

MAUI LAND & PINEAPPLE CO INC  
Form DEF 14A  
March 21, 2007  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  x

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Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

**MAUI LAND & PINEAPPLE COMPANY, INC.**

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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**MAUI LAND & PINEAPPLE COMPANY, INC.**

March 20, 2007

To Our Shareholders:

I am pleased to invite you to our 2007 Annual Meeting of Shareholders, which will be held on Monday, May 7, 2007 at 9:00 a.m. at the Company's corporate headquarters in Kahului, Hawaii.

At the meeting, we will (i) elect three Class Two directors for a three-year term; (ii) ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company to serve for the 2007 fiscal year; (iii) consider and vote upon an amendment to the Articles of Association to authorize an additional 14,000,000 shares of the Company's common stock; and (iv) transact such other business as may properly come before the meeting or any continuation, postponement or adjournment of the meeting. We know of no other matters to be brought up at the meeting.

We see this meeting as an opportunity to communicate with our shareholders and it is important that your shares be represented and voted whether or not you expect to attend the meeting in person. You may vote your shares by proxy using the Internet, by telephone, or by returning the enclosed proxy card or voting instruction form forwarded by your bank, broker or other holder of record. Please review the instructions on the enclosed proxy card or voting instruction form regarding each of these voting options. If you attend the meeting, you may withdraw your proxy and vote in person, if you wish.

We look forward to seeing you there should you be able to attend.

Sincerely,  
/s/ David C. Cole  
David C. Cole  
*Chairman, President & Chief Executive Officer*

# MAUI LAND & PINEAPPLE COMPANY, INC.

120 Kane Street, P. O. Box 187  
Kahului, Maui, Hawaii 96733-6687  
(808) 877-3351

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## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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TO THE SHAREHOLDERS OF  
MAUI LAND & PINEAPPLE COMPANY, INC.:

Notice is hereby given that the Annual Meeting of Shareholders of Maui Land & Pineapple Company, Inc. (the Company) will be held on *Monday, May 7, 2007 at 9:00 a.m., local time, at the Company's corporate headquarters at 120 Kane Street, Kahului, Maui, Hawaii* for the following purposes:

1. To elect Miles R. Gilburne, David A. Heenan and Kent T. Lucien as Class Two Directors to serve for a three-year term or until their successors are elected and qualified;
2. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for fiscal year 2007;
3. To consider and vote upon an amendment to the Articles of Association to authorize an additional 14,000,000 shares of the Company's Common Stock; and
4. To transact such other business as may be properly brought before the meeting or any postponement or adjournment thereof.

Our Board of Directors recommends that you vote in favor of the foregoing items of business, which are more fully described in the Proxy Statement accompanying this Notice.

Shareholders of record of Maui Land & Pineapple Company, Inc. (AMEX: MLP) Common Stock at the close of business on March 14, 2007 are entitled to notice of and to vote at the Annual Meeting or any postponements or adjournments thereof.

Your attention is directed to the Proxy Statement enclosed.

BY ORDER OF THE BOARD OF DIRECTORS,  
/s/ Adele H. Sumida  
ADELE H. SUMIDA  
Secretary

Dated: March 20, 2007

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. PLEASE VOTE AS PROMPTLY AS POSSIBLE BY USING THE INTERNET, BY TELEPHONE OR BY SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED. FOR SPECIFIC INSTRUCTIONS ON VOTING, PLEASE REFER TO THE INSTRUCTIONS ON THE PROXY CARD OR THE INFORMATION FORWARDED BY YOUR BANK, BROKER OR OTHER HOLDER OF RECORD. EVEN IF YOU HAVE VOTED YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BANK, BROKER OR OTHER NOMINEE AND YOU WISH TO VOTE IN PERSON AT THE MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM SUCH BANK, BROKER OR OTHER NOMINEE.

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MAUI LAND & PINEAPPLE COMPANY, INC.  
120 Kane Street, P. O. Box 187  
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## PROXY STATEMENT

### General

This proxy is solicited on behalf of the Board of Directors (the Board of Directors or the Board ) of Maui Land & Pineapple Company, Inc., a Hawaii corporation (the Company ), for the 2007 Annual Meeting of Shareholders (the Annual Meeting ) to be held on May 7, 2007, *at 9:00 a.m., local time, at the Company s corporate headquarters at 120 Kane Street, Kahului, Maui, Hawaii*, or any continuation, postponement or adjournment thereof, for the purposes discussed in this Proxy Statement. Proxies are solicited to give all shareholders of record an opportunity to vote on matters properly presented at the Annual Meeting. This Proxy Statement, accompanying proxy card and the Annual Report on Form 10-K for the year ended December 31, 2006, including financial statements, are first being mailed on or about March 26, 2007 to all shareholders entitled to vote at the Annual Meeting.

### Who Can Vote

Holders of record of shares of the Company s common stock, no par value ( Common Stock ), at the close of business on March 14, 2007 (the Record Date ) will be entitled to notice of, and to vote at, the Annual Meeting. The securities entitled to vote at the Annual Meeting consist of shares of Common Stock of the Company, with each share entitling its owner to one vote per share. Shareholders will not be entitled to cumulate their votes in the election of directors.

Your shares may be voted at the Annual Meeting only if you are present in person or represented by a valid proxy. You may vote by proxy on the Internet, by telephone or by completing and mailing the enclosed proxy card. For your convenience, a self-addressed envelope is enclosed; it requires no postage if mailed in the United States. Voting by proxy on the Internet or by telephone may not be available to all shareholders. For specific instructions on voting, please refer to the instructions on the proxy card or the information forwarded by your bank, broker or other holder of record. The Internet and telephone voting facilities will close at 11:59 p.m. Eastern Time on May 6, 2007. Shareholders who vote through the Internet should be aware that they may incur costs to access the Internet, such as usage charges from telephone companies or Internet service providers and that these costs must be borne by the shareholder. Shareholders who vote by Internet or telephone need not return a proxy card by mail. If you are the beneficial owner of shares held in street name by a broker, bank or other nominee (collectively, a Nominee ), then your Nominee, as the record owner of the shares, must vote those shares in accordance with your instructions. Please refer to the instruction card they provide for voting your shares.

A list of shareholders entitled to vote at the Annual Meeting will be available for examination by any shareholder for any purpose germane to the Annual Meeting during ordinary business hours at the executive offices of the Company at 120 Kane Street, P.O. Box 187, Kahului, Maui, Hawaii 96733-6687 for the ten days prior to the Annual Meeting, and also at the Annual Meeting.

### Shares Outstanding and Quorum

As of the Record Date, approximately 8,153,909 shares of Common Stock were issued and outstanding.

Votes cast by proxy or in person at the Annual Meeting will be tabulated to determine whether or not a quorum is present for the transaction of business at the meeting. A quorum will exist if a majority of the

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Company's shares of Common Stock issued and outstanding as of the Record Date are represented at the meeting, either in person or by proxy.

### **Proxy Card**

Shares of the Company's Common Stock represented by properly executed proxies received by the Company at or prior to the Annual Meeting and not subsequently revoked will be voted as directed in those proxies. If a proxy is signed and no directions are given, shares represented thereby will be voted (i) in favor of electing the Board's three nominees for director, (ii) in favor of the ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm, and (iii) in favor of the amendment to the Articles of Association of the Company to authorize an additional 14,000,000 shares of the Company's Common Stock. The proxy confers discretionary authority on the persons it names as to all other matters that may come before the Annual Meeting and at any continuation, postponement or adjournment thereof. The Board of Directors knows of no other items of business that will be presented for consideration at the Annual Meeting other than those described in this Proxy Statement. In addition, no shareholder proposals or nominations were received on a timely basis, so no such matters may be brought to a vote at the Annual Meeting.

### **Abstentions and Broker Non-Votes**

#### *Abstentions*

When an eligible voter attends the meeting but decides not to vote, his or her decision not to vote is called an abstention. Properly executed proxy cards that are marked "abstain" or "withhold authority" on any proposal will be treated as abstentions for that proposal. We will treat abstentions as follows:

- abstention shares are deemed present and entitled to vote for purposes of establishing a quorum;
- abstention shares will be treated as not voting for purposes of determining the outcome on any proposal for which the minimum vote required for approval of the proposal is a plurality (or a majority or some other percentage) of the votes actually cast, and thus will have no effect on the outcome; and
- abstention shares will have the same effect as votes against a proposal if the minimum vote required for approval of the proposal is a majority (or some other percentage) of (i) the shares present and entitled to vote, or (ii) all shares outstanding and entitled to vote.

#### *Broker Non-Votes*

If you are the beneficial owner of shares held in "street name" by a Nominee, then your Nominee, as the record owner of the shares, must vote those shares in accordance with your instructions. Broker non-votes occur when shares held by a Nominee for a beneficial owner are not voted with respect to a particular proposal because (1) the broker does not receive voting instructions from the beneficial owner, and (2) such proposal is a non-routine proposal for which the Nominee lacks the discretionary authority to vote the shares. Whether a proposal is routine or non-routine is determined under the rules of the American Stock Exchange. Thus, when no voting instructions are received and a Nominee lacks the discretion to vote on his or her clients' behalf, Nominees are generally required to return the proxy card (or a substitute) marked with an indication that the Nominee lacks voting power over that particular proposal. This type of response is known as a "broker non-vote." We will treat broker non-votes as follows:

- broker non-votes are deemed present and entitled to vote for purposes of establishing a quorum;
- broker non-votes will not be treated as shares present and entitled to vote for purposes of any matter requiring the affirmative vote of a majority or other proportion of the shares present and

entitled to vote (even though the same shares may be considered present for quorum purposes and may be entitled to vote on other matters). Thus, a broker non-vote will not affect the outcome of the voting on a proposal the passage of which requires the affirmative vote of a plurality (or a majority or some other percentage) of (i) the votes cast or (ii) the voting power present and entitled to vote on that proposal; and

- broker non-votes will have the same effect as a vote against a proposal the passage of which requires an affirmative vote of the holders of a majority (or some other percentage) of the outstanding shares entitled to vote on such proposal.

Each of the proposals to be presented at the Annual Meeting are considered to be discretionary and therefore may be voted upon by your Nominee if you do not give instructions for the shares held by such Nominee.

#### **Counting of Votes**

Directors are elected by a plurality of votes cast, so the three nominees who receive the most votes will be elected. Abstentions will not be taken into account in determining the election of directors and broker non-votes will not result because the election of directors is a discretionary matter.

Ratification of the independent registered public accounting firm will require an affirmative vote of a majority of shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same effect as votes against the ratification and the proposal. Because the ratification of the independent registered public accounting firm is a discretionary matter, broker non-votes will not result for this item.

Pursuant to the Hawaii Business Corporation Act, approval of the amendment to the Company's Articles of Association to increase the amount of authorized shares of Common Stock requires the affirmative vote of the holders of two-thirds of the shares entitled to vote thereon. Therefore, at least 5,433,140 shares of the Company's Common Stock as of the Record Date must be voted in favor of this proposal for the amendment contemplated thereby to be approved. Abstentions will have the same effect as votes against this proposal. Because this proposal is a discretionary matter, broker non-votes will not result for this proposal.

#### **Revocation of Proxy**

If you are a shareholder of record and vote by proxy, you may revoke your proxy at any time before it is voted by:

- signing and returning another proxy card bearing a later date;
- submitting another proxy on the Internet or by telephone (your latest telephone or Internet voting instructions are followed); or
- giving written notice of revocation to the Company's Secretary prior to or at the Annual Meeting or voting at the annual meeting.

Your attendance at the Annual Meeting will not have the effect of revoking your proxy unless you give written notice of revocation to the Corporate Secretary of the company before the polls are closed. Any written notice revoking a proxy should be sent to the Company's Secretary at the Company's principal executive office at 120 Kane Street, P.O. Box 187, Kahului, Maui, Hawaii 96733-6687, and must be received before the polls are closed.

If your shares are held in the name of a Nominee you may change your vote by submitting new voting instructions to your Nominee. Please note that if your shares are held of record by a Nominee and you

decide to attend and vote at the Annual Meeting, your vote in person at the Annual Meeting will not be effective unless you present a legal proxy, issued in your name from your Nominee.

#### **Solicitation of Proxies**

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly and mailing of this Proxy Statement, the proxy and any additional information furnished to shareholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of Common Stock in their names that are beneficially owned by others to forward to those beneficial owners. The Company may reimburse persons representing beneficial owners for their costs of forwarding the solicitation materials to the beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, facsimile, electronic mail or personal solicitation by directors, officers or employees of the Company. No additional compensation will be paid to directors, officers or employees for such services. In addition, the Company has retained Mellon Investor Services LLC to assist in the solicitation of proxies for a fee of approximately \$x,xxx, plus reasonable out-of-pocket expenses.

#### **Shareholder Proposals And Nominations**

Under Rule 14a-8 promulgated under the Securities and Exchange Act of 1934, as amended (the Exchange Act ), in order for business to be properly brought by a shareholder before an annual meeting, our Secretary must receive, at our corporate office, written notice of the matter not less than 120 days prior to the first anniversary of the date our proxy statement was released to shareholders in connection with the preceding year's annual meeting. Thus, proposals of shareholders intended to be presented pursuant to Rule 14a-8 under the Exchange Act must be received at the corporate offices of the Company on or before November 30, 2007 in order to be considered for inclusion in the Company's proxy statement and proxy card for the 2008 Annual Meeting.

The Company's Bylaws contain additional requirements that must be satisfied for any proposal of shareholders made other than under Rule 14a-8. Compliance with these requirements will entitle the proposing Shareholder only to present such proposals or nominations before the meeting, not to have the proposals or nominations included in the Company's proxy statement or proxy card. Such proposals or nominations may not be brought before an annual meeting by a shareholder unless the shareholder has given timely written notice in proper form of such proposal or nomination to the Chairman of the Board, the President or the Secretary of the Company. Such proposals or nominations may be made only by persons who are shareholders of record on the date on which such notice is given and on the record date for determination of shareholders entitled to vote at that meeting. Shareholder notices of any proposals or nominations intended to be considered at the 2008 Annual Meeting will be timely under our Bylaws only if received at the Company's corporate offices no earlier than January 7, 2008 and no later than February 6, 2008. However, if the 2008 Annual Meeting is called for a date that is not within thirty days before or after May 7, 2008, any such notice will be timely only if it is received no later than the close of business on the tenth day following the date of the Company's first mailing of the notice of the 2008 Annual Meeting or the date of the Company's public disclosure of the date of the 2008 Annual Meeting, whichever is earlier.

