

# ROYAL GOLD INC

## FORM 10-Q (Quarterly Report)

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Address	1660 WYNKOOP STREET SUITE 1000 DENVER, CO 80202-1132
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

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(Mark One)

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

For the Quarterly Period Ended March 31, 2008

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-13357

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**Royal Gold, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

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Delaware  
(State or Other Jurisdiction of  
Incorporation)

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

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

80202  
(Zip Code)

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 33,921,495 shares of the Company's common stock, par value \$0.01 per share, were outstanding as of April 30, 2008.

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

	March 31, 2008 (Unaudited)	June 30, 2007
<b>Current assets</b>		
Cash and equivalents	\$ 183,823	\$ 82,842
Royalty receivables	15,677	12,470
Deferred tax assets	83	154
Prepaid expenses and other	<u>329</u>	<u>217</u>
Total current assets	199,912	95,683
Royalty interests in mineral properties, net (Note 4)	306,277	215,839
Restricted cash – compensating balance	15,750	15,750
Inventory – restricted (Note 11)	10,904	10,612
Note receivable – Battle Mountain Gold Exploration (Note 2)	—	14,494
Other assets	7,445	4,271
Total assets	<u>\$ 540,288</u>	<u>\$356,649</u>
<b>Current liabilities</b>		
Accounts payable	\$ 4,738	\$ 2,342
Income taxes payable	187	5
Dividends payable	2,384	1,869
Other	<u>1,649</u>	<u>472</u>
Total current liabilities	8,958	4,688
Net deferred tax liabilities	25,017	5,911
Note payable	15,750	15,750
Other long-term liabilities	488	98
Total liabilities	<u>50,213</u>	<u>26,447</u>
Commitments and contingencies (Note 10)		
Minority interest in subsidiary (Note 11)	11,119	11,121
<b>Stockholders' equity</b>		
Common stock, \$0.01 par value, authorized 100,000,000 shares; and issued 34,347,705 and 28,892,980 shares, respectively	344	289
Additional paid-in capital	468,982	310,439
Accumulated other comprehensive income	176	458
Accumulated earnings	16,067	8,992
Less treasury stock, at cost (426,210 and 229,224 shares, respectively)	<u>(6,613)</u>	<u>(1,097)</u>
Total stockholders' equity	<u>478,956</u>	<u>319,081</u>
Total liabilities and stockholders' equity	<u>\$ 540,288</u>	<u>\$356,649</u>

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

	For The Three Months Ended	
	March 31, 2008	March 31, 2007
Royalty revenues	\$ 19,516	\$ 11,209
Costs and expenses		
Costs of operations (exclusive of depreciation, depletion and amortization shown separately below)	1,046	712
General and administrative	1,981	1,565
Exploration and business development	817	679
Depreciation, depletion and amortization	5,925	2,562
Total costs and expenses	<u>9,769</u>	<u>5,518</u>
Operating income	9,747	5,691
Interest and other income	1,715	457
Interest and other expense	(330)	(670)
Income before income taxes	11,132	5,478
Current tax expense	(3,814)	(1,891)
Deferred tax benefit	242	205
Minority interest in income of consolidated subsidiary	(140)	(353)
Net income	<u>\$ 7,420</u>	<u>\$ 3,439</u>
Adjustments to comprehensive income		
Unrealized loss in market value of available for sale securities, net of tax	(109)	(83)
Comprehensive income	<u>\$ 7,311</u>	<u>\$ 3,356</u>
Net income	\$ 7,420	\$ 3,439
Preferred stock dividends and deemed dividend	(3,584)	—
Net income available to common stockholders	<u>\$ 3,836</u>	<u>\$ 3,439</u>
Basic earnings per share	<u>\$ 0.12</u>	<u>\$ 0.14</u>
Basic weighted average shares outstanding	<u>30,932,084</u>	<u>24,042,235</u>
Diluted earnings per share	<u>\$ 0.12</u>	<u>\$ 0.14</u>
Diluted weighted average shares outstanding	<u>31,213,663</u>	<u>24,318,738</u>

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

	For The Nine Months Ended	
	March 31, 2008	March 31, 2007
Royalty revenues	\$ 47,729	\$ 33,993
Costs and expenses		
Costs of operations (exclusive of depreciation, depletion and amortization shown separately below)	2,838	2,280
General and administrative	5,509	4,231
Exploration and business development	3,298	1,570
Depreciation, depletion, and amortization	11,933	5,751
Total costs and expenses	23,578	13,832
Operating income	24,151	20,161
Interest and other income	5,667	2,383
Interest and other expense	(1,492)	(802)
Income before income taxes	28,326	21,742
Current tax expense	(9,989)	(7,811)
Deferred tax benefit	1,143	1,167
Minority interest in income of consolidated subsidiary	(682)	(1,064)
Loss from equity investment	(550)	—
Net income	\$ 18,248	\$ 14,034
Adjustments to comprehensive income		
Unrealized loss in market value of available for sale securities, net of tax	(282)	(194)
Comprehensive income	\$ 17,966	\$ 13,840
Net income	\$ 18,248	\$ 14,034
Preferred stock dividends and deemed dividend	(4,788)	—
Net income available to common stockholders	\$ 13,460	\$ 14,034
Basic earnings per share	\$ 0.45	\$ 0.59
Basic weighted average shares outstanding	29,808,962	23,653,946
Diluted earnings per share	\$ 0.45	\$ 0.59
Diluted weighted average shares outstanding	30,134,888	23,956,549

**ROYAL GOLD, INC.**  
Consolidated Statement of Stockholders' Equity for the Nine Months Ended March 31, 2008  
(Unaudited, in thousands except share data)

	Preferred Shares		Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Earnings	Treasury Stock		Total Stockholders' Equity
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance at June 30, 2007	—	\$ —	28,892,980	\$ 289	\$ 310,439	\$ 458	\$ 8,992	229,224	\$ (1,097)	\$ 319,081
Issuance of preferred stock for:										
7.25% Mandatory Convertible offering (Note 7)	1,150,000	115,000			(3,902)					111,098
Issuance of common stock for:										
Conversion of 7.25% Mandatory Convertible Preferred Stock (Note 7)	(1,150,000)	(115,000)	3,977,683	40	116,946					1,986
Battle Mountain acquisition (Note 2)			1,144,025	11	35,832					35,843
Equity offering costs (April 2007)					(29)					(29)
Exercise of stock options			96,750	1	701					702
Vesting of restricted stock			19,625	1						1
IAMGOLD Corporation and Repadre International Corporation (Note 7)			216,642	2	6,343					6,345
Repurchase of common stock (Note 7)								196,986	(5,516)	(5,516)
Tax benefit of stock-based compensation exercises					507					507
Recognition of non-cash compensation expense for stock-based compensation					2,145					2,145
Net income and comprehensive loss for the nine months ended						(282)	18,248			17,966
Preferred stock deemed divided upon conversion of 7.25% Mandatory Convertible							(1,986)			(1,986)
Preferred stock dividends declared							(2,802)			(2,802)
Common stock dividends declared							(6,385)			(6,385)
Balance at March 31, 2008	—	\$ —	<u>34,347,705</u>	<u>\$ 344</u>	<u>\$ 468,982</u>	<u>\$ 176</u>	<u>\$ 16,067</u>	<u>426,210</u>	<u>\$ (6,613)</u>	<u>\$ 478,956</u>



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

	For The Nine Months Ended	
	March 31, 2008	March 31, 2007
<b>Cash flows from operating activities</b>		
Net income	\$ 18,248	\$ 14,034
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	11,933	5,751
Deferred tax benefit	(1,143)	(1,167)
Non-cash employee stock compensation expense	2,145	1,725
Loss on available for sale securities	49	—
Interest income accrued for Battle Mountain note receivable	(713)	—
Tax benefit of stock-based compensation exercises	(507)	(97)
Changes in assets and liabilities:		
Royalty receivables	(2,479)	(2,261)
Prepaid expenses and other assets	(2,199)	(270)
Accounts payable	3,010	2,646
Income taxes payable (receivable)	541	(1,001)
Accrued liabilities and other current liabilities	(151)	(198)
Other long-term liabilities	(20)	(20)
<b>Net cash provided by operating activities</b>	<b>\$ 28,714</b>	<b>\$ 19,142</b>
<b>Cash flows from investing activities</b>		
Capital expenditures for property and equipment	\$ (12)	\$ (268)
Acquisition of royalty interests in mineral properties	(15,939)	(119,736)
Note Receivable – Battle Mountain Gold Exploration	—	(13,927)
Deferred acquisition costs	(63)	(375)
Restricted cash – compensating balance	—	(15,750)
Purchase of available for sale securities	—	(81)
Battle Mountain acquisition, net of cash acquired of \$1,398,181	(2,933)	—
<b>Net cash used in investing activities</b>	<b>\$ (18,947)</b>	<b>\$ (150,137)</b>
<b>Cash flows from financing activities:</b>		
Tax benefit of stock-based compensation exercises	\$ 507	\$ 97
Debt issuance costs	(27)	(461)
Revolving credit facility payable	—	60,000
Note payable	—	15,750
Common stock dividends	(5,869)	(4,142)
Preferred stock dividends	(2,802)	—
Gold loan payoff – Battle Mountain	(6,852)	—
Net proceeds from issuance of common stock	675	470
Net proceeds from issuance of preferred stock	111,098	—
Stock repurchase program	(5,516)	—
<b>Net cash provided by financing activities</b>	<b>\$ 91,214</b>	<b>\$ 71,714</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>100,981</b>	<b>(59,281)</b>
Cash and equivalents at beginning of period	82,842	78,449
<b>Cash and equivalents at end of period</b>	<b>\$183,823</b>	<b>\$ 19,168</b>
<b>Supplemental cash flow information:</b>		
<b>Non-cash financing activities:</b>		
Acquisition of royalty interest in mineral property (with common stock)	\$ —	\$ 18,495
Conversion of preferred stock to common stock	\$116,946	\$ —

Battle Mountain acquisition (with common stock)

\$ 35,832

\$ —

**ROYAL GOLD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited, in thousands except share data, per ounce and per pound amounts)**

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

**Operations**

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

We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. We are engaged in a continual review of opportunities to acquire existing royalties, to create new royalties through the financing of mine development or exploration, or to acquire companies that hold royalties. We currently, and generally at any time, have acquisition opportunities in various stages of active review, including, for example, our engagement of consultants and advisors to analyze particular opportunities, analysis of technical, financial and other confidential information, submission of indications of interest, participation in preliminary discussions and involvement as a bidder in competitive auctions. We also fund exploration on properties thought to contain precious metals and seek to obtain royalties and other carried ownership interests in such properties through the subsequent transfer of operating interests to other mining companies. Substantially all of our revenues are and will be expected to be derived from royalty interests. We do not conduct mining operations at this time.

**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 nine months ended March 31, 2008, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2008. 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, 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 Company adopted FIN 48 on July 1, 2007. Refer to Note 10 for a discussion regarding the effect of adopting FIN 48.

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

**ROYAL GOLD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited, in thousands except share data, per ounce and per pound amounts)**

refers to the price that would be received to sell an asset or paid to transfer a liability between 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 its financial statements.

In February 2007, the FASB issued Statement No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*,” which allows entities to choose to measure many financial instruments and certain other items at fair value. The provisions of Statement No. 159 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. 159 could have on its financial statements.

In December 2007, the FASB issued Statement No. 141 (revised 2007), “*Business Combinations*,” (“SFAS 141R”), which significantly changes the ways companies account for business combinations and will generally require more assets acquired and liabilities assumed to be measured at their acquisition date fair value. Under SFAS 141R, legal fees and other transaction-related costs are expensed as incurred and are no longer included in goodwill as a cost of acquiring the business. SFAS 141R also requires, among other things, acquirers to estimate the acquisition date fair value of any contingent consideration and to recognize any subsequent changes in the fair value of contingent consideration in earnings. In addition, restructuring costs the acquirer expected, but was not obligated to incur, will be recognized separately from the business acquisition. SFAS 141R is effective for the Company’s fiscal year beginning July 1, 2009, and is to be applied prospectively. The Company is evaluating the impact, if any, the adoption of SFAS 141R could have on its financial statements.

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

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

**ROYAL GOLD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited, in thousands except share data, per ounce and per pound amounts)**

**2. ACQUISITION OF BATTLE MOUNTAIN GOLD EXPLORATION**

On July 30, 2007, we entered into an Amended and Restated Agreement and Plan of Merger (the “Merger Agreement”) with Battle Mountain and Royal Battle Mountain, Inc. (“Merger Sub”), a newly-formed and wholly-owned subsidiary of Royal Gold, pursuant to which the Merger Sub was merged into Battle Mountain with Battle Mountain surviving as a wholly-owned subsidiary of Royal Gold.

On October 24, 2007, we completed the merger pursuant to the Merger Agreement and acquired 100% of the issued and outstanding capital stock of Battle Mountain in a transaction whereby the Merger Sub was merged with and into Battle Mountain for aggregate consideration consisting of 1.14 million shares of our common stock and approximately \$3.4 million in cash. Immediately prior to the merger, Royal Gold owned approximately 18% of Battle Mountain’s outstanding common stock and accounted for this ownership under the equity method, which resulted in the Company recognizing a loss from equity investment of approximately \$0.5 million for the nine months ended March 31, 2008.

As part of the acquisition of Battle Mountain, we acquired thirteen royalty interests in various stages of production, development or exploration. Please refer to Note 4 for a further discussion on the thirteen royalty interests acquired from Battle Mountain.

Subject to settlement of the Battle Mountain litigation discussed below, additional merger consideration of up to an aggregate of 37,418 shares of Royal Gold common stock and approximately \$0.1 million in cash may be paid to former Battle Mountain stockholders. On September 13, 2006, an action was filed against Battle Mountain and its former Chairman and Chief Executive Officer, Mark Kucher, by James E. McKay, a former officer and director of Battle Mountain, in the second Judicial Court of the State of Nevada. The action seeks to enforce alleged rights to certain shares of Battle Mountain common stock and options to purchase shares of Battle Mountain common stock pursuant to a stock option agreement and a stock option plan, and unspecified damages. Royal Gold may pay the additional consideration described above to Battle Mountain stockholders depending upon the cost of settling this litigation.

The acquisition of Battle Mountain has been accounted for as an asset acquisition using the purchase method of accounting, whereby assets acquired and liabilities assumed were recorded at their fair market values as of the date of acquisition. The purchase price was calculated using the fair market value of the Royal Gold common shares issued, as of the date we completed the transaction, plus cash and direct acquisition costs paid by Royal Gold.

We have allocated the purchase price of approximately \$65.8 million to the fair market values of the assets acquired and liabilities assumed, including \$85.5 million to royalty interests in mineral properties, \$2.2 million to current assets, \$5.8 million to intangible assets (included within *Other assets* on the consolidated balance sheets), \$3.8 million to deferred tax assets, \$6.5 million to a gold loan payable, \$24.5 million to deferred tax liabilities resulting from the acquisition and \$0.5 million of other liabilities. The amounts allocated to the acquired royalty interests in mineral properties and related deferred taxes are preliminary and are subject to change upon completion of final valuations. The operating impact of the assets acquired from Battle Mountain have been reflected in the results of Royal Gold from October 24, 2007.

