Contents****Our Operational Information***Financial Information about Geographic Areas*

Royal Gold's royalty revenue and long-lived assets (royalty interests in mineral properties, net) are geographically distributed as shown in the following table. Please refer to Item 2, Properties, for further discussion on our significant royalty interests on producing mineral properties.

	Royalty Revenue			Royalty Interests in Mineral Properties, net		
	2009	2008	2007	2009	2008	2007
United States	56%	79%	97%	13%	18%	25%
Mexico	15%	4%	2%	45%	55%	49%
Canada	2%	1%		19%	1%	
Africa <sup>(1)</sup>	21%	11%		8%	12%	16%
Chile	1%			6%	7%	10%
Other <sup>(2)</sup>	5%	5%	1%	9%	7%	

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

(2) The Other category for Royalty Revenue consists of revenue from Argentina, Australia (2009 only), Bolivia (2009 and 2008 only) and Nicaragua (2009 and 2008 only). The Other category for Royalty Interests in Mineral Properties, net for 2009 and 2008 consists of assets in Australia, Bolivia,

Colombia,  
Honduras and  
Nicaragua.

Our financial results are primarily tied to the price of gold and other metals, as well as production from our producing stage royalty interests. For the fiscal years ended June 30, 2009, 2008 and 2007, the price of gold averaged \$874, \$821 and \$638 per ounce, respectively, the price of silver averaged \$12.91, \$15.40 and \$12.74 per ounce, respectively, and the price of copper averaged \$2.25, \$3.53 and \$3.22 per pound, respectively. For the fiscal years ended June 30, 2009, 2008 and 2007, Royal Gold derived 84%, 74% and 71%, respectively, of its total royalty revenue from gold royalties; 3%, 3% and 2%, respectively, of its total royalty revenue was derived from silver royalties; while 11%, 23%. 27%, respectively, of its total royalty revenue was derived from copper royalties, and 2%, 0% and 0%, respectively, of its total revenue was derived from other metal royalties.

In each of fiscal years 2009, 2008 and 2007, we recognized approximately \$22.2 million, \$27.7 million and \$28.2 million, respectively, of our total royalty revenue from the same operator, Barrick, but not from the same mine.

Our financial results are discussed in further detail within Part II, Item 7, MD&A, and within our audited consolidated financial statements which are included in Part II, Item 8, Financial Statements and Supplementary Data. The risks associated with the operations of our royalty interests in various geographic regions are discussed in Part 1A, Risk Factors.

#### *Competition*

The mining industry in general and the royalty segment in particular are competitive. We compete with other royalty companies, mine operators and financial buyers in efforts to acquire existing royalties and with the lenders and investors providing debt and equity financing to operators of mineral properties in our efforts to create new royalties. Many of our competitors in the lending and mining business are larger than we are and have greater access to capital than we have. Key competitive factors in the royalty acquisition and financing business include price, structure and access to capital.

**Table of Contents**

*Regulation*

Like all mining operations in the United States, the operators of the mines that are subject to our royalties must comply with environmental laws and regulations promulgated by federal, state and local governments including, but not limited to, the National Environmental Policy Act; the Comprehensive Environmental Response, Compensation and Liability Act; the Clean Air Act; the Clean Water Act; the Hazardous Materials Transportation Act; and the Toxic Substances Control Act. Mines located on public lands are subject to the General Mining Law of 1872 and are subject to comprehensive regulation by either the United States Bureau of Land Management (an agency of the United States Department of the Interior) or the United States Forest Service (an agency of the United States Department of Agriculture). The mines also are subject to regulations of the United States Environmental Protection Agency ( EPA ), the United States Mine Safety and Health Administration and similar state and local agencies. Operators of mines that are subject to our royalties in other countries are obligated to comply with similar laws and regulations in those jurisdictions. Although we are not responsible as a royalty owner for ensuring compliance with these regulations, failure by the operators of the mines on which we have royalties to comply with applicable laws, regulations and permits can result in injunctive action, damages and civil and criminal penalties on the operators which could reduce or eliminate production from the mines and thereby reduce or eliminate the royalties we receive and negatively affect our financial condition.

*Corporate Information*

We were incorporated under the laws of the State of Delaware on January 5, 1981. Our executive offices are located at 1660 Wynkoop Street, Suite 1000, Denver, Colorado 80202; our telephone number is (303) 573-1660.

