

ROYAL GOLD INC  
Form 10-Q  
April 28, 2016  
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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, 2016**

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)

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

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

**80202**  
(Zip Code)

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

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

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

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

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

Accelerated filer   
Smaller reporting company

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

There were 65,267,061 shares of the Company's common stock, par value \$0.01 per share, outstanding as of April 21, 2016.



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Table of Contents**ITEM 1. FINANCIAL STATEMENTS****ROYAL GOLD, INC.**

## Consolidated Balance Sheets

(Unaudited, in thousands except share data)

	March 31, 2016	June 30, 2015
<b>ASSETS</b>		
Cash and equivalents	\$ 122,863	\$ 742,849
Royalty receivables	20,233	37,681
Income tax receivable	21,578	6,422
Stream inventory	5,402	2,287
Available-for-sale securities (Note 4)	3,861	6,273
Prepaid expenses and other	1,243	1,511
Total current assets	175,180	797,023
Royalty and stream interests, net (Note 3)	2,863,440	2,083,608
Other assets	60,622	44,801
Total assets	\$ 3,099,242	\$ 2,925,432
<b>LIABILITIES</b>		
Accounts payable	3,413	4,911
Dividends payable	15,011	14,341
Other current liabilities	5,778	5,721
Total current liabilities	24,202	24,973
Debt (Note 5)	630,252	322,110
Deferred tax liabilities	139,861	146,603
Uncertain tax positions (Note 9)	17,080	15,130
Other long-term liabilities	6,489	689
Total liabilities	817,884	509,505
Commitments and contingencies (Note 12)		
<b>EQUITY</b>		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; and 0 shares issued		
Common stock, \$.01 par value, 100,000,000 shares authorized; and 65,089,008 and 65,033,547 shares outstanding, respectively	651	650
Additional paid-in capital	2,178,011	2,170,643
Accumulated other comprehensive income (loss)	553	(3,292)
Accumulated earnings	43,153	185,121
Total Royal Gold stockholders' equity	2,222,368	2,353,122
Non-controlling interests	58,990	62,805
Total equity	2,281,358	2,415,927
Total liabilities and equity	\$ 3,099,242	\$ 2,925,432

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



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**ROYAL GOLD, INC.**

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Unaudited, in thousands except share data)

	For The Three Months Ended		For The Nine Months Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Revenue	\$ 93,487	\$ 74,110	\$ 265,660	\$ 204,439
Costs and expenses				
Cost of sales	17,921	10,542	51,960	23,452
General and administrative	7,679	5,545	23,416	18,201
Production taxes	958	935	3,546	4,356
Exploration costs	1,851	155	6,135	155
Depreciation, depletion and amortization	38,163	24,783	105,717	67,273
Impairments of royalty and stream interests and royalty receivables (Note 3)	98,973		98,588	31,335
Total costs and expenses	165,545	41,960	289,362	144,772
Operating (loss) income	(72,058)	32,150	(23,702)	59,667
Interest and other income	3,060	435	2,804	714
Interest and other expense	(8,762)	(6,433)	(23,968)	(19,502)
Income (loss) before income taxes	(77,760)	26,152	(44,866)	40,879
Income tax benefit (expense)	8,262	(1,041)	(55,655)	(3,172)
Net (loss) income	(69,498)	25,111	(100,521)	37,707
Net loss (income) attributable to non-controlling interests	1,842	(97)	2,932	(559)
Net (loss) income attributable to Royal Gold common stockholders	\$ (67,656)	\$ 25,014	(97,589)	\$ 37,148
Net (loss) income	\$ (69,498)	\$ 25,111	\$ (100,521)	\$ 37,707
Adjustments to comprehensive income (loss), net of tax				
Unrealized change in market value of available-for-sale securities	2,383	(2,168)	4,521	(3,988)
Reclassification adjustment for gains included in net income	(675)		(675)	
Comprehensive (loss) income	(67,790)	22,943	(96,675)	33,719
Comprehensive loss (income) attributable to non-controlling interests	1,842	(97)	2,932	(559)
Comprehensive (loss) income attributable to Royal Gold stockholders	\$ (65,948)	\$ 22,846	\$ (93,743)	\$ 33,160
Net (loss) income per share available to Royal Gold common stockholders:				
Basic (loss) earnings per share	\$ (1.04)	\$ 0.38	\$ (1.50)	\$ 0.57
Basic weighted average shares outstanding	65,085,225	65,033,547	65,069,056	64,999,331
Diluted (loss) earnings per share	\$ (1.04)	\$ 0.38	\$ (1.50)	\$ 0.57
Diluted weighted average shares outstanding	65,085,225	65,129,362	65,069,056	65,122,313

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Cash dividends declared per common share	\$	0.23	\$	0.22	\$	0.68	\$	0.65
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The accompanying notes are an integral part of these consolidated financial statements.

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## Consolidated Statements of Cash Flows

(Unaudited, in thousands)

	<b>For The Nine Months Ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (100,521)	\$ 37,707
<b>Adjustments to reconcile net (loss) income to net cash provided by operating activities:</b>		
Depreciation, depletion and amortization	105,717	67,273
Non-cash employee stock compensation expense	7,789	3,660
Impairments of royalty and stream interests and royalty receivables	98,588	31,335
Amortization of debt discount	8,142	7,624
Gain on sale of available-for-sale securities	(675)	
Deferred tax benefit	(17,246)	(34,199)
Tax expense (benefit) of stock-based compensation exercises	247	(74)
Other	(390)	
<b>Changes in assets and liabilities:</b>		
Royalty receivables	14,976	4,172
Income taxes receivable	(2,996)	25,191
Stream inventory	(3,115)	434
Prepaid expenses and other assets	1,630	4,037
Accounts payable	(1,533)	(1,742)
Uncertain tax positions	1,950	1,736
Other liabilities	8,084	1,040
Net cash provided by operating activities	\$ 120,647	\$ 148,194
<b>Cash flows from investing activities:</b>		
Acquisition of royalty and stream interests	(1,326,256)	(60,341)
Andacollo royalty termination	345,000	
Golden Star term loan	(20,000)	
Proceeds from sale of available-for-sale securities	6,933	
Tulsequah stream termination		10,000
Other	(302)	(71)
Net cash used in investing activities	\$ (994,625)	\$ (50,412)
<b>Cash flows from financing activities:</b>		
Borrowings from revolving credit facility	350,000	
Repayment of revolving credit facility	(50,000)	
Common stock dividends	(43,709)	(41,712)
Debt issuance costs	(1,049)	
Distribution to non-controlling interests	(829)	(1,227)
Net (payments) proceeds from issuance of common stock	(174)	775
Tax (benefit) expense of stock-based compensation exercises	(247)	74
Net cash provided by (used in) financing activities	\$ 253,992	\$ (42,090)
Net (decrease) increase in cash and equivalents	(619,986)	55,692
Cash and equivalents at beginning of period	742,849	659,536
Cash and equivalents at end of period	\$ 122,863	\$ 715,228

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



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**ROYAL GOLD, INC.**

Notes to Consolidated Financial Statements

(Unaudited)

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

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 (or royalty interests ), metal streams (or stream interests ), and similar interests. Royalties are non-operating interests in mining projects that provide the right to revenue or metals produced from the project after deducting specified costs, if any. A metal stream is a purchase agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of one or more metals produced from a mine, at a price determined for the life of the transaction by the purchase agreement.

**Summary of Significant Accounting Policies**

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for a fair presentation of our interim financial statements have been included in this Form 10-Q. Operating results for the three and nine months ended March 31, 2016, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2016. 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, 2015 filed with the Securities and Exchange Commission on August 6, 2015 ( Fiscal 2015 10-K ).

Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements. Reclassified amounts were not material to the financial statements.

*Asset Impairment*

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts of an asset or group of assets may not be recoverable. The recoverability of the carrying value of royalty and stream interests in production and development stage mineral properties is evaluated based upon estimated future undiscounted net cash flows from each royalty and stream interest using estimates of proven and probable reserves and other relevant information received from the operators. We evaluate the recoverability of the carrying value of royalty interests in exploration stage mineral properties in the event of significant decreases in the price of gold, silver, copper, nickel and other metals, and whenever new information regarding the mineral properties is obtained from the operator

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indicating that production will not likely occur or may be reduced in the future, thus potentially affecting the future recoverability of our royalty or stream interests. Impairments in the carrying value of each property are measured and recorded to the extent that the carrying value in each property exceeds its estimated fair value, which is generally calculated using estimated future discounted cash flows.

Estimates of gold, silver, copper, nickel and other metal prices, operators' estimates of proven and probable reserves or mineralized material related to our royalty or streaming properties, and operators' estimates of operating and capital costs are subject to certain risks and uncertainties which may affect the recoverability of our investment in these royalty and stream interests in mineral properties. It is possible that changes could occur to these estimates, which could adversely affect the net cash flows expected to be generated from these royalty and stream interests. Refer to Note 3 for discussion and the results of our quarterly impairment assessments for the three and nine months ended March 31, 2016.

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**ROYAL GOLD, INC.**

Notes to Consolidated Financial Statements

(Unaudited)

**Recently Issued Account Standards**

In March 2016, the Financial Accounting Standards Board ( FASB ) issued guidance to simplify several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation with actual forfeitures as they occur, as well as certain classifications on the statement of cash flows. The new guidance is effective for the Company's fiscal year beginning July 1, 2017. We are currently evaluating the impact this guidance will have on our consolidated financial statements and footnote disclosures.

In January 2016, the FASB issued guidance on the recognition and measurement of financial instruments. The amended guidance requires, among other things, that equity securities classified as available-for-sale be measured at fair value with changes in fair value recognized in net income rather than other comprehensive income as required under previous guidance. The new guidance is effective for the Company's fiscal year beginning July 1, 2018. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In November 2015, the FASB issued guidance on the presentation of deferred income taxes that requires deferred tax assets and liabilities, along with related valuation allowances, to be classified as non-current on the balance sheet. As a result, each tax jurisdiction will now only have one net non-current deferred tax asset or liability. The new guidance does not change the existing requirement that prohibits offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. The new guidance is effective for the Company's fiscal year beginning July 1, 2017 and will only result in a change in presentation of these deferred taxes on our consolidated balance sheets. Early adoption is permitted, and we are currently evaluating the impact of this guidance on our consolidated financial statements.

**2. ACQUISITIONS**

*Acquisition and Amendment of Gold Stream on Wassa and Prestea*

On July 28, 2015, RGLD Gold AG ( RGLD Gold ), a wholly-owned subsidiary of the Company, closed a \$130 million gold stream transaction with a wholly-owned subsidiary of Golden Star Resources Ltd. (together Golden Star ). On December 30, 2015, the parties executed an amendment providing for an additional \$15 million investment (for a total investment of \$145 million) by RGLD Gold. At Golden Star's option, RGLD Gold will increase its investment by a further \$5 million (for a total investment of \$150 million) subject to satisfaction of certain conditions, including Golden Star's procurement of a minimum of \$5 million of third party equity investment.

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Also on July 28, 2015 and separate from the stream transaction by RGLD Gold, the Company also funded a \$20 million, 4-year term loan to Golden Star and received warrants to purchase 5 million shares of Golden Star common stock, with a grant date fair value of approximately \$0.8 million. Interest under the term loan is due quarterly at a rate equal to 62.5% of the average daily gold price for the relevant quarter divided by 10,000, but not to exceed 11.5%. The warrants have a term of four years and an exercise price of \$0.27.

Pursuant to the stream transaction and subject to certain conditions, RGLD Gold will make \$145 million in advance payments to Golden Star in stages. As of March 31, 2016, RGLD Gold has advanced \$75 million. On April 1, 2016, RGLD Gold made an advance payment of \$20 million and expects to advance

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**ROYAL GOLD, INC.**

Notes to Consolidated Financial Statements

(Unaudited)

the balance in three quarterly payments as follows: (i) \$20 million on each of July 1 and October 1, 2016, and (ii) \$10 million on January 1, 2017; however this schedule may be modified based on the actual spending on the Wassa and Prestea underground projects and these funds are subject to satisfaction of certain conditions. Golden Star will deliver to RGLD Gold 9.25% of gold produced from the Wassa and Prestea mines, until the earlier of (i) December 31, 2017 or (ii) the date at which the Wassa and Prestea underground projects achieve commercial production. At that point, the stream percentage will increase to 10.5% (or to 10.9% if the total investment increases to \$150 million) of gold produced from the Wassa and Prestea projects until an aggregate 240,000 ounces have been delivered (or 250,000 ounces if the total investment increases to \$150 million). Once the applicable delivery threshold is met, the stream percentage will decrease to 5.5% for the remaining life of the mines.

RGLD Gold will pay Golden Star a cash price equal to 20% of the spot price for each ounce of gold delivered at the time of delivery until the applicable delivery threshold is met, and 30% of the spot price for each ounce of gold delivered thereafter.

