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

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 31, 2006

Commission File Number 001-13357

(a Delaware corporation)

Royal Gold, Inc.
1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202-1132
(303) 573-1660
(Name, State of Incorporation, Address and Telephone Number)

I.R.S. Employer Identification Number **84-0835164**

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 23,614,916 shares of the Company's Common Stock, par value $0.01 per share, were outstanding as of January 31, 2007.

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ROYAL GOLD, INC.
Consolidated Balance Sheets

	December 31, 2006 (Unaudited)	June 30, 2006
Current assets		
Cash and equivalents	$ 70,936,374	$ 78,449,383
Royalty receivables	8,620,951	5,962,053
Deferred tax assets	106,551	131,621
Prepaid expenses and other	484,174	232,839
Total current assets	80,148,050	84,775,896
Royalty interests in mineral properties, net (Note 3)	99,701,698	84,589,569
Available for sale securities (Note 4)	1,884,699	1,988,443
Deferred tax assets	1,016,025	495,018
Other assets	641,211	410,895
Total assets	$183,391,683	$172,259,821
Current liabilities		
Accounts payable	$ 2,790,797	$ 1,075,644
Income taxes payable	567,219	334,767
Dividend payable	1,541,430	1,300,623
Accrued compensation	689,000	375,000
Other	102,104	237,482
Total current liabilities	5,690,550	3,323,516
Deferred tax liabilities	6,639,589	7,178,907
Other long-term liabilities	84,549	97,749
Total Liabilities	12,414,688	10,600,172
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, $.01 par value, authorized 40,000,000 shares; and issued 23,844,140 and 23,816,640 shares, respectively	238,441	238,165
Additional paid-in capital	168,133,514	166,459,671
Accumulated other comprehensive income	387,025	498,462
Accumulated earnings (deficit)	3,314,887	(4,439,777)
Treasury stock, at cost (229,224 shares)	(1,096,872)	(1,096,872)
Total stockholders' equity	170,976,995	161,659,649
Total liabilities and stockholders' equity	$183,391,683	$172,259,821

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

ROYAL GOLD, INC.
Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	For The Three Months Ended	
	December 31, 2006	December 31, 2005
Royalty revenues	$12,279,677	$ 7,575,307
Costs and expenses		
Costs of operations	872,070	617,509
General and administrative	1,532,265	1,647,996
Exploration and business development	472,630	1,026,540
Depreciation, depletion and amortization	2,105,475	1,030,444
Total costs and expenses	4,982,440	4,322,489
Operating income	7,297,237	3,252,818
Interest and other income	954,369	1,016,562
Interest and other expense	(65,381)	(33,773)
Income before income taxes	8,186,225	4,235,607
Current tax expense	(3,269,129)	(1,591,236)
Deferred tax benefit	718,556	262,924
Net income	$ 5,635,652	$ 2,907,295
Adjustments to comprehensive income		
Unrealized change in market value of available for sale securities, net of tax	(189,182)	139,197
Comprehensive income	$ 5,446,470	$ 3,046,492
Basic earnings per share	$ 0.24	$ 0.12
Basic weighted average shares outstanding	23,604,576	23,276,477
Diluted earnings per share	$ 0.24	$ 0.12
Diluted weighted average shares outstanding	23,854,744	23,564,037

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

ROYAL GOLD, INC.
Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	For The Six Months Ended	
	December 31, 2006	December 31, 2005
Royalty revenues	$22,025,470	$14,402,927
Costs and expenses		
Costs of operations	1,530,587	1,107,207
General and administrative	2,665,921	2,607,504
Exploration and business development	891,171	1,461,250
Depreciation, depletion, and amortization	3,177,691	1,928,469
Total costs and expenses	8,265,370	7,104,430
Operating income	13,760,100	7,298,497
Interest and other income	1,925,555	1,453,656
Interest and other expense	(131,695)	(54,780)
Income before income taxes	15,553,960	8,697,373
Current tax expense	(5,920,073)	(3,354,727)
Deferred tax benefit	961,902	622,080
Net income	$10,595,789	$ 5,964,726
Adjustments to comprehensive income		
Unrealized change in market value of available for sale securities, net of tax	(111,437)	225,154
Comprehensive income	$10,484,352	$ 6,189,880
Basic earnings per share	$ 0.45	$ 0.27
Basic weighted average shares outstanding	23,590,292	22,201,543
Diluted earnings per share	$ 0.44	$ 0.27
Diluted weighted average shares outstanding	23,819,540	22,452,460

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

ROYAL GOLD, INC.

Consolidated Statement of Stockholders' Equity for the Six Months Ended December 31, 2006

(Unaudited)

	Common Shares		Additional Paid-In	Accumulated Other	Accumulated (Deficit)	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Comprehensive Income	Earnings	Shares	Amount	Equity
Balance at June 30, 2006	23,816,640	$ 238,165	$166,459,671	$ 498,462	$ (4,439,777)	229,224	$(1,096,872)	$ 161,659,649
Issuance of common stock for:								
Exercise of stock options	20,000	201	282,300					282,501
Vesting of restricted stock	7,500	75	(75)					—
Tax benefit of stock-based compensation exercises			69,097					69,097
Recognition of non-cash compensation expense for stock-based compensation (Note 5)			1,322,521					1,322,521
Net income and comprehensive income for the six months ended				(111,437)	10,595,789			10,484,352
Dividends declared					(2,841,125)			(2,841,125)
Balance at December 31, 2006	23,844,140	$ 238,441	$168,133,514	$ 387,025	$ 3,314,887	229,224	$(1,096,872)	$ 170,976,995

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

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

	For The Six Months Ended	
	December 31, 2006	December 31, 2005
Cash flows from operating activities:		
Net income	$ 10,595,789	$ 5,964,726
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	3,177,691	1,928,469
Deferred tax benefit	(961,902)	(622,080)
Non-cash employee stock option compensation expense	1,322,521	1,312,826
Tax benefit of stock-based compensation exercises	(69,097)	(502,404)
Changes in assets and liabilities:		
Royalty receivables	(2,658,898)	209,968
Prepaid expenses and other assets	(491,367)	(3,569,200)
Accounts payable	1,715,153	2,235,451
Federal income taxes payable (receivable)	301,549	(287,485)
Accrued liabilities and other current liabilities	178,622	530,305
Other long-term liabilities	(13,200)	(13,200)
Net cash provided by operating activities	13,096,861	7,187,376
Cash flows from investing activities:		
Capital expenditures for property and equipment	(44,722)	(5,066)
Acquisition of royalty interests in mineral properties	(18,235,383)	(25,221,805)
Advance to High River Gold	—	(6,687,550)
Purchase of available for sale securities	(81,045)	(204,715)
Net cash used in investing activities	(18,361,150)	(32,119,136)
Cash flows from financing activities:		
Tax benefit of stock-based compensation exercises	69,097	502,404
Dividends paid	(2,600,318)	(2,213,541)
Net proceeds from issuance of common stock	282,501	57,675,601
Net cash (used in) provided by financing activities	(2,248,720)	55,964,464
Net (decrease) increase in cash and equivalents	(7,513,009)	31,032,704
Cash and equivalents at beginning of period	78,449,383	48,840,371
Cash and equivalents at end of period	$ 70,936,374	$ 79,873,075
Supplemental cash flow information:		
Cash paid during the period for:		
Income taxes	$ 5,618,524	$ 3,382,212

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

Operations

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

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

Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for a fair statement have been included in this Form 10-Q. Operating results for the six months ended December 31, 2006, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2007. Certain prior period amounts have been reclassified to conform to the current period presentation. 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, 2006.

Recently Issued Accounting Pronouncements

On July 13, 2006, Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109* , was issued. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS 109. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The provisions of FIN 48 are effective for our fiscal year beginning July 1, 2007. The Company is evaluating the impact, if any, the adoption of FIN 48 could have on our financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* . Statement No. 157 provides guidance for using fair value to measure assets and liabilities. Statement No. 157 applies whenever other accounting standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. Under Statement No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability between market participants in the market in which the reporting entity transacts. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. The provisions of Statement No. 157 are effective for our fiscal year beginning

July 1, 2008, and interim periods within the fiscal year. The Company is evaluating the impact, if any, the adoption of Statement No. 157 could have on our financial statements.

Also in September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108 ("SAB 108"), *Financial Statements – Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements."* SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. SAB 108 provides that once a current year misstatement has been quantified, the guidance in SAB No. 99, *Financial Statements – Materiality* , should be applied to determine whether the misstatement is material and should result in an adjustment to the financial statements. We will apply the provisions of SAB 108 with the preparation of our annual financial statements for the fiscal year ending June 30, 2007. The Company is currently evaluating, but does not expect the application of the provisions of SAB 108 to have a material impact, if any, on our financial statements for the fiscal year ending June 30, 2007.

2. ROYALTY ACQUISITION

Gold Hill

On December 8, 2006, Royal Gold paid $3.3 million to Nevada Star Resource Corp. in exchange for a net smelter return ("NSR") sliding-scale royalty and certain unpatented mining claims on the Gold Hill deposit. The NSR sliding-scale royalty on the Gold Hill deposit will pay 2.0% when the price of gold is above $350 per ounce and 1.0% when the price of gold falls to $350 per ounce or below. The royalty is also subject to a minimum royalty payment of $100,000 per year. The Gold Hill deposit, located just north of the Round Mountain gold mine in Nye County, Nevada, is controlled by Round Mountain Gold Corporation, a joint venture between Kinross Gold, the operator, and Barrick Gold Corporation ("Barrick"). Production on the Gold Hill deposit is expected to commence once permitting is completed and equipment from the Round Mountain pit becomes available.

The Gold Hill transaction was accounted for as a purchase of assets. As such, the $3.3 million acquisition cost, plus approximately $15,000 of acquisition costs, is recorded as a component of *Royalty Interests in Mineral Properties* , as a development stage royalty, on the consolidated balance sheets of Royal Gold.

3. ROYALTY INTERESTS IN MINERAL PROPERTIES

The following table summarizes the net book value of each of our royalty interests in mineral properties as of December 31, 2006 and June 30, 2006.

As of December 31, 2006:

	Gross	Accumulated Depletion & Amortization	Net
Production stage royalty interests:			
Pipeline Mining Complex			
GSR1	$ —	$ —	$ —
GSR2	—	—	—
GSR3	8,105,020	(6,162,574)	1,942,446
NVR1	2,135,107	(1,567,630)	567,477
Bald Mountain	1,978,547	(1,829,286)	149,261
SJ Claims	20,788,444	(6,042,760)	14,745,684
Robinson mine	17,824,776	(956,040)	16,868,736
Mulatos mine	7,441,779	(377,489)	7,064,290
Troy mine GSR royalty	7,250,000	(1,517,015)	5,732,985
Troy mine Perpetual royalty	250,000	—	250,000
Leeville South	1,775,809	(1,775,809)	—
Leeville North	14,240,418	(864,649)	13,375,769
Martha	172,810	(172,810)	—
	81,962,710	(21,266,062)	60,696,648
Development stage royalty interests:			
Taparko Project			
TB-GSR1	24,909,181	—	24,909,181
TB-GSR2	7,280,226	—	7,280,226
TB-GSR3	1,026,933	—	1,026,933
Gold Hill	3,340,384	—	3,340,384
	36,556,724	—	36,556,724
Exploration stage royalty interests:			
Taparko Project			
TB-GSR3	207,938	—	207,938
TB-MR1	135,613	—	135,613
Leeville North	2,305,845	(271,187)	2,034,658
Buckhorn South	70,117	—	70,117
	2,719,513	(271,187)	2,448,326
Total royalty interests in mineral properties	$121,238,947	$(21,537,249)	$99,701,698

As of June 30, 2006:

	Gross	Accumulated Depletion & Amortization	Net
Production stage royalty interests:			
Pipeline Mining Complex			
GSR1	$ —	$ —	$ —
GSR2	—	—	—
GSR3	8,105,020	(5,976,531)	2,128,489
NVR1	2,135,107	(1,548,577)	586,530
Bald Mountain	1,978,547	(1,817,586)	160,961
SJ Claims	20,788,444	(5,122,209)	15,666,235
Robinson mine	17,824,776	(301,460)	17,523,316
Mulatos mine	7,441,779	(128,798)	7,312,981
Troy mine GSR royalty	7,250,000	(1,140,870)	6,109,130
Troy mine Perpetual royalty	250,000	—	250,000
Leeville South	1,775,809	(1,753,588)	22,221
Leeville North	14,240,418	(180,379)	14,060,039
Martha	172,810	(172,810)	—
	81,962,710	(18,142,808)	63,819,902
Development stage royalty interests:			
Taparko Project			
TB-GSR1	13,859,877	—	13,859,877
TB-GSR2	4,053,927	—	4,053,927
TB-GSR3	569,062	—	569,062
	18,482,866	—	18,482,866
Exploration stage royalty interests:			
Taparko Project			
TB-GSR3	110,173	—	110,173
TB-MR1	71,853	—	71,853
Leeville North	2,305,845	(271,187)	2,034,658
Buckhorn South	70,117	—	70,117
	2,557,988	(271,187)	2,286,801
Total royalty interests in mineral properties	$103,003,564	$(18,413,995)	$84,589,569

Discussed below is a status of each of our royalty interests in mineral properties.

Pipeline Mining Complex

We own two gross smelter return ("GSR") sliding-scale royalties (GSR1 ranging from 0.40% to 5.0% and GSR2 ranging from 0.72% to 9.0%), a 0.71% fixed gross smelter royalty (GSR3), and a 0.39% net value royalty (NVR1) over the Pipeline Mining Complex that includes the Pipeline, South Pipeline, GAP and Crossroads gold deposits in Lander County, Nevada.

The Pipeline Mining Complex is owned by the Cortez Joint Venture, a joint venture between Barrick (60%), and Kennecott Explorations (Australia) Ltd. (40%), a subsidiary of Rio Tinto plc.

Bald Mountain

We own a 1.75% to 3.5% sliding-scale NSR royalty that burdens a portion of the Bald Mountain mine, in White Pine County, Nevada. Bald Mountain is an open pit, heap leach mine operated by Barrick. The sliding-scale royalty increases or decreases with the gold price, adjusted by the 1986 Producer Price Index. Our royalty rate is calculated quarterly and would currently increase to 2%, from 1.75%, at a quarterly average gold price of approximately $725 per ounce in today's dollars.

SJ Claims

We own a 0.9% NSR on the SJ Claims that covers a portion of the Betze-Post mine, in Eureka County, Nevada. Betze-Post is an open pit mine operated by Barrick at its Goldstrike property.

Robinson Mine

We own a 3% NSR royalty on the Robinson mine, located in eastern Nevada. The Robinson mine is an open pit copper mine with significant gold and molybdenum production. The mine is owned and operated by Quadra.

Mulatos Mine

We own a sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico. The Mulatos mine, owned and operated by Alamos, is an open pit, heap leach gold mine. The Mulatos mine sliding-scale royalty, capped at two million ounces of gold production, ranges from 0.30% for gold prices below $300 up to 1.50% for gold prices above $400.

Troy Mine

We own a production payment equivalent to a 7.0% GSR royalty from all metals and products produced and sold from the Troy mine, located in northeastern Montana and operated by Revett Silver Company ("Revett"). The GSR royalty will extend until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or the Company receives $10.5 million in cumulative payments, whichever occurs first. As of December 31, 2006, we have received payments associated with the GSR royalty totaling $3.5 million.

We also own a GSR royalty which begins at 6.1% on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper, and steps down to a perpetual 2% after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper. Effective January 1, 2006, we have re-classified our interest in the perpetual royalty from an exploration stage royalty interest to a production stage royalty interest due to an increase in reserves at the Troy mine.

Leeville Project

We own a 1.8% carried working interest, equal to a 1.8% NSR royalty, which covers the majority of the Leeville Project, in Eureka County, Nevada. Current production from the Leeville Project is derived from Leeville South and Leeville North underground mines, which are operated by Newmont Mining Corporation ("Newmont").

During our first fiscal quarter of 2006, Newmont began mining operations at Leeville North. Accordingly, during our first fiscal quarter of 2006, we reclassified our cost basis in Leeville North as a production stage royalty interest. As such, we began depleting our cost basis using the units of production method during our first fiscal quarter of 2006.

We carry our interest in the non-reserve portion of Leeville North as an exploration stage royalty interest, which is not subject to periodic amortization. In the event that future proven and probable reserves are developed at Leeville North associated with our royalty interest, the cost basis of our exploration stage royalty interest will be reclassified as a development stage royalty interest or a production stage royalty interest in future periods, as appropriate. In the event that future circumstances indicate that the non-reserve portion of Leeville North will not be converted into proven and probable reserves, we will evaluate our carrying value in the exploration stage interest for impairment.

Martha Mine

We own a 2% NSR royalty on the Martha mine located in the Santa Cruz Province of Argentina, operated by Coeur d'Alene Mining Corporation. The Martha mine is a high grade underground silver mine.

Taparko Mine

We hold a production payment equivalent to a 15.0% GSR (TB-GSR1) royalty on all gold produced from the Taparko Project, located in Burkina Faso and operated by Somita. TB-GSR1 will remain in-force until cumulative production of 804,420 ounces of gold is achieved or until cumulative payments of $35 million have been made to Royal Gold, whichever is earlier. We also hold a production payment equivalent to a GSR sliding-scale royalty (TB-GSR2 ranging from 0% to 10%) on all gold produced from the Taparko Project. TB-GSR2 is effective concurrently with TB-GSR1, and will remain in-force from completion of the funding commitment until the termination of TB-GSR1. We carry our interests in TB-GSR1 and TB-GSR2 as development stage royalty interests, which are not currently subject to periodic amortization.

We also hold a perpetual 2% GSR royalty (TB-GSR3) on all gold produced from the Taparko Project area. TB-GSR3 will commence upon termination of the TB-GSR1 and TB-GSR2 royalties. A portion of the TB-GSR3 royalty is associated with existing proven and probable reserves and has been classified as a development stage royalty interest, which is not subject to periodic amortization at this time. The remaining portion of the TB-GSR3 royalty, which is not currently associated with proven and probable reserves, is classified as an exploration stage royalty interest, which is also not subject to periodic amortization at this time.

In addition, we hold a 0.75% milling fee royalty (TB-MR1) on all gold processed through the Taparko Project processing facilities that is mined from any area outside of the Taparko Project area. TB-MR1 is classified as an exploration stage royalty interest and is not subject to periodic amortization at this time.

The royalty documents for the foregoing royalties have been signed and we are holding them pending completion of our $35 million funding commitment (of which we have funded $33.6 million as of January 31, 2007) to Somita. Upon completion of our funding commitment, the royalty documents will be released and recorded and be legally effective. See Note 8 below for more information about the Amended and Restated Funding Agreement.

Gold Hill

We hold a sliding-scale NSR royalty on the Gold Hill deposit, located just north of the Round Mountain gold mine in Nye County, Nevada. The sliding-scale NSR royalty on the Gold Hill deposit will pay 2.0% when the price of gold is above $350 per ounce and 1.0% when the price of gold falls to $350 per ounce or below. The Gold Hill deposit is controlled by Round Mountain Gold Corporation, a joint venture between Kinross Gold, the operator, and Barrick. We carry our interest in the Gold Hill deposit as a development stage royalty interest, which is not currently subject to periodic amortization.

Buckhorn South

We hold a 16.5% net profits interest royalty on the Buckhorn South property, located in Eureka County, Nevada. The Buckhorn South interest is classified as an exploration stage royalty interest.

4. AVAILABLE FOR SALE SECURITIES

Investments in securities that have readily determinable market values are classified as available for sale investments. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive income (net of tax) as a separate component of stockholders' equity. We recorded an unrealized loss (net of tax) of $189,182 for the three months ended December 31, 2006, and an unrealized gain (net of tax) of $139,197 for the three months ended December 31, 2005. We recorded an unrealized loss (net of tax) of $111,437 for the six months ended December 31, 2006, and an unrealized gain (net of tax) of $225,154 for the six months ended December 31, 2005. When investments are sold, the realized gains and losses on the sale of these investments, as determined using the specific identification method, are included in determining net income. We had no sales of available for sale investments during the three and six months ended December 31, 2006 and 2005.

We hold 1.3 million shares of Revett that are recorded as an investment in available for sale securities on the Consolidated Balance Sheets. The market value for our investment in the shares of Revett was $1,465,830 as of December 31, 2006. Our cost basis in the Revett shares is $1.0 million.

We hold 1,037,500, 518,750, and 100,000 shares of common stock, warrants and stock options, respectively, in Taranis Resources Inc. ("Taranis"). The market value for our investment in Taranis' common stock, warrants and stock options was $418,869 as of December 31, 2006. Our cost basis in the Taranis common stock, warrants and stock options is $285,761.

5. STOCKHOLDER'S EQUITY AND STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation in accordance with FASB Statement No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)"), which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). SFAS 123(R) requires all stock-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

2004 Omnibus Long-Term Incentive Plan

In November 2004, the Company adopted the Omnibus Long-Term Incentive Plan ("2004 Plan"). The 2004 Plan replaces the Company's Equity Incentive Plan. Under the 2004 Plan, 900,000 shares of Common Stock are available for future grants to officers, directors, key employees and other persons. The Plan provides for the grant of stock options, unrestricted stock, restricted stock, dividend equivalent rights, stock appreciation rights, and cash awards. Any of these awards may, but need not, be made as performance incentives. Stock options granted under the 2004 Plan may be non-qualified stock options or incentive stock options.

For the three and six months ended December 31, 2006, we recorded total non-cash stock compensation expense related to our equity compensation plans of $909,682 and $1,322,521, respectively, compared to $1,074,485 and $1,312,826 for the three and six months ended December 31, 2005, respectively. Non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. The allocation among cost of operations, general and administrative and business development for the three and six months ended December 31, 2006, and 2005 is shown below:

	For The Three Months Ended		For The Six Months Ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
Non-cash compensation allocation:				
Cost of operations	$ 116,441	$ 128,079	$ 173,870	$ 156,664
General and administrative	608,003	619,072	841,432	741,028
Business development	185,238	327,334	307,219	415,134
Total non-cash compensation expense	$ 909,682	$1,074,485	$1,322,521	$1,312,826

The total income tax benefit associated with non-cash stock compensation expense was approximately $327,000 and $476,000 for the three and six months ended December 31, 2006, respectively, compared to approximately $387,000 and $472,000 for the three and six months ended December 31, 2005, respectively.

As of December 31, 2006, there are 283,584 shares of common stock reserved for future issuance under our 2004 Plan.

Stock Options

Stock option awards are granted with an exercise price equal to the closing market price of the Company's stock at the date of grant. Stock option awards granted to officers, key employees and other persons vest based on one to three years of continuous service. Stock option awards granted to directors vest immediately with respect to 50% of the shares granted and after one year with respect to the remaining 50% granted. Stock option awards have 10 year contractual terms.

To determine non-cash stock compensation expense for stock option awards, the fair value of each stock option award is estimated on the date of grant using the Black-Scholes-Merton ("Black-Scholes") option pricing model for all periods presented. The Black-Scholes model requires key assumptions in order to determine fair value and those key assumptions as of our November 2006 and November 2005 grants are noted in the following table:

	2006	2005
Weighted average expected volatility	52.88%	61.20%
Weighted average expected option term in years	5.1	5.4
Weighted average dividend yield	0.93%	1.00%
Weighted average risk free interest rate	4.63%	4.5%

On November 7, 2006, 91,500 stock options under the 2004 Plan were granted to officers and certain employees under the 2004 Plan. These options have an exercise price of $28.78, which was the closing market price for our common stock on the date of grant. On November 8, 2006, 15,000 stock options under the 2004 Plan were granted to the Board of Directors ("Directors") at an exercise price of $29.20, which was the closing market price of our common stock on the date of grant.

A summary of stock option activity under our equity compensation plans for the six months ended December 31, 2006, is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2006	528,414	$ 14.86		
Granted	106,500	28.84		
Exercised	(20,000)	14.13		
Forfeited and Expired	—	—		
Outstanding at December 31, 2006	614,914	$ 17.31	6.8	$11,479,707
Exercisable at December 31, 2006	467,247	$ 14.57	4.5	$10,004,057

The weighted-average grant date fair value of options granted during the period ended December 31, 2006, and 2005, was $13.77 and $12.04, respectively. The total intrinsic value of options exercised during the three and six month periods ended December 31, 2006, was $292,900. The total intrinsic value of options exercised during the three and six month periods ended December 31, 2005, were $3,508,035 and $3,516,560, respectively.

A summary of the status of the Company's non-vested stock options for the six months ended December 31, 2006, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2006	132,334	$11.24
Granted	106,500	$13.77
Vested	(91,167)	$11.62
Forfeited	—	$ —
Non-vested at December 31, 2005	147,667	$12.82

For the three months ended December 31, 2006 and 2005, we recorded non-cash compensation expense associated with stock options of $409,590 and $413,796, respectively. For the six months ended December 31, 2006 and 2005, we recorded non-cash compensation expense associated with stock options of $648,512 and $609,048. As of December 31, 2006, there was $1,574,325 of total unrecognized non-cash stock compensation expense related to non-vested stock options granted under our equity compensation plans, which is expected to be recognized over a weighted-average period of 1.8 years. The total fair value of shares vested during the three months ended December 31, 2006, and 2005, was $1,059,748 and $439,827, respectively. The total fair value of shares vested during the six months ended December 31, 2006, and 2005 was $1,059,748 and $492,957, respectively.

Other Stock-Based Compensation

On November 7, 2006, officers and certain employees were granted 56,000 shares of restricted common stock that can be earned only if either one of two defined multi-year performance goals is met within five years of the date of grant ("Performance Shares"). If the performance goals are not earned by the end of this five year period, the Performance Shares will be forfeited. Vesting of Performance Shares is subject to certain performance measures being met and can be based on an interim earn out of 25%, 50%, 75% or 100%. The defined performance goals are tied to two different performance measures: (1) growth of free cash flow per share on a trailing twelve month basis; and (2) growth of royalty ounces in reserve on an annual basis.

A summary of the status of the Company's non-vested Performance Shares for the six months ended December 31, 2006, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2006	41,500	$19.19
Granted	36,000	$28.78
Vested	—	$ —
Forfeited	—	$ —
Non-vested at December 31, 2006	77,500	$23.64

We measure the fair value of the Performance Shares based upon the market price of our common stock as of the date of grant. In accordance with SFAS 123(R), the measurement date for the Performance Shares will be determined at such time that the performance goals are attained or that it is probable they will be attained. At such time that it is probable that a performance condition will be achieved, compensation expense will be measured by the number of shares that will ultimately be earned based on the market price of our common stock on the date of grant. Interim recognition of compensation expense will be made at such time as management can reasonably estimate the number of shares that will be earned. As of December 31, 2006, our estimates indicated that it is probable that approximately 77% of our non-vested Performance Shares, will be earned. For the three and six months ended December 31, 2006, we recorded non-cash stock compensation expense associated with our Performance

Shares of $292,917 and $382,096, respectively. For the three and six months ended December 31, 2005, we recorded non-cash stock compensation expense associated with our Performance Shares of $0 and $473,629, respectively. As of December 31, 2006, total unrecognized non-cash stock compensation expense related to our Performance Shares is $585,834, which is expected to be recognized over the next 0.5 years, the period over which it is probable that the performance goals will be attained.

On November 7, 2006, officers and certain employees were granted 56,000 shares of restricted common stock, which vest by continued service alone ("Restricted Stock"). Restricted Stock awards granted to officers and certain employees vest over three years beginning after a three-year holding period from the date of grant with one-third of the shares vesting in years four, five and six, respectively. On November 8, 2006, our non-executive directors were granted 7,500 shares of Restricted Stock. The non-executive directors' shares of Restricted Stock vest as to 50% immediately and 50% one year after the date of grant. Shares of Restricted Stock represent issued and outstanding shares of common stock, with dividend and voting rights. We measure the fair value of the Restricted Stock based upon the market price of our common stock as of the date of grant. Restricted Stock is amortized over the applicable vesting period using the straight-line method. Unvested shares of Restricted Stock are subject to forfeiture upon termination of employment with the Company.

A summary of the status of the Company's non-vested Restricted Stock for the six months ended December 31, 2006, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2006	77,250	$ 20.60
Granted	63,500	$ 28.83
Vested	(7,500)	$ 26.41
Forfeited	—	$ —
Non-vested at December 31, 2006	133,250	$ 24.19

For the three months ended December 31, 2006, and 2005, we recorded non-cash stock compensation expense associated with the Restricted Stock of $207,175 and $187,060, respectively. For the six months ended December 31, 2006, and 2005, we recorded non-cash stock compensation associated with the Restricted Stock of $291,913 and $230,149. As of December 31, 2006, total unrecognized non-cash stock compensation expense related to Restricted Stock was $2,737,917, which is expected to be recognized over the remaining average vesting period of 4.75 years.

Stock Issuances

During the three and six months ended December 31, 2006, options to purchase 20,000 shares were exercised, resulting in proceeds of $282,501. During the three months ended December 31, 2005, options to purchase 191,561 shares were exercised, resulting in proceeds of $2,940,538. During the six months ended December 31, 2005, options to purchase 192,561 shares were exercised, resulting in proceeds of $2,954,653.

In September 2005, we sold 2,227,912 shares of our common stock in an underwritten public offering, at a price of $26.00 per share, resulting in proceeds of approximately $54.7 million, which is net of the underwriters' discount of $2.9 million and estimated transaction costs of approximately $327,000. The net proceeds in this equity offering have been and will continue to be used to fund the acquisition and financing of additional royalty interests and for general corporate purposes.

6. EARNINGS PER SHARE ("EPS") COMPUTATION

	For The Three Months Ended December 31, 2006		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$5,635,652	23,604,576	$ 0.24
Effect of dilutive securities		250,168	
Diluted EPS	$5,635,652	23,854,744	$ 0.24

As of December 31, 2006, all outstanding stock-based compensation awards were included in the computation of diluted EPS because the exercise price of all the options was less than the average market price of the common shares for the period.

	For The Three Months Ended December 31, 2005		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$2,907,295	23,276,477	$ 0.12
Effect of dilutive securities		287,560	
Diluted EPS	$2,907,295	23,564,037	$ 0.12

As of December 31, 2005, all outstanding stock-based compensation awards were included in the computation of diluted EPS because the exercise price of all the options was less than the average market price of the common shares for the period.

	For The Six Months Ended December 31, 2006		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$10,595,789	23,590,292	$ 0.45
Effect of dilutive securities		229,248	
Diluted EPS	$10,595,789	23,819,540	$ 0.44

As of December 31, 2006, all outstanding stock-based compensation awards were included in the computation of diluted EPS because the exercise price of all the options was less than the average market price of the common stock for the period.

	For The Six Months Ended December 31, 2005		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$5,964,726	22,201,543	$ 0.27
Effect of dilutive securities		250,917	
Diluted EPS	$5,964,726	22,452,460	$ 0.27

As of December 31, 2005, all outstanding stock-based compensation awards were included in the computation of diluted EPS because the exercise price of all the options was less than the average market price of the common stock for the period.

7. INCOME TAXES

For the three months ended December 31, 2006, we recorded current and deferred tax expense of $2,550,573 compared with $1,328,312 during the three months ended December 31, 2005. Our effective tax rate for the three months ended December 31, 2006, was 31.2%, compared with 31.4% for the three months ended December 31, 2005. The decrease in our effective tax between periods was the result of a decrease in our State of Colorado tax rates.

For the six months ending December 31, 2006, we recognized current and deferred tax expense totaling $4,958,171 compared with $2,732,647 during the six months ended December 31, 2005. This resulted in an effective tax rate of 31.9% in the current period compared with 31.4% in the prior period. The increase in our effective tax rate is the result of a decrease in our estimated deductions associated with percentage depletion. The increase was also partially offset by a decrease in our State of Colorado tax rates.

8. COMMITMENTS AND CONTINGENCIES

Taparko Project

On March 1, 2006, Royal Gold entered into an Amended and Restated Funding Agreement with Somita related to the Taparko Project in Burkina Faso, West Africa. We have a $35 million funding commitment pursuant to the Amended and Restated Funding Agreement, of which we had funded approximately $30.3 million as of September 30, 2006. During October 2006, we funded an additional $3.3 million to the Taparko Project, resulting in total funding by us of approximately $33.6 million as of January 31, 2007. Subsequent funding of the Taparko Project will be made in installments over the remaining construction period. The Amended and Restated Funding Agreement outlines the construction milestones that must be met prior to each specific funding installment. We expect the project to meet all construction requirements (as defined in the Amended and Restated Funding Agreement) in the second quarter of calendar 2007 **.** We estimate the $35 million will be fully funded by the second quarter of calendar 2007, subject to construction milestones. Our royalties are subject to completion of our funding commitment.

Under a separate Contribution Agreement, High River Gold Mines Ltd ("High River") is responsible for contributing additional equity contributions for any cost overruns incurred during the construction and construction warranty periods. If High River is unable to make the required equity contributions, we have the right to either (a) provide funding that High River failed to fund, or (b) declare a default under the Funding Agreement. In the event that we elect to provide funding in the amount that High River fails to fund, we may elect to acquire either an equity interest in High River, consisting of units of common shares and warrants of High River as defined, or to obtain additional royalty interests in the Taparko Project in a proportional amount to any additional funding compared with our original $35 million funding commitment. As of January 31, 2007, High River has made all required equity commitments as scheduled, under its Contribution Agreement.

Taranis

On November 4, 2005, we entered into a strategic alliance with Taranis for exploration on the Kettukuusikko project located in Finland. During our fiscal year 2006, we funded exploration totaling $500,000 in return for a 2% NSR royalty. We also have an option to fund up to an additional $600,000. The Company elected to exercise this option in April 2006. If we fund the entire additional amount, we will earn a 51% joint venture interest in the Kettukuusikko project, and we will release our 2% NSR royalty. In the event that Royal Gold does not fully fund the $600,000 to earn the joint venture interest, we would retain our 2% NSR royalty. As of December 31, 2006, we have funded $56,404 of the additional $600,000 option.

Revett

Under the terms of the Revett purchase agreement, the Company has the right, but not the obligation, to cure any default by Revett under their obligations pursuant to an existing mortgage payable, secured by a promissory note, to Kennecott Montana Company, a third party and prior joint venture interest owner of the Troy mine. If the Company elects to exercise its right, it would have the subsequent right to reimbursement from Revett for any amounts disbursed in curing such defaults. The principal and accrued interest under the promissory note as of December 31, 2006, was approximately $6.2 million with a maturity date of February 2008.

Casmalia

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

After extensive negotiations, on September 23, 2002, Royal Gold, along with 35 members of the PRP group targeted by EPA, entered into a Partial Consent Decree with the United States of America intending to settle their liability for the United States of America's past and future clean-up costs incurred at the Site. Based on the minimal volume of allegedly hazardous waste that Royal Resources, Inc. disposed of at the Site, our share of the $25.3 million settlement amount was $107,858, which we deposited into the escrow account that the PRP group set up for that purpose in January 2002. The funds were paid to the United States of America on May 9, 2003. The United States of America may only pursue Royal Gold and the other PRPs for additional clean-up costs if the United States of America total clean-up costs at the

Site significantly exceed the expected cost of approximately $272 million. We believe our potential liability with the United States of America to be a remote possibility.

The Partial Consent Decree does not resolve Royal Gold's potential liability to the State of California ("State") for its response costs or for natural resource damages arising from the Site. The State has not expressed any interest in pursuing natural resource damages. However, on October 1, 2002, the State notified Royal Gold and the rest of the PRP group that participated in the settlement with the United States of America that the State would be seeking response costs totaling approximately $12.5 million from them. It is not known what portion of these costs the State expects to recover from this PRP group in settlement. If the State agrees to a volumetric allocation, we will be liable for 0.438% of any settlement amount. However, we expect that our share of liability will be completely covered by a $15 million, zero-deductible insurance policy that the PRP group purchased specifically to protect itself from claims such as that brought by the State. No notices or any other forms of actions with respect to Royal Gold have been made by the State since its October 1, 2002 notice.

9. SUBSEQUENT EVENTS

Revolving Credit Facility

On January 5, 2007, the Company and a wholly-owned subsidiary entered into the Second Amended and Restated Loan Agreement ("Amendment") with HSBC Bank USA National Association ("HSBC"). The Amendment increases our current revolving credit facility from $30 million to $80 million and extends the maturity date of the credit facility to December 31, 2010. The Company's borrowing base will be calculated based on our royalties and will be initially based on its GSR1, GSR3, and NVR1 royalty revenues at the Pipeline Mining Complex and its SJ Claims, Leeville, Bald Mountain and Robinson royalties. The initial availability under the borrowing base is the full $80 million under the credit facility. The Company and the wholly-owned subsidiary granted HSBC security interests in the following: the Company's GSR1, GSR3, and NVR1 royalties at the Pipeline Mining Complex; the Company's SJ Claims, Leeville, Bald Mountain and Robinson royalties; and the Company's debt reserve account at HSBC. No funds were drawn under the $30 million credit facility as of December 31, 2006. As of January 23, 2007, we have drawn $30 million under the revolving credit facility to complete the closing of the Peñasquito acquisition, as discussed below, and $50 million remains available.

Pascua Lama Royalty Acquisition

Effective January 16, 2007, the Company entered into a definitive and binding agreement with a private individual to acquire a sliding-scale NSR royalty for $20.5 million on the Pascua Lama project. Pascua Lama is owned by Barrick and is located on the border between Argentina and Chile. The NSR sliding-scale royalty ranges from 0.16% when the average quarterly gold price is at or below $325 per ounce, to a maximum of 1.08% when the average quarterly gold price equals or exceeds $800 per ounce. The transaction also includes a 0.22% fixed-rate copper royalty. The copper royalty applies to 100% of the copper reserves but does not take effect until after January 1, 2017. The acquisition is subject to customary due diligence and is expected to close in early March 2007. The project is not in production and Barrick is targeting production in calendar 2010.

Peñasquito Royalty Acquisition

On January 23, 2007, we acquired a 2.0% NSR royalty interest on the Peñasquito Project located in the State of Zacatecas, Mexico, a Mexican company that is an indirect subsidiary of Kennecott Exploration Company, a Delaware corporation, for $80 million in cash and 577,434 shares of our Common Stock. We also obtained the right to acquire any or all of a group of NSR royalties ranging from 1.0% to 2.0%

on various other concessions in the same region. The right to acquire the royalties on these various concessions expires with respect to each royalty interest on May 1, 2007.

The Peñasquito Project is composed of two main deposits called Peñasco and Chile Colorado and is under development by Goldcorp Inc. The Peñasquito Project hosts one of the world's largest silver, gold and zinc reserves while also containing large lead reserves. The Peñasquito Project is not in production and the feasibility study conducted for it anticipates initial mine start-up in late calendar 2008 with full production being reached in calendar 2010.

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

General

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. We recommend that you read this MD&A in conjunction with our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our 2006 Annual Report on Form 10-K.

This MD&A contains forward-looking information. Our important note about forward-looking statements, which you will find following this MD&A and the MD&A in our 2006 Annual Report on Form 10-K, applies to these forward-looking statements.

We refer to "GSR," "NSR" and other types of royalty interests throughout this MD&A. These terms are defined in our 2006 Annual Report on Form 10-K.

Overview

Royal Gold, Inc., 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 receive revenue from the project after deducting specified costs, if any.

We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. We also fund exploration on properties thought to contain precious metals and seek to obtain royalties and other carried ownership interests in such properties through the subsequent transfer of operating interests to other mining companies. Substantially all of our revenues are and will be expected to be derived from royalty interests. We do not conduct mining operations at this time. During the quarter ended December 31, 2006, we focused on the management of our existing royalty interests, the acquisition of royalty interests, and the creation of royalty interests through financing and strategic exploration alliances.

Our financial results are primarily tied to the price of gold and other metals, as well as production from our royalty properties. For the quarter ended December 31, 2006, the price of gold averaged $614 per ounce compared with an average price of $486 per ounce for the quarter ended December 31, 2005. Payments received from the recently acquired Mulatos and Robinson royalties, along with an increase in production at Leeville and the Bald Mountain mine contributed to royalty revenue of $12,279,677 during the quarter ended December 31, 2006, compared to royalty revenue of $7,575,307 during the quarter ended December 31, 2005. These increases to our royalty revenue were partially offset by lower production at the Pipeline Mining Complex.

Our principal mineral property interests at December 31, 2006 were:

- Pipeline: Four royalty interests at the Pipeline Mining Complex, which includes the Pipeline and South Pipeline, GAP and Crossroads gold deposits. The Pipeline Mining Complex is operated by the Cortez Joint Venture, which is a joint venture between Barrick (60%), and Kennecott Explorations (Australia) Ltd. (40%), a subsidiary of Rio Tinto plc. Our four royalty interests at the Pipeline Mining Complex are:
    - GSR1 – A sliding-scale GSR royalty that covers the current mine footprint, which includes the Pipeline and South Pipeline deposits, and ranges from 0.4% at a gold price below $210 per ounce to 5.0% at a gold price of $470 per ounce or above;

- GSR2 – A sliding-scale GSR royalty that covers areas outside the Pipeline deposit and ranges from 0.72% at a gold price below $210 per ounce to 9.0% at a gold price of $470 per ounce or above;
- GSR3 – A 0.71% fixed rate GSR royalty on the production covered by GSR1 and GSR2; and
- NVR1 – A fixed rate 0.39% net value royalty on all production on the South Pipeline, Crossroads and some of the GAP deposit, but not covering the Pipeline deposit.

- Robinson: A 3% NSR royalty on the Robinson mine, located in eastern Nevada and operated by Quadra;
- SJ Claims: We hold a 0.9% NSR royalty on the SJ Claims, which covers a portion of the Betze-Post open pit mine, at the Goldstrike operation, located in Nevada and operated by Barrick;
- Leeville: We hold a 1.8% carried working interest, equal to a 1.8% NSR royalty, on the majority of the Leeville Project, which includes both the Leeville South and Leeville North underground mines, located in Nevada and operated by Newmont;
- Troy: Two royalty interests in the Troy underground silver and copper mine, operated by Revett, located in northwestern Montana:
  - A production payment equivalent to a 7.0% GSR royalty until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or we receive $10.5 million in cumulative payments, whichever occurs first; and
  - A GSR royalty which begins at 6.1% on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper, and steps down to a 2% GSR royalty after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper;
- Bald Mountain: A 1.75% sliding-scale NSR royalty interest that increases to 2% at a gold price of approximately $725 per ounce and covers a portion of the Bald Mountain mine in Nevada, operated by Barrick;
- Mulatos: A sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico, and operated by Alamos. The sliding-scale NSR royalty, capped at two million ounces of gold production, ranges from 0.30% payout for gold prices below $300 per ounce up to a maximum rate of 1.50% for gold prices above $400 per ounce; and
- Martha: A 2% NSR royalty on a number of properties in Santa Cruz Province, Argentina, including the Martha mine, which is a high grade underground silver mine and is operated by Coeur d'Alene Mines Corporation.

At December 31, 2006, we also own the following royalty interests that are currently in development stage and are not yet in production:

- Taparko: Subject to completion of our funding commitment, we hold four royalty interests on the Taparko Project, located in Burkina Faso and operated by High River Gold Mines Ltd. Our four royalty interests at the Taparko Project are:

- TB-GSR1 – A production payment equivalent to a 15% GSR royalty on all gold produced from the Taparko Project until either cumulative production of 804,420 ounces of gold is achieved or until we receive $35 million in cumulative payments;
- TB-GSR2 – A production payment equivalent to a GSR sliding-scale royalty, which ranges from 0% to 10%, on all gold produced from the Taparko Project. At a gold price of $600 per ounce, the sliding-scale royalty rate would be 6.0%. TB-GSR2 remains in force until the termination of TB-GSR1;
- TB-GSR3 – A perpetual 2% GSR royalty on all gold produced from the Taparko Project area. TB-GSR3 will commence upon the termination of the TB-GSR1 and TB-GSR2 royalties; and
- TB-MR1 – A 0.75% milling fee royalty on all gold, subject to annual caps, processed through the Taparko Project processing facilities that is mined from any area outside the Taparko Project area.

Receipt of royalty revenue on the Taparko Project is anticipated to commence in the second quarter of calendar 2007.

- Gold Hill: Unpatented mining claims and a sliding-scale NSR royalty on the Gold Hill deposit, located in Nye County, Nevada. The sliding-scale ranges from 1.0%, when the gold price is $350 per ounce or less, to 2.0% when the gold price is above $350 per ounce. Production on the Gold Hill deposit is expected to commence once permitting is completed and equipment from the Round Mountain pit becomes available. Please see "Royalty Acquisitions – Gold Hill" below for further information regarding the Gold Hill acquisition.

During the first quarter of calendar 2006, we received production estimates, attributable to our royalty interests, for calendar year 2006. The calendar 2006 production estimates and actual production attributable to our royalty interests during calendar 2006 are as follows:

Royalty	Operator	Metal	Calendar 2006 Production Estimate		Reported Production through December 31, 2006 [4]	
Pipeline GSR1	Barrick	Gold	385,000	oz.	438,073	oz.
Pipeline GSR3	Barrick	Gold	385,000	oz.	438,073	oz.
Pipeline NVR1	Barrick	Gold	213,000	oz.	130,837	oz.
Robinson	Quadra	Gold	53,500	oz. [1]	38,840	oz. [1]
SJ Claims	Barrick	Gold	903,000	oz.	929,220	oz.
Leeville North	Newmont	Gold	196,000	oz.	127,369	oz.
Leeville South	Newmont	Gold	29,000	oz.	44,430	oz.
Bald Mountain	Barrick	Gold	248,000	oz.	216,128	oz.
Mulatos	Alamos	Gold	110,000 to 120,000	oz. [1]	70,215	oz. [1]
Troy	Revett	Silver	1.8 million	oz.	820,582	oz.
Martha	Coeur D'Alene	Silver	2.5 million	oz.	2.8 million	oz.
Troy	Revett	Copper	15.6 million	lbs.	6.7 million	lbs.
Robinson	Quadra	Copper	115 million	lbs. [1][2]	71.3 million	lbs. [1]
Robinson	Quadra	Molybdenum	0.5 to 1.0 million	lbs. [1][3]	40,935	lbs. [1]

[1] Production estimates are for the full 2006 calendar year. The reported production through December 31, 2006, reflects the production attributable to the Company's interest during the calendar year, which commenced in June 2006 for Robinson and April 2006 for Mulatos.

(2) In October 2006, Quadra reported that their original copper production estimate of 125 to 130 million pounds of copper in concentrate will not be met due to the presence of high levels of oxide copper contained within the ore supergene zone.

(3) In August 2006, Quadra reported that their original molybdenum production estimates will not be met. Quadra was not able to provide updated molybdenum production estimates at that time.

(4) Reported production relates to the amount of metal sales, subject to our royalty interests, through December 31, 2006, as reported to us by the operators of the mines.

Royalty Acquisitions

Gold Hill

As discussed in Note 2 in the accompanying Notes to Consolidated Financial Statements, on December 8, 2006, Royal Gold paid $3.3 million to Nevada Star Resource Corp. in exchange for a sliding-scale NSR royalty and certain unpatented mining claims on the Gold Hill deposit. The NSR sliding-scale royalty on the Gold Hill deposit will pay 2.0% when the price of gold is above $350 per ounce and 1.0% when the price of gold falls to $350 per ounce or below. The royalty is also subject to a minimum royalty payment of $100,000 per year. The Gold Hill deposit, located just north of the Round Mountain gold mine in Nye County, Nevada, is controlled by Round Mountain Gold Corporation, a joint venture between Kinross Gold, the operator, and Barrick. Production on the Gold Hill deposit is expected to commence once permitting is completed and equipment from the Round Mountain pit becomes available.

Pascua Lama

As discussed in Note 9 in the accompanying Notes to Consolidated Financial Statements, on January 16, 2007, we entered into an agreement with a private individual to acquire a sliding-scale NSR royalty on gold which is derived from certain mineral concessions located at the Pascua Lama project in Chile for $20.5 million. Barrick owns the Pascua Lama project, and is targeting production to commence in calendar 2010. The acquisition also includes a NSR royalty on copper sold after January 1, 2017. The acquisition is subject to customary due diligence and is expected to close in early March 2007.

The sliding-scale ranges from 0.16%, when the average quarterly gold price is $325 per ounce or less, to 1.08% when the average quarterly gold price is $800 per ounce or more. The agreement also includes a 0.22% fixed-rate copper royalty that applies to 100% of the Pascua Lama copper reserves in Chile but does not take effect until after January 1, 2017.

According to Barrick's publicly available reserve and resource statement of December 31, 2005 (filed with the Canadian Securities Administrators by Barrick and available at www.sedar.com), Pascua Lama's proven and probable gold reserves include 397 million tons of ore, at a grade of 0.046 ounces per ton, containing about 18.0 million ounces of gold. Approximately 80% of the reserves are located in Chile.

Peñasquito Project

Also as discussed in Note 9 in the accompanying Notes to Consolidated Financial Statements, on January 23, 2007, we acquired a 2.0% NSR royalty interest on the Peñasquito Project located in the State of Zacatecas, Mexico, a Mexican company that is an indirect subsidiary of Kennecott Exploration Company, a Delaware corporation, for $80 million in cash and 577,434 shares of our Common Stock. We also obtained the right to acquire any or all of a group of NSR royalties ranging from 1.0% to 2.0% on various other concessions in the same region. The right to acquire the royalties on these various concessions expires with respect to each royalty interest on May 1, 2007.

The Peñasquito Project is composed of two main deposits called Peñasco and Chile Colorado and is under development by Goldcorp Inc. The Peñasquito Project hosts one of the world's largest silver, gold and zinc reserves while also containing large lead reserves.

According to the feasibility study for the Peñasquito Project completed July 31, 2006 (filed with the Canadian Securities Administrators by Glamis Gold and available at www.sedar.com), Peñasquito contains the following proven and probable reserves: 621.6 million tons of ore, with an average grade of 0.015 ounces per ton, containing 10.0 million ounces of gold; 621.6 million tons of ore, with an average grade of 0.924 ounces per ton, containing 575 million ounces of silver; 525.7 million tons of ore, with an average grade of 0.76%, containing 8.0 billion pounds of zinc; and 525.7 million tons of ore, with an average grade of 0.35%, containing 3.7 billion pounds of lead. Contained ounces or contained pounds described do not take into account losses in processing the ore. The feasibility study uses metal prices assumptions for purposes of calculating reserves of $450 per ounce of gold, $7.00 per ounce of silver, $0.60 per pound of zinc and $0.30 per pound of lead and estimates co-product cash costs to average $125 per ounce of gold, $4.91 per ounce of silver and $0.44 per pound of zinc, with lead revenue taken as a credit to production costs.

The feasibility study estimates a mine life of approximately 17 years and anticipates initial mine start-up in late calendar 2008 with full production being reached in calendar 2012.

Internal Review of Stock Option Matters

On December 12, 2006, a Wall Street Journal article raised the topic that certain officers of public companies, including the chairman of the company, may have backdated the exercise of certain of their options based on the frequency of exercises occurring on dates with low trading prices during the month of exercise. Promptly after learning of the story, the chairman of the company advised the board of directors' audit committee regarding the matter. The audit committee then initiated a voluntary review and retained independent counsel to assist in its review of stock option practices. On February 7, 2007, the independent counsel made its final report to the audit committee of its findings.

The principal findings of that report were as follows:

- The review of stock option exercise information covered the period from 1990 to 2002. The review found no evidence that the company had a policy or sanctioned practice of permitting backdating of stock option exercise dates.
- Counsel was unable to conclude that intentional backdating of stock option exercise dates occurred, or to rule out the possibility that such intentional backdating did occur. Counsel found several instances in which two current officers and several former officers of the company (and two instances in which a former outside director) exercised stock options on the day or days when the trading price for the company's common stock during the month of exercise was lowest.
- Counsel found that the conduct of the current president and chief executive officer, chief financial officer, general counsel, and controller is not implicated in any way in the issues that were subject of the review.
- The review found no evidence that any current or former officer's conduct involved any effort to mislead investors, to inaccurately improve the financial results of the company, or to obtain any personal benefit at the expense of the company.
- Counsel also reviewed the company's stock option grant procedures since 1990. The review found no evidence that the company's stock option grant dates had been backdated.
- Counsel also found historical weaknesses in internal controls with respect to exercise of stock options and the stock option practices generally, but found that such historical weaknesses in internal controls have been remediated. Since 2002 internal controls regarding the company's stock option practices have been substantially upgraded.

The company has concluded that there is no tax or financial statement impact resulting from the review of its stock option exercise and grant practices.

Results of Operations

Quarter Ended December 31, 2006, Compared to Quarter Ended December 31, 2005

For the quarter ended December 31, 2006, we recorded net earnings of $5,635,652, or $0.24 per basic and diluted share, as compared to net earnings of $2,907,295, or $0.12 per basic and diluted share, for the quarter ended December 31, 2005.

For the quarter ended December 31, 2006, we received total royalty revenue of $12,279,677, at an average gold price of $614 per ounce, compared to royalty revenue of $7,575,307, at an average gold price of $486 per ounce for the quarter ended September 30, 2005. Royalty revenue and the corresponding production attributable to our royalty interests, for the quarter ended December 31, 2006 compared to the quarter ended December 31, 2005, is as follows:

Royalty Revenue and Production Subject to Our Royalty Interests
Quarter Ended December 31, 2006 and 2005

		Quarter Ended December 31, 2006		Quarter Ended December 31, 2005	
Royalty	Metal(s)	Royalty Revenue	Reported Production [2]	Royalty Revenue	Reported Production [2]
Pipeline	Gold	$ 4,946,901	138,332 oz.	$ 5,526,543	196,616 oz.
SJ Claims	Gold	$ 1,533,394	275,968 oz.	$ 1,196,313	272,138 oz.
Leeville	Gold	$ 1,251,732	113,843 oz.	$ 213,311	25,303 oz.
Bald Mountain	Gold	$ 406,000	37,829 oz.	$ 142,572	16,719 oz.
Robinson [1]		$ 3,224,457			
	Gold		15,599 oz.	N/A	N/A
	Copper		24,103,457 lbs.	N/A	N/A
	Molybdenum		— lbs.	N/A	N/A
Mulatos [1]	Gold	$ 243,428	26,660 oz.	N/A	N/A
Troy		$ 450,583		$ 380,789	
	Silver		167,238 oz.		244,037 oz.
	Copper		1,422,255 lbs.		1,927,950 lbs.
Martha	Silver	$ 223,182	932,877 oz.	$ 115,719	538,411 oz.
	Total Revenue	$ 12,279,677		$ 7,575,307	

(1) Receipt of royalty revenue commenced during our fourth quarter of fiscal year 2006.

(2) Reported production relates to the amount of metal sales, subject to our royalty interests, through December 31, 2006, as reported to us by the operators of the mines.

The increase in royalty revenue for the quarter ended December 31, 2006 compared with the quarter ended December 31, 2005, primarily resulted from an increase in metal prices, increased production at Leeville and the Bald Mountain mine, and payments from the recently acquired Robinson and Mulatos royalties. These increases were partially offset by a decrease in production at the Pipeline Mining Complex and Troy mine.

Cost of operations increased to $872,070 for the quarter ended December 31, 2006, compared to $617,509 for the quarter ended December 31, 2005. The increase was primarily due to an increase in the

Nevada Net Proceeds Tax expense, which resulted primarily from an increase in royalty revenue from Leeville, Bald Mountain and the recently acquired Robinson royalty.

General and administrative expenses decreased to $1,532,265 for the quarter ended December 31, 2006, compared to $1,647,996 for the quarter ended December 31, 2005. The decrease was primarily due to a decrease in corporate costs of approximately $123,000. The decrease was partially offset by an increase in legal fees.

Exploration and business development expenses decreased to $472,630 for the quarter ended December 31, 2006, compared to $1,026,540 for the quarter ended December 31, 2005. The decrease was primarily due to a decrease in exploration costs of approximately $150,000 and a decrease in legal and consulting services associated with business development of approximately $95,000 and $123,000, respectively. A decrease in the non-cash compensation expense allocated to business development of approximately $142,000 also contributed to the overall decrease.

Depreciation, depletion and amortization increased to $2,105,475 for the quarter ended December 31, 2006, compared to $1,030,444 for the quarter ended December 31, 2005. The increase was primarily due to increased production at Leeville, along with the addition of the Mulatos and Robinson mine royalties, both resulting in additional depletion.

As discussed in Note 5 in the accompanying Notes to Consolidated Financial Statements, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (revised 2004), Share-Based Payment ("SFAS 123(R)"). SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, restricted stock, and performance shares, to be recognized in the financial statements based on their fair values. In accordance with SFAS 123(R), the Company recorded total non-cash stock compensation expense related to our equity compensation plans of $909,682 for the quarter ended December 31, 2006, compared to $1,074,485 for the quarter ended December 31, 2005. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our Consolidated Statements of Operations and Comprehensive Income. The total non-cash compensation expense allocated to cost of operations, general and administrative expenses, and exploration and business development expenses for the quarter ended December 31, 2006, was $116,441, $608,003 and $185,238, respectively, compared with $128,079, $619,072 and $327,334, respectively, for the quarter ended December 31, 2005.

Interest and other income decreased to $954,369 for the quarter ended December 31, 2006, compared to $1,016,562 for the quarter ended December 31, 2005. The decrease is primarily due to a decrease in funds available for investing over the prior period.

For the three months ended December 31, 2006, we recorded current and deferred tax expense of $2,550,573 compared with $1,328,312 during the three months ended December 31, 2005. Our effective tax rate for the three months ended December 31, 2006, was 31.2%, compared with 31.4% for the three months ended December 31, 2005. The decrease in our effective tax between periods was the result of a decrease in our State of Colorado tax rates.

Six Months Ended December 31, 2006, Compared to Six Months Ended December 31, 2005

For the six months ended December 31, 2006, we recorded net earnings of $10,595,789, or $0.45 per basic share and $0.44 per diluted share, as compared to net earnings of $5,964,726, or $0.27 per basic and diluted share, for the six months ended December 31, 2005.

For the six months ended December 31, 2006, we received total royalty revenue of $22,025,470, at an average gold price of $618 per ounce, compared to royalty revenue of $14,402,927, at an average gold price of $463 per ounce for the six months ended December 31, 2005. Royalty revenue and the

corresponding production attributable to our royalty interests, for the six months ended December 31, 2006 compared to the six months ended December 31, 2005, is as follows:

Royalty Revenue and Production Subject to Our Royalty Interests
Six Months Ended December 31, 2006 and 2005

Royalty	Metal(s)	Six Months Ended December 31, 2006 Royalty Revenue	Six Months Ended December 31, 2006 Reported Production [2]	Six Month Ended December 31, 2005 Royalty Revenue	Six Month Ended December 31, 2005 Reported Production [2]
Pipeline	Gold	$ 9,479,512	263,697 oz.	$ 10,896,963	424,598 oz.
SJ Claims	Gold	$ 2,356,826	425,268 oz.	$ 2,109,374	501,597 oz.
Leeville	Gold	$ 1,464,194	133,097 oz.	$ 728,741	44,994 oz.
Bald Mountain	Gold	$ 937,662	111,530 oz.	$ 211,791	25,719 oz.
Robinson [1]		$ 5,933,769			
	Gold		25,758 oz.	N/A	N/A
	Copper		44,040,345 lbs.	N/A	N/A
	Molybdenum		40,935 lbs.	N/A	N/A
Mulatos [1]	Gold	$ 429,411	46,303 oz.	N/A	N/A
Troy		$ 1,020,276		$ 649,303	
	Silver		371,507 oz.		435,453 oz.
	Copper		3,084,244 lbs.		3,511,421 lbs.
Martha	Silver	$ 403,822	1,708,728 oz.	$ 163,980	1,108,284 oz.
	Total Revenue	$ 22,025,470		$ 14,402,927	

(1) Receipt of royalty revenue commenced during our fourth quarter of fiscal year 2006.

(2) Reported production relates to the amount of metal sales, subject to our royalty interests, through December 31, 2006, as reported to us by the operators of the mines.

The increase in royalty revenue for the six months ended December 31, 2006 compared with the six months ended December 31, 2005, primarily resulted from an increase in metal prices, increased production at Leeville, the Bald Mountain mine, and payments from the recently acquired Mulatos and Robinson royalties. These increases were partially offset by a decrease in production at the Pipeline Mining Complex.

Cost of operations increased to $1,530,587 for the six months ended December 31, 2006, compared to $1,107,207 for the six months ended December 31, 2005. The increase was primarily due to an increase in the Nevada Net Proceeds Tax expense, which resulted primarily from an increase in royalty revenue from Leeville, Bald Mountain and the recently acquired Robinson royalty.

General and administrative expenses increased to $2,665,921 for the six months ended December 31, 2006, compared to $2,607,504 for the six months ended December 31, 2005. The increase was primarily due to an increase in legal fees of approximately $40,000.

Exploration and business development expenses decreased to $891,171 for the six months ended December 31, 2006, compared to $1,461,250 for the six months ended December 31, 2005. The decrease was primarily due to a decrease in non-cash compensation expense allocated to exploration and business development expense of approximately $108,000, a decrease in consulting services of approximately $134,000 and a decrease in legal fees of approximately $82,000.

Depreciation, depletion and amortization increased to $3,177,691 for the six months ended December 31, 2006, compared to $1,928,469 for the six months ended December 31, 2005. The increase was primarily due to increased production at Leeville, along with the addition of the Mulatos and Robinson mine royalties, which resulted in additional depletion.

As discussed in Note 5 in the accompanying Notes to Consolidated Financial Statements, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (revised 2004), Share-Based Payment ("SFAS 123(R)"). SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, restricted stock, and performance shares, to be recognized in the financial statements based on their fair values. In accordance with SFAS 123(R), the Company recorded total non-cash stock compensation expense related to our equity compensation plans of $1,322,521 for the six months ended December 31, 2006, compared to $1,312,826 for the six months ended December 31, 2005. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our Consolidated Statements of Operations and Comprehensive Income. The total non-cash compensation expense allocated to cost of operations, general and administrative expenses, and exploration and business development expenses for the six months ended December 31, 2006, was $173,870, $841,432 and $307,219, respectively, compared with $156,664, $741,028 and $415,134, respectively, for the six months ended December 31, 2005.

As of December 31, 2006, there was $1,574,325, $2,737,917, and $585,834 of total unrecognized non-cash stock compensation expense related to our non-vested stock options, Restricted Stock and Performance Shares, respectively, granted under our equity compensation plan. We expect to recognize the non-cash compensation expense related to our non-vested stock options, Restricted Stock and Performance Shares over a period of 1.8 years, 4.75 years, and 0.5 years, respectively.

Interest and other income increased to $1,925,555 for the six months ended December 31, 2006, compared to $1,453,656 for the six months ended December 31, 2005. The increase is primarily due to higher interest rates over the prior period.

For the six months ending December 31, 2006, we recognized current and deferred tax expense totaling $4,958,171 compared with $2,732,647 during the six months ended December 31, 2005. This resulted in an effective tax rate of 31.9% in the current period compared with 31.4% in the prior period. The increase in our effective tax rate is the result of a decrease in our estimated deductions associated with percentage depletion. The increase was also partially offset by a decrease in our State of Colorado tax rates.

Liquidity and Capital Resources

At December 31, 2006, we had current assets of $80,148,050 compared to current liabilities of $5,690,550 for a current ratio of nearly 14 to 1. This compares to current assets of $84,775,896 and current liabilities of $3,323,516 at June 30, 2006, resulting in a current ratio of 26 to 1. The decrease in the current ratio is due primarily to a decrease in available cash of approximately $7.5 million and an increase in our accounts payable of approximately $1.7 million. Our available cash decreased as a result of our additional funding of the High River royalties of $14.9 million, the acquisition of the Gold Hill royalty of $3.3 million and dividend payments of $2.6 million during the period. These payments were partially offset by cash received from operations of approximately $12.9 million during the period. Our accounts payable increased as a result of additional Nevada Net Proceeds Tax payable, which is due to an increase in royalty revenue on our Nevada properties during the period.

During the six months ended December 31, 2006, liquidity needs were met from $22,025,470 in royalty revenues, our available cash resources, interest and other income of $1,925,555 and net proceeds from the issuance of common stock of $282,501.

On January 5, 2007, the Company and a wholly-owned subsidiary entered into the Second Amended and Restated Loan Agreement ("Amendment") with HSBC Bank USA National Association ("HSBC"). The Amendment increases our current revolving credit facility from $30 million to $80 million and extends the maturity date of the credit facility to December 31, 2010. The Company's borrowing base will be calculated based on the Company's royalties and will be initially based on its GSR1, GSR3, and NVR1 at the Pipeline Mining Complex and its SJ Claims, Leeville, Bald Mountain and Robinson royalties. The initial availability under the borrowing base is the full $80 million under the credit facility. The Company and the wholly-owned subsidiary granted HSBC security interests in the following: the Company's GSR1, GSR3, and NVR1 royalties at the Pipeline Mining Complex; the Company's SJ Claims, Leeville, Bald Mountain and Robinson royalties; and the Company's debt reserve account at HSBC. No funds were drawn under the $30 million credit facility as of December 31, 2006. As of January 23, 2007, we have drawn $30 million under the revolving credit facility to complete the closing of the Peñasquito acquisition. Following the drawdown, there is $50 million that remains available under the credit facility.

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

On November 8, 2006, the Company announced that its Board of Directors increased the Company's annual (calendar year) dividend from $0.22 to $0.26, payable on a quarterly basis of $0.065 per share of common stock, beginning with the quarterly dividend paid on January 19, 2007.

Recently Issued Accounting Pronouncements

On July 13, 2006, Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109, was issued. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS 109. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The provisions of FIN 48 are effective for our fiscal year beginning July 1, 2007. The Company is evaluating the impact, if any, the adoption of FIN 48 could have on our financial statements.

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements. Statement No. 157 provides guidance for using fair value to measure assets and liabilities. Statement No. 157 applies whenever other accounting standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. Under Statement No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability between market participants in the market in which the reporting entity transacts. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. The provisions of Statement No. 157 are effective for our fiscal year beginning July 1, 2008, and interim periods within the fiscal year. The Company is evaluating the impact, if any, the adoption of Statement No. 157 could have on our financial statements.