To be in proper written form, a shareholder's notice concerning a proposal to be presented at an annual meeting must set forth as to each matter the shareholder proposes to bring before the annual meeting:

- a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting;
- the name and record address of such shareholder;
- the number of shares of stock of the Company owned by such shareholder beneficially and of record;

- a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business; and
- a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

To be in proper written form, a notice concerning a nomination for election to the Board of Directors must set forth as to each person whom the shareholder proposes to nominate for election as a director:

- the name, age, business address and residence address of the person;
- the principal occupation or employment of the person;
- the number of shares of stock of the Company owned by the person beneficially and of record; and
- any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and as to the shareholder giving the notice:
  - the name and record address of such shareholder;
  - the number of shares of stock of the Company owned by such shareholder beneficially and of record;
  - a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder;
  - a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice; and
  - any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

In addition, no person will be eligible for election as a director if such election would cause the Company to have insufficient independent directors within the meaning of the listing standards of the American Stock Exchange.

Any notice concerning proposals or nominations sought to be considered at an Annual Meeting should be addressed to the Company's Chairman, President or Secretary at 120 Kane Street, P.O. Box 187, Kahului, Hawaii 96733-6687. The full text of the bylaw provisions referred to above (which also set forth requirements and limitations as to shareholder proposals or nominations to be considered at any special meeting) may be obtained by contacting the Company's Secretary at the foregoing address, by telephone at 808-877-3351, facsimile 808-877-1614 or e-mail at communications@mlpmaui.com.

#### **Multiple Shareholders Sharing the Same Address**

Owners of common stock in street name may receive a notice from their Nominee stating that only one proxy statement will be delivered to multiple security holders sharing an address. This practice, known as "householding," is designed to reduce printing and postage costs. However, if any shareholder residing at such an address wishes to receive a separate proxy statement, he or she may contact the Company's Secretary at

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P.O. Box 187, Kahului, Hawaii 96733-6687 or by telephone at 808-877-3351 or e-mail at [communications@mlpmaui.com](mailto:communications@mlpmaui.com).

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**PROPOSAL 1  
ELECTION OF DIRECTORS**

**General Information Election of Directors**

Our Articles of Association provides for a Board of Directors of not less than nine nor more than twelve directors and authorizes the Board to periodically set the number of directors within that range by a majority vote. The number of authorized directors is currently set by the Board at nine. Our Articles of Association and the Bylaws of the Company also divides our Board of Directors into three classes of directors consisting currently of three members in each class, with each class holding office for three years in staggered terms. Class One consists of three directors whose term of office expires in 2009. The second class consists of the three Class Two directors whose term expires in 2007. The third class consists of the three Class Three directors whose term of office expires in 2008.

Based upon the recommendation of the Nominating and Governance Committee, our Board has nominated the following individuals for election to Class Two positions with their term in office to expire in 2010: Messrs. Miles R. Gilburne, Kent T. Lucien, and David A. Heenan. Messrs. Lucien and Heenan currently serve as Class Two directors. Mr. Thomas M. Gottlieb, who currently also serves as a Class Two director has declined to stand for re-election because of scheduling conflicts with other business obligations.

In the event that any person nominated as a director becomes unavailable or declines to serve as a director at the time of the Annual Meeting, the proxy holders will vote the proxies in their discretion for any nominee who is designated by the current Board of Directors to fill the vacancy. It is not expected that any of the nominees will be unavailable to serve.

Set forth below is biographical information for each nominee and for each person whose term of office as a director will continue after the Annual Meeting. There are no family relationships among any directors of the Company.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE THREE PERSONS NOMINATED BY THE BOARD FOR CLASS TWO DIRECTOR.**

**Class One Director Terms expire in 2009:**

David C. Cole (54)

Mr. Cole has served as President and Chief Executive Officer of Maui Land & Pineapple Company, Inc. since October 2003 and Chairman of the Board since March 2004. He served as Manager of Sunnyside Farms, LLC, an organic foods, retailing and property development company in Washington, Virginia from 1997 to 2006. Since 1997 Mr. Cole has been President of Aquaterra, Inc., an investment management firm that serves as managing general partner for Pan Pacific Ventures LP, Catalyst II LLC, and Aquaterra Partners, LLC, and Aquaterra Partners II, LLC, partnerships with interests in software, real estate, agriculture, retailing, renewable energy and consumer products. Mr. Cole has served in a variety of executive positions, including Chairman, President and CEO of Ashton-Tate Inc., a software company, Chairman of Twin Farms Collection, LLC, a luxury resort, and Chairman, President and CEO of NaviSoft, Inc., an online publishing software company that was acquired by America Online, Inc. ( AOL ) in 1994. From 1994 to 1997, he served as an officer of AOL, initially as President of AOL s Internet Services Company and later

as President of AOL's New Enterprises Group. Mr. Cole is the Chairman of the Board of Trustees for the Nature Conservancy of Hawaii and is a director of Hawaiian Electric Company, Inc. He serves on the boards of the privately held companies Hawaii Superferry, Inc., Sunrise Capital, LLC, and Grove Farm Company, Inc. He also serves on the boards of various community and non-profit organizations. Pursuant to the terms of his employment agreement with the Company, Mr. Cole was appointed to the Board to fill the vacancy that was created by the increase in Board size at a special meeting of shareholders held in December 2003 and appointed Chairman of the Board in March 2004.

Walter A. Dods, Jr. (65)

Mr. Dods has served as Chairman of BancWest Corporation, a bank holding company in Honolulu, Hawaii since January 2005. He has also served as Chairman of First Hawaiian Bank since 1989. Mr. Dods was Chairman and Chief Executive Officer of BancWest Corporation from 1998 through December 2004; Chairman and CEO of First Hawaiian Bank from 1989 to 1998; and President from 1984 to 1989. Mr. Dods serves on the Boards of Alexander & Baldwin, Inc., a diversified company with most of its operations centered in Hawaii, and subsidiary Matson Navigation Company, Inc., an ocean transportation and related shore side services company. He also serves on the Boards of Hawaiian Telcom Communications, Inc., Pacific Guardian Life Insurance Company and First Insurance Company of Hawaii, Ltd. and the privately held companies, Servco Pacific, Inc. and Grace Pacific Corporation. Mr. Dods is the Hawaii Chairman of the Japan-Hawaii Economic Council and also serves on the boards of various community and non-profit organizations. Mr. Dods has been a director of the Company since October 2004.

Fred E. Trotter III (76)

Mr. Trotter has served as President of F. E. Trotter Inc., a business consulting firm in Honolulu, Hawaii since 1991. He was a Trustee of The Estate of James Campbell, a private trust, in Honolulu, Hawaii, from 1970 to 1991. Mr. Trotter is a director of the privately held company Waterhouse Inc. He is a member of the Executive Committee of JAIC-Shinrai Venture Capital, Investment, Ltd., a Japanese limited partnership. Mr. Trotter serves on the board of the Aloha Council Boy Scouts of America and various other community organizations. Mr. Trotter has extensive experience in agribusiness and property management in Hawaii. Mr. Trotter has been a director of the Company since 1992.

**Class Two Directors Nominees for election at the Annual Meeting of Shareholders in 2007:**

Miles R. Gilburne (55)

Mr. Gilburne has served as a managing member of ZG Ventures LLC, a venture capital firm since January 2000. Mr. Gilburne served as Senior Vice President of corporate development for America Online, Inc. ( AOL ) and continued to serve on the board of Time Warner, Inc. until stepping down in May 2006. He currently serves on the board of directors of SRA, Inc., a publicly traded provider of technology and services to government markets, Pharmacyclics, Inc., a publicly traded drug discovery company, and several privately held technology and media companies. Mr. Gilburne is a founding director and vice chairman of ePals Foundation, and a member of the Board of Directors of the Foundation for the National Institutes of Health and The Washington Shakespeare Theatre.

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David A. Heenan (67)

Mr. Heenan has served as a Trustee of The Estate of James Campbell, a private trust in Honolulu, Hawaii since 1995. He was Chairman, President and Chief Executive Officer of Theo. H. Davies & Co., Ltd., the North American holding company for the Hong Kong-based Jardine Matheson from 1982 to 1995. Mr. Heenan is a director of Bank of Hawaii Corporation. He was Chairman of the Company's Board from May 2003 to March 2004. Mr. Heenan has been a director of the Company since 1999.

Kent T. Lucien (53)

Mr. Lucien has served as a Trustee of C. Brewer & Company, Ltd. and Subsidiaries, a privately held company headquartered in Honolulu, Hawaii, with operations in agriculture, real estate, and stevedoring since February 2006. He was Chief Executive Officer of Operations of C. Brewer and Co., Ltd. & Subsidiaries from May 2001 to January 2006; and Executive Vice President and Chief Financial Officer from 1991 to 2001. From 1991 to August 2001, he also was President and a Director of ML Macadamia Partners, a New York Stock Exchange listed master limited partnership, which farmed over 7,000 acres of macadamia orchards. Mr. Lucien serves on the boards of Bank of Hawaii Corporation, and Wailuku Water Company, LLC. Mr. Lucien has been a director of the Company since May 2004.

**Class Three Directors Terms expire in 2008:**

Duncan MacNaughton (63)

Mr. MacNaughton has served as Chairman of The MacNaughton Group/Poseiden Properties, Inc., a group of companies that includes real estate development, consulting and leasing since 1985. Mr. MacNaughton has extensive experience in real estate development as principal developer and/or owner of properties including Ainamalu residential subdivision, Kaanapali Royal resort condominiums, Costco Center at Bougainville Industrial Park, Pali Momi Medical Center, Waikele Center and Maui Marketplace, and the exclusive developer for Kmart Corporation's stores in Hawaii. Mr. MacNaughton serves on the boards of several privately held companies. Mr. MacNaughton has been a director of the Company since May 2004.

Warren H. Haruki (54)

Mr. Haruki has served as President and Chief Executive Officer of Grove Farm Company, Inc., a land development company located on Kauai, Hawaii since February 2005, and has been a Trustee of Parker Ranch Foundation Trust since March 2004. He was President of GTE Hawaiian Tel and Verizon Hawaii, communications providers, from 1991 to 2003. Mr. Haruki is on the Boards of the privately held companies, Parker Ranch, Inc., First Hawaiian Bank, Pacific Guardian Life Insurance Company, Hawaii Planing Mill, Ltd., Hawaii Superferry, Inc. and various non-profit organizations. Mr. Haruki was appointed to the Company's Board in March 2006 to fill the position left vacant by the resignation of Richard H. Cameron in May 2005.

**John H. Agee (58)**

Mr. Agee has served as Managing Director of Kulea LLC, a real estate investment firm since July 2006. He has served as Chief Financial Officer of the Dan and Stacey Case Family Foundation, a private foundation in Washington D.C. since September 2002. He was President and Chief Executive Officer of Ka Po'e Hana LLC, a private family investment entity from May 2000 to June 2006. Mr. Agee was President of Adler Management LLC from 1986 to January 2000. Mr. Agee serves on the Boards of the privately held companies, Cote Family Companies, Inc. and Grove Farm Company, Inc., and various community and non-profit organizations. Mr. Agee has been a director of the Company since 2001.

**Director Independence**

Both the listing standards of the American Stock Exchange and the Company's bylaws require that a majority of the Board be independent within the meaning of the listing standards of the American Stock Exchange. The Nominating and Governance Committee annually evaluates the independence of each director and nominee for director, based on the rules prescribed by the listing standards of the American Stock Exchange and an evaluation of the transactions, if any, between the Company and the other entities with whom the director has an affiliation. After completing its annual evaluation, the Nominating and Governance Committee concluded that Warren H. Haruki is not independent because of his position as Chief Executive Officer of Grove Farms Company, Inc., an entity that is principally owned by Stephen M. Case, a major shareholder of the Company. Therefore, the Board of Directors has affirmatively determined that all nominees for election to the Board at the Annual Meeting, and all continuing directors, are independent pursuant to Section 121 of the American Stock Exchange Company Guide, except for David C. Cole, the President and Chief Executive Officer of the Company, and Mr. Haruki.

**Board Meetings and Committees; Annual Meeting Attendance**

The Board of Directors has established three standing committees: the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee. The Board has approved a written charter for each of these committees, and each such charter is posted on the Company website at <http://mauland.com/>.

In 2006, the Board of Directors held six meetings, the Audit Committee held five meetings, the Compensation Committee held seven meetings and the Nominating and Governance Committee held one meeting. In 2006, all directors attended at least 75% of the aggregate meetings of the Board and committees on which they serve. The independent directors met three times in executive session in 2006. Board members are encouraged, but not required to attend the Company's Annual Meeting of Shareholders. The Company's 2006 Annual Meeting of Shareholders was attended by all directors.

*Audit Committee*

Members of the Audit Committee are Messrs. Lucien (Chairman), Gottlieb and Heenan. All of the Audit Committee members are independent from the Company and its management, as defined by the listing standards of the American Stock Exchange and by the rules of the Securities and Exchange Commission (SEC). The Board of Directors has determined that Mr. Lucien is an audit committee financial expert as defined in the rules and regulations of the SEC.

The Audit Committee is responsible for, among other things, monitoring the integrity of the Company's consolidated financial statements, its system of internal accounting controls and financial

reporting processes, and the overall performance of its internal auditors. The Audit Committee is also responsible for hiring, determining compensation for, and reviewing the independence and performance of, the Company's independent auditors. See *Audit Matters Report of the Audit Committee*.

#### *Compensation Committee*

The members of the Compensation Committee are Messrs. Dods (Chairman), MacNaughton and Trotter. Each of these directors is independent as defined by the applicable listing standards of the American Stock Exchange.

The Compensation Committee reviews and approves the compensation plans, salary recommendations and other matters relating to compensation of the executive officers and directors of the Company. Compensation recommendations regarding the executive officers (except for the President & CEO) and directors are generally provided to the Compensation Committee by Mr. Cole, the Company's President & CEO. The Compensation Committee has the sole authority over any non-equity compensation recommendations. However, equity compensation recommendations are presented to the full Board for ratification. The Compensation Committee generally retains the services of a compensation consultant to evaluate the compensation of the Company's executive officers and directors. The Compensation Committee has the sole authority to retain and terminate outside counsel and other outside experts or consultants, at the Company's expense, as deemed appropriate. See *Executive and Director Compensation Report of the Compensation Committee*.

#### *Nominating and Governance Committee*

The members of the Nominating and Governance Committee are Messrs. Heenan (Chairman), Agee and Dods. All of the Nominating and Governance Committee members are independent as defined by the listing standards of the American Stock Exchange.

The Nominating and Governance Committee identifies, evaluates, and recommends qualified candidates to the Board of Directors for nomination and election. The Nominating and Governance Committee's policy with respect to director candidates recommended by shareholders is that it will consider any such director candidates on the same basis as candidates identified by the Nominating and Governance Committee. Names and resumes of prospective directors should be addressed to Nominating and Governance Committee of Maui Land & Pineapple Company, Inc., c/o Corporate Secretary, 120 Kane Street, P.O. Box 187, Kahului, Hawaii 96733-6687. See *Shareholder Proposals And Nominations*.