The Wassa and Prestea gold stream acquisition has been accounted for as an asset acquisition. The \$75 million paid as part of the aggregate advance payments of \$145 million, plus direct acquisition costs, have been recorded as a production stage stream interest within *Royalty and stream interests, net* on our consolidated balance sheets. Future advance payments, plus any direct acquisition costs incurred, will be recorded as a production stage interest accordingly. The acquisition cost of the Wassa and Prestea gold stream interest will be depleted using the units of production method, which is estimated using aggregate proven and probable reserves, as provided by Golden Star.

The \$20 million four-year term loan and the received warrants have been recorded within *Other assets* on our consolidated balance sheets. The warrants have been classified as a financial asset instrument and are recorded at fair value at each reporting period using the Black-Scholes model. Any change in the fair value of the warrants at subsequent reporting periods will be recorded within *Interest and other* on our consolidated statements of operations and comprehensive income.

*Acquisition of Gold and Silver Stream at Pueblo Viejo*

On September 29, 2015, RGLD Gold closed its Precious Metals Purchase and Sale Agreement with Barrick Gold Corporation ( Barrick ) and its wholly-owned subsidiary, BGC Holdings Ltd. ( BGC ) for a percentage of the gold and silver production attributable to Barrick 's 60% interest in the Pueblo Viejo mine located in the Dominican Republic. Pursuant to the Precious Metals Purchase and Sale Agreement, RGLD Gold made a single advance payment of \$610 million to BGC as part of the closing. The transaction is effective as of July 1, 2015 for the gold stream and January 1, 2016 for the silver stream.

BGC will deliver gold to RGLD Gold in amounts equal to 7.50% of Barrick 's interest in the gold produced at the Pueblo Viejo mine until 990,000 ounces of gold have been delivered, and 3.75% of Barrick 's interest in gold produced thereafter. RGLD Gold will pay BGC 30% of the spot price per ounce of gold delivered until 550,000 ounces of gold have been delivered, and 60% of the spot price per ounce delivered

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thereafter. RGLD Gold began receiving gold deliveries during the quarter ended December 31, 2015.

BGC will deliver silver to RGLD Gold in amounts equal to 75% of Barrick's interest in the silver produced at the Pueblo Viejo mine, subject to a minimum silver recovery of 70%, until 50 million ounces of silver have been delivered, and 37.50% of Barrick's interest in silver produced thereafter. RGLD Gold will pay BGC 30% of the spot price per ounce of silver delivered until 23.10 million ounces of silver have been delivered, and 60% of the spot price per ounce of silver delivered thereafter.

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(Unaudited)

The Pueblo Viejo gold and silver stream acquisition has been accounted for as an asset acquisition. The advance payment of \$610 million, plus direct transaction costs, have been recorded as a production stage stream interest within *Royalty and stream interests, net* on our consolidated balance sheets. The acquisition cost of the Pueblo Viejo gold and silver stream interest will be depleted using the units of production method, which is estimated using aggregate proven and probable reserves, as provided by Barrick.

*Acquisition of Gold and Silver Stream at Rainy River*

On July 20, 2015, RGLD Gold entered into a \$175 million Purchase and Sale Agreement with New Gold, Inc. ( *New Gold* ), for a percentage of the gold and silver production from the Rainy River Project located in Ontario, Canada ( *Rainy River* ). Pursuant to the Purchase and Sale Agreement, RGLD Gold made an advance payment to New Gold, consisting of \$100 million on July 20, 2015, and will make an additional advance payment of \$75 million once capital spending at Rainy River is 60% complete (currently expected by mid-calendar 2016). Under the Purchase and Sale Agreement, New Gold will deliver to RGLD Gold 6.50% of the gold produced at Rainy River until 230,000 gold ounces have been delivered, and 3.25% thereafter. New Gold also will deliver to RGLD Gold 60% of the silver produced at Rainy River until 3.10 million silver ounces have been delivered, and 30% thereafter. RGLD Gold will pay New Gold 25% of the spot price per ounce of gold and silver at the time of delivery.

The Rainy River gold and silver stream acquisition has been accounted for as an asset acquisition. The \$100 million paid as part of the aggregate advance payments of \$175 million, plus direct transaction costs, have been recorded as a development stage stream interest within *Royalty and stream interests, net* on our consolidated balance sheets.

*Acquisition of Gold Stream at Carmen de Andacollo*

On July 9, 2015, RGLD Gold entered into a Long Term Offtake Agreement (the *Andacollo Stream Agreement* ) with Compañía Minera Teck Carmen de Andacollo ( *CMCA* ), a 90% owned subsidiary of Teck Resources Limited ( *Teck* ). Pursuant to the Andacollo Stream Agreement, CMCA will sell and deliver to RGLD Gold 100% of payable gold from the Carmen de Andacollo ( *Andacollo* ) copper-gold mine located in Chile until 900,000 ounces have been delivered, and 50% thereafter, subject to a fixed payable percentage of 89%. RGLD Gold made a \$525 million advance payment in cash to CMCA upon entry into the Andacollo Stream Agreement, and RGLD Gold will also pay CMCA 15% of the monthly average gold price for the month preceding the delivery date for all gold purchased under the Andacollo Stream Agreement.

The transaction encompasses certain of CMCA's presently owned mining concessions on the Andacollo mine, as well as any other mining concessions presently owned or acquired by CMCA or any of its affiliates within an approximate 1.5 kilometer area of interest, and certain other mining concessions that CMCA or its affiliates may acquire. The Andacollo Stream Agreement was effective July 1, 2015, and applies to all final settlements of gold received on or after that date. Deliveries to RGLD Gold will be made monthly, and RGLD Gold began receiving gold

deliveries during the quarter ended September 30, 2015.

The Company accounted for the acquisition of the stream interest at Andacollo as an asset acquisition. For US GAAP financial reporting purposes on the date of acquisition, the Company's new consolidated carrying value in its stream interest at Andacollo was approximately \$388.2 million, which included direct acquisition costs, and has been recorded as a production stage stream interest within *Royalty and stream interests, net* on our consolidated balance sheets. The Andacollo gold stream interest will be

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## Notes to Consolidated Financial Statements

(Unaudited)

depleted using the units of production method, which is estimated using aggregate proven and probable reserves, as provided by Teck.

*Termination of Royalty Interest at Carmen de Andacollo*

On July 9, 2015, Royal Gold Chile Limitada ( RG Chile ), a wholly owned subsidiary of the Company, entered into a Royalty Termination Agreement with CMCA. The Royalty Termination Agreement terminated an amended Royalty Agreement originally dated January 12, 2010, which provided RG Chile with a royalty equivalent to 75% of the gold produced from the sulfide portion of the Andacollo mine until 910,000 payable ounces have been produced, and 50% of the gold produced thereafter. CMCA paid total consideration of \$345 million to RG Chile in connection with the Royalty Termination Agreement. The net carrying value of the Andacollo royalty on the date of termination was approximately \$207.5 million. The royalty termination transaction was taxable in Chile and the United States.

**3. ROYALTY AND STREAM INTERESTS**

The following tables summarize the Company's royalty and stream interests as of March 31, 2016 and June 30, 2015.

As of March 31, 2016 (Amounts in thousands):	Cost	Accumulated Depletion	Impairments	Net
<b>Production stage royalty interests:</b>				
Voisey's Bay	\$ 205,724	\$ (85,671)	\$	\$ 120,053
Peñasquito	99,172	(29,439)		69,733
Holt	34,612	(16,391)		18,221
Cortez	10,630	(9,987)		643
Other	531,734	(333,196)	(18,605)	179,933
<b>Total production stage royalty interests</b>	<b>881,872</b>	<b>(474,684)</b>	<b>(18,605)</b>	<b>388,583</b>
<b>Production stage stream interests:</b>				
Mount Milligan	783,046	(65,329)		717,717
Pueblo Viejo	610,404	(13,344)		597,060
Andacollo	388,182	(12,497)		375,685
Wassa/Bogoso/Prestea	76,427	(6,000)		70,427
<b>Total production stage stream interests</b>	<b>1,858,059</b>	<b>(97,170)</b>		<b>1,760,889</b>
<b>Production stage royalty and stream interests</b>	<b>2,739,931</b>	<b>(571,854)</b>	<b>(18,605)</b>	<b>2,149,472</b>
<b>Development stage royalty interests:</b>				
Pascua-Lama	380,657			380,657

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Other	66,415			66,415
Total development stage royalty interests	447,072			447,072
Development stage stream interests:				
Rainy River	100,684			100,684
Other	87,881	(153)	(75,702)	12,026
Total development stage stream interests	188,565	(153)	(75,702)	112,710
Development stage royalty and stream interests	635,637	(153)	(75,702)	559,782
Exploration stage royalty interests	155,997		(1,811)	154,186
Exploration stage stream interests				
Total royalty and stream interests	\$ 3,531,565	\$ (572,007)	\$ (96,118)	\$ 2,863,440

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## Notes to Consolidated Financial Statements

(Unaudited)

As of June 30, 2015 (Amounts in thousands):	Cost	Accumulated Depletion	Impairments	Net
<b>Production stage royalty interests:</b>				
Andacollo	\$ 272,998	\$ (65,467)	\$	\$ 207,531
Voisey's Bay	150,138	(76,141)		73,997
Peñasquito	99,172	(24,555)		74,617
Mulatos	48,092	(32,313)		15,779
Holt	34,612	(13,950)		20,662
Robinson	17,825	(12,748)		5,077
Cortez	10,630	(9,933)		697
Other	495,763	(265,727)	(27,586)	202,450
Total production stage royalty interests	1,129,230	(500,834)	(27,586)	600,810
<b>Production stage stream interests:</b>				
Mount Milligan	783,046	(35,195)		747,851
Production stage royalty and stream interests	1,912,276	(536,029)	(27,586)	1,348,661
<b>Development stage royalty interests:</b>				
Pascua-Lama	372,105			372,105
Other	67,017			67,017
Total development stage royalty interests	439,122			439,122
<b>Development stage stream interests:</b>				
Phoenix Gold	75,843			75,843
Other	8,183		(603)	7,580
Total development stage stream interests	84,026		(603)	83,423
Development stage royalty and stream interests	523,148		(603)	522,545
Exploration stage royalty interests	212,552		(150)	212,402
Total royalty and stream interests	\$ 2,647,976	\$ (536,029)	\$ (28,339)	\$ 2,083,608

*Impairment of royalty and stream interests and royalty receivables*

In accordance with our impairment accounting policy discussed in Note 1, impairments in the carrying value of each royalty or stream interest are measured and recorded to the extent that the carrying value in each royalty or stream interest exceeds its estimated fair value, which is generally calculated using estimated future discounted cash-flows. As part of the Company's regular asset impairment analysis, which included the presence of impairment indicators, the Company recorded impairment charges for the three and nine months ended March 31, 2016 and 2015, as summarized in the following table:

For The Three Months Ended March 31,		For The Nine Months Ended March 31,	
2016	2015	2016	2015

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	(Amounts in thousands)		(Amounts in thousands)				
Phoenix Gold(1)	\$	75,702	\$	\$	75,702	\$	
Inata(2)		11,982			11,982		
Wolverine(2)		5,307			5,307	25,967	
Other		3,127			3,127	2,372	
Total impairment of royalty and stream interests	\$	96,118	\$	\$	96,118	\$	28,339
Inata		2,855			2,855		
Wolverine					(385)	2,996	
Total impairment of royalty and stream interests and royalty receivables	\$	98,973	\$	\$	98,588	\$	31,335

- 
- (1) Included in *Other* development stage stream interests in the above royalty and stream interests table.
- (2) Included in *Other* production stage royalty interests in the above royalty and stream interests table.

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**ROYAL GOLD, INC.**

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Phoenix Gold

RGLD Gold owns the right to purchase 6.30% of any gold produced from the Phoenix Gold Project until 135,000 ounces have been delivered, and 3.15% thereafter. The Phoenix Gold Project is located in Red Lake, Ontario, Canada, and operated by Rubicon Minerals Corporation ( Rubicon ). On January 11, 2016, Rubicon provided an updated geologic model and mineralized material statement for the Phoenix Gold Project, which included a significant reduction in mineralized material compared to previous statements provided by Rubicon. Rubicon also announced that they are evaluating strategic alternatives, including merger and divestiture opportunities either at the corporate or asset level, obtaining new financing or capital restructurings. A significant reduction in mineralized material, along with recent decreases in the long-term metal price assumptions used by the industry, are indicators of impairment.

During the quarter ended March 31, 2016, the Company independently evaluated the updated geologic model and mineralized material statement in an effort to properly assess the recoverability of our carrying value. The Company's technical evaluation was completed by internal and external qualified personnel and included an economic analysis of the Phoenix Gold Project and a detailed review of the geological model and mineralized material statement.

Based upon the results of the Company's review of the updated geological model and mineralized material statement, and other factors, it was determined that our stream interest at the Phoenix Gold Project should be written down to zero as of March 31, 2016. The Company will continue to pursue commercial alternatives for potential recovery of our investment.