Also in September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108 ("SAB 108"), Financial Statements – Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's

financial statements are materially misstated. SAB 108 provides that once a current year misstatement has been quantified, the guidance in SAB No. 99, Financial Statements – Materiality, should be applied to determine whether the misstatement is material and should result in an adjustment to the financial statements. We will apply the provisions of SAB 108 with the preparation of our annual financial statements for the fiscal year ending June 30, 2007. The Company is currently evaluating, but does not expect the application of the provisions of SAB 108 to have a material impact, if any, on our financial statements for the fiscal year ending June 30, 2007.

Forward-Looking Statements

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

- changes in gold and other metals;
- the performance of the Pipeline Mining Complex and our other producing royalty properties;
- decisions and activities of the operators of our royalty properties;
- unanticipated grade, geological, metallurgical, processing or other problems at these properties;
- changes in project parameters as plans of the operators are refined;
- changes in estimates of reserves and mineralization by the operators of our royalty properties;
- the completion of the construction of the Taparko Project in 2007;
- economic and market conditions;
- future financial needs;
- foreign, federal or state legislation governing us or the operators;
- the availability and our ability to successfully complete royalty acquisitions; and
- the ultimate additional liability, if any, to the State of California in connection with Casmalia matter;

as well as other factors described elsewhere in our Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission (the "SEC"). Most of these factors are beyond our ability to predict or control. We disclaim any obligation to update any forward-looking statement made herein. Readers are cautioned not to put undue reliance on forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our earnings and cash flow are significantly impacted by changes in the market price of gold. Gold prices can fluctuate widely 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 "Decreases in prices of gold, silver and copper would reduce our royalty revenues," under Part I, Item 1A of our 2006 Annual Report on
Form 10-K for more information that can affect gold prices. During the last five years, the market price for gold has fluctuated between $278 per ounce and $725 per ounce.

During the six months ended December 31, 2006, we reported royalty revenues of $22,025,470, with an average gold price for the period of $618 per ounce. The Company's GSR1 royalty, on the Pipeline Mining Complex, which produced approximately 43% of the Company's revenues for the period, is a sliding-scale royalty with variable royalty rate steps based on the average London PM gold price for the period. These variable steps are described in the Company's Annual Report on Form 10-K. For the quarter ended December 31, 2006, if the price of gold had averaged higher or lower by $20 per ounce, the Company would have recorded an increase or decrease in revenues of approximately $357,000. Due to the set price steps in GSR1, the effects of changes in the price of gold cannot be extrapolated on a linear basis.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Securities and Exchange Commission (the "SEC") defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. The definition further states that disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Our President and Chief Executive Officer and our Chief Financial Officer, based on their evaluation of our disclosure controls and procedures as of December 31, 2006, concluded that our disclosure controls and procedures were effective for this purpose.

Changes in Internal Controls

During the fiscal quarter ended December 31, 2006, there was no change in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A. RISK FACTORS

Information regarding risk factors appears in Item 2 “MD&A – Forward-Looking Statements,” and various risks faced by us are also discussed elsewhere in Item 2 “MD&A” of this Quarterly Report on Form 10-Q. In addition, risk factors are included in Part I, Item 1A of our 2006 Annual Report on Form 10-K. There have been no material changes from the risk factors previously disclosed in our 2006 Annual Report on Form 10-K. In addition to the risk factors previously disclosed, we identify the following risk related to our business:

Acquired royalty interests may not produce anticipated royalty revenues

The royalty interests we acquire may not produce the anticipated royalty revenues. The success of our royalty acquisitions is based on our ability to make accurate assumptions regarding the valuation and timing and amount of royalty payments, particularly acquisitions of royalties on development stage properties. If the operator does not bring the property into production and operate in accordance with feasibility studies, acquired royalty interests may not yield royalty revenues or sufficient royalty revenues to be profitable. The Taparko Project in Burkina Faso and the Peñasquito Project in Mexico represent our largest development or pre-production stage royalty acquisitions to date. In addition, our Pascua Lama proposed acquisition in Chile is in a pre-production stage. The failure of these projects to produce anticipated royalty revenues may materially or adversely affect our anticipated revenue and cash flows and our return on investment.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

On November 8, 2006, we held our 2006 Annual Meeting of Stockholders. The matters voted upon at the meeting, for shareholders of record as of September 28, 2006, and the vote with respect to each such matters are set forth below:

1. To elect directors of Royal Gold, Inc.:

	For	Withheld
Stanley Dempsey	18,753,416	663,843
Tony Jensen	19,349,358	67,901
John W. Goth	19,218,666	49,798

2. To approve the appointment of PricewaterhouseCoopers as the independent registered public accounting firm of Royal Gold, Inc. for the fiscal year ending June 30, 2007:

For:	Against:	Abstain:
19,347,347	20,114	49,798

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

10.1 Form of Indemnification Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on November 13, 2006 and incorporated herein by reference).

10.2 Purchase and Sale Agreement for Peñasquito and Other Royalties among Minera Kennecott S.A. DE C.V., Kennecott Exploration Company and Royal Gold, Inc., dated December 28, 2006.

10.3 Shares for Debt Agreement between Kennecott Exploration Company and Royal Gold, Inc., dated December 28, 2006.

10.4 Contract for Assignment of Rights Granted, by Minera Kennecott, S.A. de C.V. Represented in this Agreement by Mr. Dave F. Simpson, and Minera Peñasquito, S.A. de C.V., Represented in this Agreement by Attorney, Jose Maria Gallardo Tamayo.

10.5 Second Amended and Restated Loan Agreement among Royal Gold, Inc., High Desert Mineral Resources, Inc. and HSBC Bank USA, National Association, dated January 5, 2007.

10.6 Supplemental Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement between High Desert Mineral Resources, Inc. and HSBC USA Bank, National Association, dated January 5, 2007.

10.7 Amended and Restated Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement between Royal Gold and HSBC USA Bank, National Association, dated January 5, 2007.

10.8 Second Amended and Restated Promissory Note between Royal Gold, High Desert Mineral Resources, Inc. and HSBC USA Bank, National Association, dated January 5, 2007.

10.9 Assignment of Rights Agreement among Mario Ivan Hernández Alvarez, Royal Gold Chile Limitada and Royal Gold Inc., dated January 16, 2007.

31.1 Certification of the President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

99.1 Form of Amended Code of Ethics (filed as Exhibit 99.1 to the Company's current Report on Form 8-K. (File No. 001-13357) on November 13, 2006, and incorporated herein by reference.)

SIGNATURES

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

ROYAL GOLD, INC.

Date: February 9, 2007

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

Date: February 9, 2007

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

Exhibit Index

10.1	Form of Indemnification Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on November 13, 2006 and incorporated herein by reference).
10.2	Purchase and Sale Agreement for Peñasquito and Other Royalties among Minera Kennecott S.A. DE C.V., Kennecott Exploration Company and Royal Gold, Inc., dated December 28, 2006.
10.3	Shares for Debt Agreement between Kennecott Exploration Company and Royal Gold, Inc., dated December 28, 2006.
10.4	Contract for Assignment of Rights Granted, by Minera Kennecott, S.A. de C.V. Represented in this Agreement by Mr. Dave F. Simpson, and Minera Peñasquito, S.A. de C.V., Represented in this Agreement by Attorney, Jose Maria Gallardo Tamayo.
10.5	Second Amended and Restated Loan Agreement among Royal Gold, Inc., High Desert Mineral Resources, Inc. and HSBC Bank USA, National Association, dated January 5, 2007.
10.6	Supplemental Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement between High Desert Mineral Resources, Inc. and HSBC USA Bank, National Association, dated January 5, 2007.
10.7	Amended and Restated Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement between Royal Gold and HSBC USA Bank, National Association, dated January 5, 2007.
10.8	Second Amended and Restated Promissory Note between Royal Gold, High Desert Mineral Resources, Inc. and HSBC USA Bank, National Association, dated January 5, 2007.
10.9	Assignment of Rights Agreement among Mario Ivan Hernández Alvarez, Royal Gold Chile Limitada and Royal Gold Inc., dated January 16, 2007.
31.1	Certification of the President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
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99.1	Form of Amended Code of Ethics (filed as Exhibit 99.1 to the Company's current Report on Form 8-K. (File No. 001-13357) on November 13, 2006, and incorporated herein by reference.)

Exhibit 10.2

PURCHASE AND SALE AGREEMENT

FOR

PEÑASQUITO AND OTHER ROYALTIES

BETWEEN

MINERA KENNECOTT S.A. DE C.V.

as Vendor

KENNECOTT EXPLORATION COMPANY

as Vendor Parent

AND

ROYAL GOLD, INC.

As Purchaser

December 28 **,** 2006

PURCHASE AND SALE AGREEMENT

FOR

PEÑASQUITO AND OTHER ROYALTIES

THIS PURCHASE AND SALE AGREEMENT is made as of this 28th day of December **,** 2006

BETWEEN:

MINERA KENNECOTT S.A. DE C.V. , a company incorporated under the laws of Mexico (the " **Vendor** "),

KENNECOTT EXPLORATION COMPANY , a Delaware corporation (" **KEC** ")

AND:

ROYAL GOLD, INC. , a Delaware corporation

(the " **Purchaser** ").

THIS AGREEMENT WITNESSES that in consideration of the premises and the mutual covenants, agreements, representations, warranties and payments contained in this Agreement, the parties agree with each other as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1. **Definitions**

Unless the context otherwise requires, where used in this Agreement, the following terms shall have the respective meanings set out below, and grammatical variations of such terms shall have corresponding meanings:

1.1.1. " **Agreement** " means this Purchase and Sale Agreement for Peñasquito and Other Royalties.

1.1.2. " **Assumed Liabilities** " has the meaning set forth in Section 7.1.

1.1.3. " **Business Day** " means any day that is not a Saturday or Sunday or a statutory holiday in either Denver, Colorado or Salt Lake City, Utah.

1.1.4. " **Concessions** " mean the Other Concessions and the Peñasquito Concessions.

1.1.5. " **Data Disclosure Agreement** " means that certain Data Disclosure Agreement between KEC and Purchaser, effective October 4, 2006.

1.1.6. " **Disclosure Documents** " means the financial statements, annual, quarterly or current reports, proxy statements, and other documents required to be filed by the Purchaser pursuant to the reporting requirements of the United States Securities Exchange Act of 1934, as amended (the " **1934 Act** ") and the registration statement on Form S-4 (File no. 333-111590) (the " **Registration Statement** "), including exhibits, financial statements or other documents or required 1934 Act filings that are incorporated therein, and as may be amended by any prospectus supplement or post-effective amendment filed with the United States Securities and Exchange Commission (the " **SEC** ").

1.1.7. " **Environmental Laws** " means all Laws relating to the environment and/or the protection thereof, including without limitation with respect to the following substances and/or the transportation thereof:

1.1.7.1. any substance the presence of which requires reporting, investigation, removal and remediation under any Laws;

1.1.7.2. any substance that is defined as a pollutant, contaminant, dangerous substance, toxic substance, hazardous or toxic chemical, hazardous waste or hazardous substance under any Laws;

1.1.7.3. any substance that is toxic, explosive, corrosive, flammable, ignitable, infectious, carcinogenic or otherwise hazardous and is regulated by or forms the basis of liability under any Laws;

1.1.7.4. any substance the presence of which on a property causes or threatens to cause a nuisance upon the property or to adjacent properties or poses or threatens to pose a hazard to health or safety of persons on or about a property;

1.1.7.5. any substance that contains gasoline, diesel fuel or other petroleum hydrocarbons, including crude oil and fractions thereof, natural gas, synthetic gas and any mixtures thereof;

1.1.7.6. any substance that contains asbestos and/or asbestos-containing materials; or

1.1.7.7. any substance that contains pcbs, or pcb-containing materials or fluids.

1.1.8. **"Governmental Authority"** means a federal, state, provincial, regional, municipal or local government in the United States of America or Mexico or a subdivision thereof including an entity, person, court or other body or organization exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government or subdivision.

1.1.9. " **KEC** " has the meaning set forth on the first page of this Agreement.

1.1.10. " **Knowledge of Vendor** " means the actual knowledge of Stephen Scott, without any duty of inquiry or recollection whatsoever with nothing being imputed or deemed to be known even if known and accessible means of knowledge exists or actual notice of information has been received.

1.1.11. **"Laws"** means all laws, statutes, ordinances, regulations, rules and orders of any Governmental Authority applicable to a party, this Agreement, the Royalties or the Concessions, including without limitation labor, tax, and Environmental Laws.

1.1.12. " **LIBOR** " means for any month the the London Inter-Bank Offered Rate on the first Business Day of that month.

1.1.13. " **Minera Peñasquito** " means Minera Peñasquito S.A. de C. V., a Mexican corporation.

1.1.14. " **Notice** " shall have the meaning set forth in Section 10.3.

1.1.15. " **Other Concessions** " means (i) all of the concessions, except the Peñasquito Concessions, that are identified in Exhibit A to the Termination of Property Rights Agreement, (ii) the concessions identified in "CONTRATO DE CESION DE DERECHOS QUE OTORGA, POR UNA PARTE, MINERA KENNECOTT, S.A. DE C.V., REPRESENTADA EN ESTE ACTO POR EL SR. DAVE F. SIMPSON Y, POR LA OTRA, MINERA PEÑASQUITO, S.A. DE C.V., REPRESENTADA EN ESTE ACTO POR EL SR. ABELARDO GARZA HERNANDEZ," dated November 24 and 26, 1999, a copy of which is attached as Schedule B1 to this Agreement, (iii) the concessions identified in "CONTRATO DE CESION DE DERECHOS QUE OTORGA, POR UNA PARTE, MINERA KENNECOTT, S.A. DE C.V., REPRESENTADA EN ESTE ACTO POR EL SR. DAVE F. SIMPSON Y, POR LA OTRA, MINERA AGUA TIERRA, S.A. DE C.V., REPRESENTADA EN ESTE ACTO POR LA LIC. YVONNE AVALOS CAZARES," dated November 8 and 19, 1999, a copy of which is attached as Schedule B2 to this Agreement, and (iv) any Projects which were for base or precious metals and in respect of which any member of the Rio Tinto Group holds a royalty or similar interest which it has the legal right, power and authority to sell and dispose of without breaching any contractual or other obligation to any third party, the Vendor and KEC acknowledging that to Vendor's Knowledge it holds no such royalties and interests and the Purchaser acknowledging and confirming to the Vendor and KEC that it does not know whether any such royalties or interests exist, and (v) includes all rights if any which have been obtained since May 5, 1999 by conversion, extension or substitution of any concession described in Subsections (i) – (iv) above.

1.1.16. " **Other Royalties** " means the right, title and interest, if any, that was granted to the Vendor and/or KEC in, to, relating to or arising from the 2% net smelter royalties and the 1% net smelter royalties, as the case may be, with respect to the Other Concessions provided in (a) Section 4 of the Termination of Property Rights Agreement or (b) the contractos attached hereto as Schedule B.

1.1.17. " **Other Royalties Closing** " has the meaning set forth in Section 6.1.2.

1.1.18. " **Other Royalties Closing Date** " means a date to be agreed by the parties no later than 10 Business Days after the Purchaser notifies the Vendor which, if any, of the Other Royalties it will purchase, but in no event shall the Other Royalties Closing Date be earlier than the Peñasquito Royalty Closing Date.

1.1.19. " **Other Royalties Purchase Price** " has the meaning set forth in Section 2.2.

1.1.20. " **Peñasquito Concessions** " means the EL PEÑASQUITO, LA PEÑA, LAS PEÑAS, ALFA, and BETA concessions more particularly described in Exhibit A to the Termination of Property Rights Agreement and includes all rights if any which have been obtained since May 5, 1999 by conversion, extension or substitution of such concessions.

1.1.21. " **Peñasquito Project** " means the gold, silver, lead and zinc mine in that Minera Peñasquito proposes to construct in the State of Zacatecas, Mexico.

1.1.22. " **Peñasquito Purchase Price** " has the meaning set forth in Section 2.2.

1.1.23. " **Peñasquito Royalty** " means (i) all right, title, and interest that was granted to the Vendor and/or KEC in, to, and relating to or arising from the 2% net smelter royalty on the Peñasquito Concessions provided in (a) Section 4 of the Termination of Property Rights Agreement and (b) the "CONTRATO DE CESION DE DERECHOS QUE OTORGA, POR UNA PARTE, MINERA KENNECOTT, S.A. DE C.V., REPRESENTADA EN ESTE ACTO POR EL SR. DAVE F. SIMPSON Y, POR LA OTRA, MINERA PEÑASQUITO, S.A. DE C.V., REPRESENTADA EN ESTE ACTO POR EL LIC. JOSE MARIA GALLARDO TAMAYO," dated October 29, 1999, a copy of which is attached as Schedule C to this Agreement, and (ii) subject to Sections 7.1 and 7.2, all obligations relating thereto.

1.1.24. " **Peñasquito Royalty Closing** " means the completion of the purchase and sale of the Peñasquito Royalty pursuant to Article 6.

1.1.25. " **Peñasquito Royalty Closing Date** " means January 20, 2007, unless otherwise agreed in writing by the parties.

1.1.26. " **Projects** " means the groups of concessions that were held subject to the Property Rights Agreement or the Termination of Property Rights Agreement and are identified in Schedule A hereto.

1.1.27. " **Promissory Note** " means a promissory note in the amount of $20,000,000 payable by the Purchaser on demand, which may not be made before the first Business Day after the Penasquito Royalty Closing, without interest before demand but with interest after demand at an annual rate equal to the rate of LIBOR plus 6% per annum, both before and after judgment with interest on overdue interest at the same rate.

1.1.28. " **Property Rights Agreement** " means the Property Rights Agreement between Western Copper Holdings Ltd., Minera Western Copper S.A. de C.V., Kennecott Exploration Company, and Minera Kennecott S.A. de C.V., dated March 13, 1998, a copy of which is attached as Schedule D to this Agreement.

1.1.29. " **Purchaser** " has the meaning set forth on the first page of this Agreement.

1.1.30. **"Rio Tinto Group"** means the dual listed company structure incorporating Rio Tinto plc and Rio Tinto Limited and including any Affiliate of either of them.

1.1.31. " **Royalties** " means the Other Royalties and the Peñasquito Royalty.

1.1.32. " **Taxes** " means value-added taxes (*impuesto al valor agredado*), sales or commodity taxes, goods and services taxes or similar taxes, duties and any registration, transfer or other fees imposed or levied in accordance with applicable Law or by Governmental Authority, but excludes taxes on income or capital gains (*impuesto sobre la renta*).

1.1.33. " **Termination of Property Rights Agreement** " means the Termination of Property Rights Agreement between Kennecott Exploration Company, Minera Kennecott S.A. de C.V., Western Copper Holdings Ltd. and Minera Western Copper S.A. de C.V., dated May 5, 1999, a copy of which is attached as Schedule E to this Agreement.

1.1.34. " **Vendor** " has the meaning set forth on the first page of this Agreement, and is a partially owned direct subsidiary of KEC.

1.1.35. " **Western Copper** " means Western Copper Holdings Ltd. and Minera Western Copper S.A. de C.V., each a party to the Termination of Property Rights Agreement.

1.2. **Gender and Number**

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing a gender include all genders.

1.3. **Headings**

The headings used in this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.

1.4. **Generally Accepted Accounting Principles**

All accounting terms not otherwise defined in this Agreement shall have the meanings ascribed to them in accordance with generally accepted accounting principles in the United States, applied consistently.

1.5. **Currency**

All dollar amounts in this Agreement are stated in U.S. currency.

1.6. **Schedules**

The following Schedules attached hereto are incorporated herein and form part of this Agreement:

Schedule A	List of Projects
Schedule B.1	Spanish Language Agreements referenced in clause (ii) of the definition of Other Concessions
Schedule B.2	Spanish Language Agreements referenced in clause (iii) of the definition of Other Concessions
Schedule C	Spanish Language Agreement applicable to and referenced in the definition of the Peñasquito Concessions
Schedule D	Property Rights Agreement
Schedule E	Termination of Property Rights Agreement

2. **PURCHASE AND SALE OF PEÑASQUITO ROYALTY AND OTHER ROYALTIES**

2.1. **Purchase and Sale**

2.1.1. Upon the terms and subject to the conditions of this Agreement, the Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase from the Vendor, the Peñasquito Royalty and all of the Vendor's right, title and interest therein as of and from the Peñasquito Royalty Closing, without representation or warranty of any kind as to title or otherwise except as set forth in Section 3.1.

2.1.2. By Notice given on or before May 1, 2007, the Purchaser shall advise the Vendor and KEC which, if any, of the Other Royalties it elects to purchase. Upon the terms and subject to the conditions of this Agreement, the Vendor agrees to sell, assign and transfer to the Purchaser, without representation or warranty of any kind as to title or otherwise except as set forth in Section 3.1, all of the Other Royalties that the Purchaser has elected to purchase.

2.2. **Purchase Price**

2.2.1. The purchase price for the Peñasquito Royalty payable by the Purchaser to the Vendor shall be $100,000,000 (the " **Peñasquito Purchase Price** ") payable as follows:

2.2.1.1. $80,000,000 at the Penasquito Royalty Closing; and

2.2.1.2. $20,000,000 on the first Business Day following the Penasquito Royalty Closing, pursuant to the Promissory Note.

2.2.2. The purchase price for any and all of the Other Royalties that Purchaser elects to acquire shall be $1.00 (the " **Other Royalties Purchase Price** ").

2.3. **Payment of the Peñasquito Purchase Price**

The Peñasquito Purchase Price shall be paid and satisfied by the Purchaser as follows:

2.3.1. by the wire transfer of immediately available federal funds in the amount of $80,000,000 to a bank account maintained by the Vendor in a bank organized under the Laws of and situated in the United States as shall be designated by the Vendor by Notice to the Purchaser not later than three (3) Business Days prior to the Peñasquito Royalty Closing and delivered at the Peñasquito Royalty Closing; and

2.3.2. by the payment to the Vendor of $20,000,000 on the first Business Day after the Penasquito Royalty Closing pursuant to the Promissory Note.

2.4. **Payment of the Other Royalties Purchase Price**

The Other Royalties Purchase Price shall be paid and satisfied by the Purchaser as a cash payment of $1.00 on the Other Royalties Closing Date.

3. **REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS**

3.1. **Representations and Warranties of the Vendor and KEC**

The Vendor and KEC jointly and severally represent and warrant to the Purchaser as follows, in each case subject to the limitations set forth in Section 3.4, and acknowledge that the Purchaser will rely on such representations and warranties in entering into this Agreement, and in concluding the purchase and sale contemplated by this Agreement.

3.1.1. Organization and Power — Each of Vendor and KEC is a duly incorporated, organized and validly subsisting corporation under the laws of its jurisdiction of incorporation and has the corporate power to own its interest in the Royalties and to carry out its obligations under this Agreement.

3.1.2. Due Authorization — The execution and delivery of this Agreement and the other documents to be executed and delivered by the Vendor and KEC hereunder and the carrying out of the transactions contemplated hereby on the part of the Vendor and KEC have been duly authorized by all necessary corporate action on the part of the Vendor and KEC.

3.1.3. Validity of Agreement — This Agreement and all other agreements and all assignments and transfers to be executed and delivered by the Vendor and KEC hereunder at the Peñasquito Royalty Closing and the Other Royalties Closing constitute and will constitute valid, binding and enforceable obligations of the Vendor and KEC .

3.1.4. No Conflicts or Violations — Neither the entering into of this Agreement and the other documents and agreements to be executed and delivered by the Vendor or KEC hereunder nor the completion of the transactions contemplated hereby in accordance with the terms hereof will result in the violation of any of the terms or provisions of the constating documents of the Vendor or KEC nor, subject to obtaining, on or before the Peñasquito Royalty Closing and the Other Royalties Closing, any required consents of any Governmental Authorities in Mexico to permit or recognize the transfer of the Royalties to the Purchaser, and obtaining the consent of Minera Peñasquito to the assignment of the Peñasquito Royalty and the Other Royalties, will the entering into of this Agreement or such other documents and agreements nor such completion thereof:

3.1.4.1. result in the violation of any of the terms or provisions of any indenture or other agreement, instrument or obligation to which either of the Vendor or KEC is a party or by which it is bound or by which any of the Vendor's or KEC's interests in the Royalties is bound or affected;

3.1.4.2. conflict with, or result in a breach of, or violate any Law; or

3.1.4.3. give to any other person, after the giving of notice or otherwise, any right of termination, cancellation or acceleration in or with respect to any agreement or other instrument to which the Vendor or KEC is a party or is subject, or from which it derives benefit, by which any of the Vendor's or KEC's interest in the Royalties is bound or affected.

3.1.5. Royalties free and clear — The Vendor holds the Peñasquito Royalty, free and clear of all liens, claims and encumbrances. Neither the Vendor nor KEC has previously:

3.1.5.1. assigned the Royalties or any of their rights with respect thereto;

3.1.5.2. granted or created any liens, charges or encumbrances on or in respect of the Royalties;

3.1.5.3. granted any options to purchase or rights of first refusal with respect to the Royalties; or

3.1.5.4. agreed to any amendment to Section 4 of the Termination of Property Rights Agreement or waived any of their rights thereunder or under the contractos attached hereto as Schedules B and C.

3.1.6. Royalty Documents — The documents attached hereto as Schedules B through E are true, correct, accurate, and complete copies of the documents they purport to be. The Termination of Property Rights Agreement, and the Contratos de Cesión de Derechos which are attached hereto as Schedules B, C, and E have not been altered, modified, supplemented, or amended.

3.1.7. Compliance with Laws -To the Knowledge of Vendor

3.1.7.1. before May 5, 1999 all operations on and with respect to the Concessions were conducted in substantial compliance with all applicable Laws, including Environmental Laws, in all material respects; and

3.1.7.2. the Vendor has not received from any Governmental Authority written notice of any pending or threatened investigation or inquiry by any Governmental Authority relating to any actual or alleged violation of any Law, including any Environmental Law, in with respect to or affecting the Concessions.

3.1.8. Broker's Fees – Neither the Vendor nor KEC have any liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Purchaser could become liable or obligated.

3.1.9. Litigation — There is no action, suit, prosecution or other similar proceeding of a material nature of which process initiating the same has been served on the Vendor or KEC or, to the Knowledge of Vendor, threatened against the Vendor or KEC and affecting any of the Vendor's or KEC's interest in the Royalties at law or in equity or before or by any Governmental Authority.

3.1.10. Information and Data — The Vendor and KEC have provided the Purchaser with copies of all correspondence, notes, written information, data, and other documents in their possession or control relating to the Royalties.

3.1.11. Capitalization — The authorized and outstanding capital of the Vendor consists of 426,193,333 shares of which KEC owns 126,507,103 shares and San Pedro Mining Company, a Delaware corporation and a wholly owned subsidiary of KEC, owns 299,686,230 shares.

3.1.12. Activities regarding Concessions — None of KEC, the Vendor or any affiliate of either has at any time (a) engaged in any commercial mining of minerals from the lands subject to the Concessions, provided the Purchaser acknowledges that KEC, the Vendor or affiliates of them have conducted exploration on such lands or (b) had or exercised the power to control the commercial mining of minerals from the lands subject to the Concessions by any third party that owned or held rights in respect of any of the Concessions, provided the Purchaser acknowledges that KEC, the Vendor or affiliates of them may have had or exercised the power to control exploration on such lands by third parties that owned or held rights in respect of the Concessions.

3.2. **Representations and Warranties of the Purchaser**

The Purchaser represents and warrants to the Vendor and KEC as follows, and acknowledges that the Vendor and KEC will rely on such representations and warranties in entering into this Agreement, and in concluding the purchase and sale contemplated by this Agreement.

3.2.1. Organization and Power — The Purchaser is a duly incorporated, organized and validly subsisting company in good standing under the laws of its jurisdiction of incorporation and has the corporate power to enter into this Agreement and to carry out its obligations under this Agreement.

3.2.2. Due Authorization — The execution and delivery of this Agreement and the other documents to be executed and delivered by the Purchaser hereunder and the carrying out of the transactions contemplated hereby on the part of the Purchaser have been duly authorized by all necessary corporate and shareholder action on the part of the Purchaser.

3.2.3. Validity of Agreement — This Agreement and all other agreements to be executed and delivered by the Purchaser hereunder at the Peñasquito Royalty Closing and the Other Royalties Closing constitute and will constitute valid, binding and enforceable obligations of the Purchaser.

3.2.4. No Conflicts or Violations — Neither the entering into of this Agreement and the other documents and agreements to be executed and delivered by the Purchaser hereunder nor the completion of the transactions contemplated hereby in accordance with the terms hereof will conflict with or result in the breach or violation of any Law or any of the terms and provisions of the constating documents of the Purchaser or of any indenture or other agreement, instrument or obligation to which the Purchaser is a party or by which it is bound, or give to any other person, after the giving of notice or otherwise, any right of termination, cancellation or acceleration in or with respect to any agreement or other instrument to which the Purchaser is a party or is subject, or from which it derives benefit.

3.2.5. Broker's Fees – The Purchaser has no liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Vendor or KEC could become liable or obligated.

3.3. **Acknowledgements of the Vendor and KEC**

3.3.1. The Vendor and KEC acknowledge that except as expressly set forth in Section 3.2, the Purchaser makes no express or implied representations or warranties with respect to the subject matter of this Agreement.

3.3.2. The Vendor and KEC acknowledge and agree each with the other that KEC does not hold any rights and interests in and to the Penasquito Royalty or the Other Royalties and, based thereon, the Vendor and KEC jointly and severally represent and warrant to the Purchaser that KEC does not hold any rights or interests in and to the Peñasquito Royalty or the Other Royalties. The Vendor acknowledges that the Peñasquito Purchase Price, regardless of how allocated between the Vendor and KEC, is full and fair consideration for the Peñasquito Royalty and that the Purchaser is not responsible for, and shall not be liable for, the consequences of the allocation of the Peñasquito Purchase Price between the Vendor and KEC.

3.4. **Acknowledgements of the Purchaser**

The Purchaser acknowledges that except as expressly set forth in Section 3.1, the Vendor and KEC make no express or implied representations or warranties with respect to the subject matter of this Agreement and, in particular but without limitation (and without limiting the other subsections of this Section 3.4) no express or implied representations or warranties are or have been made, except as set forth in Subsections 3.1.7 and 3.1.12, and any and all implied representations and warranties are hereby excluded, relating to the following, and the Purchaser acknowledges that it is relying solely upon its own investigations with respect to such matters:

3.4.1. Condition of Concessions — the value, merchantability or fitness for any purpose of the Concessions; the existence or presence of any mineral substance or ore; the feasibility or profitability of any mining operation on or with respect to the Concessions; the value of the Royalties; the right or ability of Western Copper to mine or produce minerals from the Concessions; the likelihood that minerals can or will be removed from the Concessions in commercially saleable quantities; the physical condition of the Concessions; the existence of contaminants on the Concessions; or environmental or other liabilities associated with the Concessions; or the validity or enforceability of Section 4 of the Termination of Property Rights Agreement or the agreements attached as Schedules B and C hereto;

3.4.2. Data — the accuracy or completeness, other than as set forth in Section 3.1.6, of any information, documentation or data, including without limitation any information, documentation or data provided pursuant to or in connection with the negotiation hereof, relating to the Royalties, the Concessions or otherwise;

3.4.3. Royalties — the right or ability of Western Copper to pay the Royalties; the legal status of Western Copper or the validity or enforceability of Section 4 of the Termination of Property Rights Agreement or the agreements attached as Schedules B and C hereto; or

3.4.4. Title — the title, if any, of Western Copper to the Concessions, the absence of third-party claims to or interests in the Concessions; or the status or good standing of the Concessions including as to whether any or all of them continue to exist or as to whether taxes or assessments required to maintain them in good standing have been paid or as to whether before or after May 5, 1999 any rights were validly obtained by conversion, extension or substitution of concessions.

4. PRE-CLOSING COVENANTS

4.1. Actions

Subject to the terms and conditions of this Agreement, each of the parties will use its good faith efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to be ready to comply with the requirements of Sections 6.2 and 6.3 at the Penasquito Royalty Closing or the Other Royalties Closing as the case may be including without limitation making such filings or registrations with Governmental Authorities as may on its part be required.

4.2. Consents

Subject to the limitations contemplated in Section 3.4, in respect of which no action by KEC or the Vendor will be required and which KEC and the Vendor shall not be obligated to remedy or cure, and to Section 8.2 :

4.2.1. Each of the parties shall use its respective reasonable commercial efforts to obtain at its own expense on or before the Peñasquito Royalty Closing any and all consents or approvals of Governmental Authorities as may be required on its part to sell, assign and transfer its interest in the Penasquito Royalty to the Purchaser, provided that the parties shall not be required to make any payments, including without limitation payment of Taxes, or commit to any work or provision of services or otherwise incur any material obligations in performing their obligations under this Subsection 4.2.1.

4.2.2. Each of the Vendor and KEC shall use its reasonable commercial efforts to obtain at its own expense as soon as reasonably possible after the date of this Agreement, and in any event on or before the Peñasquito Royalty Closing, any and all consents, without any material conditions or restrictions and in

form and substance satisfactory to Purchaser acting reasonably, to this Agreement and to the transactions contemplated hereby that are required to be obtained from (a) Minera Peñasquito or it successors or assigns under the terms of the Termination of Property Rights Agreement or the contrato attached hereto as Schedule C and (b) from any third party other than Minera Peñasquito that are necessary to the completion of the transactions contemplated hereby in respect of the Peñasquito Royalty, provided that the Vendor and KEC shall not be required to make any payments or otherwise incur any obligations in performing their obligations under this Subsection 4.2.2, and provided further that the Vendor and KEC shall consult with the Purchaser concerning the form and substance of the request for consent to be made to Minera Peñasquito.

4.2.3. Each of the Vendor and KEC shall use its reasonable commercial efforts to obtain at its own expense as soon as reasonably possible after Notice from the Purchaser of the identity of the Other Royalties, if any, it elects to purchase, and in any event on or before the Other Royalties Closing, any and all consents, without any material conditions or restrictions and in form and substance satisfactory to Purchaser acting reasonably, to this Agreement and to the transactions contemplated hereby in respect of such Other Royalties that are required to be obtained from (a) Minera Peñasquito or it successors or assigns under the terms of the Termination of Property Rights Agreement or the contratos attached hereto as Schedule B and (b) from any third party other than Minera Peñasquito that are necessary to the completion of the transactions contemplated hereby in respect of such Other Royalties, provided that the Vendor and KEC shall not be required to make any payments or otherwise incur any obligations in performing their obligations under this Subsection 4.2.3.

4.3. **Due Diligence**

4.3.1. Following the execution of this Agreement, until the Peñasquito Royalty Closing Date or earlier termination of this Agreement, the Purchaser shall have the exclusive right to conduct reasonable due diligence in respect of the ownership, terms and conditions, validity, and good standing of the Peñasquito Royalty and the Peñasquito Concessions, including, without limitation, through inquiries made of Governmental Authorities and Minera Peñasquito and its affiliates.

4.3.2. Following the execution of this Agreement, until the Other Royalties Closing Date or earlier termination of this Agreement, the Purchaser shall have the exclusive right to conduct reasonable due diligence in respect of the ownership, terms and conditions, validity, and good standing of the Other Royalties and the Other Concessions, including, without limitation, through inquiries made of Governmental Authorities and Minera Peñasquito and its affiliates.

4.3.3. The Vendor and KEC shall co-operate with Purchaser in respect to such due diligence, and, if requested by the Purchaser, each shall use its reasonable efforts to facilitate direct communications between the Purchaser and Minera Peñasquito or any other third party whose consent may be needed for the completion of the transactions contemplated hereby.

4.3.4. Following the execution of this Agreement, neither the Vendor nor KEC nor the affiliates of either will enter into or continue any negotiations or discussions with respect to the subject matter of this Agreement with any other person or entity.

5. CONDITIONS OF CLOSING

5.1. Mutual Conditions

5.1.1. The obligations of the Vendor to complete the sale of the Peñasquito Royalty as contemplated by this Agreement and the corresponding obligation of the Purchaser to complete the purchase of the Peñasquito Royalty are subject to fulfillment of the following conditions:

5.1.1.1. No Order or Proceedings — No injunction or restraining order of any Governmental Authority of competent jurisdiction shall be in effect which prohibits the transactions contemplated by this Agreement in respect of the Peñasquito Royalty and no action or proceeding shall have been instituted and remain pending before any such court or other Governmental Authority to restrain or prohibit any of the transactions contemplated hereby in respect of the Peñasquito Royalty.

5.1.1.2. Approvals and Consents — Except as contemplated in Section 8.2, all consents, approvals, orders and authorizations of any person (including, without limitation, Minera Peñasquito) or Governmental Authority (or registrations, declarations, filings or recordings with any such Governmental Authority) or stock exchange or securities commission required in connection with the completion of any of the transactions contemplated by this Agreement in respect of the Peñasquito Royalty, the execution of this Agreement, the Peñasquito Royalty Closing, or the performance of any of the terms and conditions hereof, shall have been obtained without any material conditions or restrictions and in form and substance satisfactory to both the Purchaser and Vendor, acting reasonably, on or before the Peñasquito Royalty Closing Date.

5.1.2. The obligations of the Vendor to complete the sale of the Other Royalties that the Purchaser has elected to purchase and the corresponding obligation of the Purchaser to complete the purchase of such Other Royalties are subject to fulfillment of the following conditions:

5.1.2.1. No Order or Proceedings — No injunction or restraining order of any Governmental Authority of competent jurisdiction shall be in effect which prohibits the transactions contemplated by this Agreement in respect of the Other Royalties to be purchased and no action or proceeding shall have been instituted and remain pending before any such court or other Governmental Authority to restrain or prohibit any of the transactions contemplated hereby in respect of such Other Royalties.

5.1.2.2. Approvals and Consents — Except as contemplated in Section 8.2, all consents, approvals, orders and authorizations of any person (including, without limitation, Minera Peñasquito) or Governmental Authority (or registrations, declarations, filings or recordings with any such Governmental Authority) required in connection with the completion of any of the transactions contemplated by this Agreement in respect of the Other Royalties to be purchased, or the performance of any of the terms and conditions hereof in respect of such Other Royalties, shall have been obtained without any material conditions or restrictions and in form and substance satisfactory to both the Purchaser and Vendor, acting reasonably, on or before the Other Royalties Closing Date.

The foregoing conditions are inserted for the mutual benefit of the Vendor and the Purchaser and may be waived in whole or in part if and only if jointly waived by the Vendor and the Purchaser.

5.2. **Purchaser's Conditions**

5.2.1. The obligation of the Purchaser to complete the purchase of the Peñasquito Royalty is subject to fulfillment of the following conditions:

5.2.1.1. Due Diligence — The completion of due diligence to the Purchaser's reasonable satisfaction with respect to the ownership, terms and conditions, validity, and good standing of the Peñasquito Royalty and the Peñasquito Concessions.

5.2.1.2. Representations and Warranties — The representations and warranties of the Vendor and KEC made in this Agreement (except in respect of the Other Royalties) shall be true and correct in all material respects as if made at and as of the Peñasquito Royalty Closing Date.

5.2.1.3. Performance of Covenants - All covenants to be performed by the Vendor or KEC hereunder on or before the Peñasquito Royalty Closing Date pursuant to this Agreement shall have been performed in all material respects.

5.2.2. If the Purchaser elects to purchase any of the Other Royalties, the obligation of the Purchaser to complete the purchase of such Other Royalties is subject to fulfillment of the following conditions:

5.2.2.1. Representations and Warranties — The representations and warranties of the Vendor and KEC made in this Agreement shall be true and correct in all material respects as if made at and as of the Other Royalties Closing Date.

5.2.2.2. Performance of Covenants - All covenants to be performed by the Vendor or KEC hereunder on or before the Other Royalties Closing Date pursuant to this Agreement shall have been performed in all material respects.

The conditions in Subsection 5.2.1 and 5.2.2 are for the exclusive benefit of the Purchaser and may be waived by the Purchaser in whole or in part by Notice to the Vendor from the Purchaser.

5.3. **Vendor's Conditions**

5.3.1. The obligations of the Vendor to complete the sale of the Peñasquito Royalty are subject to fulfillment of the following conditions:

5.3.1.1. Representations and Warranties — The representations and warranties of the Purchaser made in this Agreement shall be true and correct in all material respects as if made on and as of the Peñasquito Royalty Closing Date.

5.3.1.2. Performance of Covenants - All covenants to be performed by the Purchaser hereunder on or before the Peñasquito Royalty Closing Date pursuant to this Agreement shall have been performed in all material respects.

5.3.2. The obligations of the Vendor to complete the sale of any of the Other Royalties that the Purchaser elects to purchase are subject to fulfillment of the following conditions:

5.3.2.1. Representations and Warranties — The representations and warranties of the Purchaser made in this Agreement shall be true and correct in all material respects as if made on and as of the Other Royalties Closing Date.

5.3.2.2. Performance of Covenants - All covenants to be performed by the Purchaser hereunder on or before the Other Royalties Closing Date pursuant to this Agreement shall have been performed in all material respects.

The conditions in Subsection 5.3.1 and 5.3.2 are for the exclusive benefit of the Vendor and may be waived by the Vendor in whole or in part by Notice to the Purchaser from the Vendor.

5.4. **Termination**

This Agreement, including without limitation Section 4.3.4, shall be subject to termination as follows:

5.4.1. by the Vendor by Notice to the Purchaser on or before the Peñasquito Royalty Closing Date if any one or more of the conditions set forth in Sections 5.1.1 or 5.3.1 has become incapable of fulfillment or has not been fulfilled on the Peñasquito Royalty Closing Date and has not been waived by the Vendor; or

5.4.2. by the Purchaser by Notice to the Vendor on or before the Peñasquito Royalty Closing Date if any one or more of the conditions set forth in Sections 5.1.1 or 5.2.1 has become incapable of fulfillment or has not been fulfilled on the Peñasquito Royalty Closing Date and has not been waived by the Purchaser.

Any such termination shall be without prejudice to any right or remedy of any party with respect to a breach of this Agreement by any other party.

Notwithstanding any other provision of this Agreement, if Minera Peñasquito timely objects to, or attempts to condition, the transfer and assignment to the Purchaser of the Peñasquito Royalty, the parties shall use their reasonable good faith efforts to cause Minera Peñasquito to remove the objection or condition, provided that the Vendor and KEC shall not be required to make any payments or otherwise incur any obligations in performing such obligations, and the Peñasquito Royalty Closing Date shall be extended to the extent necessary, but not later than April 30, 2007, after which this Agreement may be terminated be either party.

Notwithstanding any other provision of this Agreement, if Minera Peñasquito or any third party with the right to consent timely objects to, or attempts to condition, the transfer and assignment to the Purchaser of any of the Other Royalties that the Purchaser has elected to purchase, the parties shall use their reasonable good faith efforts to cause Minera Peñasquito or such third party to remove the objection or condition, provided that the Vendor and KEC shall not be required to make any payments or otherwise incur any obligations in performing such obligations, and the Other Royalties Closing Date, shall be extended to the extent necessary, but not later than July 30, 2007, after which this Agreement may be terminated by either party, but such termination shall not affect in any manner the transactions consummated at or in connection with the Peñasquito Royalty Closing.

5.5. **Confidentiality**

The parties acknowledge that the Data Disclosure Agreement remains in full force and effect, except as modified by this Section 5.5 and by Section 10.2. All information

furnished to the Purchaser by the Vendor in connection with the Purchaser's due diligence investigations or otherwise pursuant to this Agreement shall be subject to the Data Disclosure Agreement. The term of the Data Disclosure Agreement with respect to information relating to the Peñasquito Royalty and the Peñasquito Concessions is hereby modified to expire on the earlier of (a) October 4, 2008 or (b) the Peñasquito Royalty Closing. The term of the Data Disclosure Agreement with respect to all other information subject thereto is hereby modified to expire on the earlier of (a) October 4, 2008 or (b) the Other Royalties Closing.

6. CLOSING

6.1. Time and Place of Closing

6.1.1. The Vendor and Purchaser shall consummate and close the transactions contemplated herein in respect of the Peñasquito Royalty (" **Peñasquito Royalty Closing** "), at KEC's offices located at 224 North 2200 West, Salt Lake City, Utah (or at such other place as the parties may mutually agree) at 10:00 o'clock a.m., local time, on the Peñasquito Royalty Closing Date. The Peñasquito Royalty Closing Date may be postponed to a later time and date by mutual agreement signed by both parties. If the Peñasquito Royalty Closing is postponed, all references to the Peñasquito Royalty Closing Date in this Agreement shall refer to the postponed date.

6.1.2. The Vendor and Purchaser shall consummate and close the transactions contemplated herein in respect of any of the Other Royalties that the Purchaser elects to purchase (" **Other Royalties Closing** "), at KEC's offices located at 224 North 2200 West, Salt Lake City, Utah (or at such other place as the parties may mutually agree) at 10:00 o'clock a.m., local time, on the Other Royalties Closing Date. The Other Royalties Closing Date may be postponed to a later time and date by mutual agreement signed by both parties. If the Other Royalties Closing is postponed, all references to the Other Royalties Closing Date in this Agreement shall refer to the postponed date.

6.2. Documents to be Delivered by the Vendor

At the Peñasquito Royalty Closing and at the Other Royalties Closing, as the case may be, the Vendor shall deliver or cause to be delivered to the Purchaser:

6.2.1. all deeds of conveyance, bills of sale, transfer and assignments, in form and content satisfactory to the Purchaser's counsel, appropriate to vest in the Purchaser all of the Vendor's rights to the Peñasquito Royalty or the Other Royalties, as the case may be, free and clear of all liens, claims and encumbrances, but subject to the limitations set forth in Section 3.4, in immediately registerable form (if applicable) in all places where registration of such instruments is required;

6.2.2. certified copies of those resolutions of the directors and, if required, shareholders of the Vendor and KEC required to be passed to authorize the

execution, delivery and implementation of this Agreement and of all documents to be delivered by the Vendor and KEC under this Agreement and the completion of the transactions contemplated hereby;

6.2.3. an opinion of the each of the Vendor's and KEC's internal or external counsel in a form to the reasonable satisfaction of counsel for the Purchaser as to the corporate existence of such party, and to the effect that the Agreement has been duly authorized, executed and delivered by such party and constitutes a legal, valid and binding obligation of such party;

6.2.4. a certificate of an officer of the Vendor as to the accuracy as of the Peñasquito Royalty Closing Date or the Other Royalties Closing Date, as the case may be, of the Vendor's representations and warranties and the performance of its covenants to be performed at or before the Peñasquito Royalty Closing or Other Royalties Closing, as the case may be; and

6.2.5. a certificate of an officer of KEC as to the accuracy as of the Peñasquito Royalty Closing Date or the Other Royalties Closing Date, as the case may be, of KEC's representations and warranties and the performance of its covenants to be performed at or before the Peñasquito Royalty Closing or Other Royalties Closing, as the case may be.

6.3. **Documents to be Delivered by the Purchaser**

6.3.1. At the Peñasquito Royalty Closing the Purchaser shall deliver or cause to be delivered to the Vendor:

6.3.1.1. a covenant of the Purchaser in favour of the Vendor agreeing to assume and pay or perform and indemnify the Vendor against the Assumed Liabilities and other obligations agreed to be assumed by the Purchaser under this Agreement in the manner and to the extent provided in this Agreement, or such other documents as the Vendor may reasonably require in order to provide for such assumption and indemnity;

6.3.1.2. certified copies of those resolutions of the directors and, if required, shareholders of the Purchaser required to be passed to authorize the execution, delivery and implementation of this Agreement and of all documents and payments to be delivered by the Purchaser under this Agreement and the completion of the transactions contemplated hereby;

6.3.1.3. a certificate of an officer of the Purchaser as to the accuracy as of the Peñasquito Royalty Closing Date of the Purchaser's representations and warranties and the performance of its covenants to be performed at or before the Peñasquito Royalty Closing;

6.3.1.4. an opinion of the Purchaser's internal or external counsel in a form to the reasonable satisfaction of counsel for the Vendor as to the corporate existence of the Purchaser and to the effect that the Agreement has been duly authorized, executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser;

6.3.1.5. the wire transfer of immediately available funds for $80,000,000, being portion of the Peñasquito Purchase Price payable in cash at the Peñasquito Royalty Closing; and

6.3.1.6. the Promissory Note as evidence of the Purchaser's obligation to pay the balance of the Purchase Price on the first Business Day after the Peñasquito Royalty Closing.

6.3.2. At the Other Royalties Closing the Purchaser shall deliver or cause to be delivered to the Vendor:

6.3.2.1. certified copies of those resolutions of the directors and, if required, shareholders of the Purchaser required to be passed to authorize the execution, delivery and implementation of all documents to be delivered by the Purchaser under this Agreement in respect of the Other Concessions and the completion of the transactions contemplated hereby with respect to the Other Concessions;

6.3.2.2. a certificate of an officer of the Purchaser as to the accuracy as of the Other Royalties Closing Date of the Purchaser's representations and warranties and the performance of its covenants to be performed at or before the Other Royalties Closing; and

6.3.2.3. the Other Royalties Purchase Price.

7. ASSUMPTION OF LIABILITIES; RELATED INDEMNITIES

7.1. Assumed Liabilities

Subject to the provisions of Section 7.2, from and after the Peñasquito Royalty Closing or the Other Royalties Closing Date, as the case may be, the Purchaser shall assume, pay and discharge as and when due and be responsible for all liabilities, if any, arising out of (a) the ownership by the Vendor or KEC of the Peñasquito Royalty and, if the Purchaser purchases any of the Other Royalties, such Other Royalties as are purchased by the Purchaser, and (b) the ownership by the Vendor of the Peñasquito Concessions, and, if the Purchaser purchases any of the Other Royalties, the Other Concessions to which the Other Royalties that are purchased by the Purchaser apply, whether fixed, absolute or contingent, including but not limited to any such liabilities arising under any Environmental Laws to which the Purchaser or the Vendor may be subject, relating to:

7.1.1. the presence, on or within the Peñasquito Concessions or such Other Concessions as the case may be of any reagent, chemical, contaminant, pollutant, dangerous substance, liquid and industrial waste, industrial effluents, or hazardous substance (in Section 7.1 collectively called the " **Substances** "), whether or not present at the Peñasquito Royalty Closing Date or the Other Royalties Closing Date as the case may be;

7.1.2. the environmental conditions of the air, water, surface or subsurface of the Peñasquito Concessions or such Other Concessions as the case may be, resulting directly or indirectly from the use, storage, transportation, disposal or discharge of any Substances in, about or relating to the Peñasquito Concessions or such Other Concessions, or the mining operations carried out thereon, including acts or omissions done or omitted or conditions or events that existed at or prior to the Peñasquito Royalty Closing Date or the Other Royalties Closing Date as the case may be; and

7.1.3. any actual environmental damage or similar condition relating to the Peñasquito Concessions or such Other Concessions as the case may be, except to the extent that such damage results from non-compliance by the Vendor with any applicable Law;

in each case whether disclosed in environmental audits or other material provided by the Vendor or KEC to the Purchaser or identified through investigations carried out by or on behalf of the Purchaser and disclosed in writing to the Vendor (collectively, the " **Assumed Liabilities** "), and the Purchaser shall, subject to the limitations set forth in Section 7.2, indemnify and save the Vendor and KEC harmless from all claims, demands, suits and actions in respect of the Assumed Liabilities. Notwithstanding the foregoing or any other provision of this Agreement, Assumed Liabilities shall expressly *exclude* (a) any obligations of the Vendor or KEC of any type or character whatsoever not arising from or related to the Peñasquito Concessions, the Peñasquito Royalty, the Other Concessions or the Other Royalties, (b) any obligation, which to the Knowledge of Vendor was created by KEC or the Vendor, to pay to any party that is not a Governmental Authority any royalty or other payment based on production of minerals from the Peñasquito Concessions or the Other Concessions, (c) any obligation to pay any taxes on income or capital gains (*impuesto sobre la renta*) for or on behalf of the Vendor or KEC, and (d) liability or penalties for criminal acts that occurred before May 5, 1999.

7.2. **Limitations on Indemnity Relating to Assumed Liabilities**

Notwithstanding anything to the contrary set forth in this Agreement, the Purchaser shall not be obligated to indemnify, defend or hold harmless the Vendor and KEC or either of them from the first $10,000,000 in the aggregate, subject to adjustment as provided in the next sentence of this Section 7.2, of losses otherwise subject to indemnity pursuant to Section 7.1 which arise out of or relate to events, acts or omissions that occurred prior to the Penasquito Closing Date. The said $10,000,000 shall be reduced (so that the Purchaser's obligation to indemnify increases) by the aggregate amount of any liability of the Vendor and KEC, limited by Section 7.5.4, for breach of the representation and warranty in Section 3.1.12.

7.3. **Payment of Certain Taxes on Sale and Transfer**

Each of the parties has concluded that no value added tax (*impuesto al valor agregado*) or transfer tax is payable to any Mexican Governmental Authority in respect of the sale and transfer of the Royalties to the Purchaser pursuant to this Agreement. Nonetheless the Purchaser shall be responsible for and shall pay when due any such value added tax or transfer tax payable by the Vendor or KEC or either of them or by the Purchaser in respect of the sale and transfer of the Royalties to the Purchaser. The Vendor and the Purchaser shall use their commercially reasonable efforts in good faith to minimize or eliminate any such value added tax or transfer tax. The Purchaser shall have the right to contest the imposition of any such tax and the Vendor and KEC shall cooperate with the Purchaser in any opposition, contest or challenge to any attempt by any Mexican Governmental Authority to impose any such tax. Notwithstanding the foregoing provisions of this Section 7.3, the Purchaser shall have no obligation to pay any taxes due with respect to or based on (a) the income or capital gains (*impuesto sobre la renta*) whether resulting from cash or other consideration received by the Vendor for the sale of the Royalties or (b) any profit sharing obligation or other employee compensation liability or social responsibility tax of the Vendor or KEC.

7.4. **Indemnification by Purchaser**

In accordance with the procedures in Section 7.6, the Purchaser shall indemnify the Vendor, KEC, and their respective directors, officers, employees, agents, and representatives against and agrees to hold the Vendor, KEC, and their respective directors, officers, employees, agents, and representatives harmless from any and all damages, claims, losses, liabilities, fines, penalties and expenses (including without limitation, expenses of investigation, attorneys' fees in connection with any action, suit or proceeding brought against any of them, the cost of all studies, surveys, clean-up and any other environmental expenses) incurred or suffered by the Vendor, KEC, or their respective directors, officers, employees, agents, and representatives or any of them arising out of:

7.4.1. any misrepresentation or breach of warranty of which Notice has been given under Section 7.6 before expiration of the representation or warranty as provided in Section 9.2;

7.4.2. any covenant or agreement made or to be performed by the Purchaser pursuant to this Agreement; and

7.4.3. any liabilities or obligations assumed in Section 7.1 and in Section 7.3.

7.5. **Indemnification by Vendor and KEC**

In accordance with the procedures in Section 7.6, the Vendor and KEC, jointly and severally agree to indemnify the Purchaser and its directors, officers, employees, agents, and representatives against and agree to hold the Purchaser and its directors, officers, employees, agents, and representatives harmless from any and all damages, claims, losses, liabilities, fines, penalties and expenses (including without limitation, expenses of investigation, attorneys' fees and expenses in connection with any action, suit or

proceeding brought against the Purchaser, the cost of all studies, surveys, clean-up and any other environmental expenses) incurred or suffered by the Purchaser or its directors, officers, employees, agents, and representatives arising out of:

7.5.1. any misrepresentation or breach of warranty of which Notice has been given under Section 7.6 before expiration of the representation or warranty as provided in Section 9.1;

7.5.2. any covenant or agreement made or to be performed by the Vendor or KEC pursuant to this Agreement; and

7.5.3. any liabilities or obligations assumed in Section 7.3;

provided that notwithstanding the foregoing or anything else in this Agreement:

7.5.4. the liability of the Vendor and KEC collectively for breach of the representation and warranty in Section 3.1.12 shall be limited in the aggregate to the lesser of $10,000,000 or the difference between $10,000,000 and the aggregate of any losses referred to in Section 7.2 which materialize.

If the Vendor and KEC pay the Purchaser on account of the obligation to indemnify against breach of the representation and warranty in Section 3.1.12 and subsequently losses referred to in Section 7.2 materialize which, if they had materialized first, would have reduced the amount required to be paid by the Vendor and KEC, the Purchaser will repay the difference to KEC.

The Vendor and KEC acknowledge that they retain responsibility for the amount of certain losses as provided in Section 7.2.

7.6. **Claims of Indemnity**

A party claiming for indemnity under this Article 7 (the " **Indemnitee** ") shall give prompt Notice of any claim, action, proceeding or circumstances that could reasonably give rise to such a claim to the party which has agreed to indemnify it (the " **Indemnitor** "). Inadvertent failure to give such prompt Notice will not preclude the Indemnitee from pursuing the claim unless and to the extent that the Indemnitor is materially prejudiced by such failure. The Indemnitor may, and will, if directed to do so by the Indemnitee, at its own expense and in the name of the Indemnitee or otherwise, dispute any claim made, or any matter on which a claim could be made, by a third party in respect of which a Notice has been given by the Indemnitee under this Section 7.6 and may retain legal counsel acceptable to the Indemnitee to have conduct of any proceeding relating to such a claim. The Indemnitee may employ separate counsel with respect to any such claims brought by a third party and participate in the defense thereof, provided the fees and expenses of such counsel shall be the responsibility of the Indemnitee unless:

7.6.1. the Indemnitor fails to assume the defence of such claim on behalf of the Indemnitee within five days of receiving Notice of such claim; or

7.6.2. the employment of such counsel has been authorized by the Indemnitor;

in each of which cases the Indemnitor shall not have the right to assume the defense of such suit on behalf of the Indemnitee but shall be liable to pay the reasonable fees and expenses of counsel for the Indemnitee. For the purpose of confirming or disputing such a claim, the Indemnitee will provide full and complete disclosure to the Indemnitor and complete access to and right of inspection by the representatives of the Indemnitor of all documents and records in the possession or control of the Indemnitee relating to such claim. If any security is required to be provided for the purpose of defending or contesting any such claim, including, without limitation, any appeal of any judgment, the Indemnitor shall provide such security and all monies or property representing such security received by the Indemnitee as a result of a successful defense or contestation will be held in trust by the Indemnitee for the benefit of the Indemnitor and will be remitted to the Indemnitor on demand. Neither the Indemnitee nor the Indemnitor shall settle, compromise or pay any claim for which indemnity is sought hereunder except with the prior written consent of the other, such consent not to be unreasonably withheld, or in the case of the Indemnitee unless the Indemnitor fails to dispute and defend such claim.

8. POST-CLOSING MATTERS

8.1. Royalty Payments

From and after the Peñasquito Royalty Closing, the Purchaser will be entitled to the full use and enjoyment of the Peñasquito Royalty, including without limitation all payments thereunder. From and after the Other Royalties Closing, the Purchaser will be entitled to the full use and enjoyment of the Other Royalties acquired by the Purchaser, including without limitation all payments thereunder.

8.2. Consents and Approvals

Where the consent or approval of any Governmental Authority is required to transfer, or assign or recognize the Royalties to and in the name of the Purchaser and has not been obtained on or before the Peñasquito Royalty Closing Date or the Other Royalties Closing Date, as the case may be, the Vendor will continue to hold the Royalties pending receipt by the Purchaser of such consent or approval, provided that the Vendor' sole obligation hereunder will be to hold the Royalties, to remit any payments in respect thereof to the Purchaser, and to carry out at the request and expense of the Purchaser such acts in compliance with applicable Law as must be carried out by the holder thereof. The Purchaser will be responsible for and will pay, and will indemnify and hold the Vendor and KEC and each of them harmless from, any and all Taxes applicable to or arising from the receipt by the Vendor of payments of the Royalties or the remittance of the Royalties to the Purchaser.

8.3. Further Assurances

From and after the Peñasquito Royalty Closing each of the parties will make any and all such filings or registrations with Governmental Authorities as may on its part be required to complete the transfer of the Peñasquito Royalty to the Purchaser. If the Purchaser elects to Purchase any of the Other Royalties, from and after the Other Royalties Closing each of the parties will make any and all such filings or registrations with Governmental

Authorities as may on its part be required to complete the transfer of such Other Royalties to the Purchaser, including all necessary or appropriate registrations with Governmental Authorities.

9. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

9.1. Vendor's and KEC's Representations, Warranties and Covenants

All representations and warranties made by the Vendor or KEC in this Agreement or under this Agreement shall, unless otherwise expressly stated, survive the Peñasquito Royalty Closing and the Other Royalties Closing and any investigation at any time made by or on behalf of the Purchaser, and shall continue in full force and effect for the benefit of the Purchaser for a period of three years after the Peñasquito Royalty Closing; *provided, however* , that:

9.1.1. the representations and warranties made in Section 3.1.5 shall survive in perpetuity;

9.1.2. the representations and warranties made in Section 3.1.12 shall survive for a period of seven years after the Peñasquito Royalty Closing; and

9.1.3. any and all representations or warranties that are limited to the "Knowledge of Vendor" shall expire upon the earlier of (a) one year from the Peñasquito Royalty Closing Date, or (b) the cessation of Stephen Scott's full-time employment with the Rio Tinto Group.

All covenants and agreements made by the Vendor or KEC in this Agreement or under this Agreement shall survive Peñasquito Royalty Closing and the Other Royalties Closing and any investigation at any time made by or on behalf of the Purchaser, and shall continue in full force and effect for the benefit of the Purchaser.

9.2. Purchaser's Representations, Warranties and Covenants

All representations and warranties made by the Purchaser in this Agreement or under this Agreement shall, unless otherwise expressly stated, shall survive the Peñasquito Royalty Closing and the Other Royalties Closing and any investigation at any time made by or on behalf of the Vendor or KEC, and shall continue in full force and effect for the benefit of the Vendor and KEC for a period of three years after the Peñasquito Royalty Closing. All covenants and agreements made by the Purchaser in this Agreement or under this Agreement shall survive the Peñasquito Royalty Closing and the Other Royalties Closing and any investigation at any time made by or on behalf of the Vendor or KEC, or either of them, and shall continue in full force and effect for the benefit of the Vendor and KEC.

10. MISCELLANEOUS

10.1. **Expenses** – The parties shall each bear all of their own costs and expenses, including consultants' and attorneys' fees, incurred in connection with the negotiation of this Agreement and the consummation of the transactions contemplated hereby.

10.2. **Public Announcements** – The Vendor and KEC acknowledge that the Purchaser will disclose the existence and terms and conditions of this Agreement and file this Agreement as required by applicable Securities Laws, and the Vendor and KEC acknowledge that the Purchaser will thereafter continue to disclose information concerning this Agreement, the Royalties, and the Concessions to industry analysts and members of the public. The Purchaser shall comply with all applicable Laws and shall not attribute any statements regarding this Agreement or the Royalties to KEC or the Vendor. The parties will provide a draft of their initial proposed press release to all other parties sufficiently in advance of its release to provide the other parties a reasonable opportunity to review and comment on the content thereof.

10.3. **Notices** — All notices, requests, demands, claims, and other communications hereunder (" **Notices** ") must be in writing. Any party may send any Notice to the intended recipient at the address set forth below using certified mail, nationally recognized express courier, personal delivery or facsimile transmittal, and any such Notice will be deemed to have been duly given (a) three days after being deposited in the U.S. mail, postage prepaid, (b) the next Business Day after being deposited with a nationally recognized overnight courier and upon confirming delivery with such courier, and (c) when actually received by an individual at the intended recipient's facsimile number and acknowledged as received.

If to the Vendor or KEC :	Kennecott Exploration Company 224 North 2200 West Salt Lake City, UT 84116 Attention: President & CEO Fax: (801) 238-2488
Informational copy to:	Kennecott Exploration Company 224 North 2200 West Salt Lake City, UT 84116 Attention: General Counsel Fax: (801) 238-2494
If to Purchaser :	Royal Gold, Inc. 1660 Wynkoop Street, Suite 1000 Denver, Colorado 80202 Attention: President Fax: (303) 595-9385
Informational copy to:	Royal Gold, Inc. 1660 Wynkoop Street, Suite 1000 Denver, Colorado 80202 Attention: General Counsel Fax: (303) 595-9385

Notice to the Vendor in accordance with this Section shall be effective as Notice to both the Vendor and KEC hereunder and only KEC shall be authorized to give Notice from or on behalf of either the Vendor or KEC. Any party may change the address to which

Notices are to be delivered by giving the other parties Notice in the manner herein set forth.

10.4. **Entire Agreement** — This Agreement, including the Schedules hereto, and the Data Disclosure Agreement, as herein modified, constitute the entire agreement between the parties in relation to the transactions herein contemplated and, except as specifically set out herein, or in any documents delivered at Peñasquito Royalty Closing and the Other Royalties Closing pursuant hereto, supersedes every previous agreement, communication, expectation, negotiation, representation or understanding, whether oral or written, express or implied, statutory or otherwise, among the parties with respect to the subject matter of this Agreement, including without limitation the letter of the Purchaser to the Vendor dated October 13, 2006 and the letter of KEC to the Purchaser dated October 17, 2006, and there are no collateral agreements other than as expressly set forth or referred to in this Agreement.

10.5. **Amendments and Waivers** — This Agreement may not be amended except by written agreement among all the parties to this Agreement. No waiver of any provision of this Agreement will be valid unless it is in writing and signed by each party. No such waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, will be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

10.6. **Severability** — Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

10.7. **Assignment** –No party hereto may assign any right, benefit or interest in this Agreement or the subject matter hereof without the written consent of all other parties hereto and any purported assignment without such consent shall be void and of no effect.

10.8. **Enurement** — This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.

10.9. **Conflict between Documents** — Unless otherwise specifically stated, the provisions of this Agreement shall govern and prevail in the event of any inconsistency or conflict between the terms hereof and of any assignment, bill of sale, transfer or other document or instrument executed or delivered by any party hereto in connection with the transactions contemplated hereby.

10.10. **Time** — Time shall be of the essence of this Agreement.

10.11. **Governing Law** — This Agreement will be governed by and construed in accordance with the laws of the State of Utah without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of Utah.