The gold loan payable assumed as part of the acquisition of Battle Mountain was paid in full during November 2007. The *Note Receivable – Battle Mountain Gold Exploration* as shown on the Company’s consolidated balance sheets as of June 30, 2007, was assumed during the acquisition and was included in the purchase price for Battle Mountain.

**ROYAL GOLD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited, in thousands except share data, per ounce and per pound amounts)**

**3. ROYALTY ACQUISITIONS**

Marigold and El Chanate Royalty Acquisitions

On February 20, 2008, we acquired three royalties from AngloGold Ashanti (U.S.A.) Exploration Inc. (“AngloGold”), a wholly-owned subsidiary of AngloGold Ashanti North America Inc., for \$13.75 million. The first royalty is a 2.0% net smelter return (“NSR”) royalty on the Marigold mine, located on the Battle Mountain-Eureka trend in Nevada, and operated by Goldcorp, Inc. (“Goldcorp”). The second royalty is a 2.0-4.0% sliding-scale NSR royalty on the El Chanate mine, located in Sonora, Mexico and operated by Capital Gold, Inc. (“Capital Gold”). The sliding-scale NSR royalty is capped once payments of approximately \$17.0 million have been received. The third royalty is a 10.0% net profits interest (“NPI”) royalty, also on the El Chanate mine. The 10.0% NPI royalty at El Chanate is capped at \$1.0 million.

The sliding-scale NSR royalty at El Chanate pays at a rate of 2.0% when the average gold price is below \$300 per ounce, 3.0% when the gold price is between \$300 and \$350 per ounce, and 4.0% when the gold price is above \$350 per ounce. The El Chanate mine commenced production in mid-2007. For the three and nine months ended March 31, 2008, we recognized royalty revenue associated with the El Chanate sliding-scale and NPI royalties of \$0.2 million and \$0, respectively. Including royalty payments made to AngloGold, there have been cumulative payments made on the sliding-scale NSR royalty of \$0.7 million, resulting in \$16.3 million remaining under the \$17.0 million cap as of March 31, 2008. There have been no payments made on the NPI royalty as of March 31, 2008.

The 2.0% NSR royalty interest on the Marigold mine covers the majority of six sections of land, containing a number of open-pits, but does not cover the current mining in the Basalt/Antler area. Approximately 38% of the current Marigold reserves are covered by this royalty. Based on our own estimates, we expect to begin receiving royalty payments on the 2.0% NSR royalty on the Marigold mine in calendar 2011, when mine operations are expected to move into areas covered by our royalty interest.

The AngloGold transaction has been accounted for as a purchase of assets. The total purchase price of \$13.75 million, less royalty amounts received for production prior to the purchase date of \$0.15 million, plus direct transaction costs, has been allocated to the three acquired royalties according to their relative fair values, as separate components of *Royalty Interests in Mineral Properties* on our consolidated balance sheets. Accordingly, \$7.5 million has been allocated to the sliding-scale NSR royalty at El Chanate, \$0.8 million has been allocated to the NPI royalty at El Chanate, and \$5.3 million has been allocated to the Marigold royalty.

**ROYAL GOLD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited, in thousands except share data, per ounce and per pound amounts)

**4. ROYALTY INTERESTS IN MINERAL PROPERTIES**

The following table summarizes the net book value of each of our royalty interests in mineral properties as of March 31, 2008 and June 30, 2007.

As of March 31, 2008 (Amounts in thousands):	Gross	Accumulated Depletion & Amortization	Net
<b>Production stage royalty interests:</b>			
Pipeline Mining Complex			
GSR1	\$ —	\$ —	\$ —
GSR2	—	—	—
GSR3	8,105	(6,825)	1,280
NVR1	2,525	(2,009)	516
Bald Mountain	1,979	(1,836)	143
SJ Claims	20,788	(8,254)	12,534
Robinson	17,825	(3,638)	14,187
Mulatos	7,442	(1,177)	6,265
Troy mine GSR royalty	7,250	(4,447)	2,803
Troy mine Perpetual royalty	250	—	250
Taparko mine			
TB-GSR1	25,978	(2,195)	23,783
TB-GSR2	7,592	(635)	6,957
Leeville South	1,776	(1,776)	—
Leeville North	15,719	(3,195)	12,524
Martha	173	(173)	—
Don Mario	5,028	(803)	4,225
Williams	3,978	(298)	3,680
El Limon	2,326	(250)	2,076
El Chanate NSR	7,563	(68)	7,495
El Chanate NPI	766	—	766
	<u>137,063</u>	<u>(37,579)</u>	<u>99,484</u>
<b>Development stage royalty interests:</b>			
Peñasquito	99,172	—	99,172
Taparko mine			
TB-GSR3	1,071	—	1,071
Pascua-Lama	20,446	—	20,446
Gold Hill	3,340	—	3,340
Dolores	40,989	—	40,989
Don Mario	6,488	—	6,488
Benso	1,910	—	1,910
Marigold	5,301	—	5,301
	<u>178,717</u>	<u>—</u>	<u>178,717</u>
<b>Exploration stage royalty interests:</b>			
Taparko mine			
TB-GSR3	217	—	217
TB-MR1	142	—	142
Pascua-Lama	411	—	411
Leeville North	827	(271)	556
Buckhorn South	70	—	70
Dolores	9,866	—	9,866
El Limon	5,653	—	5,653
Relief Canyon	1,075	—	1,075
Williams	2,736	—	2,736
Seguenega	2,880	—	2,880
Joe Mann	1,000	—	1,000
Marmato	470	—	470
Lluvia de Oro	500	—	500
Fletcher Junction	500	—	500
Night Hawk Lake	1,000	—	1,000

Hot Pot	500	—	500
Vueltas del Rio	500	—	500
	<u>28,347</u>	<u>(271)</u>	<u>28,076</u>
Total royalty interests in mineral properties	<u>\$344,127</u>	<u>\$ (37,850)</u>	<u>\$306,277</u>



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As of June 30, 2007 (Amounts in thousands)	Gross	Accumulated Depletion & Amortization	Net
<b>Production stage royalty interests:</b>			
Pipeline Mining Complex			
GSR1	\$ —	\$ —	\$ —
GSR2	—	—	—
GSR3	8,105	(6,444)	1,661
NVR1	2,525	(1,978)	547
Bald Mountain	1,978	(1,833)	145
SJ Claims	20,788	(7,159)	13,629
Robinson	17,825	(2,053)	15,772
Mulatos	7,442	(664)	6,778
Troy mine GSR royalty	7,250	(3,035)	4,215
Troy mine Perpetual royalty	250	—	250
Leeville South	1,776	(1,776)	—
Leeville North	15,086	(1,472)	13,614
Martha	173	(173)	—
	<u>83,198</u>	<u>(26,587)</u>	<u>56,611</u>
<b>Development stage royalty interests:</b>			
Peñasquito	99,172	—	99,172
Taparko mine			
TB-GSR1	25,681	—	25,681
TB-GSR2	7,506	—	7,506
TB-GSR3	1,059	—	1,059
Pascua-Lama	20,445	—	20,445
Gold Hill	3,340	—	3,340
	<u>157,203</u>	<u>—</u>	<u>157,203</u>
<b>Exploration stage royalty interests:</b>			
Taparko mine			
TB-GSR3	215	—	215
TB-MR1	140	—	140
Pascua-Lama	411	—	411
Leeville North	1,460	(271)	1,189
Buckhorn South	70	—	70
	<u>2,296</u>	<u>(271)</u>	<u>2,025</u>
<b>Total royalty interests in mineral properties</b>	<u><u>\$242,697</u></u>	<u><u>\$ (26,858)</u></u>	<u><u>\$215,839</u></u>

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Discussed below is an update to our royalty interests in mineral properties during our fiscal year 2008. Please refer to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007, for further information about the Company's producing, development and exploration stage royalty interests.

**Troy Mine**

The 7.0% gross smelter return ("GSR") royalty from all metals and products produced and sold from the Troy underground silver and copper mine extends 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 March 31, 2008, we have recognized royalty revenue associated with the GSR royalty totaling \$7.1 million, which is attributable to cumulative production of approximately 3.0 million ounces of silver and approximately 26.0 million pounds of copper.

**Taparko Mine**

The 15.0% GSR (TB-GSR1) royalty on all gold produced from the Taparko open pit gold mine will remain in effect until cumulative production of 804,420 ounces of gold is achieved or until cumulative payments of \$35 million have been made to Royal Gold, whichever is earlier. The sliding-scale GSR royalty (TB-GSR2 ranging from 0% to 10%) on all gold produced from the Taparko mine is effective concurrently with TB-GSR1, and will remain in effect until the termination of TB-GSR1. As of March 31, 2008, we have recognized royalty revenue associated with the TB-GSR1 royalty totaling \$2.9 million, which is attributable to cumulative production of 23,022 ounces of gold.

During our first fiscal quarter of 2008, High River commenced production at the Taparko mine. Accordingly, we reclassified our cost basis in TB-GSR1 and TB-GSR2 from development stage royalty interests to production stage royalty interests. As such, we began depleting the associated cost basis using the units of production method during the first quarter of fiscal 2008.

Our royalties on the Taparko mine were subject to completion of our \$35 million funding commitment to Somita and the royalty documents for the forgoing royalties had been signed but held pending the completion of the funding commitment. We completed the remaining \$0.4 million of our funding commitment on September 27, 2007. See Note 10 for further discussion.

**Leeville Mining Complex**

We carry our interest in the non-reserve portion of Leeville North as an exploration stage royalty interest, which is not subject to amortization at this time. During our third fiscal quarter of 2008, Newmont communicated to us that additional proven and probable reserves were developed at Leeville North. As such, we reclassified approximately \$0.6 million of our cost basis in the Leeville North exploration stage royalty interest to the Leeville North production stage royalty interest. In the event that future proven and probable reserves associated with our royalty interest are developed at Leeville North, additional 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.

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**El Chanate**

As discussed in Note 3, we own a sliding-scale NSR royalty on the El Chanate mine, located in Sonora, Mexico, and operated by Capital Gold. The sliding-scale ranges from 2.0%, when the gold price is below \$300 per ounce, to 4.0% when the gold price is above \$350 per ounce. The sliding-scale royalty is in effect until cumulative payments of approximately \$17.0 million have been made to Royal Gold. We also own a 10.0% NPI royalty on the El Chanate mine, which is in effect until cumulative payments of \$1.0 million have been made to Royal Gold. As the El Chanate mine is currently in production, we have classified our cost basis in the sliding-scale and NPI royalties as production stage royalty interests, which are subject to depletion using the units of production method. As of March 31, 2008, we have recognized royalty revenue associated with the sliding-scale royalty and the NPI royalty of \$0.2 million and \$0, respectively.

**Marigold**

As discussed in Note 3, we own a 2.0% NSR royalty on the Marigold mine, which contains a number of open-pits, and is located in Humboldt County, Nevada, at the north end of the Battle Mountain-Eureka Trend. The Marigold mine is operated by Goldcorp. Our royalty interest on the Marigold mine covers the majority of six sections of land but does not cover the current mining in the Basalt/Antler area. Our 2.0% NSR royalty is associated with existing proven and probable reserves and has been classified as a development stage royalty interest, which is not subject to amortization at this time.

**Don Mario**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we own a 3.0% NSR royalty on the Don Mario mine which is an open-pit and underground gold mine located in the Chiquitos Province of Bolivia. The Don Mario mine is operated by Orvana Minerals Corporation. A portion of the Don Mario royalty is currently in production and is classified as a production stage royalty interest. The production stage portion of the royalty is being depleted using the units of production method. A portion of the Don Mario royalty is associated with existing proven and probable reserves but is not currently in production. The non-producing portion has been classified as a development stage royalty interest, which is not subject to amortization at this time.

**Williams**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we own a 0.72% NSR royalty interest on the underground and open-pit Williams mine located in Marathon, Ontario, Canada. This gold mine is owned and operated by Teck Cominco Limited (50%) and a subsidiary of Barrick (50%). A portion of the Williams royalty is currently in production and is classified as a production stage royalty interest. The production stage portion of the royalty is being depleted using the units of production method. The portion of the Williams royalty which is not currently associated with proven and probable reserves is classified as an exploration stage royalty interest, and is not subject to amortization at this time.

**El Limon**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we own a 3.0% NSR royalty on the underground El Limon gold mine located in northern Nicaragua. The mine is owned and operated by Central Sun Mining Inc. (95%) and Inversiones Mineras S.A. (5%). A portion of the El Limon royalty is currently in production and is classified as a production stage royalty interest. The production stage portion of the royalty is being depleted using the units of production method. The portion of the El

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Limon royalty which is not currently associated with proven and probable reserves is classified as an exploration stage royalty interest and is not subject to amortization at this time.

**Dolores**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we own a 1.25% NSR royalty on gold and a 2.0% NSR royalty on both gold and silver from the Dolores project located in Chihuahua, Mexico, and owned and operated by a subsidiary of Minefinders Corporation Ltd. The 2.0% NSR royalty becomes effective when the facility has been producing at 75% of its design capacity for three consecutive months. We carry our interest in the proven and probable reserves at the Dolores project as a development stage royalty interest, which is not currently subject to amortization. The remaining portion of the Dolores royalty, which is not currently associated with proven and probable reserves, is classified as an exploration stage royalty interest and is not subject to amortization at this time.

**Benso**

We hold a 1.5% NSR royalty on gold produced from the Benso concession located in the Western Region of the Republic of Ghana, West Africa. The Benso concession, controlled by Golden Star, is located approximately 25 miles south of Golden Star's Wassa mine. We carry our interest in the Benso gold concession as a development stage royalty interest, which is not subject to amortization at this time.

**Relief Canyon**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we own a 4.0% NSR royalty on the mineral deposit at Relief Canyon, located in Pershing County, Nevada, and owned by Firstgold Incorporated. The Relief Canyon royalty interest is classified as an exploration stage royalty interest, which is not subject to amortization at this time.

**Seguenega**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we own a 3.0% NSR royalty on the Seguenega ("Sega") project, located in northern Burkina Faso, West Africa, and owned by Orezone Resources Incorporated. The Sega royalty interest is classified as an exploration stage royalty interest, which is not subject to amortization at this time.

**Joe Mann**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we own a 1.8% to 3.6% sliding-scale NSR royalty on gold produced from the Joe Mann mine located 330 miles north of Montreal, Quebec, Canada. The Joe Mann mine currently is owned by Campbell Resources Incorporated but is subject to a memorandum of understanding for sale of the mine to Gold Bullion Development Corporation. We also hold a 2.0% NSR royalty on all silver production in excess of 1.0 million ounces and a 2.0% NSR royalty on all copper production greater than 5.0 million pounds. The Joe Mann royalty interest is classified as an exploration stage royalty interest as it is currently under care and maintenance and is not subject to amortization at this time.

**Marmato**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we own a 5.0% NSR royalty on certain properties located in the Municipality of Marmato in Colombia, South America, and believed to be owned by Mineros Nacionales S.A. The Marmato royalty interest is classified as an exploration stage royalty interest, which is not subject to amortization at this time.