*Available Information*

Royal Gold maintains an internet website at [www.royalgold.com](http://www.royalgold.com). Royal Gold makes available, free of charge, through the Investor Relations section of the website, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, as soon as reasonably practicable after such material is electronically filed with the SEC. Our SEC filings are available from the SEC's internet site at [www.sec.gov](http://www.sec.gov) which contains reports, proxy and information statements and other information regarding issuers that file electronically. These reports, proxy statements and other information may also be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. The charters of Royal Gold's key committees of the Board of Directors and Royal Gold's Code of Business Conduct and Ethics are also available on the Company's website. Any of the foregoing information is available in print to any stockholder who requests it by contacting Royal Gold's Investor Relations Department at (303) 573-1660.

*Company Personnel*

We currently have 17 employees, all of whom are located in Denver, Colorado. Our employees are not subject to a labor contract or a collective bargaining agreement. We consider our employee relations to be good. Consulting services, relating primarily to geologic and geophysical interpretations and also relating to such metallurgical, engineering, and other technical matters as may be deemed useful in the operation of our business, are primarily provided by independent contractors.

**Table of Contents**

**ITEM 1A. RISK FACTORS**

*An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition, results of operations and cash flows could be materially adversely affected by any of these risks. The market or trading price of our securities could decline due to any of these risks. In addition, please see our note about forward-looking statements included in Part II, Item 7, MD&A, of this report. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.*

**Risks Related to Our Business**

*We received significant revenue in fiscal year 2009 from Cortez, and this maturing mine is likely to experience production declines.*

Approximately 22%, and 33% of our revenues were derived from Cortez in fiscal years 2009 and 2008, respectively. We expect that revenue from our royalties at Cortez will continue to be a significant contributor to our revenue in future periods. However, as Cortez and other mines on which we have royalties 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 Cortez or our other properties will be able to maintain or increase production or replace reserves as they are mined.

*We own passive interests in mining properties, and it is difficult or impossible for us to ensure properties are operated in our best interest.*

All of our current revenue is derived from royalties on properties operated by third parties. The holder of a royalty interest typically has no authority regarding the development or operation of a mineral property. Therefore, we are not in control of decisions regarding development or operation of any of the properties on which we hold a royalty interest, and we have limited or no legal rights to influence those decisions.

Our strategy of having others operate properties on which we retain a royalty or other passive interest puts us generally at risk to the decisions of others regarding all operating matters, including permitting, feasibility analysis, mine design and operation, processing, plant and equipment matters and temporary or permanent suspension of operations, among others. These decisions are likely to be motivated by the best interests of the operator rather than to maximize royalties. Although we attempt to secure contractual rights, such as audit or access rights when we create new royalties, that will permit us to protect our interests, there can be no assurance that such rights will always be available or sufficient, or that our efforts will be successful in achieving timely or favorable results or in affecting the operation of the properties in which we have royalty interests in ways that would be beneficial to our stockholders.

*Volatility in gold, silver, copper and other metal prices may have an adverse impact on the value of our royalty interests and reduce our royalty revenues.*

The profitability of our royalty interests is directly related to the market price of gold, silver, copper and other metal prices. The market price of each metal may fluctuate widely and is affected by numerous factors beyond the control of any mining company. These factors include metal supply, industrial and jewelry fabrication and investment demand, expectations with respect to the rate of inflation, the relative strength of the U.S. dollar and other currencies, interest rates, gold sales and loans by central banks, forward sales by metal producers, global or regional political, economic or banking crises and a number of other factors. If the market price of gold, copper or certain other metals should drop, then our royalty revenues could also drop. Our sliding-scale royalties at Cortez, Taparko and other properties amplify this effect.

**Table of Contents**

When the gold price falls below a certain mark in a sliding-scale royalty, we receive a lower royalty rate on production. Furthermore, if gold, copper and certain other metal prices drop dramatically, we might not be able to recover our initial investment in royalty interests or properties. In addition, certain royalty agreements, such as that in place for our interest at Robinson, provide that royalty payments to us are subject to subsequent adjustment based on commodity prices at a later date, three to four months in the case of Robinson, which can result in adjustments to our royalty revenue in later periods. Hence, we may experience positive or negative adjustments to recognized royalty revenues based on changes in commodity prices. Moreover, the selection of a royalty investment or of a property for exploration or development, the determination to construct a mine and place it into production, and the dedication of funds necessary to achieve such purposes are decisions that must be made long before the first revenues from production will be received. Price fluctuations between the time that decisions about exploration, development and construction are made and the commencement of production can have a material adverse effect on the economics of a mine and can eliminate or have a material adverse impact on the value of royalty interests.

The volatility in gold prices is illustrated by the following table, which sets forth, for the periods indicated (calendar year), the high and low prices in U.S. dollars per ounce of gold, based on the London P.M. fix.