10.12. **Execution** — This Agreement may be executed by the parties in one or more counterparts and by facsimile, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

AS EVIDENCE OF THEIR AGREEMENT the parties have executed this Agreement as of the date first above written.

KENNECOTT EXPLORATION COMPANY

Per: /s/ Justin Quigley
Authorized Signatory

MINERA KENNECOTT S.A. DE C.V

Per: /s/ Justin Quigley
Authorized Signatory

ROYAL GOLD, INC.

Per: /s/ Tony Jensen
Authorized Signatory

Schedule A

Projects referred to in Definition of Other Concessions

Peñasquito

Villa de Ramos

San Jeronimo

La Virgen

Caños

Valenciana

Minillas

Nieves

Cazodero

El Herradero

San Pedro

Villa de Cos

Schedule D

Property Rights Agreement

PROPERTY RIGHTS AGREEMENT

THIS AGREEMENT is made as of the 13th day of March, 1998,

BETWEEN:

WESTERN COPPER HOLDINGS LTD., a company incorporated under the laws of British Columbia (hereinafter called "WTC") together with **MINERA WESTERN COPPER S.A. DE C.V. ,** a company incorporated under the laws of Mexico (hereinafter called "Minera Western")

(hereinafter collectively called "Western")

OF THE FIRST PART

AND:

KENNECOTT EXPLORATION COMPANY, a company incorporated under the laws of Delaware (hereinafter called "KEC"), together with **MINERA KENNECOTT S.A. DE C.V. ,** a company incorporated under the laws of Mexico (hereinafter called "Minera Kennecott")

(hereinafter collectively called "Kennecott")

OF THE SECOND PART

THIS AGREEMENT WITNESSES that in consideration of the sum of $10 now paid by Western to Kennecott (the receipt and sufficiency of which is hereby acknowledged) and the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. **DEFINITIONS**

1.1. "Affiliate" means any corporation which directly or indirectly controls, is controlled by, or is under common control with, a party. The term "control" as used in this section and elsewhere in this Agreement means the rights to the exercise of more than 50% of the voting rights attributable to the shares of the controlled corporation. In the case of Kennecott, an Affiliate shall mean any corporation, wherever situate, in which Rio Tinto PLC owns or controls directly or indirectly such voting rights.

1.2. "Alliance Area" means the area that is outlined in black and identified as the "Western Copper Kennecott Alliance Area of Interest" on the map attached as Schedule 1.2 hereto, which area comprises the whole of the States of Zacatecas, Guanajuato and Aguascalientes and part of the States of Jalisco and San Luis Potosi, Mexico, together with any areas that the parties may add thereto by agreement in writing, but excluding the area comprising the Teck Project.

1.3. "Alliance Term" means the period of five years commencing January 1, 1998, subject to being terminated or extended by agreement in writing of the parties.

1.4. "Back-in Right" has the meaning assigned to it in Section 5.2.

1.5. "Closing" means the completion of the purchase and sale of the Penasquito Project in accordance with Article 2.

1.6. "Closing Date" means March 13, 1998 or such other date as may be agreed upon in writing by the parties.

1.7. "Corporation" means a joint venture corporation which may be incorporated by the parties pursuant to Article 8.

1.8. "Development Property" has the meaning assigned to it in Section 5.1.

1.9. "Exercise Date" has the meaning assigned to it in Section 5.2.

1.10. "Expenditures" means all expenses spent or incurred for Operations including but not limited to, all fees and assessment work required to keep the Properties in good standing, all expenditures for geophysical, geological and geochemical work of direct benefit to the Properties, all surveys, drilling, assaying, metallurgical testing and engineering, costs of feasibility studies and reports, and all other expenditures directly benefiting the Properties and, in lieu of a charge for home office or administration expenses, an amount not to exceed 5% of the foregoing expenditures. Payments that may be made pursuant the Underlying Agreements are not included in Expenditures but cash payments after the date

hereof to acquire concessions that become included in Properties may be added to Expenditures.

1.11. (This section intentionally left blank.)

1.12. "Force Majeure" means any cause beyond a party's reasonable control, including laws or regulation, action or inaction of civil or military authority, inability to obtain any licence, permit or other authorization that may be required, unusually severe weather, fire, explosion, flood, insurrection, riot, labour dispute, inability after diligent effort to obtain workmen or material, delay in transportation and acts of God, but not including lack of funds.

1.13. "Kennecott Concessions" means the exploration, exploitation mineral concessions and lottery applications described in Schedule 1.13 to this Agreement, all of which are located in the Alliance Area, together with any concessions that are added to Kennecott Concessions pursuant to this Agreement and any mineral concessions, mining leases or other forms of mineral title which may be issued in replacement thereof.

1.14. "Net Smelter Returns" has the meaning assigned to it in Schedule 1.14 hereto.

1.15. "Operations" means any and every kind of work which Western or Kennecott, as the case may be, in its sole discretion, elects to do or to have done to explore and develop the Properties or to conduct reconnaissance exploration in the Alliance Area in accordance with good mining practice.

1.16. "Option Agreement" means the agreement dated as of June 20, 1997 between the parties hereto.

1.17. "Penasquito Project" means the concessions described in Schedule 1.17 hereto.

1.18. "Penasquito Agreements" means the three agreements under which Minera Kennecott holds rights to the Penasquito Project, copies of which are attached as Schedule 1.18 hereto.

1.19. “Prime Rate” means at any particular time the annual rate of interest announced from time to time by the Canadian Imperial Bank of Commerce, main branch, Vancouver, British Columbia as a reference rate then in effect for determining floating rates of interest on Canadian dollar loans made in Canada and as to which from time to time a certificate of an officer of the Canadian Imperial Bank of Commerce shall be conclusive evidence.

1.20. “Production Decision” means a decision made in good faith by Kennecott, subject to Force Majeure and to the accuracy of the assumptions or forecasts on which the decision is based, to bring a Development Property into commercial production.

1.21. “Properties” means the Kennecott Concessions, the Western Concessions and the Penasquito Project.

1.22. “Shareholders Agreement” means the agreement between the parties attached as Schedule 1.22 to this Agreement.

1.23. “Subscription Agreement” means the agreement dated the same date as this Agreement between WTC and Minera Kennecott pursuant to which Minera Kennecott subscribes for 250,000 units of WTC, each unit comprising one common share and one common share purchase warrant of WTC.

1.24. “Shares” means common shares in the capital of WTC.

1.25. “Teck Project” means the area within a square each of the sides of which is 15 kilometres in length and runs between north and south or east and west and that has its south-east corner at UTM coordinates 202,514.90 East; 2,495,967.40 North.

1.26. “Underlying Agreements” means agreements, including the Penasquito Agreements, between KEC or Minera Kennecott or any Affiliate of either of them and third parties pursuant to which the Properties or any of them have been acquired.

1.27. “Western Concessions” means the exploration, exploitation, mineral concessions and lottery applications listed in Schedule 1.27 to this Agreement, all of which are located in the Alliance Area, together with any concessions that are added to Western Concessions

pursuant to this Agreement and any mineral concessions, mining leases or other forms of mineral title which may be issued in replacement thereof.

1.28. "$" means Canadian dollars, unless preceded by "U.S.", in which case, it shall mean United States of America dollars.

1.29. Attached and forming part of this Agreement are the following Schedules:

Schedule 1.2 - Alliance Area
Schedule 1.13 - Kennecott Concessions
Schedule 1.14 - Net Smelter Returns Royalty
Schedule 1.17 - Penasquito Project
Schedule 1.18 - Penasquito Agreement
Schedule 1.22 - Shareholders Agreement
Schedule 1.27 - Western Concessions

2. **PURCHASE OF PENASQUITO**

2.1. Purchase and Sale

Kennecott hereby agrees to sell, assign and transfer the Penasquito Project to Western and Western hereby agrees to purchase the Penasquito Project from Kennecott, at the Closing free and clear of all liens, charges and encumbrances, but subject to the paramount title of the United States of Mexico and to the Penasquito Agreement, in accordance with and subject to the terms and conditions set forth in this Agreement for a purchase price and consideration consisting of 995,740 Shares. Kennecott acknowledges that the Shares so acquired will be subject to a 12-month hold period.

2.2. Covenants of WTC

WTC covenants with Kennecott that:

2.2.1. it shall ensure that the Shares are listed and posted for trading on the Toronto Stock Exchange forthwith after they have been issued;

2.2.2. it shall file a Form 20 report under the regulations to the *Securities Act* (British Columbia) and the *Securities Act* (Ontario) with the British Columbia

and Ontario Securities Commissions relating to the issue and sale of the Shares to Kennecott hereunder within 10 days after such issuance and pay the required filing fees in respect thereof;

2.2.3. for so long as Minera Kennecott or any Affiliate is a shareholder of WTC, WTC shall maintain its status as a reporting issuer in good standing under the *Securities Act* (Ontario), the *Securities Act* (British Columbia) and under the securities legislation of any other province where it is a reporting issuer for as long as its securities are listed and posted for trading on the Toronto Stock Exchange.

2.3. Conditions of Closing: Kennecott

The obligation of Kennecott to complete the sale of the Penasquito Project contemplated by this Agreement is subject to the fulfilment of the following conditions:

2.3.1. Representations and Warranties — the representations and warranties of Western contained in this Agreement and in the Subscription Agreement shall be true on and as of the Closing Date with the same effect as though such representations and warranties had been made as of the Closing;

2.3.2. Covenants — all of the covenants and agreements of Western to be performed on or before the Closing Date pursuant to this Agreement and the Subscription Agreement shall have been duly performed;

2.3.3. Opinion — Kennecott shall have received an opinion of counsel to Western, in form and substance satisfactory to Kennecott and its counsel, with respect to all such matters as counsel to Kennecott may reasonably request relating to:

2.3.3.1. the corporate status of WTC and Minera Western,

2.3.3.2. the allotment and issue of the Shares; the exemption of the issue, sale and delivery of the Shares from the prospectus and

registration requirements of applicable securities laws; and any applicable resale restrictions on the Shares,

2.3.3.3. the due authorization, execution and delivery of this Agreement and the Subscription Agreement and the enforceability of such documents in accordance with their terms (subject to qualifications relating to bankruptcy or insolvency laws affecting creditors' rights generally and the availability of discretionary equitable remedies), and

2.3.3.4. all such other legal matters relating to the issue and sale of the Shares, and the consummation of the transactions contemplated by this Agreement and the Subscription Agreement as Keanecott or its counsel may reasonably require;

2.3.4. Certificate — Kennecott shall have received a certificate signed by a senior officer of WTC to the effect that the matters represented and warranted by Western in Sections 10.1.1 to 10.1.14 inclusive are true and correct as of the Closing with the same force and effect as if made at the Closing; and

2.3.5. Concurrent Closing — the closing of the transactions provided in the Subscription Agreement shall be consummated concurrently with the closing hereunder.

The foregoing conditions are inserted for the exclusive benefit of Kennecott and may be waived in whole or in part by Kennecott at any time.

2.4. Conditions of Closing: Western

The obligation of Western to complete the purchase of the Penasquito Project contemplated by this Agreement is subject to the fulfilment of each of the following conditions:

2.4.1. Representations and Warranties — the representations and warranties of Kennecott contained in this Agreement shall be true on and as of the Closing Date with the same effect as though such representations and warranties had been made as of the Closing;

2.4.2. Covenants — all of the covenants and agreements of Kennecott to be performed on or before the Closing Date pursuant to this Agreement shall have been duly performed; and

2.4.3. Concurrent Closing — the closing of the transactions provided in the Subscription Agreement shall be consummated concurrently with the closing hereunder.

The foregoing conditions are inserted for the exclusive benefit of Western and may be waived in whole or in part by Western at any time.

2.5. Time and Place of Closing

The Closing shall take place in the offices of Lawson Lundell Lawson & McIntosh, 16th Floor, 925 West Georgia Street, Vancouver, British Columbia at 10:00 a.m. Vancouver time on the Closing Date, or at such other time on the Closing Date as the parties may agree.

2.6. Kennecott's Closing Documents

At the Closing, Kennecott will deliver to Western an assignment of the Penasquito Project in such form as Western may reasonably require. Kennecott will use reasonable efforts to assign to Western the environmental permit or permits and the surface rights agreement or agreements that pertain to the Penesquito Project, but Western acknowledges that the same might not be assignable, in which case Western will be required to obtain the same from the relevant authority.

2.7. Western's Closing Documents

At the Closing Western will:

2.7.1. deliver to Minera Kennecott duly executed certificates for the Shares referred to in Section 2.1 in the name of Minera Kennecott;

2.7.2. by agreement in form and content to the reasonable satisfaction of Kennecott accept the assignment of the Penasquito Project and, subject to Section 4.9, assume the Penasquito Agreement and all obligations of Kennecott thereunder, including payment obligations;

2.7.3. deliver to Kennecott a certified copy of resolutions of the directors of WTC approving the allotment, issue, sale and delivery of the Shares as contemplated by this Agreement and the execution and delivery of this Agreement, and

2.7.4. execute and deliver to Kennecott, in recordable form, a notice of this Agreement that Kennecott may record against title to the Properties, at its expense.

2.8. Concurrent Delivery

It shall be a condition of the Closing that all matters of payment and the execution and delivery of documents by each party to the other all pursuant to the terms hereof shall be concurrent requirements and that nothing shall be complete at the Closing until everything required as a condition precedent to the Closing has been paid, executed and delivered.

3. **ALLIANCE AREA: ADDITIONAL PROPERTIES**

3.1. If at any time during the Alliance Term Western stakes or otherwise acquires, directly or indirectly, any right to or interest in any mining claim, licence, lease, grant, concession, permit, patent, or other mineral property (collectively, "Acquired Rights") that is located wholly or partly within the Alliance Area it shall forthwith give notice to Kennecott of that staking or acquisition, the cost thereof and all details in its possession with respect to the

nature of the Acquired Rights and the known mineralization. Kennecott may, within 30 days of receipt of Western's notice, elect, by notice to Western, to require that the Acquired Rights and the right or interest acquired be included in and thereafter form part of the Western Concessions and the Properties for all purposes of this Agreement. If Kennecott does not make the election aforesaid within that period of 30 days, the Acquired Rights shall not form part of the Western Concessions or the Properties and Western shall be solely entitled thereto.

3.2. Kennecott shall be free, without obligation of any kind to Western, to stake or otherwise acquire, own, explore, develop and mine and, subject to Section 7.1, to dispose of, directly or indirectly, mining claims, licences, leases, grants, concessions, permits, patents and other mineral properties and surface rights and water rights located wholly or partly in the Alliance Area before, during and after the Alliance Term. Western acknowledges that Kennecott now holds concessions in the Alliance Area that are not included in Kennecott Concessions.

4. EXPLORATION OF THE PROPERTIES

4.1. Western will manage and carry out Operations and will incur and pay Expenditures of not less than US $1,000,000, during each year of the Alliance Term.

4.2. Upon receipt by Kennecott of evidence to its reasonable satisfaction that Western has incurred and paid Expenditures of not less than U.S. $1,000,000 during the first year of the Alliance Term, Kennecott will subject to the provisions of Section 10.3 transfer the Kennecott Concessions to Western and Kennecott will assign to Western and subject to Section 4.9 Western will assume and perform any and all Underlying Agreements to which the Kennecott Concessions may be subject.

4.3. Upon the completion of the Closing on the Closing Date, the Option Agreement will be terminated.

4.4. Kennecott will provide to Western immediate access to Kennecott's exploration database for the Alliance Area as at the date of this Agreement.

4.5. Kennecott will make one of its geoscientists available to work full time in connection with Western's Operations during the Alliance Term (subject to Kennecott's normal policies regarding vacation entitlement and sick leave). Kennecott will also provide to Western additional technical and administrative support for its Operations on an "as available" basis in Kennecott's office in Guadalahara, Mexico. Each month, on receipt of invoice from Kennecott, Western will:

4.5.1. reimburse Kennecott for the salaries or wages paid to the technical and administrative support staff (but not the geoscientist) and for the cost of benefits provided to them, in respect of those days during the preceding month during which they were providing support for Western's Operations; and

4.5.2. pay to Kennecott one-twelfth of US $100,000 to defray the cost of Kennecott maintaining its office Guadalahara, Mexico.

Western will also pay all expenses and costs incurred by the aforementioned personnel including the geoscientist in connection with Operations.

4.6. Kennecott does not and will not represent or warrant the correctness, accuracy or completeness of the information that it makes available pursuant to Section 4.4 or of any advice or support provided to Western by any of its geoscientists or support staff, which support will be relied upon by Western at its sole risk.

4.7. Kennecott may terminate its obligations under Section 4.5 on notice to Western at any time after there is a change in, or any person or group of persons acquire, control of WTC. Upon such termination Western will return to Kennecott all information provided by Kenneeott pursuant to Section 4.4 and any other information pertaining to the Alliance Area or the Properties that Western may have received from Kennecott, in whatever form, and any copies thereof or other documents that may contain such information in whole or in part, will be delivered immediately to Kennecott by Western.

4.8. During the Alliance Term, Western will keep the Properties free and clear of all liens, charges and encumbrances; comply with all applicable laws, rules and regulations; not

carry out or permit anyone to carry out any activity on or in respect of the Properties which does not qualify as Operations; and carry out Operations in a good and workmanlike manner in accordance with generally accepted mining practice.

4.9. Western will make the cash payments that total US $1,500,000 required to be paid in 1998 under the Penasquito Agreement and will file all Expenditures incurred by it for assessment credit under applicable legislation for the benefit of the Properties. Western may allow any part or parts of the Properties to lapse or to revert to third parties at any time, provided that Kennecott will maintain the Penasquito Project in good standing and will not allow it to lapse or revert until the first year of the Alliance Term has expired. Before allowing any of the Properties to lapse or revert, Western will give 60 days notice to Kennecott and will, if required by Kennecott within that time, transfer to Kennecott the part or parts of the Property which Western intends to allow to lapse or revert, and the same shall then cease to be subject to this Agreement. If Kennecott does not make such request and part or parts of the Property lapse or revert, neither Western nor Kennecott nor their respective Affiliates shall stake or reacquire the same in whole or in part until the expiry of 12 months after the termination of the Alliance Term.

4.10. Western will provide to Kennecott within 30 days of the end of each calendar quarter during the Alliance Term written reports showing the Operations carried out and the results obtained and detailing the Expenditures incurred together with evidence of payment thereof. Kennecott shall at all reasonable times on reasonable notice to Western have access to the information and data generated from Western's Operations and to the Properties and to Western's Operations, provided that Kennecott shall not interfere with Western's activities hereunder. Kennecott will have the right from time to time on reasonable notice to Western to audit and make copies of the books and records of Western that pertain to Operations.

4.11. Western shall indemnify and save harmless Kennecott from and against any and all claims, debts, demands, suits, actions and causes of action whatsoever which may be brought or made against Kennecott by any person, firm or corporation and all loss, cost, damages, expenses and liabilities which may be suffered or incurred by Kennecott arising out of or in

connection with or in any way referable to, whether directly or indirectly, the entry on, presence on, or activities on the Properties or the approaches thereto by Western or its servants or agents, or, insofar as they are acting at the direction of Western, by the geoscientist or other technical or administrative support staff provided by Kennecott pursuant to Section 4.5, including without limitation bodily injuries or death at any time resulting therefrom or damage to property.

4.12. Western shall maintain, during the Alliance Term, the following insurance:

4.12.1. the Mexican equivalent, if any, of Worker's Compensation Insurance for employees which is in full compliance with all applicable laws of the State of Zacatecas or the United States of Mexico;

4.12.2. Comprehensive General Liability Insurance and blanket contractual liability, specifically including the liability assumed under any indemnity provided herein, with a limit of liability for bodily injury of $1,000,000 each occurrence and $1,000,000 aggregate and for property damage of $1,000,000 each occurrence and $1,000,000 aggregate,

4.12.3. Comprehensive Automobile Insurance including all owned, non-owned and hired vehicles with not less than the following limits:

4.12.3.1.	Bodily Injury	$1,000,000 each person $1,000,000 each occurrence
4.12.3.2.	Properties Damage	$500,000 each occurrence

All policies in subsection 4.12.2 shall be endorsed to provide that 30 days prior written notice will be given to Kennecott by the carrier before effecting cancellation or material change of coverage. In addition, all liability policies shall be endorsed to include Kennecott and all subsidiary, associated and affiliated companies as additional insureds.

During the Alliance Term, Western shall not commence any work until a certificate in evidence of insurance coverage has been provided to Kennecott, nor shall Western allow any

subcontractors to commence work until a similar evidence for each subcontractor has been obtained and approved by Western. Western shall be responsible for compliance by all subcontractors with these insurance requirements.

A certificate evidencing the required insurance shall be made out to Kennecott, and shall be furnished to Kennecott promptly after issuance and must reflect both the endorsement provisions requiring 30 days prior written notice to be given before cancellation or material change, and the additional interests where applicable. Each certificate shall specify the date when such benefits and insurance expire.

Western agrees that such benefits and insurance, as specified above, shall be provided and maintained until the Alliance Term expires. The original certificate shall be mailed or delivered to Kennecott.

If at any time the required insurance policies should be cancelled, terminated, or modified so that the insurance is not in full force and effect as required herein, Kennecott may at its option obtain insurance coverage equal to that required herein, with the cost thereof chargeable to Western.

Kennecott and all of its subsidiary, associated and affiliated companies shall be released and held harmless by Western and its subcontractors for all loss of or damage to Western's and/or its subcontractors' sheds, tools, equipment, and/or materials, or to any property of its employees.

4.13. The liability of Western assumed under this Agreement shall in no manner be limited by the amount of the insurance which Western is required to provide by the provisions hereof.

4.14. Western will, at its own expense, repair any damage to all property as required by law, whether such property is publicly or privately owned, including the property of Kennecott, which may result from Western's performance of this Agreement.

5 **BACK-IN RIGHTS**

5.1. Western will not mine or remove ores, minerals or metals from any concession comprised in the Properties, except in non-commercially saleable quantities for the purpose of sampling, testing and assaying, without first providing to Kennecott:

5.1.1. a copy of a report certified by a recognized firm of competent, professional engineers stating that drilling by Western on the concession (a "Development Property") has defined an inferred resource thereon; and

5.1.2. a detailed statement audited and verified by a recognized firm of competent chartered accountants showing the aggregate amount of (i) the Expenditures incurred and paid by Western on that Development Property; (ii) the aggregate amount of any and all payments by Western made pursuant to the Underlying Agreement, if any, that pertains to the Development Property; and (iii) the aggregate amount that Western paid to Kennecott to acquire that Development Property from Kennecott (the aggregate of the foregoing amounts being hereafter called the "Back-in Price").

(the date on which all of the above have been received by Kennecott being hereinafter called the "Notice Date").

5.2. Kennecott shall have and Western hereby grants separately in respect of each Development Property the option (the "Back-in Right") to reacquire from Western a 51% undivided right, title and interest in the Development Property and in all information, property and assets, both real and personal, acquired by the expenditure of Expenditures thereon, free and clear of all liens, charges, encumbrances, security interests, liabilities and adverse claims whatsoever that were not existing on the date of this Agreement. Kennecott may exercise the Back-in Right by delivering notice of exercise to Western within the time provided in Section 5.4 and within 30 days thereafter providing Western with payment of an amount which, subject to Section 5.5, shall be equal to 150% of 51% of the Back-in Price for that Development Property, whereupon Kennecott shall acquire and be vested with a 51% undivided right, title and interest in and to the Development

Property and all information, property and assets, both real and personal, acquired by the expenditure of the Expenditures thereon, free and clear as aforesaid. Failure to exercise a Back-in Right as provided herein shall be deemed to be an election not to exercise such Back-in Right.

5.3. Kennecott shall have the right to conduct its own audit of the Back-in Price claimed by Western and to dispute the amount or any portion thereof within 50 days after the Notice Date. Such dispute shall be referred to a single arbitrator acting under the *Commercial Arbitration Act* (British Columbia), whose decision shall be final and binding. The party in whose favour the arbitrator's decision is made will pay the costs of the arbitration.

5.4. If the amount (the "Disputed Amount") that Kennecott in good faith disputes is more than 10% of the Back-in Price claimed by Western, then Kennecott may exercise the Back-in Right within 60 days after the Notice Date or 30 days after any dispute is resolved under Section 5.3, whichever is later. If the Disputed Amount is 10% or less of the Back-in Price claimed by Western, then Kennecott may exercise the Back-in Right within 60 days after the Notice Date (the date by which Kennecott must give notice being hereinafter called the "Exercise Date").

5.5. If the Disputed Amount is 10% or less of the Back-in Price claimed by Western, Kennecott may defer payment of 150% of 51% of the Disputed Amount until the dispute is resolved by arbitration. Within 10 days after the arbitrator's decision, Kennecott will pay to Western 150% of 51% of the Disputed Amount to the extent that the arbitrator determines that it was properly included in the Back-in Price. If the arbitrator finds that the whole of the Disputed Amount was properly included, Kennecott shall also pay to Western interest on the deferred payment at an annual rate equal to the Prime Rate plus 2% calculated from the Exercise Date to the date of payment.

5.6. If Kennecott exercises a Back-in-Right in respect of a Development Property it must either:

5.6.1. incur aggregate Expenditures in respect of that Development Property and/or make payments to third parties pursuant to the Underlying Agreement or other agreement pertaining thereto of US $25,000,000, or

5.6.2. make a Production Decision in respect of that Development Property,

within 60 months from the Exercise Date applicable to that Development Property. Additionally, at least US$1,000,000 of the US $25,000,000 referred to above must be incurred or paid in each of five successive years, the first of which commences on the Exercise Date.

5.7. Kennecott may accelerate any or all of the Expenditures contemplated by Section 5.6. Kennecott may at any time from time to time pay to Western money in lieu of incurring Expenditures under Section 5.6, if sufficient Expenditures have been incurred to maintain the Development Property in good standing, in which event Kennecott shall be deemed to have incurred additional Expenditures in the same amount as the amount of any such payment and in satisfaction of such of the provisions of Section 5.6 as indicated by Kennecott at the time of the making of such payment. Any excess payments or Expenditures made or incurred in any period will be carried forward and applied as a credit against Expenditures to be made in the next succeeding period or periods.

5.8. If from time to time Kennecott is prevented by Force Majeure from incurring Expenditures or making a Production Decision as provided in Section 5.6 then Kennecott shall have such additional time as is reasonable in the circumstances to do so, the amount of such additional time not to exceed the duration of the Force Majeure.

5.9. If Kennecott does not satisfy the requirements in Section 5.6 in respect of a Development Property, it will at its own expense and without reimbursement of any amounts that it paid to exercise its Back-in Right in respect of that Development Property provide to Western a duly executed retransfer of its right, title and interest in that Development Property, and Kennecott will then have no further rights or obligations hereunder, including without limitation under Section 5.6, with respect to that Development Property.

6. ROYALTIES

6.1. For each Development Property in respect of which Kennecott does not exercise the Back-in Right, Kennecott shall be entitled to and Western will pay each year a royalty equal to a percentage of Net Smelter Returns from the Development Property. The percentage will be 2% in respect of each Development Property that was a Kennecott Concession or the Penasquito Project (with the Penasquito Project deemed to be a single Development Property) and 1% in respect of each Development Property that was a Western Concession. The maximum aggregate amount payable by Western on account of each such royalty will be US $15,000,000 if the royalty pertains to a Kennecott Concession or the Penasquito Project or US $7,500,000 if the royalty pertains to a Western Concession.

6.2. "Net Smelter Returns" shall be calculated and paid as provided in Schedule 1.14.

6.3. The royalties granted hereunder shall constitute an interest in land that will run with the land.

7. TRANSFERS OF THE PROPERTIES

7.1. Subject to Section 7.2, if at any time during the Alliance Term Kennecott intends to sell or otherwise dispose of one or more concessions (the "Subject Property") located in the Alliance Area that are not comprised in the Kennecott Concessions, Western shall have a right to purchase the same as follows:

7.1.1. Kennecott shall provide notice in writing to Western that identifies the Subject Property and states the aggregate amount, in current U.S. dollars, that has been expended on the Subject Property up to the date of the notice to explore or develop it in accordance with good mining practice and to acquire and maintain title to it, plus 5% thereof in lieu of home office or administration expenses (the total thereof being hereinafter referred to as "Historical Cost") The delivery of such notice shall constitute an offer by Kennecott to Western to dispose of the Subject Property to Western for a purchase price equal to

the Historical Cost, provided that Western may elect to pay such price in U.S. dollars or Canadian dollars or in Shares, with the exchange rate between U.S. and Canadian dollars being the rate in effect on the date of Kennecott's notice to Western and the price per Share equal to the weighted average price at which such Shares traded on the Toronto Stock Exchange on the ten days (exclusive of holidays) preceding the delivery of such notice by Kennecott). Western shall have 30 days from the date of such notice to elect to acquire the Subject Property by delivering to Kennecott, within such 30 days, payment of the Historical Cost by way of a certified cheque for U.S. dollars or Canadian dollars in the appropriate amount or delivery to Kennecott of the appropriate number of fully paid and non-assessable Shares represented by a duly executed share certificate in the name of Minera Kennecott;

7.1.2. if Western fails to so elect and pay for the Subject Property within the time provided for in Section 7.1.1, Kennecott shall have 90 days following the expiration of such period to sell or otherwise dispose of the Subject Property or any interest in it for consideration of such value (which may be greater or less than the Historical Cost) and of such kind as Kennecott may choose to accept from the purchasing party;

7.1.3. if Kennecott fails to consummate such transaction within the period set forth in Section 7.1.2, the right of Western under this Section 7.1 shall be deemed to be revived and any subsequent disposition by Kennecott during the Alliance Term of any concessions located in the Alliance Area that are not Kennecott Concessions shall again be conducted in accordance with the provisions of Section 7.1; and

7.1.4. If Western exercises its right to acquire concessions from Kennecott pursuant to this Section 7.1, such concessions shall be deemed to be Kennecott Concessions for all purposes of this Agreement.

7.2. Kennecott shall have the right without restriction under Section 7.1 to:

which Western has given notice under Section 3.1 and the 30 day period referred to in Section 3.1 has not expired) unless:

7.3.1. the person to whom the disposition is being made first agrees with Kennecott in writing to be bound by this Agreement including without limitation Article 6 and, unless Kennecott has waived its Back-in Right in respect of the property pursuant to Section 7.6, Article 5, such agreement to be in form and content satisfactory to Kennecott; and

7.3.2. if the Penasquito Project or. the Kennecott Concessions or any of them are included in the disposition, Kennecott has given its prior written consent; and

7.3.3. if the Penasquito Project or the Kennecott Concessions or any of them are included in the disposition and at any time after the date of this Agreement there has been a change in, or an acquisition by any person or group of persons of, control of WTC, Western has first provided Kennecott with a right of first refusal as provided in Section 7.5, which Kennecott has not exercised.

7.4. Western shall have the right without restriction under Section 7.3 to transfer the Properties to a corporation at least 99.9% of the shares of which are beneficially owned and held by WTC or Minera Western, provided that such corporation agrees in writing with Kennecott to hold the Properties subject to this Agreement, the form and content of such agreement in writing to be as Kennecott may reasonably require.

7.5. If Western intends to sell, assign, transfer, convey or otherwise dispose of the Penasquito Project, the Kennecott Concessions, or any of them or any interest therein, (the “Subject Interest”) as permitted by Section 7.3 but in circumstances where Section 7.3.3 applies, Kennecott shall have a right of first refusal as follows:

7.5.1. Western shall promptly notify Kennecott of its intentions. The notice shall be accompanied by an executed agreement (the “Third Party Agreement”) entered into by Western in good faith with an arm’s length third party that provides for all of the terms of the intended disposition and is subject to

Interest") as permitted by Section 7.3 except in circumstances where Section 7.3.3 applies, Kennecott shall have a right of first refusal as follows:

7.5.1. Western shall promptly notify Kennecott of its intentions, The notice shall be accompanied by an executed agreement (the "Third Party Agreement") entered into by Western in good faith with an arm's length third party that provides for all of the terms of the intended disposition and is subject to Kennecott's right in this Section 7.5. If the purchase price and consideration does not consist solely of cash the notice shall also state Western's good faith calculation of the fair market value of such consideration stated in U.S. or Canadian dollars. If Kennecott in good faith disputes such valuation within 10 days of receipt of the notice from Western it may refer the matter to a single arbitrator under the *Commercial Arbitration Act* (British Columbia) whose decision shall be final and binding on the parties. The delivery of such notice and Third Party Agreement shall constitute an offer by Western to Kennecott to dispose of the Subject Interest to Kennecott on the same terms and conditions as provided in the Third Party Agreement, provided that Kennecott may elect to pay the fair market value of such consideration in U.S. or Canadian dollars. Kennecott shall have 30 days from the date of such notice or the date on which the arbitrator's decision is made, whichever is later to notify Western whether it elects to acquire the Subject Interest. If it does so elect, the disposition shall be consummated promptly after notice of such election is delivered to Western;

7.5.2. if Kennecott fails to so elect within the time provided for in Section 7.5.1, Western shall have 90 days following the expiration of such period to consummate the transaction provided by the Third Party Agreement but subject to Kennecott's rights under this Agreement; and

7.5.3. if Western fails to consummate such transaction within the period set forth in Section 7.5.2, the right of first refusal of Kennecott under this Section 7.5 shall be deemed to be revived. Any subsequent proposal to dispose of any

rights or interests of Western shall again be conducted in accordance with the provisions of Section 7.5.

7.6. If Western intends, at any time before the same has become a Development Project, to sell, transfer or assign all or an interest in the Penasquito Project or any of the Kennecott Concessions to an arm's length third party for consideration which Western in good faith believes represents the fair market value thereof Western may require Kennecott to waive its Back-in Right in respect thereof at the closing of the sale thereof to the arm's length third party, in consideration for payment to Kennecott at such closing of 10% of such consideration. The request for such waiver will be made to Kennecott at least 15 days but not more than 30 days before the intended closing date and shall be accompanied by a copy of the purchase agreement and an affidavit of a senior officer of Western stating that the consideration specified therein is all of the consideration to be received by Western for the sale of such property and that such officer in good faith believes it to be the fair market value thereof. As provided in Section 7.3.1, the third-party purchaser must acknowledge that it is acquiring the property subject to Kennecott's right to be paid a royalty in respect of that property pursuant to Article 6 hereof.

7.7. Western will not mortgage, charge, pledge or otherwise encumber any of the Properties without the prior written consent of Kennecott, except for the sole purpose of raising funds to be expended on the development of the Properties.

8. CORPORATION AND SHAREHOLDERS AGREEMENT

8.1. If from time to time Kennecott exercises the Back-in Right on any Development Property and completes the expenditures required by Section 5.6, then as soon as reasonably possible thereafter, Kennecott and Western shall meet to finalize an appropriate corporate structure for the post-exploration mining activities on that Development Property and cause a Corporation to be incorporated. Such corporation shall be governed pursuant to the terms of the Shareholders Agreement. Kennecott and Western agree that the final corporate structure and organization shall be in accordance with the Shareholders Agreement and shall be one which will minimize tax liability and optimize profit repatriation for both Kennecott and Western. Incorporation of the Corporation, its

organization and the subscription of the Shares shall be completed no later than 30 days following the exercise by Kennecott of a Back-in Right. A Shareholders Agreement shall be entered into and a new Corporation shall be incorporated for each Development Property. For the purposes of Section 4.1 of the Shareholders Agreement, the agreed value of a Development Property will be the Back-in Price applicable to it plus the Expenditures incurred by Kennecott under Section 5.6 in respect of it.

8.2. Unless otherwise agreed to in writing, Kennecott and Western, to the extent of their respective interests in accordance with Section 5.2, shall pay all costs and expenses incurred or accrued by either of them which are directly or reasonably related to the incorporation, organisation or setting up of the Corporation (the "Preincorporation Expenses"). Preincorporation Expenses shall include, but not be limited to, any and all stamp taxes, import duties, other taxes' or duties,, filing or other fees, assessments or other payments made to a Governmental Authority, notary public and legal fees and disbursements and any costs or expenses directly or reasonably incurred or accrued by either Kennecott or Western (the "Paying Party") to third parties, shall not include costs and expenses incurred or accrued internally by the Paying Party or its Affiliates.

8.3. Preincorporation Expenses incurred to third parties shall be reimbursed to the Paying Party in the amount and currency actually incurred by the Paying Party. Within 60 days following the date of incorporation of the Corporation, the Paying Party shall submit to the non-Paying Party invoices for the Preincorporation Expenses specifying the non-Paying Party's share of all such Preincorporation Expenses not previously billed or invoiced to the non-Paying Party.

8.4. The non-Paying Party shall pay its pro rata share of Preincorporation Expenses as set forth in any invoice submitted to it by the Paying Party pursuant to Section 8.3 within 30 days after such invoice is sent to the non-Paying Party.

8.5. Upon the incorporation and organization of the Corporation and the issuance of Shares in accordance with Section 4.1 of the Shareholders Agreement, of which 51% will be issued to Minera Kennecott and 49% will be issued to Minera Western, Kennecott shall complete

the date on page 1 of the Shareholders Agreement which shall be the date on which the Corporation was incorporated and any other information required by such form. Kennecott shall also complete Schedule A thereto with a description of the Development Property and each of the parties shall then execute and deliver to the other a copy of the Shareholders Agreement and all documents and instruments contemplated by the Shareholders Agreement to be executed and delivered concurrently with or following the entering into of the Shareholders Agreement.

8.6. Kennecott and Western shall not be liable to one another for losses sustained or liabilities incurred by either Kennecott or Western or their respective Affiliates relating to or arising out of the incorporation, organization or setting up of the Corporation ("Preincorporation Activities"), except as may result from Kennecott's or Western's (or their respective Affiliates') negligence or wilful misconduct. Neither Kennecott nor Western nor their Affiliates shall in any event have any liability to the other for incidental, consequential, indirect, exemplary or punitive damages for losses or liabilities to or arising out of Preincorporation Activities.

8.7. None of the provisions in this Agreement will merge in the Shareholders Agreement and this Agreement will survive the execution and delivery thereof. For greater certainty but without limiting the scope of Article 9 hereof, the parties acknowledge that Kennecott's rights under Article 9 hereof shall continue to apply in respect of funds that Minera Western requires to carry out the purposes and intent of each Shareholders Agreement.

9. **WESTERN'S FINANCING REQUIREMENTS**

9.1. From and after the date hereof, Western shall provide written notice to Kennecott of any and all transactions proposed to be entered into or corporate actions proposed to be taken by Western or any subsidiary thereof for the purpose, directly or indirectly, of raising funds (each such transaction being hereinafter referred to as a "Financing"). Each such notice provided by Western shall set out the terms and conditions on which such Financing is proposed to be entered into (which may include the approval of the Toronto Stock Exchange or other securities regulatory authority) and shall be deemed to constitute an

offer (a "Financing Offer") to Kennecott to participate in such Financing upon such terms and conditions by providing a fraction of the funds to be raised under the financing, where the numerator of such fraction is the number of Shares at that time held by Kennecott and the denominator of such fraction is the total number of Shares at that time issued and outstanding. The terms and conditions of the Financing Offer shall be set out in sufficient detail that the acceptance thereof by Kennecott would constitute a binding agreement between the parties to complete the Financing as to the portion to be provided by Kennecott on such terms and conditions and, without limiting the generality of the foregoing, such terms and conditions shall include the closing date (which shall be a date not more than 90 days from the date of the Financing Offer) for such Financing and:

9.1.1. in the case of a Financing involving the issue and sale of shares of WTC or a subsidiary thereof, the number and class of shares proposed to be issued and sold, the purchase price therefor and any special rights or restrictions attached to such shares;

9.1.2. in the case of a Financing involving a loan to be made to or a debt to be incurred by Western or a subsidiary thereof, the principal amount and term of such loan or debt, the applicable interest rate and details regarding the calculation and payment thereof and provisions relating to any security to be granted in respect of the loan or debt;

9.1.3. if the Financing is conditional on Western receiving from the proposed sources of funds (collectively, the "investors") commitments to provide an amount which in the aggregate is not less than a specified amount, details of such condition; and

9.1.4. if the Financing is conditional on Western receiving from each investor a commitment to provide an amount which is not less than a specified amount, details of such condition.

9.2. Kennecott shall provide written notice to Western of its acceptance or rejection of each Financing Offer within 72 hours after the receipt by it thereof, provided however that

Western shall not present Kennecott with a Financing Offer unless it has previously given to Kennecott at least 20 days notice of all material terms of the Financing other than pricing matters, including dividend or interest rates as applicable.

9.3. If Kennecott accepts a Financing Offer as to participation in the Financing as to all or a portion of the funds intended to be raised thereby by Western or a subsidiary thereof, Western or such subsidiary and Kennecott shall complete the Financing (or the portion thereof in respect of which Kennecott has determined to participate) on the terms and conditions set out in the Financing Offer, with any and all such amendments thereto as they may agree upon in writing. Kennecott may, at its option, from time to time complete any Financing accepted by it through any Affiliate.

9.4. If Kennecott declines to participate in a Financing Offer Western may complete the Financing with other investors on and subject to the terms and conditions set out in the Financing Offer. Any amendment to such terms and conditions such that they are materially less favourable to Western or any amendment or waiver of a condition made pursuant to Subsection 9.1.3 or Subsection 9.1.4 shall be deemed to constitute a new Financing and shall require Western to make a Financing Offer to Kennecott to participate in such new proposed Financing on such amended terms and conditions in accordance with the provisions of Section 9.1, in which case the provisions of this Article 9 shall apply mutatis mutandis to such new proposed Financing.

9.5. WTC may issue Shares as consideration for the acquisition of mineral properties without obligation to Kennecott under Section 9.1. Each time that WTC issues Shares as consideration for the acquisition of mineral properties it will, at the same time, to the extent permitted by applicable securities laws, offer to allot and issue to Kennecott the number of Shares which is in the same proportion to the number of such Shares so issued as consideration for the acquisition of mineral properties as the number of Shares then held by Kennecott is to the total number of Shares then outstanding, at a price per share equal to the weighted average price at which such shares traded on the Toronto Stock Exchange on the ten days (exclusive of holidays) preceding the date of such offer on

which Shares were traded. The offer by Western shall be open for acceptance by Kennecott for 30 days.

10. **REPRESENTATIONS AND WARRANTIES**

10.1. Western represents and warrants to Kennecott (all of which shall survive Closing) that:

10.1.1. WTC is duly incorporated and organized and validly existing under the laws of the Province of British Columbia and Minera Western is duly incorporated and organized and validly existing under the laws of Mexico and each of them has the requisite power and capacity and is duly qualified to carry on its business as now conducted and to own its properties and assets;

10.1.2. the execution and delivery of this Agreement and the performance of the terms hereof by Western have been duly authorized by all necessary corporate action and this Agreement constitutes a legal, valid and binding agreement enforceable against Western in accordance with the terms hereof;

10.1.3. the transactions contemplated by this Agreement do not and will not result in a breach of or constitute a default under (whether after notice or lapse of time or both)

10.1.3.1. any statute, rule or regulation applicable to Western, including, without limitation, the securities laws of the provinces of Ontario and British Columbia and other provinces where WTC is reporting issuer and the bylaws, rules and regulations of the Toronto Stock Exchange;

10.1.3.2. the provisions of the constating documents of WTC and Minera Western or of any resolutions of the directors or shareholders of either of them in effect as of the date hereof;

10.1.3.3. any mortgage, note, indenture, contract, agreement or other instrument to which Western is a party or by which it is bound; or

10.1.3.4. any judgment, decree or order which binds Western or the property or assets of Western;

10.1.4. to the best of Western's knowledge, Western is conducting its business in all respects in compliance with all applicable laws, rules and regulations of each jurisdiction in which its business is carried on and is duly licensed, registered or qualified in all jurisdictions in which it owns, leases or operates its property or carries on business to enable its business to be carried on as now conducted and its property and assets to be owned, leased and operated and all such licenses, registrations and qualifications are valid and subsisting and in good standing;

10.1.5. there is no action, suit, proceeding or inquiry before any court, governmental agency or body, pending or threatened, to which Western is a party or to which its property is subject, which might result in any material adverse change in the condition (financial or otherwise) or business of Western or which might adversely affect the property or assets of Western, taken as a whole;

10.1.6. at the Closing Time, WTC will have obtained all necessary regulatory, stock exchange and other approvals and consents with respect to the issue and sale of the Shares to be issued at the Closing;

10.1.7. at the Closing Time, the Shares to be issued at the Closing will be duly authorized and validly allotted and issued as fully paid and non-assessable Shares in the capital of WTC;

10.1.8. the authorized capital of WTC consists of 20,000,000 Shares, of which 12,227,413 Shares are issued and outstanding as fully paid and non-assessable Shares as at the date hereof;

10.1.9. WTC is a reporting issuer not in default under the *Securities Act* (Ontario) and is not in default under the securities legislation of any other province where it is a reporting issuer;

10.1.10. the audited consolidated financial statements of WTC for the years ended September 30, 1997, 1996 and 1995 have been prepared in accordance with generally accepted accounting principles and present fully, fairly and correctly in all material respects the results of operations and the changes in WTC's financial position for the periods then ended, and any interim financial statements for any subsequent financial period have been prepared in accordance with generally accepted accounting principals and present fully, fairly and correctly in all material respects the results of operations and the changes in WTC's financial position for the periods then ended;

10.1.11. Western has no material liabilities contingent or otherwise other than those disclosed in the audited financial statements of WTC for the year ended September 30, 1997;

10.1.12. WTC has met all timely disclosure requirements under the *Securities Act* (British Columbia), the *Securities Act* (Ontario) and National Policy No. 40, and, without limiting the generality of the foregoing, there has not occurred any adverse material change since September 30, 1997 and no adverse material fact exists in relation to Western or its securities that has not been publicly disclosed;

10.1.13. the representations and warranties of Western in this Agreement are now and at the Time of Closing will be true and correct;

10.1.14. WTC is the registered and beneficial owner of 4999 shares in the capital of Minera Western which represent 99.9% of the issued and outstanding shares in the capital of Minera Western and WTC owns such shares free and clear of all liens, charges, encumbrances or rights of third parties. No person other than WTC has the right, actual, contingent, conditional or otherwise, in any circumstance, to be allotted or issued shares or other securities of Minera Western;

10.1.15. it has title to the Western Concessions subject only to the paramount title of the United States of Mexico; and

10.1.16. it has paid all taxes, assessments, charges, fees and other levies imposed upon or required with respect to the Western Concessions and has filed all returns and reports required therefore.

10.2. Kennecott represents and warrants to Western that:

10.2.1. Kennecott has title to concessions comprised in the Kennecott Concessions of which it is the claimholder, as shown in Schedule 1.13, subject only to the paramount title of the United States of Mexico and to the provisions of the Underlying Agreements to which the same may be subject;

10.2.2. it has paid all taxes, assessments, charges, fees and other levies imposed upon or required with respect to the Kennecott Concessions and has filed all returns and reports required therefore;

10.2.3. it has full power and absolute authority to grant to Western the rights provided in this Agreement that pertain to the Penasquito Project and the concessions comprised in the Kennecott Concessions of which Kennecott is the claimholder as shown in Schedule 1.13 and to assign the Penasquito Agreements;

10.2.4. this Agreement constitutes a legal, valid and binding obligation of Kennecott; and

10.2.5. to the best of its knowledge, there are no actual pending or threatened lawsuits or administrative actions affecting the Kennecott Concessions.

10.3. Western acknowledges that Kennecott makes not representation or warranty as to its title to, or its right to assign, the Kennecott Concessions of which it is not the claimholder as shown in Schedule 1.13 and that under Section 4.2 it will be required only to transfer to Western such interest therein if any as it may have and only if it has the right to do so without incurring any cost, penalty or liability.

10.4. The representations and warranties contained in Section 10.1 are provided for the exclusive benefit of Kennecott and a breach of any one or more of them may be waived by Kennecott in writing in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty.

10.5. The representations and warranties contained in Section 10.2 are provided for the exclusive benefit of Western and a breach of any one or more of them may be waived by Western in writing in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty.

10.6. Western shall indemnify and hold Kennecott harmless in respect of any loss resulting from any breach of any representation or warranty of Western (and for the purposes of this Section 10.6 the words “to the best of Western’s knowledge” in Section 10.1.4 shall be deemed to be deleted therefrom) in this Agreement or in any document delivered hereunder or arising out of facts or circumstances constituting such a breach, or any failure to perform any covenant contained in this Agreement.

10.7. The covenants, representations and warranties contained in this Agreement will not merge in or be extinguished by the Shareholders Agreement or the Closing and shall survive Closing and the execution and delivery of the Shareholders Agreement and of documents delivered at the Closing and shall continue in full force and effect.

11. CONFIDENTIALITY

11.1. During the Alliance Term, all information received or obtained by a party hereunder or pursuant hereto shall be kept confidential by it and no part thereof may be disclosed or published without the prior written consent of the other except such information as may be required to be disclosed or published by regulatory bodies having jurisdiction.

11.2. Notwithstanding Section 11.1, a party may disclose information to any person or persons with whom it proposes to contract as permitted by Article 7 or to its professional advisors or consultants, provided that Western shall not disclose any information or data that has been or is provided to it by Kennecott without Kennecott's prior written consent and that neither party will disclose information to persons with whom it proposes to contract or to professional advisors or consultants without first requiring them to acknowledge, in writing, the confidentiality of such information.

11.3. Except as required by law or regulatory authority, during the Alliance Term neither party shall make any public announcements or statements concerning this Agreement or the Properties without the prior approval of the other, not to be unreasonably withheld.

11.4. During the Alliance Term, the text of any public announcements or statements including news release which Western intends to make pursuant to the exception in Section 11.3 shall be made available to Kennecott prior to publication and Kennecott shall have the right to make suggestions for changes therein. If Kennecott is identified in such public announcement or statement it shall not be released without the consent of Kennecott in writing.

12. NOTICES

12.1. All notices, payments and other required communications ("Notices") to one of Kennecott or Western by the other shall be in writing and shall be addressed respectively as follows:

If to Kennecott:

Commercial Director
Kennecott Exploration Company
224 North 2200 West
Salt Lake City, Utah 84116
USA
Telecopier: (801) 238-2420

with a copy to:
Director Strategic Development
Kennecott Canada Exploration Inc.
200 Granville Street, Suite 354
Vancouver, B.C.
V6C 1S4
Telecopier: (604) 669-5255

If to Western:

President
Western Copper Holdings Ltd.
1185 West Georgia Street, Suite 1650
Vancouver, B.C.
V6E 4E6 Canada
Telecopier: (604) 688-4670

All Notices shall be given (1) by personal delivery to the addressee, or (2) by electronic communication, with a confirmation sent by registered or certified mail return receipt requested, or (3) by registered or certified mail or commercial carrier return receipt requested. All Notices shall be effective and shall be deemed delivered (1) if by personal delivery on the date of delivery if delivered during normal business hours and, if not delivered during normal business hours, on the next business day following delivery, (2) if by electronic communication on the next business day following receipt of the electronic communication, and (3) if solely by mail or commercial carrier on the next business day after actual receipt. A party may change its address by Notice to the other party.

13. **MISCELLANEOUS**

13.1. Ownership of Subsidiaries. WTC covenants with Kennecott that it will at all times hold and beneficially own at least 99.9% of the shares of Minera Western and that WTC or Minera Western will at all times hold and beneficially own at least 99.9% of the shares of any corporation to which the Properties are transferred pursuant to Section 7.4. KEC

covenants with Western that it and its Affiliates will at all times be the sole shareholders of Minera Kennecott.

13.2. Assignment. KEC and Minera Kennecott may freely assign their respective rights under this Agreement in whole or in part, subject only to the restriction in Section 7.1. WTC and Minera Western may assign this Agreement only as expressly permitted.

13.3. Applicable Law. The terms and provisions of this Agreement shall be interpreted in accordance with the laws of British Columbia.

13.4. Time. Time shall be of the essence of this Agreement.

13.5. Entire Agreement. This Agreement terminates and replaces all prior agreements, either written, oral or implied, between the parties with respect to the subject matter hereof, and together with the Subscription Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof.

13.6. Void or Invalid Provision. If any term; provision, covenant or condition of this Agreement, or any application thereof, should be held by a court of competent jurisdiction to be invalid, void or unenforceable, all provisions, covenants and conditions of this Agreement, and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and in no way be affected, impaired or invalidated thereby.

13.7. Additional Documents. The parties shall do and perform all such acts and things, and execute all such deeds, documents and writings, and give all such assurances, as may be necessary to give effect to this Agreement.

13.8. Modification. No modification of this Agreement shall be valid unless made in writing and duly executed by the parties.

13.9. Waiver. The failure of a party to insist on the strict performance of any provision of this Agreement or to exercise any right, power or remedy upon a breach hereof shall not constitute a waiver of any provision of this Agreement or limit that party’s right thereafter to enforce any provision or exercise any right.

13.10. Binding Effect. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

13.11. Counterparts. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

WESTERN COPPER HOLDINGS LTD.

By: /s/ [ILLEGIBLE]

Title: V. P. Finance

MINERA WESTERN COPPER S.A. DE C.V.

By: /s/ [ILLEGIBLE]

Title: V. P. Finance

KENNECOTT EXPLORATION COMPANY

By: /s/ John V. [ILLEGIBLE]

Title: President

MINERA KENNECOTT S.A. DE C.V.

By: /s/ John V. [ILLEGIBLE]

Title: President

Schedule E

Termination of Property Rights Agreement

TERMINATION OF PROPERTY RIGHTS AGREEMENT

THIS AGREEMENT is made as of the 5th day of May, 1999, by and between **KENNECOTT EXPLORATION COMPANY,** a Delaware corporation, **MINERA KENNECOTT S.A. DE C.V.,** a Mexico corporation (collectively, "Kennecott"), **WESTERN COPPER HOLDINGS LTD.,** a British Columbia corporation, and **MINERA WESTERN COPPER S.A. DE C.V.,** a Mexico Corporation (collectively, "Western Copper").

WHEREAS, Kennecott and Western Copper entered into that certain Property Rights Agreement ("Property Rights Agreement") dated 13 March, 1998; and,

WHEREAS, The parties now wish to terminate the Property Rights Agreement;

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

1. Western Copper acknowledges that it currently owes Kennecott **ONE MILLION THREE HUNDRED FORTY-FOUR THOUSAND FIVE HUNDRED AND FIFTY-SIX UNITED STATES DOLLARS (** US$1,344,556.00) for expenses incurred by Kennecott on Western Copper's behalf, plus interest. Western Copper hereby confirms that the expenditures are valid and this amount is undisputed. On or before the close of business on 5 May, 1999 (the "Effective Date"), Western Copper shall pay Kennecott such amount in full.

2. After the Effective Date, and performance of Western Copper's obligations pursuant to Paragraphs 1, 3(a) and 3(b) herein, Kennecott shall assign, at Western Copper's sole expense, all of Kennecott's right, title and interest in the Properties, as more particularly described in Exhibit A hereto, to Western Copper or its designated assignee. Western Copper shall assume and perform, at its sole risk and expense, all of obligations pertaining to the Properties and shall indemnify and hold Kennecott harmless for any liabilities, costs or expenses arising from Western Copper's activities on the Properties. **WESTERN COPPER HEREBY ACKNOWLEDGES THAT TITLE TO SEVERAL OF THE CONCESSIONS COMPRISING THE PROPERTIES ARE IN JEOPARDY, THROUGH NO FAULT OF KENNECOTT, DUE TO DELINQUENT TAX AND PROPERTY PAYMENTS. ASSIGNMENT OF THE PROPERTIES TO WESTERN COPPER SHALL BE MADE ON AN "AS IS" BASIS, AND KENNECOTT MAKES NO REPRESENTATIONS OR WARRANTIES AS TO TITLE.** If transfer of the Properties is not made as of the Effective date, Kennecott shall continue to hold title to the Properties for the benefit of Western Copper or its designated assignee, provided that Western Copper acknowledges that it shall be solely responsible for the prompt payment of taxes and property payments required to keep the Properties in good standing. It is understood and agreed that Kennecott shall be under no obligation to make any payments on Western Copper's behalf. Western Copper shall indemnify and hold Kennecott harmless for any claim of any type resulting directly or indirectly from Western Copper's failure to make tax or property payments in a timely manner.

3. As of the Effective Date, Kennecott shall surrender its Back-In Rights on the Properties, as set forth in Section 5 of the Property Rights Agreement. As

consideration for Kennecott surrendering such rights, on the Effective Date Western Copper shall:

(a) Issue Kennecott 250,000 common shares of Western Copper common stock. Such stock shall be subject only to such hold period as is required under the rules of the Toronto Stock Exchange, and shall be validly issued, fully paid and nonassessable, and free and clear of all liens. Such number of shares shall be adjusted for any intervening subdivision of Western Copper stock or other capital reorganization.

(b) Amend Section 2 (b) of that certain Subscription Agreement dated 12 March, 1998 and each of the, share purchase warrants referred to therein, so that such warrants may be exercised any time prior to March 12, 2001 at a price of two dollars (C$2.00) per share, subject to such restrictions and accelerated expiry time as required by the Toronto Stock Exchange.

(c) In addition to performing the obligations set forth above, Western Copper shall pay Kennecott, on or before 1 August, 1999, the sum of fifty thousand U.S. dollars (US$50,000), plus the full amount of tax penalties incurred for failure to make tax payments on 30 April, 1999.

4. After the Effective Date, and performance of Western Copper's obligations pursuant to Paragraphs 1, 3(a) and 3 (b) herein, the Properties shall be transferred to Western Copper subject to Kennecott's right to receive a one percent (1%) net smelter return royalty on Western Copper Concessions, and two percent (2%) net smelter return royalty on kennecott Concession or the Penasquito Property, as set forth in Section 6 of the Property Rights Agreement, with the exception that the royalties shall no longer be capped. The net smelter return royalty shall be payable as provided in Schedule 1.14 of the Property Rights Agreement. A copy of Schedule 1.14 is attached hereto as Exhibit B. A schedule of properties subject to such obligation to pay royalties is attached hereto as Exhibit A. Any subsequent transfers of the Properties by Western Copper shall be subject to Kennecott's right to receive its net smelter royalty, and any subsequent transferee shall acknowledge in writing its obligation to pay such royalty and file, at its sole expense, such documentation as may be necessary to acknowledge Kennecott's right with the appropriate governmental authorities in Mexico.

   Kennecott's royalty interest on the Villa de Ramos claim group, as described in Exhibit C hereto, can be purchased under the following terms.

   (a) One million U.S. dollars (US$1,000,000) per percentage point at any time on or before the second anniversary of this Termination Agreement; or,

   (b) Two million U.S. dollars (US$2,000,000) per percentage point at any time after the second anniversary, but before the third anniversary of this Termination Agreement.

   (c) If any portion of the royalty is not purchased prior to the third anniversary of this Termination Agreement, Kennecott's right to receive a net smelter return royalty, pursuant to Paragraph 4 above shall remain in full force and effect.

The parties acknowledge that different net smelter royalty rates apply to different concessions within the Villa de Ramos claim group. It is acknowledged and agreed that the payment of one million U.S. dollars (US$1,000,000) under subparagraph (a) above or two million U.S. dollars (US$2,000,000) under subparagraph (b) above, as the case may be, acquires one percentage point from all the royalty interest payable on the entire Villa de Ramos claim group. Subsequently, the concessions previously subject to a one percent (1%) royalty would have no royalty due, and the concessions subject to a two percent (2%) royalty would be subject to a one percent (1%) royalty. The maximum percentage amount payable to Kennecott in any buyout, where both a one percent (1%) and two (2%) percent royalty is due, shall be two percent (2%). The rights granted hereunder may be exercised in part under subparagraph (a) and the balance under subparagraph (b), but exercise must be as to full percentage points only.

6. After the Effective Date, and performance of Western Copper's obligations pursuant to Paragraphs 1, 3(a) and 3 (b) herein, Kennecott shall grant Western Copper the exclusive right to find a buyer for Kennecott's equity interest in Western Copper. The term of such right will be sixty (60) days from the Effective Date. If Western Copper fails to find a buyer, ready, willing and able to purchase Kennecott's equity interest at a price of three dollars sixty-five cents (C$3.65) per share or greater, then Kennecott shall be free to seek a buyer on its own initiative without further obligation to Western Copper. The appropriateness of any sales offer shall be determined in Kennecott's sole discretion. Western Copper shall not be entitled to any fees for finding a buyer. Western Copper shall not make any representations or warranties on Kennecott's behalf. During and before such sixty (60) day period, Kennecott shall be free to tender its shares to a take-over bid.

7. Western Copper shall, within sixty (60) days of the date hereof, return all confidential data provided to it under Section 4.4 of the Property Rights Agreement to Kennecott. This paragraph shall not apply to data directly related to the concessions to be transferred to Western Copper.

8. Western Copper shall, within sixty (60) days of the date hereof, remove any of its property now stored in the Kennecott's Guadalajara office or the core shed located near the Penasquito property. Any property not removed within the sixty (60) day period shall become the property of Kennecott. If Western Copper wishes to store drill core in Kennecott's Penasquito core shed after the expiry of the sixty-day period, it shall execute a lease, in a form acceptable to Kennecott, and make lease payments to Kennecott of seven hundred fifty U.S. dollars (US$750) per month.

9. As of the Effective Date, and after the performance of Western Copper's obligations pursuant to Paragraphs 1, 3(a) and 3(b) herein, the Property Rights Agreement shall terminate and the parties shall have no further reciprocal obligations, except for Sections 2.7.2, 4.11, 4.13, 4.14, and 10.2.1 which shall survive such termination, and the provisions of this Termination Agreement.

10. Time shall be of the essence hereof. Western Copper shall be obligated to pay the amounts set forth in Paragraph 1 on or before 5 May, 1999, and the references herein to the Effective Date are not intended to provide Western Copper with a grace period.

11. This Termination Agreement shall be interpreted under the laws of the Province of British Columbia, without regard to conflicts of law.

KENNECOTT EXPLORATION COMPANY

By: /s/ [ILLEGIBLE]

Title: President

MINERA KENNECOTT S.A. DE C.V.

By: /s/ [ILLEGIBLE]

Title: President

WESTERN COPPER HOLDINGS LTD

By: /s/ Thomas C. Patt

Title: President

MINERA WESTERN COPPER S.A. DE C.V.

By: /s/ Thomas C. Patt

Title: President

Exhibit 10.3

SHARES FOR DEBT AGREEMENT

THIS AGREEMENT is made as of this 28th day of December **,** 2006

BETWEEN:

KENNECOTT EXPLORATION COMPANY , a Delaware corporation (" **KEC** ")

AND:

ROYAL GOLD, INC. , a Delaware corporation (the " **Purchaser** ").

THIS AGREEMENT WITNESSES that in consideration of the premises and the mutual covenants, agreements, representations, warranties and payments contained in this Agreement, the parties agree with each other as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1. **Definitions**

Unless the context otherwise requires, where used in this Agreement, the following terms shall have the respective meanings set out below, and grammatical variations of such terms shall have corresponding meanings:

1.1.1. " **Business Day** " has the meaning assigned to it in the Purchase and Sale Agreement.

1.1.2. " **Closing** " means the closing of the transactions contemplated by this Agreement and " **Closing Date** " means the first Business Day after the Peñasquito Royalty Closing Date.

1.1.3. " **Debtor Substitution Agreement** " means the Debtor Substitution Agreement dated December 28, 2006 between the Purchaser, KEC and the Vendor, a true and complete fully executed copy of which is attached hereto as Schedule A.

1.1.4. " **Disclosure Documents** " means the financial statements, annual, quarterly or current reports, proxy statements, and other documents required to be filed by the Purchaser pursuant to the reporting requirements of the United States Securities Exchange Act of 1934, as amended (the " **1934 Act** ") and the registration statement on Form S-4 (File no. 333-111590) (the " **Registration Statement** "), including exhibits, financial statements or other documents or required 1934 Act filings that are incorporated therein, and as may be amended by any prospectus supplement or post-effective amendment filed with the United States Securities and Exchange Commission (the " **SEC** ").

1.1.5. " **Governmental Authority** " has the meaning assigned to it in the Purchase and Sale Agreement.

1.1.6. " **Laws** " has the meaning assigned to it in the Purchase and Sale Agreement.

1.1.7. " **Notices** " has the meaning set forth in Section 9.3.

1.1.8. " **Other Royalties Closing** " has the meaning assigned to it in the Purchase and Sale Agreement.

1.1.9. " **Penasquito Royalty Closing Date** " has the meaning assigned to it in the Purchase and Sale Agreement.

1.1.10. " **Penasquito Royalty Closing** " has the meaning assigned to it in the Purchase and Sale Agreement and is subject to extension as provided in the Purchase and Sale Agreement.

1.1.11. " **Promissory Note** " means the promissory note referred to in the Purchase and Sale Agreement.

1.1.12. " **Purchaser** " has the meaning set forth on the first page of this Agreement.

1.1.13. " **Receivable** " means the $20,000,000 which shall become due and payable by the Purchaser to KEC pursuant to the Debtor Substitution Agreement.

1.1.14. " **Royal Gold Shares** " means shares of common stock, par value $0.01 per share, of the Purchaser to be validly issued to and registered in the name of KEC at the Peñasquito Royalty Closing in accordance with Sections 2.2 and 5.2.

1.1.15. " **Royalties** " has the meaning assigned to it in the Purchase and Sale Agreement.

1.1.16. **"Securities Laws"** means the securities acts, securities exchange acts or similar legislation of the jurisdictions in the United States where the Purchaser is a "reporting issuer" or where its securities are listed for trading, and all regulations, rules and orders thereunder, including without limitation the United States Securities Act of 1933, as amended (the " **1933 Act** "), 1934 Act, and Marketplace Rules of NASDAQ.

1.1.17. " **Trading Days** " means days on which shares of common stock of the Purchaser are traded on NASDAQ.

1.1.18. " **Vendor** " means Minera Kennecott S.A. de C.V.

1.2. **Gender and Number**

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing a gender include all genders.

1.3. **Headings**

The headings used in this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.

1.4. **Generally Accepted Accounting Principles**

All accounting terms not otherwise defined in this Agreement shall have the meanings ascribed to them in accordance with generally accepted accounting principles in the United States, applied consistently.