Inata

The Company owns a 2.5% gross smelter return royalty on all gold and silver produced from the Inata mine, located in Burkina Faso, West Africa, and operated by a subsidiary of Avocet Mining PLC ( Avocet ). The Company's carrying value for its royalty interest at Inata was approximately \$12.0 million as of December 31, 2015. As part of the Company's impairment assessment for the three months ended March 31, 2016, the Company was notified of an updated mine plan at Inata, which included a significant reduction in the life of the mine. Based upon our review of the updated mine plan, it was determined that our royalty interest should be written down to zero as of March 31, 2016.

The Company also has a royalty receivable of approximately \$2.8 million associated with past due royalty payments on the Inata interest. As a result of Avocet's financial and operational difficulties and our review of the updated mine plan at Inata, the Company believes payment of the receivable is uncertain and provided for an allowance against the entire royalty receivable as of March 31, 2016. The Company will continue to pursue collection of all past due payments.

Wolverine

The Company owns a 0.00% to 9.445% sliding-scale NSR royalty on all gold and silver produced from the Wolverine underground mine and milling operation located in Yukon Territory, Canada, and formerly operated by Yukon Zinc Corporation ( Yukon Zinc ). As discussed further in the Company's Fiscal 2015 10-K, the Company recognized an impairment of approximately \$26.0 million on the Wolverine royalty interest and an allowance against the entire royalty receivable of approximately \$3.0 million during the three months ended December 31, 2014. The Company's remaining carrying value at Wolverine as of December 31, 2015, was approximately \$5.3 million.

During the second half of calendar 2015, Yukon Zinc completed bankruptcy proceedings in the Supreme Court of British Columbia and during the quarter ended March 31, 2016, we were made aware of no

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## Notes to Consolidated Financial Statements

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further intentions to recommission the mine. Based upon the updated developments and limited remaining mineralized material at Wolverine, the Company determined the remaining carrying value at Wolverine should be written down to zero as of March 31, 2016.

Other

As part of the Company's regular asset impairment analysis during the three months ended March 31, 2016, including consideration of recent operator/property updates and developments, the Company determined that one production stage royalty interest and three exploration stage royalty interests should be written down to zero for a total impairment of approximately \$3.1 million.

**4. AVAILABLE-FOR-SALE SECURITIES**

The Company's available-for-sale securities as of March 31, 2016 and June 30, 2015 consist of the following:

	Cost Basis	As of March 31, 2016 (Amounts in thousands) Unrealized		Fair Value
		Gain	Loss	
Non-current:				
Seabridge	\$ 3,307	554		\$ 3,861
	\$ 3,307	\$ 554	\$	\$ 3,861

	Cost Basis	As of June 30, 2015 (Amounts in thousands) Unrealized		Fair Value
		Gain	Loss	
Non-current:				
Seabridge	\$ 9,565		(3,292)	\$ 6,273
	\$ 9,565	\$	\$ (3,292)	\$ 6,273

Our only significant available-for-sale security is the investment in Seabridge Gold, Inc. ( Seabridge ) common stock, acquired in June 2011. During the three months ended March 31, 2016, the Company sold 666,666 shares of its Seabridge common stock, resulting in a realized gain of approximately \$0.7 million. The realized gain is recorded within *Interest and other income* on the Company's consolidated statements of operations and comprehensive income for the three and nine months ended March 31, 2016.



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## Notes to Consolidated Financial Statements

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**5. DEBT**

The Company's non-current debt as of March 31, 2016 and June 30, 2015 consists of the following:

	As of March 31, 2016 Non-current	As of June 30, 2015 Non-current
	(Amounts in thousands)	
Convertible notes due 2019, net	\$ 330,252	\$ 322,110
Revolving credit facility	300,000	
Total debt	\$ 630,252	\$ 322,110

*Convertible Senior Notes Due 2019*

In June 2012, the Company completed an offering of \$370 million aggregate principal amount of 2.875% convertible senior notes due 2019 (2019 Notes). The 2019 Notes bear interest at the rate of 2.875% per annum, and the Company is required to make semi-annual interest payments on the outstanding principal balance of the 2019 Notes on June 15 and December 15 of each year, beginning December 15, 2012. The 2019 Notes mature on June 15, 2019. Interest expense recognized on the 2019 Notes for the three and nine months ended March 31, 2016, was \$5.7 million and \$17.1 million, respectively, compared to \$5.6 million and \$16.5 million, respectively, for the three and nine months ended March 31, 2015, and included the contractual coupon interest, the accretion of the debt discount and amortization of the debt issuance costs.

*Revolving credit facility*

The Company maintains a \$650 million revolving credit facility. As of March 31, 2016, the Company had \$300.0 million outstanding and \$350.0 million available under the revolving credit facility. Borrowings under the revolving credit facility bear interest at a floating rate of LIBOR plus a margin of 1.25% to 3.00%, based on Royal Gold's defined leverage ratio. As of March 31, 2016, the interest rate on borrowings under the revolving credit facility was LIBOR plus 2.25% for an all-in rate of 2.87%. During the three months ended March 31, 2016, the Company repaid \$50.0 million of the outstanding borrowings under the revolving credit facility. Royal Gold may repay borrowings under the revolving credit facility at any time without premium or penalty.

On March 16, 2016, the Company entered into Amendment No. 2 (the Amendment) to the Sixth Amended and Restated Revolving Credit Agreement, dated as of January 29, 2014 (as amended by Amendment No. 1 thereto as of April 29, 2015, the Revolving Credit Agreement), by

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and among the Company, certain subsidiaries of the Company as guarantors, certain lenders from time to time party thereto, and HSBC Bank USA, National Association, as administrative agent for the lenders. The Amendment revises the Revolving Credit Agreement to extend the scheduled maturity date from January 29, 2019 to March 16, 2021.

As discussed in Note 6 to the notes to consolidated financial statements in the Company's Fiscal 2015 10-K, the Company has financial covenants associated with its revolving credit facility. At March 31, 2016, the Company was in compliance with each financial covenant.

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**6. REVENUE**

Revenue is comprised of the following:

	For The Three Months Ended March 31, 2016		March 31, 2015		For The Nine Months Ended March 31, 2016		March 31, 2015	
	(Amounts in thousands)		(Amounts in thousands)		(Amounts in thousands)		(Amounts in thousands)	
Stream interests	\$	63,439	\$	29,718	\$	168,607	\$	66,693
Royalty interests		30,048		44,392		97,053		137,746
Total revenue	\$	93,487	\$	74,110	\$	265,660	\$	204,439

**7. STOCK-BASED COMPENSATION**

The Company recognized stock-based compensation expense as follows:

	For The Three Months Ended March 31, 2016		March 31, 2015		For The Nine Months Ended March 31, 2016		March 31, 2015	
	(Amounts in thousands)		(Amounts in thousands)		(Amounts in thousands)		(Amounts in thousands)	
Stock options	\$	116	\$	112	\$	339	\$	331
Stock appreciation rights		430		361		1,246		1,054
Restricted stock		747		637		2,892		1,964
Performance stock		1,047		(274)		3,312		311
Total stock-based compensation expense	\$	2,340	\$	836	\$	7,789	\$	3,660

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

As of March 31, 2016, unrecognized compensation expense (expressed in thousands below) and weighted-average vesting period for each of our stock-based compensation awards was as follows:

	Unrecognized compensation expense	Weighted-average vesting period (years)
Stock options	\$ 625	1.9
Stock appreciation rights	2,322	1.9
Restricted stock	6,177	3.1
Performance stock	3,053	1.5

**8. EARNINGS PER SHARE ( EPS )**

Basic earnings (loss) per common share were computed using the weighted average number of shares of common stock outstanding during the period, considering the effect of participating securities. Unvested stock-based compensation awards that contain non-forfeitable rights to dividends or dividend equivalents are considered participating securities and are included in the computation of earnings per share pursuant

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## Notes to Consolidated Financial Statements

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to the two-class method. The Company's unvested restricted stock awards contain non-forfeitable dividend rights and participate equally with common stock with respect to dividends issued or declared. The Company's unexercised stock options, unexercised SSARs and unvested performance stock do not contain rights to dividends. Under the two-class method, the earnings (loss) used to determine basic earnings (loss) per common share are reduced by an amount allocated to participating securities. Use of the two-class method has an immaterial impact on the calculation of basic and diluted earnings (loss) per common share.

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

	For The Three Months Ended		For The Nine Months Ended	
	March 31, 2016 (in thousands, except per share data)	March 31, 2015 (in thousands, except per share data)	March 31, 2016 (in thousands, except per share data)	March 31, 2015 (in thousands, except per share data)
Net (loss) income available to Royal Gold common stockholders	\$ (67,656)	\$ 25,014	\$ (97,589)	\$ 37,148
Weighted-average shares for basic EPS	65,085,225	65,033,547	65,069,056	64,999,331
Effect of other dilutive securities		95,815		122,982
Weighted-average shares for diluted EPS	65,085,225	65,129,362	65,069,056	65,122,313
Basic (loss) earnings per share	\$ (1.04)	\$ 0.38	\$ (1.50)	\$ 0.57
Diluted (loss) earnings per share	\$ (1.04)	\$ 0.38	\$ (1.50)	\$ 0.57

The calculation of weighted average shares includes all of our outstanding common stock. The Company intends to settle the principal amount of the 2019 Notes in cash. As a result, there will be no impact to diluted earnings per share unless the share price of the Company's common stock exceeds the conversion price of \$105.31.

**9. INCOME TAXES**

	For The Three Months Ended		For The Nine Months Ended	
	March 31, 2016 (Amounts in thousands, except rate)	March 31, 2015 (Amounts in thousands, except rate)	March 31, 2016 (Amounts in thousands, except rate)	March 31, 2015 (Amounts in thousands, except rate)
Income tax benefit (expense)	\$ 8,262	\$ (1,041)	\$ (55,655)	\$ (3,172)
Effective tax rate	10.6%	4.0%	124.0%	7.8%

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The effective tax rate for the three months ended March 31, 2016, was impacted due to the impairment charges and appreciation of the Canadian dollar. The increase in the effective tax rate for the nine months ended March 31, 2016 is primarily related to the discrete tax impacts attributable to the Company's Andacollo transactions (Note 2), the liquidation of our Chilean subsidiary, and the impact of current period impairment charges.

As of March 31, 2016 and June 30, 2015, the Company had \$17.1 million and \$15.1 million of total gross unrecognized tax benefits, respectively. If recognized, these unrecognized tax benefits would positively impact the Company's effective income tax rate.

The Company's continuing practice is to recognize potential interest and/or penalties related to unrecognized tax benefits as part of its income tax expense. At March 31, 2016 and June 30, 2015, the amount of accrued income-tax-related interest and penalties was \$5.7 million and \$4.6 million, respectively.

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## Notes to Consolidated Financial Statements

(Unaudited)

**10. SEGMENT INFORMATION**

The Company manages its business under two reportable segments, consisting of the acquisition and management of royalty interests and the acquisition and management of stream interests. Royal Gold's long-lived assets (royalty and stream interests, net) are geographically distributed as shown in the following table:

	As of March 31, 2016			As of June 30, 2015		
	Royalty interest	Stream interest	Total royalty and stream interests, net	Royalty interest	Stream interest	Total royalty and stream interests, net
Canada	\$ 230,170	\$ 818,402	\$ 1,048,572	\$ 251,688	\$ 823,091	\$ 1,074,779
Chile	453,629	375,685	\$ 829,314	653,019		653,019
Dominican Republic		597,060	\$ 597,060			
Mexico	121,269		\$ 121,269	131,742		131,742
United States	104,785		\$ 104,785	110,286		110,286
Africa	719	70,427	\$ 71,146	12,760		12,760
Australia	44,488		\$ 44,488	50,119		50,119
Other	34,781	12,025	\$ 46,806	42,720	8,183	50,903
<b>Total</b>	<b>\$ 989,841</b>	<b>\$ 1,873,599</b>	<b>\$ 2,863,440</b>	<b>\$ 1,252,334</b>	<b>\$ 831,274</b>	<b>\$ 2,083,608</b>

The Company's revenue, cost of sales and net revenue by reportable segment for the three and nine months ended March 31, 2016 and 2015, is geographically distributed as shown in the following table:

	For The Three Months Ended March 31, 2016			For The Three Months Ended March 31, 2015		
	Revenue	Cost of sales	Net revenue	Revenue	Cost of sales	Net revenue
<b>Royalties:</b>						
United States	\$ 8,522	\$	\$ 8,522	\$ 10,975	\$	\$ 10,975
Mexico	8,353		8,353	11,016		11,016
Canada	8,029		8,029	7,527		7,527
Australia	2,834		2,834	2,466		2,466
Africa	570		570	722		722
Other	1,740		1,740	11,686		11,686
Total royalties	\$ 30,048	\$	\$ 30,048	\$ 44,392	\$	\$ 44,392
<b>Streams:</b>						
Canada	\$ 29,946	\$ 11,095	\$ 18,851	\$ 29,718	\$ 10,542	\$ 19,176
Chile	15,730	2,255	13,475			
Dominican Republic	13,608	3,787	9,821			
Africa	4,155	784	3,371			