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**Lluvia de Oro**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we hold a 4.0% NSR royalty on the Lluvia de Oro property, located in Sonora, Mexico. The mining concessions to which the royalty applies are believed to be held by Atotonilco Construcciones, S.A. de C.V., subject to the right of a subsidiary of Tara Gold Resources Corp. ("Tara Gold") to acquire the concessions. Tara Gold has entered into an agreement with Columbia Metals Corporation, pursuant to which Columbia Metals Corporation may acquire the concessions, subject to a retained interest by Tara Gold. The Lluvia de Oro royalty interest is classified as an exploration stage royalty interest, which is not subject to amortization at this time.

**Fletcher Junction and Hot Pot**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we hold a 1.25% NSR royalty on both the Fletcher Junction property and the Hot Pot property. Both properties are located in Mineral County, Nevada, and are owned by Pediment Gold LLC ("Pediment"). The Fletcher Junction and Hot Pot royalty interests are classified as exploration stage royalty interests, which are not subject to amortization at this time.

**Night Hawk Lake**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we hold a 2.5% NSR royalty on the Night Hawk Lake property located in Ontario, Canada, and owned by Selkirk Metals Corporation (40%), East West Resource Corporation (40%), and Canadian Golden Dragon Resources Limited (20%). The Night Hawk Lake royalty interest is classified as an exploration stage royalty interest, which is not subject to amortization at this time.

**Vueltas Del Rio**

As part of the acquisition of Battle Mountain (Note 2) on October 24, 2007, we hold a 2.0% NSR royalty on the Vueltas Del Rio property, located in Honduras, and owned by Lundin Mining Corporation. The Vueltas del Rio royalty interest is classified as an exploration stage royalty interest, which is not subject to amortization at this time.

**5. CREDIT FACILITY**

On January 23, 2008, the Company entered into an amendment of its existing credit facility with HSBC Bank USA, National Association. The amendment extends the maturity date of the credit facility two years from December 31, 2010 to December 31, 2012. The amendment also updated the assumptions used in the calculation of the borrowing base, which included an increase in the metal price assumption of gold and added a metal price assumption for silver.

The \$80 million credit facility bears interest at LIBOR plus 1.5% and includes both affirmative and negative covenants, as defined, so long as any portion of the facility is outstanding and unpaid. The Company's borrowing base will be calculated based on our GSR1, GSR3, and NVR1 royalties at the Pipeline Mining Complex and our SJ Claims, Leeville, Bald Mountain and Robinson royalties. Additional royalties may be added to the borrowing base calculation with the lender's approval. As of March 31, 2008, the total availability under the borrowing base was \$80.0 million, based upon the future cash flows from the royalties included in the borrowing base calculation. The borrowing base calculation is recalculated as of April 15 and October 15 each year. As of April 15, 2008, the Company's borrowing

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capacity under the credit facility was \$70.8 million. The Company had no amounts outstanding under the credit facility as of March 31, 2008 and June 30, 2007.

**6. STOCK-BASED COMPENSATION**

For the three and nine months ended March 31, 2008, we recorded total non-cash stock compensation expense related to our equity compensation plan of \$0.7 million and \$2.1 million, respectively, compared to \$0.4 million and \$1.7 million for the three and nine months ended March 31, 2007, 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 as summarized below:

(Amounts in thousands)	For The Three Months Ended		For The Nine Months Ended	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
<b>Non-cash stock compensation allocation:</b>				
Cost of operations	\$ 99	\$ 48	\$ 257	\$ 222
General and administrative	350	240	1,159	1,082
Exploration and business development	<u>278</u>	<u>114</u>	<u>729</u>	<u>421</u>
<b>Total non-cash stock compensation expense</b>	<b><u>\$ 727</u></b>	<b><u>\$ 402</u></b>	<b><u>\$ 2,145</u></b>	<b><u>\$ 1,725</u></b>

As of March 31, 2008, there are 70,567 shares of common stock reserved for future issuance under our current long-term incentive plan.

Stock Options

For the three months ended March 31, 2008 and 2007, we recorded non-cash stock compensation expense associated with stock options of \$0.3 million and \$0.2 million, respectively. For the nine months ended March 31, 2008 and 2007, we recorded non-cash compensation associated with stock options of \$0.9 million and \$0.8 million. 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 option pricing model for all periods presented.

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A summary of the status of the Company's non-vested stock options for the nine months ended March 31, 2008 and 2007, is presented below:

	2008		2007	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Non-vested at beginning of period	138,434	\$ 13.00	132,334	\$ 11.24
Granted	110,500	\$ 12.82	108,100	\$ 13.79
Vested	(99,517)	\$ 12.45	(91,167)	\$ 11.62
Forfeited	(1,250)	\$ 13.94	(10,833)	\$ 10.93
Non-vested at March 31	148,167	\$ 13.23	138,434	\$ 13.00

The total intrinsic value of options exercised during the three and nine month periods ended March 31, 2008, was \$1.6 million and \$2.3 million, respectively. The total intrinsic value of options exercised during the three and nine month periods ended March 31, 2007, was \$0.1 million and \$0.4 million, respectively.

As of March 31, 2008, there was \$1.4 million of total unrecognized non-cash stock compensation expense related to non-vested stock options granted under our equity compensation plan, 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 March 31, 2008 and 2007, was \$24,000 and \$0, respectively. The total fair value of shares vested during the nine months ended March 31, 2008 and 2007, was \$1.3 million and \$1.1 million, respectively.

#### Other Stock-based Compensation

Officers and certain employees may be granted shares of restricted common stock that can be earned only if defined multi-year performance goals are met within five years of the date of grant ("Performance Shares"). For the three and nine months ended March 31, 2008, we recorded non-cash stock compensation expense associated with our Performance Shares of \$0.2 million and \$0.4 million, respectively. For the three and nine months ended March 31, 2007, we recorded non-cash stock compensation expense associated with our Performance Shares of \$0.2 million and \$0.6 million, respectively.

A summary of the status of the Company's non-vested Performance Shares for the nine months ended March 31, 2008 and 2007, is presented below:

	2008		2007	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Non-vested at beginning of period	27,000	\$ 28.78	41,500	\$ 19.19
Granted	48,000	\$ 29.75	36,000	\$ 28.78
Vested	(9,000)	\$ 28.78	—	\$ —
Forfeited	—	\$ —	(5,625)	\$ 19.53
Non-vested at March 31	66,000	\$ 29.49	71,875	\$ 23.97

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We measure the fair value of the Performance Shares based upon the market price of our common stock as of the date of grant. As of March 31, 2008, total unrecognized non-cash stock compensation expense related to our Performance Shares was \$0.4 million, which is expected to be recognized over the remaining vesting period of 0.75 years.

Officers, non-executive directors and certain employees may be granted shares of restricted stock that vest on continued service alone (“Restricted Stock”). For the three months ended March 31, 2008 and 2007, we recorded non-cash stock compensation expense associated with the Restricted Stock of \$0.2 million and \$0.1 million, respectively. For the nine months ended March 31, 2008 and 2007, we recorded non-cash stock compensation expense associated with the Restricted Stock of \$0.8 million and \$0.3 million, respectively.

A summary of the status of the Company’s non-vested Restricted Stock for the nine months ended March 31, 2008 and 2007, is presented below:

	2008		2007	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Non-vested at beginning of period	117,000	\$ 24.73	77,250	\$ 20.60
Granted	87,500	\$ 29.75	63,500	\$ 28.83
Vested	(10,625)	\$ 29.59	(7,500)	\$ 26.41
Forfeited	(625)	\$ 29.20	(16,250)	\$ 20.36
Non-vested at March 31	193,250	\$ 26.72	117,000	\$ 24.73

We measure the fair value of the Restricted Stock based upon the market price of our common stock as of the date of grant. As of March 31, 2008, total unrecognized non-cash stock compensation expense related to Restricted Stock was \$4.0 million, which is expected to be recognized over a remaining average vesting period of 4.25 years.

**7. STOCKHOLDERS’ EQUITY**

Stock Issuances

On September 4, 2007, we issued 216,642 shares of our common stock to IAMGOLD Corporation (“IAMGOLD”) and Repadre International Corporation (“Repadre”) in connection with our acquisition from IAMGOLD and Repadre of all of their issued and outstanding shares of Battle Mountain common stock. We had the option to acquire the shares of Battle Mountain common stock from IAMGOLD and Repadre pursuant to an option and support agreement we entered into with IAMGOLD in connection with the merger with Battle Mountain.

On October 24, 2007, we issued 1,144,025 shares of our common stock to Battle Mountain shareholders as part of the Company’s acquisition of 100% of the issued and outstanding shares of Battle Mountain. Refer to Note 2 for further discussion regarding the acquisition of Battle Mountain.

On March 10, 2008, we issued 3,977,683 shares of our common stock as part of the conversion of our 7.25% mandatory convertible preferred stock (“Preferred Stock”). Please refer to “Mandatory Convertible Preferred Stock” below for further information regarding the Preferred Stock.



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Common Stock Repurchase

On January 25, 2008, the Company announced that its board of directors authorized the repurchase of up to \$30.0 million of its common stock in the open market through March 31, 2008. The timing and number of shares repurchased through March 31, 2008, depended on market conditions and other corporate considerations. As of March 31, 2008, the Company repurchased 196,986 common shares at an average price of \$28.00 per common share for a total cost of approximately \$5.5 million. The common share repurchases were funded through cash and cash equivalents. The total cost to reacquire the 196,986 common shares is included in *Treasury Stock* on the Company's consolidated balance sheets as of March 31, 2008. The common stock repurchase program, pursuant to the January 25, 2008, announcement, ended on March 31, 2008.

On April 2, 2008, the Company determined that it will cancel the 196,986 common shares reacquired, pursuant to the repurchase plan. The 196,986 common shares repurchased will be returned to the Company's authorized but unissued amount of common stock.

Mandatory Convertible Preferred Stock

On November 9, 2007, the Company completed an offering of 1.15 million shares of Preferred Stock at a price to the public of \$100.00 per share, less underwriter discounts and other related expenses, resulting in net proceeds of \$111.1 million. Dividends on the Preferred Stock were payable on a cumulative basis when, as and if declared by our board of directors at an annual rate of 7.25% per share on the liquidation preference of \$100 per share. Dividends were payable, at the Company's discretion, in cash, common stock or a combination thereof, on February 15, May 15, August 15 and November 15 of each year to and including November 15, 2010, commencing on February 15, 2008. On January 10, 2008, the Company's board of directors declared the regular quarterly dividend for the first dividend period of \$1.9333 per share of the Preferred Stock. The dividend was payable on February 15, 2008, to preferred shareholders of record at the close of business on February 1, 2008. The preferred dividend was paid in cash.

Each share of the Preferred Stock was to automatically convert on November 15, 2010, into between 2.8335 and 3.4002 shares of our common stock, subject to anti-dilution adjustments. At any time prior to November 15, 2010, holders may have elected to convert each share of the Preferred Stock into shares of our common stock at the minimum conversion rate of 2.8335 shares of common stock per share of the Preferred Stock, subject to anti-dilution adjustments. At any time prior to May 15, 2008, we may have, at our option, caused the conversion of all, but not less than all, of the Preferred Stock into shares of our common stock at the provisional conversion rate described within the Preferred Stock offering. However, we may not have elected to exercise our provisional conversion right if, on or prior to May 15, 2008, we completed a material transaction involving the acquisition of assets or a business with a purchase price of \$100 million or more.

On January 25, 2008, the Company announced that it exercised its provisional conversion right for all of the issued and outstanding shares of its Preferred Stock. As part of the provisional conversion right, each share of the Preferred Stock was converted into shares of our common stock on March 10, 2008 (the "Conversion Date"), based on the average closing price per common share on the Nasdaq Global Select Market ("Nasdaq") over a 20 consecutive trading day period, which ended on March 5, 2008, as provided in the Certificate of Designations of the Preferred Stock. The average closing price over the 20 consecutive trading day period was \$29.78 and each outstanding share of Preferred Stock was automatically converted into 3.4589 shares of common stock on the Conversion Date. The Company issued 3,977,683 shares of its common stock upon conversion of the Preferred Stock.

In connection with the conversion, all accrued and unpaid dividends on the Preferred Stock up to the Conversion Date were payable at \$0.5035 per share of Preferred Stock and were paid in cash to holders of

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record on the Conversion Date. Trading of the Preferred Stock on the Nasdaq was suspended at the close of business on March 5, 2008, and the Preferred Stock was de-listed on March 24, 2008. The Company applied a contingent beneficial conversion feature model to account for the provisional conversion of the Preferred Stock during its third fiscal quarter of 2008, which resulted in the Company recognizing a deemed dividend of \$2.0 million for the three and nine months ended March 31, 2008. There were no tax consequences to the Company upon conversion of the Preferred Stock.

**8. EARNINGS PER SHARE (“EPS”) COMPUTATION**

	For The Three Months Ended March 31, 2008		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	\$ 7,420		
Preferred stock dividends	(1,598)		
Preferred stock deemed dividend upon conversion	(1,986)		
Net income available to common stockholders for basic earnings per share	\$ 3,836	30,932,084	\$ 0.12
Effect of other dilutive securities	—	281,579	
Diluted EPS	<u>\$ 3,836</u>	<u>31,213,663</u>	<u>\$ 0.12</u>

	For The Three Months Ended March 31, 2007		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$ 3,439	24,042,235	\$ 0.14
Effect of dilutive securities		276,503	
Diluted EPS	<u>\$ 3,439</u>	<u>24,318,738</u>	<u>\$ 0.14</u>

For the three months ended March 31, 2008 and 2007, 1,600 stock-based compensation awards, at a purchase price of \$32.40 per share, were outstanding, but were not included in the computation of diluted EPS because the exercise price of these awards was greater than the average market price of our common stock for the period.

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	For The Nine Months Ended March 31, 2008		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income	\$ 18,248		
Preferred stock dividends	(2,802)		
Preferred stock deemed dividend upon conversion	(1,986)		
Income available to common stockholders	\$ 13,460	29,808,962	\$ 0.45
Effect of other dilutive securities	—	325,926	
Diluted EPS	<u>\$ 13,460</u>	<u>30,134,888</u>	<u>\$ 0.45</u>

	For The Nine Months Ended March 31, 2007		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$ 14,034	23,653,946	\$ 0.59
Effect of dilutive securities		302,603	
Diluted EPS	<u>\$ 14,034</u>	<u>23,956,549</u>	<u>\$ 0.59</u>

For the nine months ended March 31, 2008 and 2007, 1,600 stock-based compensation awards, at a purchase price of \$32.40 per share, were outstanding, but were not included in the computation of diluted EPS because the exercise price of these awards was greater than the average market price of our common stock for the period.

**9. INCOME TAXES**

	Three Months Ended March 31,	
	2008	2007
Current income tax expense	\$ (3,814)	\$ (1,891)
Deferred income tax benefit	242	205
Income tax expense reported	<u>\$ (3,572)</u>	<u>\$ (1,686)</u>
Effective tax rate	<u>32.5%</u>	<u>32.9%</u>
	Nine Months Ended March 31,	
	2008	2007
Current income tax expense	\$ (9,989)	\$ (7,811)
Deferred income tax benefit	1,143	1,167
Income tax expense reported	<u>\$ (8,846)</u>	<u>\$ (6,644)</u>
Effective tax rate	<u>32.6%</u>	<u>32.1%</u>

**ROYAL GOLD, INC.**  
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**(Unaudited, in thousands except share data, per ounce and per pound amounts)**

The Company adopted the provisions of FIN 48 on July 1, 2007, with no impact on its financial statements. As a result of the acquisition of Battle Mountain on October 24, 2007, the Company recorded a liability for unrecognized tax benefits of approximately \$0.4 million. The liability for unrecognized tax benefits is reflected within *Other long-term liabilities* on the Company's consolidated balance sheets.