1.5. **Currency**

All dollar amounts in this Agreement are stated in U.S. currency.

1.6. **Schedules**

The following Schedule is attached hereto and is incorporated herein and forms a part of this Agreement:

Schedule A Debtor Substitution Agreement, as executed by and between the Purchaser, KEC and the Vendor.

2. **SHARES FOR DEBT**

2.1. At the Closing on the Closing Date:

2.1.1. the Purchaser will issue Royal Gold Shares to KEC, valued at $20,000,000 as determined in accordance with Section 2.2;

2.1.2. KEC will accept the Royal Gold Shares in complete satisfaction of the Receivable; and

2.1.3. KEC will cause the Vendor to surrender the Promissory Note to the Purchaser for cancellation.

2.2. **Calculation of Royal Gold Shares**

The number of Royal Gold Shares to be issued to KEC at the Closing in accordance with Section 2.1 shall be the number obtained by dividing $20,000,000 by the weighted average closing price per common share in the capital of the Purchaser on NASDAQ for the 10 Trading Days immediately preceding the second day before the date of the first public disclosure by any party of the Purchase and Sale Agreement. The number of shares to be issued at Closing shall be adjusted as necessary to reflect any change in the

share capital of the Purchaser after the date of the Purchase and Sale Agreement as a result of any subdivision, consolidation or reclassification thereof, or stock dividend or other distribution (other than Purchaser's regular cash dividend) on the common shares of the Purchaser.

3. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS

3.1. Representations and Warranties of KEC

KEC represents and warrants to the Purchaser as follows and acknowledges that the Purchaser will rely on such representations and warranties in entering into this Agreement, and in concluding the transactions contemplated by this Agreement.

3.1.1. Organization and Power — KEC is a duly incorporated, organized and validly subsisting corporation under the laws of its jurisdiction of incorporation and has the corporate power to carry out its obligations under this Agreement.

3.1.2. Due Authorization — The execution and delivery of this Agreement and the other documents to be executed and delivered by KEC hereunder and the carrying out of the transactions contemplated hereby on the part of KEC, including without limitation the acquisition of the Royal Gold Shares, have been duly authorized by all necessary corporate and shareholder action on the part of KEC.

3.1.3. Validity of Agreement — This Agreement constitutes valid, binding and enforceable obligations of KEC and the Debtor Substitution Agreement constitutes valid, binding and enforceable obligations of KEC and the Vendor.

3.1.4. No Conflicts or Violations — Neither the entering into of this Agreement and the other documents and agreements to be executed and delivered by KEC hereunder nor the completion of the transactions contemplated hereby in accordance with the terms hereof will result in the violation of any of the terms or provisions of the constating documents of KEC nor will the entering into of this Agreement or such other documents and agreements nor such completion thereof:

3.1.4.1. result in the violation of any of the terms or provisions of any indenture or other agreement, instrument or obligation to which KEC is a party;

3.1.4.2. conflict with, or result in a breach of, or violate any Law; or

3.1.4.3. give to any other person, after the giving of notice or otherwise, any right of termination, cancellation or acceleration in or with respect to any agreement or other instrument to which KEC is a party or is subject, or from which it derives benefit, by which any of KEC's interest in the Royalties is bound or affected.

3.1.5. Broker's Fees – Neither the Vendor nor KEC have any liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Purchaser could become liable or obligated.

3.1.6. Accredited Investor; Receipt of Information . KEC is an "accredited investor" as such term is defined in Rule 501(a) promulgated by the SEC under 1933 Act. Each of the Vendor and KEC have received or has had full access to all the information it considers necessary or appropriate to make an informed decision with respect to the issuance of the Royal Gold Shares. KEC has had the opportunity to ask questions of, and receive answers from, the Purchaser and its management regarding the Purchaser's business, management and financial affairs. Except for the representations and warranties of the Purchaser set forth in Section 3.2, Vendor is relying solely on its own examination of the Purchaser and the Disclosure Documents, and advice of its attorneys, accountants and financial and tax advisors, in making its decision with respect to the issuance of the Royal Gold Shares, including the merits and risks involved.

3.2. **Representations and Warranties of the Purchaser**

The Purchaser represents and warrants to KEC as follows, and acknowledges that KEC will rely on such representations and warranties in entering into this Agreement, and in concluding the transactions contemplated by this Agreement.

3.2.1. Organization and Power — The Purchaser is a duly incorporated, organized and validly subsisting company in good standing under the laws of its jurisdiction of incorporation and has the corporate power to enter into this Agreement and to carry out its obligations under this Agreement.

3.2.2. Due Authorization — The execution and delivery of this Agreement and the other documents to be executed and delivered by the Purchaser hereunder and the carrying out of the transactions contemplated hereby on the part of the Purchaser, including without limitation the issuance of the Royal Gold Shares, have been duly authorized by all necessary corporate and shareholder action on the part of the Purchaser.

3.2.3. Validity of Agreement — This Agreement and all other agreements to be executed and delivered by the Purchaser hereunder at the Closing constitute and will constitute valid, binding and enforceable obligations of the Purchaser.

3.2.4. No Conflicts or Violations — Neither the entering into of this Agreement and the other documents and agreements to be executed and delivered by the Purchaser hereunder nor the completion of the transactions contemplated

hereby in accordance with the terms hereof will conflict with or result in the breach or violation of any Law or any of the terms and provisions of the constating documents of the Purchaser or of any indenture or other agreement, instrument or obligation to which the Purchaser is a party or by which it is bound, or give to any other person, after the giving of notice or otherwise, any right of termination, cancellation or acceleration in or with respect to any agreement or other instrument to which the Purchaser is a party or is subject, or from which it derives benefit.

3.2.5. Right to Carry on Business — The Purchaser and each of its subsidiaries have all necessary corporate power to own their respective properties and assets and to carry on their respective businesses as now conducted by them and are registered as required and in good standing under the laws of all jurisdictions in which their failure to so register would have a material adverse effect on the Purchaser and its subsidiaries taken as a whole.

3.2.6. Compliance with Securities Laws; No Misrepresentation — The Disclosure Documents have been filed with securities regulatory authorities in accordance with applicable Securities Laws and were, at their respective dates of filing or publication, in compliance in all material respects with the disclosure requirements of applicable Securities Laws and did not, at such dates (inclusive of all amendments thereto) contain any untrue statements of a material fact or omit to state a material fact required to be stated therein or necessary to be stated therein to make the statements therein not misleading.

3.2.7. No Material Adverse Change — Neither the Purchaser nor any of its subsidiaries has since June 30, 2006 sustained or experienced any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labour dispute or court or governmental action, order or decree otherwise than as set forth or contemplated in the Disclosure Documents; and, since June 30, 2006, other than as set forth or contemplated in the Disclosure Documents or as specifically disclosed to KEC in writing, there has not been any material adverse change, or any development involving a prospective material adverse change, in or, to the knowledge of the Purchaser affecting its general affairs (which shall include the business, operations, assets, capital or ownership), management, financial position, shareholders' equity or results of operations of the Purchaser and its subsidiaries, taken as a whole.

3.2.8. Issuance, Registration and Restrictions on Trading of Royal Gold Shares -The issuance of the Royal Gold Shares to KEC pursuant to this Agreement will be in compliance with any applicable Securities Laws, and except as otherwise shall be filed or obtained, by the Purchaser at or before Closing, no consent, approval, authorization, order, registration, filing or qualification of or with any Governmental Authority, stock exchange or securities commission in the United States is required for the issuance of the Royal Gold Shares by the Purchaser to KEC as securities listed and posted for trading on NASDAQ in the United States. The Royal Gold Shares, when

issued at the Closing Date to KEC, will be registered and free-trading under the 1933 Act and they may at any time be sold and transferred by KEC within the United States without the need for a hold period or an exemption from the registration and prospectus delivery requirements of the 1933 Act or other applicable Securities Laws.

3.2.9. No Legal Proceedings — Except as set forth or contemplated in the Disclosure Documents, there are no legal or governmental proceedings pending to which the Purchaser or any of its subsidiaries is a party or, to the best of the Purchaser's knowledge, of which any property of the Purchaser or any of its subsidiaries is the subject which, if determined adversely to the Purchaser or any of its subsidiaries or any such corporation, would individually or in the aggregate have a material adverse effect on the consolidated financial position, shareholders' equity, results of operations, business or prospects of the Purchaser or any of its subsidiaries or any such corporations; and, to the Purchaser's knowledge, no such proceedings are threatened by Governmental Authorities or threatened by others.

3.2.10. No Material Default — The Purchaser and its subsidiaries are not in material default under any material contracts, leases or agreements, indentures or other instruments to which any of them is a party, and to the knowledge of the Purchaser there exists no state of facts which after notice or lapse of time or both would constitute such a material default and the Purchaser or one of its subsidiaries is entitled to all benefits thereunder.

3.2.11. Valid Issue — The Royal Gold Shares will, when issued to KEC at the Closing, be validly issued and outstanding as fully paid and non-assessable shares in the capital of the Purchaser and will be registered in the name of KEC at the Closing in accordance with Section 5.2.

3.2.12. Broker's Fees – The Purchaser has no liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Vendor or KEC could become liable or obligated.

3.3. **Acknowledgements of KEC**

KEC acknowledges that except as expressly set forth in Section 3.2, the Purchaser makes no express or implied representations or warranties with respect to the subject matter of this Agreement.

4. **CONDITIONS OF CLOSING**

4.1. **Conditions of the Parties**

The obligations of the parties to complete the transactions contemplated by this Agreement at the Closing on the Closing Date are subject to the fulfillment of the

condition that the parties have consummated transactions at the Penasquito Royalty Closing as provided in the Purchase and Sale Agreement.

The foregoing condition is inserted for the mutual benefit of KEC and the Purchaser and may be waived in whole or in part if and only if jointly waived by KEC and the Purchaser.

4.2. **Termination**

This Agreement will automatically terminate on termination of the Purchase and Sale Agreement in accordance with the provisions in Section 5.4 thereof.

Any such termination shall be without prejudice to any right or remedy of any party with respect to a breach of this Agreement or the Purchase and Sale Agreement by any other party.

5. **CLOSING**

The Vendor and Purchaser shall consummate and close the transactions contemplated herein in at KEC's offices located at 224 North 2200 West, Salt Lake City, Utah (or at such other place as the parties may mutually agree) at 10:00 o'clock a.m., local time, on the Closing Date. The Closing Date may be postponed to a later time and date by mutual agreement signed by both parties. If the Closing is postponed, all references to the Closing Date in this Agreement shall refer to the postponed date.

5.1. **Documents to be Delivered by KEC**

At the Closing KEC shall deliver or cause to be delivered to the Purchaser:

5.1.1. the Promissory Note, for cancellation;

5.1.2. certified copies of those resolutions of the directors and, if required, shareholders of KEC required to be passed to authorize the execution, delivery and implementation of this Agreement and of all documents to be delivered by the Vendor and KEC under this Agreement and the completion of the transactions contemplated hereby;

5.1.3. an opinion of KEC's internal or external counsel in a form to the reasonable satisfaction of counsel for the Purchaser as to the corporate existence of such party, and to the effect that this Agreement has been duly authorized, executed and delivered by such party and constitutes a legal, valid and binding obligation of such party;

5.1.4. an opinion of KEC's internal or external counsel in a form to the reasonable satisfaction of counsel for the Purchaser as to the corporate existence of Minera Kennecott S.A. de C.V., and to the effect that the Debtor Substitution Agreement has been duly authorized, executed and delivered by KEC and the Vendor and constitutes a legal, valid and binding obligation of such parties; and

5.1.5. a certificate of an officer of KEC as to the accuracy as of the Closing Date of KEC's representations and warranties and the performance of its covenants to be performed at or before the Closing.

5.2. **Documents to be Delivered by the Purchaser**

At the Closing the Purchaser shall deliver or cause to be delivered to KEC:

5.2.1. certified copies of those resolutions of the directors and, if required, shareholders of the Purchaser required to be passed to authorize the execution, delivery and implementation of this Agreement and of all documents and payments to be delivered by the Purchaser under this Agreement and the completion of the transactions contemplated hereby;

5.2.2. a certificate of an officer of the Purchaser as to the accuracy as of the Closing Date of the Purchaser's representations and warranties and the performance of its covenants to be performed at or before the Closing;

5.2.3. an opinion of the Purchaser's internal or external counsel in a form to the reasonable satisfaction of counsel for the Vendor as to the corporate existence of the Purchaser, the Royal Gold Shares have been duly authorized and, when issued in accordance with the provisions of this Agreement, will be validly issued, fully paid, non-assessable and registered pursuant to the Registration Statement, which has become effective under the 1933 Act, and no stop order suspending the effectiveness of the Registration Statement or suspending or preventing the use of the prospectus thereto, as amended, has been issued and no proceedings for that purpose have been instituted or are threatened by the SEC and to the effect that the Agreement has been duly authorized, executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser; and

5.2.4. share certificate(s) bearing no legends duly registered in the name of KEC representing the Royal Gold Shares to be issued in accordance with Section 2.2.

6. **INDEMNITIES**

6.1. **Indemnification by Purchaser**

In accordance with the procedures in Section 6.3, the Purchaser shall indemnify KEC, and its directors, officers, employees, agents, and representatives against and agrees to hold KEC, and its directors, officers, employees, agents, and representatives harmless from any and all damages, claims, losses, liabilities, fines, penalties and expenses (including without limitation, expenses of investigation, attorneys' fees in connection with any action, suit or proceeding brought against any of them, the cost of all studies, surveys, clean up and any other environmental expenses) incurred or suffered by KEC, or its directors, officers, employees, agents, and representatives or any of them arising out of:

6.1.1. any misrepresentation or breach of warranty of which Notice has been given under Section 6.3 before expiration of the representation or warranty as provided in Section 8.2; and

6.1.2. any covenant or agreement made or to be performed by the Purchaser pursuant to this Agreement.

6.2. **Indemnification by KEC**

In accordance with the procedures in Section 6.3, KEC agrees to indemnify the Purchaser and its directors, officers, employees, agents, and representatives against and agree to hold the Purchaser and its directors, officers, employees, agents, and representatives harmless from any and all damages, claims, losses, liabilities, fines, penalties and expenses (including without limitation, expenses of investigation, attorneys' fees and expenses in connection with any action, suit or proceeding brought against the Purchaser,) incurred or suffered by the Purchaser or its directors, officers, employees, agents, and representatives arising out of:

6.2.1. any misrepresentation or breach of warranty of which Notice has been given under Section 6.3 before expiration of the representation or warranty as provided in Section 8.1;

6.2.2. any covenant or agreement made or to be performed by KEC pursuant to this Agreement.

6.3. **Claims of Indemnity**

A party claiming for indemnity under this Article 6 (the " **Indemnitee** ") shall give prompt Notice of any claim, action, proceeding or circumstances that could reasonably give rise to such a claim to the party which has agreed to indemnify it (the " **Indemnitor** "). Inadvertent failure to give such prompt Notice will not preclude the Indemnitee from pursuing the claim unless and to the extent that the Indemnitor is materially prejudiced by such failure. The Indemnitor may, and will, if directed to do so by the Indemnitee, at its own expense and in the name of the Indemnitee or otherwise, dispute any claim made, or any matter on which a claim could be made, by a third party in respect of which a Notice has been given by the Indemnitee under this Section 6.3 and may retain legal counsel acceptable to the Indemnitee to have conduct of any proceeding relating to such a claim. The Indemnitee may employ separate counsel with respect to any such claims brought by a third party and participate in the defense thereof, provided the fees and expenses of such counsel shall be the responsibility of the Indemnitee unless:

6.3.1. the Indemnitor fails to assume the defence of such claim on behalf of the Indemnitee within five days of receiving Notice of such claim; or

6.3.2. the employment of such counsel has been authorized by the Indemnitor;

in each of which cases the Indemnitor shall not have the right to assume the defense of such suit on behalf of the Indemnitee but shall be liable to pay the reasonable fees and expenses of counsel for the Indemnitee. For the purpose of confirming or disputing such

a claim, the Indemnitee will provide full and complete disclosure to the Indemnitor and complete access to and right of inspection by the representatives of the Indemnitor of all documents and records in the possession or control of the Indemnitee relating to such claim. If any security is required to be provided for the purpose of defending or contesting any such claim, including, without limitation, any appeal of any judgment, the Indemnitor shall provide such security and all monies or property representing such security received by the Indemnitee as a result of a successful defense or contestation will be held in trust by the Indemnitee for the benefit of the Indemnitor and will be remitted to the Indemnitor on demand. Neither the Indemnitee nor the Indemnitor shall settle, compromise or pay any claim for which indemnity is sought hereunder except with the prior written consent of the other, such consent not to be unreasonably withheld, or in the case of the Indemnitee unless the Indemnitor fails to dispute and defend such claim.

7. POST-CLOSING MATTERS

If approval for listing of the Royal Gold Shares on the Toronto Stock Exchange has not been obtained on or prior to the Closing, the Purchaser shall use all reasonable efforts to obtain such approval for such listing within 10 Business Days after the Closing.

8. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

8.1. KEC's Representations, Warranties and Covenants

All representations and warranties made by KEC in this Agreement or under this Agreement shall, unless otherwise expressly stated, survive the Closing and any investigation at any time made by or on behalf of the Purchaser, and shall continue in full force and effect for the benefit of the Purchaser for a period of three years after the Peñasquito Royalty Closing.

8.2. Purchaser's Representations, Warranties and Covenants

All representations and warranties made by the Purchaser in this Agreement or under this Agreement shall, unless otherwise expressly stated, shall survive the Closing and any investigation at any time made by or on behalf of KEC, and shall continue in full force and effect for the benefit of KEC for a period of three years after the Peñasquito Royalty Closing.

9. MISCELLANEOUS

9.1. **Expenses** – The parties shall each bear all of their own costs and expenses, including consultants' and attorneys' fees, incurred in connection with the negotiation of this Agreement and the consummation of the transactions contemplated hereby.

9.2. **Public Announcements** – KEC acknowledges that the Purchaser will disclose the existence and terms and conditions of this Agreement and file this Agreement as required by applicable Securities Laws. The Purchaser shall comply with all applicable Laws and shall not attribute any statements regarding this Agreement to KEC or the Vendor. Each of the parties will provide a draft of their initial proposed press release to the other party sufficiently in advance of its release to provide the other party a reasonable opportunity to review and comment on the content thereof.

9.3. **Notices** — All notices, requests, demands, claims, and other communications hereunder (" **Notices** ") must be in writing. Any party may send any Notice to the intended recipient at the address set forth below using certified mail, nationally recognized express courier, personal delivery or facsimile transmittal, and any such Notice will be deemed to have been duly given (a) three days after being deposited in the U.S. mail, postage prepaid, (b) the next Business Day after being deposited with a nationally recognized overnight courier and upon confirming delivery with such courier, and (c) when actually received by an individual at the intended recipient's facsimile number and acknowledged as received.

If to KEC :	Kennecott Exploration Company 224 North 2200 West Salt Lake City, UT 84116 Attention: President & CEO Fax: (801) 238-2488
Informational copy to:	Kennecott Exploration Company 224 North 2200 West Salt Lake City, UT 84116 Attention: General Counsel Fax: (801) 238-2494
If to Purchaser :	Royal Gold, Inc. 1660 Wynkoop Street, Suite 1000 Denver, Colorado 80202 Attention: President Fax: (303) 595-9385
Informational copy to:	Royal Gold, Inc. 1660 Wynkoop Street, Suite 1000 Denver, Colorado 80202 Attention: General Counsel Fax: (303) 595-9385

Either party may change the address to which Notices are to be delivered by giving the other parties Notice in the manner herein set forth.

9.4. **Entire Agreement** — This Agreement, the Data Disclosure Agreement, the Debtor Substitution Agreement and the Purchase and Sale Agreement all of which survive execution of this Agreement, constitute the entire agreement between the parties in relation to the transactions herein contemplated and, except as specifically set out herein, or in any documents delivered at Peñasquito Royalty Closing, the Other Royalties Closing or the Closing, supersedes every previous agreement, communication, expectation, negotiation, representation or understanding, whether oral or written, express or implied, statutory or otherwise, among the parties with respect to the subject matter of this Agreement and there are no collateral agreements other than as expressly set forth or referred to in this Agreement.

9.5. **Amendments and Waivers** — This Agreement may not be amended except by written agreement among all the parties to this Agreement. No waiver of any provision of this Agreement will be valid unless it is in writing and signed by each party. No such waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, will be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

9.6. **Severability** — Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

9.7. **Assignment** — No party hereto may assign any right, benefit or interest in this Agreement or the subject matter hereof without the written consent of the other party and any purported assignment without such consent shall be void and of no effect.

9.8. **Enurement** — This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.

9.9. **Conflict between Documents** – The provisions of this Agreement shall be fully effective notwithstanding the provisions in Section 10.9 of the Purchase and Sale Agreement.

9.10. **Time** — Time shall be of the essence of this Agreement.

9.11. **Governing Law** — This Agreement will be governed by and construed in accordance with the laws of the State of Utah without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of Utah.

9.12. **Execution** — This Agreement may be executed by the parties in one or more counterparts and by facsimile, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

AS EVIDENCE OF THEIR AGREEMENT the parties have executed this Agreement as of the date first above written.

KENNECOTT EXPLORATION COMPANY

Per: /s/ Justin Quigley
Authorized Signatory

ROYAL GOLD, INC.

Per: /s/ Tony Jensen
Authorized Signatory

SCHEDULE A

Copy of Debtor Substitution Agreement

DEBTOR SUBSTITUTION AGREEMENT

THIS AGREEMENT is made as of this 28th day of December **,** 2006

BETWEEN:

ROYAL GOLD, INC. , a Delaware corporation

(hereinafter called "Royal Gold")

OF THE FIRST PART,

AND:

KENNECOTT EXPLORATION COMPANY , a Delaware corporation

(hereinafter called "KEC")

OF THE SECOND PART,

AND:

MINERA KENNECOTT S.A. DE C.V. , a company incorporated under the laws of Mexico

(hereinafter called "Minera Kennecott")

OF THE THIRD PART,

WITNESSES that in consideration of the premises and the mutual covenants, agreements, representations, warranties and payments contained in this Agreement, the parties agree with each other as follows:

1. DEFINITIONS

Where used in this Agreement, the following terms shall have the respective meanings set out below, and grammatical variations of such terms shall have corresponding meanings:

1.1. " **Loan Agreement** " means the Loan Agreement dated December 28, 2006 between KEC as lender and Minera Kennecott as borrower.

1.2. " **Payable** " means the $20,000,000 which is or shall become due and payable by Royal Gold to Minera Kennecott pursuant to Section 2.3.2 of the Purchase and Sale Agreement, and will be evidenced by the Promissory Note.

1.3. " **Penasquito Royalty Closing** " has the meaning assigned to it in the Purchase and Sale Agreement.

1.4. " **Promissory Note** " means the promissory note referred to in the Purchase and Sale Agreement.

1.5. " **Purchase and Sale Agreement"** means the Purchase and Sale Agreement for Peñasquito and Other Royalties dated December 28, 2006 between Minera Kennecott, KEC and Royal Gold, Inc. ("Royal Gold").

1.6. " **Royal Gold Shares** " means shares of common stock, par value $0.01 per share, of Royal Gold to be issued to and registered in the name of KEC in accordance with the Shares for Debt Agreement.

1.7. " **Shares for Debt Agreement** " means the Shares for Debt Agreement dated December 28, 2006 between KEC and Royal Gold.

2. ASSIGNMENT OF PAYABLE

With effect at and as of the Penasquito Royalty Closing, KEC hereby:

2.1. assumes and agrees to pay the Payable; and

2.2. agrees to indemnify and save Royal Gold harmless from and against any claim, demand, action, cause of action, loss, damage, cost, fine, penalty or expense whatsoever, including legal fees suffered or incurred, directly or indirectly, by Royal Gold by reason of the failure of KEC to pay or discharge the Payable.

3. NOTICE OF ASSIGNMENT

Minera Kennecott hereby:

3.1. consents to and acknowledges receipt of notice of the assignment of the Payable to KEC;

3.2. agrees that from and after the assumption of the Payable by KEC, Minera Kennecott will have recourse only to KEC and not to Royal Gold for payment of the Payable; and

3.3. as provided in the Shares for Debt Agreement, upon issuance of the Royal Gold Shares to KEC, Minera Kennecott will surrender and deliver the Promissory to Royal Gold for cancellation.

4. CONSIDERATION

The consideration payable by Royal Gold to KEC for the assumption by KEC of liability for the Payable shall be $20,000,000, which shall be paid and satisfied by Royal Gold on the first Business Day after the Penasquito Royalty Closing as provided in the Shares for Debt Agreement.

5. TERMINATION

This Agreement will automatically terminate on termination of the Purchase and Sale Agreement in accordance with the provisions in Section 5.4 thereof. Any such termination shall be without prejudice to any right or remedy of any party with respect to a breach of this Agreement or the Purchase and Sale Agreement by any other party.

6. REPRESENTATIONS AND WARRANTIES OF BOTH PARTIES

Each of the parties represents and warrants to the others that:

6.1. It is a duly incorporated, organized and validly subsisting company in good standing under the laws of its jurisdiction of incorporation and has the corporate power to enter into this Agreement and to carry out its obligations under this Agreement.

6.2. The execution and delivery of this Agreement have been duly authorized by all necessary corporate and shareholder action on its part.

6.3. This Agreement is legal, valid, binding and enforceable against it.

7. MISCELLANEOUS

7.1. Assignment — Neither party hereto may assign any right, benefit or interest in this Agreement or the subject matter hereof without the written consent of the other.

7.2. Enurement — This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.

7.3. Time — Time shall be of the essence of this Agreement.

7.4. Governing Law — This Agreement will be governed by and construed in accordance with the laws of the State of Utah without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of Utah.

7.5. Execution — This Agreement may be executed by the parties in one or more counterparts and by facsimile, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

AS EVIDENCE OF THEIR AGREEMENT the parties have executed this Agreement as of

the date first above written.

ROYAL GOLD, INC.

Per: /s/ Tony Jensen
Authorized Signatory

KENNECOTT EXPLORATION COMPANY

Per: /s/ Justin Quigley
Authorized Signatory

MINERA KENNECOTT S.A. DE C.V

Per: /s/ Justin Quigley
Authorized Signatory

CONTRATO DE CESIÓN DE DERECHOS QUE OTORGA, POR UNA PARTE, MINERA KENNECOTT, S.A. DE C.V., REPRESENTADA EN ESTE ACTO POR EL SR. DAVE F. SIMPSON Y, POR LA OTRA, MINERA PEÑASQUITO, S.A. DE C.V., REPRESENTADA EN ESTE ACTO POR EL LIC. JOSE MARIA GALLARDO TAMAYO, DE ACUERDO CON LAS SIGUIENTES:

D E C L A R A C I O N E S

Declaran las partes en que, para los efectos de este Contrato, las abreviaturas utilizadas se entenderán por:

KENNECOTT: Minera Kennecott, S.A. de C.V., así como sus causahabientes y cesionarios, y cualesquiera personas, sociedad o entidad jurídica, nacional o extranjera, que ésta designase para el ejerciclo de cualquiera de los derechos derivados de este Contrato y que se encuentre legalmente capacitada para ello.

PEÑASQUITO: Minera Peñasquito, S.A. de C.V., así como sus causahabientes y cesionarios, y cualesquiera personas, sociedad o entidad jurídica, nacional o extranjera, que ésta designase para el ejercicio de cualquiera de los derechos derivados de este Contrato y que se encuentre legalmente capacitada para ello.

AFILIADOS: Cualquier persona, sociedad o entidad jurídica que, directa o indirectamente, controle a **KENNECOTT** o **PEÑASQUITO** , o sea controlada por las mismas, según sea el caso, entendiéndose por “control” el derecho ha hacer valer más del 50 % de los derechos de votación correspondientes a las acciones de la parte controlada. En el caso de **KENNECOTT** , se considerara como **AFILIADOS** a cualquier

CONTRACT FOR ASSIGNMENT OF RIGHTS GRANTED, BY MINERA KENNECOTT, S.A. DE C.V. REPRESENTED IN THIS AGREEMENT BY MR. DAVE F. SIMPSON, AND MINERA PEÑASQUITO, S.A. DE C.V., REPRESENTED IN THIS AGREEMENT BY ATTORNEY, JOSE MARIA GALLARDO TAMAYO, IN AGREEMENT WITH THE FOLLOWING

DECLARATIONS

The parties declare that for the purposes of this Contract, the following definitions shall have the following meanings:

KENNECOTT: Minera Kennecott, S.A. de C.V., as well as its successors and assigns, and any other persons, companies, or any legal, domestic or foreign entity, authorized to exercise any of the rights derived from this Contract and which possess the legal capacity for such exercise.

PEÑASQUITO: Minera Peñasquito, S.A. de C.V., as well as its successors and assigns, and any other persons, companies, or any legal, domestic or foreign entity, authorized to exercise any of the rights derived from this Contract and which possess the legal capacity for such exercise.

AFFILIATES: Any person, company, partnership or legal entity that directly or indirectly controls **KENNECOTT** or **PEÑASQUITO** , or is controlled by the same, as the case may be, understanding that “control” means the right to direct more than 50% of voting rights corresponding to the stock of the controlled party. In the case of **KENNECOTT** , **AFFILIATES** are considered as any person, company, or legal entity, independent of its location, for which Rio Tinto Corporation PLC

	persona, sociedad o entidad jurídica que, independientemente de su ubicación, Rio Tinto Corporation PLC posea o controle tales derechos de votación.		possesses or controls such voting rights.
LOS LOTES:	Las Concesiones Mineras con respecto a los lotes descritos en el inciso **c)** de las Declaraciones de **KENNECOTT** en este documento, y las que de ellas se deriven.	**THE LAND:**	The Mining Concessions with respect to the land described in paragraph **c)** of the Declarations of **KENNECOTT** in this document and the rights that are derived therefrom.
LOS DERECHOS:	Derechos derivados de los **Títulos de Concesión Minera** con respecto a **LOS LOTES** .	**THE RIGHTS:**	Rights derived from Mining Concession Deeds with respect to **THE LAND** .
REGISTRO:	El Registro Público de Minería.	**REGISTRY** :	The Public Mining Registry
LOS CONTRATOS:	Los siguientes Contratos de Cesión de Derechos:	**THE CONTRACTS:**	The following Assignment Agreements:
	a) Celebrado entre Minera Catasillas, S.A. de C.V. y **KENNECOTT** , registrado bajo el número 108, a fojas 79 frente y vuelta, del volumen 5, del libro de Actos, Contratos y Convenios Mineros del **REGISTRO** , el 26 de Febrero de 1997.		a) Agreed to between Minera Catasillas, S.A. de C.V. and **KENNECOTT** , registered under number 108, page 79 front and back volume 5, of the Mining Acts, Contracts and Agreements book of the **REGISTRY** , dated February 26, 1997.
	b) Celebrado entre el Lic. José Guadalupe Durón Santillán y **KENNECOTT** , registrado bajo el número 244, a fojas 172 vuelta a 173 frente, del volumen 7, del libro de Actos, Contratos y Convenios Mineros del **REGISTRO** , el 30 de Septiembre de 1998.		b) Agreed to between José Guadalupe Durón Santillán, Esq., and **KENNECOTT** , registered under number 244, page 172 and continuing to 173, of volume 7 of the Mining Acts, Contracts and Agreements book of the **REGISTRY** , dated September 30, 1998.
	c) Celebrado entre el Ing. Rafael Gaytán Monroy y **KENNECOTT** , registrado bajo el número 10, a fojas 7 vuelta a 8 frente, del volumen 9, del libro de Actos, Contratos y Convenios Mineros del **REGISTRO** , el 23 de Octubre de 1998.		c) Agreed to between Engineer, Rafael Gaytán Monroy and **KENNECOTT** , registered under number 10, page 7 and continuing to 8, of volume 9 of the Mining Acts, Contracts and Agreements book of the **REGISTRY** , dated October 23, 1998.

LEY:	La Ley Minera.	**LAW:**	The Mining Law
REGLAMENTO:	Reglamento de la Ley Minera.	**REGULATIONS:**	Regulations of the Mining Law
IVA:	Impuesto al Valor Agregado.	**VAT:**	Value Added Tax
ISR:	Impuesto Sobre la Renta.	**IT:**	Income Taxes
LIR:	Ley del Impuesto Sobre la Renta.	**ITL:**	Income Tax Law
LFD:	Ley Federal de Derechos.	**FRL:**	Federal Rights Law

I. Declara el representante de **KENNECOTT** :

a) Que su representada es una sociedad minera, mexicana, constituída conforme a las Leyes de los Estados Unidos Mexicanos, registrada baja el Numero 104, a Fojas 89 Frente y Vuelta, del Volumen XXIX del Libro General de Sociedades del **REGISTRO** el 12 de Julio de 1991, con Registro Federal de Causantes MKE-910228-AQA y que, de acuerdo con su objeto social, está capacitada para dedicarse a la exploración y explotación de sustancias concesibles, ser titular de concesiones mineras, así como para celebrar contratos que tengan por objeto transferir derechos derivados de dichas concesiones y, por lo tanto, capacitada para celebrar este Contrato de Cesión de Derecheos.

b) Que tiene facultades suficientes para actuar en nombre y representación de **KENNECOTT** , obligándola en los términos de este Contrato, facultades que a la fecha de la firma de este documento no le han sido revocadas o modificadas en forma alguna, como consta en la Escritura Pública número 60724, de fecha 15 de Mayo de 1998, otorgada ante el licenciado Armando Gálvez Pérez Aragón, Notario Público 103 del Distrito Federal, además de estar inscrita en el Registro Único de Personas Acreditadas bajo el Número de Acreditamiento 49795/73971, expedido el 7 de Septiembre de 1999.`

c) Que su representada es titular de las derechos derivados de las Concesiones Mineras con respecto a los lotes que se describen a continuación:

I. Declares the representative of **KENNECOTT** :

a) That he represents a Mexican mining company organized under the laws of Mexico, registered under number 104, page 89 front and back, of volume XXIX of the General Book of Companies of the **REGISTRY** , dated July 12, 1991, with the Federal Entity Register of MKE-910228-AQA, and in accordance with its corporate purpose, has the capacity to engage in the exploration and exploitation of concessionable substances, to be the holder of of mining concessions, as well as to execute contracts transferring rights derived from such concessions, and as a result, has the capacity to execute this Contract for Assignment of Rights.

b) That he has sufficient authority to act in the name of and to represent **KENNECOTT** , obligating it to the terms of this Contract, authority that upon the date this document is signed has not been revoked or modified in any form, as confirmed in Public Deed number 60724, dated May 15, 1998, singed before Armando Gálvez Pérez Aragón, Notary Public 103 of the Federal District, in addition to being written in the Exclusive Register of Accredited Persons under Accreditation Number 49795/73971, sent September 7, 1999.

c) That the party he represents is the holder of the rights derived from the Mining Concessions with respect to the land described as follows:

1)	Nombre de la Concesión:	**“EL PEÑASQUITO”**	**1)**	Name of the Concession:	**“EL PEÑASQUITO”**
	Tipo de Concesión:	Explotación		Type of Concession:	Exploitation
	Expediente:	321.43/885		Record:	321.43/885
	Título:	196289		Title:	196289
	Superficie:	2.0000 Hectáreas		Area:	2.0000 Hectacres
	Fecha de Registro:	16 de Julio de 1993		Date of Registry:	July 16, 1993
	Número:	149		Number:	149
	Fojas:	75		Pages:	75
	Volumen:	271		Volume:	271
	Libro:	Concesiones Mineras		Book:	Mining Concessions
	Vigencia a:	11 de Junio de 2011Cesión de Derechos		Term:	June 11, 2011 Assignment of Rights
	Inscrita en el Acta:	108		Inscribed in the Record:	108
	Fojas:	79 frente y vuelta		Pages:	79 front and back
	Volumen:	5		Volume:	5
	Libro:	Actos, Contratos y Convenios Mineros		Book:	Mining Deeds, Contracts and Agreements
	Fecha de inscripción:	26 de Febrero de 1997		Date of inscription:	February 26, 1997
2)	Nombre de la Concesión:	**“LA PEÑA”**	**2)**	Name of the Concession:	**“LA PEÑA”**
	Tipo de Concesión:	Explotación		Type of Concession:	Exploitation
	Expediente:	7/1.3/547		Record:	7/1.3/547
	Título:	203264		Title:	203264
	Superficie:	58.0000 Hectáreas		Area:	58.0000 Hectacres
	Fecha de Registro:	28 de Junio de 1996		Date of Registry:	June 28, 1996
	Número:	284		Number:	284
	Fojas:	142		Pages:	142
	Volumen:	290		Volume:	290
	Libro:	Concesiones Mineras		Book:	Mining Concessions
	Vigencia a:	27 de Junio de 2046		Term:	June 27, 2046
	Cesión de Derechos inscrita en el Acta:	108		Assignment of Rights Inscribed in the Record:	108
	Fojas:	79 frente y vuelta		Pages:	79 front and back
	Volumen:	5		Volume:	5
	Libro:	Actos, Contratos y Convenios Mineros		Book:	Mining Deeds, Contracts and Agreements
	Fecha de inscripción:	26 de Febrero de 1997		Date of inscription:	February 26, 1997

3)	Nombre de la Concesión:	**“LAS PEÑAS”**	**3)**	Name of the Concession:	**“LAS PEÑAS”**
	Tipo de Concesión:	Exploración		Type of Concession:	Exploration
	Expediente:	07/13065		Record:	07/13065
	Título:	195327		Title:	195327
	Superficie:	40.0000 Hectáreas		Area:	40.0000 Hectacres
	Fecha de Registro:	15 de Septiembre de 1992		Date of Registry:	September 15, 1992
	Número:	147		Number:	147
	Fojas:	38		Pages:	38
	Volumen:	269		Volume:	260
	Libro:	Concesiones Mineras		Book:	Mining Concessions
	Vigencia a:	18 de Septiembre de 1998		Term:	September 18, 1998
	Expediente Explotación:	8-1.3/983		Exploitation Record:	8-1.3/983
	Fecha de solicitud:	7 de Septiembre de 1998		Date of Application:	September 7, 1998
	Cesión de Derechos			Assignment of Rights	
	inscrita en eI Acta:	108		Inscribed in the Record:	108
	Fojas:	79 frente y vuelta		Pages:	79 front and back
	Volumen:	5		Volume:	5
	Libro:	Actos, Contratos y Convenios Mineros		Book:	Mining Deeds, Contracts and Agreements
	Fecha de inscripción:	26 de Febrero de 1997		Date of inscription:	February 26, 1997
4)	Nombre de la Concesión:	**“ALFA”**	**4)**	Name of the Concession:	**“ALFA”**
	Tipo de Concesión:	Explotación		Type of Concession:	Exploitation
	Expediente:	7/1.3/485		Record:	7/1.3/485
	Título:	201997		Title:	201997
	Superficie:	1,100.0000 Hectáreas		Area:	1,1000.0000 Hectacres
	Fecha de Registro:	11 de Octubre de 1995		Date of Registry:	October 11, 1995
	Número:	97		Number:	97
	Fojas:	49		Pages:	49
	Volumen:	287		Volume:	287
	Libro:	Concesiones Mineras		Book:	Mining Concessions
	Vigencia a:	10 de Octubre de 2045		Term:	October 10, 2045
	Cesión de Derechos			Assignment of Rights	
	inscrita en el Acta:	244		Inscribed in the Act:	244
	Fojas:	172 vuelta a 173 frente		Pages:	172 continuing to front of 173
	Volumen:	7		Volume:	7
	Libro:	Actos, Contratos y Convenios Mineros		Book:	Mining Deeds, Contracts and Agreements
	Fecha de inscripción:	30 de Septiembre de 1998		Date of inscription:	September 30, 1998

5)	Nombre de la Concesión:	**“BETA”**	**5)**	Name of the Concession:	**“BETA”**
	Tipo de Concesión:	Exploración		Type of Concession:	Exploration
	Expediente:	7/13187		Record:	7/13187
	Tßtulo:	198921		Title:	198921
	Superficie:	2,054.7609 Hectáreas		Area:	2,054.7609 Hectacres
	Fecha de Registro:	31 de Enero de 1994		Date of Registry:	January 31, 1994
	Número:	261		Number:	261
	Fojas:	131		Pages:	131
	Volumen:	278		Volume:	278
	Libro:	Concesiones Mineras		Book:	Mining Concessions
	Vigencia a:	30 de Enero de 2000		Term:	January 30, 2000
	Cesión de Derechos			Assignment of Rights	
	inscrita en el Acta:	10		Inscribed in the Record:	10
	Fojas:	7 vuelta a 8 frente		Pages:	7 continuing to front of 8
	Volumen:	9		Volume:	9
	Libro:	Actos, Contratos y Convenios Mineros		Book:	Mining Deeds, Contracts and Agreements
	Fecha de inscripción:	23 de Octubre de 1998		Date of inscription:	October 23, 1998

Sin perjuicio de tercero que mejor derecho tenga.

Without prejudice of a third party who may have better rights.

d) Continúa declarando **KENNECOTT** que **LOS DERECHOS** que en este acto cede a favor de **PEÑASQUITO** son los derivados de **LOS LOTES** , además de las obligaciones derivadas de **LOS CONTRATOS** .

d) KENNECOTT continues declaring that **THE RIGHTS** that in this deed are assigned in favor of **PEÑASQUITO** are those derived from **THE LAND** in addition to the obligations derived from **THE CONTRACTS** .

e) Que los derechos y capacidad legal de **KENNECOTT** , respecto de **LOS LOTES** , no han sido limitados, ni revocados, y que no se encuentra en conocimiento de oposición alguna de cualquier tercero, respecto de la firma de este documento.

e) That the rights and legal capacity of **KENNECOTT** , with respect to **THE LAND** , have not been limited, or revoked, and that it is not aware of any opposition from any third party with respect to the signing of this document.

f) Que desea ceder a **PEÑASQUITO** , en las términos de este instrumento, **LOS DERECHOS** .

f) That it wishes to assign to **PEÑASQUITO** , according to the terms of this instrument, **THE RIGHTS** .

II. Declara el representante de **PEÑASQUITO** :

II. Declares the representative of **PEÑASQUITO**

a) Que su representada es una sociedad minera, mexicana, constituída conforme a las Leyes de los Estados Unidos Mexicanos, con solicitud de inscripción al **REGISTRO** bajo el Número 610/32177, de fecha 13 de Octubre de 1999, con Registro Federal de Causantes MPE — 990122 — 137 y que, de acuerdo con su objeto social, está capacitada para dedicarse a la exploración y explotación de sustancias concesibles, ser titular de concesiones mineras, así como para celebrar contratos que tengan por objeto adquirir derechos derivados de dichas concesiones y, por lo tanto, capacitada para celebrar este Contrato de Cesión de Derechos.

a) That he represents a Mexican mining company organized according to the laws of Mexico, with an application of a record to the **REGISTRY** under number 610/32177, dated October 13, 1999, with the Federal Entity Register of MPE-990122-137 and that in accordance with its corporate purpose, has the capacity to engage in the exploration and exploitation of concessionable substances, to be the holder of mining concessions, as well as to execute contracts to acquire rights derived from such concessions, and, as a result, has the capacity to execute this Contract for Assignment of Rights.

b) Que tiene facultades suficientes para actuar en nombre y representación de **PEÑASQUITO** , obligándoIa en los términos de este Contrato, facultades que a la fecha de la firma de este documento no le han sido revocadas o modificadas en forma alguna, como consta en la Escritura Pública número 44,340, de fecha 21 de Enero de 1999, otorgada ante el licenciado Jorge Robles Farías, Notario Público número 12 de Guadalajara, Jalisco.

b) That he has sufficient authority to act in the name of and to represent **PEÑASQUITO** , binding it to the terms of this Contract, authority that upon the date this document is signed have not been revoked or modified in any form, as confirmed in Public Deed number 44,340, dated January 21, 1999, signed before the attorney, Jorge Robles Farías, Notary Public number 12 of Guadalajara, Jalisco.

c) Que **PEÑASQUITO** conoce **LOS LOTES** y **LOS CONTRATOS** , y los acepta en las condiciones establecidas en las Declaraciones de **KENNECOTT** , y que desea recibir **LOS DERECHOS** por parte de **KENNECOTT** , en los términos de este instrumento, dando continuidad al cumplimiento de **LOS CONTRATOS** .

c) That **PEÑASQUITO** is familiar with **THE LAND** and **THE CONTRACTS** , and accepts them under the established conditions as set forth in the Declarations of **KENNECOTT** , and that it desires to receive **THE RIGHTS** on behalf of **KENNECOTT** according to the terms of this instrument, giving continuity to the fulfillment of **THE CONTRACTS** .

En virtud de lo anterior, las partes celebran el presente Contrato conforme a las siguientes:

In witness to the foregoing, the parties enter into the present Contract in accordance with the following:

C L A U S U L A S

CLAUSES

PRIMERA. KENNECOTT cede a **PEÑASQUITO** , y ésta acepta la cesión, adquiriendo **LOS DERECHOS** , además de todas las obligaciones pactadas por **KENNECOTT** en **LOS CONTRATOS** , obligandose **PEÑASQUITO** desde ahora al total cumplimiento de las mismas.

FIRST . **KENNECOTT** assigns to **PEÑASQUITO** , and **PEÑASQUITO** accepts the assignment, acquiring **THE RIGHTS** in addition to all of the obligations agreed to by **KENNECOTT** in **THE CONTRACTS** , and **PEÑASQUITO** covenants from this day forward to comply completely with the same.

SEGUNDA. Por la cesión de **LOS DERECHOS** antes mencionada, **KENNECOTT** , recibirá como contraprestación por parte de **PEÑASQUITO** , siempre y cuando ésta lleve a cabo trabajos de explotación en **LOS LOTES** , una regalía sobre liquidaciones netas sobre fundición como se define en el **ANEXO 1** que se acompaña a este documento, teniéndose aquí como integramente reproducido, formando parte integrante del mismo, igual al 2 % (dos por ciento), por las ventas de minerales provenientes de **LOS LOTES** , sin incluir subsidio alguno o devoluciones de impuestos que el Gobierno Federal pudiese otorgar a **PEÑASQUITO** par cualquier motivo, de acuerdo con lo estipulado en el **ANEXO 1** antes mencionado.

SECOND . As a result of the assignment of **THE RIGHTS** aforementioned, **KENNECOTT** will receive as consideration from **PEÑASQUITO** , if and when it carries out exploitation activities in **THE LAND** , net smelter returns royalties, as defined in **ANNEX 1** , an accurate copy of which is attached to this document, and forms an integrated part of the same, equal to 2% (two percent), of the mineral sales originating from **THE LAND** , without including any subsidies or reimbursements of taxes that the Federal Government may grant **PEÑASQUITO** for any reason in accordance with that stipulated in the aforementioned **ANNEX 1** .

Las partes están de acuerdo en que a los pagos anteriores se les agregará eI **IVA** correspondiente a tales cantidades, las cuales podrán ser cubiertas en su equivalente en Moneda Nacional, al tipo de cambio para solventar obligaciones denominadas en moneda extranjera pagaderas en la República Mexicana que publique eI Banco de México en el Diario Oficial de la Federación en la fecha del pago.

The parties agree that to the payments previously mentioned will be added **VAT** corresponding to such amounts, which can be covered in its equivalent in pesos, at an exchange rate to settle obligations denominated in foreign currency payable in the Mexican Republic published by the Bank of Mexico in the Official Journal of the Federation on the date of payment.

TERCERA. Las partes convienen en que, con excepción del derecho de **KENNECOTT** a percibir las regalías antes mencionadas, a partir de la fecha en que ambas partes firmen y ratifiquen este documento ante notario público, todos los derechos y obligaciones, anteriores, presentes y futuras, que se deriven de las Concesiones Mineras con respecto a **LOS LOTES** y de **LOS CONTRATOS** , serán a favor y a cargo de **PEÑASQUITO** , la cual asumirá y llevará a cabo, a su propio costo y riesgo, todas las obligaciones relacionadas con **LOS LOTES** y **LOS CONTRATOS** , e indemnizará y liberará a **KENNECOTT** de cualquier responsabilidad, costo o gasto relacionado con las actividades de **PEÑASQUITO** en **LOS LOTES** .

THIRD . The parties agree that, with the exception of **KENNECOTT's** right to receive the aforementioned royalties, from the date both parties sign and ratify this document before a notary public, all the past, present and future rights and obligations derived from the Mining Concessions with respect to **THE LAND** and **THE CONTRACTS** will be the rights and responsibilities of **PEÑASQUITO** , which will assume and carry out, at its own expense and at its own risk, all of the obligations related to **THE LAND** and **THE CONTRACTS** , and will indemnify and hold harmless **KENNECOTT** from any responsibility, cost or expense related to **PEÑASQUITO's** activities on **THE LAND** .

CUARTA. Las partes se reconocen mutuamente capacidad y personalidad para celebrar este Contrato.

FOURTH . The parties mutually recognize that they have the capacity and legal status to execute this Contract.

QUINTA. PEÑASQUITO se obIiga expresamente a inscribir este Contrato en el **REGISTRO,** para lo cual, **KENNECOTT** se compromete a cooperar con **PEÑASQUITO** en todo lo que fuese necesario para que la mencionada inscripción se lleve a cabo sin contratiempos.

FIFTH . **PEÑASQUITO** expressly agrees to record this Contract in the **REGISTRY** , and **KENNECOTT** agrees to cooperate with **PEÑASQUITO** with all that is necessary to carry out the aforementioned inscription without delay.

SEXTA. KENNECOTT se obliga a proporcionar a **PEÑASQUITO** toda la información que se le solicite, así como firmar, acreditar y cumplir cualquier otro requisito necesario, a fin de que este última ejercite los derechos que aquí se le confieren.

SIXTH . **KENNECOTT** agrees to provide **PEÑASQUITO** with all requested information, as well as to execute, authorize, and comply with any other necessary condition, in order to bestow the rights herein conferred.

SÉPTIMA. Mientras exista el derecho de **KENNECOTT** a recibir la regalía sobre liquidaciones netas sobre fundición pactada en la Clausula **SEGUNDA** de este documento, **PEÑASQUITO** se obliga a garantizar la existencia, legitimidad y disponibilidad de **LOS DERECHOS** , incluyendo el solicitar oportunamente la solicitud de concesión minera de explotación con respecto a **LOS LOTES** cuyo vencimiento llegase a ocurrir, y a no incurrir en ninguna de las causas de nulidad, canceIación, suspensión e insubsistencia de derechos a que se refieren los Artículos correspondientes de la **LEY** y eI **REGLAMENTO** , de lo contrario, desde ahora, se compromete, en su caso, a reparar los daños y perjuicios que el incumplimiento a alguna de sus obligaciones hubiese ocasionada a **KENNECOTT** , sin embargo, **KENNECOTT** , sí así lo decide, podrá coadyuvar con **PEÑASQUITO** en la defensa de **LOS DERECHOS** , en el entendido de que los honorarios y demás gastos que esto genere serán cubiertos por esta última.

SEVENTH . While **KENNECOTT's** right to receive net smelter returns royalties as agreed to in the **SECOND** Clause of this document exists, **PEÑASQUITO** agrees to guarantee the existence, legitimacy and availability of **THE RIGHTS** , including applying for an exploitation mining concession in a timely manner with respect to **THE LAND** when they mature, and to not incur any of the causes of nullities, cancellation, suspension or baseless rights as referred in the applicable Articles in the **LAW** and the **REGULATIONS** , from this day forward, in the event the contrary occurs, **PEÑASQUITO** agrees to repay any damages and costs as a result of noncompliance with its obligations which may affect **KENNECOTT** , nevertheless **KENNECOTT** , in its discretion, may assist **PEÑASQUITO** in defending **THE RIGHTS** , with the understanding that the fees and additional costs generated shall be borne by the latter.

Asimismo, en caso de que **PEÑASQUITO** decida solicitar el desistimiento o reducción de la superficie concesionada que ampara **LOS LOTES** , deberá notificar a **KENNECOTT** dicha decisión, esta última tendrá un plazo de 30 (treinta) dias naturales para dar respuesta por escrito a **PEÑASQUITO** otorgando su conformidad con el desistimiento o reducción que **PEÑASQUITO** pretenda efectuar, o bien, solicitando a **PEÑASQUITO** le ceda los derechos derivados del título de concesión minera con respecto a alguno de **LOS LOTES** del cual pretenda desistirse, o la superficie de alguna de **LOS LOTES** que pretenda abandonar, previa división que se haga del lote de que se trate.

Similarly, in the event that **PEÑASQUITO** decides to solicit the abandonment or to reduce the area protected by the concessions in **THE LAND** , it shall notify **KENNECOTT** of its decision, and **KENNECOTT** shall have 30 (thirty) days to submit a written response to **PEÑASQUITO** granting its approval of abandonment or reduction that **PEÑASQUITO** seeks to effect, or requesting that **PEÑASQUITO** assign to **KENNECOTT** the rights derived from the mining concession deeds with respect to any of **THE LAND** which it intends to abandon or the area of **THE LAND** that it intends to abandon, prior to dividing the affected lproperty.

Transcurrido el plaza de 30 (treinta) dias naturales a que se refiere el párrafo anterior, si que medie contestación de **KENNECOTT** , **PEÑASQUITO** podrá libremente desistirse o reducir la superficie de que se trate, sin responsabilidad ante **KENNECOTT** .

After the passage of 30 (thirty) days as mentioned in the previous paragraph, if **KENNECOTT** intervenes and contests, **PEÑASQUITO** may freely abandon or reduce the area in question without responsibility to **KENNECOTT** .

OCTAVA. PENASQUTIO se obliga a cumplir con la ejecución y con la comprobación de obras o trabajos de exploración y demás obligaciones a que se refieren los Artículos 27, 28, 29 y demás aplicables de la **LEY** y del **REGLAMENTO** , incluyendo el pago de los derechos sobre minería que establece la **LFD** con respecto a **LOS LOTES** .

EIGHTH . **PEÑASQUITO** agrees to comply with the execution and with verification of exploration works or projects and the rest of the obligations referred to in Articles 27, 28, 29 and also applicable to the **LAW** and **REGULATIONS** , including the payment of mining rights established in the **FRL** with respect to **THE LAND** .

NOVENA. Todos los avisos y notificaciones que las partes deban darse conforme al presente Contrato, se harán mediante carta certificada, con acuse de recibo, enviada a los siguientes domicilios:

NINTH . All notices and demands the parties are required to give each other in accordance with the present Contract will be done pursuant to certified letter, with acknowledgment of receipt, sent to the following addresses:

“KENNECOTT”
MINERA KENNECOTT, S.A. DE C.V.
NEBULOSA 3019
COL. JARDINES DEL BOSQUE
GUADALAJARA, JALISCO 44520
TEL. (3) 647-9131
FAX (3) 122-0367

Atención Sr. Dave F. Simpson

“KENNECOTT”
MINERA KENNECOTT, S.A. DE C.V.
NEBULOSA 3019
COL. JARDINES DEL BOSQUE
GUADALAJARA, JALISCO 44520
TEL. (3) 647-9131
FAX (3) 122-0367

Attention: Mr. Dave F. Simpson

“PEÑASQUITO”
MINERA PEÑASQUITO, S.A. DE C.V.
RICARDO FLORES MAGON NO. 67, INT. 8 - G
COL. CENTRO
H. DEL PARRAL, CHIHUAHUA 33800
TEL. Y FAX (152) 2-22-93

Atención Sr. Thomas Charles Patton

“PEÑASQUITO”
MINERA PEÑASQUITO, S.A. DE C.V.
RICARDO FLORES MAGON NO. 67, INT. 8 - G
COL. CENTRO
H. DEL PARRAL, CHIHUAHUA 33800
TEL. and FAX (152) 2-22-93

Attention Mr. Thomas Charles Patton

Cualquier cambio de domicilio o de representante, se notificará por escrito, entregado en forma fehaciente.

Any change in address or in representative shall be noted in writing, delivered in the manner set forth above.

DÉCIMA. Todos los gastos, derechos, honorarios e impuestos que se causen con motivo del otorgamiento de este Contrato, convienen las partes que sean por cuenta de **PEÑASQUITO** . El **ISR** a cargo de **KENNECOTT** , quien se obliga a expedir las facturas correspondientes por las cantidades que llegase a recibir por concepto de las regalías pactadas en este contrato, en los términos de la **LIR** , las que deberán ser presentadas a **PEÑASQUITO** a más tardar en la fecha del pago que le corresponda. Asimismo, las partes se obligan a dar cumplimiento con todas las obligaciones que le imponen las Ieyes fiscales vigentes, en virtud de haber manifestado en sus Declaraciones estar inscritas en el Registro Federal de Contribuyentes y que su actividad preponderante es la que la **LIR** califica como Sociedades Mercantiles. Desde ahora, **KENNECOTT** , con fundamento en la **LIR** , autoriza a **PEÑASQUITO** para que ésta efectúe las retenciones necesarias, de conformidad con las leyes aplicables de la materia, siempre y cuando procedan dichas retenciones al momento de los pagos, en cuyo caso se expedirán a satisfacción de las partes los comprobantes correspondientes, lo anterior, dado que las Concesiones Mineras objeto de este Contrato forma parte de la actividad manifestada.

TENTH . The parties agree that all of the expenses, rights, fees and taxes resulting from the grant of this Contract will be borne by **PEÑASQUITO** . Income taxes will be for the account of **KENNECOTT** , which agrees to send its corresponding invoices for the amount it receives for its royalties as agreed to in this contract, according to terms of the **ITL** , which should be presented to **PEÑASQUITO** no later than the corresponding pay date. Similarly, the parties agree to comply with all obligations imposed by current fiscal laws, in accordance with what has been stated in their Declaration, to be recorded in the Federal Registry of Taxpayers and that their predominant activities are those which the **ITL** characterized as a Commercial Corporation. As of today, **KENNECOTT** , based on the **ITL,** authorizes **PEÑASQUITO** to effectuate necessary withholdings according to the applicable laws, provided that said withholding occurs at the time of payment, in which case proof of the foregoing will be provided to the satisfaction of the parties, given the object of the Mining Concessions that form the object of this Contract form a part of the manifested activity.

DÉCIMA PRIMERA. En eI supuesto de que el **REGISTRO** , considerase necesario que este documento y los que de éI se deriven se contengan en escritura pública, **KENNECOTT** , autoriza a **PEÑASQUITO** , desde ahora, a elevarlos a escritura pública ante el Notario Público de su elección y sin necesidad de la comparecencia de **KENNECOTT.**

ELEVENTH . In the event that the **REGISTRY** considers it necessary that this document and those from which it is derived be in the form of public deeds, **KENNECOTT** authorizes **PEÑASQUITO** , from now on, to make them part of the public record before a notary public of choosing without an appearance by **KENNECOTT** .

DÉCIMA SEGUNDA. Cualquiera de las partes tendrá eI derecho, previo consentimiento de la otra parte, el cual no será negado sin existir causa razonable, a ceder los derechos y las obligaciones que de este documento derivan a favor y a cargo de la misma, en el entendido de que la cesionaria se subrogará en los derechos y obligaciones de la parte cedente.

TWELFTH . Anyone of the parties has the right, with the prior consent of the other party, which consent will not be withheld without a reasonable basis, to assign the rights and obligations derived in this document for the benefit and burden of the same upon the understating that the assignment will subrogate the rights and obligations to the assignor.

En caso de que la parte que deba otorgar su consentimiento no manifieste objeción en el término de 30 (treinta) días naturales siguientes a la fecha en que se solicite su consentimiento, se entenderá que otorga dicho consentimiento.

In the event that the party needing to grant consent does not object at the end of 30 (thirty) days following the date in which consent has been requested, it will be understood that consent has been granted.

El derecho de **KENNECOTT** a la regalía sobre liquidaciones netas sobre fundición continuará, aún y cuando se lleve a cabo cualesquier modificación a cualquiera de las concesiones mineras con respecto a **LOS LOTES** , incluyendo la elevación a explotación, reducciones, unificaciones, prórrogas de vigencia, o extensiones de éstas. Esta regalia será parte de **LOS LOTES** y será aplicable a cualquier persona física o moral que explote y comercialice productos minerales procedentes de los mismos, por lo que en el caso de que **PEÑASQUITO** llegase a ceder sus derechos y obligaciones a un tercero, este deberá reconocer par escrito este derecho de **KENNECOTT** , además de obligarse a inscribir de inmediato dicho documento en el **REGISTRO** , a su propio costo.

KENNECOTT's right to net smelter returns royalties shall continue despite any modification in the mining concessions with respect to **THE LAND** , including the elevation to exploitation, reductions, and unifications, delays to maturity or extensions. This royalty shall be part of **THE LAND** and will apply to any legal entity that exploits and commercializes mineral products deriving from the same, which in the event that **PEÑASQUITO** assigns its obligations to a third party, it will notify **KENNECOTT** in addition to agreeing to immediately inscribe such a document in the **REGISTRY** , while bearing the cost.

DÉCIMA TERCERA. Este Contrato será obligatorio para las partes, sus herederos, causahabientes o cesionarios. Las partes, no obstante la naturaleza de este instrumento, declaran expresamente que en las convenciones objeto del mismo no existe lesión y, aún cuando la hubiese, renuncian expresamente al derecho de pedir la nulidad relativa de que tratan los Artículos 2228 y 2239 del Código Civil para el Distrito Federal en Materia Común y para toda la República en Materia Federal y los Artículos correlativos de los Códigos Civiles de todas las Entidades de los Estados Unidos Mexicanos.

THIRTEENTH . This Contract is binding on the parties, their heirs, successors or assignees. The parties, despite the nature of this instrument, expressly declare that no injury exists, and if there was injury, they expressly renounce the right to seek a relative nullity of contracts pursuant to Articles 2228 and 2239 of the Civil Code for the Federal District in Common Material and for all the Republic in Federal Material and the corresponding Articles in the Civil Codes of all the Entities of Mexico.

DÉCIMA CUARTA. Este Contrato se celebra en los términos del Artículo 78 del Código de Comercio, es de naturaleza mercantil, por lo que, para lo que no esté expresamente aquí pactado y para la interpretación y cumplimiento del mismo, se aplicarán la **LEY** , el **REGLAMENTO** y la Legislación Mercantil, así como, supletoriamente, el Código Civil para el Distrito Federal en Materia Común y para toda la República en Materia Federal, para lo no previsto en las dos primeras legislaciones. Para la resolución de cualquier controversia que surgiese con motivo de este documento, las partes se someten expresamente a la jurisdicción de los tribunales competentes en la Ciudad de Guadalajara, Jalisco, renunciando a cualquier jurisdicción que pudiese corresponderles en razón de sus actuales o futuros domicilios o por cualquier otra causa.

FOURTEENTH . This contract is entered into according to the terms of Article 78 of the Commercial Code, is of a commercial nature, such that what is not expressly agreed to and for the interpretation and compliance of the same, the **LAW** , the **REGULATIONS** and Commercial Legislation, supplements the Civil Code for the Federal District in Common Matters for all of the Republic in Federal Matters, to what is not foreseen in the first two legislatures. To resolve any controversy arising between the parties as a result of this document, the parties expressly submit themselves to the jurisdiction of the competent tribunals in the City of Guadalajara, Jalisco and waive any other jurisdiction that might entertain a cause of action despite the parties' actual or future locations or any other cause.

Este documento es hecho en cuatro ejemplares, uno para cada una de las partes, otro para fines notariales y el restante para eI **REGISTRO** y, una vez Ieído, lo ratifican en todo sus términos y firman, para debida constancia, el 29 de OCTUBRE de 1999, en Ciudad de Guadalajara, Jalisco.

Four copies were made of this document, one for each party, another for notary purposes, and the remainder for the **REGISTRY** , and once read and ratified in accordance with all its terms and signed, for due verification, the 29th of OCTOBER of 1999, in the City of Guadalajara, Jalisco.

"KENNECOTT"	**"PEÑASQUITO"**	**"KENNECOTT"**	**"PEÑASQUITO"**
MINERA KENNECOTT, S.A. DE C.V. Dave F. Simpson Representante legal	MINERA PEÑASQUITO, S.A. DE C.V. Lic. José María Gallardo Tamayo Representante legal	MINERA KENNECOTT, S.A. DE C.V. Dave F. Simpson Legal Representative	MINERA PEÑASQUITO, S.A. DE C.V. Lic. José María Gallardo Tamayo Legal Representaitve

ANEXO 1

De conformidad con el Contrato de Cesión de Derechos al que pertenece este documento, celebrado entre MINERA KENNECOTT, S.A. DE C.V. (En lo sucesivo " **TITULAR DE LA REGALÍA** ") y MINERA PEÑASQUITO, S.A. DE C.V. (En lo sucesivo " **DEUDOR DE LA REGALÍA** "), sobre las concesiones mineras que se mencionan en el inciso c) de las declaraciones de MINERA KENNECOTT, S.A. DE C.V. en dicho Contrato, descritas como **LOS LOTES** , esta última tiene derecho a una regalía equivalente aI 2 % (dos por ciento), conformidad con la Clausula **SEGUNDA** del citado Cantrato, sabre las liquidaciones netas sobre fundición (En lo sucesivo " **RSLNSF** ") pagadera por MINERA PEÑASQUITO, S.A. DE C.V.

1. RSLNSF

1.1 Es la valuntad de las partes que la **RSLNSF** establecida más adelante en este documento, se calculará en base al valor determinado dentro de las colindancias de **LOS LOTES** de los productos minerales producidos y vendidos, o considerados como vendidos, calculado en base a los precios publicados para plata, oro y cobre refinados o en base a los ingresos reales de ventas por otros productos minerales, como se define a continuación. El **TITULAR DE LA REGALÍA** reconoce que puede ser necesario o apropiado el procesar, tratar o mejorar productos minerales producidos a partir de **LOS LOTES** antes de que sean vendidos o se consideren como vendidos, y que para determinar el valor de dichos productos dentro de las colindancias de **LOS LOTES** , todos los costos realizados o que se consideren realizados por el **DEUDOR DE LA REGALÍA** después de que los productos minerales abandonen **LOS LOTES** serán deducidos de los ingresos recibidos, o que se consideren haber sido recibidos por el **DEUDOR DE LA REGALÍA** . La obligación de pagar la **RSLNSF** se acumulará tomando en base la praducción de metales refinados en favor de la cuenta del **DEUDOR DE LA REGALÍA** que satisfagan los requisitos de los precios especificos publicados, o la venta más próxima de metales no refinados, minerales comerciales, concentrados, minerales u otros productos minerales, como se define más adelante.