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Total streams	\$	63,439	\$	17,921	\$	45,518	\$	29,718	\$	10,542	\$	19,176
<b>Total royalties and streams</b>	<b>\$</b>	<b>93,487</b>	<b>\$</b>	<b>17,921</b>	<b>\$</b>	<b>75,566</b>	<b>\$</b>	<b>74,110</b>	<b>\$</b>	<b>10,542</b>	<b>\$</b>	<b>63,568</b>

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## Notes to Consolidated Financial Statements

(Unaudited)

	For The Nine Months Ended March 31, 2016			For The Nine Months Ended March 31, 2015		
	Revenue	Cost of sales	Net revenue	Revenue	Cost of sales	Net revenue
<b>Royalties:</b>						
Mexico	\$ 29,446	\$	\$ 29,446	\$ 29,454	\$	\$ 29,454
United States	27,220		27,220	32,639		32,639
Canada	25,635		25,635	29,256		29,256
Australia	7,610		7,610	6,390		6,390
Africa	1,301		1,301	2,595		2,595
Other	5,841		5,841	37,412		37,412
Total royalties	\$ 97,053	\$	\$ 97,053	\$ 137,746	\$	\$ 137,746
<b>Streams:</b>						
Canada	\$ 95,881	\$ 37,084	\$ 58,797	\$ 66,693	\$ 23,452	\$ 43,241
Chile	32,163	4,751	27,412			
Dominican Republic	23,008	6,619	16,389			
Africa	17,555	3,506	14,049			
Total streams	\$ 168,607	\$ 51,960	\$ 116,647	\$ 66,693	\$ 23,452	\$ 43,241
<b>Total royalties and streams</b>	<b>\$ 265,660</b>	<b>\$ 51,960</b>	<b>\$ 213,700</b>	<b>\$ 204,439</b>	<b>\$ 23,452</b>	<b>\$ 180,987</b>

**11. FAIR VALUE MEASUREMENTS**

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

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

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

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

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

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	Carrying Amount	Total	At March 31, 2016 Fair Value		
			Level 1	Level 2	Level 3
<b>Assets (In thousands):</b>					
Marketable equity securities(1)	\$ 3,861	\$ 3,861	\$ 3,861	\$	\$
Warrants(2)	\$ 1,615	\$ 1,615	\$	\$ 1,615	\$
Total assets		\$ 5,476	\$ 3,861	\$ 1,615	\$
<b>Liabilities (In thousands):</b>					
Debt(3)	\$ 407,252	\$ 354,275	\$ 354,275	\$	\$
Total liabilities		\$ 354,275	\$ 354,275	\$	\$

- 
- (1) Included in *Available for sale securities* on the Company's consolidated balance sheets.
- (2) Included in *Other assets* on the Company's consolidated balance sheets.
- (3) Included in the carrying amount is the equity component of our 2019 Notes in the amount of \$77 million, which is included within *Additional paid-in capital* on the Company's consolidated balance sheets.

The Company's marketable equity securities classified within Level 1 of the fair value hierarchy are valued using quoted market prices in active markets. The fair value of the Level 1 marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company. The Company's debt classified within Level 1 of the fair value hierarchy is valued using quoted prices in an active market. The carrying value of the Company's revolving credit facility (Note 5) approximates fair value as of March 31, 2016. During the nine months ended March 31, 2016, the warrants issued by Golden Star (Note 2) were added to the Level 2 fair value hierarchy.

As of March 31, 2016, the Company also had assets that, under certain conditions, are subject to measurement at fair value on a non-recurring basis like those associated with royalty and stream interests, intangible assets and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if any of these assets are determined to be impaired. If recognition of these assets at their fair value becomes necessary, such measurements will be determined utilizing Level 3 inputs.

**12. COMMITMENTS AND CONTINGENCIES**

*Rainy River Gold and Silver Stream Acquisition*

As of March 31, 2016, the Company has a remaining commitment, subject to certain conditions, of \$75.0 million as part of its Rainy River gold and silver stream acquisition in August 2015 (Note 2).

*Wassa and Prestea Gold Stream Acquisition and Amendment*

As of March 31, 2016, the Company has a remaining commitment, subject to certain conditions, of \$70.0 million as part of its Wassa and Prestea gold stream acquisition (July 2015) and amendment (December 2015) as discussed further in Note 2.

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**ROYAL GOLD, INC.**

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*Ilovoica Gold Stream Acquisition*

As of March 31, 2016, the Company has a remaining commitment, subject to certain conditions, of \$163.75 million as part of its Ilovoica gold stream acquisition in October 2014.

*Voisey's Bay*

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

On December 5, 2014, LNRLP filed amendments to its October 16, 2009 Statement of Claim in the Supreme Court of Newfoundland and Labrador Trial Division against Vale Inco Limited, now known as Vale Canada Limited (Vale Canada) and its wholly-owned subsidiaries, Vale Inco Atlantic Sales Limited and VNL, related to calculation of the NSR on the sale of concentrates, including nickel concentrates, from the Voisey's Bay mine. LNRLP asserts that the defendants have incorrectly calculated the NSR since production at Voisey's Bay began in late 2005, have indicated an intention to calculate the NSR in a manner LNRLP believes will violate the royalty agreement as Voisey's Bay concentrates are processed at Vale's new Long Harbour processing facility, and have breached their contractual duties of good faith and honest performance in several ways. LNRLP requests an order in respect of the correct calculation of future payments, and unspecified damages for non-payment and underpayment of past royalties to the date of the claim, together with additional damages until the date of trial, interest, costs and other damages. The litigation is in the discovery phase.

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

**General**

This Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. Royal Gold, Inc. ( Royal Gold , the Company , we , us , or our ), recommends that you read this MD&A in conjunction with our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 filed with the Securities and Exchange Commission (the SEC ) on August 6, 2015 (the Fiscal 2015 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, metal stream (or stream ) and other types of royalty or similar interests throughout this MD&A. These terms are defined in our Fiscal 2015 10-K.

**Overview**

Royal Gold, together with its subsidiaries, is engaged in the business of acquiring and managing precious metals royalties, metal streams, and similar interests. Royalties are non-operating interests in mining projects that provide the right to revenue or metals produced from the project after deducting specified costs, if any. A metal stream is a purchase agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of one or more metals produced from a mine, at a price determined for the life of the transaction by the purchase agreement. We seek to acquire existing royalty and stream interests or to finance projects that are in production or in the development stage in exchange for royalty or stream interests. In the ordinary course of business, we engage in a continual review of opportunities to acquire existing royalty and stream interests, to establish new streams on operating mines, to create new royalty and stream interests through the financing of mine development or exploration, or to acquire companies that hold royalty and stream interests. We currently, and generally at any time, have acquisition opportunities in various stages of active review, including, for example, our engagement of consultants and advisors to analyze particular opportunities, analysis of technical, financial and other confidential information, submission of indications of interest, participation in preliminary discussions and negotiations and involvement as a bidder in competitive processes.

As of March 31, 2016, the Company owned stream interests on four producing properties and three development stage properties and owned royalty interests on 34 producing properties, 21 development stage properties and 131 exploration stage properties, of which the Company considers 49 to be evaluation stage projects. The Company uses evaluation stage to describe exploration stage properties that contain mineralized material and on which operators are engaged in the search for reserves. We do not conduct mining operations on the properties in which we hold royalty and stream interests, and except for our interest in Peak Gold, LLC joint venture, we are not required to contribute to capital costs, exploration costs, environmental costs or other operating costs on those properties. During the three months ended March 31, 2016, we focused on the management of our existing royalty and stream interests and the acquisition of additional royalty and stream interests.

Our financial results are primarily tied to the price of gold and, to a lesser extent, the price of silver, copper and nickel, together with the amounts of production from our producing stage royalty and stream interests. The price of gold, silver, copper, nickel and other metals has fluctuated widely in recent years and most recently has experienced declines from highs experienced in the first half of our fiscal year 2013. The marketability and the price of metals are influenced by numerous factors beyond the control of

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the Company and significant declines in the price of gold, silver, copper or nickel could have a material and adverse effect on the Company's results of operations and financial condition.

For the three and nine months ended March 31, 2016 and 2015, gold, silver, copper and nickel price averages and percentage of revenue by metal were as follows:

Metal	Three Months Ended				Nine Months Ended			
	March 31, 2016		March 31, 2015		March 31, 2016		March 31, 2015	
	Average Price	Percentage of Revenue	Average Price	Percentage of Revenue	Average Price	Percentage of Revenue	Average Price	Percentage of Revenue
Gold								
(\$/ounce)	\$ 1,183	90%	\$ 1,218	85%	\$ 1,138	87%	\$ 1,235	80%
Silver								
(\$/ounce)	\$ 14.85	2%	\$ 16.71	3%	\$ 14.84	2%	\$ 17.67	3%
Copper								
(\$/pound)	\$ 2.12	5%	\$ 2.64	6%	\$ 2.24	4%	\$ 2.94	7%
Nickel								
(\$/pound)	\$ 3.86	1%	\$ 6.50	1%	\$ 4.32	3%	\$ 7.38	5%
Other	N/A	2%	N/A	5%	N/A	4%	N/A	5%

**Recent Business Developments***Acquisition and Amendment of Gold Stream on Wassa and Prestea*

On July 28, 2015, RGLD Gold AG ( "RGLD Gold" ), a wholly-owned subsidiary of the Company, closed a \$130 million gold stream transaction with a wholly-owned subsidiary of Golden Star Resources Ltd. (together "Golden Star" ). On December 30, 2015, the parties executed an amendment providing for an additional \$15 million investment (for a total investment of \$145 million) by RGLD Gold. At Golden Star's option, RGLD Gold will increase its investment by a further \$5 million (for a total investment of \$150 million) subject to satisfaction of certain conditions, including Golden Star's procurement of a minimum of \$5 million of third party investment.

Funds will be used for ongoing development of Golden Star's Wassa and Prestea mines in Ghana. As of March 31, 2016, RGLD Gold has advanced \$75 million. On April 1, 2016, RGLD Gold made an advance payment of \$20 million and expects to advance the balance in three quarterly payments as follows: (i) \$20 million on each of July 1 and October 1, 2016, and (ii) \$10 million on January 1, 2017; however this schedule may be modified based on the actual spending on the Wassa and Prestea underground projects and these funds are subject to satisfaction of certain conditions.

In return, Golden Star will deliver to RGLD Gold 9.25% of gold produced from the Wassa and Prestea mines, until the earlier of (i) December 31, 2017 or (ii) the date at which the Wassa and Prestea underground projects achieve commercial production. At that point, the stream percentage will increase to 10.5% (or to 10.9% if the total investment increases to \$150 million) of gold produced from the Wassa and Prestea mines until an aggregate 240,000 ounces have been delivered (or 250,000 ounces if the total investment increases to \$150 million). Once the applicable delivery threshold is met, the stream percentage will decrease to 5.5% for the remaining term of the transaction.

RGLD Gold will pay Golden Star a cash price equal to 20% of the spot price for each ounce of gold delivered at the time of delivery until the applicable delivery threshold is met, and 30% of the spot price for each ounce of gold delivered thereafter.

The Wassa mine is located approximately 90 miles west of Accra and has operated continuously since 2005. Golden Star forecasts calendar 2016 production of 100,000 to 110,000 ounces of gold from the single Wassa open pit. Open pit proven and probable reserves are 878,000 ounces at 1.59 grams per tonne, as of December 31, 2015. RGLD Gold's investment will fund development of the Wassa underground deposit, which has 796,000 ounces of probable gold reserves at 4.59 grams per tonne. Once the underground deposit is in production, Golden Star expects average annual gold production of 150,000 ounces of gold over the life of mine from the combined open pit and underground at Wassa.

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Prestea is located approximately 125 miles west of Accra and has produced over 9 million ounces of gold from both open pit and underground sources over the last 100 years. Prestea underground probable gold reserves are 469,000 ounces at 14.02 grams per tonne as of December 31, 2015. Golden Star forecasts calendar 2016 production of 60,000 to 70,000 ounces of gold from the open pit operations. Underground development at Prestea is already well advanced. Golden Star expects to spend \$63 million of capital investment on Prestea, which includes hoist and shaft upgrades, electrical infrastructure, ventilation and a process plant upgrade. Once in full production, Golden Star expects annual production of approximately 75,000 ounces from Prestea, with estimated life of mine production of 450,000 ounces. Golden Star forecasts underground gold production from the Wassa and Prestea mines by mid-calendar 2016 and early calendar 2017, respectively.