The material income tax returns the Company files are the U.S. federal income tax return, which has a three year statute of limitations, and the Colorado state income tax return, which has a four year statute of limitations. The U.S. federal return for tax years ended on or after June 30, 2004, and the Colorado state return for tax years ended on or after June 30, 2003, are subject to examination by the relevant taxing authority.

Interest and penalties associated with the liability for unrecognized tax benefits is approximately \$47,000 at March 31, 2008, and is included in *Other long-term liabilities* on the Company's consolidated balance sheets.

## **10. COMMITMENTS AND CONTINGENCIES**

### **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 \$0.5 million in return for a 2.0% NSR royalty. We also have an option to fund up to an additional \$0.6 million. 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 2.0% NSR royalty. In the event that we do not fully fund the \$0.6 million to earn the joint venture interest, we would retain our 2.0% NSR royalty. As of March 31, 2008, we have funded \$0.5 million of the additional \$0.6 million option, which has been expensed during our fiscal year ended June 30, 2007.

### **Revett**

Under the terms of the Revett purchase agreement relating to the Troy mine, 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. In February 2008, Revett satisfied all of the outstanding principal and accrued interest under the promissory note with Kennecott Montana Company.

### **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 \$0.1 million, which we deposited into

**ROYAL GOLD, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited, in thousands except share data, per ounce and per pound amounts)**

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's 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.

At present, Royal Gold is considering entering into a de minimis settlement with the State of California. The date for accepting a settlement was extended indefinitely by the State of California pending preparation of settlement documentation by the State. Such settlement will result in a final conclusion regarding the Company's responsibility to address the Casmalia Site matter.

**11. RELATED PARTY**

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

CVP receives its royalty from the Cortez Joint Venture in-kind. The Company, as well as certain other limited partners, sells its pro-rata share of such gold immediately and receives distributions in cash, while CVP holds gold for certain other limited partners. Such gold inventories, which totaled 27,464 ounces of gold as of March 31, 2008, are held by a third party refinery in Utah for the account of the limited partners of CVP. The inventories are carried at historical cost and are classified as *Inventory — restricted* on the consolidated balance sheets. The carrying value of the gold in inventory was \$10.9 million and \$10.6 million as of March 31, 2008 and June 30, 2007, respectively, while the fair value of such ounces was \$25.6 million and \$17.9 million as of March 31, 2008 and June 30, 2007, respectively. None of the gold currently held in inventory as of March 31, 2008, is attributed to Royal Gold, as the gold allocated to Royal Gold is typically sold within five days of receipt.

## 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 2007 Annual Report on Form 10-K.

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

We refer to "GSR," "NSR," and other types of royalty interests throughout this MD&A. These terms are defined in our 2007 Annual Report on Form 10-K.

### Overview

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

We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. We are engaged in a continual review of opportunities to acquire existing royalties, to create new royalties through the financing of mine development or exploration, or to acquire companies that hold royalties. We currently, and generally at any time, have acquisition opportunities in various stages of active review, including, for example, our engagement of consultants and advisors to analyze particular opportunities, analysis of technical, financial and other confidential information, submission of indications of interest, participation in preliminary discussions and involvement as a bidder in competitive auctions. We also fund exploration on properties thought to contain precious metals and seek to obtain royalties and other carried ownership interests in such properties through the subsequent transfer of operating interests to other mining companies. Substantially all of our revenues are and will be expected to be derived from royalty interests. We do not conduct mining operations at this time. During the quarter ended March 31, 2008, we focused on the management of our existing royalty interests, the acquisition of royalty interests, and the creation of royalty interests through financing and strategic exploration alliances.

Our financial results are primarily tied to the price of gold and other metals, as well as production from our royalty properties. For the quarter ended March 31, 2008, the price of gold averaged \$925 per ounce compared with an average price of \$650 per ounce for the quarter ended March 31, 2007. The increase in the average gold price, the continued ramp-up of gold production at the Taparko and Leeville mines and production from the recently acquired Battle Mountain Gold Exploration Corp. ("Battle Mountain") royalties, contributed to royalty revenue of \$19.5 million during the quarter ended March 31, 2008, compared to royalty revenue of \$11.2 million during the quarter ended March 31, 2007.

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### Our Producing Royalty Interests

Our principal producing royalty interests are shown in the following table:

<u>Mine</u>	<u>Location</u>	<u>Operator</u>	<u>Royalty (Gold unless otherwise stated)</u>
Pipeline Mining Complex	Nevada, USA	Barrick Gold Corporation (“Barrick”)	GSR1: 0.40%-5.0% sliding-scale GSR GSR2: 0.72% 9.0% sliding-scale GSR, GSR3: 0.71% GSR NVR1 <sup>(1)</sup> : 0.39% NVR
Robinson	Nevada, USA	Quadra Mining Ltd. (“Quadra”)	3.0% NSR (copper, gold, silver, molybdenum)
SJ Claims-Goldstrike	Nevada, USA	Barrick	0.9% NSR
Troy	Montana, USA	Revett Minerals, Inc. (“Revett”)	7.0% GSR (silver and copper)
Leeville Mining Complex (Leeville North and Leeville South)	Nevada, USA	Newmont Mining Corporation (“Newmont”)	1.8% NSR
Taparko	Burkina Faso, West Africa	High River Gold Mines Ltd. (“High River”)	15% GSR (TB-GSR1) and a 0%-10% sliding-scale GSR (TB GSR2)
Bald Mountain	Nevada, USA	Barrick	1.75%-3.5% sliding-scale NSR
Mulatos	Sonora, Mexico	Alamos Gold, Inc. (“Alamos”)	0.30%-1.5% sliding-scale NSR
El Chanate <sup>(2)</sup>	Sonora, Mexico	Capital Gold, Inc. (“Capital Gold”)	2.0%-4.0% sliding-scale NSR; 10.0% net profits interest (“NPI”)
Martha	Santa Cruz Province, Argentina	Coeur d’Alene Mines Corporation (“Coeur d’Alene”)	2.0% NSR (silver)
Don Mario <sup>(3)</sup>	Chiquitos Province, Bolivia	Orvana Minerals Corp. (“Orvana”)	3.0% NSR
Williams <sup>(3)</sup>	Marathon, Ontario	Teck Cominco Limited (“Teck”) / Barrick	0.72% NSR
El Limon <sup>(3)</sup>	El Limon, Nicaragua	Central Sun Mining, Inc. (“Central Sun”) (95%) and Inversiones Mineras S.A. (“Inversiones”) (5%)	3.0% NSR

(1) The NVR1 royalty is a 1.25% NVR royalty. The Company owns 31.6% of the 1.25% NVR (or 0.39%), while our consolidated minority interest owns the remaining portion of the 1.25% NVR.

(2) Royalties were acquired on February 20, 2008. Please refer to “Recent Developments - Marigold and El Chanate Royalty Acquisitions” within this MD&A for further discussion.

(3) Royalty was acquired on October 24, 2007, as part of the acquisition of Battle Mountain. Please refer to “Recent Developments — Acquisition of Battle Mountain Gold Exploration Corp.” within this MD&A for further discussion.

**Our Development Stage Royalty Interests**

We also own the following royalty interests that are in the development stage and are not currently in production:

<u>Mine</u>	<u>Location</u>	<u>Operator</u>	<u>Royalty (Gold unless otherwise stated)</u>
Taparko	Burkina Faso, West Africa	High River	2.0% GSR (TB-GSR3)
Peñasquito	Zacatecas, Mexico	Goldcorp Inc. (“Goldcorp”)	2.0% NSR (gold, silver, lead and zinc)
Pascua-Lama	Region III, Chile	Barrick	0.16%-1.08% sliding-scale NSR
Gold Hill	Nevada, USA	Kinross Gold Corporation	1.0%-2.0% sliding-scale NSR
Dolores <sup>(1)</sup>	Chihuahua, Mexico	Minefinders Corporation, Ltd. (“Minefinders”)	1.25 % NSR 2.0 % NSR (gold and silver) (when commercial production has been producing at 75% of its design capacity for three consecutive months)
Don Mario <sup>(1)</sup>	Chiquitos Province, Bolivia	Orvana	3.0% NSR
Marigold <sup>(2)</sup>	Nevada, USA	Goldcorp	2.0% NSR
Benso <sup>(3)</sup>	Republic of Ghana, West Africa	Golden Star Resources Ltd. (“Golden Star”)	1.5% NSR

<sup>(1)</sup> Royalty was acquired on October 24, 2007, as part of the acquisition of Battle Mountain. Please refer to “Recent Developments — Acquisition of Battle Gold Exploration Corp.” within this MD&A for further discussion.

<sup>(2)</sup> Royalty was acquired on February 20, 2008. Please refer to “Recent Developments - Marigold and El Chanate Royalty Acquisitions” within this MD&A for further discussion.

<sup>(3)</sup> Royalty was acquired on December 7, 2007. Please refer to “Recent Development - Acquisition of Benso Royalty” within this MD&A for further discussion.



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### Our Exploration Stage Royalty Interests

In addition, we own royalty interests in the following exploration stage projects. None of these exploration stage projects contains proven and probable reserves as of December 31, 2007.

<u>Property</u>	<u>Location</u>	<u>Royalty</u>	<u>Owned or Controlled By</u>
Santa Cruz Province	Santa Cruz Province, Argentina	2.0% NSR	Hidefield Gold PLC
Long Valley	California, USA	1.0% NSR	Vista Gold Corporation
Night Hawk Lake <sup>(1)</sup>	Ontario, Canada	2.5% NSR	Selkirk Metals Corporation (“Selkirk”) (40%), East West Resource Corporation (“East West”) (40%), Canadian Golden Dragon Resources Limited (“Canadian Golden Dragon”) (20%)
Joe Mann <sup>(1)</sup>	Quebec, Canada	1.8% to 3.6% sliding-scale NSR	Gold Bullion Development Corp. (“Gold Bullion”)
Seguenega (“Sega”) <sup>(1)</sup>	Burkina Faso, West Africa	3.0% NSR	Orezone Resources Inc. (“Orezone”)
Marmato Properties <sup>(1)</sup>	Marmato District, Colombia	5.0% NSR	Mineros Nacionales S.A. (“Mineros”)
Kettukuusikko	Lapland, Finland	2.0% NSR	Taranis Resources, Inc.
Vueltas del Oro <sup>(1)</sup>	Western Honduras	2.0% NSR	Lundin Mining Corporation (“Lundin”)
Lluvio de Oro <sup>(1)</sup>	Sonora, Mexico	4.0% NSR	Tara Gold Resources (“Tara Gold”)
Rock Creek	Montana, USA	1.0% NSR	Revet
Mule Canyon	Nevada, USA	5.0% NSR	Newmont
Buckhorn South	Nevada, USA	16.5% NPI	Cortez JV
Ferris/Cooks Creek	Nevada, USA	1.5% NVR	Cortez JV
Horse Mountain	Nevada, USA	0.2% NVR	Cortez JV
Simon Creek	Nevada, USA	1.0% NSR	Barrick
Rye	Nevada, USA	0.5% NSR	Barrick
BSC	Nevada, USA	2.5% NSR	Nevada Pacific Gold
ICBM	Nevada, USA	0.75% NSR	BH Minerals USA, Inc.
Long Peak	Nevada, USA	0.75% NSR	BH Minerals USA, Inc.
Dixie Flats	Nevada, USA	0.75% NSR	BH Minerals USA, Inc.
Relief Canyon <sup>(1)</sup>	Nevada, USA	4.0% NSR	Firstgold Incorporated (“Firstgold”)
Fletcher Junction <sup>(1)</sup>	Nevada, USA	1.25% NSR	Pediment Gold LLC (“Pediment”)
Hot Pot <sup>(1)</sup>	Nevada, USA	1.25% NSR	Pediment

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- (1) Royalty was acquired on October 24, 2007, as part of the acquisition of Battle Mountain. Please refer to “Recent Developments — Acquisition of Battle Gold Exploration Corp.” within this MD&A for further discussion.

**Operators' Production Estimates by Royalty for Calendar 2008**

We received production estimates from the operators of our producing mines during the first calendar quarter of 2008. The following table show such production estimates for calendar 2008 as well as the actual production reported to us by such operators for the three months ended March 31, 2008. The estimates and production reports are prepared by the operators of the mining properties. We do not participate in the preparation or calculation of the operators' estimates or production reports and have not independently assessed or verified the accuracy of such information.

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

Royalty	Calendar 2008 Operator's Production Estimate <sup>(1)</sup>			Reported Production through March 31, 2008 <sup>(2)</sup>		
	Gold (oz.)	Silver (oz.)	Copper (lbs.)	Gold (oz.)	Silver (oz.)	Copper (lbs.)
Pipeline GSR1	316,000	—	—	110,543	—	—
Pipeline GSR2	51,000	—	—	6,206	—	—
Pipeline GSR3	367,000	—	—	116,749	—	—
Pipeline NVR1	242,000	—	—	18,952	—	—
SJ Claims	792,000	—	—	145,369	—	—
Leeville	415,000	—	—	113,685	—	—
Taparko	91,000	—	—	14,224	—	—
Peñasquito <sup>(3)</sup>	67,000	2.3 million	—	—	—	—
Dolores <sup>(4)</sup>	40,000	1.0 million	—	—	—	—
Don Mario <sup>(5)</sup>	—	—	—	18,209	—	—
Williams	126,000	—	—	30,714	—	—
El Limon	43,000	—	—	12,194	—	—
Bald Mountain	28,000	—	—	7,353	—	—
Mulatos	120,000	—	—	32,081	—	—
El Chanate	50,000	—	—	9,026	—	—
Benso	25,000	—	—	—	—	—
Martha <sup>(6)</sup>	—	5.0 million	—	—	836,361	—
Robinson <sup>(6)</sup>	100,000	—	130 million	32,313	—	38.9 million
Troy <sup>(7)</sup>	—	1.4 million	12.5 million	—	204,368	2.0 million

- (1) There can be no assurance that these production estimates will be achieved. Please refer to our cautionary language regarding forward looking statement and to the risk factors identified in our Annual Report on form 10-K and Quarterly Reports on Form 10-Q for information regarding factors that could affect actual results.
- (2) Reported production relates to the amount of metal sales, subject to our royalty interests, for the period January 1, 2008 through March 31, 2008, as reported to us by the operators of the mines.
- (3) Goldcorp announced that they expect their first gold pour at the Peñasquito project during the fourth calendar quarter of 2008.
- (4) Production at Dolores is expected to commence late in the second calendar quarter of 2008.
- (5) The operator at Don Mario did not provide us a production estimate for calendar 2008. In a press release dated February 11, 2008, the operator reported production of approximately 21,000 ounces of gold for their first fiscal quarter of 2008, which ended December 31, 2007.

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- (6) Recovered metal contained in concentrate and subject to third party treatment charges and recovery losses.
- (7) Recovered metal contained in concentrate and subject to third party recovery losses.