1.2 El DEUDOR DE LA REGALÍA deberá pagar

ANNEX 1

This document is part of the Contract for Assignment of Rights entered into between MINERA KENNECOTT, S.A. DE C.V. (known as the **ROYALTY HOLDER**) and MINERA PEÑASQUITO, S.A. DE C.V. (known as the **ROYALTY PAYOR**), over mining concessions mentioned in paragraph c) in the Declarations of MINERA KENNCOTT, S.A. DE C.V. in the aforementioned Contract, in which KENNECOTT, S.A. DE C.V. has a right to a royalty equivalent to 2% (two percent), in accordance with the **SECOND** Clause of the aforementioned Contract over smelter returns (the " **NET SMELTER RETURN ROYALTY** ") in **THE LAND** , paid by MINERA PEÑASQUITO, S.A. DE C.V.

1. NET SMELTER RETURN ROYALTY

1.1. It is the intention of the **ROYALTY PAYOR** and the **ROYALTY HOLDER** that the **NET SMELTER RETURN ROYALTY** hereinafter provided be based upon the value at the boundary of **THE LAND** of the mineral products produced and sold or deemed sold, determined by reference to published prices for refined silver, gold and copper or the actual proceeds of sales for other mineral products, all as hereinafter provided. **The ROYALTY HOLDER** acknowledges it may be necessary or appropriate to process, treat or upgrade mineral products off **THE LAND** before they are sold or deemed sold; and that to determine the value of such mineral products within the boundaries of **THE LAND** , all costs incurred or deemed incurred by the **ROYALTY PAYOR** after the mineral products leave the **THE LAND** shall be deducted from the proceeds received or deemed to be received by the **ROYALTY PAYOR.** The obligation to pay the **NET SMELTER RETURN ROYALTY** shall accrue upon the outturn of refined metals meeting the requirements of the specified published price to the **ROYALTY PAYOR** 's account or the sooner sale of unrefined metals, dore, concentrates, ores or other mineral products, as hereinafter provided.

1.2. The **ROYALTY PAYOR** shall pay to the

al **TITULAR DE LA REGALÍA** , una **RSLNSF** equivalente al 2 % (dos par ciento), de conformidad con la Clausula **SEGUNDA** del Cantrato al que se anexa eI presente documento, del Valor Neto de todos los minerales, metales y materiales extraídos y obtenidos dentro del perimetro de **LOS LOTES** que sean vendidos, a que se consideren como vendidos, por o para el **DEUDOR DE LA REGALÍA** .

ROYALTY HOLDER a **NET SMELTER RETURN ROYALTY** equal to 2% (two percent), in accordance with the **SECOND** Clause of the Contract, of which this anex is part, of the Net Value of all ores, minerals, metals and materials mined and removed from **THE LAND** and sold or deemed to have been sold by or for the **ROYALTY PAYOR** .

1.3 Para efectos del presente Anexo, se entenderá por Valor Neto, eI Valor Bruto de dichos minerales metálicos, minerales, metales a materiales, deduciendo todos los costos, cargos y gastos pagados o incurridos por el **DEUDOR DE LA REGALÍA** con respecto a dichos productos pagados o que se consideren incurridos por el **DEUDOR DE LA REGALÍA** , después de que dichos productos abandonen **LOS LOTES** , incluyendo los siguientes, descritos en forma enunciativa más no limitativa:

1.3. As used herein, “Net Value” means the Gross Value of such ores, minerals, metals or materials, less all costs, charges and expenses paid or incurred by the **ROYALTY PAYOR** with respect to such products paid or deemed incurred by the **ROYALTY PAYOR** after such products leave **THE LAND** , including, but not limited to:

1.3.1 Cargos por tratamiento en at proceso de fundición y refinación (Incluyenda los costos por el manejo, procesamiento, intereses y cuotas provisionales de liquidación, muestreos, ensayes y gastos de representación así como castigos y cualesquiera otras deducciones atribuibles a su procesamiento).

1.3.1. Charges for treatment in the smelting and refining process (including handling, processing, interest and provisional settlement fees, sampling, assaying and representation costs, penalties and other process deductions);

1.3.2 Costos reales de transportación (Incluyendo fletes, seguro, vigilancia, impuestos por operación, manejo, almacenaje, retrasos y gastos subsecuentes que sean incurridos par razón de o en el transcurso de dicha transportación) de minerales comerciales, concentrados u otros productos, desde LOS LOTES al lugar de tratamiento y, posteriormente, al lugar de venta;

1.3.2. Actual costs of transportation (including freight, insurance, security, transaction taxes, handling, port, demurrage, delay and forwarding expenses incurred by reason of or in the course of such transportation) of ores, minerals, concentrates or other products from **THE LAND** to the place of treatment and then to the place of sale;

1.3.3 Costos reales de venta y correduria relacionados con los minerales comerciales crudos y otros minerales para los cuales se debe calcular la **RSLNSF** en base a los ingresos recibidos por el **TITULAR DE LA REGALÍA** , como se establece en los subincisos 1.4.4 y 1.4.5 siguientes y, una cantidad fija por los costos razanables de ventas y costos por correduría por metales refinados objeto de la **RSLNSF** , establecidos en los subincisos 1.4.1, 1.4.2 y 1.4.3 siguientes; y

1.3.3. Actual sales and brokerage costs on raw commercial ores and other minerals for which the **NET SMELTER RETURN ROYALTY** is based on proceeds received by the **ROYALTY HOLDER** as hereinafter provided in subsections 1.4.4 and 1.4.5 below, and a fixed allowance for reasonable sales and brokerage costs for refined metals subject to the **NET SMELTER RETURN ROYALTY** hereinafter provided in subsections 1.4.1, 1.4.2 and 1.4.3 below; and

1.3.4 Impuestos sobre producción de minerales, venta, uso, finiquito e impuestos ad valorem, así como cualquier otro impuesto calculado en base a la producción de minerales.

1.4 Para efectos de lo señalado en este Anexo, el término "Valor Bruto" tendrá los siguientes significados para las siguientes categorias de metales, productos minerales y minerales producidos y vendidos por el **DEUDOR DE LA REGALÍA** :

1.4.1 Si el **DEUDOR DE LA REGALÍA** logra producir oro refinado (Cumpliendo las especificaciones de la London Bullion Market Association) extraido de minerales procedentes de **LOS LOTES** , para efectos de determinar la **RSLNSF** , el oro refinado será considerado como vendido al Precio Promedio Mensual del Oro para el mes en que se hubiera producido, y el Valor Bruto se determinará multiplicando la Producción de Oro durante el mes calendario de que se trate, por el Precio Promedio Mensual del Oro. Para los efectos del presente Anexo, se entiende por "Producción de Oro", la cantidad de oro refinado producido en favor de la cuenta del **DEUDOR DE LA REGALÍA** por una fundición o refinería independiente, a partir del oro producido en **LOS LOTES** durante el mes calendario de que se trate, ya sea en base a las Iiquidaciones provisionales o finales. Asimismo, se entenderá por "Precio Premedio Mensual del Oro", el promedio del precio establecido por la London Bullion Market Association P.M. Gold Fix, calculado al dividir la suma de dichos precios reportados para el mes calendario de que se trate, entre el número de días para los que dichos precios fueron reportados.

1.4.2 Si el **DEUDOR DE LA REGALÍA** logra producir plata refinada (Cumpliendo las especificaciones para la plata refinada objeta del Precio de la Plata de Nueva York publicado por Handy & Harman) extraída a partir de minerales procedentes de **LOS LOTES** , para efectos de determinar la **RSLNSF** , la plate refinada se considerará como

1.3.4. Taxes over the production of minerals, their sale, use, severance, and ad valorem taxes, and any other tax on or measured by mineral production.

1.4. "Gross Value" shall have the following meanings in this Annex for the following categories of metals, minerals products and minerals produced and sold by the **ROYALTY PAYOR** :

1.4.1. If the **ROYALTY PAYOR** causes refined gold (meeting the specifications of the London Bullion Market Association) to be produced from ores mined from **THE LAND** , for purposes of determining the **NET SMELTER RETURN ROYALTY** the refined gold shall be deemed to have been sold at the Monthly Average Gold Price for the month in which it was produced, and the Gross Value shall be determined by multiplying Gold Production during the calendar month by Monthly Average Gold Price. As used herein, "Gold Production" shall mean the quantity of refined gold outturned to the **ROYALTY PAYOR's** pool account by an independent third-party refinery for gold produced from **THE LAND** during the calendar month on either a provisional or final settlement basis. As used herein, "Monthly Average Gold Price" shall mean the average London Bullion Market Association P.M. Gold Fix, calculated by dividing the sum of all such prices reported for the month by the number of days for which such prices were reported.

1.4.2. If the **ROYALTY PAYOR** causes refined silver (meeting the specifications for refined silver subject to the New York Silver Price published by Handy & Harman) to be produced from ore mined from **THE LAND** , for purposes of determining the **NET SMELTER RETURN ROYALTY** the refined silver shall be deemed to have been sold at the Monthly Average Silver

vendida al Precio Promedio Mensual de la Plata para el mes en que fue producida, y el Valor Bruto se determinará multiplicando la Producción de Plata durante el mes calendario por el Precio Promedio Mensual de la Plata. Como “Producción de Plata” se entiende la cantidad de plata refinada producida en favor de la cuenta del **DEUDOR DE LA REGALÍA** por una fundición a refinería independiente, a partir de la plata producida en **LOS LOTES** durante el mes calendario de que se trate, ya sea en una base a las Iiquidaciones provisionales o finales. Como “Precio Promedio Mensual de la Plata” se entiende el promedio del precio establecido por el New York Silver Price publicado diariamente por Handy & Herman, calculado al dividir la suma de dichos precios reportados para el mes calendario de que se trate, entre el número de días para los que dichos precios fueron reportados.

Price for the month in which it was produced, and the Gross Value shall be determined by multiplying Silver Production during the calendar month by the Monthly Average Silver Price. As used herein, Silver Production shall mean the quantity of refined silver outturned to the **ROYALTY PAYOR’s** pool account by an independent third-party refinery for silver produced from **THE LAND** during the calendar month on either a provisional or final settlement basis. As used herein, “Monthly Average Silver Price” shall mean the average New York Silver Price as published daily by Handy & Harman, calculated by dividing the sum of all such prices reported for the calendar month by the number of days for which such prices were reported.

1.4.3 Si el **DEUDOR DE LA REGALÍA** logra producir cobre refinado (Cumpliendo las especificaciones para el cobre refinado sujeto al Precio Comex de Nueva York) que vaya a ser producido a partir de los minerales extraídas de **LOS LOTES** , para los efectos de determinar la **RSLNSF** , el cobre refinado se considerará vendido al Precio Promedio Mensual del Cobre para el mes en que hubiera sido producido, y el Valor Bruto se determinará multiplicando la Producción de Cobre durante el mes calendario de que se trate, por el Precio Promedio Mensual del Cobre. Por “Producción de Cobre” se entiende la cantidad de cobre refinado producido en favor de la cuenta del **DEUDOR DE LA REGALÍA** por una fundición de cobre independiente, producida a partir del cobre producido en **LOS LOTES** , durante el mes calendario de que se trate, ya sea en base a liquidaciones provisionales o finales. Para efectos del presente Anexo se entiende por “Precio Promedio Mensual del Cobre”, el promedio del precio establecido por el New York Commodities Exchange Price para cobre de alta ley, publicado diariamente en el Wall Street Journal, calculado al dividir la suma de dichos precios reportados para el mes calendario de que se trate, entre eI número de días para los que dichos precios fueron reportados.

1.4.3. If the **ROYALTY PAYOR** causes refined copper (meeting the specifications for refined copper subject to the New York Comex Price) to be produced from ore mined from **THE LAND** , for the purposes of determining the **NET SMELTER RETURN ROYALTY** the refined copper shall be deemed to have been sold at the Monthly Average Copper Price for the month in which it was produced, and the Gross Value shall be determined by multiplying Copper Production during the calendar month by the Monthly Average Copper Price. As used herein Copper Production shall mean the quantity of refined copper outturned to the **ROYALTY PAYOR’s** pool account by an independent third party smelter for copper produced from **THE LAND** during the calendar month on either a provisional or final settlement basis. As used herein, Monthly Average Copper Price shall mean the average New York Commodities Exchange Price for high grade copper as published daily in the Wall Street Journal, calculated by dividing the sum of all such prices reported for the calendar month by the number of days for which such prices were reported.

1.4.4 Si el **DEUDOR DE LA REGALÍA** logra producir metales refinados o procesados diferentes del oro y plata refinados a partir de minerales extraídos de **LOS LOTES** , el Valor Bruto deberá ser igual a la cantidad de ingresos efectivamente recibidos por el **DEUDOR DE LA REGALÍA** durante el mes calendario de la venta de dichos metales refinados o procesados.

1.4.5 En caso de que el **DEUDOR DE LA REGALÍA** logre vender minerales no procesados, doré o concentrados producidos de minerales extraídos de **LOS LOTES** , entonces eI Valor Bruto deberá ser igual a la cantidad de ingresos recibidos por el **DEUDOR DE LA REGALÍA** durante el mes calendario de la venta de dichos minerales metálicos en bruto, doré, concentrados o metales refinados.

1.4.6 Cuando la producción de metales refinados sea efectuada por una refineria o fundición independiente en forma provisional, el Valor Bruto se basará en la liquidación provisional, pero deberá ajustarse en las liquidaciones subsecuentes para completar el total del mineral refinado que dicha refineria o fundición establezca en la liquidación final.

1.4.7 El **DEUDOR DE LA REGALÍA** acepta que eI prepósito de los subincisos 1.4.1, 1.4.2 y 1.4.3 anteriores es el de pagar al **TITULAR DE LA REGALÍA** la **RSLNSF** , teniendo como base el valor del oro, plata y cobre refinados producidos a partir de minerales extraídos de **LOS LOTES** , de acuerdo con el London Bullion Market Association P.M. Gold Fix para el oro, el New York Silver Price publicado por Handy & Harman para la plata y el New York Commodities Exchange Price para cobre de alta ley publicado por Comex para eI cobre, sin importar el precio o ingresos recibidos efectivamente por el **DEUDOR DE LA REGALÍA** , por o en relación a dichos metales, o la forma en que se lleve a cabo la venta del metal

1.4.4. If the **ROYALTY PAYOR** causes refined or processed metals other than refined gold and refined silver to be produced from ores mined from **THE LAND** , the Gross Value shall be equal to the amount of the proceeds actually received by the **ROYALTY PAYOR** during the calendar month from the sale of such refined or processed metals.

1.4.5. In the event that the **ROYALTY PAYOR** sells raw ores, or dore or concentrates produced from ores mined from **THE LAND** , then the Gross Value shall be equal to the amount of the proceeds actually received by the **ROYALTY PAYOR** during the calendar month from the sale of such raw ore, dore, concentrates or refined metal.

1.4.6. Where outturn of refined metals is made by an independent third party refinery on a provisional basis, the Gross Value shall be based upon the amount of such provisional settlement, but shall be adjusted in subsequent statements to account for the amount of refined metal established by final settlement by such refinery.

1.4.7. The **ROYALTY HOLDER** acknowledges that the purpose of subsections 1.4.1, 1.4.2 and 1.4.3 above is to pay the **ROYALTY HOLDER** a **NET SMELTER RETURN ROYALTY** on the basis of value of the refined gold, silver and copper produced from minerals mined from **THE LAND** as established by the London Bullion Market Association P.M. Gold Fix for gold, the New York Silver Price as published by Handy & Harman for silver and the New York High Grade Copper Price as published by Comex, regardless of the price or proceeds actually received by the **ROYALTY PAYOR** for or in connection with such metal or the manner in which a sale of refined metal to a third party is made by the **ROYALTY PAYOR** . The **ROYALTY HOLDER** further

refinado, por parte del **DEUDOR DE LA REGALÍA** a un tercero. El **TITULAR DE LA REGALÍA** acepta que el **DEUDOR DE LA REGALÍA** tendrá el derecho a comercializar y vender, o abstenerse de vender oro, plata, cobre refinados y otros metales producidos a partir de **LOS LOTES** , en cualquiera manera que elija, y que el **DEUDOR DE LA REGALÍA** tendrá el derecho de comprometerse en ventas anticipadas, a futuro u opciones de comercialización, y otras medidas compensatorias o protectoras de precios, y acuerdos especulativos (En lo sucesivo "Actividades de Comercio") que pueden implicar la posible entrega de oro, plata, cobre y otros metales producidos a partir de **LOS LOTES** . El **TITULAR DE LA REGALÍA** específicamente reconoce y acepta que no estará facultado para participar en los ingresos ni estará obligado a compartir cualesquier pérdida generada por las prácticas de mercado o de ventas llevadas a cabo por el **DEUDOR DE LA REGALÍA** o por sus Actividades de Comercio.

acknowledges that the **ROYALTY PAYOR** shall have the right to market and sell or refrain from selling refined gold, silver, copper and other metals produced from **THE LAND** in any manner it may elect, and that the **ROYALTY PAYOR** shall have the right to engage in forward sales, future trading or commodity options trading, and other price hedging, price protection, and speculative arrangements ("Trading Activities") which may involve the possible delivery of gold, silver, copper or other metals produced from **THE LAND** . The **ROYALTY HOLDER** specifically acknowledges and agrees that the **ROYALTY HOLDER** shall not be entitled to participate in the proceeds or be obligated to share in any losses generated by the **ROYALTY PAYOR's** actual marketing or sales practices or by its Trading Activities.

1.4.8 El **DEUDOR DE LA REGALÍA** podrá, pero no estará obligado, a beneficiar, tratar, clasificar, concentrar, refinar, fundir o, de cualquier otra manera, procesar y mejorar la calidad de los minerales, concentrados, y otros productos minerales comerciales producidos de minerales extraídes a partir de **LOS LOTES** , con anterioridad a su venta, transferencia o cesión a un comprador, usuario o consumidor diferente del **DEUDOR DE LA REGALÍA** . El **DEUDOR DE LA REGALÍA** no será responsable por las pérdidas de valores minerales en dichos procesos realizados bajo prácticas aceptables.

1.4.8. The **ROYALTY PAYOR** may, but is not obligated to, beneficiate, mill, sort, concentrate, refine, smelt, or otherwise process and upgrade the ores, concentrates, and other mineral products produced from ores mined from **THE LAND** prior to sale, transfer, or conveyance to a purchaser, user or consumer other than the **ROYALTY PAYOR** . The **ROYALTY PAYOR** shall not be liable for mineral values lost in such processing under sound practices.

1.4.9 El **DEUDOR DE LA REGALÍA** tendrá el derecho a vender a **AFILIADOS** minerales procedentes de **LOS LOTES** en forma de minerales no procesados, doré o concentrados, en el entendido de que dichas ventas se considerarán, únicamente para efectos de calcular el Valor Nete, como vendidas a precios y en términos no menos favorables que aquellos que se presentarían en circunstancias similares con un tercero no afiliado.

1.4.9. The **ROYALTY PAYOR** shall be permitted to sell minerals from **THE LAND** in the form of raw ore, dore, or concentrates to an affiliated party, provided that such sales shall be considered, solely for the purpose of computing Net Value, to have been sold at prices and on terms no less favorable than those which would be extended to an unaffiliated third party under similar circumstances.

1.4.10 Todos los minerales para los cuales se deba pagar la **RSLNSF** deberán ser pesados o medidos por volumen y analizados en concordancia con las prácticas aceptables en la industria minero-metalúrgica. Después de dichas mediciones, el **DEUDOR DE LA REGALÍA** podrá mezclar o combinar dichos minerales, materiales o productos con minerales, materiales o productos de otras propiedades.

1.4.11 Los pagos relacianados con la **RSLNSF** tendrán vencimiento y serán liquidados en pagos trimestrales a más tardar el último día natural del mes siguiente de cada trimestre que se trate. Estos pagos deberán acampañarse de los comprobantes que demuestren a detalle y claramente la cantidad y calidad de los metales refinados, doré, concentrados, u otros productos minerales producidos y vendidos, o considerados como vendidos, por el **DEUDOR DE LA REGALÍA** , por el trimestre precedente; el precio promedio mensual determinado en la forma anteriormente establecida para los metales refinados por los que se debe pagar la **RSLNSF** ; los ingresos de ventas de otros productos minerales por los que se deba dicha regalía; costos y otros deducciones; y demás información pertinente con el detalle suficiente para explicar la manera en que se calculó el pago de la **RSLNSF** .

Dichos reportes trimestrales deberán también enumerar la cantidad y calidad de cualquier doré de oro, plata, a cátodo de cobre que haya sido retenido en inventario por más de 60 (Sesenta) días naturales. El **TITULAR DE LA REGALÍA** tendrá 15 (Quince) días naturales después de la recepción de cada reporte trimestral para: (i) solicitar que eI doré se considere vendido en ese decimoquinto día natural, como se establece en los subincisos 1.4.1 y 1.4.2 anteriores, en en base al peso y ley calculados en la mina para dicho doré, y utilizando un cargo previsto por todas las deducciones que se especifican en los subincisos 1.1 y 1.3 anteriores, los cuales deberán basarse en los cargos más recientes hechos al **DEUDOR DE LA REGALÍA** por dichos servicios por un tercero no afiliado, o (ii) elegir esperar hasta el momento en que el oro o la plata refinada de dicho doré a cátodo de cobre sea efectivamente entregado al **DEUDOR DE LA REGALÍA** , o dicho doré sea vendido por el

1.4.10. All minerals for which a **NET SMELTER RETURN ROYALTY** is payable shall be weighed or measured, sampled and analyzed in accordance with sound mining and metallurgical practices. After such measurement, the **ROYALTY PAYOR** may mix or commingle such minerals, materials or products with ores, materials or products from other **THE LAND** .

1.4.11. NET SMELTER RETURN ROYALTIES shall become due and payable quarterly on the last day of each month following the last day of the calendar quarter in which the same accrued. **NET SMELTER RETURN ROYALTY** payments shall be accompanied by a statement showing in reasonable detail the quantities and grades of the refined metals, dore, concentrates, or other mineral products produced and sold or deemed sold by the **ROYALTY PAYOR** in the preceding calendar quarter; the average monthly price determined as herein provided for refined metals on which the **NET SMELTER RETURN ROYALTY** is due; the proceeds of sale for other mineral products on which the royalty is due; costs, and other deductions; and other pertinent information in sufficient detail to explain the calculation of the **NET SMELTER RETURN ROYALTY** payment.

Such quarterly statements shall also list the quantity and quality of any gold and silver dore, or copper cathode which has been retained as inventory for more than sixty (60) days. The **ROYALTY HOLDER** shall have fifteen (15) days after receipt of the statement to either (1) request that the dore be deemed sold as provided in subsections 1.4.1 and 1.4.2 above as of such fifteenth day utilizing the mine weights and assays for such dore and utilizing a deemed charge for all deductions specified in subsections 1.1 and 1.3 above which shall be based upon the most recent charges to the **ROYALTY PAYOR** for such services by an unaffiliated third party, or (2) elect to wait until the time that refined gold or silver from such dore or copper cathode is actually outturned to the **ROYALTY PAYOR** or such dore is sooner sold by the **ROYALTY PAYOR** . The failure of the **ROYALTY HOLDER** to respond within such time shall be deemed to be an election under (2) above. No royalty shall be due with respect to stockpiles of ores or

DEUDOR DE LA REGALÍA . El incumplimiento por parte del **TITULAR DE LA REGALÍA** para responder dentro de dicho plazo se considerará como una elección en los términos del inciso (ii) anterior. No se deberá ninguna regalía con respecto a los inventarios de minerales o concentrados a menos y hasta que dichos mineralos o concentrados sean efectivamente vendidos.

Todas los pagos relacionados con la **RSLNSF** se considerarán finales y en pleno cumplimiento de todas las obligaciones del **DEUDOR DE LA REGALÍA** con respecto a las mismas, a menos que el **TITULAR DE LA REGALÍA** proporcione al **DEUDOR DE LA REGALÍA** una notificación por escrito describiendo y estableciendo una objeción específica a los cálculos de las mismas dentro de los 120 (Ciento veinte) días naturales después de que el **TITULAR DE LA REGALÍA** hubiesen recibido el reporte trimestral antes mencionado. Si el **TITULAR DE LA REGALÍA** objeta un reporte trimestrel en particular, de acuerde a lo establecido anteriormente, el **TITULAR DE LA REGALÍA** , por un período de 30 (Treinta) días naturales después de la recepción de la notificación por parte del **DEUDOR DE LA REGALÍA** de dicha objeción, tendrá el derecho en y durante un tiempo razonable, para tener acceso a los libros del **DEUDOR DE LA REGALÍA** , y a los registros relacionados con el cálculo del reporte de la regalía en cuestión, y auditar mediante un contador público titulado aprobado por el **TITULAR DE LA REGALÍA** y por **el DEUDOR DE LA REGALÍA** . Si en dicha auditoria se determina que ha habido una deficiencia o un excedente en el pago efectuado al **TITULAR DE LA REGALÍA** , dicha deficiencia o excedente deberá compensarse ajustando el pago correspondiente en eI siguiente trimestre en que haya que pagarse la **RSLNSF** , conforme a los términos establecidos en el presente Anexo. El **TITULAR DE LA REGALÍA** pagará los gastos incurridos por dicha auditoria, a menos que se determine una deficiencia del 5% (Cinco por ciento) o más, con respecto de la cantidad que debía haber sido pagada. El **DEUDOR DE LA REGALÍA** deberá pagar los gastos de dicha auditoria si se determina la existencia de una deficiencia del 5% (Cinco por ciento o más, respecto de la cantidad que debió haber sido pagada. Todos las libros y registros en pleados por el **DEUDOR DE LA REGALÍA** para calcular las regalías pagaderas bajo los terminos aqui establecidos, así como los pagos de dichas regalías, se mantendrán conforme a los principios de contabilidad generalmente aceptados. La falta de objeción por parte del **TITULAR DE LA REGALÍA** hacia el **DEUDOR DE LA REGALÍA** en relación a ajustes en los pagos de regalías dentro del período de los 120 (Ciento veinte) días naturales antes mencionados, dará lugar, a partir de ese momento, a la prescripción del derecho para establecer excepciones o reclamaciones en relación a ajustes a los pagos de que se trate.

concentrates unless and until such ores or concentrates are actually sold.

All **NET SMELTER RETURN ROYALTY** payments shall be considered final and in full satisfaction of all obligations of the **ROYALTY PAYOR** with respect thereto, unless the **ROYALTY HOLDER** gives the **ROYALTY PAYOR** written notice describing and setting forth a specific objection to the calculation thereof within one hundred twenty (120) days after receipt by the **ROYALTY HOLDER** of the quarterly statement herein provided for. If the **ROYALTY HOLDER** objects to a particular quarterly statement as herein provided, the **ROYALTY HOLDER** shall, for a period of thirty (30) days after the **ROYALTY PAYOR's** receipt of notice of such objection, have the right, upon reasonable notice and at a reasonable time, to have the **ROYALTY PAYOR's** accounts and records relating to the calculation of the Situation Royalty in question audited by a certified public accountant acceptable to the **ROYALTY HOLDER** and to the **ROYALTY PAYOR** . If such audit determines that there has been a deficiency or an excess in the payment made to the **ROYALTY HOLDER** such deficiency or excess shall be resolved by adjusting the next quarterly **NET SMELTER RETURN ROYALTY** payment due hereunder. The **ROYALTY HOLDER** shall pay all costs of such audit unless a deficiency of 5% (five percent) or more of the amount due is determined to exist. The **ROYALTY PAYOR** shall pay the costs of such audit if a deficiency of five percent or more of the amount due is determined to exist. All books and records used by the **ROYALTY PAYOR** to calculate royalties due hereunder shall Royalty payment due hereunder shall be kept in accordance with generally accepted accounting principles. Failure on the part of the **ROYALTY HOLDER** to make claim on the **ROYALTY PAYOR** for adjustment in such 120 (one-hundred twenty) — day period shall establish the correctness and preclude the filing of exceptions thereto or making of claims for adjustment thereon.

2. GENERALES.

2.1 A menos de que se especifique de otra forma, los términos en mayúscula en este Anexo tendrán los mismos significados establecidos en el Contrato al que pertenece.

2.2 El derecho a la **RSLNSF** continuará, aún y cuando se lleve a cabo cualesquier modificación a cualquiera de las concesiones mineras con respecto a **LOS LOTES** , incluyendo las elevaciones a explotación, prórrogas de vigencia, o extensiones de éstas, pero sin incluir los terrenos abandonados por las reducciones de superficie y desistimientos autorizados de **LOS LOTES** . Esta regalía sobre estas concesiones será parte de éstas y será aplicable a cualquier persona fisica o moral que explote y comercialice productos minerales procedentes de estas concesiones.

2.3 Todas las comunicaciones que se hagan las partes con relación a este Anexo serán conforme a lo establecido en la Cláusula **NOVENA** del Contrato al que pertenece este documento.

2. GENERALITIES.

2.1 Unless specified in another form, the capitalized terms in this Annex shall have the same meaning established in the Contract to which it pertains.

2.2 The right to the **NET SMELTER RETURN ROYALTY** shall continue despite any modification to any of the mining concessions with respect to **THE LAND** , including the elevation to exploitation, reductions, and unifications, delays to maturity or extensions. This royalty shall be part of **THE LAND** and will apply to any legal entity that exploits and commercializes mineral products deriving from the same, which, in the event that **PEÑASQUITO** assigns its obligations to a third party, it will notify **KENNECOTT** in addition to agreeing to immediately inscribe such a document in the **REGISTRY** , while bearing the cost.

2.3 All of the communications made between the parties with respect to this Annex shall be in accordance with the terms set forth in the **NINTH** Clause of the Contract to which this document pertains.

"KENNECOTT"	**"PEÑASQUITO"**	**"KENNECOTT"**	**"PEÑASQUITO"**
MINERA KENNECOTT, S.A. DE C.V.	MINERA PEÑASQUITO, S.A. DE C.V.	MINERA KENNECOTT, S.A. DE C.V.	MINERA PEÑASQUITO, S.A. DE C.V.
Dave F. Simpson	Lic. José María Gallardo Tamayo	Dave F. Simpson	Lic. José María Gallardo Tamayo
Representante Legal	Representante Legal	Legal Representative	Legal Representative

RATIFICACIÓN

ACTA NUMERO: 1,421 MIL CUATROCIENTOS VEINTIUNO.

LIBRO DE REGISTRO DE ACTAS Y PÓLIZAS.

En la ciudad de Guadalajara, Jalisca a los 29 veintinueve días de Octubre de 1999 mil novecientos noventa y nueve ante mí Licenciado Diego Robles Farias, Corredor Público número veinte de la Plaza Jalisco, comparecieron:

1.- Por una parte el señor DAVE FRANK SIMPSON KRIEDERS en representación de la empresa "MINERA KENNECOTT", SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, como Cedente.

2.- Por otra parte el Licenciado JOSÉ MARÍA GALLARDO TAMAYO en representación de la empresa "MINERA PEÑASQUITO", SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE en calidad de cesionaria del contrato de Cesión de Derechos que antecede a la presente.

I.- Que para todos los efectos legales a que haya Iugar, ratifican en este acto el contenido del contrato de cesión de Derechos que antecede, por ser la fiel expresión de sus voluntades.

II.- Que reconocen como suyas las firmas que lo calzan, por haber sido puestas de su puño y letra y ser las mismas que usan en todos sus asuntos y negocios.

III.- Los señores **DAVE FRANK SIMPSON KRIEDERS y JOSÉ MARÍA GALLARDO TAMAYO** , declaran que sus representadas tienen capacidad legal y que la representación que ostentan no les ha sido revocada ni limitada, encontrándose vigente a la fecha de la presente ratificación.

POR LO ANTES EXPUESTO, EL CORREDOR QUE SUSCRIBE DOY FE:

PRIMERO.- De que conozco a los comparecientes, a quienes conceptúo con capacidad legal para contratar y obligarse, pues no encuentro en ellos manifestaciones evidentes de incapacidad ni he tenido noticias de que estén sujetos a interdicción; y quienes además se identificaron con los documentos que me presentan y de los cuales agrego copia a mi archivo.

SEGUNDO.- Que por sus generales, los comparecientes manifestaron ser: **DAVID FRANK SIMPSON KRIEDERS** , de nacionalidad Norteamericana, casado, profesionista, originario de la ciudad de Boulder, Colorado, Estados Unidos de América en donde nació el día 2

CONFIRMATION

DEED NUMBER: 1,421 ONE-THOUSAND FOUR-HUNDRED TWENTY-ONE

BOOK OF REGISTERY FOR DEEDS AND POLICIES

In the city of Guadalajara, Jalisco on 29 twenty-nine days of October of 1999, nineteen hundred and ninety-nine, before me, the attorney, Diego Robles Farias, Public Agent number twenty of Plaza Jalisco, made an appearance:

1.- On behalf of one of the parties, Mr. DAVE FRANK SIMPSON KRIEDERS as representative of the company "MINERA KENNECOTT," CORPORATION WITH VARIABLE CAPITAL, as the Assignor.

2. – On behalf of the other party, JOSÉ MARÍA GALLARDO TAMAYO as representative of the company "MINERA PEÑASQUITO," CORPORATION WITH VARIABLE CAPITAL appearing as the assignee of the preceding Contract for Assignment of Rights

I. To give legal effect to the terms of the contract, the representatives hereby certify that the terms are accurate and that they voluntarily consent to the terms of the preceding Contract for Assignment of Rights.

II. – They verify that the signatures given by their hand and writing are the same signatures used in all of their business and transactions.

III. – Misters **DAVE FRANK SIMPSON KRIEDERS** and **JOSE MARIA GALLARDO TAMAYO** declare that their clients have legal capacity and that their representation of these clients and the authority bestowed upon them by these clients has not been revoked nor limited, and that their authority is valid on the date of this ratification.

ACCORDING TO THE AFOREMENTIONED DECLARATIONS, THE SUBSCRIBING AGENT CERTIFIES:

FIRST . – That I know the people appearing before me, whom I know as having the legal capacity to contract and to obligate themselves, and I see no evidence of incapacity, nor has it come to my knowledge that they are prohibited from signing; and who have identified themselves with the documents they have presented, which I will copy and to my archives.

SECOND . — Those appearing before me are: **DAVID FRANK SIMPSON KRIEDERS** , of American nationality, a married professional, originally from Boulder, Colorado, in the United States of America, who was born November 2, 1956, nineteen hundred fifty-six, who lives at 3019 Nebulosa,

dos de Noviembre de 1956 mil novecientos cincuenta y seis, y con domicilio en la calle Nebulosa número 3019 tres mil diecinueve, en el Fraccionamiento Jardines del Bosque de esta ciudad, y quien me acredita su legal estancia en el país con su documento migratorio de no inmigrante visitante con salidas múltiples número 514882 cinco, uno, cuatro, ocho, ocho, dos expedido por la Secretaria do Gobernación de Guadalajara, Jalisco. El señor JOSÉ MARÍA GALLARDO TAMAYO, mexicano, casado, originario de Jiquilpan, Michoacán en donde nació el dia 21 veintiuno de enero de 1966 mil novecientos sesenta y seis, de ocupación Abogado, con domicilio en la calle Privada del Niño número 676 seiscientos setenta y seis, en el Fraccionamiento Camino Real de esta ciudad.

in the Fraccionamiento Jardines del Bosque, of this city, and who verifies he is in this country legally with his immigration papers, which permit frequent ingress and egress, number 514882, five, one, four, eight, eight two, issued by the Secretary of State of Guadalajara, Jalisco. Mr. **JOSÉ MARÍA GALLARDO TAMAYO** , married, Mexican, originally from Jiquilpan, Michoacán, who was born January 21, 1966, nineteen hundred sixty-six, who is a lawyer and lives at 676 Privada del Niño, in the Fraccionamiento Camino Real of this city.

TERCERO.- El señor DAVE FRANK SIMPSON KRIEDERS, me acredita la legal constitución de "MINERA KENNECOTT", Sociedad Anónima de Capital Variable y el carácter de Apoderado de la misma con los siguientes documentos que me presenta y doy fe de tener a la vista, de los cuales agregare una copia a mi archivo con el número de la presente acta y la letra que le corresponda y relaciono a continuación:

THIRD. – Mr. DAVE FRANK SIMPSON KRIEDERS, verifies the legal creation of "MINERA KENNECOTT," Corporation with Variable Capital and the character of the General Agent of the same with the following documents that he presents to me, and I certify having seen them, of which I will file a copy in my archives containing the number and text of the present and corresponding deed.

a).- CONSTITUCIÓN.- La sociedad "MINERA SANTA VERÓNICA", Sociedad Anónima de Capital Variable se constituyo en la escritura pública número 11,863 once mil ochocientos sesenta y tres de fecha 3 tres de Julio de 1981 mil novecientos ochenta y uno otorgada ante el Licenciado Adrián Iturbide Galindo, Notario Público número 139 ciento treinta y nueve de la ciudad de México, Distrito Federal, de la cual se desprende que es una sociedad regular constituida legalmente bajo las leyes de la República Mexicana, y con capacidad para realizar a cesión de derechos quo antecede.

a). – CREATION. – The Corporation "MINERA SANTA VERÓNICA," Corporation with Variable Capital, was created in public deed number 11,863 eleven thousand, eight hundred and sixty-three, dated July 3, 1981, granted before the attorney Adrián Iturbide Galindo, Notary Public number 139 one hundred thirty-nine of Mexico City, of which resulted a regular corporation legally organized under the laws of the Mexican Republic and with authority to realize the assignment of rights aforementioned.

DATOS DE REGISTRO.- La escritura anterior se encuentra inscrita con el número 25-26 veinticinco guión veintiséis del tomo 47 cuarenta y siete del Libro Primero del Registro Público de Comercio de esta Municipalidad.

DATES OF REGISTRY . – The preceding writing can be found registered as number 25-26 twenty-five, hyphen, twenty-six of page 47 forty-seven in the First Book of the Commercial Public Registry of this City.

b).- CAM BlO DE DENOMINACIÓN.- En escritura pública número 14,824 catorce mil ochocientos veinticuatro de fecha 28 veintiocho de febrero de 1991 mil novecientos noventa y uno, otorgada ante el Licenciado Armando Galvez Pérez Aragón, Notario Público número 103 ciento tres de la ciudad de México, Distrito Federal se protocolizo el acta de asamblea de accionistas en la que se acordó cambiar la denominación de la sociedad por la de "MINERA KENNECOTT", Sociedad Anónima de Capital Variable.

b). – CHANGE OF NAME. – In public deed number 14,824 fourteen thousand, eight hundred twenty-four, dated February 28, 1991,before the attorney Armando Galvez Pérez Arragón, Notary Public number 103 one hundred three of Mexico City, the shareholders' agreement containing the name change of the corporation to "MINERA KENNECOTT," Corporation with Variable Capital, was recorded.

DATOS DE REGISTRO.- La escritura anterior so encuentra registrada con el número 326 trescientos veintiséis, del tomo 388 trescientos ochenta y ocho del libro primero del Registro Público de Comercio de esta Municipalidad.

DATES OF REGISTRY . – The preceding writing can be found registered as number 326 three hundred twenty-six of page 388 three hundred eighty-eight in the First Book of the Commercial Public Registry of this City.

c).- REFORMA INTEGRAL DE ESTATUTOS.- En escritura pública número 40,160 cuarenta y mil ciento sesenta, de fecha 24 veinticuatro de marzo de 1995 mil novecientos noventa y cinco otorgada ante el Licenciado Armando Galvez Pérez Aragón, Notario Público número 103 ciento tres de la ciudad de México, Distrito Federal se formalizó el acta de asamblea de accionistas de la empresa en la que se acordó la reforma total de los estatutos de la sociedad, conservando la denominación de "MINERA KENNECOTT", Sociedad Anonima de Capital Variable.

DATOS DE REGISTRO.- La escritura anterior se encuentra registrada con el número 195 ciento noventa y cinco del tomo 627 seiscientos veintisiete del Libro Primero del Registro Público de Comercio de esta Municipalidad.

d).- FACULTADES.- En escritura pública número 60,724 sesenta mil setecientos veinticuatro de fecha 15 quince de Mayo del 998 mil novecientos noventa y ocho otorgada ante el Licenciado Armado Galvez Pérez Aragón, Notarie Público número 103 ciento tres del Distrito Federal, se le confirieron al señor Dave Frank Simpson Krieders, las facultades suficientes para comparecer a la presente firma en representación de la empresa "MINERA KENNECOTT", Sociedad Anónima de Capital Variable, y al efecto eI mismo manifiesta bajo protesta de decir verdad que las mismas no le han sido revocadas o limitadas a la fecha.

DATOS DE REGISTRO.- La escritura anterior se encuentra registrada con el número 96 noventa y seis del tomo 678 seiscientos setenta y ocho del Libro Primero del Registro Público de Comercio de esta Municipalidad.

CUARTO.- El Licenciado JOSÉ MARÍA GALLARDO TAMAYO me acredita su carácter de Apoderado General y la legal existencia de su representada "MINERA PEÑASQUITO", Sociedad Anónima de Capital Variable, con el siguiente documento que me presenta y doy fe de tener a la vista, del cual agregare una copia a mi archivo con el número de la presente acta y la letra que le corresponda y relaciono a continuación:

a).- CONSTITUCIÓN Y FACULTADES.- En escritura pública número 44,340 cuarenta y cuatro mil trescientos cuarenta, de fecha 21 veintiuno de enero de 1999 mil novecientos noventa y nueve, otorgada ante el Licenciado Jorge Robles Farias, Notario Público Adscrito y Asociado al Titular número 12 doce de esta Municipalidad, se constituyo la sociedad "MINERA PEÑASQUITO", Sociedad Anónima de Capital Variable, y de la misma escritura se desprende que la empresa es una sociedad regular legalmente constituida bajo las leyes de la República Mexicana; en la misma escritura constan las facultades conferidas al Licenciado Gallardo Tamayo, quien manifiesta bajo protesta de decir verdad que las misma no le han sido revocada o limititadas a al fecha.

c). – REVISION OF THE BYLAWS – In public writing number 40,160 forty thousand, one hundred and sixty, dated March 24, 1995 nineteen hundred and ninety-five, before the attorney, Armando Galvez Pérez Arragón, Notary Public number 103 one hundred three of Mexico City, the shareholders adopted the minutes of the shareholders' meeting, which approved the complete restatement of the company's articles of association and preservation of the name "MINERA KENNECOTT" Corporation with Capital Variable was formalized.

DATES OF REGISTRY . – The preceding writing can be found registered as number 195 one hundred ninety-five, page 627 six hundred twenty-seven in the First Book of the Commercial Public Registry of this City.

d). AUTHORITY – In public writing number 60,724 sixty-thousand, seven hundred twenty-four, dated May 15, 1998 nineteen hundred and ninety-eight and granted before the attorney Armado Galvez Pérez Aragón, Notary Public number 103 one hundred and three of the Federal District, it was confirmed that Mr. Dave Frank Simpson Krieders, had sufficient capability to appear and represent "MINERA KENNECOTT," Corporation with Variable Capital, and he declared under oath that at present, his authority had not been revoked or limited.

DATES OF THE REGISTRY . – The preceding writing can be found registered as number 96 ninety-six, page 678 six hundred sixty-eight in the First Book of the Commercial Public Registry of this City.

FOURTH . – The attorney JOSÉ MARÍA GALLARDO TAMAYO verifies his character as a General Agent and the legal status of the party he represents, "MINERA PEÑASQUITO," Corporation with Variable Capital, with the following document, which I certify having viewed, of which I will add a copy to my archives containing the number and text of the present and corresponding deed.

a). – CREATION AND AUTHORITY . In public writing 44,340 forty-four thousand three hundred and forty, dated January 21, 1999 nineteen hundred and ninety-nine, it is granted before Attorney Jorge Robles Farias, Notary Public Assigned and Associated with Title number 12 twelve of this City, that the corporation "MINERA PEÑASQUITO," Corporation with Variable Capital was created, and in the same writing it is noted that the business is a regular company legally created under the laws of the Mexican Republic; in the same writing the authority conferred to the Attorney Gallardo Tamayo, who declares under oath that he is being truthful and that at present his authority has not been limited or revoked.

DATOS DE REGISTRO.- La escritura anterior se encuentra inscrita con el número 204-205 doscientos cuatro guión doscientos cinco del tomo 698 seiscientos noventa y ocho del Libro Primero del Registro Público de Comercio de esta Municipalidad.

QUINTO.- De que los comparecientes ratifican en este acto el contenido del contrato mencionado en el punto (I) uno, de este documento, así como las firmas que lo calzan, por lo que certifico su voluntad y autenticidad de sus firmas.

SEXTO.- Leído por los comparecientes el presente instrumento y explicado su valor y consecuencias legales, terminaron de firmarlo de conformidad, en presencia y union del suscrito Corredor Público Número veinte de esta plaza, a las 12:30 doce horas con treinta minuetos del dia de su fecha.

DOY FE.

MINERA KENNECOTT,
Sociedad
Anonima de Capital Variable
representatda por
Dave Frank Simpson

MINERA PEÑASQUITO,
Sociedad
de Capital Variable representada
por el Licenciado
José María Gallardo Tamayo

Ante Mi
Lic. Diego Robles Farias
Corredor Publico number 20
Plaza Jalisco

DATES OF REGISTRY . – The preceding writing can be found registered as number 204-205 two hundred and four, hyphen, two hundred and five of page 698 six hundred ninety-eight six hundred and ninety-eight in the First Book of the Commercial Public Registry of this City.

FIFTH . – Those appearing confirm this deed contained in the aforementioned contract at point (1) one, of this document by signing, and I verify that they voluntarily signed and the authenticity of their signatures.

SIXTH . – Having read and reviewed the present instrument and reviewed the legal consequences, those appearing before me were in agreement and signed in the presence of Public Agent Number twenty at this location, at 12:30 twelve thirty on this date.

CERTIFIED.

MINERA KENNECOTT,
Corporation with Varibale Capital
represented by Dave Frank
Simpson

MINERA PEÑASQUITO, S.A.
DE
C.V. represented by
Lic. José María Gallardo Tamayo

Before Me
Lic. Diego Robles Farias
Public Agent number 20
Plaza Jalisco

DIRECCION GENERAL DE MINAS

REGISTRO PUBLICO DE MINERIA

1/10783

Registrado bajo el número 256 a fojas 169 frente y vuelta del volumen 10 del libro de Actos, Contratos y Convenios Mineros.

México, D. F., 21 de Febrero de 2000.

EL REGISTRADOR

LIC. MA. OLGA GALLARDO MONTOYA

GENRAL DIRECTION OF MINES

PUBLIC MINING REGISTER

1/07/83

Registered under number 256, page 169 front and back of volume 10 in the book of Mining Deeds, Contracts and Agreements.

Mexico, D.F., February 21, 2000

THE RECORDER

LIC. MA. OLGA GALLARDO MONTOYA

COORDINACION GENERAL DE MINERIA
DIRECCION GENERAL DE MINAS
DIRECCION DEL CATASTRO MINERO
SUBDIRECCION DEL REGISTRO
PUBLICO DE MINERIA

610.9

16441

EXP. – 1/10783

ASUNTO: ***Se deveulve documento registrado (50900)***

México D.F., a 27 JUN. 2000

CERTIFICADO CON
ACUSE DE RECIBO

MINERA KENNECOTT, S.A. DE C.V.
A/C LIC. FRANCISCO HEIRAS MANCERA
AVE. OCAMPO NO. 3806
COL. BELLAVISTA
C.P. 031030 CHIHUAHUA, CHIH .

Adjunto al presente se le envía debidamente registrados el o (los) original (es) del o (los) siguientes documentos:

El contrato celebrado el veintinueve de octubre de mil novecientos noventa y nueve, por medio del cual su representada cede en favor de Minera Peñasquito, S.A. DE C.V., representada por José Maria Gallardo Tamayo, entre otros, los derechos derivados de la concesión minera denominada “EL PEÑASQUITO” titulo ciento noventa y seis mil doscientos ochenta y nueve, ubicada en el Municipio de Mazapil, Zacatecas.

A T E N T A M E N T E

SUFRAGIO EFECTIVO. NO REELECCION LA
SUBDIRECTORA DEL REGISTRO PUBLICO DE MINERIA.

LIC. MA. OLGA GALLARDO MONTOYA

UN ANEXO

199909RPM34008

GENERAL MINING COORDINATION
GENERAL DIRECTION OF MINING
DIRECTION OF MINING PROPERTY
SUBDIRECTION OF THE PUBLIC MINING REGISTER

610.9

16441

EXP. – 1/10783

REGARDGING: ***Return of registered documents (50900)***

Mexico, D.F., June 27, 2000

CERTIFICATE WITH ACKNOWLEDGMENT OF RECEIPT

MINERA KENNECOTT, S.A. DE C.V.
c/o LIC. FRANCISCO HIERAS MANCERA
AVE. OCAMPO NO. 3806
COL. BELLAVISTA
C.P. 031030 CHIHUAHUA, CHIH.

Enclosed with the following, we are sending you original(s) of the duly registered document(s):

The contract certified on October 29, 1999, in which your client assigns to Minera PEÑASQUITO, S.A. DE C.V., and represented by José Maria Gallardo Tamayo, among other things, the rights derived from the mining concession called “EL PEÑASQUITO,” title one hundred ninety-six thousand, two hundred and eighty-nine, located in the city of Mazapil, Zacatecas.

SINCERELY

EFFECTIVE SUFFRAGE, NO REELECTION THE
SUBDIRECTOR OF THE PUBLIC MINING REGISTER

LIC. MA. OLGA GALLARDO MONTOYA

AN ANNEX

199909PRM34008

Exhibit 10.5

SECOND AMENDED AND RESTATED LOAN AGREEMENT

among

ROYAL GOLD, INC.,

HIGH DESERT MINERAL RESOURCES, INC.

and

HSBC BANK USA, NATIONAL ASSOCIATION

Dated as of January 5, 2007

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EXHIBITS

SECOND AMENDED AND RESTATED LOAN AGREEMENT

This SECOND AMENDED AND RESTATED LOAN AGREEMENT is entered into as of January 5, 2007, among ROYAL GOLD, INC., a corporation incorporated under the laws of the State of Delaware, as a borrower (" **Royal Gold** "), HIGH DESERT MINERAL RESOURCES, INC., a corporation incorporated under the laws of the State of Delaware, as a borrower (" **High Desert** ", with each of Royal Gold and High Desert individually referred to herein as a " **Borrower** " and collectively referred to herein as the " **Borrowers** "), and HSBC BANK USA, NATIONAL ASSOCIATION a national banking association organized under the laws of the United States (the " **Lender** ").

Recitals

A. Royal Gold and the Lender entered into that certain Amended and Restated Loan Agreement dated as of December 14, 2005 (as amended, modified, continued or restated prior to the date hereof, the "Existing Agreement"). Royal Gold and the Lender desire to (i) add High Desert as a Borrower for all purposes hereunder, (ii) extend the maturity date of the Existing Agreement, (iii) increase the Maximum Credit Amount under the Existing Agreement, (iv) add Collateral to support the Obligations and (v) to otherwise amend, restate, modify and continue the Existing Agreement as provided in this Agreement and to continue any Loans under the Existing Agreement as Loans under this Agreement.

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

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

Agreement

NOW, THEREFORE, the parties agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions . When used in this Agreement the following terms have the following meanings:

" **Advance** " means an advance of a Loan by the Lender to the Borrowers in accordance with Section 2.1 .

“ **Agreement** ” means this Second Amended and Restated Loan Agreement, as it may be amended, supplemented, restated or otherwise modified in accordance herewith and in effect from time to time.

“ **Amount Cancelled** ” means the aggregate amount from time to time by which the Maximum Credit Amount has been reduced by the Borrowers in accordance with Section 2.5(a) .

“ **Amount Outstanding** ” means the total principal amount of the Loans outstanding on any date of determination (which shall be a Business Day), from time to time.

“ **April Calculation** ” shall have the meaning specified in Section 2.10(b) hereof.

“ **Authorized Officer** ” means any officer of a Borrower who has been duly authorized to act on behalf of such Borrower with respect to the applicable matters by appropriate resolution of the board of directors of such Borrower, and any other person duly authorized in writing by any such officer by notice to the Lender.

“ **Availability Period** ” means the period commencing on the date on which all conditions precedent to the Advance are satisfied pursuant to Section 4.1 and ending on the Maturity Date.

“ **Bald Mountain Royalty** ” means Royal Gold’s undivided fifty percent interest in the sliding scale Net Smelter Return Royalty, as described in that certain Settlement Agreement dated effective January 1, 1986 among Yvonne D. Hager (Individually and as Executrix of the Estate of Edward H. Hager), Robert R. Hager and Harold S. Hager, collectively as Owners, and Placer U.S. Inc., a memorandum of which is recorded in the official records of White Pine County, Nevada in Book 94 at Page 1. Royal Gold received its undivided interest pursuant to a conveyance from Stephen D. Damele and Pauline S. Damele, husband and wife, by means of that certain Royalty Deed and Assignment, dated March 13, 1998, and recorded in the official record of White Pine county, Nevada in Book 281 at Page 115. Royal Gold’s interest in the sliding scale royalty is further described in Schedule 1.1(c) .

“ **Borrower** ” and “ **Borrowers** ” have the meanings given thereto in the preamble of this Agreement.

“ **Borrowers’ Account** ” means a demand deposit account in the name of Royal Gold with the Lender, which is Account Number 66C-00355 (as of the Closing Date), or any successor account.

“ **Borrowing Base** ” means, as of any date of determination, an amount approved by the Lender, which is equal to (x) one hundred percent (100%) multiplied by (y) Projected Facility Term Revenue. The Lender’s determination of the Borrowing Base shall be conclusively presumed to be correct save for manifest error.

“ **Borrowing Base Metals Price** ” shall mean (a) for Gold, the lesser of (x) $400 per Ounce of Gold or (y) 90% of the then Spot Price in Dollars per Ounce of Gold maintained by the Lender on any date of determination; and (b) for Copper, the lesser of (x) $1.50 per pound of

Copper or (y) 90% of the then Spot Price in Dollars per pound of Copper maintained by the Lender on any date of determination;

" **Borrowing Period** " shall have the meaning given thereto in Section 2.3(b) .

" **Borrowing Rate** " means an interest rate per annum equal to the sum of LIBOR plus the Interest Margin.

" **Business Day** " means any day other than a Saturday, Sunday or holiday on which banks in New York City, London and Denver, Colorado are open to conduct their usual business.

" **Cash Equivalent** " means, at any time:

(a) any Government Security;

(b) commercial paper, maturing not more than nine months from the date of issue, which is (i) rated at least A-1 by Standard & Poor's Rating Group and P-1 by Moody's Investors Service, Inc., (ii) issued by a corporation or company other than a Borrower and (iii) in certificated form; or

(c) any negotiable certificate of deposit or banker's acceptance, maturing not more than one year after the purchase thereof, which is issued (or, in the case of a banker's acceptance, accepted) by a commercial banking institution organized under the laws of an Organization for Economic Cooperation and Development member country that has combined capital and surplus and undivided profits of not less than $1,000,000,000;

which in any case is purchased with funds standing to the credit of any account of a Borrower.

" **Closing Date** " means the date hereof.

" **Code** " means the Internal Revenue Code of 1986, and the rules and regulations thereunder, each as amended or modified from time to time.

" **Collateral** " means all property, assets, rights and interests of any Borrower subject or intended to be subject from time to time to any Lien pursuant to a Collateral Agreement, consisting initially of (i) the GSR #1 Royalty, (ii) the GSR #3 Royalty, (iii) the NVR #1 Royalty, (iv) the SJ Claims Royalty, (v) the Leeville Royalty, (vi) the Bald Mountain Royalty, (vii) the Robinson Royalty, (viii) all rights and interests of each Borrower related to the interests described in clauses (i) through (vii) inclusive, whether now owned or hereafter acquired, and (ix) the Collateral Account, together with, from time to time, all additional Royalties, real property rights or interests or other rights, properties or interests, of any kind or character whatsoever, that are included in or covered by a Collateral Agreement as security for the Obligations.

" **Collateral Account** " means a demand deposit account of Royal Gold located at and controlled by the Lender and in which the Lender has a security interest, as provided for in Section 3.3 , which shall initially be the Borrowers' Account, and all successor accounts.

" **Collateral Agreements** " means, collectively, each Mortgage, each Mortgage Amendment, the Proceeds Agreement, the Ratification and Confirmation, the Irrevocable Payment Instructions and each other Instrument delivered from time to time to secure the Obligations under this Agreement and the other Loan Documents or to perfect such interests, as any of the foregoing may be amended, modified, extended, supplemented, continued or restated in accordance with their respective terms.

" **Collateral Royalties** " means, initially, (i) the GSR #1 Royalty, (ii) the GSR #3 Royalty and (iii) the NVR #1 Royalty, (iv) the SJ Claims Royalty, (v) the Leeville Royalty, (vi) the Bald Mountain Royalty, (vii) the Robinson Royalty, together with, from time to time hereafter, each other Royalty Interest approved by the Lender for inclusion in calculation of the Royalty Metals as set forth in Section 2.10(e) hereof.

" **Commitment Fee** " has the meaning set forth in Section 2.6(b) hereof.

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

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

" **Cortez Royalty Agreement** " means, collectively, (1) the Royalty Agreement dated as of April 1, 1999 by and among The Cortez Joint Venture, a joint venture formed under and governed by the laws of Nevada and comprised of Placer Cortez Inc., a Delaware corporation, and Kennecott Explorations (Australia) Ltd., a Delaware corporation; Placer Dome U.S. Inc., a California corporation; Royal Gold, and Royal Crescent Valley Inc., a Nevada corporation; (2) the First Amended Memorandum of Grant of Royalty dated as of April 1, 1999 by and among the same Persons as are identified in (1) above; (3) the Second Amended Memorandum of Grant of Royalty dated as of December 8, 2000, and (4) all amendments, modifications, extensions and renewals of the Instruments identified in (1), (2) and (3) above in accordance with the terms thereof.

" **Date of Default** " has the meaning set forth in Section 8.2(a) hereof.

" **Debt** " means as to any Person: (a) indebtedness, present or future, actual or contingent, of such Person for borrowed money or other assets or for the deferred purchase price of property or services (other than obligations under agreements for the purchase of goods and services in the normal course of business which are not more than 60 days past due); (b) obligations of such Person under capital leases, conditional sale agreements or any other financing transaction; and (c) obligations of such Person under any direct or indirect guaranty in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of any other Person of the kinds referred to in clause (a) or (b) above.

" **Default Rate** " means an interest rate per annum equal to the prevailing Borrowing Rate plus two and one-half percent (2.5%).

" **Deliverable Copper** " means such quantity of Copper, if any, actually delivered for sale, after smelting and refining, to the account of a Borrower.

" **Dollar(s)** " or " **$** " means, unless otherwise expressly provided, United States dollars.

" **Environmental Laws** " means all federal, state, local and foreign laws or regulations, codes, orders, decrees, judgments or injunctions issued, promulgated, approved or entered thereunder applicable to the Projects, the Project Properties, the Products or any other assets of either Borrower and relating to pollution or protection of the environment, including, without limitation, laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes; expressly including all applicable Federal and State of Nevada, county or municipal environmental laws.

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

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

" **Establishment Fee** " shall have the meaning specified in Section 2.6(a) hereof.

" **Event of Default** " means those events specified in Section 8.1 hereof.

" **Existing Agreement** " shall have the meaning specified in Recital A hereto.

" **GAS Claims** " means 200 unpatented lode mining claims situated in Lander County, Nevada with the following names and corresponding Nevada BLM Serial Numbers: GAS #17-101, NMC Numbers 403024-403108; GAS #102-130, NMC Numbers 410529-410557; GAS #131-211, NMC Numbers 429207-429287; and GAS #12-16, NMC Numbers 403019-403023, including any relocations, modifications or amendments thereof, all patented mining or millsite claims that may be issued based thereon or on lands previously covered by those lode mining claims, and all lands subject to those lode mining claims.

" **Gold** " means gold of minimum 0.995 fineness in gold bars conforming in all respects with the requirements for good delivery on the London Bullion Market.

" **Government Security** " means, at any time, any security maturing not more than one year after the purchase thereof, issued by the United States Treasury that is maintained in book entry form on the records of a Federal Reserve Bank in the United States.

“ **Governmental Authority** ” means the government of any nation and the state, provincial, territorial, divisional, county, city and political subdivisions thereof, in which any Borrower or any Royalty Interest or other property right or interest of a Borrower is located, or which exercises valid jurisdiction over any such property, or in which a Borrower conducts business or is otherwise present, and any entity, court, agency, department, commission, board, bureau or instrumentality of any of them exercising executive, legislative, judicial, regulatory or administrative functions, and any securities exchange to which a Borrower is subject. Governmental Authority shall also include any regulatory agency and the rules and regulations of said governmental agency with which a Borrower must comply.

“ **GSR #1 Royalty** ” means the sliding-scale gross smelter returns royalty over seventy-nine mining and millsite claims that encompass all of the reserves at the Pipeline Project as of April 1, 1999, established pursuant to the Cortez Royalty Agreement, which sliding-scale royalty ranges from 0.40% when the price of Gold is less than $210 per Ounce up to 5.00% when the price of Gold is more than $470 per Ounce, with such royalty rates described in Schedule 1.1(c) .

“ **GSR #3 Royalty** ” means the gross smelter returns royalty over approximately four hundred sixty-one mining and millsite claims, including the seventy-nine mining and millsite claims that encompass all of the reserves at the Pipeline Project as of April 1, 1999, established pursuant to the GSR #3 Royalty Deeds, which is currently equal to 0.7125% of the value of production from such claims.

“ **GSR #3 Royalty Deeds** ” means the nine Special Warranty Deeds that are more particularly identified on Schedule 1.1(b) and 1.1(c)

“ **High Desert** ” means 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.

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

“ **Interest Margin** ” means one and one-half percent (1.5%) per annum.

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

“ **Leeville Royalty** ” means a 1.8% carried working interest owned by High Desert, equivalent to a 1.8% net smelter return royalty, as described in the Carried Interest and Operating Agreement, dated as of May 3, 1999, between Newmont Mining Company and High Desert, which is recorded in the records of Eureka County, Nevada, in Book 327 at Page 217, and that Royalty Assignment and Agreement dated December 26, 2002. The Leeville Royalty is further described in Schedule 1.1(c) .

“ **Lender** ” means HSBC Bank USA, National Association, a national banking association organized under the laws of the United States.

“ **LIBOR** ” means the rate per annum (rounded upwards if necessary to the nearest whole one-sixteenth of one percent (1/16%)) equal to (a) the average of the offered rates as of 11:00 a.m., London time, on the date of determination appearing on the display designated as page “LIBO” on the Reuter Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered rates of major banks) for Dollar deposits for the relevant period of time, or (b) if fewer than two offered rates appear on the display referred to in clause (a) above, the rate determined by the Lender (which determination shall be conclusive in the absence of manifest error) to be the average of the rates at which banks are offered Dollar deposits for the relevant period of time in the interbank Eurodollar market at about 11:00 a.m., London time.

“ **Lien** ” means, as to any Person, any mortgage, lien, pledge, hypothecation, charge, assignment, security interest, preferential purchase right or other encumbrance in or on, or any interest or title of any vendor, lessor, lender or other secured party to, or of such Person under any conditional sale or other title retention agreement or capital lease with respect to, any property or asset owned or held by such Person, or the signing or filing of a financing statement or other instrument or document for filing which names such Person as debtor, or the signing of any security agreement, pledge or other instrument authorizing any other party as the secured party thereunder to file any financing statement or other instrument. A Person shall be deemed to be the owner of any assets that it has placed in trust for the benefit of the holders of its indebtedness which indebtedness is deemed to be extinguished under generally accepted accounting principles in the United States, but for which such Person remains legally liable, and such trust shall be deemed to be a Lien.

“ **Loan** ” and “ **Loans** ” means the funds Advanced from time to time by the Lender to the Borrowers, on a joint and several liability basis, pursuant to this Agreement.

“ **Loan Documents** ” means this Agreement, the Note, each Request for Advance, the Collateral Agreements, the Royalty Payment Confirmations, the Ratification and Confirmation and all other Instruments contemplated hereby or executed in connection herewith, and all amendments, modifications, supplements, restatements, continuations and extensions of any of the foregoing in accordance with their terms.

“ **London Bullion Market** ” means the market in London known as the “London Bullion Market” and on which members of the London Bullion Market Association, amongst others, quote prices for the buying and selling of Gold and Silver.

“ **London Gold Fixing** ” means a p.m. gold price fixing meeting among the gold fixing members for the time being of the London Bullion Market.

“ **London Gold Fixing Price** ” means the price per ounce of Gold established at a London Gold Fixing.

" **Material Adverse Effect** " means a material adverse effect on the business or financial condition of a Borrower or on such Borrower's ability to perform any of its material obligations under any of the Loan Documents. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event does not itself have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other then-existing events would result in a Material Adverse Effect.

" **Maturity Date** " means the date on which the Loans are payable in full by the Borrowers, being the first to occur of (a) any date on which the Lender accelerates the due date of any of the Loans by reason of an Event of Default pursuant to Section 8.1 , or (b) the Scheduled Maturity Date.

" **Maximum Availability** " means the lesser of the Maximum Credit Amount and the Borrowing Base.

" **Maximum Credit Amount** " shall mean $80,000,000 on the date hereof, and thereafter shall mean the lesser of the amounts to which it has been reduced from time to time pursuant to Section 2.5(a) .