Also on July 28, 2015 and separate from the stream transaction by RGLD Gold, the Company funded a \$20 million, 4-year term loan to a wholly-owned subsidiary of Golden Star and received warrants to purchase 5 million shares of Golden Star common stock. Interest under the term loan is due quarterly at a rate equal to 62.5% of the average daily gold price for the relevant quarter divided by 10,000, but not to exceed 11.5%. The warrants have a term of four years and an exercise price of \$0.27.

*Acquisition of Gold and Silver Stream at Pueblo Viejo*

On September 29, 2015, RGLD Gold entered into a Precious Metals Purchase and Sale Agreement with Barrick Gold Corporation ( Barrick ) and its wholly-owned subsidiary, BGC Holdings Ltd. ( BGC ) for a percentage of the gold and silver production attributable to Barrick 's 60% interest in the Pueblo Viejo mine located in the Dominican Republic. Pursuant to the Precious Metals Purchase and Sale Agreement, RGLD Gold made a single advance payment of \$610 million to BGC as part of the closing. The transaction is effective as of July 1, 2015 for the gold stream and January 1, 2016 for the silver stream.

BGC will deliver gold to RGLD Gold in amounts equal to 7.50% of Barrick 's interest in the gold produced at the Pueblo Viejo mine until 990,000 ounces of gold have been delivered, and 3.75% of Barrick 's interest in gold produced thereafter. RGLD Gold will pay BGC 30% of the spot price per ounce of gold delivered until 550,000 ounces of gold have been delivered, and 60% of the spot price per ounce delivered thereafter. RGLD Gold received its first delivery of gold from Pueblo Viejo on December 15, 2015.

BGC will deliver silver to RGLD Gold in amounts equal to 75% of Barrick 's interest in the silver produced at the Pueblo Viejo mine, subject to a minimum silver recovery of 70%, until 50.0 million ounces of silver have been delivered, and 37.50% of Barrick 's interest in silver produced thereafter. RGLD Gold will pay BGC 30% of the spot price per ounce of silver delivered until 23.10 million ounces of silver have been delivered, and 60% of the spot price per ounce of silver delivered thereafter. RGLD Gold received its first delivery of 209,800 ounces of silver from Pueblo Viejo on March 15, 2016 for the period January through February 2016.

The Pueblo Viejo mine is an open-pit mining operation located approximately 60 miles northwest of Santo Domingo, in the Dominican Republic, and is owned by a joint venture in which Barrick holds a 60% interest and is responsible for operations, and in which Goldcorp Inc. ( Goldcorp ) holds a 40% interest. The mine began production in 2013. Barrick reported calendar 2016 production forecast, on a 60% basis, of 600,000-650,000 ounces of gold. Barrick also reported proven and probable gold reserves attributable to Barrick of 9.0 million contained ounces at 2.97 grams per tonne, and attributable proven and probable silver reserves of 54.1 million contained ounces grading 17.9 grams per tonne, in each case as of December 31, 2015.



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*Acquisition of Gold and Silver Stream at Rainy River*

On July 20, 2015, RGLD Gold entered into a \$175 million Purchase and Sale Agreement with New Gold, Inc. ( *New Gold* ), for a percentage of the gold and silver production from the Rainy River Project located in Ontario, Canada ( *Rainy River* ). Pursuant to the Purchase and Sale Agreement, RGLD Gold made an advance payment to New Gold, consisting of \$100 million on July 20, 2015, and will make an additional advance payment of \$75 million once capital spending at Rainy River is 60% complete (currently expected by mid-calendar 2016). Under the Purchase and Sale Agreement, New Gold will deliver to RGLD Gold 6.50% of the gold produced at Rainy River until 230,000 gold ounces have been delivered, and 3.25% thereafter. New Gold also will deliver to RGLD Gold 60% of the silver produced at Rainy River until 3.10 million silver ounces have been delivered, and 30% thereafter. RGLD Gold will pay New Gold 25% of the spot price per ounce of gold and silver at the time of delivery.

The Rainy River Project is located approximately 40 miles northwest of Fort Frances in western Ontario, Canada. Over its first nine years of full production, the 21,000 tonne per day, combined open pit-underground operation is scheduled to produce an average of 325,000 ounces of gold per year. Construction was initiated in calendar 2015 and at the end of February 2016, overall construction was 25% complete. Rainy River has an estimated fourteen year mine life based on current reserves and is projected by New Gold to start-up in mid-calendar 2017.

*Acquisition of Gold Stream at Carmen de Andacollo*

On July 9, 2015, RGLD Gold entered into a Long Term Offtake Agreement (the *Andacollo Stream Agreement* ) with Compañía Minera Teck Carmen de Andacollo ( *CMCA* ), a 90% owned subsidiary of Teck Resources Limited ( *Teck* ). Pursuant to the Andacollo Stream Agreement, CMCA will sell and deliver to RGLD Gold 100% of payable gold from the Carmen de Andacollo ( *Andacollo* ) copper-gold mine until 900,000 ounces have been delivered, and 50% thereafter, subject to a fixed payable percentage of 89%. RGLD Gold made a \$525 million advance payment in cash to CMCA upon entry into the Andacollo Stream Agreement, and RGLD Gold will also pay CMCA 15% of the monthly average gold price for the month preceding the delivery date for all gold purchased under the Andacollo Stream Agreement.

The transaction encompasses certain of CMCA's presently owned mining concessions on the Andacollo mine, as well as any other mining concessions presently owned or acquired by CMCA or any of its affiliates within a 1.5 kilometer area of interest, and certain other mining concessions that CMCA or its affiliates may acquire. The Andacollo Stream Agreement is effective as of July 1, 2015, and applies to all final settlements of gold received on or after that date.

*Termination of Royalty Interest at Carmen de Andacollo*

On July 9, 2015, Royal Gold Chile Limitada ( *RG Chile* ), a wholly owned subsidiary of the Company, entered into a Royalty Termination Agreement with CMCA. The Royalty Termination Agreement terminated an amended Royalty Agreement originally dated January 12, 2010, which provided RG Chile with a royalty equivalent to 75% of the gold produced from the sulfide portion of the Andacollo mine until 910,000 payable ounces have been produced, and 50% of the gold produced thereafter. CMCA paid total consideration of \$345 million to RG Chile in connection with the Royalty Termination Agreement. The royalty termination transaction was taxable in Chile and the United States.

**Principal Royalty and Stream Interests**

The Company considers both historical and future potential revenues in determining which royalty and stream interests in our portfolio are principal to our business. Estimated future potential revenues from both producing and development properties are based on a number of factors, including reserves subject

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to our royalty and stream interests, production estimates, feasibility studies, metal price assumptions, mine life, legal status and other factors and assumptions, any of which could change and could cause the Company to conclude that one or more of such royalty and stream interests are no longer principal to our business. Our principal producing and development royalty and stream interests are listed alphabetically in the following tables.

Please refer to our Fiscal 2015 10-K for further discussion of our principal producing and development royalty and stream interests.

*Principal Producing Properties*

Mine	Location	Operator	Royalty or stream interests (Gold unless otherwise stated)
Andacollo(1)	Region IV, Chile	Compañía Minera Teck Carmen de Andacollo	Gold stream - 100% of gold produced (until 900,000 ounces delivered; 50% thereafter)
Cortez	Nevada, USA	Barrick	GSR1: 0.40% to 5.0% sliding-scale GSR  GSR2: 0.40% to 5.0% sliding-scale GSR  GSR3: 0.71% GSR  NVR1: 1.014% NVR; 0.618% NVR (Crossroads)
Holt	Ontario, Canada	Kirkland Lake Gold, Inc. ( Kirkland Lake )	0.00013 x quarterly average gold price NSR
Mt. Milligan	British Columbia, Canada	Thompson Creek Metals Company Inc. ( Thompson Creek )	Gold stream - 52.25% of payable gold
Peñasquito	Zacatecas, Mexico	Goldcorp	2.0% NSR (gold, silver, lead, zinc)
Pueblo Viejo(1)	Sanchez Ramirez, Dominican Republic	Barrick (60%)	Gold stream - 7.5% of gold produced (until 990,000 ounces delivered; 3.75% thereafter)  Silver stream - 75% of silver produced (until 50.0 million ounces delivered; 37.5% thereafter)
Voisey's Bay	Newfoundland and Labrador, Canada	Vale Newfoundland & Labrador Limited ( Vale )	2.7% NSR (nickel, copper, cobalt)
Wassa/Prestea(1)	Western Region of Ghana	Golden Star	Gold stream - 8.5% of gold produced for the six months ended December 31, 2015; 9.25% of the gold produced effective January 1, 2016.

(1) The gold and silver stream at Pueblo Viejo and the gold streams at Wassa/Prestea and Andacollo were acquired during the three months ended September 30, 2015. Please refer to Recent Business Developments above for further discussion on these acquisitions.



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<b>Mine</b>	<b>Location</b>	<b>Operator</b>	<b>Royalty or stream interests (Gold unless otherwise stated)</b>
Rainy River(1)	Ontario, Canada	New Gold	Gold stream - 6.5% of gold produced (until 230,000 ounces delivered; 3.25% thereafter)  Silver stream - 60% of silver produced (until 3.1 million ounces delivered; 30% thereafter)
Pascua-Lama(1)	Region III, Chile	Barrick	0.78% to 5.45% sliding-scale NSR 1.09% fixed rate royalty (copper)

(1) The gold and silver stream at Rainy River and an additional royalty interest at Pascua-Lama were acquired during the three months ended September 30, 2015. Please refer to Recent Business Developments above for further discussion on the Rainy River acquisition.

**Operators Production Estimates by Royalty and Stream Interest for Calendar 2016**

We received annual production estimates from many of the operators of our producing mines during the first calendar quarter of 2016. The following table shows such production estimates for our principal producing properties for calendar 2016 as well as the actual production reported to us by the various operators through March 31, 2016. The estimates and production reports are prepared by the operators of the mining properties. We do not participate in the preparation or calculation of the operators estimates or production reports and have not independently assessed or verified the accuracy of such information. Please refer to Property Developments below within this MD&A for further discussion on our principal producing or development properties.

**Operators Estimated and Actual Production by Royalty and Stream Interest for Calendar 2016****Principal Producing Properties**

For the period January 1, 2016 through March 31, 2016

<b>Royalty/Stream</b>	<b>Calendar 2016 Operator s Production Estimate(1),(2)</b>			<b>Calendar 2016 Operator s Production Actual(3),(4)</b>		
	<b>Gold (oz.)</b>	<b>Silver (oz.)</b>	<b>Base Metals (lbs.)</b>	<b>Gold (oz.)</b>	<b>Silver (oz.)</b>	<b>Base Metals (lbs.)</b>
Andacollo(5)	57,600			13,600		
Cortez GSR1	119,200			16,700		
Cortez GSR2	1,300			1,700		
Cortez GSR3	120,500			18,400		
Cortez NVR1	68,900			13,300		

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Mount Milligan(6)	240,000-270,000		53,300	
Penasquito(7),(8)		22-24 million	N/A	N/A
	520,000-580,000			
<i>Lead(7),(8)</i>			145-155 million	N/A
<i>Zinc(7),(8)</i>			375-400 million	N/A
Pueblo Viejo(9)		Not provided		Not provided
	600,000-650,000		172,000	
Wassa/Prestea(10)	205,000-215,000		53,000	

(1) Production estimates received from our operators are for calendar 2016. There can be no assurance that production estimates received from our operators will be achieved. Please refer to our cautionary language regarding forward-looking statements following this MD&A, as well as the Risk Factors identified in Part I, Item 1A, of our Fiscal 2015 10-K for information regarding factors that could affect actual results.

(2) Vale and Kirkland Lake did not release public calendar 2016 production guidance for Voisey's Bay and Holt, respectively, thus estimated and actual production information for Voisey's Bay and Holt is not shown in the table.

(3) Actual production figures shown are for the period January 1, 2016 through March 31, 2016, unless otherwise noted.

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- (4) Actual production figures for Cortez are based on information provided to us by the operators, and actual production figures for Andacollo, Mount Milligan, Peñasquito (gold) and Wassa/Prestea are the operators' publicly reported figures.
- (5) The estimated and actual production figures shown for Andacollo are contained gold in concentrate.
- (6) The estimated and actual production figures shown for Mount Milligan are payable gold in concentrate.
- (7) The estimated gold and silver production figures reflect payable gold and silver in concentrate and doré, while the estimated lead and zinc production figures reflect payable metal in concentrate.
- (8) The Company's royalty interest at Peñasquito includes gold, silver, lead and zinc. Actual production for the quarter ended March 31, 2016, was not available from the operator as of the date of this report.
- (9) The gold and silver stream at Pueblo Viejo was acquired during the quarter ended September 30, 2015. The estimated and actual production figures shown are payable gold in doré and represent Barrick's 60% interest in Pueblo Viejo.
- (10) The estimated production figure shown is payable gold in doré.