The criteria that will be applied in evaluating any candidate considered by the Nominating and Governance Committee, including those recommended by shareholders, include whether or not the candidate:

- is familiar with the communities of Maui and Hawaii in general;
- possesses personal and professional integrity, sound judgment and forthrightness;
- has sufficient time and energy to devote to the Company's affairs;
- is willing to challenge and stimulate management and is able to work as part of a team in an environment of trust;
- has an open-minded approach to, and the resolve to independently analyze, matters presented for consideration;
- will add specific value by virtue of particular technical expertise, experience or skill relevant to the Company's business; and

- understands business and financial affairs and the complexities of a business organization. While a career in business is not essential, a nominee should have a proven record of competence and accomplishment through leadership in industry, non-profit organizations, the professions or government.

The Committee identifies nominees for positions on the Company's Board of Directors by requesting names of potential candidates from the other Board members and from the Company's executive officers.

The Committee is authorized by its charter to retain a third party search firm to identify potential nominees to the Board of Directors, but it did not do so in 2006. The Committee reviews resumes of the interested candidates and selects those that pass the initial screening for personal interviews. Each Committee member completes a ranking form that ranks all candidates interviewed and the directors standing for re-election. Based on the scores received by each individual, the nominees are selected for recommendation to the Board of Directors. Directors Heenan and Lucien are standing for re-election at the 2007 Annual Meeting of Shareholders. Mr. Heenan excused himself during discussions of his candidacy and current performance as a director. Mr. Gilburne was recommended to the Nominating and Governance Committee for consideration as a director by David C. Cole, Chairman, President and CEO of the Company.

#### Shareholder Communications with the Board of Directors

Shareholders wishing to submit written communications to the Board of Directors should address their communications to: Board of Directors of Maui Land & Pineapple Company, Inc., or to the specified individual director, c/o Corporate Secretary, 120 Kane Street, P.O. Box 187, Kahului, Hawaii 96733-6687. All such correspondence will be forwarded to the specified director or in the absence of such specification, to the Chairman of the Board.

#### Director Compensation

##### DIRECTOR COMPENSATION Year Ended December 31, 2006

| Name                                      | Fees Earned or Paid in Cash (\$) | Stock Awards(1) (\$) | Total (\$) | Number of Stock Awards Outstanding at FY End(2) |
|---|----------------------------------|----------------------|------------|---|
| John H. Agee                              | \$ 30,000                        | \$ 39,000            | \$ 69,000  | 1,250   |
| Walter A. Dods Jr.                        | \$ 30,000                        | \$ 36,719            | \$ 66,719  | 2,250   |
| Thomas M. Gottlieb                        | \$ 30,000                        | \$ 33,090            | \$ 63,090  | 250   |
| Warren H. Haruki                          | \$ 25,000                        | \$ 37,420            | \$ 62,420  | 1,250   |
| David A. Heenan                           | Royalty receivables              | 2,479                |            | 1,784 (695)                                     |
| Income taxes payable                      | 541                              | (474)                |            | 67  |
| Accounts payable                          | 3,010                            | (89)                 |            | 2,921   |
| Net cash provided by operating activities | 28,714                           | (9)                  |            | 28,705  |

#### Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for a fair statement have been included in this Form 10-Q. Operating results for the three and nine months ended March 31, 2009, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2009. These interim unaudited financial statements should be read in conjunction with the Company's Amended 10-K.

**Recently Adopted Accounting Pronouncements**

*Fair Value Measurements*

In September 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Statement No. 157, *Fair Value Measurements* ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 were adopted by the Company on July 1, 2008. The adoption of SFAS 157 during our first fiscal quarter of 2009 did not have a significant impact on the Company s consolidated financial statements. Refer to Note 10 for a discussion regarding the Company s fair value measurements as of March 31, 2009.

In February 2008, the FASB staff issued Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* ( FSP 157-2 ). FSP 157-2 delayed the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of FSP 157-2 are effective for the Company s fiscal year beginning July 1, 2009; however, the Company does not expect the provisions to have a material impact, if any, on our consolidated financial statements.

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*Fair Value Option for Financial Assets and Liabilities*

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( SFAS 159 ), which allows entities to choose to measure many financial instruments and certain other items at fair value, with the objective of improving financial reporting by mitigating volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of SFAS 159 were adopted July 1, 2008. The Company did not elect the Fair Value Option for any of its financial assets or liabilities and, therefore, the adoption of SFAS 159 had no impact on the Company's consolidated financial position, results of operations or cash flows.

*Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*

In June 2007, the Emerging Issues Task Force ( EITF ) reached consensus on Issue No. 06-11 *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*. EITF Issue No. 06-11 requires that the tax benefit related to dividend and dividend equivalents paid on equity-classified, non-vested shares and non-vested share units, which are expected to vest, be recorded as an increase to additional paid-in capital. EITF No. 06-11 was to be applied prospectively for tax benefits on dividends declared in our fiscal year beginning July 1, 2008. The adoption of EITF 06-11 had an insignificant impact on the Company's consolidated financial statements.

**Recently Issued Accounting Pronouncements**

In May 2008, the FASB issued Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, ( SFAS 162 ) which identifies the sources of accounting principles and the accounting framework for selecting the principles to be used in the preparation of financial statements of non-governmental entities that are presented in conformity with U.S. generally accepted accounting principles ( GAAP ). SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with GAAP*. The Company does not expect the adoption of SFAS 162 to have an impact on its consolidated financial statements.

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

In December 2007, the FASB issued Statement No. 141 (revised 2007), *Business Combinations* ( SFAS 141R ), which significantly changes the ways companies account for business combinations and will generally require more assets acquired and liabilities assumed to be measured at their acquisition date fair value. Under SFAS 141R, legal fees and other transaction-related costs are expensed as incurred and are no longer included in goodwill as a cost of acquiring the business. SFAS 141R also requires, among other things, acquirers to estimate the acquisition date fair value of any contingent consideration and to recognize any subsequent changes in the fair value of contingent consideration in earnings. In addition,

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restructuring costs the acquirer expected, but was not obligated to incur, will be recognized separately from the business acquisition. SFAS 141R is effective for the Company's fiscal year beginning July 1, 2009, and is to be applied prospectively. The Company is evaluating the impact, if any, the adoption of SFAS 141R could have on its consolidated financial statements.

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

## **2. ROYALTY ACQUISITION**

Effective October 1, 2008, the Company completed an acquisition of royalties from Barrick Gold Corporation ( Barrick ) for cash of approximately \$181.3 million, including a restructuring of its GSR2, GSR3 and NVR1 royalties at Cortez, valued at \$31.5 million, for net cash of approximately \$150.0 million. The transactions were completed pursuant to the Royalty Purchase and Sale Agreement dated July 30, 2008. The cash portion of the purchase price was paid from the Company's cash on hand.

We acquired royalties on 72 properties in various stages of production, development, evaluation and exploration. 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. Please refer to Note 3 for a further discussion on the key royalty assets acquired from Barrick.

The restructuring of Royal Gold's royalty positions at Cortez consisted of: (1) a reduction of the Company's GSR2 sliding-scale royalty (ranging from 0.72% to 9.0%) to match the current GSR1 sliding-scale royalty rate (ranging from 0.40% to 5.0%) and (2) the elimination of Royal Gold's interest in the 0.71% GSR3 royalty and the 0.39% NVR1 royalty on the mining claims that comprise the undeveloped Crossroads deposit. The GSR3 and NVR1 royalties that cover areas outside the Crossroads deposit at Cortez were not affected by this transaction. The Crossroads deposit continues to be subject to the Company's GSR2 royalty at the rate of 0.4% to 5.0%.

The acquisition of Barrick's royalty portfolio has been accounted for as an asset acquisition using the purchase method of accounting. The total purchase price of \$181.3 million, plus direct transaction costs of approximately \$3.2 million, has been allocated to the acquired royalty interests according to their relative fair values and is recorded as separate components of *Royalty Interests in Mineral Properties* on our consolidated balance sheets. The amounts allocated to the acquired royalty interests in mineral properties acquired from Barrick are preliminary and are subject to change upon completion of final valuations.

As part of the royalty restructuring, as discussed above, the Company recognized a gain of \$31.5 million during the fiscal quarter ended December 31, 2008. The restructured royalties were a nonmonetary exchange and the fair value of the restructured royalties was determined based on expected future cash flows. The Company's basis in the restructured royalties was zero thus giving rise to the \$31.5 million

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gain. The royalty restructuring gain has been recorded as *Gain on royalty restructuring* on the Company's consolidated statements of operations and comprehensive income.

**3. ROYALTY INTERESTS IN MINERAL PROPERTIES**

The following summarizes the Company's royalty interests in mineral properties as of March 31, 2009 and June 30, 2008.

| As of March 31, 2009 (Amounts in thousands):  | Cost       | Accumulated<br>Depletion | Net        |
|---|------------|--------------------------|------------|
| Production stage royalty interests:           |            |                          |            |
| Cortez  | \$ 10,630  | \$ (9,116)               | \$ 1,514   |
| Robinson                                      | 17,825     | (5,886)                  | 11,939     |
| Taparko                                       | 33,570     | (8,380)                  | 25,190     |
| Leeville                                      | 18,322     | (7,880)                  | 10,442     |
| Goldstrike                                    | 20,788     | (9,964)                  | 10,824     |
| Mulatos                                       | 34,214     | (4,175)                  | 30,039     |
| Peñasquito (oxide circuit)                    | 4,026      | (373)                    | 3,653      |
| Dolores                                       | 44,878     | (128)                    | 44,750     |
| Siguiri                                       | 10,946     | (2,381)                  | 8,565      |
| Allan   | 22,020     | (93)                     | 21,927     |
| Other   | 44,068     | (16,762)                 | 27,306     |
|   | 261,287    | (65,138)                 | 196,149    |
| Development stage royalty interests:          |            |                          |            |
| Peñasquito (sulfide circuit)                  | 95,146     |                          | 95,146     |
| Malartic                                      | 34,031     |                          | 34,031     |
| Pascua-Lama                                   | 20,446     |                          | 20,446     |
| Other   | 30,243     |                          | 30,243     |
|   | 179,866    |                          | 179,866    |
| Exploration stage royalty interests           | 90,267     |                          | 90,267     |
| Total royalty interests in mineral properties | \$ 531,420 | \$ (65,138)              | \$ 466,282 |

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| As of June 30, 2008 (Amounts in thousands):   | Cost       | Accumulated<br>Depletion | Net        |
|---|------------|--------------------------|------------|
| Production stage royalty interests:           |            |                          |            |
| Cortez  | \$ 10,630  | \$ (8,901)               | \$ 1,729   |
| Robinson                                      | 17,825     | (4,271)                  | 13,554     |
| Taparko                                       | 33,570     | (4,514)                  | 29,056     |
| Leeville                                      | 17,495     | (5,567)                  | 11,928     |
| Goldstrike                                    | 20,788     | (8,641)                  | 12,147     |
| Mulatos                                       | 7,442      | (1,439)                  | 6,003      |
| Peñasquito (oxide circuit)                    | 4,026      | (22)                     | 4,004      |
| Other   | 29,314     | (10,137)                 | 19,177     |
|   | 141,090    | (43,492)                 | 97,598     |
| Development stage royalty interests:          |            |                          |            |
| Peñasquito (sulfide circuit)                  | 95,146     |                          | 95,146     |
| Dolores                                       | 40,989     |                          | 40,989     |
| Pascua-Lama                                   | 20,446     |                          | 20,446     |
| Other   | 18,110     |                          | 18,110     |
|   | 174,691    |                          | 174,691    |
| Exploration stage royalty interests           | 28,652     | (271)                    | 28,381     |
| Total royalty interests in mineral properties | \$ 344,433 | \$ (43,763)              | \$ 300,670 |

As discussed in Note 2, effective October 1, 2008, the Company acquired a royalty portfolio from Barrick which consisted of 72 properties in various stages of production, development, evaluation or exploration.

Key royalty assets acquired from Barrick:

**Mulatos** A sliding-scale net smelter return ( NSR ) royalty on the Mulatos mine, located in Sonora, Mexico, and operated by a subsidiary of Alamos Gold, Inc. Prior to October 1, 2008, we owned a 0.30%-1.50% NSR sliding-scale royalty on the property. The acquisition of the Barrick royalty portfolio consolidated the Mulatos royalty and increased our royalty interest to a 1.0% to 5.0% sliding-scale NSR royalty. The royalty rate is 5.0% at a gold price of \$400 per ounce or higher.

The Mulatos royalty is currently in production and is classified as a production stage royalty interest, which is depleted using the units of production method. A portion (non-reserve) of our investment in Mulatos is classified as an exploration stage royalty interest, which is not subject to amortization. In the event that future proven and probable reserves associated with the non-reserve portion of our royalty interest is developed at Mulatos, additional cost basis of our royalty interest will be reclassified to a development stage or a production stage royalty interest in future periods, as appropriate.

**Malartic** A 2.0%-3.0% sliding-scale NSR royalty on the Canadian Malartic gold project, located in Quebec, Canada, and owned by Osisko Mining Corporation ( Osisko ). The royalty rate is 3.0% at a gold price of \$350 per ounce or higher. The Malartic royalty is associated with proven and probable reserves but is not currently in production and is therefore classified as a development stage royalty interest, which is not subject to amortization. The royalty is subject to a buy down right, which if exercised by Osisko would lower the sliding-scale NSR royalty to 1.0%-1.5%.



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**Siguiri** A sliding-scale NSR royalty currently paying 1.875% on the Siguiri gold mine, located in Guinea, West Africa, and operated by AngloGold Ashanti. The Siguiri royalty is currently in production and is classified as a production stage royalty interest, which is depleted using a units of production method.

**4. CREDIT FACILITY**

On October 30, 2008, the Company and its wholly-owned subsidiaries, High Desert Mineral Resources, Inc. ( High Desert ) and RG Mexico, Inc. ( RG Mexico ), entered into a Third Amended and Restated Credit Agreement (the Credit Agreement ) with HSBC Bank USA, National Association ( HSBC Bank ), as administrative agent and a lender, Scotiabanc Inc., as a lender, HSBC Securities (USA) Inc. ( HSBC Securities ), as sole lead arranger and Bank of Nova Scotia, as sole syndication agent. The Credit Agreement replaced the Company's \$80 million revolving credit facility with HSBC Bank.

The Credit Agreement provides the Company a \$125 million revolving credit facility with a maturity date of October 30, 2013. Borrowings under the credit facility will bear interest at a floating rate of LIBOR plus a spread ranging from 1.75% to 2.25%, based on the Company's leverage ratio (as defined). Unlike the prior credit facility, availability under the new credit facility is not limited by a borrowing base formula, therefore, the entire \$125 million is available under the new credit facility.