" **Mortgages** " mean (a) the Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement dated as of December 18, 2000 made by Royal Gold for the benefit of the Lender with Stewart Title of Northeastern Nevada as trustee, as amended effective December 14, 2005 by a Mortgage Amendment, each of which was filed in the official records of Lander County, Nevada on January 10, 2001 at Book 485, Pages 131-154, and on October 30, 2006 at Book 564, Pages 713-738, respectively; (b) the Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement dated as of December 14, 2005 made by Royal Gold for the benefit of the Lender with Stewart Title of Northeastern Nevada as trustee, which was filed in the official records of Eureka County, Nevada on _____at Book _____at Pages _____; (c) the Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement dated as of January 5, 2007 made by Royal Gold for the benefit of the Lender with Stewart Title of Northeastern Nevada as trustee, to be filed in the official records of White Pine County, Nevada, substantially in the form of Exhibit H hereto; and (d) the Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement dated as of January 5, 2007 made by High Desert for the benefit of the Lender with Stewart Title of Northeastern Nevada as trustee, to be filed in the official records of Eureka County, Nevada, substantially in the form of Exhibit H hereto, as each of the foregoing has been or may be amended, modified, supplemented, continued or restated from time to time in accordance with their respective terms.

" **Mortgage Amendments** " means, collectively, each of the amendments and supplements to the Mortgages to be delivered by either Borrower, or one or more subsidiaries of a Borrower, substantially in the form of Exhibit D hereto.

" **Multiemployer Plan** " means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which any Borrower or any ERISA Affiliate is making, or is accruing an obligation to make, or has accrued, an obligation to make contributions within the preceding six (6) years.

"Net Profits" means, for any period, the gross revenues for such period for the Borrowers on a consolidated basis, minus the expenses and other proper charges against income (including taxes on income to the extent actually imposed) of the Borrowers on a consolidated basis and eliminating all other items required to be eliminated in accordance with the same United States generally accepted accounting principles as were used in the preparation of Royal Gold's financial statements referred to in Sections 5.5 and 6.2 hereof.

" **Net Worth** " means Royal Gold's consolidated tangible net worth determined in accordance with the same United States generally accepted accounting principles as were used in the preparation of Royal Gold's financial statements referred to in Sections 5.5 and 6.2 hereof.

" **Note** " means the Second Amended and Restated Promissory Note in the form of Exhibit C attached hereto issued by the Borrowers on a joint and several liability basis and payable to the order of the Lender.

" **NVR #1 Royalty** " means the fixed rate royalty equal to 0.39% of the net value of all production from the GAS Claims, which are located on a portion of the Pipeline Project.

" **Obligations** " means all obligations of each Borrower with respect to the repayment of principal, interest, fees and other amounts when due hereunder and the performance of all obligations (monetary or otherwise) of each of the Borrowers arising under or in connection with this Agreement and each other Loan Document, whether joint or several, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising and however arising.

" **October Calculation** " shall have the meaning specified in Section 2.10(b) hereof.

" **Ounce** " means a fine ounce troy weight.

" **Other Taxes** " has the meaning set forth in Section 2.8 hereof.

" **Payable Copper** " means Copper subject to the Robinson Royalty or to any other Royalty Agreement for which cash payments are made to Royal Gold.

" **PBGC** " means the Pension Benefit Guaranty Corporation or any successor agency.

" **Person** " means an individual, partnership, corporation, limited liability company, trust, unincorporated association, joint venture, governmental agency or other entity of whatever nature.

" **Pipeline Project** " means the Project relating to the Pipeline Project Properties.

" **Pipeline Project Properties** " means the unpatented mining and millsite claims located in Lander County, Nevada identified as the "Reserve Claims" in the Cortez Royalty Agreement and subject to the terms and conditions of the Cortez Royalty Agreement, together with all relocations, modifications or amendments thereof, all patented mining claims which may be issued based thereon, and all lands subject thereto.

“ **Plans** ” means any Employee Benefit Plan, other than a Multiemployer Plan, which is subject to the provisions of Title IV of ERISA or Section 412 of the Code and which (a) is maintained for the employees of any Borrower or any ERISA Affiliates or (b) has at any time within the preceding six (6) years been maintained for the employees of any Borrower or any of its current or former ERISA Affiliates.

“ **Potential Event of Default** ” means any event which with the giving of notice or lapse of time or both, based on reasonable projections, would become an Event of Default.

“ **Proceeding** ” has the meaning set forth in Section 9.8(a) hereof.

“ **Proceeds Agreement** ” means, individually and collectively, each Proceeds Agreement by and among a Borrower, the Lender and Johnson Matthey or any other purchaser from a Borrower of any portion of its share of mineral production from the Project Properties, which Instrument shall be substantially in the form of Exhibit E hereto, as the same may be amended, modified, supplemented, continued or restated from time to time in accordance with its terms, and any confirmation of such agreement.

“ **Products** ” means without limitation all ore, minerals, concentrate, doré bar and refined Gold, silver or other metals produced on behalf of, or payable to, a Borrower pursuant to a Royalty Interest from the Project Properties, but excluding Copper.

“ **Projects** ” means all of the mining projects in which a Borrower has or acquires a Royalty Interest, including, without limitation, the Pipeline Project, with the Projects in effect on the date hereof described with greater particularity on Schedule 1.1(a) hereto.

“ **Project Managers** ” means the operator or manager of each Project, with the Project Managers for each Project in effect on the date hereof set forth in Schedule 1.1(a) hereto.

“ **Project Properties** ” means all of the real property rights or interests, now owned or hereafter acquired, included in each of the Projects which are burdened with a Royalty Interest, including all unpatented mining claims which are identified in any Royalty Agreement, together with all relocations, modifications or amendments thereof, all patented mining claims which may be issued based thereon, and all lands subject thereto.

“ **Projected Facility Term Revenue** ” means an amount approved by the Lender, which shall be equal to the Royalty Metals multiplied by the applicable Borrowing Base Metals Price. The Lender’s determination of Projected Facility Term Revenue shall be conclusively presumed to be correct save for manifest error.

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

“ **Request for Advance** ” means the irrevocable request by the Borrowers for an Advance of a Loan, in the form set forth in Exhibit A hereto, signed by an Authorized Officer of each Borrower.

" **Requirements of Law** " means, as to any Person, any law, statute, code, treaty, ordinance, order, rule or regulation, decree, injunction, franchise, permit, certificate, license or authorization, or determination of an arbitrator or a court or other governmental agency, in each case applicable to or binding upon such Person or any of its properties or to which such Person or any of its properties is subject, and specifically including, without limitation, Environmental Laws.

" **Reserve Amount** " shall have the meaning given thereto in Section 3.3 .

" **Robinson Royalty** " means the net smelter returns royalty created by the Mining Lease dated March 4, 1985 between Kennecott Corporation ("Kennecott") and Silver King Mines, Inc., et al., as amended by the Stipulation filed December 20, 1989 in the Second Judicial District in and for Washoe County, Nevada; and as subsequently conveyed by Kennecott to Royal Gold by Deed and Assignment of Royalty, dated effective as of December 28, 2005, and recorded in the records of White Pine County, Nevada, in Book 437 at Page 48. The Robinson Royalty is further described on Schedule 1.1(c) .

" **Royalties** " means any share of mineral production, including, without limitation, gross smelter returns royalties, net smelter returns royalties, overriding royalties, non-participating royalties, production payments, net profit interests and all other mineral royalties of every type and characterization, whether constituting a real property or a personal property interest.

" **Royalty Agreements** " means, collectively, (i) the Cortez Royalty Agreement, (ii) each of the other royalty agreements set forth on Schedule 1.1(b) hereto, (iii) any other agreement with or for the benefit of a Borrower pursuant to which a Borrower receives or is entitled to receive any Royalties, whether now or hereafter in existence, which is acquired by a Borrower in whole or in part with proceeds of the Loans, and (iv) all amendments, modifications, extensions and renewals of the Instruments identified in (i), (ii) and (iii) above in accordance with the terms thereof.

" **Royalty Interests** " means all Royalties now owned or hereafter acquired by or for the benefit of a Borrower, in or relating to a Project, as set forth with greater particularity in Schedule 1.1(c) hereto, and all Products and Copper received or receivable with respect thereto, now held or hereafter acquired by a Borrower, whether pursuant to a Royalty Agreement or otherwise.

" **Royalty Metals** " means an amount approved by the Lender, which shall be equal to the aggregate ounces of Product and pounds of Payable Copper projected to be payable to the Borrowers (in cash or in kind) from the date of determination through the Scheduled Maturity Date with respect to the Collateral Royalties, which shall be based on current, commercially reasonable projections of production from the Pipeline Project and each other applicable Project Property. Calculations of Royalty Metals for the GSR #1 Royalty, the GSR #3 Royalty and the NVR #1 Royalty shall be based on the reserve reports set forth in the then-current mine plan for the Cortez Joint Venture. Calculations of Royalty Metals to be included as Collateral Royalties from Projects either not in production at the Closing Date or acquired by a Borrower after the Closing Date and accepted by the Lender as Collateral Royalties for the purpose of calculating

the Borrowing Base shall be based on the reserve report set forth in the applicable then-current mine plan for such Project, unless the Lender, in its sole discretion, elects to audit the information contained in the reserve report set forth in the applicable mine plan for such Project, develop its own conclusions based on its independent analysis of such information and estimate the Royalty Metals for such Project, in which event the Lender's determination shall be conclusive. Calculations of Royalty Metals shall include all reasonable deductions for shipping, smelting, contractual and other standard deductions (which deductions shall be described with reasonable specificity in the Borrowers' calculations).

" **Royalty Payment Confirmations** " means the letters substantially in the form of Exhibit G hereto.

" **Scheduled Maturity Date** " means December 31, 2010.

" **Semi-Annual Calculations** " shall have the meaning specified in Section 2.10(b) hereof.

" **Silver** " means silver of minimum 0.999 fineness in silver bars conforming in all respects with the requirements for good delivery on the London Bullion Market.

" **SJ Claims Royalty** " means the 0.9% net smelter returns royalty owned by High Desert pursuant to the Royalty, Assignment, Confirmation, Amendment, and Restatement of Royalty, and Agreement, dated as of November 30, 1996, between Barrick Bullfrog Inc., et al., and Royal Hal Co. and that certain Royalty Assignment and Agreement dated December 26, 2002. The SJ Claims Royalty is further described in Schedule 1.1(c) .

"Special Calculation" shall have the meaning specified in Section 2.10(b) hereof.

" **Spot Price** " means: (i) with respect to Gold, the P.M. price fixing for gold by the London Bullion Association as reported in The Wall Street Journal or any other agreed upon successor publication for the applicable time or time period; and (ii) with respect to Copper, the spot Copper COMEX price as reported in The Wall Street Journal or any other agreed upon successor publication for the applicable time or time period.

" **Title Opinions** " means legal opinions from counsel to the Borrowers pertaining to the Collateral Royalties and the respective Borrower's right, title and interest in and to such Collateral Royalties, in form and substance acceptable to the Lender.

1.2 Accounting Principles . All accounting terms not otherwise defined herein shall be construed, all financial computations required under this Agreement shall be made, and all financial information required under this Agreement shall be prepared, in accordance with generally accepted accounting principles in effect in the United States applied on a consistent basis (except where such inconsistencies are disclosed in the notes to the audited financial statements provided to the Lender under Section 6.2), except as specifically provided herein.

ARTICLE II
LOAN FACILITY

2.1 The Loan .

(a) General . The Lender agrees, on the terms and conditions hereinafter set forth, to Advance Loans to the Borrowers from time to time during the Availability Period on a joint and several liability basis, as requested by the Borrowers; provided , that the aggregate Amount Outstanding (after giving effect to any amount requested) shall not exceed the Maximum Availability. Subject to the terms and conditions hereof, the Borrowers may borrow, repay and reborrow funds hereunder until termination of the Availability Period.

(b) Loan Advance; Request for Advance . Not less than three Business Days prior to the desired date of an Advance of a Loan, the Borrowers shall submit to the Lender a Request for Advance. The Request for Advance will specify (i) the amount of the Advance, which shall be in an aggregate principal amount of $1,000,000 or a whole multiple of $1,000,000 in excess thereof, (ii) the Borrowing Period for such Advance and (iii) the Business Day on which the Advance is requested to be made. Subject to the Borrowers' satisfaction of the conditions precedent set forth in Article IV , and on the terms and conditions stated herein, no later than five Business Days after the Lender's receipt of a Request for Advance, the Lender shall Advance the Loan to the Borrowers' Account on the Business Day specified by the Borrowers in the Request for Advance. The Request for Advance shall be irrevocable and binding on the Borrowers and in respect of the Loan amount specified therein, the Borrowers shall indemnify the Lender against any loss or expense incurred by the Lender as a result of any failure to fulfill on or before the date specified for such Loan the applicable conditions set forth in Article IV hereof, including, without limitation, any loss (including loss of anticipated profits) or expense incurred by reason of the liquidation or reemployment of funds or deposits acquired or borrowed by the Lender to fund the Loan to be made by the Lender when the Loan, as a result of such failure, is not made on such date. A certificate as to such amounts sufficient to compensate the Lender under such indemnification obligation submitted by the Lender to the Borrowers shall, in the absence of manifest error, be presumed to be correct and binding for all purposes.

(c) Use of Proceeds . The Borrowers may utilize the proceeds of the Loans for general corporate purposes, including, without limitation, the acquisition of Royalties.

(d) Amendment, Restatement and Continuance . This Agreement amends, restates, continues and replaces the Existing Agreement and nothing contained in this Agreement shall be deemed or construed to be a repayment, satisfaction or novation of the Obligations or to release, terminate, novate or in any way impair any Lien or Collateral Agreement that secures the payment and performance of the Obligations.

2.2 Promissory Note . The Loans shall be evidenced by the Note, representing the obligation of the Borrowers to repay the Amount Outstanding of the Loans, together with interest as set forth herein. The Borrowers authorize the Lender to endorse the date and amount of the Advance and each repayment on the schedule annexed to and constituting a part of the Note,

which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed, in the absence of manifest error. The failure so to record any such amount or any error in so recording any such amount shall not, however, limit or otherwise affect the obligations of the Borrowers hereunder or under the Note to repay the Amount Outstanding of the Loans together with all interest accruing thereon and fees accruing with respect thereto.

2.3 Interest .

(a) General . The Borrowers shall pay interest on the Amount Outstanding calculated on a 360-day year basis. Except as provided in Section 2.7(b) , interest shall accrue at the Borrowing Rate and shall be payable by the Borrowers at the end of each Borrowing Period (defined below) except that, with respect to a Borrowing Period of 90 days or more which extends beyond the last day of a calendar quarter, on such last day of the calendar quarter.

(b) Borrowing Periods . The Borrowers may select borrowing periods (a " **Borrowing Period** ") for each Loan of 30, 60, 90 or of a longer period of days if available (or of such other period of days agreed to by the Lender) on a 360-day year basis; provided, however, that the Borrowers may not select a Borrowing Period if the Lender determines that Dollar deposits are not being offered in the London interbank Dollar market for such Borrowing Period in accordance with customary practice (in which event the Borrowers must select another Borrowing Period which does not present such problems). The Borrowers will select the initial Borrowing Period for each Loan by giving the Lender notice thereof in the Request for Advance. After the Advance, the Borrowers may select Borrowing Periods by giving notice to the Lender at least three Business Days prior to the expiration of a Borrowing Period then in effect. If at any time the Borrowers fail to give timely notice of its selection, then the Borrowers shall be deemed to have selected a Borrowing Period of 30 days. The Lender shall not be required to maintain more than four different Borrowing Periods hereunder at any one time.

2.4 Repayment of the Loan .

(a) Principal Payments . The Borrowers agree to repay the Loans as provided herein. The Borrowers shall repay the outstanding principal amount of the Loans as amortized by the Lender on a monthly basis from the date of Advance through the Scheduled Maturity Date. Subject to the other terms hereof pertaining to mandatory repayment of the Loans, the Borrowers shall repay the Loans in full, together with accrued interest thereon, on the Maturity Date.

(b) Mandatory Repayments . If at any time the Amount Outstanding shall exceed the Maximum Credit Amount, the Borrowers shall immediately prepay the Loans in an amount sufficient to eliminate such excess. If at any time the Amount Outstanding is less than the Maximum Credit Amount but in excess of the Borrowing Base, then the Borrowers shall immediately prepay the Loans in an amount sufficient to eliminate such excess over the Borrowing Base.

(c) Voluntary Repayments . The Borrowers may repay any Amount Outstanding of the Loans in integral multiples of $1,000,000 at the end of any Borrowing Period,

without penalty or premium by providing the Lender not less than five Business Days' prior written notice. Upon the giving of such notice, which shall be irrevocable, the amount to be repaid, as set forth in said notice, together with interest thereon, shall be due and payable on the date set forth therein.

(d) Priority of Prepayments . All payments made pursuant to this Section 2.4 shall be applied first to accrued, outstanding and unpaid fees and expenses (including costs and expenses identified in Section 9.4), then to any accrued and unpaid interest on the Loan as of the end of the most recent Borrowing Period, then to principal.

2.5 Permanent Reduction of Maximum Credit Amount .

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

(b) Commitment Reduction Repayment . Upon the giving of notice set forth in Section 2.5(a) , which shall be irrevocable, each permanent reduction in the Maximum Credit Amount permitted pursuant to this Section 2.5 and any amounts due as a result thereof shall be due and payable on the date set forth therein by a payment of principal sufficient to eliminate any excess of the Amount Outstanding over the Maximum Credit Amount as so reduced.

2.6 Fees .

(a) Establishment Fee . The Borrowers agree to pay the Lender a total fee (the " **Establishment Fee** ") in the amount of $120,000 for the establishment of this loan facility, which shall be due and payable concurrently with the Borrowers' execution hereof (minus the $40,000 advance on the Establishment Fee that the parties acknowledge the Lender has been paid by the Borrowers prior to the date of this Agreement). No portion of the Establishment Fee will be refundable by the Lender to the Borrowers under any circumstances, including an election by the Borrowers not to submit a Request for Advance hereunder or the failure of the Borrowers to satisfy, or the failure of the Lender to waive satisfaction of, the conditions to any Advance set forth in Article IV hereof.

(b) Commitment Fee . The Borrowers agree to pay to the Lender a fee (the " **Commitment Fee** ") in an amount determined daily during the period beginning on the Closing Date and ending on the Maturity Date at the rate of one-half of one percent (0.50%) per annum of the difference between the Amount Outstanding and the Maximum Availability. The Commitment Fee will be payable in arrears to the Lender on the fifth Business Day of each calendar quarter following conclusion of the calendar quarter in which the Commitment Fee is accrued.

(c) Agent's Fee . In the event that the Lender assigns or grants participations in the Loans, or any part thereof, and the Loan Documents, then, in order to compensate the Lender for structuring and managing any such syndication or participation of the Loans and for its obligations hereunder, the Borrowers agree to pay to the Lender, for its account, an agent's fee in the amount of $10,000 per annum payable on the date that the Lender makes such assignment or grants a participation and on each anniversary of such date during the term hereof.

2.7 Miscellaneous .

(a) Same-day Funds . All payments by the Borrowers to the Lender hereunder and under any other Loan Document, whether for principal, interest, fees, expenses or other amounts, shall be made without set-off, recoupment, deduction or counterclaim in immediately available funds to such account as the Lender shall specify from time to time by not later than 12:00 p.m. Eastern time on the date when due.

(b) Penalty Interest .

(i) The Borrowers shall pay to the Lender, on demand, interest on any amount which is not paid by the Borrowers when due at the Default Rate.

(ii) Without prejudice to the rights of the Lender under the foregoing provisions of this Section 2.7(b) , the Borrowers shall indemnify the Lender against any loss or expense which it may sustain or incur as a result of the failure by the Borrowers to pay when due any Amount Outstanding of the Loan, to the extent that any such loss or expense is not recovered pursuant to such foregoing provisions. A certificate or other notice of the Lender setting forth the basis for the determination of the interest due on overdue principal and of the amounts necessary to indemnify the Lender in respect of such loss or expense, submitted to the Borrowers by the Lender, shall constitute prima facie evidence of the accuracy of the information contained therein in the absence of manifest error and, absent notice from the Borrowers of such error, shall be conclusive and binding for all purposes.

(c) Lender's Counsel's Fees . The Borrowers shall pay to the Lender such amount as invoiced to the Lender by the Lender's counsel, Davis Graham & Stubbs LLP, for such firm's fees and charges incurred in connection with the transactions contemplated by the Loan Documents. Alternatively, with such counsel's consent, payment may be made by the Borrowers directly to such counsel.

(d) Lender's Other Expenses . On the Closing Date, the Borrowers shall pay the Lender all of the Lender's costs incurred to date (as reasonably detailed in advance) in connection with the transactions contemplated by the Loan Documents in accordance with Section 9.4 hereof and thereafter the Borrowers shall pay the Lender all of the Lender's subsequent and additional costs in connection with the transactions contemplated by the Loan Documents within 30 days of receipt from the Lender of a reasonably detailed invoice therefor in accordance with Section 9.4 hereof.

2.8 Taxes .

(a) Other Taxes . The Borrowers agree to pay any present or future stamp or documentary taxes or any other excise, mortgage, or property taxes, charges or similar levies (exclusive of income taxes) which arise from any payment made hereunder or under the Note or from the execution, delivery, recordation or registration of, or otherwise with respect to, this Agreement or the Note or the Collateral Agreements or any other Loan Documents (hereinafter referred to as " **Other Taxes** "). The Borrowers will indemnify the Lender for and hold it harmless from the full amount of Other Taxes (including, without limitation, any Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.8) paid by the Lender or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Other Taxes were correctly or legally asserted; provided , however , that the Borrowers shall have the right to contest in good faith any such tax levied upon the Lender. This indemnification shall be made within thirty days from the date the Lender makes written demand therefor, unless the Borrowers are contesting the tax in good faith, in which event the foregoing indemnification shall not be triggered until the final determination of such contest or proceeding and the exhaustion of all applicable appeals.

(b) Withholding Tax; Gross-up . All payments to be made by the Borrowers to any Person hereunder shall be made free and clear of and without deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority having the power to tax; provided , however , that if the Borrowers are required to make such a payment subject to the deduction or withholding of such tax, duty, assessment or governmental charge (exclusive of income taxes), then the sum payable by the Borrowers in respect of which such deduction or withholding is required to be made shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Person receiving the payment receives a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

(c) Survival . Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in this Section 2.8 shall survive the payment in full of the Loan.

2.9 Illegality; Capital Requirements; Increased Costs; Indemnity for Breakage Costs .

(a) Illegality . If after the date hereof, the introduction of, or any change in, any applicable law or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, shall make it unlawful or impossible for the Lender to honor its obligations hereunder to make or maintain the Loan based on a LIBOR rate, the Lender shall promptly give notice thereof to Borrowers. Thereafter, subject to paragraph (e) below, until the Lender notifies the Borrowers that such circumstances no longer exist (which notification shall be given within thirty (30) days after the

Lender obtains actual knowledge that such circumstances no longer exist), (i) the obligations of the Lender to make the Loan based on a LIBOR rate shall be suspended and thereafter the Borrowers may borrow only at an annual rate equal to the Lender's prime rate plus a margin of one and one half percent (1.5%) (the " **Prime Borrowing Rate** "), and (ii) if the Lender may not lawfully continue to maintain the Loan based on a LIBOR rate to the end of the then current Borrowing Period applicable thereto, shall immediately be converted to a Loan based on the Prime Borrowing Rate for the remainder of such Borrowing Period.

(b) Capital Requirements . If, subsequent to the date of this Agreement, either (i) the establishment of, or any change in, or in the interpretation of, any applicable Requirement of Law or (ii) compliance with any guideline or request from any central bank or comparable agency or other governmental authority (whether or not having the force of law), has or would have the effect of reducing the rate of return on the capital of, or would affect the amount of capital required to be maintained by, the Lender or any corporation controlling the Lender in connection with the Loan or its commitment to extend the Loan thereunder, below the rate which the Lender or such other corporation could have achieved but for such establishment or introduction, change or compliance, then within fifteen (15) Business Days after written demand of the Lender, subject to paragraph (e) below, the Borrowers shall pay to the Lender from time to time as specified by the Lender additional amounts sufficient to compensate the Lender or other corporation for such reduction. A certificate as to such amounts shall be submitted to the Borrowers by the Lender as soon as practicable following an event covered by this Section 2.9(b) , and shall, in the absence of manifest error, be presumed to be correct and binding for all purposes.

(c) Increased Costs . If, after the date hereof, the establishment or introduction of, or any change in, any applicable Requirement of Law, or in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Lender with any request or directive (whether or not having the force of law) of such authority, central bank or comparable agency:

(i) shall subject the Lender to any tax, duty or other charge with respect to the Loan or the Note, or shall change the basis of taxation of payments to the Lender of the principal of or interest on the Loan or the Note, or any other amounts due under this Agreement in respect thereof (except for changes in the rate of tax on the overall net income of the Lender imposed by the jurisdiction in which the Lender is organized or is or should be qualified); and

(ii) shall impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance or capital or similar requirement against assets of, deposits with or for the account of, or credit extended by the Lender or shall impose on the Lender or the foreign exchange and interbank markets any other condition affecting the Loan or the Note;

and the result of any of the foregoing is to increase the costs to the Lender of maintaining the Loan or to reduce the yield or amount of any sum received or receivable by the Lender under this Agreement or under the Note in respect of the Loan, then the Lender shall promptly notify the Borrowers of such fact and demand compensation therefor and, subject to paragraph (e) below, within fifteen (15) days after such notice by the Lender, the Borrowers shall pay to the Lender such additional amount or amounts as will compensate the Lender for such increased cost or reduction. The Lender will promptly notify the Borrowers of any event of which it has knowledge which will entitle the Lender to compensation pursuant to this Section 2.9(c) . A certificate of the Lender setting forth the basis for determining such additional amount or amounts necessary to compensate the Lender shall be conclusively presumed to be correct save for manifest error.

(d) Indemnity for Breakage Costs . Each Borrower hereby indemnifies the Lender against any loss or expense which may arise or be attributable to the Lender's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain the Loan (i) due to any failure of the Borrowers to borrow on a date specified therefor in the Request for Advance or (ii) due to any payment or prepayment of the Loan on a date other than the last day of the Borrowing Period therefor. The Lender's calculations of any such loss or expense shall be furnished to the Borrowers and shall be conclusive, absent manifest error.

(e) Cancellation of Commitment as a Result of Increased Costs . If the Borrowers have received a notice of increased costs under paragraphs (a) , (b) or (c) above, in lieu of paying such increased amounts the Borrowers may provide notice to the Lender that it elects to prepay the Loan, in which case the Borrowers shall pay to the Lender any loss or expense of the Lender due to the prepayment of the Loan on a date other than the last day of the Borrowing Period therefor.

2.10 Borrowing Base Determination .

(a) The Borrowers shall calculate the Royalty Metals, the Projected Facility Term Revenue and the Borrowing Base in accordance with the requirements of this Agreement, using their good faith best efforts, and the Borrowers shall then provide such amounts and calculations to the Lender by written notice. The Lender may request such clarifications, explanations, supporting data, documents, calculations, re-calculations or other information as it reasonably deems appropriate, all of which shall be promptly provided by the Borrowers. The final determination of the Royalty Metals, the Projected Facility Term Revenue and the Borrowing Base shall be made by the Lender, using its commercially reasonable discretion, and no calculation of the Borrowing Base, the Projected Facility Term Revenue or the Royalty Metals shall be used, or otherwise be deemed final and effective, until approved in writing by the Lender. The Lender, using its commercially reasonable discretion, may decide to undertake its own calculation of the Borrowing Base, the Projected Facility Term Revenue and the Royalty Metals at any time and from time to time and shall promptly notify the Borrowers of the results of such calculations. The Lender's determination of the Borrowing Base, the Projected Facility Term Revenue and the Royalty Metals, at any time and from time to time, whether based on the Borrowers' calculations or its own calculations, shall be made by the Lender, using its commercially reasonable discretion, and shall be used for all purposes under this Agreement.

(b) The Borrowers shall calculate the Royalty Metals, the Projected Facility Term Revenue and the Borrowing Base (i) semi-annually, with written notice of such calculations to be delivered to the Lender by not later than April 15 of each year (the " **April Calculation** ") and by not later than October 15 of each year (the " **October Calculation** ", and together with the April Calculation, the " **Semi-Annual Calculations** ") and (ii) at any other time reasonably requested by the Lender, with written notice of such calculations to be delivered to the Lender within five (5) Business Days of such Lender request (each, a " **Special Calculation** "). The Lender may request a Special Calculation, or a re-calculation of any of the foregoing amounts, at any time, and from time to time, while any Loans are outstanding or prior to the Advance of any Loan.

(c) Each Semi-Annual Calculation shall include a separate calculation of the Royalty Metals, the Projected Facility Term Revenue and the Borrowing Base as of the end of then-current calendar quarter and each of the subsequent two calendar quarters (for the purpose of clarification, the April Calculation shall include projected calculations for each of the 2 nd , 3 rd and 4 th calendar quarters and the October Calculation shall include projected calculations for each of the 4 th , 1 st and 2 nd calendar quarters). Each Special Calculation shall include a calculation of the Royalty Metals, the Projected Facility Term Revenue and the Borrowing Base as of the date of determination as well as a calculation of the projected Royalty Metals, Projected Facility Term Revenue and Borrowing Base as of the end of the then-current calendar quarter and the subsequent two calendar quarters. All calculations of future, projected amounts shall use commercially reasonable assumptions with respect to such projections.

(d) The Lender's determination of the Borrowing Base, whether based on actual numbers as of a date of determination or as projected as of the end of a future calendar quarter, shall remain effective for all purposes under this Agreement until a subsequent Semi-Annual Calculation or Special Calculation is completed and the Lender makes a determination of the Borrowing Base based on such calculations.

(e) From time to time, the Borrowers may provide the Lender with a written request to include other Royalty Interests of a Borrower as Collateral Royalties and Royalty Metals for the purposes of determining the Borrowing Base, which request shall include appropriate data, documentation and information about such Royalty Interest and the Project and Project Properties related thereto. Upon receipt of such request from the Borrowers, the Lender may request such additional data, documentation and information about such Royalty Interest, Project and Project Properties as it deems necessary or appropriate, which the Borrowers shall promptly provide. The Lender shall have a period of forty-five (45) days from the Lender's receipt of such request to either accept or reject the Borrowers' request, which the Lender may do in its sole discretion reasonably exercised. The Lender shall provide the Borrowers with written notice of its decision. The failure of the Lender to provide a written notice of acceptance of such additional Royalty Interests as Royalty Metals shall be deemed a rejection of the Borrowers' request.

(f) Upon the Lender's written acceptance of the inclusion of new or additional Royalty Interests as Royalty Metals and Collateral Royalties, the Borrowers shall re-calculate the Royalty Metals, the Projected Facility Term Revenue and the Borrowing Base in

accordance with the requirements of this Agreement. Any re-calculation of the Borrowing Base including new or additional Royalty Interests shall not be effective until (i) the Lender has provided written approval of such calculation, (ii) the appropriate Borrower has granted, and the Lender has obtained, a first priority, perfected Lien over such new or additional Royalty Interests free from other Liens and (iii) the Lender has received both a Title Opinion confirming such Borrower's right, title and interest in such new or additional Royalty Interests and a supplemental legal opinion with respect thereto confirming the inclusion of such Royalty Interests as part of the Collateral and the perfection of the Lender's security interest therein, with each such opinion to be in form and content satisfactory to the Lender.

ARTICLE III
COLLATERAL SECURITY

3.1 Collateral Agreements . All of the Obligations are secured by the Collateral Agreements. The Collateral Agreements and the Liens on the Collateral to secure the payment and performance of all Obligations are continuing and have been ratified and confirmed by the Borrowers pursuant to the Ratification and Confirmation.

3.2 Perfection and Maintenance of Collateral Agreement Liens . Each Borrower hereby authorizes the Lender to file such UCC Financing Statements in such jurisdictions as it determines to be desirable and to take such other actions as it determines to be necessary or desirable to perfect and maintain the perfection of first priority Liens in the Collateral Account and all other Collateral identified in the Collateral Agreements. Each Borrower agrees to cooperate with the Lender in completing all such recording and filing, to promptly execute such other Instruments, and to promptly take all such other actions, as the Lender may reasonably determine to be necessary or appropriate to confirm, perfect and maintain the perfection of such Liens. Prior to any Advance of a Loan hereunder, each Mortgage and each Mortgage Amendment shall have been filed and recorded in the appropriate records of the Clerk and Recorder of each of Lander County, Eureka County and White Pine County, Nevada, as applicable, and in such other jurisdictions necessary to perfect the Liens granted therein.

3.3 Collateral Account . The Borrowers have established, and until this Agreement has been repaid in full and cancelled the Borrowers shall maintain, the Collateral Account with the Lender. Such Collateral Account is subject to the custody, control and right of set-off of the Lender and constitutes part of the Collateral. Commencing prior to the initial Advance of a Loan hereunder and continuing until the termination of this Agreement, the Borrowers shall promptly deposit or cause to be deposited in the Collateral Account all cash amounts received by any Borrower from or with respect to (i) all existing Royalty Interests, and (ii) all Royalty Interests purchased or otherwise acquired using Loan proceeds after the date of this Agreement. The balance in the Collateral Account at all times shall be not less than an amount equal to the aggregate of any payments of principal, interest, fees and expenses payable with respect to the Loans and the Loan Documents and due at any time during the then current calendar quarter and the next succeeding calendar quarter, which amount shall be determined by the Lender in its commercially reasonable discretion, including with reference to the Borrowing Base applicable to such period of time (said aggregate payment amounts for such two calendar quarters

hereinafter being described as the " **Reserve Amount** "). Each Borrower hereby grants to the Lender a continuing security interest in and lien upon the Collateral Account, all cash balances from time to time credited to the Collateral Account and any and all proceeds of any thereof, whether now or hereafter existing or arising. So long as no Potential Event of Default or Event of Default has occurred and is continuing, the Lender will promptly disburse to the Borrowers, in accordance with written instructions provided by either Borrower to the Lender (which instructions such Borrower may revise upon five days written notice to the Lender), any credit balances in the Collateral Account which are in excess of the Reserve Amount from time to time.

ARTICLE IV
CONDITIONS PRECEDENT

4.1 Conditions Precedent to the Initial Advance . The obligation of the Lender to make the initial Advance of a Loan is subject to satisfaction (or waiver by the Lender in its sole discretion) of each of the following conditions precedent.

(a) Receipt of Instruments . The Lender or its counsel shall have received each of the following Instruments:

(i) this Agreement, duly executed by an Authorized Officer of each Borrower;

(ii) the Note, duly executed by an Authorized Officer of each Borrower;

(iii) the Mortgages, the Mortgage Amendments, the Ratification and Confirmation, and each of the other Collateral Agreements, together with appropriate UCC financing statements relating thereto, duly executed by an Authorized Officer of each Borrower, as appropriate, and by all other Persons parties thereto;

(iv) an Omnibus Certificate of Royal Gold, substantially in the form of Exhibit B hereto, duly executed by an Authorized Officer of Royal Gold;

(v) an Omnibus Certificate of High Desert, substantially in the form of Exhibit B hereto, duly executed by an Authorized Officer of High Desert;

(vi) legal opinions from legal counsel for the Borrowers, in form and content reasonably acceptable to the Lender and substantially in the form of the legal opinion delivered to the Lender in connection with the Existing Agreement;

(vii) Title Opinions from Nevada legal counsel to the Borrowers, in form and content reasonably acceptable to the Lender;

(viii) copies of each of the Mortgages and Mortgage Amendments, as filed with the appropriate county office to perfect the Liens described therein, together with a supplemental legal opinion from Nevada legal counsel to the Borrowers, in form

and content reasonably acceptable to the Lender, confirming the perfection in favor of the Lender of enforceable first priority Liens on the Collateral Royalties and on the other property rights and interests of each Borrower subject to the Collateral Agreements, substantially in the form of the security legal opinion delivered to the Lender in connection with the Existing Agreement;

(ix) certificates from the Secretary of State of Delaware confirming the good standing of each Borrower in that State;

(x) certificates from the Secretaries of State of Colorado and Nevada confirming the good standing of each Borrower in each of such States;

(xi) Royalty Payment Confirmations and Proceeds Agreements (or confirmations thereof) duly executed by an Authorized Officer of the applicable Borrower and each other Person a party thereto;

(xii) Irrevocable Payment Instructions from each Person owing payments to a Borrower pursuant to a Collateral Royalty.

(xiii) a certificate from an Authorized Officer of each Borrower setting forth a calculation of the Royalty Metals, the Projected Facility Term Revenue and the Borrowing Base as of (a) September 30, 2006, (b) December 31, 2006, (c) March 31, 2007 and (d) June 30, 2007; and

(xiv) such other approvals, opinions, documents or Instruments as the Lender may reasonably request.

(b) Additional Conditions . Each of the following shall be correct:

(i) since the date of the financial statements of Royal Gold most recently delivered to the Lender (referred to in Section 5.5), there has been no adverse change in the financial condition, operations or business of the Borrowers which would constitute a Material Adverse Effect;

(ii) there is no pending or overtly threatened action or proceeding affecting any Borrower, the Royalty Interests, the Pipeline Project Properties or the Pipeline Project before any court, governmental agency or arbitrator, which could be reasonably expected to have a Material Adverse Effect;

(iii) each Borrower shall have performed and complied with all agreements, conditions and Obligations herein and in the other Loan Documents required to be performed and complied with on or prior to the date of the Advance;

(iv) there shall exist no Event of Default or Potential Event of Default;

(v) all representations and warranties made by each Borrower herein and in any other Loan Document or other certificate or Instrument delivered in connection herewith shall be true and correct on the date of the Advance;

(vi) all Instruments that are necessary to perfect the security interests of the Lender in the Collateral described in the Collateral Agreements shall have been received by the Lender and the Lender shall have received evidence reasonably satisfactory to the Lender that upon filing and recording such Instruments, the security interests represented thereby will constitute valid and perfected Liens subject only to Permitted Liens; and

(vii) there shall be a current credit balance of not less than the Reserve Amount in the Collateral Account.

4.2 Conditions Precedent to All Advances . The obligation of the Lender to make each Advance of Loans (including the initial Advance) is subject to satisfaction (or waiver by the Lender in its sole discretion) of each of the following conditions precedent:

(a) the Lender shall have received a Request for Advance, duly executed by an Authorized Officer of each Borrower;

(b) the Lender shall have received an Irrevocable Payment Instruction from each Person owing payments to a Borrower pursuant to a Collateral Royalty.

(c) on the date of such Advance, the Lender shall have received such approvals, opinions, documents or Instruments as the Lender may reasonably request;

(d) such Advance shall not cause the Amount Outstanding to exceed the Maximum Availability;

(e) there shall exist no Potential Event of Default or Event of Default;

(f) each of the conditions precedent to the initial Advance set forth in Section 4.1 is and remains satisfied; and

(g) all representations and warranties made by each Borrower shall be true and correct on the date of such Advance except for those changes disclosed to the Lender in writing and acceptable to the Lender in its sole discretion.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to enter into this Agreement, each Borrower represents and warrants to the Lender that:

5.1 Due Organization, Good Standing and Authority . Each Borrower is duly organized, validly existing and in good standing under the laws of Delaware and is qualified to do business in Colorado and Nevada and every other jurisdiction where necessary in light of its business and properties. Each Borrower has full power, authority and legal right (a) to own or lease its assets and properties and to conduct its business as now being conducted, and (b) to incur its obligations under this Agreement and each other agreement, document and instrument executed or to be executed by it pursuant hereto or in connection herewith and to perform the terms hereof and thereof applicable to it.

5.2 Due Authorization; Non-Contravention . The execution and delivery by the Borrowers of this Agreement and the other Loan Documents, and the performance of all transactions contemplated hereby and thereby, and the fulfillment of and compliance with the respective terms of this Agreement and the other Loan Documents by each Borrower are within such Borrower's powers, have been duly authorized by all necessary action corporate or otherwise and do not and will not (a) conflict with or result in a breach of the terms, conditions or provisions of, (b) constitute a default under, (c) result in the creation of any Lien (except pursuant to the Loan Documents) upon capital stock or assets pursuant to, (d) give any third party any right to accelerate any obligation under, (e) result in a violation of, or (f) require any authorization, consent, approval, exemption or other action by or notice to any Governmental Authority pursuant to (i) the Articles of Incorporation or Bylaws of any Borrower, (ii) any Requirement of Law applicable to any Borrower or their respective properties, or (iii) any agreement, instrument, order, judgment or decree to which a Borrower is subject or by which their respective properties are bound;

5.3 No Approvals . No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by each Borrower of this Agreement, or any other Loan Document, except for filings necessary to perfect Liens pursuant to the Loan Documents.

5.4 Validity . This Agreement is, and the other Loan Documents, when delivered hereunder will be, legal, valid and binding obligations of each Borrower enforceable against each Borrower in accordance with their respective terms, subject to bankruptcy and insolvency laws affecting rights of creditors generally and rules of equity.

5.5 Financial Statements . The audited consolidated financial statements of Royal Gold for the twelve-month period ending June 30, 2006, which have been furnished to the Lender, have been prepared in accordance with generally accepted accounting principles in the United States consistently applied (except as disclosed in the notes thereto) and present fairly and fully the financial position and results of operations of the Borrowers as of the latest date and for the periods specified therein. Subsequent to the respective dates as of which information is given in such financial statements, there has been no change resulting in a Material Adverse Effect.

5.6 Litigation . Except as set forth in Schedule 5.6 hereto, no Borrower is a party to any action, suit or proceeding at law or in equity, by or before any Governmental Authority or arbitral tribunal now pending (or, to the knowledge of either Borrower, threatened in writing) against or affecting any Borrower, the Royalty Interests, the Project Properties or any Project or

which may have a Material Adverse Effect, or which may affect the legality, validity or enforceability of this Agreement or any other Loan Document. Except as set forth in Schedule 5.6 , to the knowledge of each Borrower, without duty of further inquiry, there is no action, suit or proceeding at law or in equity, by or before any Governmental Authority or arbitral tribunal now pending or threatened against or, with direct and specific application, affecting, either Borrower, the Royalty Interests, the Project Properties or any Project which may have a Material Adverse Effect, or which may affect the legality, validity or enforceability of this Agreement or any other Loan Document.

5.7 Disclosure . Except as set forth in Schedule 5.7 hereto, this Agreement, the other Loan Documents and the schedules, attachments, written statements, documents, certificates or other items prepared by either Borrower and provided to the Lender do not contain any untrue statements of a material fact or omit a material fact necessary to make the statements contained herein or therein not misleading. Each Borrower represents and warrants that there is no fact which it has not disclosed to the Lender in writing and of which any of its officers or directors are aware which could reasonably be anticipated to constitute a Material Adverse Effect.

5.8 Title to Royalty Interests; Liens . Schedule 1.1(a) and Schedule 1.1(c) , respectively, set forth a complete and accurate listing and description of each of the Projects and the Royalty Interests as of the date hereof. Each Borrower has good and marketable title to the Royalty Interests owned by it, free and clear of any claims or rights of title and free and clear of all Liens except (a) Liens established pursuant to the Collateral Agreements, (b) Liens for taxes not yet due and payable, (c) inchoate Liens established by statute arising in the ordinary course of business securing obligations that are not overdue for a period of more than 20 days and (d) Liens and title defects reflected in the Title Opinion.

5.9 Royalty Agreements . Schedule 1.1(b) sets forth a complete and accurate list of all Royalty Agreements of each Borrower in effect as of the Closing Date; each Royalty Agreement is a legal, valid and binding obligation of the Borrower that is a party thereto, and to each Borrower's knowledge, each other party thereto. Other than as set forth in Schedule 5.9 , each such Royalty Agreement is, and after giving effect to the transactions contemplated by the Loan Documents will be, in full force and effect in accordance with the terms thereof. The Borrowers have delivered or made available to the Lender a true and complete copy of each Royalty Agreement required to be listed on Schedule 1.1(b) . No Borrower is in breach of or in default under any Royalty Agreement. No Borrower has alleged that any Royalty Agreement counterparty has breached or defaulted under any Royalty Agreement. To the knowledge of each Borrower, no counterparty to any Royalty Agreement is in breach of or in default of any Royalty Agreement.

5.10 Project Permits . To the knowledge of each Borrower, without duty of further inquiry, except as set forth in Schedule 5.10 , and except for matters that do not or would not have a material adverse effect on such Projects, the Project Managers of each of the Projects have obtained all material licenses, operating and reclamation bonds, permits and approvals from all governmental commissions, boards and other agencies required to operate such Projects as currently being operated in accordance with the then effective mine plan therefor, and such Project Managers are operating the Projects in material compliance therewith.

5.11 Payment of Taxes . Each Borrower has filed, or caused to be filed, all federal, state and local tax returns which, to the knowledge of each Borrower, are required to be filed and has paid or caused to be paid all taxes as shown on such returns or any assessment received by each Borrower to the extent that such taxes or assessments have become due, except such as may be diligently contested in good faith and by appropriate proceedings or as to which a bona fide dispute may exist and for which adequate reserves are being maintained. Each Borrower has established reserves which are reasonably believed by the officers and representatives of such Borrower to be adequate for the payment of such taxes.

5.12 Agreements . Except as set forth in Schedule 5.12 hereto, no Borrower is a party to any material agreement or instrument or subject to any charter or other corporate restriction which has a Material Adverse Effect. No Borrower is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in the Royalty Agreements or any other agreement or instrument to which it is a party, the effect of which would constitute a Material Adverse Effect.

5.13 Compliance with Laws . Except as set forth in Schedule 5.13 hereto, (a) each Borrower has complied in all material respects with all Requirements of Law, and (b) with respect to the Project Properties and operations thereon and the Projects, to the knowledge of each Borrower, without duty of further inquiry, the Project Managers have complied in all material respects with, and the Projects and Project Properties are in material compliance with, all Requirements of Law relating to the operation of each Project, and no Borrower is aware of any investigation (other than a routine inspection) underway by any local, state or federal agency with respect to enforcement of such Requirements of Law. The Borrowers have no knowledge (except as disclosed to the Lender in Schedule 5.13) of any past or existing violations of any such Requirements of Law or notices thereof issued by any Governmental Authority with respect to a Borrower that would constitute a Material Adverse Effect, and the Borrowers have no knowledge (except as disclosed to the Lender in Schedule 5.13) of any past or existing violations of any Requirements of Law or notices thereof issued by any Governmental Authority with respect to any Project or any Project Property that would have a material adverse effect on such Project, Project Property or any Royalty Interest.

5.14 Events of Default . No event has occurred and is continuing, or would result from the incurring of obligations by the Borrowers under this Agreement, which constitutes an Event of Default or a Potential Event of Default.

ARTICLE VI
AFFIRMATIVE COVENANTS

Each Borrower covenants and agrees from the date hereof, so long as any portion of the Loans remain outstanding and unpaid, in whole or in part, or any other amount is owing to the Lender under this Agreement or any other Loan Document that, unless the Lender shall otherwise consent in writing:

6.1 Notice to the Lender . The Borrowers will promptly give notice to the Lender as soon as any Borrower becomes aware of:

(a) Any Event of Default or Potential Event of Default;

(b) Any default under, breach of or event which, with notice or lapse of time or both, would become a material default under or breach of any other Loan Document;

(c) Any loss or damage to the Collateral in excess of $100,000, exclusive of diminution in value caused solely by changes in the price of Gold, Silver or Copper from time to time;

(d) The consummation by any Borrower of any purchase or acquisition of a Royalty Interest, whether a new Royalty Interest or an addition to or increase in an existing Royalty Interest;

(e) Any additional interests in the Project Properties acquired by a Borrower which are not included in the Collateral;

(f) Every default or other adverse claim, demand or litigation made by any Person which would, if successful, constitute a Material Adverse Effect, or with respect to any Royalty Interest or any other Collateral could have a material adverse effect on such Royalty Interest or Collateral;

(g) Every notice, and the contents thereof, received by a Borrower in relation to any renewal of any rights with respect to, or having a material adverse effect upon any Royalty Interest or Project including (without limitation) notices pertaining to the loss of or a failure to obtain or a failure to be able to renew such interest in a material part of such Project, together with a copy of such notice if in writing;

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

(i) Each material memorandum, letter or report received by a Borrower from any Project Manager concerning any Royalty Interest or Project, including (to the extent received by a Borrower and not subject to confidentiality restrictions that prevent such Borrower from disclosure thereof) the annual strategic business plan for the Pipeline Project and all reserve, mine plan and/or operating reports for the Projects or the Project Properties, together with a copy of such plans and reports.

6.2 Financial Statements, Calculations and Information .

(a) As soon as practicable (and in any event not later than 90 days after each fiscal year and 60 days after each fiscal quarter), the Borrowers shall furnish the Lender annual (audited) and quarterly (unaudited) consolidated financial statements, which shall include all of

the information contained in the statements heretofore furnished to the Lender and referred to in Section 5.5 hereof, together with a certificate of an Authorized Officer of each Borrower to the effect that such financial statements have been prepared in accordance with generally accepted accounting principles in the United States consistently applied and present fairly the financial position and results of the operations of the Borrowers, on a consolidated basis, as of the respective dates and for the respective periods specified therein.

(b) Within 60 days after each fiscal quarter, the Borrowers shall cause an Authorized Officer of each Borrower to deliver to the Lender a certificate as to the Borrowers' compliance with the financial covenants provided in Section 6.12 hereof.

(c) By not later than April 15 and October 15 of each year, the Borrowers shall provide to the Lender the Semi-Annual Calculations of the Royalty Metals, the Projected Facility Term Revenue and the Borrowing Base together with all supporting information, documentation and materials, for the Lender's review and approval, as further described in Section 2.10 hereof.

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

6.3 Maintenance of Existence . Each Borrower will preserve and maintain its legal existence and all of its rights, privileges and franchises necessary for the proper conduct of its business and will qualify and remain qualified to do business in Nevada and Colorado and in each jurisdiction where necessary in light of its business and properties.

6.4 Compliance with Laws . Each Borrower shall comply with all Requirements of Law, including, without limitation, any Environmental Law (except any noncompliance or violation which, in the judgment of the Lender, could not reasonably be expected to constitute a Material Adverse Effect).

6.5 Payment of Indebtedness . Each Borrower will pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all of its Debts and other material obligations of whatever nature, except for any Debts or other material obligations which are being contested in good faith and by appropriate proceedings if (a) reserves in conformity with generally accepted accounting principles with respect thereto are maintained on its books, and (b) such contest does not involve any material risk of the sale, forfeiture or loss of any part of the Collateral.

6.6 Taxes . Each Borrower shall pay and discharge all federal, state and local taxes imposed on it or on any of its property prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a Lien upon the Collateral. Each Borrower shall have the right, however, to contest in good faith the validity or amount of any such taxes by

proper proceedings timely instituted, and may permit the taxes so contested to remain unpaid during the period of such contest if: (a) it diligently prosecutes such contest, (b) it sets aside on its books adequate reserves in conformity with generally accepted accounting principles with respect to the contested items, (c) during the period of such contest, the enforcement of any contested item is effectively stayed, (d) such contest does not involve any material risk of the sale, forfeiture or loss of any part of the Collateral and provided such non-payment is permitted by the appropriate taxing legislation. Each Borrower will promptly pay or cause to be paid any valid final judgment enforcing any such taxes and cause the same to be satisfied of record.

6.7 Books and Records; Right to Inspection . Each Borrower shall keep proper books of record in accordance with generally accepted accounting principles and permit representatives of the Lender to examine the books of record and accounts and to discuss the affairs, finances and accounts of each Borrower with such Borrower's principal officers, engineers, technical staff and independent accountants, all at such reasonable times during business hours and at such intervals as the Lender may desire; provided , however , that the Lender shall provide such Borrower with at least five Business Days' notice of any visit and shall use commercially reasonable efforts not to disrupt such Borrower's business during any such visits. Upon any request by the Lender to visit and inspect any Project Property, each Borrower will use commercially reasonable efforts to make arrangements with the Project Manager for such a visit to and inspection of such Project Property by the Lender or its representatives.

6.8 Insurance . Each Borrower shall maintain insurance coverage, with responsible and reputable insurance companies or associations, in respect of its properties, assets, and business against such risks and in such amounts as are customarily maintained in accordance with good industry practice for a company in the Borrower's business and as may be required by Requirements of Law. Such insurance policies shall name the Lender as an additional insured or loss payee, as appropriate, and shall provide that the policies cannot be cancelled, allowed to lapse or terminate by the insurer without at least ten (10) days prior written notice to the Lender. Attached as Schedule 6.8 hereto is a detailed list and description of all such insurance maintained by or for the benefit of each Borrower as of the Closing Date, in form reasonably satisfactory to the Lender. From time to time after the Closing Date each Borrower shall deliver to the Lender upon its request a detailed list of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance.

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

6.10 Defend Title . Each Borrower shall, at its own cost and expense, warrant and defend the title to the Royalty Interests and the other Collateral against the claims and demands of all Persons whomsoever, except as permitted in writing by the Lender and except for matters disclosed in the Title Opinion and not objected to by the Lender.

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

6.12 Financial Covenants .

(a) Tangible Net Worth . The Borrowers, on a consolidated basis, shall at all times maintain a Net Worth of not less than the sum of $100,000,000 plus 50% of the Borrowers' Net Profits for each completed fiscal quarter (excluding any fiscal quarter in which the Borrowers' Net Profits are negative) beginning with the fiscal quarter ended December 31, 2006 on a cumulative basis.

(b) Current Ratio . The Borrowers, on a consolidated basis, shall not permit the ratio of their (x) consolidated assets properly classified as current assets under United States generally accepted accounting principles, to (y) consolidated liabilities properly classified as current liabilities under United States generally accepted accounting principles, at any time, to be less than 1.5 to 1.0.

(c) Minimum Cash Balance . Royal Gold shall at all times maintain a minimum balance of cash and Cash Equivalents in demand deposit accounts of $5,000,000.

6.13 Delivery of Royalty Interest Proceeds .

(a) Delivery and Sale of Products . Each Borrower shall cause all Products produced from the Project Properties, to which a Borrower is entitled pursuant to the Royalty Interests, to be delivered by the Project Managers directly to the Lender's account for the credit of the Borrowers at Johnson Matthey in Salt Lake City, Utah, or such other locations approved by the Lender. Each Borrower hereby irrevocably agrees to sell all such Products to counterparties approved from time to time, in writing, by the Lender (which approval shall not be unreasonably withheld) forthwith upon transfer of such Products into such Borrower's control, with such Products to be sold at the then applicable Spot Price. Immediately following trade settlement, the proceeds of such sales shall be delivered directly by such counterparties into the Collateral Account pursuant to Irrevocable Payment Instructions.

(b) Delivery of Cash Royalties . Each Borrower shall cause all cash to which a Borrower is entitled pursuant to a Royalty Interest to be deposited by the Project Managers directly to the Collateral Account, pursuant to a Royalty Payment Confirmation.

6.14 Maintenance of Credit Balances in the Collateral Account . The Borrowers will maintain at all times in the Collateral Account a credit balance which is not less than the Reserve Amount.

6.15 Further Assurances . The Borrowers shall execute, acknowledge and deliver to the Lender such other and further documents and Instruments and do or cause to be done such other acts as the Lender reasonably determines to be necessary or desirable to effect the intent of the parties to this Agreement or otherwise to protect and preserve the interests of the Lender hereunder, promptly upon request of the Lender.

ARTICLE VII
NEGATIVE COVENANTS

From the date hereof, so long as any portion of the Loans remain outstanding and unpaid, in whole or in part, or any other amount is owing to the Lender under this Agreement or any other Loan Document, each Borrower unconditionally covenants and agrees that, unless the Lender shall otherwise consent in writing, it will not:

7.1 Indebtedness . Incur any Debt except for (a) the Loans, (b) items of accrued taxes prior to the date on which such items are due and payable, (c) capital lease or rental arrangements if the payments thereon, in the aggregate, do not exceed $250,000 in any fiscal year, (d) trade payables incurred in the ordinary course of business which are not evidenced by a promissory note or other evidence of indebtedness and which are not the subject of a genuine dispute or are not more than ninety (90) days past due, (e) unsecured Debt not to exceed $1,000,000 in the aggregate principal amount at any time outstanding, (f) obligations existing or arising under any swap contract or other hedging agreement entered into for the purpose of mitigating risk associated with liabilities, commitments, investments, assets or property held or reasonably anticipated by a Borrower, or (g) guarantees by Royal Gold of performance obligations of its subsidiaries not to exceed $1,000,000 in the aggregate.

7.2 Liens . Directly or indirectly, create, incur, assume or suffer to exist any Lien upon any of its property, assets, income or profits, including, without limitation, the Royalty Interests, the Collateral Account or any Collateral, whether now owned or hereafter acquired, or enter into any agreement or option with respect to any of the foregoing, except for (a) Liens for taxes not yet due and payable, (b) inchoate Liens established by statute arising in the ordinary course of business securing obligations, (c) attachments, appeal bonds, judgments and other similar Liens arising in connection with court proceedings, for sums not exceeding $1,000,000 in the aggregate, and (d) easements, rights of way, restrictions, minor defects in title and other similar Liens that do not interfere in any material respect with the ordinary conduct of the business of such Borrower.

7.3 Liquidation; Merger . Liquidate or dissolve, or, without the prior written consent of the Lender, not unreasonably withheld, enter into any consolidation or merger, or enter into any partnership, joint venture or other combination where such combination involves a contribution by a Borrower of all or a substantial portion of its assets, or sell, lease or dispose of its business or assets as a whole or in an amount which constitutes a substantial portion thereof.

7.4 Asset Sales . Without the Lender's prior written consent not to be unreasonably withheld, convey, sell, lease, assign, transfer or otherwise dispose of any material portion of its property, business or assets, including, without limitation, the Royalty Interests or any portion thereof, individually or in the aggregate, whether now owned or hereafter acquired, except for conveyances, sales, leases, assignments and transfers of property or assets, other than Collateral, entered into in the ordinary course of business, which do not exceed $250,000 in the aggregate per year.

7.5 Guarantees/Assumptions . Directly or indirectly, assume, guarantee, endorse or otherwise become directly or contingently liable (including, without limitation, liable by way of agreement, contingent or otherwise, to purchase, to provide funds for payment, to supply funds to or otherwise invest in the debtor or otherwise to assure the creditor against loss) in connection with any Debt of any other Person, except guarantees by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

7.6 Change in Business . Engage in any business activities or operations substantially different from the business of ownership of non-executory interests in mining properties; provided, however, that each Borrower shall be permitted to enter into exploration agreements with respect to mining properties owned by it and into joint venture agreements or other similar business arrangements pursuant to which its executory or ownership interests are convertible into Royalties.

7.7 Changes in Constituting Documents or Capital Structure . Without the Lender's prior written consent not to be unreasonably withheld, amend or otherwise modify its articles of incorporation or bylaws or its capital structure, other than issuances of Royal Gold common stock or rights to purchase Royal Gold common stock.

7.8 Metals Sales . Enter into any agreement or any Instrument for any sale, assignment, transfer or delivery of Gold, other Products, or Copper, except as provided in Section 6.13 .

7.9 Modification of Material Agreements . Without the Lender's prior written consent not to be unreasonably withheld, allow any modification or amendment to any Royalty Agreement or other agreement or Instrument material to a Borrower or allow any modification or amendment to any confidentiality agreements or provisions to which a Borrower is a party or otherwise subject. With respect to any confidentiality agreement that either Borrower may execute with respect to (i) any existing Royalty Interest or Project or properties underlying such Royalty Interest or (ii) any Royalty Interest or Project or properties underlying such Royalty Interest acquired after the date hereof with the proceeds of a Loan, such Borrower shall use commercially reasonable efforts to include appropriate provisions in such confidentiality agreement authorizing the Borrowers to provide to the Lender information obtained by such Borrower pursuant to such confidentiality agreement.

7.10 Maintenance of Royalty Interests . Without the Lender's prior written consent not to be unreasonably withheld, enter into any agreement or undertaking, or otherwise act to sell, assign, transfer or create or suffer the creation of rights of any Person other than a Borrower or the Lender in or with respect to the Royalty Interests, Gold, other Products or Copper accruing to the account of a Borrower pursuant thereto.

7.11 Restrictive and Inconsistent Agreements . No Borrower will enter into any agreement, Instrument or undertaking or incur or suffer any obligation prohibiting or inconsistent with the performance by such Borrower of the Obligations or its obligations under any Royalty Agreement.

7.12 Amount Outstanding . Allow the Amount Outstanding to be greater than the Maximum Availability at any time.

ARTICLE VIII
EVENTS OF DEFAULT

8.1 Events of Default . The occurrence of any one or more of the following events (whether or not in the control of a Borrower) shall constitute an Event of Default:

(a) Nonpayment . Any Borrower shall (i) fail to pay when due any payment of principal, or (ii) within five (5) Business Days of the date when due, fail to pay any payment of interest, costs, fees or any other sums due under this Agreement.

(b) Covenant Defaults . Any Borrower shall fail to observe or perform any covenants contained in this Agreement, other than the covenants referred to in paragraph (a) above, and such Borrower shall have not remedied such default within 10 days after written notice of such default has been given by the Lender to the Borrowers.

(c) Representation or Warranty . Any representation, warranty or statement made or deemed to be made by a Borrower herein or in any other Loan Document given hereunder shall prove to have been untrue in any material respect as of the time made or deemed made.

(d) Cross-Default . A default shall occur under any Loan Document, any Royalty Agreement or any agreement pertaining to Debt permitted hereunder; or any Borrower shall fail to pay any Debt with a value in excess of Fifty Thousand Dollars ($50,000) (excluding Debt evidenced by the Note), or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the Instrument relating to such Debt; or any other default under any Instrument relating to any such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such Instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of,

the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof.

(e) Insolvency . Any Borrower shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or (i) any Borrower shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, wind-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or (ii) there shall be commenced against any Borrower any such case, proceeding or other action referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or any Borrower shall take any other action to authorize any of the actions set forth in this paragraph (e) .

(f) Involuntary Liens . Any involuntary Lien or Liens for amounts then due in the aggregate sum of Fifty Thousand Dollars ($50,000) or more, of any kind or character shall attach to any assets or property of any Borrower if such Lien or Liens are not discharged or bonded pending proceedings to release such Lien or Liens within sixty (60) days after the date of attachment or unless such Lien or Liens are being contested in good faith.

(g) Judgments . Any judgment or order for the payment of money in excess of One Hundred Thousand Dollars ($100,000) shall be rendered against any Borrower and there shall be a period of 30 consecutive days during which such judgment or order shall not have been discharged or a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

(h) Condemnation . Any of the Collateral Royalties are taken by power of expropriation or eminent domain or sold under threat of such taking, or possession of any material portion of the Project Properties is taken through exercise of such power.

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

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

(k) Collateral Security . Any of the Liens established or purported to be established by the Collateral Agreements shall fail to be first priority perfected Liens in the Collateral, or any Borrower shall so state in writing, and the Borrowers shall have not remedied such default within 10 days after written notice of default has been given by the Lender to the Borrowers.

(l) Adverse Changes to the Pipeline Project . Any event or change occurs with respect to the Pipeline Project, including, without limitation, the abandonment or termination or the taking by power of expropriation or eminent domain of all or any material portion thereof, which has a Material Adverse Effect.

(m) Amount Outstanding in Excess of Maximum Availability . The Amount Outstanding shall exceed the Maximum Availability at any time, as the Maximum Availability is determined from time to time, and the Borrowers shall have not remedied such default within ten (10) days after written notice of default has been given by the Lender to the Borrowers.

(n) Redirection of Royalties . Any payment or delivery of cash, Products, Deliverable Copper, proceeds or other amounts owing to any Borrower with respect to the Royalty Interests shall be paid or delivered to any Person other than as required hereby, and the Borrowers shall have not remedied such default within ten (10) days after written notice of default has been given by the Lender to the Borrowers.

(o) Collateral Account . The Borrowers shall fail to maintain in existence the Collateral Account or shall fail to maintain therein at all times the Reserve Amount, and the Borrowers shall not have remedied such default within 60 days after written notice of default has been given by the Lender to the Borrowers.

8.2 Remedies Upon Event of Default .

(a) Upon the occurrence of an Event of Default specified in Section 8.1(e) hereof or, in the case of any other Event of Default, upon notice by the Lender to the Borrowers of the Lender's election to declare the Borrowers in default, the obligations of the Lender hereunder including, without intending any limitation, the Lender's obligation to lend shall terminate. The date on which such notice is sent or, in the case of an Event of Default specified in Section 8.1(e) hereof the date of such Event of Default, shall be the " **Date of Default** ."

(b) On the Date of Default, (i) there shall immediately be due and payable to the Lender an amount equal to the total principal Amount Outstanding of the Loan plus interest, fees, expenses, and all other amounts owed by any Borrower pursuant to this Agreement and the other Loan Documents shall immediately become due and payable, and (ii) the commitment of the Lender to Advance Loans hereunder shall terminate.

(c) Upon the occurrence of an Event of Default, all of the remedies provided to the Lender in all of the Collateral Agreements shall immediately become available to the Lender, and the Lender shall have all other rights and remedies available at law or in equity. The

enumeration of the rights and remedies of the Lender set forth in this Agreement and the other Loan Documents is not intended to be exhaustive and the exercise by the Lender of any right or remedy shall not preclude the exercise of any other rights and remedies, all of which shall be cumulative and shall be in addition to any other right or remedy given hereunder or under the other Loan Documents or that may now or hereafter exist at law or in equity or by suit or otherwise.

(d) Except as expressly provided above in this Section 8.2 , presentment, demand, protest and all other notices of any kind are hereby expressly waived. From and after the Date of Default, interest shall accrue at the Default Rate and shall be payable on demand.

ARTICLE IX
MISCELLANEOUS

9.1 Notices . All notices, requests, demands, consents or other communications in connection with or pursuant to this Agreement shall be in writing and shall be delivered by hand or sent by registered or certified mail or by facsimile (such facsimile followed by a registered or certified letter) addressed to the parties as set forth below (or to such other address as the parties may designate by notice):

If to the Lender:

HSBC Bank USA, National Association
452 Fifth Avenue
New York, New York 10018
Attention: Ted Kavanagh
Facsimile No.: (212) 525-6581

If to any Borrower:

Royal Gold, Inc.
1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202-1132
Attention: Chief Financial Officer
Facsimile No.: (303) 595-9385

A notice delivered by hand to a party shall be deemed received when delivered. A notice sent by mail shall be deemed received on the fifth Business Day after mailing. A notice sent by facsimile shall be deemed received upon receipt of the relevant confirmation or answer back. Notices received after 4:00 p.m. local time shall be deemed received on the following day.