### Recent Developments

#### Acquisition of Battle Mountain Gold Exploration Corp.

On October 24, 2007, we acquired 100% of the issued and outstanding capital stock of Battle Mountain in a transaction whereby our wholly-owned subsidiary, Royal Battle Mountain, Inc., was merged with and into Battle Mountain, with Battle Mountain surviving as a wholly-owned subsidiary of Royal Gold. The aggregate consideration consisted of 1.14 million shares of our common stock and approximately \$3.4 million in cash.

Subject to settlement of the Battle Mountain litigation discussed below, additional consideration of up to an aggregate of 37,418 shares of Royal Gold common stock and approximately \$0.1 million in cash may be paid to Battle Mountain stockholders. On September 13, 2006, an action was filed against Battle Mountain and its former Chairman and Chief Executive Officer, Mark Kucher, by James E. McKay, a former officer and director of Battle Mountain, in the second Judicial Court of the State of Nevada. The action seeks to enforce alleged rights to certain shares of Battle Mountain common stock and options to purchase shares of Battle Mountain common stock pursuant to a stock option agreement and a stock option plan, and unspecified damages. Royal Gold may pay the additional consideration described above to Battle Mountain stockholders depending upon the cost of settling this litigation.

As part of the acquisition of Battle Mountain, we acquired the following thirteen royalty interests in various stages of production, development or exploration. The Company recognized approximately \$1.8 million in royalty revenue associated with the acquired Battle Mountain production stage royalty interests from the date of acquisition through March 31, 2008. Please refer to Note 2 of the notes to consolidated financial statements for further discussion on the acquisition of Battle Mountain.

#### *Battle Mountain Production Stage Royalty Interests*

<u>Mine</u>	<u>Location</u>	<u>Owner</u>	<u>Royalty</u> <u>(Gold unless otherwise stated)</u>
Williams <sup>(1)</sup>	Ontario, Canada	Teck (50%) and Barrick (50%)	0.72% NSR
El Limon <sup>(2)</sup>	El Limon, Nicaragua	Central Sun (95%) and Inversiones (5%)	3.0% NSR
Don Mario <sup>(3)</sup>	Chiquitos Province, Bolivia	Orvana	3.0% NSR

(1) The Williams mine is an open-pit and underground operation, which produced approximately 290,000 ounces of gold during calendar 2006. With existing proven and probable reserves, the remaining mine life is estimated at five years.

(2) El Limon is a fully mechanized underground mine and produced approximately 34,000 ounces of gold during calendar 2006. With existing proven and probable reserves, the remaining mine life is estimated at four years.

(3) The Don Mario mine is an open-pit and underground mine in eastern Bolivia that produced approximately 86,000 ounces of gold as of their fiscal year ended September 30, 2007. With existing proven and probable reserves, the remaining mine life is estimated at five years.

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### Battle Mountain Development Stage Royalty Interests

<u>Mine</u>	<u>Location</u>	<u>Owner</u>	<u>Royalty (Gold unless otherwise stated)</u>
Dolores <sup>(1)</sup>	Chihuahua, Mexico	Minefinders	1.25% NSR (gold) and 2.0% NSR (gold and silver)

<sup>(1)</sup> In February 2006, Minefinders received an optimized bankable feasibility study and approved the mine construction on the Dolores project. Mine construction is proceeding and the mine is expected to achieve commercial production in the second quarter of calendar 2008. The mine plan estimates a 12 year mine life.

### Battle Mountain Exploration Stage Royalty Interests

<u>Mine/Property</u>	<u>Location</u>	<u>Owned or Controlled By</u>	<u>Royalty (Gold)</u>
Marmato Properties <sup>(1)</sup>	Marmato District, Colombia	Mineros	5.0% NSR
Joe Mann <sup>(2)</sup>	Quebec, Canada	Gold Bullion	1.8 to 3.6% sliding-scale NSR
Relief Canyon <sup>(3)</sup>	Nevada, USA	Firstgold	4.0% NSR
Sega <sup>(4)</sup>	Northern Burkina Faso, West Africa	Orezone	3.0% NSR
Vueltas del Rio	Honduras	Lundin	2.0% NSR
Lluvia de Oro <sup>(5)</sup>	Sonora, Mexico	Tara Gold	4.0% NSR
Fletcher Junction <sup>(6)</sup>	Nevada, USA	Pediment	1.25% NSR
Hot Pot <sup>(6)</sup>	Nevada, USA	Pediment	1.25% NSR
Night Hawk Lake <sup>(6)</sup>	Ontario, Canada	Selkirk (40%), East West (40%), Canadian Golden Dragon (20%)	2.5% NSR

<sup>(1)</sup> A collection of properties located in the Municipality of Marmato, an established mining district in Colombia, and believed to be owned by Mineros.

<sup>(2)</sup> The Joe Mann mine produced approximately 14,100 ounces of gold in calendar 2006. The mine is currently under care and maintenance. In September 2007, Campbell Resources Incorporated entered into a memorandum of understanding with Gold Bullion for the sale of the Joe Mann mine property. The existing 1.0% NSR would remain in effect upon completion of the sale.

<sup>(3)</sup> Firstgold is evaluating plans to restart the mine at Relief Canyon.

<sup>(4)</sup> The Sega project is an advanced exploration project in northern Burkina Faso, West Africa.

<sup>(5)</sup> Battle Mountain acquired two royalties amounting to a 4.0% NSR on the Lluvia de Oro property, a former open-pit gold and silver mine, not currently in production, located in Sonora, Mexico. The mining concessions to which the royalties apply are believed to be held by Atotonilco Construcciones, S.A. de C.V., subject to the right of a subsidiary of Tara Gold to acquire the concessions. Tara Gold has entered into an agreement with Columbia Metals Corporation, pursuant

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to which Columbia Metals Corporation may acquire the concessions, subject to a retained interest by Tara Gold. Both Tara Gold and Columbia Metals have disputed any royalty obligation owed to Battle Mountain.

- (6) Fletcher Junction, Hot Pot and Night Hawk Lake Property are all early stage exploration properties.

### Acquisition of Benso Royalty

On December 7, 2007, Royal Gold paid \$1.875 million to FairWest Energy Corporation (“FairWest”) in exchange for a 1.5% NSR royalty on gold produced from the Benso concession in the Western Region of the Republic of Ghana, West Africa. The Benso concession, controlled by Golden Star Resources Ltd. (“Golden Star”), is located approximately 25 miles south of Golden Star’s Wassa mine. Golden Star has reported that, as of June 15, 2007, the project contains 252,000 ounces of proven reserves. The operator expects production to commence during the third quarter of calendar 2008. The Benso royalty interest is classified as a development stage royalty interest on the Company’s consolidated balance sheets.

### Marigold and El Chanate Royalty Acquisitions

On February 20, 2008, we acquired three royalties from AngloGold Ashanti (U.S.A.) Exploration Inc. (“AngloGold”), a wholly-owned subsidiary of Anglo Gold Ashanti North America Inc., for \$13.75 million. The first royalty is a 2.0% NSR royalty on the Marigold mine, located on the Battle Mountain-Eureka trend in Nevada, and operated by Goldcorp. The second royalty is a 2.0-4.0% sliding-scale NSR royalty on the El Chanate mine, located in Sonora, Mexico, and operated by Capital Gold. The third royalty is a 10.0% NPI royalty, also on the El Chanate mine. The sliding-scale royalty is capped once payments of approximately \$17.0 million have been received while the 10.0% NPI royalty is capped at \$1.0 million.

The Marigold mine is a large scale, open-pit, heap leach operation. The 2.0% NSR royalty interest burdens the majority of six sections of land, containing a number of open-pits, but does not cover the current mining area in the Basalt/Antler area. Approximately 38% of the current reserves are covered by this royalty. According to Goldcorp’s December 31, 2006, reserve statement, proven and probable reserves include 102.2 million tons of ore, at a grade of 0.021 ounces per ton, containing about 2.1 million ounces of gold. We estimate this royalty will begin generating royalty revenue in calendar 2011 when mining operations move into areas covered by our royalty interests. The Marigold 2.0% NSR royalty is classified as a development stage royalty interest on the Company’s consolidated balance sheets.

According to Capital Gold’s reserve statement on September 4, 2007, El Chanate contains proven and probable reserves of 43.5 million tons of ore, at a grade of 0.019 ounces per ton, containing about 832,000 ounces of gold. The mine commenced production in mid-2007 and Capital Gold estimates production of approximately 60,000 ounces of gold in calendar 2008, with a potential expansion to 100,000 ounces per year in calendar 2009. The El Chanate sliding-scale royalty pays at a rate of 2.0% when the average gold price is below \$300 per ounce, 3.0% when the gold price is between \$300 and \$350 per ounce, and 4.0% when the gold price is above \$350 per ounce. Including royalty payments made to AngloGold, there have been cumulative payments made on the sliding-scale NSR royalty of \$0.7 million, resulting in \$16.3 million remaining under the \$17.0 million cap as of March 31, 2008. There have been no payments made on the NPI royalty as of March 31, 2008. The El Chanate sliding-scale and NPI royalties are classified as production stage royalty interests on the Company’s consolidated balance sheets.

Results of Operations

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

For the quarter ended March 31, 2008, we recorded net earnings of \$7.4 million, or \$0.12 per basic share and diluted share (after adjustments for preferred stock dividends and deemed dividends), as compared to net earnings of \$3.4 million, or \$0.14 per basic and diluted share, for the quarter ended March 31, 2007. An adjustment to net earnings of approximately \$3.6 million, or \$0.12 per basic and diluted share, associated with the preferred stock dividends and deemed dividends was recorded during the quarter ended March 31, 2008.

For the quarter ended March 31, 2008, we recognized total royalty revenue of \$19.5 million, at an average gold price of \$925 per ounce, compared to royalty revenue of \$11.2 million, at an average gold price of \$650 per ounce for the quarter ended March 31, 2007. Royalty revenue and the corresponding production, attributable to our royalty interests, for the quarter ended March 31, 2008 compared to the quarter ended March 31, 2007 is as follows:

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

Royalty	Metal(s)	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
		Royalty Revenue	Reported Production <sup>(1)</sup>	Royalty Revenue	Reported Production <sup>(1)</sup>
Pipeline	Gold	\$ 6,098	116,749 oz.	\$ 4,863	111,396 oz.
Robinson		\$ 4,384		\$ 2,715	
	Gold		32,313 oz.		31,238 oz.
	Copper		38.9 million lbs.		40.5 million lbs.
Taparko <sup>(2)</sup>	Gold	\$ 3,132	14,224 oz.	N/A	
Leeville	Gold	\$ 1,865	113,685 oz.	\$ 621	49,464 oz.
SJ Claims	Gold	\$ 1,195	145,369 oz.	\$ 1,634	279,300 oz.
Troy		\$ 747		\$ 820	
	Silver		204,368 oz.		302,173 oz.
	Copper		2.0 million lbs.		2.9 million lbs.
Mulatos	Gold	\$ 449	32,081 oz.	\$ 266	26,759 oz.
Bald Mountain	Gold	\$ 119	7,353 oz.	\$ 110	13,459 oz.
Martha	Silver	\$ 281	836,361 oz.	\$ 180	700,060 oz.
Don Mario <sup>(3)</sup>	Gold	\$ 499	18,209 oz.	N/A	N/A
Williams <sup>(3)</sup>	Gold	\$ 255	30,714 oz.	N/A	N/A
El Limon <sup>(3)</sup>	Gold	\$ 340	12,194 oz.	N/A	N/A
El Chanate <sup>(4)</sup>	Gold	\$ 152	9,026 oz.	N/A	N/A
<b>Total Revenue</b>		<b>\$19,516</b>		<b>\$11,209</b>	

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

(2) Receipt of royalty revenue commenced during the quarter ended September 30, 2007.

(3) Royalty acquired on October 24, 2007, as part of the acquisition of Battle Mountain.

(4) Royalty was acquired on February 20, 2008. Please refer to "Recent Developments - Marigold and El Chanate Royalty Acquisitions" within this MD&A for further discussion.

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The increase in royalty revenue for the quarter ended March 31, 2008, compared with the quarter ended March 31, 2007, resulted from an increase in the average gold price, increased production at Leeville and the Pipeline Mining Complex, the continued ramp up of gold production at the Taparko mine and production from the recently acquired Battle Mountain production stage royalty interests. The continued ramp up of production at the Taparko mine contributed approximately \$3.1 million in royalty revenue during the period, while production from the recently acquired Battle Mountain production stage royalty interests contributed approximately \$1.1 million in royalty revenue during the period. The increase in royalty revenue was offset slightly by decreases in production volume at the SJ claims and Troy mine royalties.

Taparko gold production increased significantly during the quarter but still fell short of the operator's projections as misalignment of the mill drive-train caused low mill availability. All components within the drive-train were realigned during the quarter and the mill is now approaching design capacity and availability. The mill operation at Taparko is increasing its critical spare parts inventory and is working through production ramp-up issues in an effort to obtain continuous and sustained production. In addition to lower gold production at Taparko, our royalty revenue was further impacted during the period due to doré inventory in transit at March 31, 2008. The Company is entitled to royalty revenue from Taparko during the period in which the doré is sold.

Cost of operations expenses increased to \$1.0 million for the quarter ended March 31, 2008, from \$0.7 million for the quarter ended March 31, 2007. The increase was primarily due to an increase in the Nevada Net Proceeds Tax expense, which resulted from an increase in royalty revenue from the Pipeline Mining Complex, Leeville and Robinson royalties.

General and administrative expenses increased to \$2.0 million for the quarter ended March 31, 2008, from \$1.6 million for the quarter ended March 31, 2007. The increase was primarily due to an increase in non-recurring general corporate costs, associated with the preferred stock offering, of approximately \$0.2 million and an increase in employee related costs of approximately \$0.1 million.

Exploration and business development expenses increased to \$0.8 million for the quarter ended March 31, 2008, from \$0.7 million for the quarter ended March 31, 2007. The increase is due to an increase in legal and consulting services for business development activities during the period.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of \$0.7 million for the quarter ended March 31, 2008, compared to \$0.4 million for the quarter ended March 31, 2007. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. Please refer to Note 6 of the notes to consolidated financial statements for further discussion of the allocation of non-cash stock compensation for the quarter ended March 31, 2008 and 2007.

Depreciation, depletion and amortization increased to \$5.9 million for the quarter ended March 31, 2008, from \$2.6 million for the quarter ended March 31, 2007. The increase was primarily due to the continued ramp up of gold production at the Taparko mine, which contributed approximately \$1.9 million in additional depletion during the period. Depletion from the recently acquired Battle Mountain producing royalties also contributed approximately \$0.8 million in additional depletion during the period.

Interest and other income increased to \$1.7 million for the quarter ended March 31, 2008, from \$0.5 million for the quarter ended March 31, 2007. The increase is primarily due to an increase in funds available for investing over the prior period, which is due primarily to the preferred stock offering completed in November 2007, as discussed below in "Liquidity and Capital Resources" within this MD&A. The increase was partially offset by lower interest rates on our cash investments when compared to the prior period.



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During the quarter ended March 31, 2008, we recognized current and deferred tax expense totaling \$3.6 million compared with \$1.7 million during the quarter ended March 31, 2007. This resulted in an effective tax rate of 32.5% in the current period, compared with 32.9% in the prior period.