**Gold Price Per Ounce (\$)**

<b>Year</b>	<b>High</b>	<b>Low</b>
2000	312	263
2001	293	256
2002	349	278
2003	416	320
2004	454	375
2005	537	411
2006	725	525
2007	841	608
2008	1,011	713
2009 (through August 14, 2009)	989	810

The volatility in silver prices is illustrated by the following table which sets forth, for the periods indicated (calendar year), the high and low prices in U.S. dollars per ounce of silver, based on the London daily fix.

**Silver Price Per Ounce (\$)**

<b>Year</b>	<b>High</b>	<b>Low</b>
2000	5.45	4.57
2001	4.82	4.07
2002	5.10	4.24
2003	5.97	4.37
2004	8.29	5.50
2005	9.23	6.39
2006	14.94	8.83
2007	15.82	11.67
2008	20.92	8.88
2009 (through August 14, 2009)	15.97	10.51

**Table of Contents**

The volatility in copper prices is illustrated by the following table, which sets forth, for the periods indicated (calendar year), the high and low prices in U.S. dollars per pound of copper, based on the London Metal Exchange cash settlement price for copper Grade A.

**Copper Price Per Pound (\$)**

<b>Year</b>	<b>High</b>	<b>Low</b>
2000	0.89	0.76
2001	0.81	0.62
2002	0.75	0.67
2003	1.00	0.72
2004	1.43	1.10
2005	2.08	1.44
2006	3.65	2.15
2007	3.77	2.37
2008	4.08	1.26
2009 (through August 14, 2009)	2.90	1.38

*Our revenues are subject to operational and other risks faced by operators of our mining properties.*

Although we are not required to pay capital costs or operating costs, our financial results are subject to hazards and risks normally associated with developing and operating mining properties, both for the properties where we may conduct exploration or indirectly for properties operated by others where we hold royalty interests. These risks include:

insufficient ore reserves;

fluctuations in production costs incurred by operators or third parties that may make mining of ore uneconomical or impact the amount of reserves;

declines in the price of gold and other metals;

mine operating and ore processing facility problems;

economic downturns and operators' insufficient financing;

significant environmental and other regulatory permitting requirements and restrictions;

challenges by non-mining interests to existing permits and mining rights, and to applications for permits and mining rights;

community unrest and labor disputes;

geological problems;

pit wall or tailings dam failures;

natural catastrophes such as floods or earthquakes; and

the risk of injury to persons, property or the environment.

Operating cost increases can have a negative effect on the value of and income from our royalty interests by potentially causing an operator to curtail, delay or close operations at a mine site.



*We depend on our operators for the calculation of royalty payments, and we may not be able to detect errors, or payment calculations may call for retroactive adjustments.*

Our royalty payments are calculated by the operators of the properties on which we have royalties based on their reported production. Each operator's calculation of our royalty payments is subject to and dependent upon the adequacy of its production and accounting functions, and errors may occur from time

**Table of Contents**

to time in the calculations made by an operator. For example, the complex nature of mining and ownership of mining interests can result in errors regarding allocation of production, such as those that occurred in connection with our restatement of our consolidated financial statements for fiscal 2008. Certain royalty agreements require the operators to provide us with production and operating information that may, depending on the completeness and accuracy of such information, enable us to detect errors in the calculation of royalty payments that we receive. We do not, however, have the contractual right to receive production information for all of our royalty interests. As a result, our ability to detect royalty payment errors through our royalty monitoring program and its associated internal controls and procedures is limited, and the possibility exists that we will need to make retroactive royalty revenue adjustments. Some of our royalty contracts provide us the right to audit the operational calculations and production data for the associated royalty payments; however, such audits may occur many months following our recognition of the royalty revenue and may require us to adjust our royalty revenue in later periods. In addition, certain royalty agreements, such as our royalty agreement for the Robinson mine, provide that royalty payments to us are subject to subsequent adjustment based on commodity prices at a later date, three to four months in the case of Robinson, which can result in adjustments to our royalty revenue in later periods. Hence, audits of payments with these terms may result in the recognition by us of retroactive changes to previously disclosed royalty revenues.

*Our disclosure controls and internal control over our financial reporting are subject to inherent limitations.*

Management has concluded that as of the period ended June 30, 2009, our disclosure controls and procedures and our internal control over financial reporting were effective. Such controls and procedures, however, may not be adequate to prevent or identify existing or future internal control weaknesses due to inherent limitations that are beyond our control, including, but not limited to, our dependence on operators for the calculations of royalty payments as discussed in the above risk factor. As an example, we concluded that we had a material weakness in our internal control over financial reporting as of the fiscal year ended June 30, 2008, because we were not able to timely detect an operator's incorrect calculation of a certain royalty payment. As a result, we restated our consolidated financial statements for the fiscal year ended June 30, 2008 (please see Item 9A of our Form 10-K/A, filed on November 6, 2008, and Item 4 of Part I of our Form 10-Q filed on November 10, 2008, for further discussion of the material weakness and restatement). While we believe we have remedied such material weakness in our internal control over financial reporting, inherent limitations that are beyond our control remain and there is a risk that material misstatements in results of operations and financial condition may not be prevented or detected on a timely basis by our internal controls over financial reporting and may require us to restate our financial statements. This could, in turn, adversely affect the trading price of our common stock and there is a risk that repeated restatements could result in an investigation by the SEC.