9.2 Amendments, etc . No amendment or waiver of any provision of this Agreement or the Note, nor consent to any departure by the Borrowers therefrom, shall in any event be effective unless the same shall be in writing and signed by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

9.3 No Waiver; Cumulative Remedies . No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

9.4 Costs and Expenses .

(a) The Borrowers agree to pay on demand all costs and expenses in connection with the preparation, negotiation, execution, delivery, registration and administration of this Agreement, the Note and the other Loan Documents and any amendments to any thereof including, without limitation, the reasonable fees and out-of-pocket expenses of counsel and of technical advisors and consultants for the Lender with respect thereto and with respect to advising the Lender as to its rights and responsibilities under this Agreement. The Borrowers further agree to pay on demand all losses, costs and expenses, if any (including reasonable counsel fees and expenses), in connection with the preservation of any rights of the Lender under, or the enforcement of, or legal advice in respect of the rights or responsibilities of the Lender under, this Agreement, the Note and the other Loan Documents, including, without limitation, losses, costs and expenses sustained by the Lender as a result of any failure by any Borrower to perform or observe its obligations contained herein or in the Note held by the Lender or in connection with any refinancing or restructuring of the Loan in the nature of a "workout."

(b) If, due to acceleration of the maturity of the Note pursuant to Article VIII hereof or due to any other reason, the Lender receives payments of principal of any Loan other than on the last day of a Borrowing Period relating to such Loan, the Borrowers shall, upon demand by the Lender, pay to the Lender any amounts required to compensate the Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss (including loss of anticipated profits) cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by the Lender to fund or maintain such Loan.

9.5 Application of Collateral Account; Right of Set-off . Upon the occurrence and during the continuance of any Event of Default, the Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to apply the credit balances of the Collateral Account and to set-off and apply any and all deposits or other obligations (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lender to or for the credit or the account of the Borrowers against any and all of the obligations of the Borrowers now or hereafter existing under this Agreement, the Note and the other Loan Documents, irrespective of whether or not the Lender shall have made any demand under this Agreement or otherwise and although such obligations may be unmatured. The Lender agrees promptly to notify the Borrowers after any such set-off and application made by the Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights to set-off) which the Lender may have.

9.6 Usury Savings; Limitation on Interest . It is the intention of the parties hereto to contract in strict compliance with applicable usury law from time to time in effect. In furtherance thereof the parties stipulate and agree that none of the terms and provisions contained herein and in the other Loan Documents shall ever be construed to create a contract for the use, forbearance or detention of money, or a contract to pay interest, in excess of the maximum amount of interest permitted to be charged by applicable law from time to time in effect. Neither the Borrowers nor any future guarantors or other parties hereafter becoming liable for payment of the Borrowers' indebtedness to the Lender shall ever be required to pay interest thereon in excess of the maximum interest that may be lawfully charged or contracted for under applicable law from time to time in effect, and the provisions of this Section 9.6 shall control over all other provisions hereof or of the other Loan Documents which may be in conflict or apparent conflict herewith. If the maturity of the Borrowers' indebtedness to the Lender or any part thereof shall be accelerated for any reason, any amounts held to constitute interest, which are then unearned and have theretofore been collected by the Lender or any other holder of such indebtedness, shall be applied to reduce the principal balance thereof then outstanding. In the event that the Lender or any other holder of the Borrowers' indebtedness to the Lender shall collect monies that are deemed to constitute interest which would otherwise increase the effective interest on the Borrowers' indebtedness to the Lender or any part thereof to an amount in excess of that permitted to be charged by applicable law then in effect, all such sums deemed to constitute interest in excess of such legal limit shall be either immediately returned to the Borrowers or other payor thereof upon such determination or applied as a credit against the then unpaid principal of the Borrowers' indebtedness, at the option of the Lender or other holder. In determining whether or not the interest paid or payable under any specific contingency exceeds the maximum amount permitted under applicable law, the Borrowers (and any other payor thereof) and the Lender shall, to the greatest extent permitted under applicable law (a) characterize any non-principal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate or spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Borrowers' indebtedness to the Lender in accordance with the amounts outstanding from time to time thereunder and the maximum legal rate of interest from time to time in effect under applicable law in order to lawfully charge the maximum amount of interest permitted under applicable law. Upon any such determination, to the extent permitted by law, the Lender or other holder shall not be subject to any penalty provided for charging, receiving or contracting for interest in excess of any such maximum legal rate, regardless of when or the circumstances under which such refund or application was made.

9.7 Binding Effect; Assignment of Rights . This Agreement shall become effective when it shall have been executed by the parties hereto and thereafter shall be binding upon and inure to the benefit of the Borrowers and the Lender and their respective successors, transferees and assigns; provided that the Borrowers shall not have the right to transfer or assign any of their rights or obligations hereunder or any interest herein without the prior written consent of the Lender. The Lender may at any time, without the consent of the Borrowers, assign or transfer by way of assignment, participation or novation to any branch or affiliate of the Lender or to any financial institution all or any part of, or any interest in the Lender's rights and benefits and obligations hereunder and under the Note issued to it hereunder or the other Loan Documents;

provided that such transfer or assignment does not diminish the rights or increase the obligations of the Borrowers, and to the extent of such assignment such assignee shall have the same rights and benefits vis-a-vis the Borrowers as it would have had if it were the Lender hereunder, and all references in this Agreement to the Lender shall thereafter be construed as a reference to the Lender and its transferee or transferees or, in the case of a transfer of all of its rights, benefits and obligations, to its transferee or transferees alone. For the purposes hereof, the Lender may disclose to a potential transferee such information about the Borrowers, their businesses, assets and financial condition as the Lender shall consider appropriate. Nothing contained herein shall be construed to prevent the Lender from granting by way of sub-participation (being a right to share in the financial effects of this Agreement without any rights against the Borrowers) or risk participation in all or any of its rights and benefits hereunder to any person without the consent of the Borrowers; provided that such transfer or assignment does not diminish the rights or increase the obligations of the Borrowers, and that such transfer is done in compliance with applicable laws; provided , further , that upon any such assignment the Lender will act as agent and will be the sole party with whom the Borrowers are required to have dealings when no Event of Default is outstanding.

9.8 Consent to Jurisdiction .

(a) EACH BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN NEW YORK, NEW YORK OVER ANY SUIT, ACTION OR PROCEEDING (A " **PROCEEDING** ") ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTE OR THE COLLATERAL AGREEMENTS AND EACH BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM OR IMPROPER VENUE TO THE MAINTENANCE OF ANY SUCH PROCEEDING. EACH BORROWER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH BORROWER AT ITS ADDRESS REFERRED TO IN SECTION 9.1 HEREOF. EACH BORROWER AGREES THAT A FINAL JUDGMENT IN ANY SUCH PROCEEDING SHALL BE CONCLUSIVE AND MAY BE EXECUTED UPON AND ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(b) NOTHING IN THIS SECTION 9.8 SHALL AFFECT THE RIGHT OF THE LENDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE LENDER TO BRING ANY SUIT, ACTION OR PROCEEDING AGAINST A BORROWER OR ITS PROPERTY IN THE COURTS OF OTHER JURISDICTIONS. THE TAKING OF ANY PROCEEDINGS IN ANY ONE OR MORE JURISDICTIONS SHALL NOT PRECLUDE THE TAKING OF ANY PROCEEDINGS IN ANY OTHER JURISDICTION.

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

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

9.10 Counterparts; Signatures . This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of such counterparts together shall constitute one and the same instrument. This Agreement may be validly executed and delivered by facsimile or other electronic transmission, and a signature by facsimile or other electronic transmission shall be as effective and binding as an original signature.

9.11 Confidentiality; Public Announcements .

(a) The Lender agrees to use best efforts to ensure that any information concerning the Borrowers, the Royalty Interests or the Projects obtained by the Lender or any of the Lender's authorized agents or representatives which is not contained in a report or other document filed with a securities commission or regulatory authority, distributed by the Borrowers to their shareholders or otherwise available to the public generally (other than by the Lender's breach of these confidentiality obligations) will, to the extent permitted by law and except as may be required by valid subpoena (including rules and regulations of the United States Securities Exchange Commission), any governmental authority having jurisdiction over the Lender or other external reporting requirements, be treated confidentiality by the Lender's employees, agents or representatives who have a reasonable need to know such information. These confidentiality obligations shall survive the term of this Agreement by one year.

(b) Public announcements or reports by any Borrower of information relating to this Agreement or the Lender's financing provided for herein (whether given to stock exchanges or otherwise) shall be made only on the basis of agreed texts approved by the Lender in advance of issuance, except to the extent required by Requirements of Law, applicable court order or rules of an applicable stock exchange.

9.12 Joint and Several Liability . Each of the Borrowers acknowledges that (i) it is a co-borrower hereunder and shall be jointly and severally, with the other Borrower, directly and primarily liable for the payment and performance of the Note and the Obligations, regardless of which Borrower actually receives Loans or the amount of such Loans received, (ii) each of the Borrowers shall have the obligation of a co-maker and shall be a primary obligor with respect to

the Loans, the Note and the other Obligations, it being agreed that the Loans to each Borrower inure to the benefit of both Borrowers, and (iii) the Lender is relying on such joint and several liability of the Borrowers in entering into this Agreement and extending the Loans. Each Borrower hereby unconditionally and irrevocably agrees that upon default in the payment when due of any principal, interest, fee or other amount hereunder, it will forthwith pay the same, without notice of demand. The Lender shall be entitled to rely upon any notice, request or communication received by it from any Borrower on behalf of both Borrowers, and shall be entitled to treat its giving of any notice hereunder pursuant to Section 9.1 hereof as notice to each and all Borrowers.

9.13 Entire Agreement . This Agreement, the Schedules and Exhibits hereto and the other Loan Documents, constitute the entire agreement between the Lender and the Borrowers with respect to the various commitments by the Lender to the Borrowers and indebtedness of the Borrowers to the Lender to be incurred under this Agreement; and no other agreements, promises, representations and warranties (express or implied), except those expressly set forth herein have been relied upon by the Borrower or have been made by the Lender. This Agreement restates, replaces and supersedes all prior agreements and understandings, both written and oral, between the parties, with respect to the subject matter hereof.

[REMAINDER OF THIS PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed and delivered by its respective duly authorized officers as of the day and year first above written.

LENDER :

HSBC BANK USA, NATIONAL ASSOCIATION

By: /s/ William S. Edge III
William S. Edge, III
Managing Director

By: /s/ P. E. Kavanagh
P. E. Kavanagh
Senior Vice President

BORROWERS :

ROYAL GOLD, INC.

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

HIGH DESERT MINERAL RESOURCES, INC.

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

Exhibit 10.6

Assessor's Parcel Number: n/a – royalty interest only
Mail Tax Statements to and Recorded at the request of
HSBC Bank USA, National Association
c/o Joel Benson, Esq., Davis Graham & Stubbs LLP,
1550 Seventeenth Street, Suite 500,
Denver, Colorado 80202

The undersigned affirms that this document contains no Social Security numbers.

SUPPLEMENTAL MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT, PLEDGE AND FINANCING STATEMENT

FROM

HIGH DESERT MINERAL RESOURCES, INC., as Trustor

TO

STEWART TITLE OF NORTHEASTERN NEVADA, as Trustee

AND

HSBC BANK USA, NATIONAL ASSOCIATION, as Beneficiary

DATED AS OF January 5, 2007

By: /s/ Joel O. Benson
Joel O. Benson, attorney
For HSBC Bank USA, National Association
1550 Seventeenth Street
Suite 500
Denver, Colorado 80202
303-892-7470

WHEN RECORDED, RETURN TO :
Joel O. Benson, Esq.
Davis Graham & Stubbs LLP
1550 17th Street, Suite 500
Denver, CO 80202

SUPPLEMENTAL MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT, PLEDGE AND FINANCING STATEMENT

THIS SUPPLEMENTAL MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT, PLEDGE AND FINANCING STATEMENT (this "Supplemental Mortgage") is entered into by and among High Desert Mineral Resources, Inc., a Delaware corporation, whose address is 1660 Wynkoop Street, Suite 1000, Denver, Colorado 80202-1132 (herein called "Trustor"), Stewart Title of Northeastern Nevada, (herein called "Trustee"), and HSBC Bank USA, National Association (herein called "Beneficiary"), a national banking association organized under the laws of the United States, whose address is 452 Fifth Avenue, New York, New York 10018.

Recitals

A. As a result of, and as contemplated in, that certain Second Amended and Restated Loan Agreement dated as of January 5, 2007, among the Trustor, as a borrower, Royal Gold, Inc., as a borrower, and the Beneficiary, as the lender (the "Loan Agreement"), the Trustor, the Trustee and the Beneficiary entered into that certain Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement, dated January 5, 2007, which was recorded with the Office of the County Clerk and Recorder, Eureka County, Nevada, on January 10, 2007, at Document No. 0207455 at Book 450, Pages 1 to 35 (the "Mortgage"). The Mortgage secures Trustor's prompt and complete payment and performance of the Obligations (as defined in the Loan Agreement).

B. Since the execution, delivery, and recording of the Mortgage, the Trustor has obtained certain royalty rights and interests in real property located in Eureka County, Nevada, due to the abandonment and relocation of certain unpatented mining claims that are burdened by the Trustor's carried interest in such properties. In order to include the newly located claims within the properties covered by the Mortgage of-record in Eureka County, the parties have entered into this Supplemental Mortgage, and the parties hereby agree that the royalty rights and interests in real property as more fully set out and described in Exhibits A and B attached hereto and incorporated herein by reference (the "Supplemental Properties"), are subject to the lien and encumbrance of the Mortgage.

C. The Mortgage covers, includes, and extends to all right, title, and interest in and to royalties and real property acquired by Trustor after the date of the Mortgage, and Trustor is required to supplement, update, and amend the Mortgage to include and incorporate all such after-acquired rights and interests in the Mortgage of-record. Unless otherwise defined in this Supplemental Mortgage, capitalized terms used herein which are defined in the Mortgage shall have the same meanings as the meanings assigned to such terms in the Mortgage.

D. Trustor desires hereby to supplement and amend the Mortgage to subject the Supplemental Properties to the lien and encumbrance of the Mortgage and to include the Supplemental Properties in the Collateral covered by the Mortgage. Trustor further desires to acknowledge and confirm the Mortgage, as supplemented and amended hereby.

WHEN RECORDED, RETURN TO :
Joel O. Benson, Esq.
Davis Graham & Stubbs LLP
1550 17th Street, Suite 500
Denver, CO 80202

E. This instrument is to be recorded as a Mortgage and filed as a financing statement pursuant to the Uniform Commercial Code, and is intended to be effective as: (1) a Mortgage of the royalty interests and other real property described herein; (2) a financing statement covering minerals to be extracted from the properties described herein, accounts resulting from the sale and the proceeds thereof; and (3) a financing statement covering all other personal property included in the Supplemental Properties described herein.

Agreement

NOW THEREFORE, in consideration of the sum of one dollar paid by the Trustee to the Trustor at the time of the execution and delivery of this Supplemental Mortgage, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Trustor hereby agrees as follows:

Trustor does hereby MORTGAGE, WARRANT, GRANT, BARGAIN, SELL, ASSIGN, TRANSFER, AND CONVEY unto Trustee, its successors and assigns, forever, the Supplemental Properties, with a power of sale subject to the terms of the Mortgage, for the benefit of the Beneficiary; to have and to hold the Supplemental Properties, together with all and singular the rights, privileges, contracts, and appurtenances now or hereafter at any time before the foreclosure or release hereof, in any way appertaining or belonging thereto, unto the Trustee and its substitutes or successors, forever, in trust, upon the terms and conditions herein set forth; and the Trustor hereby binds and obligates itself and its successors and assigns, to warrant and to defend, all and singular, title to the Supplemental Properties unto the Trustee, its substitutes or successors, forever, against the claims of any and all persons whomsoever claiming any part thereof.

Trustor does hereby also grant to Trustee, its successors and assigns, for the benefit of the Beneficiary, a continuing security interest in, pledge over and assignment of, all portions of the Supplemental Properties constituting Personalty Collateral, and in all Proceeds thereof.

This Supplemental Mortgage is executed, acknowledged, and delivered by Trustor, for the benefit of the Beneficiary, to secure and enforce the prompt and complete payment and performance of the Obligations. The Supplemental Properties are hereby incorporated into the Mortgage and the Supplemental Properties are included in, and form part of, the Collateral under the Mortgage. This Supplemental Mortgage forms part of, and is subject to the terms and conditions of, the Mortgage.

1. Trustor hereby (a) remakes and restates each of its representations and warranties in the Mortgage, effective as of the date of this Supplemental Mortgage, which representations and warranties are incorporated herein by reference as if fully set forth herein, and (b) represents and warrants that (i) the description of the Supplemental Properties described in Exhibits A and B hereto is true, complete, and accurate in all respects, (ii) this Supplemental Mortgage has been duly authorized, executed, and delivered by Trustor, (iii) this Supplemental Mortgage is binding upon and enforceable against the Trustor in accordance with its terms, and (iv) no default or event of default, however defined, under the Mortgage or any agreement referenced therein, has

occurred and is continuing or will occur as a result of the execution and delivery of this Supplemental Mortgage.

2. This Supplemental Mortgage shall constitute a security agreement with respect to the personal property in which Trustee has been granted a security interest hereby, and shall constitute a financing statement pursuant to the Uniform Commercial Code to be filed in the real estate records of the respective counties in which the Supplemental Properties and Collateral are located.

3. Trustor agrees that (a) this Supplemental Mortgage relates to and forms part of the Mortgage, (b) the Mortgage as amended and supplemented by this Supplemental Mortgage, is hereby ratified, approved, confirmed, and continued in each and every respect, and (c) the Mortgage remains in full force and effect in accordance with its terms. Nothing contained herein shall be construed or deemed to release, terminate, limit, or act as a novation of, in whole or in part, the Mortgage or any loan, promissory note, agreement, guaranty, lien, mortgage, deed, pledge, assignment, or grant of security interest granted pursuant thereto or associated therewith or of any right or interest of the Trustee in and to the Collateral, including the Supplemental Properties. All references to the Mortgage in any other agreement, document, or instrument shall hereafter be deemed to refer to the Mortgage as supplemented and amended hereby. The execution, delivery, and effectiveness of this Supplemental Mortgage shall not operate or be deemed to operate as a waiver of any rights, powers, or remedies of the Trustee under the Mortgage or any other agreement or constitute a waiver of any provision thereof.

4. This Supplemental Mortgage shall be binding upon and inure to the benefit of the Trustor, the Trustee and the Beneficiary, and their respective successors and assigns, as permitted by the Mortgage.

5. This Supplemental Mortgage, insofar as it pertains to Royalty Interests and Personalty Collateral located in the State of Nevada, shall be governed by the laws of Nevada. This Supplemental Mortgage, insofar as it constitutes a common law pledge with respect to the Collateral Account, shall be governed by the laws of New York. With respect to all other Collateral, this Mortgage shall be governed by the laws of the state in which the collateral is located.

Remainder of this page intentionally blank

IN WITNESS WHEREOF, the Trustor has duly executed and delivered this Supplemental Mortgage as of the date set forth below.

Executed as of January 5, 2007.

TRUSTOR:

HIGH DESERT MINERAL RESOURCES, INC.

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

ATTEST:

[Corporate Seal]

/s/ Karen Gross

Secretary
(Name and Title)

STATE OF COLORADO)
CITY AND) ss.
COUNTY OF DENVER)

On January 5, 2007 personally appeared before me, a notary public, Tony Jensen, the President of High Desert Mineral Resources, Inc., a Delaware corporation, who acknowledged that he executed the above instrument.

Witness my hand and official seal.

My commission expires April 5, 2007.

/s/ Linda L. Brown
Notary Public

[Seal]

Exhibit 10.7

AMENDED AND RESTATED
MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT,
PLEDGE AND FINANCING STATEMENT

FROM

ROYAL GOLD, INC., as Trustor

TO

STEWART TITLE OF NORTHEASTERN NEVADA, as Trustee

AND

HSBC BANK USA, National Association, as Beneficiary

DATED AS OF JANUARY 5, 2007

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT SECURES FUTURE ADVANCES.

THIS DOCUMENT WAS PREPARED BY
AND WHEN RECORDED AND/OR FILED
SHOULD BE RETURNED TO:

Joel O. Benson, Esq.
Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado 80202

AMENDED AND RESTATED
MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT,
PLEDGE AND FINANCING STATEMENT

This Amended and Restated Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement (the "Mortgage") is entered into by and among Royal Gold, Inc., a Delaware corporation, whose address is 1660 Wynkoop Street, Suite 1000, Denver, Colorado 80202-1132 (herein called "Trustor"), Stewart Title of Northeastern Nevada, (herein called "Trustee"), and HSBC Bank USA, National Association (herein called "Beneficiary"), a bank organized under the laws of the State of New York, whose address is 452 Fifth Avenue, New York, New York 10018.

RECITALS

A. The Trustor, Trustee and Beneficiary entered into that certain Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement, effective as of December 14, 2005 which was recorded with the Office of the County Clerk and Recorder, Eureka County, Nevada on ___, number ___ in Book ___, Pages ___ (as amended and modified prior to the date hereof, the "Existing Mortgage"). As a result of and as contemplated in that certain Second Amended and Restated Loan Agreement dated as of December ___, 2006, between Trustor, as borrower, and Beneficiary, as lender (the "Loan Agreement"), the Trustor, Trustee and Beneficiary desire to amend, restate, modify and continue the Existing Mortgage as provided herein.

B. This Mortgage secures the Trustor's prompt and complete payment and performance of all Obligations under, and as defined in, the Loan Agreement. It is a condition precedent to the Beneficiary making "Loans" to the Trustor under, and as defined in, the Loan Agreement that the Trustor shall have granted and perfected the liens and security interests contemplated by this Mortgage.

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

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1 - DEFINITIONS

Section 1.1 Defined Terms . For the purposes of this instrument:

"Collateral" includes Personalty Collateral and Realty Collateral as hereinafter defined.

"Debt Service Reserve Account" means a demand deposit account of Trustor at the offices of the Beneficiary in New York, New York, Account Number 66C-003556, and all

other accounts which may be maintained from time to time by Trustor in accordance with the Loan Agreement.

"Dollars" mean lawful money of the United States of America.

"Effective Date" means January 5, 2007.

"Obligations" means the aggregate of:

(i) all amounts payable pursuant to a second amended and restated promissory note, dated January 5, 2007, payable in full on or before December 31, 2010, executed by Trustor, payable to the order of the Beneficiary, in the principal face amount of Eighty Million Dollars ($80,000,000) (referred to herein as the "Note"), executed and delivered pursuant to the Loan Agreement;

(ii) any and all other or additional indebtedness or liabilities for which Trustor is now or may become liable to Beneficiary in any manner, whether under this instrument, the Loan Agreement or any other Loan Document (as defined in the Loan Agreement), either primarily or secondarily, absolutely or contingently, directly or indirectly, jointly, severally, or jointly and severally, and whether matured or unmatured, and whether or not created after payment in full of the Obligations if this instrument shall not have been released of record by Beneficiary;

(iii) all sums advanced and costs and expenses incurred by the Trustee or the Beneficiary, including without limitation all legal, accounting, engineering, management, consulting or like fees, made and incurred in connection with the Obligations described in paragraphs (i) and (ii) above or any part thereof, any renewal, extension or modification of, or substitution for, the foregoing Obligations or any part thereof, or the acquisition, perfection or maintenance and preservation of the security therefor, whether such advances, costs or expenses shall have been made and incurred at the request of Trustee, Beneficiary or Trustor; and

(iv) any and all extensions and renewals of, substitutions for, or modifications or amendments of any of the foregoing Obligations or any part thereof.

"Personalty Collateral" means all of Trustor's interest now owned or hereafter acquired in and to: (i) all Products attributable to the Royalty Interests, (ii) all Production Sales Contracts, (iii) all Royalty Agreements, (iv) all Refinery Accounts, (v) the Debt Service Reserve Account, and (vi) all accounts, contract rights and general intangibles now existing or hereafter arising in connection with the exploration for, production, processing, treatment, storage, transportation, manufacture or sale of Products attributable to the Royalty Interests.

"Proceeds" includes whatever is received upon the sale, exchange, collection or other disposition of the Collateral and insurance payable or damages or other payments by reason of loss or damage to the Collateral, and all additions thereto, substitutions and replacements thereof or accessions thereto.

"Production Sales Contract" means each contract now in effect or hereafter entered into by Trustor or Trustor's predecessors in title for the sale, purchase, exchange or processing of Products attributable to the Royalty Interests.

"Products" means without limitation all ore, minerals, concentrate, doré, bar, and refined gold, silver or other metals.

"Realty Collateral" means all of Trustor's interest in and to the Royalty Interests, including, but not limited to, the interests of Trustor described or specified in Parts I , II and III of Exhibit A hereto.

"Refinery Accounts" means accounts, and the credit balances in Dollars or Products therein, of Trustor at any refinery or processing facility to which Products attributable to the Royalty Interests are delivered, expressly including all accounts of Trustor presently in effect at Johnson Matthey in Salt Lake City, Utah.

"Royalty Agreements" means the agreements identified in Part IV of Exhibit A which create, define or otherwise pertain to the Royalty Interests, as of the Effective Date, and all other agreements to which Trustor is a party which pertain to the Royalty Interests.

"Royalty Interests" means the royalty interests and estates and other interests of Trustor identified in Part I of Exhibit A attached hereto and made a part hereof, in the lands described in Parts II and III of Exhibit A , whether now owned or hereafter acquired, or any other Royalty Interest acquired with the proceeds of the Loan, by operation of law or otherwise, together with all of Trustor's interests of any nature whatsoever now or hereafter incident or appurtenant thereto, including, but not limited to, fee mineral and surface interests in said lands, all unsevered and unextracted Products in, under or attributable to Trustor's interests in the royalty interest and estates and other interests of Trustor identified in Part I of Exhibit A hereto, in the lands described in Parts II and III of Exhibit A and in any other royalty interests, estates and other interests in lands acquired with the proceeds of Loans, and all rights of way, surface leases, and easements affecting the foregoing interests of Trustor or useful or appropriate in exploring and/or producing, processing, treating, handling, storing, transporting or marketing Products therefrom.

ARTICLE 2 - CREATION OF SECURITY

Section 2.1 Grant . In consideration of the Beneficiary's advancing or extending the funds or credit constituting the Obligations, and in consideration of the mutual covenants contained herein, and for the purpose of securing payment of the Obligations, Trustor hereby grants, bargains, sells, warrants, mortgages, assigns, transfers and conveys the Realty Collateral to the Trustee, with power of sale subject to the terms thereof, for the benefit of Beneficiary; to have and to hold the Realty Collateral, together with all and singular the rights, privileges, contracts, and appurtenances now or hereafter at any time before the foreclosure or release hereof, in any way appertaining or belonging thereto, unto the Trustee and to its substitutes or successors, forever, in trust, upon the terms and conditions herein set forth; and Trustor hereby binds and obligates itself and its successors and assigns, to warrant and to defend, all and

singular, title to the Collateral unto the Trustee, its substitutes or successors, forever, against the claims of any and all persons whomsoever claiming any part thereof.

Section 2.2 Creation of Security Interest . In addition to the grant contained in Section 2.1 , and for the same consideration and purpose, Trustor hereby grants to the Beneficiary, a first and prior security interest in all Personalty Collateral, now owned or hereafter acquired by Trustor, and in all Proceeds. Trustor, without limiting the foregoing provisions of this Section 2.2 , stipulates that the grant made by this Section 2.2 includes a grant of a security interest in Products extracted from or attributable to the Royalty Interests and in the Proceeds resulting from sale of such Products, such security interest to attach to such Products as extracted and to the accounts resulting from such sales.

Section 2.3 Pledge . Trustor hereby makes a common law pledge to the Beneficiary of the Debt Service Reserve Account and the Refinery Accounts, and the credit balances therein from time to time.

Section 2.4 Proceeds . The security interest of Beneficiary hereunder in the Proceeds shall not be construed to mean that Beneficiary consents to the sale or other disposition of any part of the Collateral other than Products extracted from or attributable to the Royalty Interests and sold in the ordinary course of business.

Section 2.5 Substitution of Beneficiary for Trustor . This instrument shall be effective, at the Beneficiary's option and as allowed by applicable law, as a mortgage as well as a deed of trust, and every grant herein to the Trustee of interests, powers, rights and remedies shall likewise be a grant of the same interests, powers, rights and remedies to the Beneficiary, as mortgagee. Subject to applicable law, Beneficiary shall in all instances, and in its sole discretion, elect whether this instrument shall be effective as a mortgage or as a deed of trust.

Section 2.6 Continuing Status of Lien, Security Interest and Pledge .

(a) The Loan Agreement and the Note provide for a revolving loan or loans from the Beneficiary to the Trustor pursuant to which, for the period specified in the Loan Agreement and in the Note, and subject to the terms and conditions of the Loan Agreement, the Trustor may borrow, repay and reborrow funds from the Beneficiary. So long as the commitment of the Beneficiary under the Loan Agreement to advance funds to the Trustor remains in effect, the lien on the Realty Collateral and the security interest in and pledge relating to the Personalty Collateral created hereby shall remain in effect with the priority date established by the recording or filing hereof, notwithstanding the fact that from time to time the outstanding balance of the loans to the Trustor under the Loan Agreement may be zero.

(b) This Mortgage amends, restates and continues the Existing Mortgage and nothing contained herein shall be deemed or construed to be a repayment, satisfaction or novation of the Obligations or to release, terminate, novate or in any way limit or impair any lien, security interest or encumbrance granted or given under the Existing Mortgage or otherwise to secure the Obligations.

ARTICLE 3 - ASSIGNMENT OF PRODUCTION PROCEEDS

Section 3.1 Assignment . As further security for the payment of the Obligations, the Trustor hereby assigns to the Beneficiary, effective upon an Event of Default, all Products (and the Proceeds therefrom) which are extracted from or attributable to the Royalty Interests and, effective automatically upon an Event of Default, the Trustor hereby transfers, assigns, warrants and conveys to Beneficiary all Products (and the Proceeds therefrom) which are extracted from or attributable to the Royalty Interests. Upon the occurrence of an Event of Default, all persons producing, purchasing and receiving such Products or the Proceeds therefrom are authorized and directed to treat Beneficiary as the person entitled in Trustor's place and stead to receive the same; and further, those persons will be fully protected in so treating Beneficiary and will be under no obligation to see to the application by Beneficiary of any Proceeds received by it. Trustor agrees that, if, after the occurrence of an Event of Default, any Proceeds from such Products are paid to Trustor, such proceeds shall constitute trust funds in the hands of Trustor, shall be segregated from all other funds of Trustor and separately held by Trustor, and shall be forthwith paid over by Trustor to Beneficiary in accordance with the Loan Agreement. Upon the occurrence of an Event of Default, Trustor shall, if and when requested by Beneficiary, execute and file with any production purchaser a transfer order or other instrument declaring Beneficiary to be entitled to the Proceeds of severed Products and instructing such purchaser to pay such Proceeds to Beneficiary. After the occurrence of an Event of Default, should any purchaser fail to make payment promptly to Beneficiary of the proceeds derived from the sale thereof, Beneficiary shall have the right, subject only to any contractual rights of such purchaser or any operator, to designate another purchaser to purchase and take such Products, without liability of any kind on Beneficiary in making such selection so long as ordinary care is used in respect thereof.

Section 3.2 Trustor's Payment Duties . Nothing contained herein will limit Trustor's duty to make payment on the Obligations when the Proceeds received by Beneficiary pursuant to this Article 3 are insufficient to pay the costs, interest, principal and any other portion of the Obligations then owing, and the receipt of Proceeds by Beneficiary will be in addition to all other security now or hereafter existing to secure payment of the Obligations.

Section 3.3 Liability of Beneficiary . Beneficiary has no obligation to enforce collection of any Proceeds and is hereby released from all responsibility in connection therewith, except the responsibility to account to Trustor for Proceeds actually received.

Section 3.4 Indemnification . Trustor agrees to indemnify Beneficiary against and hold Beneficiary harmless from all claims, actions, liabilities, losses, judgments, attorneys' fees, costs and expenses and other charges of any description whatsoever (all of which are hereafter referred to in this Section 3.4 as "Claims") made against or sustained or incurred by Beneficiary as a consequence of the assertion, either before or after the payment in full of the Obligations, that Beneficiary received Products or Proceeds pursuant to this instrument. Beneficiary will have the right to employ attorneys and to defend against any Claims and unless furnished with satisfactory indemnity, after notice to Trustor, Beneficiary will have the right to pay or compromise and adjust all Claims in its sole reasonable discretion. Trustor shall indemnify and pay to Beneficiary all amounts paid by Beneficiary in compromise or adjustment of any of the Claims or amounts adjudged against Beneficiary in respect of any of the Claims. The liabilities of Trustor as set

forth in this Section 3.4 will constitute Obligations and will survive the termination of this instrument.

ARTICLE 4 - TRUSTOR'S WARRANTIES AND COVENANTS

Section 4.1 Payment of Obligations . Trustor covenants that it will pay all Obligations when due and otherwise faithfully and strictly perform all obligations of Trustor under the Note, the Loan Agreement and any other instrument or document executed and delivered in connection with the Obligations. If any part of the Obligations is not evidenced by a writing specifying a due date, Trustor agrees to pay the same upon demand. All Obligations are payable to Beneficiary as provided in the Loan Agreement.

Section 4.2 Warranties and Covenants .

(a) Trustor warrants and covenants that:

(i) no approval or consent of any regulatory or administrative commission or authority or of any other governmental body or any other party is necessary to authorize the execution and delivery of this instrument or of any other written instrument constituting or evidencing the Obligations, or to authorize the observance or performance by Trustor of the covenants contained in the instruments constituting or evidencing the Obligations, or to authorize the observance or performance by Trustor of the covenants contained in this instrument or in the other written instruments constituting or evidencing the Obligations or to enable the Beneficiary to exercise its rights hereunder;

(ii) Trustor is not obligated, by virtue of a prepayment arrangement under any Production Sales Contract containing a "take or pay" clause or any other prepayment arrangement, to deliver Products produced from the Royalty Interests at some future time without then or thereafter receiving full payment therefor; and Trustor, without Beneficiary's prior written consent, shall not hereafter make any such prepayment arrangements, other than by a customary "take or pay" clause contained in a Production Sales Contract; and

(iii) it has not (since 1987) used any corporate name or done business under a name other than Royal Gold, Inc., and that it will not do so, or relocate its chief executive office outside of the State of Colorado without at least thirty days' prior notice to the Beneficiary.

(b) Trustor warrants and shall forever defend the Collateral against every person whomsoever lawfully claiming the same or any part thereof, and Trustor shall maintain and preserve the lien and security interest herein created until this instrument has been terminated as provided herein.

Section 4.3 Operation of Property Burdened with Royalty Interests . As long as this instrument has not been terminated, Trustor shall, at Trustor's own expense, use commercially reasonable efforts, consistent with its status as a non-executory, royalty interest holder and

consistent with Trustor's rights and obligations under the Royalty Agreements, to cause the operator(s) of the properties subject to the Royalty Interests to:

(a) comply fully with all of the terms and conditions of all leases and other instruments of title and all rights-of-way, easements and privileges necessary for the proper operation of such leases and instruments, and otherwise do all things necessary to keep Trustor's rights and Beneficiary's interest in the Collateral unimpaired;

(b) not abandon any property which is producing or capable of commercial production or forfeit, surrender or release any lease, sublease, operating agreement or other agreement or instrument comprising or affecting the Royalty Interests without Beneficiary's prior written consent, which consent shall not be withheld unreasonably;

(c) cause the properties subject to the Royalty Interests to be maintained, developed and operated in a good and workmanlike manner as a prudent operator would in accordance with generally accepted practices, applicable operating agreements and all applicable federal, state and local laws, rules, regulations and orders; and

(d) promptly pay or cause to be paid when due and owing all rentals and royalties payable in respect of the properties subject to the Royalty Interests; all expenses incurred in or arising from the operation or development of such properties; and all taxes, assessments and governmental charges imposed upon such properties.

Section 4.4 Recording and Filing . Trustor shall pay all costs of filing, registering and recording this and every other instrument in addition or supplemental hereto and all financing statements Beneficiary may require, in such offices and places and at such times and as often as may be, in the judgment of Beneficiary, necessary to preserve, protect and renew the lien and security interest herein created as a first lien and prior security interest on and in the Collateral and otherwise do and perform all matters or things necessary or expedient to be done or observed by reason of any law or regulation of any State or of the United States or of any other competent authority for the purpose of effectively creating, maintaining and preserving the lien and security interest created herein and on the Collateral and the priority thereof. Trustor shall also pay the costs of obtaining reports from appropriate filing officers concerning financing statement filings in respect of any of the Collateral in which a security interest is granted herein.

Section 4.5 Trustee's or Beneficiary's Right to Perform Trustor's Obligations . Trustor agrees that, if Trustor fails to perform any act which Trustor is required to perform under this instrument, Beneficiary or the Trustee or any receiver appointed hereunder may, but shall not be obligated to, perform or cause to be performed such act, and any expense incurred by Beneficiary or the Trustee in so doing shall be a demand obligation owing by Trustor to Beneficiary, shall bear interest at an annual rate equal to the maximum interest rate provided in the Note until paid and shall be a part of the Obligations, and Beneficiary, the Trustee or any receiver shall be subrogated to all of the rights of the party receiving the benefit of such performance. The undertaking of such performance by Beneficiary, the Trustee or any receiver as aforesaid shall not obligate such person to continue such performance or to engage in such performance or performance of any other act in the future, shall not relieve Trustor from the observance or performance of any covenant, warranty or agreement contained in this instrument

or constitute a waiver of default hereunder and shall not affect the right of Beneficiary to accelerate the payment of all indebtedness and other sums secured hereby or to resort to any other of its rights or remedies hereunder or under applicable law. In the event the Beneficiary, the Trustee or any receiver appointed hereunder undertakes any such action, no such party shall have any liability to the Trustor in the absence of a showing of gross negligence or willful misconduct of such party, and in all events no party other than the acting party shall be liable to Trustor.

ARTICLE 5 - DEFAULT

Section 5.1 Events of Default . The term "Event of Default" shall have the meaning given thereto in the Loan Agreement, but shall also include the occurrence or the existence of any of the following conditions:

(a) failure by Trustor to keep, punctually perform or observe any of the covenants, obligations or prohibitions contained herein, in any other written instrument evidencing any of the Obligations or in any other agreement with Beneficiary (whether now existing or entered into hereafter) following notice, if required, and the expiration of applicable cure periods, if any; or

(b) the assertion (except by the owner of an encumbrance expressly excepted from Trustor's warranty of title herein) of any claim of priority over this instrument, by title, lien or otherwise, unless Trustor within 30 days after such assertion either causes the assertion to be withdrawn or provides Beneficiary with such security as Beneficiary may require to protect Beneficiary against all loss, damage, or expense, including attorneys' fees, which Beneficiary may incur in the event such assertion is upheld.

Section 5.2 Acceleration Upon Default . Upon the occurrence of any Event of Default, or at any time thereafter, Beneficiary may, at its option, by notice to Trustor, declare the entire unpaid principal of and the interest accrued on the Obligations to be due and payable forthwith without any further notice, presentment or demand of any kind, all of which are hereby expressly waived.

Section 5.3 Possession and Operation of Property . Upon the occurrence of any Event of Default, or at any time thereafter, and in addition to all other rights therein conferred on the Trustee or the Beneficiary, the Trustee, the Beneficiary or any person, firm or corporation designated by Beneficiary, will have the right and power, but will not be obligated, to have an audit performed, at Trustor's expense, of the books and records of Trustor, and to enter upon and take possession of all or any part of the Collateral, to exclude Trustor therefrom, and to hold, use, administer and manage the same to the extent that Trustor could do so. The Trustee, the Beneficiary or any person, firm or corporation designated by the Beneficiary, may manage the Collateral, or any portion thereof, without any liability to Trustor in connection with such management except with respect to gross negligence or willful misconduct; and the Trustee, the Beneficiary or any person, firm or corporation designated by Beneficiary will have the right to collect, receive and receipt for all Products produced and sold from the Royalty Interests, and to exercise every power, right and privilege of Trustor with respect to the Collateral. Providing

there has been no foreclosure sale, when and if the expenses of the management of the Collateral have been paid and the Obligations paid in full, the remaining Collateral shall be returned to the Trustor.

Section 5.4 Ancillary Rights . Upon the occurrence of an Event of Default, or at any time thereafter, and in addition to all other rights of Beneficiary hereunder, Beneficiary may, without notice, demand or declaration of default, all of which are hereby expressly waived by Trustor, proceed by a suit or suits in equity or at law (i) for the seizure and sale of the Collateral or any part thereof, (ii) for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, (iii) for the foreclosure or sale of the Collateral or any part thereof under the judgment or decree of any court of competent jurisdiction, (iv) without regard to the solvency or insolvency of any person, and without regard to the value of the Collateral, and without notice to Trustor (notice being hereby expressly waived), for the ex parte appointment of a receiver to serve without bond pending any foreclosure or sale hereunder, or (v) for the enforcement of any other appropriate legal or equitable remedy.

ARTICLE 6 - BENEFICIARY'S RIGHTS AS TO REALTY COLLATERAL UPON DEFAULT

Section 6.1 Judicial Foreclosure . This instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of an Event of Default, or at any time thereafter, in lieu of the exercise of the non-judicial power of sale hereafter given, Beneficiary may, subject to any mandatory requirement of applicable law, proceed by suit to foreclose its lien hereunder and to sell or have sold the Realty Collateral or any part thereof at one or more sales, as an entirety or in parcels, at such place or places and otherwise, in such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as Beneficiary may deem appropriate, and Beneficiary shall thereafter make or cause to be made a conveyance to the purchaser or purchasers thereof. Beneficiary may postpone the sale of the real property included in the Collateral or any part thereof by public announcement at the time and place of such sale, and from time to time thereafter may further postpone such sale by public announcement made at the time of sale fixed by the preceding postponement. Sale of a part of the real property included in the Collateral will not exhaust the power of sale, and sales may be made from time to time until all such property is sold or the Obligations are paid in full.

Section 6.2 Non-Judicial Foreclosure . If the Note or other Obligations are not paid when due, whether by acceleration or otherwise, the Trustee is hereby authorized and empowered, and it shall be its duty, upon request of Beneficiary, and to the extent permitted by applicable law, to sell any part of the Realty Collateral at one or more sales, as an entirety or in parcels, at such place or places and otherwise in such manner and upon such notice as may be required by applicable law, or in the absence of any such requirement, as Trustee and/or Beneficiary may deem appropriate, and to make conveyance to the purchaser or purchasers thereof. Any sale shall be made to the highest bidder for cash at the door of the county courthouse of, or in such other place as may be required or permitted by applicable law in, the county in the state where the Realty Collateral or any part thereof is situated; provided that and if the Realty Collateral lies in more than one county, such part of the Realty Collateral may be sold

at the courthouse door of any one of such counties, and the notice so posted shall designate in which county such property shall be sold. Any such sale shall be made at public outcry, on the day of any month, during the hours of such day and after such written notices thereof have been publicly posted in such places and for such time periods and after all persons entitled to notice thereof have been sent such notice, all as required by applicable law in effect at the time of such sale. The affidavit of any person having knowledge of the facts to the effect that such a service was completed shall be prima facie evidence of the fact of service. The Trustor agrees that no notice of any sale, other than as required by applicable law, need be given by the Trustor, the Beneficiary or any other person. The Trustor hereby designates as its address for the purposes of such notice the address set out on page two hereof; and agrees that such address shall be changed only by depositing notice of such change enclosed in a postpaid wrapper in a post office or official depository under the care and custody of the United States Postal Service, certified mail, postage prepaid, return receipt requested, addressed to the Beneficiary or other holder of the Obligations at the address for the Beneficiary set out herein (or to such other address as the Beneficiary or other holder of the Obligations may have designated by notice given as above provided to the Trustor and such other debtors). Any such notice or change of address of the Trustor or other debtors or of the Beneficiary or of other holder of the Obligations shall be effective upon receipt. The Trustor authorizes and empowers the Trustee to sell the Realty Collateral in lots or parcels or in its entirety as the Trustee shall deem expedient; and to execute and deliver to the purchaser or purchasers thereof good and sufficient deeds of conveyance thereto by fee simple title, with evidence of general warranty by the Trustee, and the title of such purchaser or purchasers when so made by the Trustee, the Trustor binds itself to warrant and forever defend. Where portions of the Realty Collateral lie in different counties, sales in such counties may be conducted in any order that the Trustee may deem expedient; and one or more such sales may be conducted in the same month, or in successive or different months as the Trustor may deem expedient.

ARTICLE 7 - BENEFICIARY'S RIGHTS AS TO PERSONALTY AND FIXTURE COLLATERAL UPON DEFAULT

Section 7.1 Personalty Collateral . Upon the occurrence of an Event of Default, or at any time thereafter, Beneficiary may, without notice to Trustor, exercise its rights to declare all of the Obligations to be immediately due and payable, in which case Beneficiary will have all rights and remedies granted by law, and particularly by the Uniform Commercial Code, including, but not limited to, the right to take possession of the Personalty Collateral, and for this purpose Beneficiary may enter upon any premises on which any or all of the Personalty Collateral is situated and take possession of and operate the Personalty Collateral or remove it therefrom. Beneficiary may require Trustor to assemble the Personalty Collateral and make it available to Beneficiary or the Trustee at a place to be designated by Beneficiary which is reasonably convenient to all parties. Unless the Personalty Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Beneficiary will give Trustor reasonable notice of the time and place of any public sale or of the time after which any private sale or other disposition of the Personalty Collateral is to be made. This requirement of sending reasonable notice will be met if the notice is mailed, postage prepaid, to Trustor at the address designated above at least five days before the time of the sale or disposition.

Section 7.2 Sale with Realty Collateral . In the event of foreclosure, whether judicial or non-judicial, at Beneficiary's option it may proceed under the Uniform Commercial Code as to the Personalty Collateral or it may proceed as to both Realty Collateral and Personalty Collateral in accordance with its rights and remedies in respect of the Realty Collateral.

Section 7.3 Private Sale . If Beneficiary in good faith believes that the Securities Act of 1933 or any other State or Federal law prohibits or restricts the customary manner of sale or distribution of any of the Personalty Collateral, or if Beneficiary determines that there is any other restraint or restriction limiting the timely sale or distribution of any such property in accordance with the customary manner of sale or distribution, Beneficiary may sell or may cause the Trustee to sell such property privately or in any other manner it deems advisable at such price or prices as it determines in its sole discretion and without any liability whatsoever to Trustor in connection therewith. Trustor recognizes and agrees that such prohibition or restriction may cause such property to have less value than it otherwise would have and that, consequently, such sale or disposition by Beneficiary may result in a lower sales price than if the sale were otherwise held.

ARTICLE 8 - OTHER PROVISIONS CONCERNING FORECLOSURE

Section 8.1 Possession and Delivery of Collateral . It shall not be necessary for Beneficiary or the Trustee to have physically present or constructively in its possession any of the Collateral at any foreclosure sale, and Trustor shall deliver to the purchasers at such sale on the date of sale the Collateral purchased by such purchasers at such sale, and if it should be impossible or impracticable for any of such purchasers to take actual delivery of the Collateral, then the title and right of possession to the Collateral shall pass to the purchaser at such sale as completely as if the same had been actually present and delivered.

Section 8.2 Beneficiary as Purchaser . Beneficiary will have the right to become the purchaser at any foreclosure sale, and it will have the right to credit upon the amount of the bid the amount payable to it out of the net proceeds of sale.

Section 8.3 Recitals Conclusive; Warranty Deed; Ratification . Recitals contained in any conveyance to any purchaser at any sale made hereunder will conclusively establish the truth and accuracy of the matters therein stated, including, without limiting the generality of the foregoing, nonpayment of the unpaid principal sum of, and the interest accrued on, the written instruments constituting part or all of the Obligations after the same have become due and payable, nonpayment of any other of the Obligations or advertisement and conduct of the sale in the manner provided herein, and appointment of any successor Trustee hereunder. Trustor ratifies and confirms all legal acts that Beneficiary and/or Trustee may do in carrying out the provisions of this instrument.

Section 8.4 Effect of Sale . Any sale or sales of the Collateral or any part thereof will operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of Trustor in and to the premises and the property sold, and will be a perpetual bar, both at law and in equity, against Trustor, Trustor's successors or assigns and against any and all persons claiming or who shall thereafter claim all or any of the property sold from, through or under

Trustor, or Trustor's successors or assigns. Subject to applicable rights of redemption under applicable law, the purchaser or purchasers at the foreclosure sale will receive immediate possession of the property purchased; and if Trustor retains possession of the Realty Collateral, or any part thereof, subsequent to sale, Trustor will be considered a tenant at sufferance of the purchaser or purchasers, and if Trustor remains in such possession after demand of the purchaser or purchasers to remove, Trustor will be guilty of forcible detainer and will be subject to eviction and removal, forcible or otherwise, with or without process of law, and without any right to damages arising out of such removal.

Section 8.5 Application of Proceeds . The proceeds of any sale of the Collateral or any part thereof will be applied as follows:

(a) first, to the payment of all expenses incurred by the Trustee and Beneficiary in connection therewith, including, without limiting the generality of the foregoing, court costs, legal fees and expenses, fees of accountants, engineers, consultants, agents or managers and expenses of any entry or taking of possession, holding, valuing, preparing for sale, advertising, selling and conveying;

(b) second, to the payment of the Obligations; and

(c) third, any surplus thereafter remaining to Trustor or Trustor's successors or assigns, as their interests may be established to Beneficiary's reasonable satisfaction.

Section 8.6 Deficiency . Trustor will remain liable for any deficiency owing to Beneficiary after application of the net proceeds of any foreclosure sale.

Section 8.7 Trustor's Waiver of Appraisement, Marshaling, Etc . Trustor agrees that Trustor will not at any time insist upon or plead or in any manner whatsoever claim the benefit of any appraisement, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this instrument, the absolute sale of the Collateral or the possession thereof by any purchaser at any sale made pursuant to this instrument or pursuant to the decree of any court of competent jurisdiction. Trustor, for Trustor and all who may claim through or under Trustor, hereby waives the benefit of all such laws and to the extent that Trustor may lawfully do so under applicable state law, waives any and all right to have the Realty Collateral marshaled upon any foreclosure of the lien hereof or sold in inverse order of alienation and, Trustor agrees that the Trustor may sell the Realty Collateral as an entirety.

ARTICLE 9 - MISCELLANEOUS

Section 9.1 Discharge of Purchaser . Upon any sale made under the powers of sale herein granted and conferred, the receipt of Beneficiary will be sufficient discharge to the purchaser or purchasers at any sale for the purchase money, and such purchaser or purchasers and the heirs, devisees, personal representatives, successors and assigns thereof will not, after paying such purchase money and receiving such receipt of Beneficiary, be obliged to see to the application thereof or be in anywise answerable for any loss, misapplication or nonapplication thereof.

Section 9.2 Indebtedness of Obligations Absolute . Nothing herein contained shall be construed as limiting Beneficiary to the collection of any indebtedness of Trustor to Beneficiary only out of the income, revenue, rents, issues and profits from the Collateral or as obligating Beneficiary to delay or withhold action upon any default which may be occasioned by failure of such income or revenue to be sufficient to retire the principal or interest when due on the indebtedness secured hereby. It is expressly understood between Beneficiary and Trustor that any indebtedness of Trustor to Beneficiary secured hereby shall constitute an absolute, unconditional obligation of Trustor to pay as provided herein or therein in accordance with the terms of the instrument evidencing such indebtedness in the amount therein specified at the maturity date or at the respective maturity dates of the installments thereof, whether by acceleration or otherwise.

Section 9.3 Defense of Claims . Trustee will promptly notify the Trustor and Beneficiary in writing of the commencement of any legal proceedings affecting Beneficiary's interest in the Collateral, or any part thereof, and shall take such action, employing attorneys acceptable to Beneficiary, as may be necessary to preserve Trustor's, the Trustee's and Beneficiary's rights affected thereby; and should Trustor fail or refuse to take any such action, the Trustee or Beneficiary may take the action on behalf of and in the name of Trustor and at Trustor's expense. Moreover, Beneficiary or the Trustee on behalf of Beneficiary may take independent action in connection therewith as they may in their discretion deem proper, and Trustor hereby agrees to make reimbursement for all sums advanced and all expenses incurred in such actions plus interest at a rate equal to the maximum interest rate provided in the Loan Agreement.

Section 9.4 Termination . If all the Obligations are paid in full and the covenants herein contained are well and truly performed, and if Trustor and Beneficiary intend at such time that this instrument not secure any obligation of Trustor thereafter arising, then the Beneficiary shall, upon the request of Trustor and at Trustor's cost and expense, deliver to Trustor proper instruments executed by the Beneficiary evidencing the release of this instrument. Until such delivery, this instrument shall remain and continue in full force and effect.

Section 9.5 Renewals, Amendments and Other Security . Renewals and extensions of the Obligations may be given at any time, amendments may be made to the agreements with third parties relating to any part of the Obligations or the Collateral, and Beneficiary may take or hold other security for the Obligations without notice to or consent of Trustor. The Trustor or Beneficiary may resort first to other security or any part thereof, or first to the security herein given or any part thereof, or from time to time to either or both, even to the partial or complete abandonment of either security, and such action will not be a waiver of any rights conferred by this instrument.

Section 9.6 Successor Trustees . The Trustee may resign in writing addressed to Beneficiary or be removed at any time with or without cause by an instrument in writing duly executed by Beneficiary. In case of the resignation or removal of the Trustee, a successor Trustee may be appointed by Beneficiary by instrument of substitution complying with any applicable requirements of law, and in the absence of any such requirement, without other formality than an appointment and designation in writing. Any appointment and designation will be full evidence of the right and authority to make the same and of all facts therein recited. Upon

the making of any appointment and designation, all the estate and title of the Trustee in all of the Realty Collateral will vest in the named successor Trustee, and the successor will thereupon succeed to all the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee. All references herein to the Trustee will be deemed to refer to the Trustee from time to time acting hereunder.

Section 9.7 Limitations on Interest . No provision of the Note, Loan Agreement or other instrument constituting or evidencing any of the Obligations or any other agreement between the parties shall require the payment or permit the collection of interest in excess of the maximum non-usurious rate which Trustor may agree to pay under applicable laws. The intention of the parties being to conform strictly to applicable usury laws now in force, the interest on the principal amount of the Note and the interest on other amounts due under and/or secured by this instrument shall be held to be subject to reduction to the amount allowed under said applicable usury laws as now or hereafter construed by the courts having jurisdiction, and any excess interest paid shall be credited to Trustor.

Section 9.8 Effect of Instrument . This instrument shall be deemed and construed to be, and may be enforced as, an assignment, chattel mortgage or security agreement, common law pledge, contract, deed of trust, financing statement, real estate mortgage, and as any one or more of them if appropriate under applicable state law. This instrument shall be effective as a financing statement covering minerals or the like and accounts subject to Section 9-103(5) (or corresponding provision) of the Uniform Commercial Code as enacted in the appropriate jurisdiction and is to be filed for record in the Office of the County Clerk or other appropriate office of each county where any part of the collateral is situated. A carbon, photographic, or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as a financing statement.

Section 9.9 Unenforceable or Inapplicable Provisions . If any provision hereof or of any of the written instruments constituting part or all of the Obligations is invalid or unenforceable in any jurisdiction, whether with respect to all parties hereto or with respect to less than all of such parties, the other provisions hereof and of the written instruments will remain in full force and effect in that jurisdiction with respect to the parties as to which such provision is valid and enforceable, and the remaining provisions hereof will be liberally construed in favor of Beneficiary in order to carry out the provisions hereof. The invalidity of any provision of this instrument in any jurisdiction will not affect the validity or enforceability of any provision in any other jurisdiction.

Section 9.10 Rights Cumulative . Each and every right, power and remedy given to Beneficiary herein or in any other written instrument relating to the Obligations will be cumulative and not exclusive; and each and every right, power and remedy whether specifically given herein or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by Beneficiary, and the exercise, or the beginning of the exercise, of any such right, power or remedy will not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power or remedy. A waiver by Beneficiary of any right or remedy hereunder or under applicable law on any occasion will not be a bar to the exercise of any right or remedy on any subsequent occasion.

Section 9.11 Non-Waiver . No act, delay, omission or course of dealing between Beneficiary and Trustor will be a waiver of any of Beneficiary's rights or remedies hereunder or under applicable law. No waiver, change or modification in whole or in part of this instrument or any other written instrument will be effective unless in a writing signed by Beneficiary.

Section 9.12 Beneficiary's Expenses . Trustor agrees to pay in full all expenses and reasonable attorneys' fees of Beneficiary which may have been or may be incurred by Beneficiary in connection with the collection of the Obligations and the enforcement of any of Trustor's obligations hereunder and under any documents executed in connection with the Obligations.

Section 9.13 Indemnification . Trustor shall indemnify Beneficiary and the Trustee and hold each of them harmless against, and neither Beneficiary nor the Trustee shall be liable for, any loss, cost or damage, including without limitation attorneys', consultants' or management fees, resulting from exercise by Beneficiary or the Trustee of any right, power or remedy conferred upon it by this instrument or any other instrument pertaining hereto, or from the attempt or failure of Beneficiary or the Trustee to exercise any such right, power or remedy; and notwithstanding any provision hereof to the contrary, the foregoing indemnity shall in all respects continue and remain in full force and effect even though all indebtedness and other sums secured hereby may be fully paid and the lien of this instrument released.

Section 9.14 Partial Releases . In the event Trustor sells for monetary consideration or otherwise any portion of the Royalty Interests, as permitted by the Loan Agreement, Beneficiary and Trustee shall release the lien of this instrument with respect to the portion sold, at the request of Trustor. No release from the lien of this instrument of any part of the Collateral by Beneficiary shall in anywise alter, vary or diminish the force, effect or lien of this instrument on the balance or remainder of the Collateral.

Section 9.15 Subrogation . This instrument is made with full substitution and subrogation of Beneficiary and Trustee in and to all covenants and warranties by others heretofore given or made in respect of the Collateral or any part thereof.

Section 9.16 Notice . All notices and deliveries of information hereunder shall be deemed to have been duly given if actually delivered or mailed by registered or certified mail, postage prepaid, addressed to the parties hereto at the addresses set forth above on page 1; if by mail, then as of the date of such mailing. Each party may, by written notice so delivered to the others, change the address to which delivery shall thereafter be made.

Section 9.17 Successors . This instrument shall bind and inure to the benefit of the respective successors and assigns of the parties.

Section 9.18 Interpretation .

(a) Article and section headings used in this instrument are intended for convenience only and shall be given no significance whatever in interpreting and construing the provisions of this instrument.

(b) As used in this instrument, “Beneficiary” and “Trustee” include their respective successors and assigns. Unless context otherwise requires, words in the singular number include the plural and in the plural number include the singular. Words of the masculine gender include the feminine and neuter gender and words of the neuter gender may refer to any gender.

Section 9.19 Inconsistencies with Related Documents . To the extent, if any, the provisions hereof are inconsistent with the provisions of the Loan Agreement, such inconsistencies shall be resolved by giving controlling effect to the Loan Agreement.

Section 9.20 Counterparts . This instrument may be executed in any number of counterparts, each of which will for all purposes be deemed to be an original, and all of which are identical except that to facilitate recordation, in particular counterparts hereof, portions of Exhibit A hereto which describe properties situated in counties other than the county in which the counterpart is to be recorded have been omitted.

Section 9.21 Governing Law . This Mortgage, insofar as it pertains to Royalty Interests and Personalty Collateral located in the State of Nevada shall be governed by the laws of Nevada. This Mortgage, insofar as it constitutes a common law pledge with respect to the Debt Service Reserve Account, shall be governed by the laws of New York. With respect to all other Collateral, this Mortgage shall be governed by the laws of the state in which the collateral is located.

Executed as of the Effective Date.

TRUSTOR:

ROYAL GOLD, INC.

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

ATTEST:

[Corporate Seal]

Karen Gross

Secretary

(Name and Title)

STATE OF COLORADO)
CITY AND) ss.
COUNTY OF DENVER)

On January 5, 2007 personally appeared before me, a notary public, Tony Jensen, the President and CEO of Royal Gold, Inc., a Delaware corporation, who acknowledged that he executed the above instrument.

Witness my hand and official seal.

My commission expires April 5, 2007.

/s/ Linda L. Brown
Notary Public

[Seal]

HSBC BANK USA,
NATIONAL ASSOCIATION

By: /s/ P.E. Kavanagh
Name: P.E. Kavanagh
Title: Senior Vice President

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On January 5, 2007 personally appeared before me, a notary public, P.E. Kavanagh, a Senior Vice President, of HSBC Bank USA, National Association, who acknowledged that he executed the above

Witness my hand and official seal.

My commission expires September 19, 2010.

/s/ Lourdes R. Smart
Notary Public

[Seal]

Exhibit 10.8

SECOND AMENDED AND RESTATED PROMISSORY NOTE

US$80,000,000 January 5, 2007

FOR VALUE RECEIVED, each of the undersigned, ROYAL GOLD, INC., a corporation organized and existing under the laws of Delaware ("Royal Gold") and HIGH DESERT MINERAL RESOURCES, INC., a corporation organized and existing under the laws of Delaware ("High Desert", with each of Royal Gold and High Desert individually referred to as a "Maker" and collectively referred to as the "Makers"), on a joint and several liability basis, hereby promises to pay to the order of HSBC BANK USA, NATIONAL ASSOCIATION ("HSBC"), or other holder hereof (with HSBC and any other holder hereof sometimes referred to herein as "Holder"), at the place and times provided in the Loan Agreement (defined below), the principal sum of Eighty Million Dollars (US$80,000,000) or, if less, the principal amount of all Loans made by the Lender from time to time or otherwise outstanding pursuant to the Second Amended and Restated Loan Agreement dated as of January 5, 2007 among the Makers and HSBC (as amended, restated, supplemented or otherwise modified in accordance with its terms, the "Loan Agreement"). Subject to the Loan Agreement, the Makers may borrow, voluntarily repay and reborrow amounts hereunder during the availability period. Capitalized terms used in this Note and not defined herein shall have the meanings assigned thereto in the Loan Agreement.

This Note evidences the obligation of the Makers to repay all sums Advanced by HSBC to the Makers as Loans pursuant to the Loan Agreement.

This Note represents an extension and renewal of the outstanding principal amount of, and an amendment to, replacement of and substitution for, the Amended and Restated Promissory Note dated December 14, 2005 made by Royal Gold and payable to HSBC (the "Existing Note"). The indebtedness evidenced by the Existing Note is a continuing indebtedness and nothing contained herein shall be construed to deem paid the Existing Note or to release, terminate or in any way impair any mortgage, pledge, lien or security interest given to secure payment and performance of the Existing Note. This Note restates and replaces the Existing Note.

Each Maker further agrees to pay and deliver to Holder, when and as provided in the Loan Agreement, interest on the outstanding principal amount hereof at the rate and at the times specified in the Loan Agreement. The unpaid principal amount of this Note from time to time outstanding is subject to mandatory repayment from time to time as provided in the Loan Agreement. All payments of principal and interest on this Note shall be payable in lawful currency of the United States of America in immediately available funds as specified in the Loan Agreement.

This Note is made by the Makers pursuant to, and is subject to, all of the terms and conditions of the Loan Agreement. Reference is hereby made to the Loan Agreement and the

documents delivered in connection therewith for a statement of the prepayment rights and obligations of the Makers, a description of the collateral in which Liens have been granted by the Makers to secure the payment and performance of each Maker hereunder, the nature and extent of such Liens, and for a statement of the terms and conditions under which the due date of this Note may be accelerated.

In addition to, and not in limitation of, the foregoing and the provisions of the Loan Agreement, each Maker further agrees, subject only to any limitation imposed by applicable law, to pay all expenses, including reasonable attorneys' fees and legal expenses, incurred by any Holder hereof in endeavoring to collect any amounts due and payable hereunder which are not paid and delivered or otherwise satisfied when due, whether by acceleration or otherwise.

Each Maker, for itself and for all endorsers hereof, hereby waives all requirements as to diligence, notice, demand, presentment for payment, protest and notice of dishonor.

This Note and the rights of each Maker and any Holders hereof are governed by the laws of the State of New York.

IN WITNESS WHEREOF, each Maker has executed and delivered this Note as of the date first above written.

ROYAL GOLD, INC.

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

HIGH DESERT MINERAL RESOURCES, INC.

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

Exhibit 10.9

ASSIGNMENT OF RIGHTS AGREEMENT

BETWEEN

MARIO IVAN HERNÁNDEZ ALVAREZ

AS ASSIGNOR

R OYAL G OLD CHILE LIMITADA

AS ASSIGNEE

AND

ROYAL GOLD INC .

AS GUARANTOR

Assignment of Rights Agreement

THIS ASSIGNMENT OF RIGHTS AGREEMENT (" **Agreement** ") effective January 16, 2007 (" **Effective Date** ") is by and between Mario Ivan Hernández Alvarez , Chilean, mining engineer, married with identification certificate number 4773296-K, domiciled at La Concepción 266, Suite 701, Providencia, Chile, (" **Assignor** ") and Royal Gold, Inc. a corporation organized and existing under the laws of the State of Delaware, United States of America, (" **Royal Gold Inc** .") acting on behalf of Royal Gold Chile Limitada, a Chilean limited liability company under formation (" **Royal Gold Chile** ") and as guarantor of the obligations of Royal Gold Chile hereunder, domiciled at Torre de la Costanera, Avenida Andres Bello 2711, 16th Floor, Santiago, Chile.

RECITALS

Compañia Minera Barrick Chile Limitada (" **Barrick** ") and Assignor are the parties to that certain Stock Purchase Agreement, dated June 30, 1998 (" **Pascua-Lama Contract** ") a true and complete copy of which is attached hereto as Exhibit A .