The royalties securing the new credit facility consist of the GSR1, GSR2, GSR3, and NVR1 royalties at Cortez and the royalties at Goldstrike, Leeville, Robinson, Dolores, Peñasquito and Mulatos (the Collateral Royalties ). In addition to the Collateral Royalties, the credit facility is secured by 100% of Royal Gold's equity interests in High Desert and RG Mexico and substantially all of the present and future personal property and assets of the Company, High Desert and RG Mexico. The Credit Agreement contains financial covenants requiring the Company to maintain a leverage ratio (as defined) of 3.0 to 1.0 or less, a minimum consolidated net worth (as defined) of not less than a base amount that increases according to cumulative positive net income, an interest coverage ratio (as defined) of at least 3.0 to 1.0, a current ratio (as defined) of at least 1.5 to 1.0 and a facility coverage ratio (as defined) of at least 1.25 to 1.0. As of March 31, 2009, the Company did not have any amounts outstanding under the credit facility.

**5. TERM LOAN FACILITY**

Royal Gold Chile Limitada ( RGCL ), a wholly-owned subsidiary of Royal Gold, had a \$15.75 million term loan outstanding bearing interest at LIBOR plus 0.25% pursuant to a Term Loan Agreement between RGCL and HSBC Bank. On August 27, 2008, RGCL entered into an Amended and Restated Term Loan Agreement ( Amended and Restated Agreement ) with HSBC Bank to amend the existing term loan facility. The Amended and Restated Agreement increased the maximum term loan principal amount from \$15.75 million to \$21.75 million, with such additional amounts available to be drawn at any time prior to October 1, 2008. Pursuant to the terms of the Amended and Restated Agreement, Royal Gold must maintain a restricted interest-bearing securities account (the Collateral Account ) on deposit at HSBC Securities with a balance equal to or in excess of the outstanding amounts on the term loan. Royal Gold entered into a Guarantee (the Guarantee ) for the life of the term loan, for the benefit of HSBC Bank to guaranty RGCL's obligations under the Amended and Restated Agreement and a security agreement granting HSBC Bank a security interest in the Collateral Account to secure RGCL's obligations under the Term Loan Agreement and its obligations under the Guarantee. The term loan will mature on March 1, 2012.

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On September 19, 2008, RGCL drew an additional \$3.5 million under the Amended and Restated Agreement and Royal Gold securitized RGCL's additional obligation under the Amended Agreement by depositing \$3.5 million into the Collateral Account. As of March 31, 2009, \$19.25 million was outstanding under the term loan facility. The \$2.5 million additional amount available to be drawn under the Amended Agreement expired on October 1, 2008. The \$19.25 million balance in the Collateral Account as of March 31, 2009, is recorded as *Restricted cash compensating balance* on the Company's consolidated balance sheets. RGCL's \$19.25 million principal obligation under the Amended and Restated Agreement is recorded as *Note payable* on the Company's consolidated balance sheets.

**6. STOCK-BASED COMPENSATION**

The Company recognized stock option and other stock-based compensation expense as follows:

|  | For The Three Months<br>Ended<br>(In thousands) |                      | For The Nine Months<br>Ended<br>(In thousands) |                      |
|--|---|----------------------|--|----------------------|
|  | March<br>31,<br>2009                            | March<br>31,<br>2008 | March<br>31,<br>2009                           | March<br>31,<br>2008 |
| Stock options                          | \$ 134  | \$ 312               | \$ 648   | \$ 942               |
| Stock appreciation rights              | 76  |                      | 124  |                      |
| Restricted stock                       | 450   | 262                  | 1,351  | 825                  |
| Performance stock                      | 14  | 153                  | 102  | 378                  |
| Total stock-based compensation expense | \$ 674  | \$ 727               | \$ 2,225                                       | \$ 2,145             |

Stock-based compensation expense is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income as summarized below:

|  | For The Three Months<br>Ended<br>(In thousands) |                      | For The Nine Months<br>Ended<br>(In thousands) |                      |
|--|---|----------------------|--|----------------------|
|  | March<br>31,<br>2009                            | March<br>31,<br>2008 | March<br>31,<br>2009                           | March<br>31,<br>2008 |
| Stock-based compensation expense allocation: |   |                      |  |                      |
| Cost of operations                           | \$ 115  | \$ 99                | \$ 300   | \$ 257               |
| General and administrative                   | 329   | 350                  | 1,261  | 1,159                |
| Exploration and business development         | 230   | 278                  | 664  | 729                  |
| Total stock-based compensation expense       | \$ 674  | \$ 727               | \$ 2,225                                       | \$ 2,145             |

There were no stock options granted during the three months ended March 31, 2009 and 2008. For the nine months ended March 31, 2009 and 2008, 24,000 and 110,500 stock options, respectively, were granted at an exercise price of \$30.96 and \$29.75, respectively. As of March 31, 2009, there was \$0.7 million of unrecognized compensation expense related to non-vested stock options, which is expected to be recognized over a weighted-average period of 1.6 years.

The total intrinsic value of options exercised during the three months ended March 31, 2009 and 2008 was \$0.03 million and \$1.6 million, respectively. The total intrinsic value of options exercised during the nine months ended March 31, 2009

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and 2008 was \$1.2 million and \$2.3 million, respectively. During the nine months ended March 31, 2009 and 2008, 96,500 and 99,517 stock options vested, respectively, at a weighted-average grant date fair value of \$12.83 and \$12.45, respectively.

There were no stock appreciation rights granted during the three months ended March 31, 2009. During the nine months ended March 31, 2009, 50,500 stock appreciation rights were granted at an exercise price of \$30.96, which equals the closing market price of the Company's common stock on the date of grant. No stock appreciation rights were granted during the three and nine months ended March 31, 2008. Stock appreciation rights granted vest based on one to three years of continuous service and have 10 year contractual terms and are settled in shares of Royal Gold common stock. As of March 31, 2009, there was \$0.5 million of unrecognized compensation expense related to non-vested stock appreciation rights, which is expected to be recognized over a weighted-average period of 1.4 years. There was no restricted stock granted during the three months ended March 31, 2009 and 2008. For the nine months ended March 31, 2009 and 2008, 96,500 and 87,500 shares of restricted stock, respectively, were granted at a grant date fair market value of \$30.96 and \$29.75, respectively. During the three and nine months ended March 31, 2009 and 2008, 23,166 and 10,625 shares of restricted stock, respectively, vested at a weighted-average grant date fair market value \$26.51 and \$29.59. As of March 31, 2009, there was \$5.2 million of unrecognized compensation expense related to non-vested restricted stock, which is expected to be recognized over a remaining average vesting period of 3.5 years.

There was no performance stock granted during the three months ended March 31, 2009 and 2008. For the nine months ended March 31, 2009 and 2008, 46,500 and 48,000 shares of performance stock, respectively, were granted at a grant date fair market value of \$30.96 and \$29.75, respectively. No performance shares vested during the three months ended March 31, 2009 and 2008. During the nine months ended March 31, 2009 and 2008, 9,000 shares of performance stock vested at a grant date fair market value of \$28.78. As of March 31, 2009, there was \$0.1 million of unrecognized compensation expense related to non-vested performance stock, which is expected to be recognized over a remaining estimated vesting period of 0.75 years.

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

|   | For The Three Months Ended March 31, 2009<br>(In thousands, except share data) |                         |                     |
|---|--|-------------------------|---------------------|
|   | Income<br>(Numerator)  | Shares<br>(Denominator) | Per-Share<br>Amount |
| Basic EPS                               |  |                         |                     |
| Income available to common stockholders | \$ 4,142   | 34,008,758              | \$ 0.12             |
| Effect of other dilutive securities     |  | 438,411                 |                     |
| Diluted EPS                             | \$ 4,142   | 34,447,169              | \$ 0.12             |

|   | For The Three Months Ended March 31, 2008<br>(In thousands, except share data) |                         |   |
|---|--|-------------------------|---|
|   | Income<br>(Numerator)<br>(As<br>Restated)                                      | Shares<br>(Denominator) | Per-Share<br>Amount<br>(As<br>Restated) |
| Basic EPS                               |  |                         |   |
| Net income                              | \$ 6,889   |                         |   |
| Preferred dividends                     | (3,584)  |                         |   |
| Income available to common stockholders | \$ 3,305   | 30,932,084              | \$ 0.11                                 |
| Effect of other dilutive securities     |  | 281,579                 |   |
| Diluted EPS                             | \$ 3,305   | 31,213,663              | \$ 0.11                                 |

|   | For The Nine Months Ended March 31, 2009<br>(In thousands, except share data) |                         |                     |
|---|---|-------------------------|---------------------|
|   | Income<br>(Numerator)   | Shares<br>(Denominator) | Per-Share<br>Amount |
| Basic EPS                               |   |                         |                     |
| Income available to common stockholders | \$ 31,289   | 33,965,171              | \$ 0.92             |
| Effect of other dilutive securities     |   | 437,380                 |                     |
| Diluted EPS                             | \$ 31,289   | 34,402,551              | \$ 0.91             |

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|   | For The Nine Months Ended March 31, 2008<br>(In thousands, except share data) |                         |   |
|---|---|-------------------------|---|
|   | Income<br>(Numerator)<br>(As<br>Restated)                                     | Shares<br>(Denominator) | Per-Share<br>Amount<br>(As<br>Restated) |
| Basic EPS                               |   |                         |   |
| Net income                              | \$ 17,037   |                         |   |
| Preferred dividends                     | (4,788)   |                         |   |
| Income available to common stockholders | \$ 12,249   | 29,808,962              | \$ 0.41                                 |
| Effect of other dilutive securities     |   | 325,926                 |   |
| Diluted EPS                             | \$ 12,249   | 30,134,888              | \$ 0.41                                 |

For the three and nine months ended March 31, 2009, all outstanding stock-based compensation awards were included in the computation of diluted EPS because the exercise price of the awards was less than the average market price of our common stock for the period.

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

**8. INCOME TAXES**

The following table summarizes the Company's income tax expense and effective tax rate for the three and nine months ended March 31, 2009 and 2008:

|                    | Three Months Ended March<br>31, |                          | Nine Months Ended March 31, |                          |
|--------------------|---------------------------------|--------------------------|-----------------------------|--------------------------|
|                    | 2009                            | 2008<br>(As<br>Restated) | 2009                        | 2008<br>(As<br>Restated) |
| (In thousands)     |                                 |                          |                             |                          |
| Income tax expense | \$(2,534)                       | \$(3,358)                | \$(17,660)                  | \$(8,362)                |
| Effective tax rate | 38.0%                           | 32.8%                    | 36.0%                       | 32.9%                    |

The material income tax returns the Company files are the U.S. federal income tax return, which has a three year statute of limitations, and the Colorado state income tax return, which has a four year statute of limitations. The U.S. federal return for tax years ended on or after June 30, 2006, and the Colorado state return for tax years ended on or after June 30, 2005, are subject to examination by the relevant taxing authority.

As of March 31, 2009, the Company's total unrecognized tax benefits were \$0.6 million for uncertain tax positions. The liability for unrecognized tax benefits is reflected within *Other long-term liabilities* on the Company's consolidated balance sheets.

Interest and penalties associated with the liability for unrecognized tax benefits is approximately \$0.1 million at March 31, 2009, and is included in *Other long-term liabilities* on the Company's consolidated balance sheets.

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**9. SEGMENT INFORMATION**

We manage our business under one operating segment, consisting of royalty acquisition and management activities. All of our assets and revenues are attributable to the royalty operating segment.

Royal Gold's royalty revenue and long-lived assets (royalty interests in mineral properties, net) are geographically distributed as shown in the following table.

|                       | Royalty Revenue                 |                          |                                |                          | Royalty Interests in Mineral Properties, net |                   |
|-----------------------|---------------------------------|--------------------------|--------------------------------|--------------------------|--|-------------------|
|                       | Three months ended<br>March 31, |                          | Nine months ended<br>March 31, |                          | As of<br>March<br>31,                        | As of<br>June 30, |
|                       | 2009                            | 2008<br>(As<br>Restated) | 2009                           | 2008<br>(As<br>Restated) | 2009   | 2008              |
| USA                   | 46%                             | 73%                      | 59%                            | 82%                      | 13%  | 18%               |
| Mexico                | 14%                             | 3%                       | 13%                            | 3%                       | 45%  | 55%               |
| Africa <sup>(1)</sup> | 33%                             | 17%                      | 20%                            | 10%                      | 8%   | 12%               |
| Canada                | 1%                              | 1%                       | 1%                             | 1%                       | 19%  | 2%                |
| Other                 | 6%                              | 6%                       | 7%                             | 4%                       | 15%  | 13%               |

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

**10. FAIR VALUE MEASUREMENTS**

The Company adopted the provision of SFAS 157 on July 1, 2007, with no significant impact on the Company's consolidated financial statements. SFAS 157 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 SFAS 157 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).

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The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy. The Company's financial liabilities are not within the scope of the provisions of SFAS 157.

|   | Fair Value at March 31, 2009<br>(In thousands) |           |         |         |
|---|--|-----------|---------|---------|
|   | Total  | Level 1   | Level 2 | Level 3 |
| Assets:                                     |  |           |         |         |
| Money market investments <sup>(1)</sup>     | \$ 44,738                                      | \$ 44,738 | \$      | \$      |
| Restricted cash                             | 19,250   | 19,250    |         |         |
| Marketable equity securities <sup>(2)</sup> | 182  | 182       |         |         |
|   | \$ 64,170                                      | \$ 64,170 | \$      | \$      |

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

(2) Included in *Other assets* in the Company's consolidated balance sheets.

The Company invests in money market funds, which are traded by dealers or brokers in active over-the-counter markets. The Company's money market funds, which are invested in United States treasury bills or United States treasury backed securities, are classified within Level 1 of the fair value hierarchy.

The Company's restricted cash, which is included in *Restricted cash - compensating balance* in the Company's consolidated balance sheets, is invested in a money market fund which is traded by dealers or brokers in an active over-the-counter market. The Company's restricted cash is classified within Level 1 of the fair value hierarchy.

The Company's marketable equity securities classified within Level 1 of the fair value hierarchy are valued using quoted market prices in active markets. The fair value of the Level 1 marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

As of March 31, 2009, the Company also had assets that, under certain conditions, are subject to measurement at fair value on a non-recurring basis like those associated with royalty interests in mineral properties, intangible assets and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition are applicable if any of these assets are determined to be impaired; however, no impairment losses have occurred relative to any of these assets during the nine months ended March 31, 2009. If recognition of these assets at their fair value becomes necessary, such measurements will be determined utilizing Level 3 inputs.

## **11. COMMITMENTS AND CONTINGENCIES**

### *Casmalia*

On March 24, 2000, the United States Environmental Protection Agency (EPA) notified Royal Gold and 92 other entities that they were considered potentially responsible parties (PRPs) under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (Superfund), at the Casmalia Resources Hazardous

Waste Disposal Site (the Site ) in Santa Barbara County, California. EPA's allegation that Royal Gold was a PRP was based on the disposal of allegedly hazardous petroleum exploration wastes at the Site by Royal Gold's predecessor, Royal Resources, Inc., during 1983 and 1984.