### Nine Months Ended March 31, 2008, Compared to Nine Months Ended March 31, 2007

For the nine months ended March 31, 2008, we recorded net earnings of \$18.2 million, or \$0.45 per basic share and diluted share (after adjustments for preferred stock dividends and deemed dividend), as compared to net earnings of \$14 million, or \$0.59 per basic share and diluted share, for the nine months ended March 31, 2007. An adjustment to net earnings of approximately \$4.8 million, or \$0.16 per basic and diluted share, associated with the preferred stock dividends and deemed dividends was recorded during the nine months ended March 31, 2008.

For the nine months ended March 31, 2008, we recognized total royalty revenue of \$47.7 million, at an average gold price of \$796 per ounce, compared to royalty revenue of \$34.0 million, at an average gold price of \$629 per ounce for the nine months ended March 31, 2007. Royalty revenue and the corresponding production, attributable to our royalty interests, for the nine months ended March 31, 2008, compared to the nine months ended March 31, 2007 is as follows:

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

Royalty	Metal(s)	Nine Months Ended March 31, 2008		Nine Months Ended March 31, 2007	
		Royalty Revenue	Reported Production <sup>(1)</sup>	Royalty Revenue	Reported Production <sup>(1)</sup>
Pipeline	Gold	\$18,705	391,087 oz.	\$15,101	375,094 oz.
Robinson		\$11,089		\$ 8,649	
	Gold		85,470 oz.		56,996 oz.
	Copper		100.3 million lbs.		84.6 million lbs.
Taparko <sup>(2)</sup>	Gold	\$ 4,622	23,022 oz.	N/A	N/A
Leeville	Gold	\$ 3,964	261,817 oz.	\$ 2,085	182,561 oz.
SJ Claims	Gold	\$ 3,637	516,053 oz.	\$ 3,990	704,568 oz.
Troy		\$ 1,654		\$ 1,840	
	Silver		499,644 oz.		673,680 oz.
	Copper		4.7 million lbs.		6.0 million lbs.
Mulatos	Gold	\$ 1,028	84,427 oz.	\$ 696	73,062 oz.
Bald Mountain	Gold	\$ 451	40,201 oz.	\$ 1,048	76,870 oz.
Martha	Silver	\$ 651	2.3 million oz.	\$ 584	2.4 million oz.
Don Mario <sup>(3)</sup>	Gold	\$ 884	40,466 oz.	N/A	N/A
Williams <sup>(3)</sup>	Gold	\$ 404	68,520 oz.	N/A	N/A
El Limon <sup>(3)</sup>	Gold	\$ 485	19,369 oz.	N/A	N/A
El Chanate	Gold	\$ 152	9,026 oz.	N/A	N/A
Joe Mann <sup>(3)</sup>	Gold	\$ 3	138 oz.	N/A	N/A
	<b>Total Revenue</b>	<b>\$47,729</b>		<b>\$33,993</b>	

<sup>(1)</sup> Reported production relates to the amount of metal sales, subject to our royalty interests, for the nine months ended March 31, 2008 and March 31, 2007, as reported to us by the operators of the mines.

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- (2) Receipt of royalty revenue commenced during the quarter ended September 30, 2007.
- (3) Royalty acquired on October 24, 2007, as part of the acquisition of Battle Mountain. Recognized royalty revenue is from the acquisition date through March 31, 2008.
- (4) Royalty was acquired on February 20, 2008. Please refer to “Recent Developments — Marigold and El Chanate Royalty Acquisitions” within this MD&A for further discussion.

The increase in royalty revenue for the nine months ended March 31, 2008, compared with the nine months ended March 31, 2007, primarily resulted from an increase in the average gold price, an increase in production at Robinson, Leeville and the Pipeline Mining Complex, and the commencement of gold production at the Taparko mine during the first fiscal quarter of 2008. The continued ramp-up of production at Taparko resulted in approximately \$4.6 million of additional royalty revenue during the period. Production from the recently acquired Battle Mountain production stage royalties also contributed approximately \$1.8 million in additional royalty revenue during the period. The increase in royalty revenue for the nine month period was offset slightly by decreases in production volume at the SJ claims and Troy mine royalties.

Taparko gold production increased significantly during our third fiscal quarter but still fell short of the operator’s projections as misalignment of the mill drive-train caused low mill availability. All components within the drive-train were realigned during our third fiscal quarter and the mill is now approaching design capacity and availability. The mill operation at Taparko is increasing its critical spare parts inventory and is working through production ramp-up issues in an effort to obtain continuous and sustained production. In addition to lower gold production at Taparko, our royalty revenue was further impacted during the period due to doré inventory in transit at March 31, 2008. The Company is entitled to royalty revenue from Taparko during the period in which the doré is sold.

Cost of operations increased to \$2.8 million for the nine months ended March 31, 2008, compared to \$2.3 million for the nine months ended March 31, 2007. 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 the Pipeline Mining Complex, Robinson and Leeville royalties.

General and administrative expenses increased to \$5.5 million for the nine months ended March 31, 2008, from \$4.2 million for the nine months ended March 31, 2007. The increase was primarily due to an increase in non-recurring general corporate costs, associated with the preferred stock offering, of approximately \$0.4 million. An increase in accounting, tax and legal expenses of approximately \$0.4 million and an increase in employee related expenses of approximately \$0.2 million also contributed to the overall increase.

Exploration and business development expenses increased to \$3.3 million for the nine months ended March 31, 2008, from \$1.6 million for the nine months ended March 31, 2007. The increase is due to an increase in legal and consulting services for business development activities during the period.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of \$2.1 million for the nine months ended March 31, 2008, compared to \$1.7 million for the nine months ended March 31, 2007. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. Please refer to Note 6 of the notes to consolidated financial statements for further discussion of the allocation of non-cash stock compensation for the nine months ended March 31, 2008 and 2007.

Depreciation, depletion and amortization increased to \$11.9 million for the nine months ended March 31, 2008, from \$5.8 million for the nine months ended March 31, 2007. The initial and continued ramp up of gold production at the Taparko mine during the period contributed to additional depletion of approximately \$2.8 million. Increased production at the Leeville and Robinson mines resulted in additional depletion of approximately \$0.8 million, while an increase in depletion rates at Troy resulted in

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additional depletion of approximately \$0.4 million. Finally, the acquisition of the Battle Mountain production stage royalties also contributed to additional depletion of approximately \$1.4 million during the period.

Interest and other income increased to \$5.7 million for the nine months ended March 31, 2008, from \$2.4 million for the nine months ended March 31, 2007. The increase is primarily due to an increase in funds available for investing over the prior period, which is due primarily to the preferred stock offering completed in November 2007, as discussed below in "Liquidity and Capital Resources" within this MD&A. The increase was partially offset by lower interest rates on our cash investments when compared to the prior period.

Interest and other expense increased to \$1.5 million for the nine months ended March 31, 2008, from \$0.8 million for the nine months ended March 31, 2007. The increase is due to an increase in interest paid on our note payable of approximately \$0.7 million during the period.

During the nine months ended March 31, 2008, we recognized current and deferred tax expense totaling \$8.8 million compared with \$6.6 million during the nine months ended March 31, 2007. This resulted in an effective tax rate of 32.6% in the current period, compared with 32.1% in the prior period. The increase in our effective tax rate is the result of an increase in the amount of foreign losses for which no tax benefit is currently recognized as well as an increase in our non-cash stock compensation expense associated with incentive stock options for which there is no tax deduction.

## Liquidity and Capital Resources

### Overview

At March 31, 2008, we had current assets of \$199.9 million compared to current liabilities of \$9.0 million for a current ratio of 22 to 1. This compares to current assets of \$95.7 million and current liabilities of \$4.7 million at June 30, 2007, resulting in a current ratio of approximately 20 to 1. Our current ratio increased during the period primarily due to net proceeds received from the issuance of preferred stock related to our November 2007 preferred stock offering, discussed below, of approximately \$111.1 million as well as cash received during the period from royalty income of approximately \$36.4 million. This increase in cash was partially offset by cash paid as part of the acquisition of Battle Mountain of approximately \$3.4 million, cash paid for common and preferred stock dividends of approximately \$8.7 million and cash paid out during the period for royalty acquisitions of approximately \$15.9 million.

During the nine months ended March 31, 2008, liquidity needs were met from \$47.7 million in royalty revenues (including \$0.7 million of minority interest royalty revenue), net proceeds from issuance of preferred stock related to our November 2007 preferred stock offering of approximately \$111.1 million, our available cash resources and interest and other income of \$5.7 million. Also during our nine months ended March 31, 2008, our total assets increased to \$540.3 million compared to \$356.6 million at June 30, 2007. The increase was primarily attributable to net proceeds received from our November 2007 preferred stock offering of approximately \$111.1 million and the preliminary allocation of approximately \$85.5 million in royalty interests in mineral properties as part of the Battle Mountain acquisition.

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 capital requirements are primarily affected by our ongoing acquisition activities. We have used both cash and our common stock as consideration in our acquisitions. We currently, and generally at any time, have acquisition opportunities in various stages of active review and may enter into one or more acquisition transactions at any time. In the event we enter into a significant royalty or other acquisition, we may need to seek additional debt or

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equity financing. This could have a dilutive effect on our existing shareholders and impose debt burdens on the Company.

### Recent Liquidity and Capital Resource Developments

#### *Acquisition of Battle Mountain Gold Exploration Corp.*

On October 24, 2007, we acquired 100% of the issued and outstanding capital stock of Battle Mountain in a transaction whereby our wholly-owned subsidiary, Royal Battle Mountain, Inc., was merged with and into Battle Mountain, with Battle Mountain surviving as a wholly-owned subsidiary of Royal Gold, for aggregate consideration consisting of 1.14 million shares of our common stock and approximately \$3.4 million in cash. At the time of acquisition, Battle Mountain had approximately \$1.4 million in cash. Please refer to Note 2 of the notes to consolidated financial statements for further discussion on the acquisition of Battle Mountain.

#### *Mandatory Convertible Preferred Stock Offering*

On November 9, 2007, the Company completed an offering of 1,150,000 shares of 7.25% mandatory convertible preferred stock (the "Preferred Stock") at a price to the public of \$100.00 per share, less underwriter discounts and other related expenses, resulting in net proceeds of \$111.1 million. Dividends on the Preferred Stock were payable on a cumulative basis when, as and if declared by our board of directors at an annual rate of 7.25% per share on the liquidation preference of \$100 per share. We were to pay dividends in cash, common stock or a combination thereof, on February 15, May 15, August 15 and November 15 of each year to and including November 15, 2010, commencing on February 15, 2008.

Each share of the Preferred Stock was to automatically convert on November 15, 2010, into between 2.8335 and 3.4002 shares of our common stock, subject to anti-dilution adjustments. At any time prior to November 15, 2010, holders may have elected to convert each share of the Preferred Stock into shares of our common stock at the minimum conversion rate of 2.8335 shares of common stock per share of the Preferred Stock, subject to anti-dilution adjustments. At any time prior to May 15, 2008, we may have, at our option, caused the conversion of all, but not less than all, of the Preferred Stock into shares of our common stock at the provisional conversion rate described within the Preferred Stock offering. However, we may not have elected to exercise our provisional conversion right if, on or prior to May 15, 2008, we completed a material transaction involving the acquisition of assets or a business with a purchase price of \$100 million or more.

On January 10, 2008, the Company's board of directors declared the regular quarterly dividend for the first dividend period of \$1.9333 per share of the Preferred Stock. The dividend was paid on February 15, 2008, to preferred shareholders of record at the close of business on February 1, 2008. The preferred dividend of \$2.2 million was paid in cash.

On January 25, 2008, the Company announced that it exercised its provisional conversion right for all of the issued and outstanding shares of its Preferred Stock. As part of the provisional conversion right, each share of the Preferred Stock was converted into shares of our common stock on March 10, 2008 (the "Conversion Date"), based on the average closing price per common share on the Nasdaq Global Select Market ("Nasdaq") over a 20 consecutive trading day period, which ended on March 5, 2008, as provided in the Certificate of Designations of the Preferred Stock. The average closing price over the 20 consecutive trading day period was \$29.78 and each outstanding share of Preferred Stock was automatically converted into 3.4589 shares of common stock on the Conversion Date. The Company issued 3,977,683 shares of its common stock upon conversion of the Preferred Stock.

In connection with the conversion, all accrued and unpaid dividends on the Preferred Stock up to the Conversion Date were paid in cash at \$0.5035 per share of Preferred Stock, or \$0.6 million, to holders of record on the Conversion Date. Trading of the Preferred Stock on the Nasdaq was suspended at the close

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of business on March 5, 2008, and the Preferred Stock was de-listed on March 24, 2008. The conversion of the Preferred Stock into shares of our common stock will simplify our capital structure and will significantly reduce our cost of capital due to the elimination of the 7.25% after tax Preferred Stock dividend payment. The Company applied a contingent beneficial conversion feature model to account for the provisional conversion of the Preferred Stock during its third fiscal quarter of 2008, which resulted in the Company recognizing a deemed dividend of \$2.0 million for the three and nine months ended March 31, 2008. There were no tax consequences to the Company upon conversion of the Preferred Stock.

### *Common Stock Dividend Increase*

On November 14, 2007, the Company announced that its board of directors increased the Company's annual (calendar year) common stock dividend from \$0.26 per share to \$0.28 per share, payable on a quarterly basis of \$0.07 per share of common stock, beginning with the quarterly dividend paid on January 18, 2008.

### *Amendment to Credit Facility*

On January 23, 2008, the Company entered into an amendment of its existing credit facility with HSBC Bank USA, National Association. The amendment extends the maturity date of the credit facility two years from December 31, 2010 to December 31, 2012. The amendment also updated the assumptions used in the calculation of the borrowing base, which included an increase in the metal price assumption of gold and added a metal price assumption for silver. The borrowing base calculation is recalculated as of April 15 and October 15 each year. As of March 31, 2008, the Company's borrowing capacity under the credit facility was the full \$80 million under the credit facility. As of April 15, 2008, the Company's borrowing capacity under the credit facility was \$70.8 million. Please refer to Note 5 of the notes to the consolidated financial statements for a further discussion on the credit facility.

### *Stock Repurchase Program*

On January 25, 2008, the Company announced that its board of directors authorized the repurchase of up to \$30.0 million of its common stock in the open market through March 31, 2008. The timing and number of shares repurchased through March 31, 2008, depended on market conditions and other corporate considerations. As of March 31, 2008, the Company repurchased 196,986 common shares, at an average price of \$28.00 per common share for a total cost of approximately \$5.5 million. The common share repurchases were funded through cash and cash equivalents. The total cost to reacquire the 196,986 common shares is included in *Treasury Stock* on the Company's consolidated balance sheets as of March 31, 2008. The repurchase program, pursuant to the January 25, 2008, announcement, ended on March 31, 2008.

On April 2, 2008, the Company determined that it will cancel the 196,986 common shares repurchased, pursuant to the January 25, 2008, repurchase announcement. The 196,986 common shares reacquired will be returned to the Company's authorized but unissued amount of common stock.