**Property Developments**

The following information is provided by the operators of the property, either to Royal Gold or in various documents made publicly available.

*Andacollo*

Production attributable to our interest at Andacollo increased approximately 42% when compared to the prior year quarter. The increase, partially related to an increase in production, was a result of our interest changing from a 75% royalty to a 100% stream on gold production in July 2015.

Consistent with the mine plan, copper grades are expected to continue to gradually decline in calendar 2016 and in future years, which Teck expects to offset by planned throughput improvements. Gold grade and production in calendar 2016 are expected to exceed calendar 2015 production.

*Cortez*

Production attributable to our royalty interest at Cortez decreased approximately 74% over the prior year quarter. The decrease was primarily due to higher production in the Pipeline and Gap pits, where our royalty applies, in the prior year quarter. Calendar 2016 gold production at Cortez, subject to our royalty interests, is expected to be down compared to calendar 2015 production. Waste stripping at Crossroads is expected to restart later in calendar 2016.

*Mount Milligan*

Thompson Creek reported production of 53,300 ounces of payable gold during the quarter, which represents an increase of approximately 16% over the prior year quarter. Mill throughput averaged 58,099 tonnes, an increase of 47% over the prior year quarter.

Gold grades averaged 0.55 grams per tonne, a decrease of 13% over the prior year quarter and gold recoveries averaged 59.3% for the quarter, a decrease of 11% over the prior year quarter. Copper and gold recoveries were lower in the current period primarily as a result of changes in the operational conditions resulting from increased throughput. Gold recoveries were further impacted during the current quarter as a result of lower gold grades when compared to the prior period. Thompson Creek stated it will continue to optimize the mine and mill operations to increase recoveries during calendar 2016.

Thompson Creek stated that construction of the permanent secondary crushing circuit remains on schedule, and they expect to complete construction and commissioning by the end of calendar 2016.

Thompson Creek announced in November 2015 that they engaged Moelis & Company and BMO Capital Markets to assist them in evaluating strategic and financial alternatives, including debt refinancing and

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restructuring, new capital transaction and asset sales. The Company continues to monitor Thompson Creek's financial situation and is working to ensure our interests at Mount Milligan are protected.

*Peñasquito*

Gold, silver, lead and zinc production attributable to our royalty interest at Peñasquito decreased approximately 32%, 20%, 23% and 11%, respectively, over the prior year quarter, as Goldcorp's mine plan calls for production from a lower grade portion of the pit in calendar 2016.

During the December 2015 quarter, Goldcorp completed the Metallurgical Enhancement Project (MEP) Feasibility Study and determined that the Concentrate Enrichment Process component of the MEP no longer met Goldcorp's required rates of return due to improved fundamentals in the concentrate smelting market. An investment decision on the Pyrite Leach Plant component of the MEP is expected by mid-calendar 2016, which, if approved, is expected to increase gold production starting in late calendar 2018.

*Phoenix Gold*

On January 11, 2016, Rubicon Minerals Corporation (Rubicon) provided an updated geological model and mineralized material statement for the Phoenix Gold Project that included a significant reduction in mineralized material compared to previous statements. Rubicon stated the decrease in reported mineralized material was mainly the result of new drilling information, changes in modeling approach and restrictions to the depth of the interpreted extent of gold mineralization. Rubicon suspended activities related to their previously announced Phoenix Project Implementation Plan and retained BMO Capital Markets, TD Securities, and Stikeman Elliott LLP as advisors to assist in evaluating strategic alternatives available to Rubicon. Operating activities, other than care and maintenance, remain suspended at the Phoenix Gold Project at this time.

Refer to Note 3 of our notes to consolidated financial statements for further discussion on the impairment assessment and results for the Phoenix Gold Project during the quarter ended March 31, 2016.

*Pueblo Viejo*

Stream deliveries from Pueblo Viejo were 10,600 ounces of gold and 209,800 ounces of silver during the quarter. In November 2015, Barrick announced that two of three electric motors at the Pueblo Viejo oxygen plant experienced unexpected failures and that a comprehensive plan to mitigate the impact of the motor failure was implemented in December 2015, which involved installing a number of portable compressors. Barrick achieved 85% capacity by early January 2016 and 100% capacity by mid-January 2016 with portable compressor motors. The first repaired motor was reinstalled and commissioned in late January 2016 and the second motor was repaired and reinstalled early February 2016.

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In calendar 2016, Barrick expects improved throughput and plant availability as compared to calendar 2015 primarily due to overcoming the issues related to the oxygen plant motor failures which negatively impacted 2015 throughput. In addition, Barrick is focused on improving efficiency and throughput through projects such as ore blending optimization, increasing autoclave availability, and optimization of maintenance strategies.

Barrick delivers gold and silver to RGLD Gold on a quarterly basis (mid-March, June, September and December) based on Barrick's 60% indirect share of any provisional and final offtake settlements in the prior three calendar month period, subject to certain specific terms of the agreement (including a fixed silver recovery assumption of 70%). RGLD Gold usually sells gold and silver ounces over the three month period following physical receipt. All of these factors will result in a difference of produced ounces reported by Barrick and those reported as sold by Royal Gold for each quarter.

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*Voisey's Bay*

Since the June 2015 quarter, we have recognized Voisey's Bay royalty revenue on a cash basis, or in the period in which actual payment information is received from Vale. Payment received during the current quarter related to 39.2 million pounds of copper and 19.3 million pounds of nickel production.

Vale reported that it began processing only nickel concentrates from Voisey's Bay at its new Long Harbour hydrometallurgical plant at the beginning of calendar 2016. Vale currently deducts full Long Harbour operating costs, depreciation and cost of capital from actual proceeds when calculating the net smelter return royalty, which has the effect of further reducing or eliminating royalty payments. Royal Gold strongly disagrees with Vale's position that full operating costs, depreciation and cost of capital are permissible net smelter return deductions pursuant to the royalty agreement and is aggressively pursuing its legal remedies. See Note 12 to the consolidated financial statements for discussion of litigation between the Company and Vale.

*Wassa and Prestea*

Golden Star announced gold production of approximately 53,000 ounces of gold during the current quarter. Production in the current quarter was from the open pit operations with approximately 22,000 ounces of production from Prestea and approximately 31,000 ounces from Wassa. The open pit operations at both Wassa and Prestea are expected to be the primary source of production through calendar 2016 as development work continues on the respective underground projects. The new underground projects are scheduled to begin contributing to production beginning late this calendar year from the Wassa underground project and in mid-calendar 2017 for the Prestea underground project, thereby increasing annualized production levels by approximately 25% beginning in late calendar 2017.

Golden Star stated preliminary cash operating costs estimated for the quarter are below \$750 per ounce, reflecting a level that is consistent with the new lower cost strategy established by Golden Star.

**Results of Operations**

*Quarter Ended March 31, 2016, Compared to Quarter Ended March 31, 2015*

For the quarter ended March 31, 2016, we recorded a net loss attributable to Royal Gold stockholders of \$67.7 million, or (\$1.04) per basic and diluted share, as compared to net income attributable to Royal Gold stockholders of \$25.0 million, or \$0.38 per basic and diluted share, for the quarter ended March 31, 2015. The decrease in our earnings per share was primarily attributable to impairment charges of approximately \$99.0 million (including a royalty receivable write down of approximately \$2.9 million) on our stream interest at the Phoenix Gold Project and certain other non-principal royalty interests, as discussed further below. This decrease was partially offset by an increase in our

revenue, which is also discussed below. The effect of the impairment charges during the quarter ended March 31, 2016, was \$1.33 per basic share, after taxes.

For the quarter ended March 31, 2016, we recognized total revenue of \$93.5 million, which is comprised of stream revenue of \$63.4 million and royalty revenue of \$30.1 million, at an average gold price of \$1,183 per ounce, an average silver price of \$14.85 per ounce, an average nickel price of \$3.86 per pound and an average copper price of \$2.12 per pound. This is compared to total revenue of \$74.1 million for the three months ended March 31, 2015, which was comprised of royalty revenue of \$44.4 million and stream revenue of \$29.7 million, at an average gold price of \$1,218 per ounce, an average silver price of \$16.71 per ounce, an average nickel price of \$6.50 per pound and an average copper price of \$2.64 per pound for the quarter ended March 31, 2015. Revenue and the corresponding production attributable to our royalty and stream interests for the quarter ended March 31, 2016 compared to the quarter ended March 31, 2015 is as follows:

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## Revenue and Reported Production Subject to Our Royalty and Stream Interests

Quarter Ended March 31, 2016 and 2015

(In thousands, except reported production ozs. and lbs.)

Royalty/Stream	Metal(s)	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
		Revenue	Reported Production(1)	Revenue	Reported Production(1)
<b>Stream(2):</b>					
Mount Milligan	Gold	\$ 29,806	25,400oz.	\$ 29,718	24,200oz.
Andacollo	Gold	\$ 15,730	13,500oz.	N/A	N/A
Pueblo Viejo	Gold	\$ 13,608	11,800oz.	N/A	N/A
Wassa/Prestea	Gold	\$ 4,155	3,500oz.	N/A	N/A
Other(4)	Gold	\$ 140	100oz.	N/A	N/A
<b>Royalty:</b>					
Peñasquito		\$ 5,210		\$ 7,253	
	Gold		120,300oz.		177,200oz.
	Silver		4.8Moz.		6.0Moz.
	Lead		30.2Mlbs.		39.5Mlbs.
	Zinc		73.1Mlbs.		82.6Mlbs.
Voisey s Bay		\$ 2,778		\$ 1,919	
	Nickel		17.2Mlbs.		17.2Mlbs.
	Copper		39.2Mlbs.		N/A
Holt	Gold	\$ 2,451	13,500oz.	\$ 3,208	16,700oz.
Cortez	Gold	\$ 1,853	18,400oz.	\$ 5,025	65,200oz.
Andacollo(3)	Gold	\$	oz.	\$ 8,507	9,500oz.
Other(4)	Various	\$ 17,756	N/A	\$ 18,480	N/A
<b>Total Revenue</b>		<b>\$ 93,487</b>		<b>\$ 74,110</b>	

(1) Reported production relates to the amount of metal sales, subject to our royalty and stream interests, for the three months ended March 31, 2016 and 2015, and may differ from the operators' public reporting.

(2) Refer to Property Developments above for further discussion on our principal stream interests. Our streams at Andacollo, Pueblo Viejo and Wassa/Prestea were acquired during the quarter ended September 30, 2015. Refer to Recent Business Developments above for further discussion on the recent stream acquisitions.

(3) Refer to Recent Business Developments above for further discussion on the recent Andacollo royalty sale.

(4) Individually, no stream or royalty included within the Other category contributed greater than 5% of our total revenue for either period.

The increase in our total revenue for the three months ended March 31, 2016, compared with the three months ended March 31, 2015, resulted primarily from an increase in our stream revenue, which was a result of new production from our recently acquired streams at Pueblo Viejo, Wassa/Prestea and Andacollo. Gold and silver ounces purchased and sold during the three months ended March 31, 2016 and 2015, and gold and silver ounces in inventory as of March 31, 2016, for our streaming interests were as follows:

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Gold Stream	Three months ended March 31, 2016		Three months ended March 31, 2015		As of March 31, 2016 Ounces in inventory
	Purchases (oz.)	Sales (oz.)	Purchases (oz.)	Sales (oz.)	
Mount Milligan	17,400	25,400	26,200	24,200	16
Wassa/Prestea	4,400	3,500	N/A	N/A	1,536
Pueblo Viejo	10,600	11,800	N/A	N/A	10,633
Andacollo	8,300	13,500	N/A	N/A	22
Phoenix Gold	100	100	N/A	N/A	
<b>Total</b>	<b>40,800</b>	<b>54,300</b>	<b>26,200</b>	<b>24,200</b>	<b>12,207</b>

Silver Stream	Three months ended March 31, 2016		Three months ended March 31, 2015		As of March 31, 2016 Ounces in inventory
	Purchases (oz.)	Sales (oz.)	Purchases (oz.)	Sales (oz.)	
Pueblo Viejo	209,800		N/A	N/A	209,800

Our royalty revenue decreased during the quarter ended March 31, 2016, compared with the quarter ended March 31, 2015, due to decreases in the average metal prices, the recent sale of the Andacollo royalty, and production decreases at Cortez and Peñasquito. Please refer to Recent Business Developments and Property Developments earlier within this MD&A for further discussion on any recent developments regarding properties covered by certain of our royalty and stream interests.

Cost of sales were approximately \$17.9 million for the three months ended March 31, 2016, compared to \$10.5 million for the three months ended March 31, 2015. The increase is primarily attributable to new production from our recently acquired streams at Andacollo, Pueblo Viejo and Wassa/Prestea. Cost of sales is specific to our stream agreements and is the result of RGLD Gold's purchase of gold and silver for a cash payment. The cash payment at Mount Milligan is the lesser of \$435 per ounce or the prevailing market price of gold when purchased, while the cash payment for our other streams is a set contractual percentage of the gold or silver spot price near the date of metal delivery.