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After extensive negotiations, on September 23, 2002, Royal Gold, along with 35 members of the PRP group targeted by EPA, entered into a Partial Consent Decree with EPA and the United States Department of Justice intending to settle their liability for past and future clean-up costs incurred or expected to be incurred at the Site by the federal government. The United States District Court for the Central District of California entered the Partial Consent Decree on August 14, 2003. Based on the minimal volume of allegedly hazardous substances that Royal Resources, Inc. disposed of at the Site, which was characterized in volume as de minimis, our share of the \$25.3 million settlement amount was approximately \$0.1 million, which we deposited into the escrow account that the PRP group set up for that purpose in January 2002. The funds were paid to the United States Treasury on May 9, 2003 and the Partial Consent Decree was executed. As a result of the settlement, the United States of America may only pursue Royal Gold and the other PRPs for additional clean-up costs if the United States total clean-up costs at the Site significantly exceed the expected cost of approximately \$272 million.

Royal Gold also executed a de minimis party Administrative Order on Consent ( AOC ) with the State of California on January 15, 2009. The AOC will become effective after notice from the California Attorney General that the required 30-day public comment period has closed and that comments received, if any, do not require modifications to or withdrawal of the AOC by the State of California. It is not anticipated at this date that any such modifications or withdrawals will occur.

Under the terms of the federal Partial Consent Decree and the state AOC, we believe our potential liability with the United States of America, the State of California, and third parties to be effectively settled and any further exposure related to the Casmalia site to be a remote possibility.

*Holloway-Holt*

On October 1, 2008, as part of the Company s acquisition of a portfolio of royalties from Barrick , we acquired a royalty on a portion of the development stage Holloway-Holt mining project in Ontario, Canada, owned by St Andrew Goldfields Ltd. ( St Andrew ). St Andrew succeeded Newmont Canada Corporation ( Newmont Canada ) as owner of the Holloway-Holt mining project in November 2006. By virtue of the Company s acquisition of Barrick s royalty portfolio, RGLD Gold Canada, Inc. succeeded Barrick as the royalty payee under the royalty agreement.

On or about November 3, 2008, St Andrew filed an action in the Ontario Superior Court of Justice (the Court ) seeking, among other things, declarations by the Court that St Andrew s obligation in respect of the royalty is limited to only a portion of the total royalty payable, and that any additional royalty obligations under the royalty agreement remain the responsibility of Newmont Canada. Newmont Canada responded that St Andrew is responsible for all royalty obligations under the royalty agreement.

Barrick and we were joined as necessary parties to the litigation in January 2009. Trial concerning calculation of the royalty and the party or parties responsible for paying it was held from January 30, 2009 to February 12, 2009. The Court has not issued any findings, rulings, orders or opinions. The royalty is currently classified as a development stage royalty interest and the Company does not currently receive revenue from the royalty. At this time, the Company is unable to estimate the impact, if any, the litigation will have on the Company s consolidated financial statements.

**12. RELATED PARTY**

Crescent Valley Partners, L.P. ( CVP ) was formed as a limited partnership in April 1992. It owns a 1.25% net value royalty ( NVR1 ) on production of minerals from a portion of Cortez. Denver Mining Finance Company ( DMFC ), our wholly-owned subsidiary, is the general partner and holds a 2.0%

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interest in CVP. In addition, Royal Gold holds a 29.6% limited partner interest in the partnership, while our Chairman of the Board of Directors, the Chairman of our Audit Committee and one other member of our board of directors hold an aggregate 35.56% limited partner interest. The general partner performs administrative services for CVP in receiving and processing the royalty payments received from the operator including the disbursement of royalty payments and record keeping for in-kind distributions to the limited partners, including our directors and Chairman. Effective with the Barrick royalty portfolio acquisition (see Note 2), CVP assigned to Barrick the portion of CVP's royalty interests in the undeveloped Crossroads deposit at Cortez attributable to Royal Gold through its limited partnership interest in CVP and general partnership interest through DMFC. The portion transferred equaled a 0.3954% royalty interest. CVP's royalty interest outside the undeveloped Crossroads deposit was unaffected by the Barrick transaction.

CVP receives its royalty from the Cortez Joint Venture in-kind. The Company, as well as certain other limited partners, sell their pro-rata shares of such gold immediately and receive distributions in cash, while CVP holds gold for certain other limited partners. Such gold inventories, which totaled 26,377 ounces as of March 31, 2009, are held by a third party refinery in Utah for the account of the limited partners of CVP. The inventories are carried at historical cost and are classified as *Inventory - restricted* on the consolidated balance sheets. The carrying value of the gold in inventory was approximately \$11.0 million and \$11.2 million as of March 31, 2009 and June 30, 2008, respectively, while the fair value of such ounces was approximately \$24.2 million and \$25.6 million as of March 31, 2009 and June 30, 2008, respectively. None of the gold currently held in inventory as of March 31, 2009 and June 30, 2008, is attributed to Royal Gold's CVP partnership interest, as the gold allocated to Royal Gold is typically sold within five days of receipt.

**13. SUBSEQUENT EVENTS***Proposed Acquisition of Andacollo Production Interest*

On April 3, 2009, the Company entered into a definitive agreement ( *Master Agreement* ) with a Chilean subsidiary of Teck Resources Limited ( *Teck* ), Compañía Minera Carmen de Andacollo ( *CDA* ), to acquire an interest in the gold produced from the sulfide portion of the Andacollo project in Chile (the *Andacollo Production Interest* ). We refer to this as the *Teck Transaction*. The purchase price for the Andacollo Production Interest initially consisted of \$100 million in cash and 4,454,136 shares of the Company's common stock, \$0.01 par value per share ( *Common Stock* ) but was adjusted to \$217.9 million in cash and 1,204,136 shares based on the equity offering, as discussed below, completed by the Company. This adjustment is described further below. The initial number of shares to be issued was determined by dividing \$200 million by the volume weighted average price of the Company's Common Stock on the NASDAQ Global Select Market for the five day trading period that ended four trading days prior to the public announcement of the Teck Transaction.

The Andacollo Production Interest will equal 75% of the gold produced from the sulfide portion of the deposit at the Andacollo mine until 910,000 payable ounces of gold have been sold and 50% of the gold produced in excess of 910,000 payable ounces of gold. The mine, located about 34 miles southeast of the city of La Serena, Chile, produces copper from the oxide portion of the deposit and Teck is currently constructing facilities to produce both copper and gold from the sulfide portion of the deposit. The Andacollo Production Interest will not cover copper production. Royal Gold's obligation to close the Teck Transaction is subject to CDA's completion of marketing for a specified percentage of its concentrate production from the Andacollo mine, the condition that CDA's

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material government approvals are not withdrawn or challenged and satisfactory completion of certain limited due diligence, as well as other customary closing conditions. Either party may terminate the definitive agreement if the closing conditions are not met by October 30, 2009.

The Company is currently evaluating the accounting for the Teck Transaction and will complete the initial purchase accounting during the period in which the transaction closes.

*Equity Offering*

On April 14, 2009, we sold 6,500,000 shares of our common stock, at a price of \$38.00 per share, resulting in proceeds of approximately \$235.3 million, which is net of the underwriter's discount of approximately \$11.1 million and estimated transaction costs of approximately \$0.6 million. The net proceeds from the offering will be used primarily to pay the cash component of the Andacollo transaction, as discussed above. If the Andacollo transaction does not close, the net proceeds will be used for general corporate purposes and to fund acquisitions of additional royalty interests.

The underwriters of this equity offering were granted an option to purchase up to 975,000 additional shares of our common stock to cover any over-allotments. The over-allotment option period expired on May 7, 2009 and the over-allotment option was not exercised.

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

**Restatement**

As part of the Company's royalty monitoring program during the first fiscal quarter of 2009, Royal Gold identified a \$3.1 million overpayment with respect to the Company's GSR1 and GSR2 royalties at the Cortez Pipeline Mining Complex ( Cortez ), which the Company received and recognized as royalty revenues. The overpayment of the royalty was the result of the operator incorrectly including non-Royal Gold royalty production in the Company's quarterly GSR1 and GSR2 royalty payments commencing in January 2007 and continuing through fiscal year 2008.

The error that caused the overpayment of royalty payments was not timely identified by our controls and procedures in place and \$3.1 million was incorrectly recognized as royalty revenue, resulting in a material overstatement of royalty revenue for fiscal year 2008. On November 3, 2008, the Company's Audit Committee of the Board of Directors, in consultation with management, concluded that due to the error in accounting for royalty revenue, our previously issued consolidated financial statements as of and for the fiscal year ended June 30, 2008 and for each of the quarters comprising the fiscal year should no longer be relied upon and should be restated.

On November 6, 2008, the Company filed an amended Annual Report on Form 10-K/A ( Amended 10-K ) with the Securities and Exchange Commission restating the Company's annual consolidated financial statements for fiscal year 2008 and for each of the quarters comprising fiscal year 2008. The consolidated financial statements and related disclosures for the quarter ended March 31, 2008 have been restated in this report to reflect the revenue accounting error discussed above and this Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) gives effect to the restatement.

**General**

MD&A is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. We recommend that you read this MD&A in conjunction with our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as the Amended 10-K.

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

We refer to GSR, NSR, and other types of royalty interests throughout this MD&A. These terms are defined in our Amended 10-K.

**Overview**

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

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indications of interest, participation in preliminary discussions and involvement as a bidder in competitive auctions. The Company owns royalties on 27 producing properties, 9 development stage properties and over 80 exploration stage properties, of which the Company considers 25 to be evaluation stage projects. The Company uses evaluation stage to describe exploration stage properties that contain mineralized material and on which operators are engaged in the search for reserves. We do not conduct mining operations nor are we required to contribute to capital costs, exploration costs, environment costs or other operating costs on the properties in which we hold royalty interests. During the quarter ended March 31, 2009, we focused on the management of our existing royalty interests, the acquisition of royalty interests, and the creation of royalty interests through financing and strategic exploration alliances.

Our financial results are primarily tied to the price of gold and other metals, as well as production from our producing stage royalty interests. Royalty revenue for the quarter ended March 31, 2009 was \$20.8 million (which includes \$0.3 million of minority interest), compared to \$18.7 million (which includes \$0.1 million of minority interest) for the quarter ended March 31, 2008. For the quarter ended March 31, 2009 and 2008, the price of gold averaged \$908 per ounce and \$925 per ounce, respectively, while the price of copper averaged \$1.56 per pound and \$3.52 per pound, respectively. For the three months ended March 31, 2009, Royal Gold derived 89% of its total royalty revenue from gold royalties, 3% of its total royalty revenue from silver royalties and 8% of its total revenue from other metal royalties.

The increase in royalty revenue for the quarter ended March 31, 2009, compared with the quarter ended March 31, 2008, resulted primarily from production from the recently acquired Barrick royalty portfolio, an increase in production at Taparko and commencement of production at Peñasquito and Dolores. These increases were partially offset by a decrease in gold and copper prices and a decrease in production and negative provisional pricing adjustments at Robinson. Please refer to Recent Developments, Property Developments below within this MD&A for further discussion on recent developments regarding properties covered by certain of our royalty interests.

**Table of Contents****Principal Royalty Properties**

Our royalty portfolio includes gold royalties on properties owned by various operating companies across five continents. While the Company maintains a strong royalty presence in Nevada, a jurisdiction with a long history of successful gold mining, our principal producing and development royalty properties outside of the United States are primarily located in Canada (Malartic), Mexico (Peñasquito, Mulatos and Dolores), Chile (Pascua-Lama) and West Africa (Taparko and Siguiri). The Company also holds royalties on properties in Argentina, Australia, Bolivia, Colombia, Finland, Honduras, Nicaragua and Russia.

Our principal producing royalty interests are shown in the following table. Please refer to our Amended 10-K for further discussion on our principal producing royalty interests.

| <b>Mine</b>               | <b>Location</b>           | <b>Operator</b>                               | <b>Royalty<br/>(Gold unless otherwise stated)</b>  |
|---------------------------|---------------------------|---|--|
| Cortez                    | Nevada, USA               | Barrick                                       | GSR1: 0.40%-5.0%<br>sliding-scale GSR<br>GSR2 <sup>(1)</sup> : 0.40%-5.0%<br>sliding-scale GSR<br>GSR3 <sup>(1)</sup> : 0.71% GSR<br>NVR1 <sup>(1)</sup> : 0.39% NVR |
| Robinson                  | Nevada, USA               | Quadra Mining Ltd. ( Quadra )                 | 3.0% NSR (copper, gold, silver, molybdenum)  |
| Leeville Mining Complex   | Nevada, USA               | Newmont Mining Corporation ( Newmont )        | 1.8% NSR   |
| Goldstrike                | Nevada, USA               | Barrick                                       | 0.9% NSR   |
| Peñasquito <sup>(2)</sup> | Zacatecas, Mexico         | Goldcorp                                      | 2.0% NSR (gold and silver)   |
| Mulatos <sup>(3)</sup>    | Sonora, Mexico            | Alamos Gold, Inc. ( Alamos )                  | 1.0%-5.0% sliding-scale NSR  |
| Taparko <sup>(4)</sup>    | Burkina Faso, West Africa | High River Gold Mines Ltd. ( High River )     | 15% GSR (TB-GSR1) and a 0%-10% sliding-scale GSR (TB-GSR2)   |
| Siguiri <sup>(5)</sup>    | Guinea, West Africa       | AngloGold                                     | 0.0%-1.875% sliding-scale NSR  |
| Dolores                   | Chihuahua, Mexico         | Minefinders Corporation, Ltd. ( Minefinders ) | 1.25% NSR  |

<sup>(1)</sup> As part of the Barrick transaction, as discussed below within this MD&A, the GSR2 royalty

rate was reduced to match the royalty rate of GSR1 and the portion of the GSR3 and NVR1 royalties on the mining claims that comprise the undeveloped Crossroads deposit at Cortez was eliminated. The Crossroads deposit, currently in development stage, continues to be subject to the Company's GSR2 royalty at the reduced rate. The NVR1 royalty is a 1.25% NVR royalty. The Company owns 31.6% of the 1.25% NVR (or 0.39%), while our consolidated minority interest owns the remaining portion of the 1.25% NVR royalty.

- (2) The Peñasquito project consists of oxide and sulfide portions. The oxide portion of the deposit is currently in production. The sulfide portion

is classified as development stage as shown below and is estimated by Goldcorp to commence production in mid-calendar 2009 and reach commercial production by the end of calendar 2009.