## **Recently Issued Accounting Pronouncements**

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

## **Forward-Looking Statements**

Cautionary "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995. With the exception of historical matters, the matters discussed in this report are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projections or estimates contained herein. Such forward-looking statements include statements regarding projected

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production estimates and estimates of timing of commencement of production from the operators of our royalty properties; the adequacy of financial resources and funds to cover anticipated expenditures for general and administrative expenses as well as costs associated with exploration and business development and capital expenditures, and our expectation that substantially all our revenues will be derived from royalty interests. Factors that could cause actual results to differ materially from these forward-looking statements include, among others:

- changes in gold and other metals prices;
- the production at or performance of our producing royalty properties;
- decisions and activities of the operators of our royalty properties;
- the ability of operators to bring projects into production and operate in accordance with feasibility studies;
- unanticipated grade and geological, metallurgical, processing or other problems at the properties;
- changes in project parameters as plans of the operators are refined;
- changes in estimates of reserves and mineralization by the operators of our royalty properties;
- economic and market conditions;
- future financial needs;
- federal, state and foreign legislation governing us or the operators;
- the availability of royalties for acquisition or other acquisition opportunities and the availability of debt or equity financing necessary to complete such acquisitions;
- our ability to make accurate assumptions regarding the valuation and timing and amount of royalty payments when making acquisitions;
- risks associated with conducting business in foreign countries, including application of foreign laws to contract and other disputes, environmental laws and enforcement and uncertain political and economic environments;
- risks associated with issuances of substantial additional common stock in connection with acquisitions or otherwise; and
- risks associated with the incurrence of substantial additional indebtedness if we take such actions in connection with acquisitions or otherwise.

as well as other factors described elsewhere in our Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission (“SEC”). Most of these factors are beyond our ability to predict or control. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements. We disclaim any obligation to update any forward-looking statement made herein. Readers are cautioned not to put undue reliance on forward-looking statements.

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

Our earnings and cash flow are significantly impacted by changes in the market price of gold and other metals. Gold and other metal prices can fluctuate 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 “Volatility in gold and other metal prices may have an adverse impact on the value of our royalty interests and reduce our royalty revenues,” under Part I, Item 1A of our 2007 Annual Report on Form 10-K for more information that can affect gold and other prices as well as historical gold, silver and copper prices.

During the nine months period ended March 31, 2008, we reported royalty revenues of \$47.7 million, with an average gold price for the period of \$796 per ounce and an average copper price of \$3.43 per pound. Approximately 76% of our total recognized revenues for the nine months ended March 31, 2008, were attributable to gold sales from our gold producing royalty interests, as shown within the MD&A. For the nine months ended March 31, 2008, if the price of gold had averaged higher or lower by \$50 per ounce, we would have recorded an increase or decrease in revenues of approximately \$2.3 million, respectively. Approximately 21% of our total recognized revenues for the nine months ended March 31, 2008, were attributable to copper sales at Robinson and Troy. For the nine months ended March 31, 2008, if the price of copper had averaged higher or lower by \$0.25 per pound, we would have recorded an increase or decrease in revenues of approximately \$0.8 million, respectively.

**ITEM 4. CONTROLS AND PROCEDURES**

The Company’s management, with the participation of the President and Chief Executive Officer and Chief Financial Officer and Treasurer of the Company, carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on such evaluation, the Company’s President and Chief Executive Officer and Chief Financial Officer and Treasurer have concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods and are designed to ensure that information required to be disclosed in its reports is accumulated and communicated by the Company’s management, including the President and Chief Executive Officer and Chief Financial Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure.

Even an effective internal control system, no matter how well designed, has inherent limitations, including the possibility of the circumvention or overriding of controls. Therefore, the Company’s internal control over financial reporting can provide only reasonable assurance with respect to the reliability of the Company’s financial reporting and financial statement preparation.

There has been no change in the Company’s internal control over financial reporting during the three months ended March 31, 2008, that has materially affected, or that is reasonably likely to materially affect, the Company’s internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

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 2007 Annual Report on Form 10-K.

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

The following table provides information regarding repurchases by the Company of its common stock during the three month period ended March 31, 2008:

**ISSUER PURCHASES OF EQUITY SECURITIES**  
(In thousands except share and per share data)

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(3)</sup>
January 25, 2008 — January 31, 2008	—	—	—	\$ 30,000
February 1, 2008 — February 29, 2008	145,827	\$ 27.86	145,827	\$ 25,936
March 1, 2008 — March 31, 2008	51,159	\$ 28.38	51,159	\$ 24,483
Total	196,986	\$ 28.00	196,986	\$ 24,483

<sup>(1)</sup> Shares have only been repurchased through the Company’s publicly announced repurchased program.

<sup>(2)</sup> Average share price excludes brokerage fees.

<sup>(3)</sup> The dollar value of shares reported in the table is covered by a board of director authorization to repurchase up to \$30.0 million of the Company’s common stock as publicly announced on January 25, 2008. The authorization to repurchase up to \$30.0 million of the Company’s common stock expired on March 31, 2008.



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**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

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

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

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### ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Bylaws of Royal Gold, Inc., as amended
3.2	Certificate of Elimination of 7.25% Mandatory Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to Royal Gold's Current Report on Form 8-K filed on March 27, 2008)
10.1	First Amendment to Second Amended and Restated Loan Agreement by and among Royal Gold, Inc., High Desert Mineral Resources, Inc. and HSBC Bank USA, National Association, dated as of January 23, 2008 (incorporated by reference to Exhibit 10.1 to Royal Gold's Current Report on Form 8-K filed on January 29, 2008)
31.1	Certification of President and Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Written Statement of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Written Statement of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**SIGNATURES**

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

**ROYAL GOLD, INC.**

Date: May 1, 2008

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

Date: May 1, 2008

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

**EXHIBIT INDEX**

Exhibit Number	Description
3.1	Amended and Restated Bylaws of Royal Gold, Inc., as amended
3.2	Certificate of Elimination of 7.25% Mandatory Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to Royal Gold's Current Report on Form 8-K filed on March 27, 2008)
10.1	First Amendment to Second Amended and Restated Loan Agreement by and among Royal Gold, Inc., High Desert Mineral Resources, Inc. and HSBC Bank USA, National Association, dated as of January 23, 2008 (incorporated by reference to Exhibit 10.1 to Royal Gold's Current Report on Form 8-K filed on January 29, 2008)
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**AMENDED AND RESTATED  
BYLAWS  
OF  
ROYAL GOLD, INC.**

**ARTICLE I  
Offices**

Section 1. Business Offices. The principal office of the Corporation shall be located in Denver, Colorado. The Corporation may also have offices at such other places both within and without the State of Delaware and the State of Colorado as the board of directors may from time to time determine or the business of the Corporation may require.

Section 2. Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware. The registered office may be changed from time to time by the board of directors.

**ARTICLE II  
Stockholders**

Section 1. Annual Meeting. An annual meeting of the stockholders shall be held on the first Wednesday in the month of November in each year, or on such other date as may be determined by the board of directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated for any annual meeting of the stockholders, or at any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the stockholders as soon thereafter as conveniently may be. Failure to hold an annual meeting as required by these bylaws shall not invalidate any action taken by the board of directors or officers of the Corporation.

Section 2. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called at any time by the chairman, chief executive officer, president, or by the board of directors. The business permitted to be conducted at any special meeting of the stockholders is limited to the purpose or purposes specified in the notice.

Section 3. Place of Meeting. Each meeting of the stockholders shall be held at the principal office of the Corporation or at such other place, either within or outside Delaware or Colorado, as may be designated in the notice of meeting. Notwithstanding the foregoing, the board of directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held by means of remote communication.

Section 4. Business Conducted at Annual Meeting. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors,

(b) otherwise properly brought before the meeting by or at the direction of the board of directors, or (c) otherwise properly brought before the meeting by a stockholder.

For business, including nomination of a candidate for the board of directors, to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety days nor more than one hundred twenty days prior to the meeting; provided, however, that in the event that less than one hundred days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the date on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, and if such business is the nomination of a person or persons for election or re-election as a director, all of the information relating to such person or persons that would be required to be disclosed in solicitations of proxies for election of directors, and in all cases such disclosures shall comply with the requirements applicable for a proxy statement under Schedule 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder, (d) any material interest of the stockholder in such business, and (e) whether such stockholder, alone or as part of a group, intends to solicit or participate in the solicitation of proxies from the stockholders of the Corporation regarding this matter. In addition, a stockholder seeking to bring an item of business before the annual meeting shall promptly provide any other information reasonably requested by the Corporation.

A stockholder who seeks to have any proposal included in the Corporation's proxy materials must provide notice as required by and otherwise comply with the applicable requirements of the rules and regulations under the Exchange Act.

Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at an annual meeting and no person shall be eligible for election as a director by means of stockholder nomination except in accordance with the procedures set forth in this Section 4. The chairman or other presiding officer of an annual meeting shall, if the facts warrant, determine that business was not properly brought before the meeting in accordance with the provisions of this Section 4 and, if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 5. Fixing Date for Determination of Stockholders of Record. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for any other lawful action, the board of directors may fix, in advance, a date as the record date for any such determination of stockholders, which date shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any

other action. If no record date is fixed by the board of directors, then the record date shall be: (a) for determining stockholders entitled to notice of or to vote at a meeting of stockholders, the close of business on the day next preceding the day on which notice is given, or, if notice is waived, the close of business on the day next preceding the day on which the meeting is held and (b) for determining stockholders for any other purpose, the close of business on the day on which the board of directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

Section 6. Notice of Meeting. Written notice stating the place, if any, the day and hour of the meeting, the means of remote communication, if any, by which stockholders or proxyholders may be deemed present in person and vote at such meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than sixty days before the date of the meeting, except to the extent that such notice is waived or is not required as provided in the General Corporation Law of the State of Delaware or these bylaws. Such notice shall be given in accordance with, and shall be deemed effective as set forth in, Sections 222 and 232 (or any successor section or sections) of the General Corporation Law of the State of Delaware. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. Without limiting the foregoing, any notice to stockholders given by the Corporation pursuant to these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 7. Voting Lists. The officer who has charge of the stock books of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, if any, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held, if any. If the meeting is to be held at a place, the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then such list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.



Section 8. Proxies . Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 9. Quorum and Required Vote . Except as otherwise provided by statute or by the certificate of incorporation, a majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time in accordance with Section 5 of this Article, until a quorum shall be present or represented.

Except as otherwise provided by law, the certificate of incorporation or these bylaws, the affirmative vote of a majority of the shares represented at a meeting at which a quorum is present and entitled to vote on the subject matter shall be the act of the stockholders on matters other than the election of directors.

Except as provided in Section 3 of Article III or as otherwise required by law or by the certificate of incorporation, each director shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present, provided that if the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of stockholders voting on the election of directors, a majority of the votes cast means that the number of shares voted “for” a director must exceed 50% of the votes cast with respect to that director. If a nominee who is already serving as a director is not elected, the director shall offer to tender his or her resignation to the Board. The Compensation, Nominating and Governance Committee will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Compensation, Nominating and Governance Committee’s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results. The director who tenders his or her resignation will not participate in the Board’s decision.

If authorized by the board of directors, and subject to such guidelines as the board of directors may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication, participate in a meeting of stockholders and be deemed present in person and vote at such meeting whether such meeting is held at a designated place or solely by means of remote communication, provided that (a) the Corporation implements reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (b) the Corporation implements reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (c) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action is maintained by the Corporation.

Section 10. Voting of Shares . Unless otherwise provided in the certificate of incorporation and subject to the provisions of Section 4 of this Article, each stockholder shall be entitled to one vote for each share of capital stock having voting rights held by such stockholder. In the election of directors each record holder of stock entitled to vote at such election shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, and for whose election he has the right to vote. Cumulative voting shall not be allowed.

Section 11. Voting of Shares by Certain Holders . Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the Corporation he has expressly empowered the pledgee to vote thereon, in which case only the pledgee or his proxy may represent such shares and vote thereon. If shares stand of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the secretary of the Corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall be as set forth in the General Corporation Law of the State of Delaware.

Section 12. Action Without a Meeting . Unless otherwise provided in the certificate of incorporation and subject to the provisions of these bylaws, any action required or permitted to be taken at any meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted (which consent may be signed in counterparts). No consent shall be deemed to have been delivered until such consent is delivered to the Corporation in accordance with Section 228(d)(1) of the General Corporation Law of the State of Delaware. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 13. Fixing Date for Determination of Stockholders of Record for Action Without a Meeting . In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the board of directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the secretary of the Corporation, request the board of directors to fix a record date. The board of directors shall promptly, but in all events within ten days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the board of directors within ten days after the date on which such request is received, and no prior action by the board of directors is required by applicable law, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, to its principal place of business, or to an officer or agent of the Corporation having custody of the books in which proceedings of stockholders meetings are recorded, to the attention

of the secretary of the Corporation. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action.

In the event a disclosure or proxy statement or other written materials are distributed to shareholders whose consents are being solicited, such disclosure or proxy statement or other written materials shall be delivered to the Corporation at its principal place of business to the attention of the Secretary no later than the date such materials are first distributed to any shareholder whose consent is being or will be solicited.

For so long as the Corporation has a class of equity securities registered under the Exchange Act, any request to the board of directors to fix a record date shall be accompanied by disclosure relating to the action taken or proposed to be taken, which disclosure shall comply with the disclosure requirements of Section 14 of the Exchange Act and the regulations promulgated thereunder and which shall provide the Corporation with such information as may be necessary for it to comply with its obligations under the Exchange Act.

### ARTICLE III Board of Directors

Section 1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of its board of directors, except as otherwise provided in the General Corporation Law of the State of Delaware or the certificate of incorporation.

Section 2. Number, Tenure and Qualifications. The board of directors of the Corporation shall consist of such number of directors as may be determined from time to time by the board, but such number shall not be less than three nor more than nine. Directors shall be divided into three classes and elected as provided in Article Seventh of the certificate of incorporation at each annual meeting of stockholders, except as provided in Section 3 of this Article. Each director shall hold office until his successor shall have been elected and qualified or until his earlier death, resignation or removal. Directors need not be residents of Delaware or stockholders of the Corporation. Directors shall be removable in the manner provided by the statutes of Delaware.

Section 3. Vacancies. Any director may resign at any time by giving written notice to the Corporation. A director's resignation shall take effect at the time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any vacancy or newly created directorship resulting from any increase in the authorized number of directors may be filled by a majority of directors then in office, although less than a quorum, or by a sole remaining director, and a director so chosen shall hold office until the next election of directors of the class of which such director is a part and until his successor is duly elected and qualified, unless sooner displaced. If at any time, by reason of death, resignation or other cause, the Corporation should have no directors in office, then an election of directors may be held in the manner provided by law. When one or more directors shall resign from the board,

effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office until the next election of directors of the class of which he is a part, and until his successor is duly elected and qualified.

Section 4. Regular Meetings. A regular meeting of the board of directors shall be held immediately after and at the same place as the annual meeting of stockholders, or as soon as practicable thereafter at the time and place, either within or without Delaware or Colorado, determined by the board for the purpose of electing officers and for the transaction of such other business as may come before the meeting. The board of directors may provide by resolution the time and place, either within or outside Delaware or Colorado, for the holding of additional regular meetings.