General and administrative expenses increased to \$7.7 million for the three months ended March 31, 2016, from \$5.5 million for the three months ended March 31, 2015. The increase during the current quarter was primarily due an increase in non-cash stock based compensation of approximately \$1.5 million as a result of management's change in estimate for the number of performance shares that are expected to vest.

Depreciation, depletion and amortization increased to \$38.2 million for the three months ended March 31, 2016, from \$24.8 million for the quarter ended March 31, 2015. The increase was primarily attributable to new production from the recently acquired streams at Pueblo Viejo (\$7.7 million), Andacollo (\$3.9 million) and Wassa/Prestea (\$1.4 million).

Impairment of royalty and stream interests and royalty receivables was \$99.0 million for the quarter ended March 31, 2016. The impairment of royalty and stream interests (\$96.1 million) was the result of our regular impairment analysis conducted during the three months ended March 31, 2016, and was primarily due to the presence of impairment indicators on our stream interest at the Phoenix Gold Project and two non-principal producing royalty interests, Inata and Wolverine. Also during the current quarter, the

Company recognized an allowance of approximately \$2.9 million on the entire outstanding royalty receivable associated with the Inata interest. The Company will continue to pursue collection efforts of all past due payments. Refer to Note 3 of our notes to consolidated financial statements for further discussion on the impairments and bad debt expense.

Interest and other income increased to \$3.1 million for the quarter ended March 31, 2016, from \$0.4 million for the quarter ended March 31, 2015. The increase was primarily attributable to the change in

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fair value of our Golden Star warrants of approximately \$1.3 million and a realized gain on the sale of our Seabridge Gold, Inc. ( Seabridge ) common shares of approximately \$0.7 million during the current quarter. Please refer to Note 2 of our notes to consolidated financial statements for further discussion on the Golden Star warrants and Note 4 for further discussion on our available-for-sale securities.

Interest and other expense increased to \$8.8 million for the three months ended March 31, 2016, from \$6.4 million for the quarter ended March 31, 2015. The increase was primarily due to an increase in interest expense associated with the outstanding balance on our revolving credit facility. The Company had \$300.0 million outstanding under the revolving credit facility as of March 31, 2016. The Company did not have any amounts outstanding under the revolving credit facility during the quarter ended March 31, 2015.

During the three months ended March 31, 2016, we recognized an income tax benefit totaling \$8.2 million compared with income tax expense of \$1.0 million during the three months ended March 31, 2015. This resulted in an effective tax rate of 10.6% in the current period, compared with 4.0% in the quarter ended March 31, 2015. The current period effective tax rate was negatively impacted due to the impairment charges in the quarter and appreciation of the Canadian dollar. For further discussion of the factors that influence our effective tax rate, refer to Note 11 to the notes to consolidated financial statements in the Company's Fiscal 2015 10-K.

*Nine Months Ended March 31, 2016, Compared to Nine Months Ended March 31, 2015*

For the nine months ended March 31, 2016, we recorded a net loss attributable to Royal Gold stockholders of \$97.6 million, or (\$1.50) per basic and diluted share, as compared to net income attributable to Royal Gold stockholders of \$37.1 million, or \$0.57 per basic and diluted share, for the nine months ended March 31, 2015. The decrease in our earnings per share was primarily attributable to impairment charges of approximately \$99.0 million (including a royalty receivable write down of approximately \$2.9 million) on our stream interest at the Phoenix Gold Project and certain other non-principal royalty interests during the current quarter, as discussed further below. The decrease in our earnings per share was also attributable to an increase in tax expense due to the Company's termination of the Andacollo royalty interest, as discussed below, and the planned liquidation of our Chilean subsidiary of approximately \$56.0 million during the quarter ended September 30, 2015. These decreases were partially offset by an increase in our revenue, which is also discussed below. The effect of the impairment charges during the quarter ended March 31, 2016, was \$1.33 per basic share, after taxes, while the effect of the tax expense attributable to the termination of the Andacollo royalty interest during the quarter ended September 30, 2015, was \$0.86 per share. During the prior year period, our earnings per share were negatively impacted by impairment charges of approximately \$31.3 million (including a royalty receivable write down of \$3.0 million) on certain non-principal royalty interests. The effect of the impairment charges during the nine months ended March 31, 2015, was \$0.37 per basic share, after taxes.

For the nine months ended March 31, 2016, we recognized total revenue of \$265.7 million, which is comprised of stream revenue of \$168.6 million and royalty revenue of \$97.1 million, at an average gold price of \$1,138 per ounce, an average silver price of \$14.84 per ounce, an average nickel price of \$4.32 per pound and an average copper price of \$2.24 per

pound. This is compared to total revenue of \$204.4 million for the nine months ended March 31, 2015, which is comprised of royalty revenue of \$137.7 million and stream revenue of \$66.7 million, at an average gold price of \$1,235 per ounce, an average silver price of \$17.67 per ounce, an average nickel price of \$7.38 per pound and an average copper price of \$2.94 per pound for the nine months ended March 31, 2015. Revenue and the corresponding production attributable to our royalty and stream interests for the nine months ended March 31, 2016 compared to the nine months ended March 31, 2015 is as follows:

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## Revenue and Reported Production Subject to Our Royalty and Stream Interests

Nine Months Ended March 31, 2016 and 2015

(In thousands, except reported production ozs. and lbs.)

Royalty/Stream	Metal(s)	Nine Months Ended March 31, 2016		Nine Months Ended March 31, 2015	
		Revenue	Reported Production(1)	Revenue	Reported Production(1)
<b>Stream(2):</b>					
Mount Milligan	Gold	\$ 95,564	85,100oz.	\$ 66,693	53,900oz.
Andacollo	Gold	\$ 32,163	28,200oz.	N/A	N/A
Pueblo Viejo	Gold	\$ 23,008	20,600oz.	N/A	N/A
Wassa/Prestea	Gold	\$ 17,555	15,500oz.	N/A	N/A
Other(4)	Gold	\$ 317	200oz.	N/A	N/A
<b>Royalty:</b>					
Peñasquito		\$ 20,208		\$ 19,936	
	Gold		542,100oz.		445,300oz.
	Silver		18.8Moz.		17.6Moz.
	Lead		120.9Mlbs.		110.2Mlbs.
	Zinc		289.8Mlbs.		252.0Mlbs.
Voisey s Bay		\$ 11,044		\$ 13,645	
	Nickel		78.6Mlbs.		53.8Mlbs.
	Copper		56.2Mlbs.		44.0Mlbs.
Holt	Gold	\$ 7,520	44,800oz.	\$ 9,043	45,800oz.
Cortez	Gold	\$ 4,840	58,000oz.	\$ 14,761	185,100oz.
Andacollo(3)	Gold	\$	oz.	\$ 28,599	31,000oz.
Other(3)	Various	\$ 53,441	N/A	\$ 51,762	N/A
<b>Total Revenue</b>		<b>\$ 265,660</b>		<b>\$ 204,439</b>	

(1) Reported production relates to the amount of metal sales, subject to our royalty and stream interests, for the nine months ended March 31, 2016 and 2015, and may differ from the operators' public reporting.

(2) Refer to Property Developments above for further discussion on our principal stream interests. Our streams at Andacollo, Pueblo Viejo and Wassa/Prestea were acquired during the quarter ended September 30, 2015. Refer to Recent Business Developments above for further discussion on the recent stream acquisitions.

(3) Refer to Recent Business Developments above for further discussion on the recent Andacollo royalty sale and Andacollo gold stream acquisition.

(4) Individually, no stream or royalty included within the Other category contributed greater than 5% of our total revenue for either period.

The increase in our total revenue for the nine months ended March 31, 2016, compared with the nine months ended March 31, 2015, resulted primarily from an increase in our stream revenue, which was a result of increased production at Mount Milligan and new production from our recently acquired streams, Wassa/Prestea, Pueblo Viejo and Andacollo. Gold and silver ounces purchased and sold during the nine months ended March 31, 2016 and 2015, and gold and silver ounces in inventory as of March 31, 2016, for our streaming interests were as follows:

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Gold Stream	Nine months ended March 31, 2016		Nine months ended March 31, 2016		As of March 31, 2016
	Purchases (oz.)	Sales (oz.)	Purchases (oz.)	Sales (oz.)	Ounces in inventory
Mount Milligan	79,800	85,100	52,900	53,900	16
Andacollo	28,200	28,200	N/A	N/A	1,536
Wassa/Prestea	17,100	15,500	N/A	N/A	10,633
Pueblo Viejo	31,200	20,600	N/A	N/A	22
Phoenix Gold	300	200	N/A	N/A	
<b>Total</b>	<b>156,600</b>	<b>149,600</b>	<b>52,900</b>	<b>53,900</b>	<b>12,207</b>

Silver Stream	Nine months ended March 31, 2016		Nine months ended March 31, 2015		As of March 31, 2016
	Purchases (oz.)	Sales (oz.)	Purchases (oz.)	Sales (oz.)	Ounces in inventory
Pueblo Viejo	209,800		N/A	N/A	209,800

Our royalty revenue decreased during the nine months ended March 31, 2016, compared with the nine months ended March 31, 2015, due to decreases in the average metal prices, the recent sale of the Andacollo royalty, and a production decrease at Cortez. Please refer to Property Developments earlier within this MD&A for further discussion on any recent developments regarding properties covered by certain of our royalty interests.

Cost of sales were approximately \$52.0 million for the nine months ended March 31, 2016, compared to \$23.5 million for the nine months ended March 31, 2015. The increase is primarily attributable to an increase in production at Mount Milligan and new stream production at Andacollo, Pueblo Viejo and Wassa/Prestea. Cost of sales is specific to our stream agreements and is the result of RGLD Gold's purchase of gold and silver for a cash payment. The cash payment for Mount Milligan is the lesser of \$435 per ounce or the prevailing market price of gold when purchased, while the cash payment for our other streams is a set contractual percentage of the gold or silver spot price near the date of metal delivery.

General and administrative expenses increased to \$23.4 million for the nine months ended March 31, 2016, from \$18.2 million for the nine months ended March 31, 2015. The increase during the current period was primarily due to an increase in non-cash stock based compensation of approximately \$4.1 million as a result of management's change in estimate for the number of performance shares that are expected to vest.

Exploration costs increased to \$6.1 million for the nine months ended March 31, 2016, from \$0.2 million for the nine months ended March 31, 2015. Exploration costs are specific to our Peak Gold joint venture for exploration and advancement of the Tetlin gold project, as discussed further in Note 3 to our notes to consolidated financial statements included in our Fiscal 2015 10-K.

Depreciation, depletion and amortization increased to \$105.7 million for the nine months ended March 31, 2016, from \$67.3 million for the nine months ended March 31, 2015. The increase was primarily attributable to the ramp-up in production at Mount Milligan (\$10.7 million) and new production from the recently acquired streams at Pueblo Viejo (\$13.3 million), Wassa/Prestea (\$6.0 million) and Andacollo (\$5.7 million).

Impairment of royalty and stream interests and royalty receivables were approximately \$98.6 million for the nine months ended March 31, 2016, compared to \$31.3 million for the nine months ended March 31, 2015. The impairment of royalty and stream interests during the current period (\$96.1 million) was the result of our regular impairment analysis conducted during the three months ended March 31, 2016, and was primarily due to the presence of impairment indicators on our stream interest at the Phoenix Gold

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Project and two non-principal producing royalty interests, Inata and Wolverine. Also during the current period, the Company recognized an allowance of approximately \$2.9 million on the entire outstanding receivable associated with the Inata interest. The impairment charges in the prior period were primarily due to an impairment of our royalty interest at Wolverine (\$26.0 million) and a write-off of the Wolverine royalty receivable (\$3.0 million). The Company will continue to pursue collection efforts of all past due Inata payments. Refer to Note 3 of our notes to consolidated financial statements for further discussion on the impairments and bad debt expense.

Interest and other expense increased to \$24.0 million for the nine months ended March 31, 2016, from \$19.5 million for the nine months ended March 31, 2015. The increase was primarily due to an increase in interest expense associated with the outstanding balance on our revolving credit facility. The Company had \$300.0 million outstanding under the revolving credit facility as of March 31, 2016. The Company did not have any amounts outstanding under the revolving credit facility during the nine months ended March 31, 2015.

During the nine months ended March 31, 2016, we recognized income tax expense totaling \$55.7 million compared with \$3.2 million during the nine months ended March 31, 2015. This resulted in an effective tax rate of (124.0%) in the current period, compared with 7.8% during the nine months ended March 31, 2015. The increase in the effective tax rate for the nine months ended March 31, 2016 is primarily related to the discrete tax impacts attributable to the Company's Andacollo transactions and the liquidation of our Chilean subsidiary during the quarter ended September 30, 2015, and discrete impacts due to impairment charges during the quarter ended March 31, 2016. Excluding all year-to-date discrete items, our effective tax rate for the nine months ended March 31, 2016 would have been 15.3%. For further discussion of the factors that influence our effective tax rate, refer to Note 12 to the notes to consolidated financial statements in the Company's Fiscal 2015 10-K.