- (3) As part of the Barrick transaction, as discussed below within this MD&A, the Mulatos sliding-scale royalty rate increased to 1.0%-5.0% from 0.30%-1.5%. The royalty is capped at 2.0 million gold ounces of production. Approximately 370,000 cumulative ounces of gold have been produced as of March 31, 2009.
- (4) TB-GSR1 will remain in effect until cumulative production of 804,420 ounces of gold is achieved or until cumulative payments of \$35 million have been made

to Royal Gold, whichever occurs first. TB-GSR2 will remain in effect until the termination of TB-GSR1. As of March 31, 2009, we have recognized approximately \$8.8 million in royalty revenue associated with TB-GSR1, which is attributable to cumulative production of approximately 67,000 ounces of gold.

- (5) Royalty acquired as part of the Barrick transaction, as discussed below within this MD&A. The Siguirí royalty is subject to a dollar cap of approximately \$12.0 million. As of March 31, 2009, approximately \$9.3 million remains under the cap.

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Our principal development royalties are shown in the following table and are not yet in production. Please refer to our Amended 10-K for further discussion on our principal development stage royalty interests.

| <b>Mine</b>                     | <b>Location</b>      | <b>Operator</b>                         | <b>Royalty<br/>(Gold unless otherwise stated)</b>                  |
|---------------------------------|----------------------|---|--|
| Peñasquito<br>(sulfide circuit) | Zacatecas, Mexico    | Goldcorp                                | 2.0% NSR (gold, silver, lead and zinc)                             |
| Dolores <sup>(1)</sup>          | Chihuahua,<br>Mexico | Minefinders                             | 2.0% NSR (gold and silver)   |
| Pascua-Lama <sup>(2)</sup>      | Region III, Chile    | Barrick                                 | 0.16%-1.08% sliding-scale NSR 0.22%<br>fixed rate royalty (copper) |
| Malartic <sup>(3)</sup>         | Quebec, Canada       | Osisko Mining Corporation<br>( Osisko ) | 2.0%-3.0% sliding-scale NSR  |

(1) Royalty becomes effective once the facility reaches 75% of commercial production. Minefinders announced on May 7, 2009 that it has achieved commercial production at Dolores effective May 1, 2009.

(2) Barrick announced on May 7, 2009 that it will proceed with construction at Pascua-Lama. Please refer to Recent Developments, Property Developments below for further

discussion.

- (3) Royalty acquired as part of the Barrick transaction, as discussed below within this MD&A. The royalty is subject to a buy down right, which if exercised by Osisko would lower the sliding-scale NSR royalty to 1.0%-1.5%.

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

**Table of Contents****Operators Production Estimates by Royalty for Calendar 2009**

We received production estimates from the operators of our producing mines during the first calendar quarter of 2009. The following table shows such production estimates for our principal producing properties for calendar 2009 as well as the actual production reported to us by the various operators for the quarter ended March 31, 2009. The estimates and production reports are prepared by the operators of the mining properties. We do not participate in the preparation or calculation of the operators' estimates or production reports and have not independently assessed or verified the accuracy of such information.

## Operators Production Estimate by Royalty for Calendar 2009 and Reported Production

## Principal Producing Properties

For the period January 1, 2009 through March 31, 2009

| Royalty                    | Calendar 2009 Operator's Production Estimate <sup>(1)</sup> |              |               | Reported Production through March 31, 2009 <sup>(2)</sup> |              |               |
|----------------------------|---|--------------|---------------|---|--------------|---------------|
|                            | Gold (oz.)  | Silver (oz.) | Copper (lbs.) | Gold (oz.)  | Silver (oz.) | Copper (lbs.) |
| Cortez GSR1                | 345,296   |              |               | 58,273  |              |               |
| Cortez GSR2 <sup>(3)</sup> | 614   |              |               | 5,683   |              |               |
| Cortez GSR3 <sup>(3)</sup> | 345,910   |              |               | 63,956  |              |               |
| Cortez NVR1 <sup>(3)</sup> | 72,863  |              |               | 34,239  |              |               |
| Robinson                   | 100,000   |              | 140 million   | 30,257  |              | 34.5 million  |
| Leeville                   | 426,212   |              |               | 106,767   |              |               |
| Goldstrike                 | 440,879   |              |               | 136,733   |              |               |
| Peñasquito <sup>(4)</sup>  | 70,000  | 2.3 million  |               | 12,027  | 0.6 million  |               |
| Mulatos                    | 145,000   |              |               | 41,871  |              |               |
| Dolores <sup>(5)</sup>     | N/A   | N/A          |               | 14,169  |              |               |
| Taparko <sup>(5)</sup>     | N/A   |              |               | 22,963  |              |               |
| Siguiri                    | 300,000   |              |               | 79,836  |              |               |

(1) There can be no assurance that production estimates received from our operators will be achieved. Please refer to our cautionary language regarding forward looking statements following this MD&A, as well as the Risk Factors identified herein and in Part I, Item 1A, of our

Amended 10-K  
for information  
regarding  
factors that  
could affect  
actual results.

- (2) Reported  
production  
relates to the  
amount of metal  
sales, subject to  
our royalty  
interests, for the  
period  
January 1, 2009  
through  
March 31, 2009,  
as reported to us  
by the operators  
of the mines.
  
- (3) As part of the  
royalty  
acquisition  
transaction  
between Royal  
Gold and  
Barrick, as  
discussed below  
in this MD&A,  
GSR2 was  
reduced to  
match the  
royalty rate of  
GSR1 and the  
portion of the  
GSR3 and  
NVR1 royalties  
on the mining  
claims that  
comprise the  
undeveloped  
Crossroads  
deposit at  
Cortez were  
eliminated.  
None of the  
production  
estimates shown  
are attributable

to the  
Crossroads  
deposit, which  
is in  
development  
stage.

- (4) Reported production estimate relates to the oxide circuit. The sulfide portion is classified as development stage as shown above and is estimated by Goldcorp to commence production in mid-calendar 2009 and reach commercial production by the end of calendar 2009.
- (5) Production estimates have not yet been finalized by the operator.

**Table of Contents****Recent Developments****Business Developments***Proposed Acquisition of Andacollo Production Interest*

On April 3, 2009, the Company entered into a definitive agreement ( *Master Agreement* ) with a Chilean subsidiary of Teck Resources Limited ( *Teck* ), Compañía Minera Carmen de Andacollo ( *CDA* ), to acquire an interest in the gold produced from the sulfide portion of the Andacollo project in Chile (the *Andacollo Production Interest* ). We refer to this transaction throughout this report as the *Teck Transaction*. The purchase price for the Andacollo Production Interest initially consisted of \$100 million in cash and 4,454,136 shares of the Company's common stock, \$0.01 par value per share ( *Common Stock* ) but was adjusted to \$217.9 million in cash and 1,204,136 shares based on the equity offering (as discussed further under *Liquidity and Capital Resources* within this MD&A) completed by the Company. The initial number of shares to be issued was determined by dividing \$200 million by the volume weighted average price of the Common Stock on the NASDAQ Global Select Market for the five day trading period that ended four trading days prior to the public announcement of the purchase of the Teck Transaction.

The Andacollo Production Interest will equal 75% of the gold produced from the sulfide portion of the deposit at the Andacollo mine until 910,000 payable ounces of gold have been sold and 50% of the gold produced in excess of 910,000 payable ounces of gold. The mine, located about 34 miles southeast of the city of La Serena, Chile, produces copper from the oxide portion of the deposit and Teck is currently constructing facilities to produce both copper and gold from the sulfide portion of the deposit. The Andacollo Production Interest will not cover copper production. Proven and probable reserves estimated by the operator for the sulfide portion are 393.5 million tonnes with a grade of 0.39% copper and 0.13 g/t gold. This equates to 1.6 million contained ounces of gold. Reserves were estimated by the operator using a copper price of \$1.50 per pound and a gold price of \$480 per ounce. Gold will be produced as a by-product of copper production, with a gold recovery rate estimated by the operator to be approximately 61%. Once the mine is in full production, the operator expects the mill to have a capacity of 55,000 tonnes per day. The operator estimates that the mine will produce on average approximately 53,000 ounces of gold and 76,000 tonnes of copper in concentrate annually for the first 10 years of commercial production, with an estimated mine life of 20 years. The mine is estimated by the operator to begin initial production of gold in the fourth quarter of calendar 2009, with ramp up continuing into 2010. The operator anticipates commercial production at the mine to be achieved in the first half of calendar 2010.

Royal Gold's obligation to close the Teck Transaction is subject to CDA's completion of concentrate marketing for a specified percentage of its concentrate production from the Andacollo mine, the condition that CDA's material government approvals are not withdrawn or challenged and satisfactory completion of certain limited due diligence to Royal Gold, as well as other customary closing conditions. Either party may terminate the definitive agreement if the closing conditions are not met by October 30, 2009.

The Company is currently evaluating the accounting for the Teck Transaction and will complete the initial purchase accounting during the period in which the transaction closes.

*Acquisition of Barrick Royalty Portfolio*

Effective October 1, 2008, the Company completed its acquisition of royalties from Barrick for cash of approximately \$181.3 million, including a restructuring of the Company's GSR2, GSR3 and NVR1 royalties at Cortez, valued at \$31.5 million, for net cash of approximately \$150 million. The transactions were completed pursuant to the Royalty Purchase and Sale Agreement ( *the Agreement* ) dated

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July 30, 2008. The cash portion of the purchase price for the transaction was paid from the Company's cash on hand. We acquired royalties on 72 properties in various stages of production, development, evaluation and exploration. 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.

The restructuring of Royal Gold's royalty positions at Cortez consisted of: (1) a reduction of the Company's GSR2 sliding-scale royalty (ranging from 0.72% to 9.0%) to match the current GSR1 sliding-scale royalty rate (ranging from 0.40% to 5.0%) and (2) the elimination of Royal Gold's interest in the 0.71% GSR3 royalty and the 0.39% NVR1 royalty on the mining claims that comprise the undeveloped Crossroads deposit. The GSR3 and NVR1 royalties that cover areas outside the Crossroads deposit at Cortez were not affected by this transaction. The Crossroads deposit continues to be subject to the Company's GSR2 royalty at the rate of 0.4% to 5.0%.

The royalty portfolio acquired from Barrick has generated approximately \$3.9 million in royalty revenue to the Company for the three months ended March 31, 2009 and approximately \$7.9 million since the acquisition of the Barrick royalty portfolio on October 1, 2008. The key assets in the Barrick royalty portfolio include the following properties:

**Mulatos** A sliding-scale NSR royalty currently paying 3.5% on Alamos' Mulatos mine. Prior to October 1, 2008, we owned a 0.30%-1.50% sliding-scale NSR royalty on the property. This acquisition consolidated the Mulatos royalty and increased our royalty interest to a 1.0%-5.0% sliding-scale NSR royalty. At current commodity prices, the Mulatos royalty is 5.0%. As a result of the acquisition, the Company recognized approximately \$1.3 million in additional royalty revenue from Mulatos during the three months ended March 31, 2009 and approximately \$2.4 million since the acquisition of the Barrick royalty portfolio on October 1, 2008. The royalty is capped at 2.0 million gold ounces of production and approximately 370,000 cumulative gold ounces have been produced through March 31, 2009;

**Malartic** A 2.0%-3.0% sliding-scale NSR royalty on the Canadian Malartic gold project, owned by Osisko. Osisko announced the completion of a positive feasibility study resulting in proven and probable reserves of 202 million tons of ore, at a grade of 0.031 ounces per ton, containing 6.28 million ounces of gold, of which 4.7 million is subject to our royalty interest. Osisko estimated that gold production over the life of the mine will be approximately 591,000 ounces annually. The royalty is subject to a buy down right and is classified as a development stage royalty interest on the Company's consolidated balance sheets. If the buy down right is exercised by Osisko, the sliding-scale NSR royalty would be reduced to 1.0%-1.5%; and

**Siguiri** A sliding-scale NSR royalty currently paying 1.875% on the Siguiri gold mine in Guinea, West Africa, operated by AngloGold Ashanti. The Company recognized approximately \$1.3 million in royalty revenue from Siguiri during the three months ended March 31, 2009 and approximately \$2.5 million since the acquisition of the Barrick royalty portfolio on October 1, 2008. The royalty is capped on a dollar basis and approximately \$9.3 million remains under the cap as of March 31, 2009.

Please refer to Note 2 of the notes to consolidated financial statements for further discussion on the acquisition of the Barrick royalty portfolio.

*Amended and Restated Credit Facility*

On October 30, 2008, the Company entered into a Third Amended and Restated Credit Agreement (the "Credit Agreement") with HSBC Bank USA National Association ("HSBC Bank"), Scotiabanc Inc.

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( Scotiabanc ), and The Bank of Nova Scotia ( Bank of Nova Scotia ) which, among other things, increased the Company's existing credit facility from \$80 million to \$125 million and extended the maturity date to October 30, 2013. As of March 31, 2009, the Company did not have any amounts outstanding under the credit facility. Refer to Liquidity and Capital Resources below within this MD&A for further discussion on the Credit Agreement.

**Property Developments***Taparko*

The Taparko mine commenced gold production in August 2007 and has contributed approximately \$14.0 million in royalty revenue (from TB-GSR1 and TB-GSR2) since production commenced. Reserve characteristics, mining activity, and gold recovery performance has been near feasibility study estimates. However, mill performance has suffered since start-up due to problems associated with the grinding mill drive-train and production ceased on June 11, 2008. A new gear box to correct the mill problems was installed on October 29, 2008, and operations at Taparko re-commenced on November 4, 2008. In January 2009 and March 2009, High River completed further maintenance to improve mill performance. Despite the mill only achieving 68% availability, production for the quarter was higher than any prior comparable period, resulting in approximately 23,000 ounces in sales during the period.

Pursuant to the Amended and Restated Funding Agreement dated February 22, 2006 (the Funding Agreement) between Royal Gold, Inc. and Somita SA ( Somita ), a 90% owned subsidiary of High River and the operator of Taparko, Somita is in breach of certain obligations under the Funding Agreement. The Company has invested \$35 million for the development of the Taparko mine under the Funding Agreement. As security for the Company's investment in Somita, two of High River's subsidiaries have pledged their equity interests in Somita and High River (West Africa) Ltd., the corporate parent of Somita. The pledge will remain in effect until certain production and performance standards have been attained at the Taparko mine. In addition, Royal Gold obtained as collateral a pledge of shares of certain equity investments in public companies held by High River. The collateral will remain in effect until project completion and attainment of certain production or performance standards at the Taparko mine. On November 21, 2008, High River announced the closing of an equity financing with Lybica Holding B.V., an affiliate of ZAO Severstal Resources, the mining division of OAO Severstal ( Severstal ). As a result of the equity financing, Severstal indirectly holds approximately 53% of High River common stock. Royal Gold has not agreed to forbear pursuing any of its remedies under the Funding Agreement or other agreements with High River and its affiliates. High River has recently announced that its ability to continue as a going concern depends on, among other things, its ongoing discussions with its lenders and obtaining additional financing.