Section 5. Special Meetings. Special meetings of the board of directors may be called by or at the request of the chairman, the chief executive officer, or the president, or any two directors. The person or persons authorized to call special meetings of the board of directors may fix any place, either within or outside Delaware or Colorado, as the place for holding any special meeting of the board of directors called by them.

Section 6. Notice. Notice of every meeting of the board of directors shall be given to each director at his usual place of business or at such other address as shall have been furnished by him for such purpose. Such notice shall be properly and timely given if it is (a) deposited in the United States mail not later than the fifth calendar day preceding the date of the meeting, or (b) personally delivered, telegraphed, sent by either facsimile transmission, electronic mail (effective when directed to an electronic mail address of the director), or other electronic transmission (as defined in Section 232(c) of the General Corporation Law of the State of Delaware and effective when directed to the director), or communicated by telephone or in person at least twenty-four hours before the time of the meeting. Such notice need not include a statement of the business to be transacted at, or the purpose of, any such meeting.

Section 7. Quorum and Voting. A majority of the number of directors fixed by Section 2 of this Article, present in person, shall constitute a quorum for the transaction of business at any meeting of the board of directors, and the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors. If less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present. No director may vote or act by proxy at any meeting of the board of directors.

Section 8. Committees. The board of directors may, by one or more resolutions, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in

the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the bylaws of the Corporation; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

Section 9. Compensation. Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors, which may include, among other forms of compensation determined by the board of directors, a fixed sum for attendance at each meeting of the board of directors, a stated salary as director, an annual retainer as director, and equity compensation as director. Additionally, the board of directors shall be paid their expenses, if any, of attendance at each meeting. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of any committee of the board may be allowed compensation for attending committee meetings.

Section 10. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the board of directors or any committee thereof may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of the proceedings of the board or committee.

Section 11. Participation in Meetings by Telephone. Members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of such board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation in a meeting in such manner shall constitute presence in person at the meeting.

#### ARTICLE IV Officers and Agents

Section 1. Number and Qualifications. The officers of the Corporation shall be a chairman, a chief executive officer, a president, a secretary, a chief financial officer, and a treasurer. The board of directors may also elect or appoint such other officers, assistant officers, and agents, including one or more vice-presidents, assistant secretaries, and assistant treasurers, as they may consider necessary. Any number of offices may be held by the same person, except that no person may simultaneously hold the offices of president and secretary.

Section 2. Election and Term of Office. The officers of the Corporation shall be elected by the board of directors annually at the first meeting of the board held after each annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as reasonably practicable. Each officer shall hold office

until his successor shall have been duly elected and qualified or until his earlier death, resignation or removal.

Section 3. Salaries. The salaries of the officers shall be fixed from time to time by the board of directors and no officer shall be prevented from receiving a salary by reason of the fact that he is also a director of the Corporation.

Section 4. Removal. Any officer or agent elected or appointed by the board of directors may be removed at any time by the board whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not in itself create contract rights.

Section 5. Vacancies. Any officer may resign at any time, subject to any rights or obligations under any existing contracts between the officer and the Corporation, by giving notice to the Corporation. An officer's resignation shall take effect at the time stated therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any vacancy occurring in any office by death, resignation, removal or otherwise shall be filled by the board of directors for the unexpired portion of the term.

Section 6. Authority and Duties of Officers. The officers of the Corporation shall have the authority and shall exercise the powers and perform the duties specified below, and as may be additionally specified by the chairman, president, or chief executive officer, the board of directors or these bylaws, except that in any event each officer shall exercise such powers and perform such duties as may be required by law:

(a) Chairman. At the discretion of the board of directors, the chairman may be either an executive officer of the Corporation (an "Executive Chairman") or any member of the board of directors. The chairman shall (when present) preside at all meetings of the board of directors and stockholders, and shall ensure that all orders and resolutions of the board of directors and stockholders are carried into effect. The board of directors may delegate such other authority and assign such additional duties to the chairman as it may from time to time determine. If the chairman is an Executive Chairman, he may execute contracts, deeds and other instruments on behalf of the Corporation.

(b) President or the Chief Executive Officer. Subject to the direction and control of the board of directors and the supervisory powers, if any, as may be given by the board of directors to the chairman, the chief executive officer or the president shall have general supervision, direction, and control of the business and officers of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of the chief executive officer or the president. In the absence, refusal or incapacity of the chairman, the chief executive officer or the president and shall perform the duties of such office. The chief executive officer or the president may execute contracts, deeds and other instruments on behalf of the Corporation.

(c) Vice-President. The vice-president, if any, (or if there is more than one then each vice-president) shall assist the chairman, the chief executive officer, or the president and shall

perform such duties as may be assigned to him by the chairman, the chief executive officer, or the president, and the board of directors. The vice-president, if there is one (or if there is more than one then the vice-presidents in the order designated or if there be no such designation, then the vice-presidents in order of their election) shall, at the request of the chief executive officer, or the president or in his absence or inability or refusal to act, perform the duties of the chief executive officer or the president, and when so acting shall have all the powers of and be subject to all the restrictions upon the chief executive officer or the president. Any vice-president may execute contracts, deeds and other instruments on behalf of the Corporation.

(d) Secretary and Assistant Secretaries . The secretary shall: (i) record or cause to be recorded the proceedings of the meetings of the stockholders, the board of directors and any committees of the board of directors in a book to be kept for that purpose; (ii) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (iii) be custodian of the corporate records and of the seal of the Corporation; (iv) keep at the Corporation's registered office or principal place of business a record containing the names and addresses of all stockholders and the number and class of shares held by each, unless such a record shall be kept at the office of the Corporation's transfer agent or registrar; (v) have general charge of the stock books of the Corporation, unless the Corporation has a transfer agent; and (vi) in general, perform all other duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the chief executive officer, president, chairman or the board of directors. The assistant secretary, if there is one (or if there is more than one then the assistant secretaries in the order designated or if there be no such designation, then the assistant secretaries in order of their election) shall, at the request of the secretary, or in his absence or inability or refusal to act, perform the duties of the secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the secretary.

(e) Chief Financial Officer, Treasurer and Assistant Treasurers . If the board of directors elects not to provide for a separate chief financial officer and treasurer, the chief financial officer shall: (i) have the care and custody of all funds, securities, evidences of indebtedness and other personal property of the Corporation and deposit the same in accordance with the instructions of the board of directors; (ii) receive and give receipts and acquittances for moneys paid in on account of the Corporation, and pay out of the funds on hand all bills, payrolls and other just debts of the Corporation of whatever nature upon maturity; (iii) be the principal accounting officer of the Corporation and as such prescribe and maintain the methods and systems of accounting to be followed, keep complete books and records of account, prepare and file all local, state and federal tax returns, prescribe and maintain an adequate system of internal audit, and prepare and furnish to the chief executive officer, the president and the board of directors statements of account showing the financial position of the Corporation and the results of its operations; (iv) upon request of the board, make such reports to it as may be required at any time; and (v) perform all other duties incident to the office of chief financial officer and such other duties as from time to time may be assigned to him by the chief executive officer, president or the board of directors. If the board of directors elects to provide for a separate chief financial officer and treasurer, the treasurer shall have the duties identified in subparts (i) and (ii) of this paragraph and the chief financial officer shall have the duties identified in subparts (iii), (iv), and (v) of this paragraph. The assistant treasurer, if there is one (or if there is more than one then the assistant treasurers in the order designated or if there be no such designation, then the assistant treasurers in order of their election) shall, at the request of the chief financial officer or the treasurer, or in their

absence or inability or refusal to act, perform the duties of the treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the treasurer .

Section 7. Surety Bonds . The board of directors may require any officer or agent of the Corporation to execute to the Corporation a bond in such sums and with such sureties as shall be satisfactory to the board, conditioned upon the faithful performance of his duties and for the restoration to the Corporation of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

## ARTICLE V Stock

Section 1. Issuance of Shares . The issuance or sale by the Corporation of any shares of its authorized capital stock of any class, including treasury shares, shall be made only upon authorization by the board of directors, except as otherwise may be provided by statute.

Section 2. Certificates . The shares of stock of the Corporation shall be represented by certificates, or shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock, or a combination of both. To the extent that shares are represented by certificates, such certificates shall be in the form authorized by the board of directors. In order to certify the number of shares owned in the Corporation, any such certificates shall be signed in the name of the Corporation by (a) the chairman, chief executive officer, president, or a vice-president, and (b) the chief financial officer, the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the Corporation. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent , or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent , or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Certificates of stock shall be consecutively numbered and shall be in such form consistent with law as shall be prescribed by the board of directors.

Section 3. Payment for Shares . Shares shall be issued for such consideration (but not less than the par value thereof) as shall be determined from time to time by the board of directors. Treasury shares shall be disposed of for such consideration as may be determined from time to time by the board. Such consideration shall be paid in such form and in such manner as the directors shall determine. In the absence of actual fraud in the transaction, the judgment of the directors as to the value of such consideration shall be conclusive. The capital stock issued by the Corporation shall be deemed to be fully paid and non-assessable stock if: (a) the entire amount of the consideration has been received by the Corporation in the form of cash, services rendered, personal property, real property, leases of real property or a combination thereof; or (b) not less than the amount of the consideration determined to be capital pursuant to statute has been received by the Corporation in such form and the Corporation has received a binding obligation of the subscriber or purchaser to pay the balance of the subscription or purchase price; provided, however , nothing contained herein shall prevent the board of directors from issuing partly paid shares pursuant to statute.



Section 4. Lost Certificate . In case of the alleged loss, destruction or mutilation of a certificate of stock the board of directors may direct the issuance of a new certificate in lieu thereof upon such terms and conditions in conformity with law as it may prescribe. The board of directors may in its discretion require a bond in such form and amount and with such surety as it may determine, before issuing a new certificate.

Section 5. Transfer of Shares . Transfers of shares of stock of the Corporation shall be made only on the books of the Corporation upon authorization of the registered holder thereof, or by such holder's attorney thereunto authorized by a power of attorney duly executed and filed with the Corporation's secretary or a transfer agent for such stock, if any, and if such shares are represented by a certificate, upon surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power (or by proper evidence of succession, assignment or authority to transfer) and the payment of any taxes thereon; provided, however, that the Corporation shall be entitled to recognize and enforce any lawful restriction on transfer. The person in whose name shares are registered on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation; provided, however, that whenever any transfer of shares shall be made for collateral security and not absolutely, and written notice thereof shall be given to the Corporation's secretary or to such transfer agent, such fact shall be stated in the entry of transfer. No transfer of shares shall be valid against the Corporation, or its stockholders and creditors, for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from whom and to whom transferred.

Section 6. Registered Stockholders . The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

Section 7. Transfer Agents, Registrars and Paying Agents . The board of directors may at its discretion appoint one or more transfer agents, registrars and agents for making payment upon any class of stock, bond, debenture or other security of the Corporation. Such agents and registrars may be located either within or outside Delaware or Colorado. They shall have such rights and duties and shall be entitled to such compensation as may be agreed.

## ARTICLE VI

### Indemnification of Directors, Officers, Employees and Agents

Section 1. General Scope . The Corporation shall indemnify and hold harmless, to the fullest extent permitted by the General Corporation Law of the State of Delaware, as it presently exists or may hereafter be amended (except that if such amendment narrows the ability of a Delaware corporation to provide such indemnity, such amendment shall, unless required by law, have no effect on this Article or the rights and obligations created under this Article) , any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, (a "proceeding") by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of

the Corporation as a director, officer, employee or agent of another corporation, or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, against all expenses, liability and loss (including attorneys' fees), reasonably incurred by such person. The Corporation shall be required to indemnify a person in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the board of directors of the Corporation .

Section 2. Advance Expenses . Subject to any applicable laws, the Corporation shall pay the expenses (including attorneys' fees) incurred by an officer or director of the Corporation in defending any proceeding in advance of its final disposition, provided, however, that the payment of such expenses shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified.

Section 3. Non-Contravention and Non-Exclusivity . The rights conferred on any person by this Article shall not contravene the provisions of any applicable laws and such rights shall not be exclusive of any other rights that such person may have or hereafter acquire under any statute, provision of the certificate of incorporation, agreement, vote of stockholders or disinterested directors, or otherwise.

Section 4. Contribution . The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise shall not be interpreted so as to duplicate any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust or other enterprise.

Section 5. Insurance . The Corporation may purchase and maintain insurance to protect itself and any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

Section 6. Continuation of Rights . The rights provided by, or granted pursuant to, this Article shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors, and administrators of such person. Subject to any applicable laws, all rights provided by or granted pursuant to this Article shall be deemed to be a contract between the Corporation and each director, officer, employee or agent of the Corporation who serves or served in such capacity at any time while this Article is in effect. Any repeal or modification of this Article shall not in any way diminish any rights to indemnification of such directors, officers, employees or agents, or the obligations of the Corporation arising hereunder.

ARTICLE VII  
Miscellaneous

Section 1. Waivers of Notice. Whenever notice is required to be given by law, by the certificate of incorporation or by these bylaws, a written waiver thereof, signed by the person entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting or (in the case of a stockholder) by proxy shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

Section 2. Presumption of Assent. A director or stockholder of the Corporation who is present at a meeting of the board of directors or stockholders at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent of such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director or stockholder who voted in favor of such action.

Section 3. Voting of Securities by the Corporation. Unless otherwise provided by resolution of the board of directors, on behalf of the Corporation the chief executive officer, president, or any vice-president shall attend in person or by substitute appointed by him, or shall execute written instruments appointing a proxy or proxies to represent the Corporation at, all meetings of the shareholders of any other Corporation, association or other entity in which the Corporation holds any stock or other securities, and may execute written waivers of notice with respect to any such meetings. At all such meetings and otherwise, the chief executive officer, president, or any vice-president, in person or by substitute or proxy as aforesaid, may vote the stock or other securities so held by the Corporation and may execute written consents and any other instruments with respect to such stock or securities and may exercise any and all rights and powers incident to the ownership of said stock or securities, subject, however, to the instructions, if any, of the board of directors.

Section 4. Seal. The corporate seal of the Corporation shall be circular in form and shall contain the name of the Corporation, the year of its organization and the words "Seal, Delaware".

Section 5. Fiscal Year. The fiscal year of the Corporation shall be as established by the board of directors.

Section 6. Amendments. All bylaws of the Corporation shall be subject to amendment, alteration or repeal, and new bylaws may be made, by resolution adopted by a majority of the entire board of directors.



**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.

May 1, 2008

*/s/Tony Jensen*

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Tony Jensen  
President and Chief Executive Office



## EXHIBIT 31.2

I, Stefan Wenger, certify that:

- (1) I have reviewed this report on Form 10-Q of Royal Gold, Inc.;
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact nor omits to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f), and 15d-a5(f)), for the registrant and have:
  - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I, have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

May 1, 2008

*/s/Stefan Wenger*

Stefan Wenger

Chief Financial Officer and Treasurer





**EXHIBIT 32.1**

In connection with the quarterly report on Form 10-Q of Royal Gold, Inc. (the "Company"), for the period ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tony Jensen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 1, 2008

*/s/Tony Jensen*

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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 March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stefan Wenger, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 1, 2008

*/s/ Stefan Wenger*

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Stefan Wenger  
Chief Financial Officer and Treasurer