*If the current economic downturn, challenging credit markets and depressed prices of certain commodities is prolonged, it may affect the ability of the operators of the properties on which we have royalties to meet liquidity needs or operate profitably, which in turn could have material adverse effects on the value of and revenue from our royalty interests. In addition, the current economic downturn may adversely affect our ability to obtain financing for additional royalty acquisitions.*

The value of and revenue from our royalty interests may be materially adversely affected if commodity prices for the various metals on which we have royalties or which are the primary production at mines on which we have royalties decline significantly, as occurred with respect to copper during the second half of calendar 2008. For example, the decline in prices for copper negatively impacted our revenue for the three-month period ended December 31, 2008 by approximately \$3.3 million, in comparison to our total revenue for such period of approximately \$14.6 million. In addition, our royalty interests and revenues may be materially adversely affected if operators of the properties on which we have royalties do not have, in light of prevailing economic conditions, the financial strength or sufficient credit or other financing capability to cover the costs of operating or developing a mine, causing an operator to curtail, delay or close operations at a mine site. Further disruption and volatility of financial markets could also

**Table of Contents**

limit operators' access to the financing needed for operations. For example, High River, the operator of the Taparko mine, is in breach of its funding agreement with Royal Gold, and recently announced that its ability to continue as a going concern depends on, among other things, its ongoing discussions with its lenders and obtaining additional financing. For these or other reasons, it is possible the operators could delay or cease making royalty payments to us. If any of the operators of the properties on which we have royalties suffer these material adverse effects, enter into bankruptcy or liquidation, or undergo a change of control, then our royalty interests and the value of and revenue from our royalty interests may be materially adversely affected. In addition, a continued economic downturn or credit crisis could adversely affect our ability to obtain debt or equity financing for additional royalty acquisitions.

*We may enter into acquisitions or other material royalty transactions at any time.*

We are engaged in a continual review of opportunities to acquire existing royalties, to create new royalties through the financing of mining projects or to acquire companies that hold royalty assets. 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, obtaining debt commitments for acquisition financing, participation in preliminary discussions, and involvement as a bidder in competitive auctions. Any such acquisition could be material to us and could significantly increase the size and scope of our business. In such event, we could issue substantial amounts of common stock or incur substantial additional indebtedness to fund the acquisition. Issuances of common stock would dilute the ownership of our existing stockholders and could reduce our earnings per share. In addition, we may consider opportunities to restructure our royalties where we believe such restructuring would provide a long-term benefit to the Company, though such restructuring may reduce near-term revenues. For example, we restructured our royalties at Cortez in connection with the Barrick royalty portfolio acquisition, which reduced our royalty revenue from Cortez during the fiscal year ended June 30, 2009 by approximately \$1.1 million. We could enter into one or more acquisition or restructuring transactions at any time.

*We may incur substantial indebtedness that could have adverse effects on our business.*

We may incur substantial indebtedness in the future in connection with financing acquisitions, strategic transactions or for other purposes. If we were to incur substantial additional indebtedness, it may become difficult for us to satisfy our debt obligations, increase our vulnerability to general adverse economic and industry conditions, require us to dedicate a substantial portion of our cash flow from operations and proceeds of any equity issuances to payments on our indebtedness, thereby reducing the availability of cash flow to fund acquisitions and dividends and other general corporate purposes, which may place us at a competitive disadvantage to our competitors that have less debt or have other adverse effects on us.

*We may be unable to successfully acquire additional royalty interests.*

Our future success depends upon our ability to acquire royalty interests at appropriate valuations, including through corporate acquisitions, to replace depleting reserves and to diversify our royalty portfolio. We anticipate that most of our revenues will be derived from royalty interests that we acquire or finance, rather than through exploration and development of properties. There can be no assurance that we will be able to identify and complete the acquisition of such royalty interests, or businesses that own desired royalty interests, at reasonable prices or on favorable terms. In addition, we face competition in the acquisition of royalty interests. If we are unable to successfully acquire additional royalties, the reserves subject to our royalties will decline as the producing properties on which we have royalties are mined. We may also experience negative reactions from the financial markets or operators of properties on which we seek royalties if we are unable to successfully complete acquisitions of royalty interests or

**Table of Contents**

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