Pursuant to the Pascua-Lama Contract, Assignor is entitled to receive as the balance of the price due from Barrick: (i) as provided in Clauses 4d) and 4e), an amount equivalent to a variable percentage of the value of gold produced by Barrick or it successors from mineral concessions located in whole or in part within an area identified in Annex A to the Pascua-Lama Contract, and (ii) as provided in Clause 4f), an amount equivalent to 0.4314% of proceeds from copper sold on and after January 1, 2017 that is produced by Barrick or it successors from mineral concessions located in whole or in part within an area identified in Annex A to the Pascua-Lama Contract, less certain specified deductions, all on the terms and conditions specified in the Pascua-Lama Contract (collectively, together will all rights granted to Assignor by the Pascua-Lama Contract in respect of such payments, " **Assignor's Royalty Interest** ").

Assignor desires to assign to Royal Gold Chile and Royal Gold Chile desires to acquire by assignment from Assignor one half of Assignor's Royalty Interest (" **Purchased Royalty Interest** "), on the terms and subject to the conditions set forth in this Agreement.

Royal Gold Chile also desires to acquire a right of first refusal to purchase all or any portion of the other one half of Assignor's Royalty Interest and Assignor is willing to grant such a right to Royal Gold Chile, on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants, conditions and agreements contained herein, Assignor and Royal Gold Chile (the " **Parties** "), intending to be legally bound, covenant and agree as follows.

AGREEMENT

ARTICLE I
DEFINITIONS AND CONSTRUCTION

1.1 **Definitions** . As used in this Agreement, the following terms, whether in singular or plural form, shall have the following meanings:

(a) " Acquisition " means the consummation of the assignment of the Purchased Royalty Interest to Royal Gold Chile and of the other transactions contemplated by this Agreement.

(b) " Affiliate " means with respect to any Person, any other Person controlling, controlled by or under common control with such Person, with "control" for such purposes meaning (i) the ownership of 50% or more of the equity interests or social rights in a Person, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or voting interests, by contract or otherwise.

(c) " Agreement " has the meaning set forth in the Preamble.

(d) " Assignor " has the meaning set forth in the Preamble.

(e) " Assignor's Royalty Interest " has the meaning set forth in the Recitals.

(f) " Barrick " has the meaning set forth in the Recitals.

(g) " Business Day " means any day other than a Saturday, a Sunday or a day on which banks are generally not open for the conduct of regular business in either Santiago, Chile, or Denver, Colorado, United States of America.

(h) " Chamber " has the meaning set forth in Section 10.7(a).

(i) " Closing " means the consummation of the Acquisition.

(j) " Closing Date " has the meaning set forth in Section 2.4.

(k) " Contract Administration Rights " has the meaning set forth in Section 5.3(b).

(l) " Dispute " has the meaning set forth in Section 10.7(a).

(m) " Effective Date " has the meaning set forth in the Preamble.

(n) " Encumbrance " means any security agreement, financing statement filed with any Governmental Authority, conditional sale or contract right, lien, mortgage, indenture, pledge, option, encumbrance of any kind, constructive trust or other trust, claim, attachment, exception to or defect in title or other ownership interest of any kind which constitutes an interest in or claim against property, however arising.

(o) "Governmental Authority" means the Republic of Chile, the United States of America, any region or state thereof, and any political subdivision or quasi-governmental authority of any of the same.

(p) " Indemnitee " has the meaning set forth in Section 8.3(a).

(q) " Indemnitor " has the meaning set forth in Section 8.3(a).

(r) " Losses " means any claims, losses, liabilities, damages, penalties, costs, and expenses, including interest imposed in connection therewith, expenses of investigation, reasonable fees and disbursements of counsel and other experts, and the cost to any Indemnitee making a claim or seeking indemnification under this Agreement with respect to funds expended by such Indemnitee by reason of the occurrence of any event with respect to which indemnification is sought.

(s) " Notice " has the meaning set forth in Section 10.1.

(t) " Notice of Proposed Transfer " has the meaning set forth in Section 9.1.

(u) " Parties " has the meaning set forth in the Recitals.

(v) " Pascua-Lama Contract " has the meaning set forth in the Recitals.

(w) " Pascua-Lama Project " means the cross-border precious metals project located in Region III, Chile, approximately 150 kilometers southeast of Vallenar, and in San Juan Province, Argentina.

(x) " Person " means any natural person, Governmental Authority, corporation, general or limited partnership, limited liability company, joint venture, trust, association or unincorporated entity of any kind.

(y) " Purchase Price " has the meaning set forth in Section 2.2.

(z) ' Purchased Royalty Interest " has the meaning set forth in the Recitals, and together with the Retained Royalty Interest constitutes Assignor's Royalty Interest.

(aa) " Retained Royalty Interest " means the one half interest in Assignor's Royalty Interest that is not to be assigned to Royal Gold Chile at the Closing, but that will be retained by Assignor.

(bb) " Royal Gold Chile " means Royal Gold Chile Limitada, a Chilean limited liability company under formation.

(cc) " Royal Gold Inc ". has the meaning set forth in the Preamble.

(dd) " Transfer " means sell, assign, transfer, subrogate, novate, pledge, hypothecate or encumber, in any form, directly or indirectly.

1.2 **Rules of Construction** . Unless otherwise expressly provided in this Agreement: (i) words used in this Agreement, regardless of the gender used, shall be deemed and construed to include any other gender, masculine, feminine, or neuter, as the context requires; (ii) the word "including" is not limiting, and the word "or" is not exclusive; (iii) the capitalized term "Section" refers to sections of this Agreement; (iv) references to a particular Section include all subsections thereof; and (viii) references to a "day" or number of "days" (without the explicit qualification "Business") refer to a calendar day or number of calendar days.

1.3 **Exhibits** . The following Exhibits attached hereto are incorporated in, and form a part of, this Agreement:

Exhibit A Pascua-Lama Contract

Exhibit B Form of Public Deed

ARTICLE II
PURCHASE AND SALE, CLOSING

2.1 **Purchase and Sale** . Subject to the terms and conditions of this Agreement, at the Closing, Assignor shall assign and transfer to Royal Gold Chile and Royal Gold Chile shall purchase and pay the Purchase Price for the Purchased Royalty Interest, free and clear of all Encumbrances.

2.2 **Purchase Price** . The purchase price for the Purchased Royalty Interest shall be US $20.5 million (" **Purchase Price** "), payable as herein provided.

2.3 **Payment of Purchase Price** . At the Closing, Royal Gold Chile shall pay the Purchase Price to Assignor by bank wire transfer of immediately available funds to an account designated by Assignor at least three Business Days prior to the Closing.

2.4 **Closing** . The Closing shall occur as promptly as possible, and in any event not later than the earlier of (i) March 10, 2007 or (ii) five Business Days following the satisfaction or waiver of the conditions set forth in Article VI, or on such other date as the Parties may agree (the " **Closing Date** "). The Closing shall take place at Avenida Andrés Bello N°2711, piso 16, comuna de las Condes, Santiago, Chile, or at such other place as the Parties may agree not later than three (3) Business Days prior to the Closing Date.

2.5 **Deliveries by Assignor** . At the Closing, Assignor shall deliver, or cause to be delivered to Royal Gold Chile (unless previously delivered or waived in writing by Royal Gold Chile) the following:

(a) a Public Deed in the form and substance of Exhibit B , assigning and transferring the Purchased Royalty Interest to Royal Gold Chile;

(b) a certificate executed by Assignor, stating that the conditions set forth in Section 6.1 have been satisfied;

(c) an opinion of Assignor's legal counsel in form and substance satisfactory to Royal Gold Chile and its legal counsel, acting reasonably, to the effect that Assignor has all the requisite power and authority to execute this Agreement, that Assignor has performed all the necessary acts to execute and deliver this Agreement, and that upon execution and delivery by Assignor, this Agreement will constitute Assignor's valid and binding obligation and be enforceable against him in accordance with its terms; and

(d) all such other assurances, consents, agreements, documents and instruments as may be reasonably required by Royal Gold Chile to consummate the Acquisition.

2.6 **Deliveries by Royal Gold Chile** . At the Closing, Royal Gold Chile shall deliver, or cause to be delivered to Assignor (unless previously delivered or waived in writing by Assignor) the following:

(a) the Purchase Price, as provided in Section 2.3;

(b) a certificate executed by an authorized officer of Royal Gold Chile, stating that the conditions set forth in Section 6.2 have been satisfied;

(c) an opinion of Royal Gold Chile's legal counsel in form and substance satisfactory to Assignor and its legal counsel, acting reasonably, to the effect that Royal Gold Chile has all the requisite corporate power and authority to execute this Agreement, that Royal Gold Chile has performed all the necessary acts to execute and deliver this Agreement, and that upon execution and delivery by Royal Gold Chile, this Agreement will constitute Royal Gold Chile's valid and binding obligation and be enforceable against it in accordance with its terms; and

(d) all such other assurances, consents, agreements, documents and instruments as may be reasonably required by Assignor to consummate the Acquisition.

2.7 **Further Assurances** . On and after the Closing Date, each of the Parties will take all appropriate action and execute any documents, instruments or conveyances of any kind that may be reasonably requested by the other Party to carry out any of the provisions of this Agreement.

ARTICLE III
ASSIGNOR'S REPRESENTATIONS AND WARRANTIES

Assignor represents and warrants to Royal Gold Chile, as of the date of this Agreement and as of the Closing, as follows:

3.1 **Title to Assignor's Royalty Interest** . Assignor owns the entire right, title, and interest in Assignor's Royalty Interest free and clear of all Encumbrances or claims by third Persons. At the Closing Royal Gold Chile will acquire the Purchased Royalty Interest free and clear of all Encumbrances or claims by third Persons.

3.2 **Pascua-Lama Contract** . A true and complete copy of the Pascua-Lama Contract is attached hereto as Exhibit A. The Pascua-Lama Contract is enforceable in accordance with its

terms and has not been modified, supplemented, or amended. Assignor has not assigned, in whole or in part, Assignor's Royalty Interest or any of his rights with respect thereto; granted or created any Encumbrances on or in respect of Assignor's Royalty Interest; granted any options to purchase or rights of first refusal with respect to Assignor's Royalty Interest; or agreed to any amendment to the Pascua-Lama Contract or waived any of his rights thereunder. Assignor has fully and timely performed all of his obligations under the Pascua-Lama Contract and there are no further actions required by him or on his behalf in order for him to be fully vested in and entitled to Assignor's Royalty Interest. There does not exist under the Pascua-Lama Contract any event of default or event or condition that, after notice or lapse of time or both, would constitute a violation, breach or event of default on the part of Assignor or any other party thereto.

3.3 **Authority.** Assignor has all requisite power and authority to execute, deliver, and perform this Agreement and to consummate the transactions contemplated hereby. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby by Assignor have been duly and validly authorized by all necessary action on the part of Assignor, and this Agreement has been duly and validly executed and delivered by Assignor, and is the valid and binding obligation of Assignor, enforceable against him in accordance with its terms.

3.4 **No Conflict; No Required Consents** The execution, delivery, and performance by Assignor of this Agreement do not and will not (i) violate any provision of any law applicable to Assignor; (ii) conflict with, violate, result in a breach of, constitute a default under (without regard to requirements of notice, lapse of time, or elections of other Persons, or any combination thereof) or accelerate or permit the acceleration of the performance required by, any agreements to which Assignor is a party or by which he is bound or affected; or (iii) require any consent, approval, or authorization of, or filing of any certificate, notice, application, report, or other document with, any Governmental Authority or other Person, other than any filing required to be made by United States securities laws and the notification to Barrick of the Public Deed attached hereto as Exhibit A.

3.5 **No Litigation** . No litigation, arbitration or other proceeding is pending, or to Assignor's knowledge, threatened, against Assignor or involving Assignor's Royalty Interest.

3.6 **Information and Data.** Assignor has provided Royal Gold Chile with copies of all correspondence, notes, written information, data, and other documents in his possession or control relating to Assignor's Royalty Interest, including all copies of all written communications with Barrick.

3.7 **Broker's Fees** . Assignor does not have any liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Royal Gold Chile could become liable or obligated.

ARTICLE IV
ROYAL GOLD CHILE'S REPRESENTATIONS AND WARRANTIES

Royal Gold Chile represents and warrants to Assignor, as of the date of this Agreement and as of the Closing, as follows:

4.1 **Organization of Royal Gold Chile** . Royal Gold Chile is a Chilean limited liability company under formation that at the Closing Date will be duly organized, validly existing and owned by Royal Gold Inc. and an Affiliate of Royal Gold Inc. Royal Gold Inc, is duly organized, validly existing, and in good standing under the laws of the State of Delaware, and has all requisite power and authority to conduct its activities as such activities are currently conducted.

4.2 **Authority.** Royal Gold Inc. has all requisite corporate power and authority to execute, deliver, and perform this Agreement on behalf of Royal Gold Chile and to consummate the transactions contemplated hereby. At the Closing the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby by Royal Gold Chile will have been duly and validly authorized by all necessary action on the part of Royal Gold Chile. This Agreement has been duly and validly executed and delivered on behalf of Royal Gold Chile, and is the valid and binding obligation of Royal Gold Chile, enforceable against it in accordance with its terms.

4.3 **No Conflict; Required Consents** The execution, delivery, and performance by Royal Gold Chile of this Agreement do not and will not (i) conflict with or violate any provision of the articles of incorporation or bylaws of Royal Gold Chile; (ii) violate any provision of any law applicable to Royal Gold Chile; (iii) conflict with, violate, result in a breach of, constitute a default under (without regard to requirements of notice, lapse of time, or elections of other Persons, or any combination thereof) or accelerate or permit the acceleration of the performance required by, any agreements to which Royal Gold Chile is a party or by which it is bound or affected; or (iv) require any consent, approval, or authorization of, or filing of any certificate, notice, application, report, or other document with, any Governmental Authority or other Person, other than any filing required to be made by United States securities laws and the notification to Barrick of the Public Deed attached hereto as Exhibit A.

4.4 **Broker's Fees** . Royal Gold Chile does not have any liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Assignor could become liable or obligated.

ARTICLE V
COVENANTS

5.1 **Cooperation** . Assignor and Royal Gold Chile shall each use commercially reasonable efforts to take all steps within his or its power, and will cooperate with the other Party, to cause to be fulfilled those of the conditions to the other Party's obligations to consummate the transactions contemplated by this Agreement that are dependent upon his or its actions, and to execute and deliver such instruments and take such other commercially reasonable actions as may be necessary to carry out the intent of this Agreement and to consummate the transactions contemplated hereby.

5.2 **Due Diligence** . Following the execution of this Agreement, until the Closing Date or earlier termination of this Agreement, Royal Gold Chile shall have the exclusive right to conduct reasonable due diligence in respect of (i) the ownership, terms and conditions, validity, and good standing of the Assignor's Royalty Interest, (ii) the ownership, terms and conditions, validity, and good standing of the concessions and minerals rights granted by the Chilean courts

in respect of the Pascua-Lama Project; and (iii) the sufficiency of the surface rights and authorizations held by the operator to permit development of the Pascua-Lama Project. Assignor shall co-operate with Royal Gold Chile in respect to such due diligence, and, if requested by Royal Gold Chile, each shall use its reasonable efforts to facilitate direct communications between Royal Gold Chile and Barrick.

5.3 **Administration of Pascua-Lama Contract** .

(a) Immediately following the Closing the Parties shall jointly request that Barrick make one half of all payments due in respect of Assignor's Royalty Interest to Assignor (to reflect Assignor's ownership of the Retained Royalty Interest) and the other half of all such payments to Royal Gold Chile (to reflect Royal Gold Chile's ownership of the Purchased Royalty Interest). If Barrick fails or refuses to make such separate payments to Assignor and to Royal Gold Chile, the Parties agree that all payments made by Barrick in respect of both the Retained Royalty Interest and the Purchased Royalty Interest shall be made to Royal Gold Chile and that Royal Gold Chile shall upon receipt of such payments disburse the amount thereof corresponding to the Retained Royalty Interest to Assignor.

(b) The Parties acknowledge that if the Closing occurs, they will each own one half of all of the rights and interests that are now held by Assignor related to Assignor's Royalty Interest, including the rights to (i) take payment in-kind, (ii) protest payments received and conduct an audit, (iii) inspect operations and designate a company for the resolution of any dispute with Barrick concerning commingling of mineral products, (iv) to resolve other disputes with Barrick, (v) acquire concessions that Barrick determines to abandon, and (vi) consent to a transfer of the mining concessions (" **Contract Administration Rights** "). The Parties agree that a further agreement between them concerning the exercise of the Contract Administration Rights will be necessary in order to secure to Royal Gold Chile the full benefit of its ownership of the Purchased Royalty Interest and to Assignor the full benefit of the Retained Royalty Interest. Promptly following execution of this Agreement, the Parties shall negotiate in good faith a supplemental agreement that address the manner in which they will exercise the Contract Administration Rights following the Closing.

ARTICLE VI
CONDITIONS

6.1 **Conditions to Royal Gold Chile's Obligations** . The obligation of Royal Gold Chile to consummate the transactions contemplated by this Agreement shall be subject to the following conditions, any of which may be waived by Royal Gold Chile in its sole discretion:

(a) The representations and warranties of Assignor in this Agreement shall be true and accurate in all material respects at and as of the Closing with the same effect as if made at and as of the Closing.

(b) Assignor shall have performed in all material respects all obligations and agreements and complied with all covenants in this Agreement to be performed and complied with by it at or before the Closing.

(c) No injunction or restraining order of any Governmental Authority of competent jurisdiction shall be in effect which prohibits the transactions contemplated by this Agreement and no action or proceeding shall have been instituted and remain pending before any Governmental Authority to restrain or prohibit any of the transactions contemplated by this Agreement.

(d) The completion of due diligence to Royal Gold Chile's reasonable satisfaction with respect to: (i) the ownership, terms, and conditions, validity, and good standing of the Assignor's Royalty Interest, (ii) the ownership, terms and conditions, validity, and good standing of the concessions and minerals rights granted by the Republic of Chile in respect of the Pascua-Lama Project; and (iii) the sufficiency of the surface rights and surface use authorizations held by Barrick to permit development of the Pascua-Lama Project.

(e) Receipt by Royal Gold Chile of justifiable opinions concerning the Acquisition from its legal and tax advisors that are satisfactory to Royal Gold Chile, acting reasonably and in good faith.

(f) There shall have not been since the Effective Date any material adverse change in the value of, or prospects for, the Pascua-Lama Project .

6.2 **Conditions to Assignor's Obligations** . The obligation of Assignor to consummate the transactions contemplated by this Agreement shall be subject to the following conditions, any of which may be waived by Assignor in his sole discretion:

(a) The representations and warranties of Royal Gold Chile in this Agreement shall be true and accurate in all material respects at and as of the Closing with the same effect as if made at and as of the Closing.

(b) Royal Gold Chile shall have performed in all material respects all obligations and agreements and complied with all covenants in this Agreement to be performed and complied with by it at or before the Closing.

(c) No injunction or restraining order of any Governmental Authority of competent jurisdiction shall be in effect which prohibits the transactions contemplated by this Agreement and no action or proceeding shall have been instituted and remain pending before any Governmental Authority to restrain or prohibit any of the transactions contemplated by this Agreement.

ARTICLE VII
TERMINATION

7.1 **Termination Events** . This Agreement may be terminated and the transactions contemplated hereby may be abandoned:

(a) at any time, by the mutual written agreement of Royal Gold Chile and Assignor;

(b) by either Royal Gold Chile or Assignor, upon Notice to the other Party, at any time, if the other Party is in breach or default of its respective covenants, agreements, or other obligations herein, or if any of its representations herein are not true and accurate in all material respects when made or when otherwise required by this Agreement to be true and accurate in all material respects, and such breach, default or failure is not cured within 30 days of receipt by the other Party of such Notice;

(c) by either Royal Gold Chile or Assignor upon written notice to the other, if the Closing shall not have occurred on or before the March 10, 2007 for any reason other than a breach or default by such Party of its respective covenants, agreements, or other obligations hereunder, or any of its representations herein not being true and accurate in all material respects when made or when otherwise required by this Agreement to be true and accurate in all material respects; or

(d) as otherwise provided herein.

7.2 **Effect of Termination** .

(a) If (i) this Agreement is terminated by Royal Gold Chile pursuant to Section 7.1(b) and (ii) Assignor is in breach in any material respect of any of its representations and warranties made herein or its covenants or agreements made herein (and Royal Gold Chile is not in breach in any material respect of any of its representations and warranties or covenants made herein), then:

(i) Royal Gold Chile shall have all remedies available at law or in equity, including the right of specific performance and the right to seek money damages from Assignor for any Losses incurred by Royal Gold Chile; and

(ii) Assignor shall promptly pay to Royal Gold Chile the sum of US $2 million as a penalty for such breach.

(b) If (i) this Agreement is terminated by Assignor pursuant to Section 7.1(b) and (ii) Royal Gold Chile is in breach in any material respect of any of its representations and warranties made herein or its covenants or agreements made herein (and Assignor is not in breach in any material respect of any of its representations and warranties or covenants made herein), then:

(i) Assignor shall have all remedies available at law or in equity, including the right of specific performance and the right to seek money damages from Royal Gold Chile for any Losses incurred by Assignor; and

(ii) Royal Gold Chile shall promptly pay to Assignor the sum of US $2 million as a penalty for such breach.

ARTICLE VIII
INDEMNIFICATION AND GUARANTY

8.1 **Indemnification by Assignor** From and after Closing, and regardless of any investigation made at any time by or on behalf of Royal Gold Chile or any information Royal Gold Chile may have, Assignor shall defend, indemnify and hold harmless Royal Gold Chile, its Affiliates, officers, directors, employees, agents, and representatives, and any third party claiming by or through any of them, as the case may be, from and against any and all Losses arising out of or resulting from:

(a) any representations and warranties made by Assignor in this Agreement not being true and accurate when made or when required by this Agreement to be true and accurate; or

(b) any failure by Assignor to perform any of its covenants, agreements, or obligations in this Agreement.

8.2 **Indemnification by Royal Gold Chile** . From and after Closing, Royal Gold Chile shall defend, indemnify and hold harmless Assignor and any third party claiming by or through him, as the case may be, from and against any and all Losses arising out of or resulting from:

(a) any representations and warranties made by Royal Gold Chile in this Agreement not being true and accurate when made or when required by this Agreement to be true and accurate; or

(b) any failure by Royal Gold Chile to perform any of its covenants, agreements, or obligations in this Agreement.

8.3 **Claims for Indemnity; Third Party Claims** .

(a) Whenever a claim for Losses shall arise for which one Party (“ **Indemnitee** ”) shall be entitled to indemnification under this Article VIII, Indemnitee shall give the indemnifying party (“ **Indemnitor** ”) Notice promptly after the first receipt of knowledge of such claim, and in any event within such period as may be necessary for Indemnitor to take appropriate action to resist such claim. Such Notice shall specify all facts known to Indemnitee giving rise to such indemnification rights. The right of Indemnitee for indemnification, as set forth in the Notice, shall be deemed agreed to by Indemnitor unless, within 30 days after receipt of such Notice, Indemnitor shall notify Indemnitee in writing that it disputes the right of Indemnitee to indemnification.

(b) Upon receipt by Indemnitor of a Notice from Indemnitee with respect to any claim of a third party against Indemnitee, and acknowledgment by Indemnitor (whether after resolution of a dispute or otherwise) of Indemnitee’s right to indemnification hereunder with respect to such claim, Indemnitor shall assume the defense of such claim with counsel reasonably satisfactory to Indemnitee and Indemnitee shall cooperate to the extent reasonably requested by Indemnitor in defense or prosecution thereof and shall furnish such records,

information and testimony and attend all such conferences, proceedings, hearings, trials and appeals as may be reasonably requested by Indemnitor in connection therewith. If Indemnitor acknowledges Indemnitee's right to indemnification and elects to assume the defense of such claim, Indemnitee shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of Indemnitee. If Indemnitor has assumed the defense of any claim against Indemnitee, Indemnitor shall have the right to settle any claim for which indemnification has been sought and is available hereunder; provided that, to the extent that such settlement requires Indemnitee to take, or prohibits Indemnitee from taking, any action or purports to obligate Indemnitee, then Indemnitor shall not settle such claim without the prior written consent of Indemnitee, such consent not to be unreasonably withheld. If Indemnitor does not assume the defense of a third party claim or disputes Indemnitee's right to indemnification, Indemnitee shall have the right to defend against such claim until Indemnitor's obligation to indemnify is established pursuant to this Section 8.3, and Indemnitor shall have the right to participate in the defense of such claim through counsel of its choice, at Indemnitor's expense, but Indemnitee shall have control over the defense and authority to resolve such claim, subject to this Section 8.3.

8.4 **Survival of Representations and Warranties; Limitations** Unless specified otherwise in this Agreement, the representations and warranties of Assignor and Royal Gold Chile in this Agreement shall survive the Closing for a period of 24 months, except for (i) those contained in Sections 3.1 and 3.2, which shall survive indefinitely. Assignor and Royal Gold Chile shall have no liability under Sections 8.1 and 8.2, respectively, unless a claim for Losses for which indemnification is sought thereunder is asserted by Royal Gold Chile or Assignor, as the case may be, within the applicable survival period.

8.5 **Sole Remedy** . Each Party acknowledges and agrees that, should the Closing occur, its sole and exclusive remedy against the other Party with respect to any breach of representation, warranty, covenant, agreement or obligation will be pursuant to the indemnification provisions set forth in this Article VIII.

8.6 **Guaranty** . Royal Gold Inc. hereby unconditionally guarantees the obligations of Royal Gold Chile pursuant to the terms of this Agreement, including without limitation the indemnification obligations set forth in Section 8.2. If any indemnification obligation of the Royal Gold Chile is not paid in accordance with the provisions of this Article VIII, Assignor shall be entitled to collect the amount of any Loss from Royal Gold Inc.

ARTICLE IX
RIGHT OF FIRST REFUSAL

9.1 **Preemptive Rights** . If Assignor intends to Transfer all or any part of the Retained Royalty Interest, Assignor shall promptly give Royal Gold Chile Notice of his intentions (" **Notice of Proposed Transfer** "). The Notice of Proposed Transfer shall state the price and all other pertinent terms and conditions of the intended Transfer, and shall be accompanied by a copy of the offer or the contract for Transfer. If the consideration for the intended Transfer is, in whole or in part, other than monetary, the Notice of Proposed Transfer shall describe such consideration and its monetary equivalent (based upon the fair market value of the nonmonetary consideration and stated in terms of cash or currency). Royal Gold Chile

shall have 20 Business Days following delivery of a Notice of Proposed Transfer to give Assignor Notice whether Royal Gold Chile elects to acquire the offered interest at the same price (or its monetary equivalent in cash or currency) and on the same terms and conditions as set forth in the Notice of Proposed Transfer.

(a) If Royal Gold Chile elects to acquire the interest subject to the Notice of Proposed Transfer, the Transfer described in the Notice of Proposed Transfer shall be consummated promptly after Notice of such election is delivered to Assignor, except the Transfer shall be made to Royal Gold Chile.

(b) If Royal Gold Chile declines or fails to elect within the period specified in this Section 9.1 to acquire the interest subject to Assignor's Notice of Proposed Transfer, Assignor shall have 90 Business Days following the expiration of such period to consummate the Transfer to a third party at a price and on terms no less favorable to Assignor than those specified in the Notice of Proposed Transfer.

(c) If Assignor fails to consummate the Transfer to a third party within the period set forth in Section 9.1(b), the preemptive right of Royal Gold Chile in such offered interest shall be deemed to be revived. Any subsequent proposal to Transfer such interest shall be subject to and conducted in accordance with all of the procedures set forth in this Section 9.1.

ARTICLE X
MISCELLANEOUS

10.1 **Notices** . All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement (each a " **Notice** ") shall be in writing and shall be given by any of the following methods: (i) personal delivery; (ii) registered or certified mail, postage prepaid, return receipt requested; (iii) facsimile, receipt confirmed; or (iv) by a nationally recognized overnight courier service. Notices shall be sent to the appropriate Party at its address given below (or at such other address for such Party as such Party shall specify by Notice):

(a) if Assignor, to:

Mario Iván Hernández Alvarez
La Concepción 266, Suite 701
Providencia, Santiago
Facsimile: 56-2-2331037

e-mail mhdez@ctcinternet.cl

with an informational copy to:

Pedro Deutsch Spiegel
Avda. Andrés Bello 2711- 19 th floor
Las Condes – Santiago

Facsimile- 56-2-3604030

e-mail: pdeutsch@cariola.cl

(b) if to Royal Gold Chile, to:

c/o Royal Gold Inc.
1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202
Attention: President
Facsimile: (303) 595-9385

with an informational copy to:

Royal Gold Chile Limitada
c/o Sergio Orrego
Torre de la Costanera
Avenida Andres Bello 2711, 16th Floor
Santiago Chile
Facsimile: 562-499-5555

(c) if to Royal Gold Inc., to:

1660 Wynkoop Street, Suite 1000
Denver, Colorado 80202
Attention: President
Facsimile: (303) 595-9385

A Party may change its address for Notice by Notice to the Other Party. Each Notice shall be effective (a) if delivered personally or by registered or certified mail, return receipt requested, or by nationally recognized overnight courier service, when delivered at the address specified in this Section 10.1, and (b) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section 10.1, and confirmation is received; in both such cases if given on a Business Day during the normal business hours of the recipient and if not given during such hours, on the Business Day during which such normal business hours next occur.

10.2 **Confidentiality and Public Announcements** .

(a) Subject to the provisions of Sections 10.2(b) through (f), each of the Parties shall treat all information received from the other Party or in connection with the Acquisition, and Royal Gold Inc. shall treat information received from Assignor or in connection with the Acquisition, as confidential and shall not disclose such information except as provided in this Agreement.

(b) A Party or Royal Gold Inc. may disclose information received subject to Section 10.2(a) to (i) such of such entity’s officers, directors, employees, attorneys, accountants or financial advisors who have a need to have access to such information, and (ii) such other persons as the other Party and Royal Gold Inc. consents in writing may receive such information.

A Party or Royal Gold Inc. that discloses information subject to Section 10.2(a) to its representatives as provided in this Section 10.2(b) shall be responsible and liable for any improper disclosure of the information by its representatives in violation of this Agreement.

(c) The provisions of Section 10.2(a) shall not apply to any information, data and knowledge, as shown by written records, that (i) is in a Party's or Royal Gold Inc.'s possession prior to disclosure by the other Party or Royal Gold Inc., as the case may be, (ii) is in the public domain prior to disclosure by the other Party or Royal Gold Inc., as the case may be, (iii) lawfully comes into a Party's or Royal Gold Inc.'s, as the case may be, possession from a source in accordance with the terms and conditions, if any, imposed on that party by such source with respect to the use and disclosure thereof, or (iv) lawfully enters the public domain through no violation of this Agreement by the Party or Royal Gold Inc. receiving the information.

(d) Nothing contained in this Agreement shall be deemed to prevent a Party or Royal Gold Inc. from disclosing any information that is subject to Section 10.2(a) if, in the opinion of such party's legal counsel, such disclosure is required to be pursuant to an order or direction of a Governmental Authority having jurisdiction over the disclosing party ;

(e) Assignor acknowledges that Royal Gold Inc. will disclose the existence and terms and conditions of this Agreement and file this Agreement as required by applicable United States securities laws, and that Royal Gold Inc. will thereafter continue to disclose information concerning this Agreement, Assignor's Royalty Interest, and the Purchased Royalty Interest to industry analysts and members of the public.

(f) Following the Closing, Royal Gold Chile and its Affiliates shall have the right to use and disclose information concerning the Purchased Royalty Interest, subject only to the terms and conditions of the Pascua-Lama Contract or other agreement with Barrick.

10.3 **Severability** . If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms, conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the Acquisition is not affected in any manner materially adverse to either Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement, so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the Acquisition be consummated as originally contemplated to the fullest extent possible.

10.4 **Binding Effect; Assignment** . This Agreement and all of the provisions hereof shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, directly or indirectly, including by operation of law, by either Party without the prior written consent of the other Party; *provided, however* , that Royal Gold Chile may assign this Agreement and its rights hereunder to an Affiliate without the prior consent of Assignor.

10.5 **No Third Party Beneficiaries** . This Agreement is exclusively for the benefit of Assignor with respect to the obligations of Royal Gold Chile under this Agreement, and for the benefit of Royal Gold Chile and its permitted assigns with respect to the obligations of Assignor under this Agreement. This Agreement shall not be deemed to confer upon or give to any other Person any remedy, claim, liability, reimbursement or other right.

10.6 **Entire Agreement** . This Agreement (including its Exhibits), constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersede all other prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter thereof, including (i) the letter agreement between the Assignor and Royal Gold Inc., dated December 26, 2006 and (ii) the letter to Assignor from Mr. Tony A. Jensen, President and Chief Executive Officer of Royal Gold Inc., dated November 16, 2006, which are hereby terminated as of the Effective Date, and shall be of no further force or effect as between the Parties.

10.7 **Dispute Resolution** .

(a) All disputes arising out of or in connection with this Agreement, including any issue directly or indirectly related to this Agreement or with any of its clauses and effects, including, without limitation, the existence, validity, applicability, execution, interpretation, application, performance or termination of this Agreement as well as any difference, difficulty or conflict regarding this arbitration clause including the jurisdiction and authority of the arbitrator and its appointment (" **Dispute** ") shall be finally settled under the Rules of Arbitration of the Arbitration Center of the Cámara de Comercio de Santiago A.G. (" **Chamber** "). Prior to the commencement of the arbitration procedure, the Parties and Royal Gold Inc. shall have access to the ordinary courts of Santiago for any injunctive relief or other type of preventive action intended to protect their rights hereunder, without the need to apply for the arbitration procedure set forth herein.

(b) The arbitral tribunal will be an "árbitro mixto" and, therefore, the arbitration tribunal shall decide the Dispute and weight the evidence according to Chilean law. The arbitration proceedings shall be conducted under the rules of procedure agreed by the Parties, and if the Dispute involves Royal Gold Inc., by the Parties and Royal Gold Inc., and in all matters not agreed, according to the rules provided in the Rules of Arbitration of the Chamber.

(c) The Parties and Royal Gold Inc. hereby appoint Mr. Sergio Urrejola Monckeberg as the arbitrator mixto. If Mr. Sergio Urrejola Monckeberg is unable or unwilling to serve as the arbitrator, the Parties and Royal Gold Inc. hereby appoint Mr. Alberto Pulido Cruz, and if both of them are unable or unwilling to serve as the arbitrator, the Parties and Royal Gold Inc. hereby grant an irrevocable power of attorney to the Chamber, upon written request of either of them to appoint an "árbitro mixto" from the list of arbitrators of the Arbitration Center of the Chamber, who shall be proficient in English.

(d) The arbitration shall be conducted in the city of Santiago, Chile.

(e) The arbitration proceedings shall be conducted in Spanish. If any party involved in the arbitration proceedings so requests, the arbitrator shall accept that any documents presented to it by such a party, may be written in the English language.

(f) Each party to the arbitration proceedings shall cooperate with the other in making full disclosure of and providing complete access to all information and documents requested by the other party in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on such party other than obligations under this Agreement or information subject to client-attorney privilege.

(g) The award of the arbitration tribunal shall be final and binding upon the parties to the proceeding, and either party to such proceedings may apply to a court of competent jurisdiction for enforcement of such award. The Parties and Royal Gold Inc.waive any remedy against the award.

(h) During any period of arbitration involving a dispute, the Parties shall in all other respects continue their implementation of this Agreement in the same form that they have been doing so.

(i) The Parties and Royal Gold Inc. agree that the arbitration tribunal may impose interim measures of protection in the cases contemplated by the Rules of Arbitration of the Chamber, agreeing further that, before the constitution of the arbitration tribunal such measures may be requested to and imposed by the ordinary courts of justice established by law.

(j) The provisions of this Section 10.7 shall continue to apply notwithstanding any termination of this Agreement.

(k) For purposes of this Section 10.7, Assignor, Royal Gold Chile, and Royal Gold Inc. hereby sets each of their special domicile at the comuna of Santiago, Santiago, Chile.

10.8 **Governing Law.** This Agreement and the rights and liabilities of the Parties and Royal Gold Inc. hereunder shall be governed by and construed in accordance with the laws of the Republic of Chile.

10.9 **Counterparts** . This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which, together, shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and Royal Gold Inc. and delivered (including by facsimile) to the others.

10.10 **Amendment; Modification** . This Agreement may not be amended, modified or supplemented at any time except by written agreement of both Parties and Royal Gold Inc. .

[REMAINDER OF PAGE INTENTIONALLY BLANK

SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above written.

/s/ Mario Hernández
Mario Ivan Hernández A.

Royal Gold, Inc., on behalf of Royal Gold Chile Limitada
and as Guarantor pursuant to Section 8.6 of this Agreement

By /s/ Tony Jensen

Title President & CEO

Exhibit A
to
Assignment of Rights Agreement

Pascua-Lama Contract

PURCHASE OF SHARES

HERNÁNDEZ ALVAREZ , MARIO IVAN

TO

COMPAÑÍA MINERA BARRICK CHILE LIMITADA

IN SANTIAGO, CHILE, on the thirtieth day of June of nineteen ninety eight, before the undersigned **ARTURO CARVAJAL ESCOBAR,** attorney at law, Notary Public, holder of the title Seventh Notary of this Department, domiciled in Catedral Street number one thousand two hundred and thirty three, the following parties appeared: The first party, being the "Seller", Mr. **MARIO IVAN HERNÁNDEZ ALVAREZ** , who is Chilean, a mining engineer, is married, holder of identity document number four million seven hundred and sixty three thousand two hundred and ninety six dash K, domiciled in this city at Guardia Vieja street number two hundred and ninety three, office four hundred and two,

and the other party as “buyer” or “the buyer” being **COMPAÑÍA MINERA BARRICK CHILE LIMITADA** , unique tax identification number fifty nine million seven hundred and ten dash two, a limited liability company, whose line of business is as indicated by the name, domiciled in Pedro de Valdivia [street] number one hundred, eleventh floor, Providencia, Santiago, represented by Ms. **LAURA PHYLLIS MARÍA EMERY** , who is Canadian, single, attorney at law, holder of identity document for foreigners number fourteen million five hundred and ninety eight thousand four hundred and eleven dash four, and Mr. **SERGIO GÓMEZ NÚÑEZ,** who is Chilean, married, attorney at law, holder of national identity card number five million four hundred and nineteen thousand two hundred and ninety two dash four, both of whom are also domiciled at Pedro de Valdivia [street] number one hundred, eleventh floor, Providencia, Santiago, all of whom are of legal age and who showed proof of their identities with the documents mentioned above, and declared: **ONE:** Mr. **MARIO IVAN HERNÁNDEZ ALVAREZ** is the owner of one thousand three hundred and twenty B-series shares in **COMPAÑÍA MINERA NEVADA S.A.** , hereinafter also referred to as “The Company”, a corporation constituted by means of the document of public record dated February seven nineteen hundred and eighty three, granted before Santiago Notary Mr. Patricio Ríos Vergara, substitute notary for Mr. Mario Farren Cornejo, the extract of which was registered in the Business Registry of the Santiago Real Estate Registrar, on page three thousand two hundred and sixty one, number one thousand eight hundred and twelve, of the year one thousand nine hundred and eighty three. **COMPAÑÍA MINERA NEVADA S.A.** was formed as a result of the transformation of the contract mining company known as **COMPAÑÍA MINERA NEVADA** which was originally constituted by means of the document of public record dated December six nineteen hundred and seventy seven, granted before Santiago Notary Mr. Raúl Undurraga Laso substitute notary for Mr. Luis Azócar Alvarez,

which was registered on page four hundred fifteen, under number twenty five of the Registry of Property of the Huasco Custodian of Mines, for the year nineteen hundred and seventy seven. **TWO:** Mr. **MARIO IVAN HERNÁNDEZ ALVAREZ** does hereby sell, assign and transfer the one thousand three hundred and twenty B-Series shares which he owns in **COMPAÑÍA MINERA NEVADA S.A.** to **COMPAÑÍA MINERA BARRICK CHILE LIMITADA,** which hereby purchases, accepts and acquires them through its representatives. **THREE:** The shares are sold free of all debt, prohibition, lien or encumbrance. Seller does hereby deliver to Buyer, on behalf of whom the representatives thereof receive, the share certificates that represent the shares being transferred. **FOUR :** The purchase price of the shares being sold by Mr. **MARIO IVAN HERNÁNDEZ ALVAREZ** is the amount of six million thirty nine thousand two hundred and sixteen dollars of the United States of America, plus a variable price that will be determined in the manner established in point d) and following of this clause. The price will be paid in the following manner: a) The sum of three million nineteen thousand six hundred and eight dollars in currency of the United States of America, which the seller declares to have received to his full satisfaction, b) The sum of one million five hundred and nine thousand eight hundred and four dollars in currency of the United States of America, that will be paid within a maximum of ten days after the date on which **COMPAÑÍA MINERA NEVADA S.A.** or its successor in ownership of the possessions, has produced at least thirty thousand troy ounces of gold within a period of thirty calendar days, c) The sum of one million five hundred and nine thousand eight hundred and four dollars in currency of the United States of America, that will be paid within the thirty days following the date on which **COMPAÑÍA MINERA NEVADA S.A.** or its successor in ownership of the possessions, has completed thirty six months

of production of at least thirty thousand troy ounces of gold within periods of one calendar month, whether or not they are consecutive. d) A sum equivalent to a variable percentage of the product resulting from the sale of refined gold of **COMPAÑÍA MINERA NEVADA S.A.** or of its successor in ownership of the possessions, coming from the mining exploitation concessions owned by the COMPANY, either totally or partially, directly or indirectly, and that are located within the area demarcated in detail on a plan that the parties hereby sign as Appendix A, and that is legalized, on this date before the undersigned Notary, with the number one hundred and sixteen, with it being considered that said appendix forms an integral part of this contract. This demarcated area is located within the territory of the Republic of Chile, between the UTM coordinates that are indicated on said plan. The payment will be made each calendar quarter of operation, for the period of one hundred and twenty years, as of this date. In the event that **COMPAÑÍA MINERA NEVADA S.A.** or a company related to it, acquires new mining concessions within the demarcated area, it will also be obligated to pay the variable price indicated above. The above notwithstanding, in the event that **COMPAÑÍA MINERA NEVADA S.A.** or a company related to it, acquires part of the mining concessions that are located within the demarcated area, it shall pay the variable price in proportion to the participation that it holds in these mining concessions. The value of the sales will be calculated by assigning to refined gold the average daily price known as “Cash Settlement” on the “London Bullion Brokers”, “P.M.” Fix” or “London Final”, during the relevant quarter. If the “London Bullion Brokers” ceases to exist or ceases to issue daily quotations for gold, all references to said entity shall be understood to refer to the entity that replaces it and that establishes daily

reference prices for gold for immediate delivery on a market that is open and worldwide in nature. The percentage to be paid shall be determined in accordance with the following scale of the average quarterly price of gold, determined in the manner indicated: One.- If the average price of gold is less than or equal to three hundred and twenty five dollars per troy ounce, the percentage will be zero point three two three five percent. Two.- If the average price of gold is three hundred and fifty dollars per troy ounce, the percentage will be zero point four three one four percent. Three.- If the average price of gold is three hundred and seventy five dollars per troy ounce, the percentage will be zero point five three nine two percent. Four.- If the average price of gold is four hundred dollars per troy ounce, the percentage will be zero point six four seven one percent. Five.- If the average price of gold is five hundred dollars per troy ounce, the percentage will be one point one two one six percent. Six.- If the average price of gold is six hundred dollars per troy ounce, the percentage will be one point four six seven seven percent. Seven.- If the average price of gold is seven hundred dollars per troy ounce, the percentage will be one point eight one one eight percent. Eight.- If the average price of gold is eight hundred dollars per troy ounce or more, the percentage will be two point one five six nine percent. In the event that the average selling price of gold per troy ounce is not one of the prices established above, but rather that it falls in between any two of the segments indicated previously, in this case the percentage to be paid will be determined by the following calculation: A) from the average selling price of copper determined, the lower price of the corresponding segment must be subtracted; B) the result obtained from the previous operation is divided by the difference between the

upper price of gold and the lower price of gold of the corresponding segment; C) The result of the previous operation is multiplied by the difference between the upper and lower percentage of the corresponding segment; and D) the percentage of the definitive variable price to be paid in said period is determined upon adding the result from the previous operation to the lower percentage of the segment corresponding to the lower segment. The method for calculating this percentage is detailed in Appendix B which the parties sign and which is understood to form an integral part of this document. For example, if the average price in a calendar quarter were to be three hundred and ninety dollars, the percentage to pay would be zero point six zero three nine percent; if the average price were to be four hundred and fifteen dollars, the percentage to pay would be zero point seven one eight three percent; and if the average price were to be five hundred and thirty five dollars, then the percentage to pay would be one point two four two four percent. For these purposes, the amount of gold will be determined on the basis of the number of troy ounces of refined gold produced by **COMPAÑÍA MINERA NEVADA S.A.,** its successor, the Buyer or its related companies, in ownership of the possessions that are located within the demarcated area or delivered to the COMPANY or for the account thereof, by the refinery, smelter, or other processor to which the COMPANY had delivered ore coming from the mining concessions that are located within the demarcated area, during one calendar quarter. Refined gold is that which meets or exceeds the normally commercially accepted requirements on the commodities market of London or of the United States of America, as good delivery gold or “Bullion Gold”. e) An amount equivalent to a percentage calculated on the value of the sales of unrefined gold contained in

the ore or concentrates, precipitates, cathodes, leaching products, or any other product, either final or intermediate, expressly excluding refined gold, that has been sold by **COMPAÑÍA MINERA NEVADA S.A.** or its successor, coming from the exploitation of the relevant mining concessions that are located within the demarcated area. Seller shall have the right to a percentage of the results of the sale of payable gold by **COMPAÑÍA MINERA NEVADA S.A.** or its successor in ownership of the possessions, to the Buyer or its related companies, according to the payments between these and the refinery, smelter, processor or other buyer, in market conditions, based on the interchange of analysis and/or in the corresponding arbitration or other mechanism for resolving differences that is stipulated in the relevant contract, during the calendar quarter, without considering any hedging that might occur. In order to determine the variable percentage applicable to a quarter, according to the table established in letter d) above, it shall be presumed that the average price of the gold will be equivalent to the total price actually paid during the quarter, divided by the number of troy ounces of payable gold determined at the final settlements for each quarter. For example, if the value of the payable gold received by **COMPAÑÍA MINERA NEVADA S.A.,** its successor, the Buyer, or its related companies, in the sales of a quarter, amounted to one million dollars for a total of two thousand nine hundred and eighty five troy ounces of payable gold, the average price for the gold would be three hundred and thirty five dollars, and the applicable percentage would be zero point three six six seven percent; if the value of the payable gold received by **COMPAÑÍA MINERA NEVADA S.A.,** its successor, the Buyer, or its related companies, in a quarter, amounted to two million dollars for a total of four thousand six hundred and fifty one troy ounces of payable gold

the average price of the gold would be four hundred and thirty dollars, and the applicable percentage would be zero point seven eight nine five percent, if the value of the payable gold received by **COMPAÑÍA MINERA NEVADA S.A.,** its successor, the Buyer, or its related companies, in a quarter, amounted to two million five hundred thousand dollars for a total of four thousand four hundred and sixty four troy ounces of payable gold, the average price of the gold would be five hundred and sixty dollars, and the applicable percentage would be one point three two eight seven percent; f) An amount equivalent to the percentage of zero point four three one four percent of the value of the sales that actually take place as of the first day of January of the year two thousand seventeen, but not beyond the period of one hundred and twenty years following said date, of copper mineral, by **COMPAÑÍA MINERA NEVADA S.A.,** its successor, the Buyer, or its related companies, from said mining exploitation concessions that are located within the demarcated area, during the first calendar quarter of operation starting from the date indicated, without considering possible hedging, and net of the deductions indicated below. The value of these sales for the relevant quarter will be equivalent to the value payable, for the concept of copper, to **COMPAÑÍA MINERA NEVADA S.A.,** its successor, the Buyer, or its related companies, for the refinery, smelter or other processor to which **COMPAÑÍA MINERA NEVADA S.A.** , or a third party, has delivered, on its behalf, or on behalf of the successor in ownership of the possessions, the Buyer or its related companies, under market conditions, with the following deductions: I) All of the costs and expenses related to the transportation of the concentrate and/or processing that is external to **COMPAÑÍA MINERA NEVADA S.A.,** its successor, the Buyer, or its related companies, up to the smelter, refinery or

destination port, in other words, ground freight, storage costs, third party loading costs, ocean freight, insurance during transportation, and others that are linked to said transportation II) All of the costs of outsourced processing or external processing to **COMPAÑÍA MINERA NEVADA S.A.,** its successor, the Buyer, or its related companies, conducted by third parties, in other words, all the charges for roasting, metallurgical deductions for copper, charges for fusion, treatment, fines or penalties for impurities, shortages, charges for copper refining, and price participation, as is normally stipulated on the sales and/or processing contracts. III) All of the external costs and expenses that are directly related to the sale of copper concentrate or metallic copper coming from the processes, in other words, external fees, broker and agency fees, insurances, storage, third-party supervision, chemical analysis and costs of arbitration procedures for differences ruled from the metal content, if any. IV) Any tax or lien applicable to the sales or to the ocean freight of the products, including that which is relevant to invoices, constituting an actual cost, in other words, one that is not recoverable by **COMPAÑÍA MINERA NEVADA S.A.,** its successor, the Buyer, or its related companies. The copper will be understood to have been sold in the quarter corresponding to the date of payment. In the event that **COMPAÑÍA MINERA NEVADA S.A.,** or a company related thereto acquires new mining concessions within the demarcated area, it shall also be obligated to pay the previously mentioned variable price. The above notwithstanding, in the event that **COMPAÑÍA MINERA NEVADA S.A.** , or a company related thereto acquires a part of mining concessions located within the demarcated area, it shall pay the

previously mentioned variable price variable in proportion to the participation that it holds in these mining concessions. **FIVE:** In the event that **COMPAÑÍA MINERA NEVADA S.A.,** or its successor in ownership of the possessions, produces, acquires, processes or causes to be processed, ore or mineral substances taken from exploitation concessions other than those located within the demarcated area, whether this occurs with third parties or through companies that are related to **COMPAÑÍA MINERA NEVADA S.A** ., or with which said company is affiliated, or in which **COMPAÑÍA MINERA NEVADA S.A.** , has interests, either direct or indirect, the parties hereto agree that such ores, metals and metal concentrates coming from different origins, can be mixed or joined in the various mining processes, or in any other later stage of processing, in which case the payments described in the previous clause will only be made in respect of the refined and unrefined gold, and after the year two thousand seventeen for copper, obtained or recovered from the ore, metals, and other mineral products, extracted from the relevant exploitation concessions located within the demarcated area described in Appendix A. For this purpose, **COMPAÑÍA MINERA NEVADA S.A.** , its successor in ownership of the possessions, the Buyer, or its related companies, will determine the weight or volume, take samples and analysis of the ore and materials taken from said concessions, before they are mixed or processed jointly. The determination of weight, volume, sample-taking or analysis will be conducted in accordance with generally accepted principles and practices in the mining industry. The weight, volume, sampling and analysis, will serve as the basis for the calculation of the payments that must be made in accordance with this

contract, in the event that a joint sale of ore thus mixed, the seller is expressly authorized, throughout the entire period in which payment of the balance of the variable price remains in force, to inspect the area where the products and ore are extracted, and to review the manner and procedure with which the weight, volume and origin of said ore and products is determined, that serves as the basis for determining the variable price. In the event that there is any difference in the calculations, procedures or other aspects that affect the determination of the variable price, the parties shall designate, by common agreement, a company of renown international prestige in order to resolve the differences that exist, at the expense of the party that makes the request, unless a difference in its favor is found, in which case the expense will be born by the other party. The Seller shall exercise this right in such a manner as to not hinder or interfere with the production processes in any way, and shall advise the general manager of **COMPAÑÍA MINERA NEVADA S.A.** or its successor at least fifteen days in advance, for the purpose of coordinating the visit. **SIX:** All of the payments established in United States dollars will be paid in Chilean currency converted according to the Observed Dollar Exchange Rate (" *tipo de cambio del dólar observado "*) that was valid for the day prior to that on which payment takes place. IF the Observed Dollar Exchange Rate ceases to exist, then the exchange rate to be used shall be the average exchange rate that is certified by any three of the following banks, on request by the selling company, for the date on which payment is effected: Citibank NA, Banco de Chile, Banco Santiago, Banco de Crédito e Inversiones, and Banco Santander in their relevant Santiago branches. Sums owed shall not accrue interest, except in the case of default or simple late payment, in which case common interest will be charged. **SEVEN :** The amounts that are determined for payment in each

quarter shall be paid, in Chilean currency, within the period of thirty days following the end of said quarter. Each payment shall be accompanied by documentation in support of the calculation of the amount of refined and unrefined gold, and also copper after the year two thousand seventeen produced by the pertinent mining concessions that are located within the demarcated area, the average price of gold, and the percentage determined. For all legal purposes, the settlements presented by the buying company, signed by its duly appointed representatives, shall be presumed to have been calculated correctly unless they were objected to or refuted, in writing, within the period of no more than 90 days following presentation thereof. No claims shall be admissible thereafter, such that the payments that are made in accordance with the settlements that are not objected to, shall be considered as being final. **COMPAÑÍA MINERA BARRICK CHILE LIMITADA** hereby commits and is obligated to obtain from **COMPAÑÍA MINERA NEVADA S.A.** permission to access and place at the disposal of the seller and/or independent auditors contracted by the seller, at its own expense, all of the documentation related to the statements and calculations of production and sales. Such auditors must be those of a company that is registered with the Superintendent of Banks and Financial Institutions in the Republic of Chile, to conduct auditing on financial institutions. In order to exercise this right, the Seller or its successors shall always act by common consent through a common legal representative appointed by a Document of Public Record. This provision shall be applicable to all successors and assignees of the Seller, under any title whatsoever. In turn, **COMPAÑÍA MINERA BARRICK CHILE LIMITADA,** hereby commits and is obligated to impose on a third purchaser of shares in **COMPAÑÍA MINERA NEVADA S.A.** to which this contract refers, the

obligation to respect and adopt the provisions and stipulations established herein in favor of the Seller, its successors and assigns, under any title whatsoever. In like manner, it is an obligation that, in the event of transfer of the possessions that are located within the demarcated area, referred to in Appendix A, the purchaser thereof shall assume the above obligations. These obligations shall be established in the purchase contract. **EIGHT :** The Seller may choose to have the payments corresponding to the percentage of production of refined gold, described in sub-paragraph “d” of Clause Four above, conducted be means of the physical delivery of actual gold, in which case it shall notify the Buyer at least sixty days in advance of the relevant payment date. This option will only be possible to the extent that legal regulations and the banking rules of the Central Bank of Chile permit the execution thereof, for both the Buyer and the producer, provided that it does not imply any additional tax, contribution or levy. The Seller shall not have the right to this option with regard to un-refined gold that could be contained in ore concentrates. In like manner, the Seller may choose to have payment of the purchase price of the shares referred to in this contract, made in United States Dollars, but only to the extent that legal regulations and the banking rules of the Central Bank of Chile permit it. **NINE :** The parties hereby declare that nothing in this agreement may be interpreted as being an obligation for the buyer acting for himself or in representation of **COMPAÑÍA MINERA NEVADA S.A.** or its successor in ownership of the possessions, to conduct exploitation of the mining concessions identified in the demarcated area, or of assuring that such exploitation shall have any specific duration, characteristics, or

production. **TEN:** For all of the purposes of this contract, references to refined gold or “bullion gold”, shall be construed as being made from gold ore with a content of ninety nine point five percent pure gold. In the same manner, references to the concept of “hedging” shall be understood as all operations whose objective is to ensure or determine the future selling price of products. **ELEVEN :** The parties hereby agree that, in the demarcated area detailed in Appendix A, there are both mining exploitation concessions and mining exploration concessions, either already constituted or in the process thereof, of the **COMPAÑÍA MINERA NEVADA S.A.** , or under its control. The new exploitation concessions acquired or obtained by **COMPAÑÍA MINERA NEVADA S.A.** or any company related thereto, within the demarcated area, will be incorporated into the provisions of this contract. If for any reason **COMPAÑÍA MINERA NEVADA S.A.,** its successor, or a company related thereto, decides to not continue or renew any of the mining concessions contained within the demarcated area, in respect of whose terrain there is no mining concession constituted or in the process thereof, it shall offer to transfer, in proportion to its previous share participation, as applicable, for the price of one third of the value of the most recent permit, to the shareholders Gerardo Findel Steppes or his estate, Jaime Ugarte Ábrego or his estate, Jaime Ugarte Lee or his estate, and/or Mr. Mario Iván Hernández Alvarez or his estate, all of whom shall state, in writing, within the following thirty days, their acceptance thereof. After the expiry of said period without them having stated their intention to accept the offer, **COMPAÑÍA MINERA NEVADA S.A.** shall be empowered to dispose of said concessions in whatever manner is most suitable for its

interests. **TWELVE :** In order to guarantee payment of the variable portion of the price mentioned in Clause Four of this document, **COMPAÑÍA MINERA NEVADA S.A.** is obligated to not dispose of nor transfer the mining concessions identified in Appendix "A", that are located within the demarcated area, without the prior written consent of the selling party, and this prohibition shall remain in force until such time as the obligation to pay the variable part of the price that the buyer assumes, has been extinguished. This prohibition shall be recorded in the relevant Registry of the Custodian of Mines of Huasco, Vallenar. The above notwithstanding, the parties agree to release the prohibition agreed on previously, in order to allow **COMPAÑÍA MINERA NEVADA S.A.** to dispose of said mining concessions for the sole purpose of registering contracts by virtue of which **COMPAÑÍA MINERA NEVADA S.A.** transfers ownership of said concessions, if, in the relevant contracts, the new purchaser recognizes that he accepts the obligation for himself and formally and explicitly commits to paying the variable part of the price indicated in points d), e) and f) of Clause Four of this document, and that he likewise is obligated to constitute, in the same document of public record by which he purchases ownership of the concessions that are located within the demarcated area, the same prohibition that **COMPAÑÍA MINERA NEVADA S.A.** constitutes hereby. In any event, **COMPAÑÍA MINERA BARRICK CHILE LIMITADA** [and] its successor shall be responsible to the sellers for payment of the variable part of the price, in the portion that is not paid by the new purchaser. The Custodian of Mines of Huasco, Vallenar, after having complied with the above requirement, shall carry out whatever registrations are applicable for the indicated purpose, without requiring that new documents

be provided by the parties. The same procedure indicated above shall be applied if the new purchaser, in turn, desires to dispose of the identified mining concessions that he had acquired, in which case only the prohibition on disposal shall be lifted, and only for the purpose of registering the relevant contract, if, in turn, the new purchaser accepts and commits to paying the variable part of the price referred to in Clause Four and constitutes the same prohibitions that are agreed on here. Thus, whomever acquires the mining concessions that are subject to the prohibition against disposal and transfer, must, in the contract by which he purchases the possessions identified previously, accept and commit to paying the seller, the variable part of the price indicated in points d), e) and f) of Clause Four of this document, and to constitute the same prohibition that is hereby constituted by **COMPAÑÍA MINERA NEVADA S.A.** The parties hereby expressly declare that the prohibition to dispose of or transfer, in favor of the Seller, referred to in this clause, shall not be applicable and neither shall it affect the liens, guarantees, mortgages or prohibition to dispose of or transfer, in one or more acts, that **COMPAÑÍA MINERA NEVADA S.A.** or its successor in ownership of the possessions, provides as surety for the financing of the project for the exploitation of the concessions that are located within the demarcated area, in favor of one ore more banks, credit institutions or financial entities, either local or foreign, and neither shall it affect the exercising of the rights derived from said liens, guarantees, mortgages or prohibitions. Without prejudice to the foregoing, in the event that the banks, credit institutions or financial entities referred to above, require so for the purposes described above, the seller shall be obligated to provide the documents that are necessary to postpone the guarantee in favor of the banks, credit institutions or financial entities, in order to permit the constitution of the liens, guarantees,

mortgages or prohibitions alluded to, including the relevant releases therefrom, at the mere request of the Buyer. **THIRTEEN:** The seller expressly waives all legal action to which he could be entitled by reason of or because of this contract for the purchase of shares. In like manner, the parties hereby declare that the provisions of the contract titled "Contrato de Opción Minera de **COMPAÑÍA MINERA NEVADA S.A."** which was signed on February twenty seven of nineteen hundred and seventy eight before Santiago Notary Mr. Víctor Bianchi, substitute for Mr. Andrés Rubio Flores, as amended, including the amendment dated February seven of nineteen eighty three, made before the Notary Mr. Patricio Ríos, substitute for Mr. Mario Farren Cornejo. **FOURTEEN .** Any doubt or difficulty that arise between the parties regarding this contract, the documents that compliment it or modify it, either in relation to the interpretation thereof, compliance, validity, termination or any other issue related to this contract, shall be resolved through arbitration in accordance with the bylaws of the Arbitration Center of the Santiago Chamber of Commerce A.G., whose provisions are witnessed by the document of public record dated December 10 nineteen ninety two granted before the Santiago Notary Mr. Sergio Rodríguez Garcés, which forms an integral part of this clause, the parties declaring that they acknowledge and accept it. The parties confer an irrevocable special power of attorney on the Santiago Chamber of Commerce A.G. such that on the written request of either party, it shall designate an arbitrator from among the members of the Arbitration Body of the Arbitration Center of said Chamber, who shall arbitrate in relation to the procedure but legally in relation to the decision of the matter. There shall be no recourse to appeal against the resolution of said mixed arbitrator, and the

parties do hereby waive such. The designated arbitrator is specially empowered to resolve all matters related to his competence and jurisdiction. For all legal purposes, the parties set their domicile as the city of Santiago. The applicable legislation shall be Chilean law. **SIXTEEN :** Present at the signing hereof are **Mr. KEVIN ATKINSON TEAR,** who is British, married, a chartered accountant, domiciled at Pedro de Valdivia one hundred, floor 11, Providencia, Santiago, identity card for foreigners number eight million eight hundred and twenty four thousand, five hundred and ninety eight dash nine, and Mr. **FERNANDO RAMÍREZ POBLETE,** who is Chilean, married, a civil engineer, domiciled at Pedro de Valdivia one hundred, floor 11, Providencia, Santiago, national identity card number four million seven hundred and seventy three thousand eight hundred and sixty six dash zero, in representation of **COMPAÑÍA MINERA NEVADA S.A.** , whose line of business is as the name suggests, with the same domicile as that of its representatives, who state that they understand and accept all of the stipulations contained in this document, and which obligate the company that they represent to obtain the authorization that is given to the sellers to obtain from **COMPAÑÍA MINERA NEVADA S.A** . all of the documentation related to the statements, calculations of production and sales, as well as the obligation of **COMPAÑÍA MINERA NEVADA S.A.** to not dispose of or transfer the mining concessions identified in Appendix A and that are contained within the demarcated area. The legal status of Ms. **LAURA PHYLLIS MARÍA EMERY** and **SERGIO GÓMEZ NUÑEZ,** for **COMPAÑÍA MINERA BARRICK CHILE LIMITADA** is witnessed by the document of public record dated June 10, nineteen ninety eight, granted before Santiago Notary Mr. Eduardo Avello Concha, which is not inserted at the request of the parties since it is known to them. The legal status of Mr. **KEVIN ATKINSON TEAR** and of Mr. **FERNANDO RAMÍREZ POBLETE,** for **COMPAÑÍA MINERA NEVADA**

S.A ., is witnessed by the Document of Public Record dated June twelve nineteen ninety eight, granted before Santiago Notary Mr. Eduardo Avello Concha, which is not inserted at the request of the parties since it is known to them. **IN WITNESS WHEREOF** and after having read, those present signed. **A COPY IS GIVEN I ATTEST.-**

/s/ Mario Ivan Hernández Alvarez

MARIO IVAN HERNÁNDEZ ALVAREZ
C.I.N° 4.773.296-K

/s/ Laura Phyllis Maria Emery

LAURA PHYLLIS MARIA EMERY
C.I. de Ext. 14.598.411-4

/s/ Sergio Gomez Nuñez

SERGIO GOMEZ NUÑEZ
C. I. N° 5.419.292-4

COMPANIA MINERA BARRICK CHILE LIMITADA

/s/ Kevin Atkinson Tear

KEVIN ATKINSON TEAR
C. I. Ext. 8.824.598-9

/s/ Fernando Ramirez Poblete

FERNANDO RAMIREZ POBLETE
C.I.N° 4.773.876-0

COMPAÑIA MINERA NEVADA S.A
/s/ [ILLEGIBLE]

THIS COPY IS A TRUE AND FAITHFUL REPRESENTATION OF THE ORIGINAL.- SIGNED AND SEALED ON THIS DATE. IDENTIFICATION N° 2:917-98.- SANTIAGO JUNE 30, 1998.

EXHIBIT 31.1

I, Tony Jensen, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Royal Gold, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-a5(f), for the registrant and have:

   (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I, have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

February 9, 2007

/s/ Tony Jensen

Tony Jensen
President and Chief Executive Officer

EXHIBIT 31.2

I, Stefan Wenger, certify that:

(1) I have reviewed this report on Form 10-Q of Royal Gold, Inc.;

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact nor omits to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-a5(f), for the registrant and have:

   (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I, have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

February 9, 2007

/s/ Stefan Wenger

Stefan Wenger
Chief Financial Officer

EXHIBIT 32.1

In connection with the quarterly report on Form 10-Q of Royal Gold, Inc. (the "Company"), for the period ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tony Jensen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

February 9, 2007

/s/ Tony Jensen

Tony Jensen
President and Chief Executive Officer

EXHIBIT 32.2

In connection with the quarterly report on Form 10-Q of Royal Gold, Inc. (the "Company"), for the period ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stefan Wenger, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

February 9, 2007

/s/ Stefan Wenger

Stefan Wenger
Chief Financial Officer