*Cortez*

A portion of our revenue decrease at Cortez was attributable to the restructuring of the GSR2 royalty, from a range of 0.72% to 9.0%, to match the current GSR1 sliding-scale rate, which ranges from 0.40% to 5.0%, resulting in a decrease in royalty revenue of approximately \$0.2 million and \$1.0 million for the three and nine months ended March 31, 2009, respectively. The decrease in royalty revenue at Cortez was also due to a decrease in production. The production decrease was due primarily to lower grades being mined during the current period. Barrick has announced that they expect production to improve as higher grade material is mined.

*Robinson*

Royalty revenue from the 3.0% NSR royalty at Robinson, pursuant to the Robinson royalty agreement, is recognized based upon three percent of revenue received by the operator of the mine, Quadra, for the sale of minerals from the Robinson mine, reduced by certain costs incurred by Quadra. Quadra's concentrate

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sales contracts with third-party smelters, in general, provide for a provisional payment based upon assays and quoted metal prices at the date of shipment. Final true up payments are subsequently based upon final assays and market metal prices set on a specified future date. Under current sales contracts between Quadra and its third party smelters, final pricing for copper sales is generally set at least four months after the date of shipment.

Royal Gold recognizes royalty revenue under the Robinson royalty agreement based on amounts contractually due pursuant to the calculations above for the underlying sale. In the event there are significant pricing variations between the provisional and final settlement periods in copper, and to a lesser extent, gold and silver, royalty revenue recognized by the Company on the Robinson royalty will be positively or negatively impacted.

During the three months ended March 31, 2009, we recognized approximately \$1.8 million in royalty revenue at Robinson compared to \$4.4 million during the three months ended March 31, 2008. The decrease in royalty revenue at Robinson was attributable to a decrease in copper and gold prices, a decrease in copper sales and negative final pricing adjustments. During the three months ended March 31, 2009 and 2008, the average price of copper was \$1.56 and \$3.52 per pound, respectively, while the average price of copper during the three months ended December 31, 2008 and September 30, 2008, was \$1.79 and \$3.49, respectively. This significant decrease in the price of copper during our second and third fiscal quarters of 2009 resulted in Quadra having significant negative final pricing adjustments.

Furthermore, during the three months ended March 31, 2009, copper sales at Robinson were approximately 34.5 million pounds compared to 38.9 million pounds during the three months ended March 31, 2008, which resulted in lower royalty revenue for the period.

The negative final pricing adjustments impacted our royalty revenue by approximately \$0.2 million and \$3.3 million during the three months ended March 31, 2009 and December 31, 2008, respectively. Royal Gold may be subject to negative (or positive) pricing adjustments in future periods depending on the price of copper at the time of settlement when compared to price of copper at the shipment date.

*Pascua-Lama*

Barrick announced on May 7, 2009, that Pascua-Lama will proceed to construction. Barrick has received key construction permits and environmental approvals and Chile and Argentina have reached a tax agreement on the mine. Barrick expects commissioning in late 2012 with production in early 2013. Barrick has announced forecasted average annual production of 750,000 – 800,000 ounces of gold in the first five years.

*Holloway-Holt*

On October 1, 2008, as part of the Company's acquisition of a portfolio of royalties from Barrick, we acquired a royalty on a portion of the development stage Holloway-Holt mining project in Ontario, Canada, owned by St Andrew Goldfields Ltd. ( "St Andrew" ). St Andrew succeeded Newmont Canada Corporation ( "Newmont Canada" ) as owner of the Holloway-Holt mining project in November 2006. By virtue of the Company's acquisition of Barrick's royalty portfolio, RGLD Gold Canada, Inc. succeeded Barrick as the royalty payee under the royalty agreement.

On or about November 3, 2008, St Andrew filed an action in the Ontario Superior Court of Justice (the "Court" ) seeking, among other things, declarations by the Court that St Andrew's obligation in respect of the royalty is limited to only a portion of the total royalty payable, and that any additional royalty obligations under the royalty agreement remain the responsibility of Newmont Canada. Newmont Canada responded that St Andrew is responsible for all royalty obligations under the royalty agreement.

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Barrick and we were joined as necessary parties to the litigation in January 2009. Trial concerning calculation of the royalty and the party or parties responsible for paying it was held from January 30, 2009 to February 12, 2009. The Court has not issued any findings, rulings, orders or opinions. The royalty is currently classified as a development stage royalty interest and the Company does not currently receive revenue from the royalty. At this time, the Company is unable to estimate the impact, if any, the litigation will have on the Company's consolidated financial statements.

**Table of Contents****Results of Operations****Quarter Ended March 31, 2009, Compared to Quarter Ended March 31, 2008**

For the quarter ended March 31, 2009, we recorded net earnings of \$4.1 million, or \$0.12 per basic and diluted share, as compared to net earnings of \$6.9 million, or \$0.11 per basic and diluted share (after adjustments for preferred stock dividends), for the quarter ended March 31, 2008. The decrease in our net earnings was primarily due to an increase in depreciation, depletion and amortization as further discussed below.

For the quarter ended March 31, 2009, we recognized total royalty revenue of \$20.8 million (which includes \$0.3 million of minority interest), at an average gold price of \$908 per ounce and an average copper price of \$1.56 per pound, compared to royalty revenue of \$18.7 (which includes \$0.1 million of minority interest) million, at an average gold price of \$925 per ounce and an average copper price of \$3.52 per pound for the quarter ended March 31, 2008. The increase in royalty revenue for the quarter ended March 31, 2009, compared with the quarter ended March 31, 2008, resulted primarily from production from the recently acquired Barrick royalty portfolio, an increase in production at Taparko and commencement of production at Benso, Peñasquito and Dolores. These increases were partially offset by a decrease in gold and copper prices, a decrease in production and a reduction in our GSR2 royalty rate at Cortez and a decrease in production and negative provisional pricing adjustments at Robinson. Royalty revenue and the corresponding production, attributable to our royalty interests, for the quarter ended March 31, 2009 compared to the quarter ended March 31, 2008 is as follows:

## Royalty Revenue and Production Subject to Our Royalty Interests

Quarter Ended March 31, 2009 and 2008

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

|                              |                      | Three Months Ended<br>March 31, 2009 |                                       | Three Months Ended<br>March 31, 2008 |                                       |
|------------------------------|----------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| Royalty                      | Metal(s)/<br>Element | Royalty<br>Revenue                   | Reported<br>Production <sup>(1)</sup> | Royalty<br>Revenue                   | Reported<br>Production <sup>(1)</sup> |
| Taparko <sup>(2)</sup>       | Gold                 | \$ 5,091                             | 22,963 oz.                            | \$ 3,132                             | 14,224 oz.                            |
| Cortez <sup>(3)</sup>        | Gold                 | \$ 3,758                             | 63,956 oz.                            | \$ 5,313                             | 116,749 oz.                           |
|                              |                      |                                      |                                       | (As<br>Restated)                     |                                       |
| Mulatos <sup>(4)</sup>       | Gold                 | \$ 1,875                             | 41,871 oz.                            | \$ 449                               | 32,081 oz.                            |
| Robinson <sup>(5)</sup>      |                      | \$ 1,849                             |                                       | \$ 4,384                             |                                       |
|                              | Gold                 |                                      | 30,257 oz.                            |                                      | 32,313 oz.                            |
|                              | Copper               |                                      | 34.5 million<br>lbs.                  |                                      | 38.9 million<br>lbs.                  |
| Leeville                     | Gold                 | \$ 1,731                             | 106,767 oz.                           | \$ 1,865                             | 113,685 oz.                           |
| Siguiri <sup>(6)</sup>       | Gold                 | \$ 1,292                             | 79,836 oz.                            | N/A                                  | N/A                                   |
| Goldstrike                   | Gold                 | \$ 1,114                             | 136,733 oz.                           | \$ 1,195                             | 145,369 oz.                           |
| Peñasquito (oxide)           |                      | \$ 361                               |                                       | N/A                                  | N/A                                   |
|                              | Gold                 |                                      | 12,027 oz.                            | N/A                                  | N/A                                   |
|                              | Silver               |                                      | 0.6 million<br>oz.                    | N/A                                  | N/A                                   |
| Dolores <sup>(7)</sup>       | Gold                 | \$ 161                               | 14,169 oz.                            | N/A                                  | N/A                                   |
| Other <sup>(8)</sup>         | Various              | \$ 3,565                             | N/A                                   | \$ 2,393                             | N/A                                   |
| <b>Total Royalty Revenue</b> |                      | <b>\$20,797</b>                      |                                       | <b>\$18,731</b>                      |                                       |
|                              |                      |                                      |                                       | (As<br>Restated)                     |                                       |

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- (1) Reported production relates to the amount of metal sales, subject to our royalty interests, for the three months ended March 31, 2009 and March 31, 2008, as reported to us by the operators of the mines.
  
- (2) Refer to Recent Developments, Taparko Developments as discussed earlier within this MD&A for a further discussion on recent developments at Taparko. Our TB-GSR1 royalty at Taparko will remain in effect until cumulative production of 804,420 ounces of gold is achieved or until cumulative payments of \$35 million have been made to Royal Gold, whichever occurs first. Our TB-GSR2 royalty will remain in effect until the

termination of TB-GSR1. As of March 31, 2009, we have recognized approximately \$8.8 million in royalty revenue associated with TB-GSR1, which is attributable to cumulative production of approximately 67,000 ounces of gold.

- (3) As part of the Barrick transaction, as discussed earlier within this MD&A, the GSR2 royalty rate was reduced to match the royalty rate of GSR1, or 5.0% at current prices, resulting in a decrease in royalty revenue of approximately \$0.2 million during the period.
- (4) As part of the Barrick transaction, as discussed earlier within this MD&A, the Mulatos sliding-scale royalty rate increased to 5.0% from

1.5%, at current prices, resulting in additional royalty revenue of approximately \$1.3 million during the period.

(5) Refer to Recent Developments, Property Developments, Robinson as discussed earlier within this MD&A for a further discussion on recent developments at Robinson.

(6) Royalty acquired in October 2008 as part of the Barrick transaction, as discussed earlier within this MD&A. The Siguiri royalty is subject to a dollar cap of approximately \$12.0 million. As of March 31, 2009, approximately \$9.3 million remains under the cap.

(7) Production began during the fourth quarter of calendar 2008.

- (8) Other includes all of the Company's non-principal producing royalties, of which no individual royalty contributed greater than 5% of our total royalty revenue for the period. Royalties included in the Other category that were acquired in the Barrick transaction in October 2008 contributed aggregate royalty revenue of approximately \$1.0 million during the three months ended March 31, 2009, not including royalty revenue from Siguirí and Mulatos, which are shown in the table. The remaining royalties in the Other category contributed aggregate royalty revenue of approximately \$2.6 million during the three months ended March 31, 2009, compared to \$2.4 million

during the three months ended March 31, 2008.

Of this royalty revenue, Benso contributed approximately \$0.6 million, El Chanate contributed approximately \$0.5 million and Troy contributed approximately \$0.5 million during the current period, compared to \$0, \$0.2 million and \$0.7 million for the prior period, respectively.

Please refer to Recent Developments, Property Developments earlier within this MD&A for a further discussion on recent developments regarding properties covered by certain of our royalty interests.

Cost of operations increased to \$1.2 million for the quarter ended March 31, 2009, compared to \$1.0 million for the quarter ended March 31, 2008. The increase was primarily due to an increase in legal fees associated with our royalty interests of approximately \$0.4 million. The increase was partially offset by a decrease in the Nevada Net Proceeds Tax expense, which resulted primarily from a decrease in royalty revenue from Robinson and Cortez.

General and administrative expenses decreased to \$1.8 million for the quarter ended March 31, 2009, from \$2.0 million for the quarter ended March 31, 2008. The decrease was primarily due to the elimination of the non-recurring general corporate costs associated with the Company's conversion of all of its issued and outstanding preferred stock in January 2008.

Exploration and business development expenses decreased to \$0.7 million for the quarter ended March 31, 2009, from \$0.8 million for the quarter ended March 31, 2008. The decrease is due to a decrease in tax consulting services for business development activities during the period.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of \$674 and \$727 million for the quarters ended March 31, 2009 and 2008, respectively. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. Please refer to Note 6 of the notes to consolidated financial statements for further discussion of the allocation of non-cash stock compensation for the quarter ended March 31, 2009 and 2008.

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Depreciation, depletion and amortization increased to \$10.0 million for the quarter ended March 31, 2009, from \$5.9 million for the quarter ended March 31, 2008. Depletion from the Barrick royalties acquired in October 2008 contributed approximately \$2.7 million in additional depletion during the period. Increased production at Taparko resulted in additional depletion of approximately \$1.1 million. Properties that recently began production, which included Benso, Peñasquito and Dolores, contributed approximately \$0.8 million in additional depletion during the period. These increases were partially offset by a decrease in production at Robinson, Troy and Leeville, which resulted in a decrease in depletion of approximately \$0.5 million.

Interest and other income decreased to \$1.1 million for the quarter ended March 31, 2009, from \$1.7 million for the quarter ended March 31, 2008. The decrease is primarily due to a decrease in our invested cash and a significant decrease in interest rates associated with our invested cash. The decrease was partially offset by a \$1.0 million gain on a distribution of *Inventory restricted* to a minority interest holder.

During the quarter ended March 31, 2009, we recognized income tax expense totaling \$2.5 million compared with \$3.4 million during the quarter ended March 31, 2008. This resulted in an effective tax rate of 38.0% in the current period, compared with 32.8% in the prior period. The increase in our effective tax rate is the result of the increase in the amount of foreign losses, associated with our foreign subsidiaries, for which no tax benefit is currently recognized.

**Nine Months Ended March 31, 2009, Compared to Nine Months Ended March 31, 2008**

For the nine months ended March 31, 2009, we recorded net earnings of \$31.3 million, or \$0.92 per basic share and \$0.91 per diluted share, as compared to net earnings of \$17.0 million, or \$0.41 per basic share and \$0.41 per diluted share (after adjustments for preferred stock dividends), for the nine months ended March 31, 2008. The increase in our earnings per share during the period was primarily due to the one-time royalty restructuring gain of \$31.5 million as part of the Barrick royalty acquisition, as discussed earlier in this MD&A. The effect of the one-time royalty restructuring gain was \$0.60 per basic share, after taxes.