**Liquidity and Capital Resources**

*Overview*

At March 31, 2016, we had current assets of \$175.2 million compared to current liabilities of \$24.2 million for a current ratio of 7 to 1. This compares to current assets of \$790.8 million and current liabilities of \$25.0 million at June 30, 2015, resulting in a current ratio of approximately 32 to 1. The decrease in our current ratio was primarily attributable to a decrease in our cash and equivalents as a result of the recent royalty and stream acquisitions, as discussed earlier under Recent Business Developments. Please refer to Summary of Cash Flows below for further discussion on changes to our cash and equivalents during the period.

During the quarter ended March 31, 2016, liquidity needs were met from \$75.6 million in net revenue and our available cash resources. As of March 31, 2016, the Company had \$350 million available and \$300 million outstanding under its revolving credit facility. During the three months ended March 31, 2016, the Company repaid \$50.0 million of the

outstanding borrowings under the revolving credit facility. The Company was in compliance with each financial covenant as of March 31, 2016. Refer to Note 5 of our notes to consolidated financial statements for further discussion on our debt.

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

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Please refer to our risk factors included in Part 1, Item 1A of our Fiscal 2015 10-K and in Part II, Item 1A of this Quarterly Report on Form 10-Q for a discussion of certain risks that may impact the Company's liquidity and capital resources.

*Recent Liquidity and Capital Resource Developments*

On March 16, 2016, the Company entered into Amendment No. 2 (the "Amendment") to the Sixth Amended and Restated Revolving Credit Agreement, dated as of January 29, 2014 (as amended by Amendment No. 1 thereto as of April 29, 2015, the "Revolving Credit Agreement"), by and among the Company, certain subsidiaries of the Company as guarantors, certain lenders from time to time party thereto, and HSBC Bank USA, National Association, as administrative agent for the lenders. The Amendment revises the Revolving Credit Agreement to extend the scheduled maturity date from January 29, 2019 to March 16, 2021.

*Summary of Cash Flows*

Operating Activities

Net cash provided by operating activities totaled \$120.6 million for the nine months ended March 31, 2016, compared to \$148.2 million for the nine months ended March 31, 2015. The decrease was primarily due to an increase in income taxes paid of approximately \$58.9 million, an increase in exploration costs of approximately \$6.0 million and an increase in interest paid of approximately \$4.9 million. These decreases in net cash provided by operating activities were partially offset by an increase in proceeds received from our royalty and streaming interests, net of production taxes and cost of sales, of \$41.9 million.

Investing Activities

Net cash used in investing activities totaled \$994.6 million for the nine months ended March 31, 2016, compared to cash used in investing activities of \$50.4 million for the nine months ended March 31, 2015. The increase in cash used in investing activities is primarily due to an increase in acquisitions of royalty and stream interests in mineral properties (primarily the Pueblo Viejo and Andacollo stream acquisitions) compared to the prior year period. Refer to "Recent Business Developments" above for further discussion on our recently acquired streams.

Financing Activities

Net cash provided by financing activities totaled \$254.0 million for the nine months ended March 31, 2016, compared to cash used in financing activities of \$42.1 million for the nine months ended March 31, 2015. The increase in cash provided

by financing activities is primarily due to the Company's \$300 million borrowing (net of repayment) under its revolving credit facility to fund stream acquisitions during the current period. Refer to Recent Business Developments above for further discussion on our recently acquired streams.

**Recently Adopted Accounting Standards**

There were no new accounting standards adopted during the three and nine months ended March 31, 2016. Refer to Note 1 of our notes to consolidated financial statements for further discussion on recently issued accounting standards.

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**Critical Accounting Policies**

*Asset Impairment*

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts of an asset or group of assets may not be recoverable. The recoverability of the carrying value of royalty and stream interests in production and development stage mineral properties is evaluated based upon estimated future undiscounted net cash flows from each royalty and stream interest using estimates of proven and probable reserves and other relevant information received from the operators. We evaluate the recoverability of the carrying value of royalty interests in exploration stage mineral properties in the event of significant decreases in the price of gold, silver, copper, nickel and other metals, and whenever new information regarding the mineral properties is obtained from the operator indicating that production will not likely occur or may be reduced in the future, thus potentially affecting the future recoverability of our royalty or stream interests. Impairments in the carrying value of each property are measured and recorded to the extent that the carrying value in each property exceeds its estimated fair value, which is generally calculated using estimated future discounted cash flows.

Our estimates of gold, silver, copper, nickel and other metal prices, operators' estimates of proven and probable reserves or mineralized material related to our royalty or streaming properties, and operators' estimates of operating and capital costs are subject to certain risks and uncertainties which may affect the recoverability of our investment in these royalty and stream interests in mineral properties. Although we have made our best assessment of these factors based on current market conditions, it is possible that changes could occur to these estimates, which could adversely affect the net cash flows expected to be generated from these royalty and stream interests. Refer to Note 3 of our notes to consolidated financial statements for discussion and the results of our quarterly impairment assessments for the three and nine months ended March 31, 2016.

**Forward-Looking Statements**

Cautionary Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: With the exception of historical matters, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projections or estimates contained herein. Such forward-looking statements include, without limitation, statements regarding projected production estimates and estimates pertaining to timing and commencement of production from the operators of properties where we hold royalty and stream interests; effective tax rate estimates; 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 and stream interests. Words such as may, could, should, would, believe, estimate, expect, anticipate, plan, forecast, potential, variations of these words, comparable words and similar expressions generally indicate forward-looking statements, which speak only as of the date the statement is made. Do not unduly rely on forward-looking statements. Actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, among others:

- a continued low price environment for gold and other metals prices on which our royalty and stream interests are paid or a continued low price environment for the primary metals mined at properties where we hold royalty and stream interests;

- the production at or performance of properties where we hold royalty and stream interests;
- the ability of operators to bring projects, particularly development stage properties, into production on schedule or operate in accordance with feasibility studies;

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- challenges to mining, processing and related permits and licenses, or to applications for permits and licenses, by or on behalf of indigenous populations, non-governmental organizations or other third parties;
- liquidity or other problems our operators may encounter, including shortfalls in the financing required to complete construction and a bring a mine into production;
- decisions and activities of the operators of properties where we hold royalty and stream interests;
- hazards and risks at the properties where we hold royalty and stream interests that are normally associated with developing and mining properties, including unanticipated grade, continuity and geological, metallurgical, processing or other problems, mine operating and ore processing facility problems, pit wall or tailings dam failures, industrial accidents, environmental hazards and natural catastrophes such as floods or earthquakes and access to raw materials, water and power;
- changes in operators' mining, processing and treatment techniques, which may change the production of minerals subject to our royalty and stream interests;
- changes in the methodology employed by our operators to calculate our royalty and stream interests in accordance with the agreements that govern them;
- changes in project parameters as plans of the operators of properties where we hold royalty and stream interests are refined;
- decreases in estimates of reserves and mineralization by the operators of properties where we hold royalty and stream interests;
- contests to our royalty and stream interests and title and other defects to the properties where we hold royalty and stream interests;

- adverse effects on market demand for commodities, the availability of financing, and other effects from adverse economic and market conditions;
- future financial needs of the Company and the operators;
- federal, state and foreign legislation governing us or the operators of properties where we hold royalty and stream interests;
- the availability of royalty and stream interests for acquisition or other acquisition opportunities and the availability of debt or equity financing necessary to complete such acquisitions;
- our ability to make accurate assumptions regarding the valuation, timing and amount of revenue to be derived from our royalty and stream interests when evaluating acquisitions;
- risks associated with conducting business in foreign countries, including application of foreign laws to contract and other disputes, validity of security interests, environmental, governmental consents for granting interests in exploration and exploration licenses, real estate, contract and permitting laws, currency fluctuations, expropriation of property, repatriation of earnings, taxation, price controls, inflation, import and export regulations, community unrest and labor disputes, endemic health issues, corruption, enforcement and uncertain political and economic environments;
- changes in laws governing us, the properties where we hold royalty and stream interests or the operators of such properties;
- risks associated with issuances of additional common stock or incurrence of indebtedness in connection with acquisitions or otherwise including risks associated with the issuance and conversion of convertible notes;

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- acquisition and maintenance of permits and authorizations, completion of construction and commencement and continuation of production at the properties where we hold royalty and stream interests;
- changes in management and key employees; and
- failure to complete future acquisitions;

as well as other factors described elsewhere in this report and our other reports filed with the SEC. Most of these factors are beyond our ability to predict or control. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements. Forward-looking statements speak only as of the date on which they are made. We disclaim any obligation to update any forward-looking statements made herein, except as required by law. Readers are cautioned not to put undue reliance on forward-looking statements.

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

Our earnings and cash flows are significantly impacted by changes in the market price of gold and other metals. Gold, silver, copper, nickel and other metal prices can fluctuate significantly and are affected by numerous factors, such as demand, production levels, economic policies of central banks, producer hedging, world political and economic events and the strength of the U.S. dollar relative to other currencies. Please see *Volatility in gold, silver, copper, nickel and other metal prices may have an adverse impact on the value of our royalty and stream interests and may reduce our revenues. Certain contracts governing our royalty and stream interests have features that may amplify the negative effects of a drop in metals prices,* under Part I, Item 1A of our Fiscal 2015 10-K, for more information that can affect gold, silver, copper, nickel and other metal prices as well as historical gold, silver, copper and nickel prices.

During the nine month period ended March 31, 2016, we reported revenue of \$265.7 million, with an average gold price for the period of \$1,138 per ounce, an average silver price of \$14.84 per ounce, an average copper price of \$2.24 per pound and an average nickel price of \$4.32 per pound. Approximately 87% of our total reported revenues for the nine months ended March 31, 2016 were attributable to gold sales from our gold producing royalty and stream interests, as shown within the MD&A. For the nine months ended March 31, 2016, if the price of gold had averaged 10% higher or lower per ounce, we would have recorded an increase or decrease in revenue of approximately \$24.4 million.

Approximately 4% of our total reported revenues for the nine months ended March 31, 2016 were attributable to copper sales from our copper producing royalty interests. For the nine months ended March 31, 2016, if the price of copper had averaged 10% higher or lower per pound, we would have recorded an increase or decrease in revenue of approximately \$1.6 million.

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Approximately 3% of our total reported revenues for the nine months ended March 31, 2016 were attributable to nickel sales from our nickel producing royalty interests. For the nine months ended March 31, 2016, if the price of nickel had averaged 10% higher or lower per pound, we would have recorded an increase or decrease in revenue of approximately \$1.0 million.

Approximately 2% of our total reported revenues for the nine months ended March 31, 2016 were attributable to silver sales from our silver producing royalty interests. For the nine months ended March 31, 2016, if the price of silver had averaged 10% higher or lower per ounce, we would have recorded an increase or decrease in revenue of approximately \$0.7 million.

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**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

As of March 31, 2016, the Company's management, with the participation of the President and Chief Executive Officer (the principal executive officer) and Chief Financial Officer and Treasurer (the principal financial and accounting officer) of the Company, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based on such evaluation, the Company's President and Chief Executive Officer and its Chief Financial Officer and Treasurer have concluded that, as of March 31, 2016, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods and that such information is accumulated and communicated to the Company's management, including the President and Chief Executive Officer and its Chief Financial Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure.

Disclosure controls and procedures involve human diligence and compliance and are subject to lapses in judgment and breakdowns resulting from human failures. As a result, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

**Changes in Internal Controls**

There has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2016, that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

*Voisey's Bay*

Refer to Note 12 of our notes to consolidated financial statements for a discussion of the litigation associated with our Voisey's Bay royalty.

**ITEM 1A. RISK FACTORS**

Information regarding risk factors appears in Part I, Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements, and various risks faced by us are also discussed elsewhere in Part I, Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report on Form 10-Q. In addition, risk factors are included in Part I, Item 1A of our Fiscal 2015 10-K and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended December 31, 2015, filed on February 4, 2016, as amended by the Form 10-Q/A Amendment No. 1 filed on February 5, 2016.

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

Not applicable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURE**

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

**ITEM 6. EXHIBITS**

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

**SIGNATURES**

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

**ROYAL GOLD, INC.**

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Date: April 28, 2016

By:

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

Date: April 28, 2016

By:

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

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**ROYAL GOLD, INC.**

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
10.1	Amendment No. 2 to Sixth Amended and Restated Revolving Credit Agreement, dated March 16, 2016 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on March 21, 2016 and incorporated herein by reference).
10.2*	Form of Amendment to Equity Award Agreements under Royal Gold's 2004 Omnibus Long-Term Incentive Plan
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

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\* Filed herewith.  
Furnished herewith.