For the nine months ended March 31, 2009, we recognized total royalty revenue of \$51.5 million (which includes \$0.8 million of minority interest), at an average gold price of \$859 per ounce and an average copper price of \$2.29 per pound, compared to royalty revenue of \$45.9 million (which includes \$0.7 million of minority interest), at an average gold price of \$796 per ounce and an average copper price of \$3.43 per pound for the nine months ended March 31, 2008. The increase in royalty revenue for the nine months ended March 31, 2009, compared with the nine months ended March 31, 2008, resulted primarily from an increase in the average gold price, production from the recently acquired Barrick royalty portfolio, an increase in production at Leeville, Goldstrike, Mulatos and El Chanate mines, and commencement of production at Benso, Peñasquito and Dolores. These increases were partially offset during the period by a decrease in production and a reduction in our GSR2 royalty rate at Cortez and a decrease in royalty revenue at Robinson due to the negative provisional pricing adjustments, which resulted from the sharp decrease in copper prices during our second and third fiscal quarters of 2009. Royalty revenue and the corresponding production, attributable to our royalty interests, for the nine months ended March 31, 2009 compared to the nine months ended March 31, 2008 is as follows:

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Royalty Revenue and Production Subject to Our Royalty Interests  
 Nine Months Ended March 31, 2009 and 2008  
 (In thousands, except reported production ozs. and lbs.)

|                              | Metal(s) /<br>Element | Nine Months Ended<br>March 31, 2009 |                                       | Nine Months Ended<br>March 31, 2008 |                                       |
|------------------------------|-----------------------|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
|                              |                       | Royalty<br>Revenue                  | Reported<br>Production <sup>(1)</sup> | Royalty<br>Revenue                  | Reported<br>Production <sup>(1)</sup> |
| Cortez <sup>(2)</sup>        | Gold                  | \$ 11,770                           | 190,057 oz.                           | \$ 16,920<br>(As<br>Restated)       | 391,087 oz.                           |
| Taparko <sup>(3)</sup>       | Gold                  | \$ 6,490                            | 30,585 oz.                            | \$ 4,622                            | 23,022 oz.                            |
| Robinson <sup>(4)</sup>      | Gold                  | \$ 5,363                            | 90,588 oz.                            | \$ 11,089                           | 85,470 oz.                            |
|                              | Copper                |                                     | 104.1 million<br>lbs.                 |                                     | 100.3 million<br>lbs.                 |
| Leeville                     | Gold                  | \$ 5,362                            | 352,264 oz.                           | \$ 3,964                            | 261,817 oz.                           |
| Goldstrike                   | Gold                  | \$ 4,527                            | 597,299 oz.                           | \$ 3,637                            | 516,053 oz.                           |
| Mulatos <sup>(5)</sup>       | Gold                  | \$ 3,949                            | 121,732 oz.                           | \$ 1,028                            | 84,427 oz.                            |
| Siguiri <sup>(6)</sup>       | Gold                  | \$ 2,505                            | 161,267 oz.                           | N/A                                 | N/A                                   |
| Peñasquito (oxide)           | Gold                  | \$ 839                              | 26,967 oz.                            | N/A                                 | N/A                                   |
|                              | Silver                |                                     | 1.7 million oz.                       | N/A                                 | N/A                                   |
| Dolores <sup>(7)</sup>       | Gold                  | \$ 185                              | 16,609 oz.                            | N/A                                 | N/A                                   |
| Other <sup>(8)</sup>         | Various               | \$ 10,509                           | N/A                                   | \$ 4,684                            | N/A                                   |
| <b>Total Royalty Revenue</b> |                       | <b>\$51,499</b>                     |                                       | <b>\$45,944</b><br>(As<br>Restated) |                                       |

(1) Reported production relates to the amount of metal sales, subject to our royalty interests, for the nine months ended March 31, 2009 and March 31, 2008, as reported to us by the operators of the mines.

(2) As part of the Barrick transaction, as

discussed earlier within this MD&A, the GSR2 royalty rate was reduced to match the royalty rate of GSR1, or 5% at current prices, resulting in a decrease in royalty revenue of approximately \$1.0 million during the period.

- (3) Refer to Recent Developments, Taparko Developments as discussed earlier within this MD&A for a further discussion on recent developments at Taparko. Our TB-GSR1 royalty at Taparko will remain in effect until cumulative production of 804,420 ounces of gold is achieved or until cumulative payments of \$35 million have been made to Royal Gold, whichever occurs first. Our TB-GSR2 royalty will remain in effect until the

termination of TB-GSR1. As of March 31, 2009, we have recognized approximately \$8.8 million in royalty revenue associated with TB-GSR1, which is attributable to cumulative production of approximately 67,000 ounces of gold.

- (4) Refer to Recent Developments, Robinson Developments as discussed earlier within this MD&A for a further discussion on recent developments at Robinson.
  
- (5) As part of the Barrick transaction, as discussed earlier within this MD&A, the Mulatos sliding-scale royalty rate increased to 5.0% from 1.5%, at current prices, resulting in additional royalty revenue of approximately \$2.4 million during the period.

(6) Royalty acquired in October 2008 as part of the Barrick transaction, as discussed earlier within this MD&A. The Siguiri royalty is subject to a dollar cap of approximately \$12.0 million. As of March 31, 2009, approximately \$9.3 million remains under the cap.

(7) Royalty acquired in December 2007 and began production during the fourth quarter of calendar 2008.

(8) Other includes all of the Company's non-principal producing royalties as of March 31, 2009 and 2008. Individually, no royalty included within Other attributed greater than 5% of our total royalty revenue for the period. Royalties included in

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the Other category that were acquired in the Barrick transaction in October 2008 contributed aggregate royalty revenue of approximately \$2.7 million during the nine months ended March 31, 2009, not including royalty revenue from Siguiri and Mulatos, which are shown in the table. The remaining royalties in the Other category contributed aggregate royalty revenue of approximately \$7.8 million during the nine months ended March 31, 2009, compared to \$4.7 million during the nine months ended March 31, 2008. Of this royalty revenue, Troy contributed approximately \$2.0 million, El Chanate contributed approximately \$1.8 million and Benso contributed

approximately  
\$1.0 million  
during the  
current period,  
compared to  
\$1.7 million,  
\$0.2 million and  
\$0 for the prior  
period,  
respectively.

Please refer to Recent Developments, Property Developments earlier within this MD&A for a further discussion on recent developments regarding properties covered by certain of our royalty interests.

Cost of operations decreased to \$2.6 million for the nine months ended March 31, 2009, compared to \$2.7 million for the nine months ended March 31, 2008. The decrease was primarily due to a decrease in the Nevada Net Proceeds Tax expense, which resulted primarily from a decrease in royalty revenue from Robinson and Cortez. This decrease was partially offset by an increase in legal fees associated with our royalty interests.

General and administrative expenses increased to \$5.6 million for the nine months ended March 31, 2009, from \$5.5 million for the nine months ended March 31, 2008. The increase was primarily due to an increase in non-cash stock-based compensation expense allocated to general and administrative expense during the period.

Exploration and business development expenses decreased to \$2.4 million for the nine months ended March 31, 2009, from \$3.3 million for the nine months ended March 31, 2008. The decrease is due to a decrease in legal, tax and consulting services for business development activities during the period.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of \$2.2 million for the nine months ended March 31, 2009, compared to \$2.1 million for the nine months ended March 31, 2008. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. Please refer to Note 6 of the notes to consolidated financial statements for further discussion of the allocation of non-cash stock compensation for the nine months ended March 31, 2009 and 2008.

Depreciation, depletion and amortization increased to \$22.9 million for the nine months ended March 31, 2009, from \$11.9 million for the nine months ended March 31, 2008. Depletion from the Barrick royalties acquired in October 2008 contributed approximately \$5.3 million in additional depletion during the period. Increased production at Taparko, Leeville, Goldstrike and Troy resulted in additional depletion of approximately \$1.9 million. Properties that recently began production, which included Peñasquito, Dolores, Benso and El Chanate, contributed approximately \$2.0 million in additional depletion during the period.

Interest and other income decreased to \$2.2 million for the nine months ended March 31, 2009, from \$5.7 million for the nine months ended March 31, 2008. The decrease is primarily due to a decrease in our invested cash and a significant decrease in interest rates associated with our invested cash. The decrease was partially offset by a \$1.0 million gain on a distribution of *Inventory - restricted* to a minority interest holder.

During the nine months ended March 31, 2009, we recognized income tax expense totaling \$17.7 million compared with \$8.4 million during the nine months ended March 31, 2008. This resulted in an effective tax rate of 36.0% in the current period, compared with 32.9% in the prior period. The increase in our effective tax rate is the result of the royalty restructuring gain as part of the Barrick royalty portfolio acquisition, as discussed earlier in this MD&A, and an increase in the amount of foreign losses for which no tax benefit is currently recognized.

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**Liquidity and Capital Resources**

**Overview**

At March 31, 2009, we had current assets of \$72.3 million compared to current liabilities of \$10.6 million for a current ratio of 7 to 1. This compares to current assets of \$211.0 million and current liabilities of \$8.9 million at June 30, 2008, resulting in a current ratio of approximately 24 to 1. The decrease in our current ratio is primarily due to a decrease in cash and equivalents as a result of the acquisition of the Barrick royalty portfolio during the nine months ended March 31, 2009. On October 2, 2008, we used \$150 million in net cash on hand for the Barrick acquisition, as discussed earlier within this MD&A.

During the nine months ended March 31, 2009, liquidity needs were met from \$51.5 million in royalty revenues (including \$0.8 million of minority interest), our available cash resources and interest and other income of \$1.2 (which is net \$1.0 million of minority interest) million.

At March 31, 2009, our cash and equivalents as shown on the consolidated balance sheets were primarily held in money market accounts which are invested in United States treasury bills or United States treasury backed securities. We are not invested in auction rate securities. The Company has not experienced any losses related to these balances and management believes its credit risk to be minimal.

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

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

**Recent Liquidity and Capital Resource Developments**

*Proposed Acquisition of Andacollo Production Interest*

As further discussed earlier within this MD&A under Recent Developments, Business Developments, the Company entered into a Master Agreement with a Chilean subsidiary of Teck, CDA, to acquire the Andacollo Production Interest. The purchase price for the Andacollo Production Interest, as adjusted based on our equity offering completed on April 14, 2009, consists of \$217.9 million in cash and 1,204,136 shares of the Company's Common Stock.

*Equity Offering*

On April 14, 2009, we sold 6,500,000 shares of our common stock, at a price of \$38.00 per share, resulting in proceeds of approximately \$235.3 million, which is net of the underwriter's discount of approximately \$11.1 million and transaction costs of approximately \$0.6 million. The net proceeds from the offering will be used primarily to pay the cash component of the Teck Transaction, as discussed above and within this MD&A under Recent Developments. If the Teck Transaction does not close, the net proceeds will be used for general corporate purposes and to fund acquisitions of additional royalty interests.

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The underwriters of this equity offering were granted an option to purchase up to 975,000 additional shares of our common stock to cover any over-allotments. The over-allotment option period ended May 7, 2009 and the over-allotment option was not exercised.

### *Acquisition of Barrick Royalty Portfolio*

Effective October 1, 2008, the Company completed its acquisition of royalties from Barrick for net cash of approximately \$150 million and a restructuring of the Company's GSR2, GSR3 and NVR1 royalties at Cortez. The cash portion of the purchase price for the transaction was paid from the Company's cash on hand on October 1, 2008. Please refer to Recent Developments Acquisition of Barrick Royalty Portfolio within this MD&A for further discussion on this transaction.

### *Credit Facility Amendment*

On October 30, 2008, the Company and its wholly-owned subsidiaries, High Desert Mineral Resources, Inc. ( High Desert ) and RG Mexico, Inc. ( RG Mexico ), entered into a Third Amended and Restated Credit Agreement (the Credit Agreement ) with HSBC Bank, Scotiabanc and Bank of Nova Scotia as lenders. The Credit Agreement replaced the Company's \$80 million revolving credit facility with HSBC Bank.

The Credit Agreement provides the Company a \$125 million revolving credit facility with a maturity date of October 30, 2013. Borrowings under the credit facility will bear interest at a floating rate of LIBOR plus a spread ranging from 1.75% to 2.25%, based on the Company's leverage ratio (as defined). Unlike the prior credit facility, availability under the new credit facility is not limited by a borrowing base formula, and \$125 million is available under the new credit facility.

The royalties securing the new credit facility consist of the GSR1, GSR2, GSR3, and NVR1 royalties at Cortez and the royalties at Goldstrike SJ Claims, Leeville, Robinson, Dolores, Peñasquito and Mulatos (the Collateral Royalties ). In addition to the Collateral Royalties, the credit facility is secured by 100% of Royal Gold's equity interests in High Desert and RG Mexico and substantially all of the present and future personal property and assets of the Company, High Desert and RG Mexico. The Credit Agreement contains financial covenants requiring the Company to maintain a leverage ratio (as defined) of 3.0 to 1.0 or less, a minimum consolidated net worth (as defined) of not less than a base amount that increases according to cumulative positive net income, an interest coverage ratio (as defined) of at least 3.0 to 1.0, a current ratio (as defined) of at least 1.5 to 1.0 and a facility coverage ratio (as defined) of at least 1.25 to 1.0.

As of March 31, 2009, the Company did not have any amounts outstanding under the credit facility.

### *Common Stock Dividend Increase*

On November 4, 2008, the Company's board of directors approved an increase in the Company's annual (calendar year) common stock dividend from \$0.28 per share to \$0.32 per share, payable on a quarterly basis of \$0.08 per share of common stock, beginning with the quarterly dividend paid on January 16, 2009.

### **Recently Adopted and Issued Accounting Pronouncements**

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

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**Forward-Looking Statements**

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

changes in gold and other metals prices on which our royalties are paid or metals which are the primary deposit mined at our royalty properties;

the production at or performance of our producing royalty properties;

decisions and activities of the operators of our royalty properties;

the ability of operators to bring projects into production and operate in accordance with feasibility studies;

liquidity or other problems our operators may encounter, such as those recently occurred at High River with respect to the Taparko project;

unanticipated grade and geological, metallurgical, processing or other problems at the properties;

changes in project parameters as plans of the operators are refined;

changes in estimates of reserves and mineralization by the operators of our royalty properties;

economic and market conditions;

future financial needs;

federal, state and foreign legislation governing us or the operators of our royalty properties;

the availability of royalties for acquisition or other acquisition opportunities and the availability of debt or equity financing necessary to complete such acquisitions;

our ability to make accurate assumptions regarding the valuation, timing and amount of royalty payments when making acquisitions;

risks associated with conducting business in foreign countries, including application of foreign laws to contract and other disputes, environmental laws and enforcement and uncertain political and economic environments;

risks associated with issuances of substantial additional common stock or incurrence of substantial indebtedness in connection with acquisitions or otherwise;

satisfaction or waiver of the closing conditions to the proposed acquisition of an interest in the gold production from the Andacollo mine described herein and the closing thereof;

completion of construction and commencement and continuation of production at the Andacollo mine; and

changes to management and key employees;

as well as other factors described elsewhere in this report and other reports filed with the SEC. Most of these factors are beyond our ability to predict or control. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements. We

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disclaim any obligation to update any forward-looking statement made herein. Readers are cautioned not to put undue reliance on forward-looking statements.

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

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

During the nine month period ended March 31, 2009, we reported royalty revenues of \$51.5 million, with an average gold price for the period of \$859 per ounce and an average copper price of \$2.29 per pound. Approximately 84% of our total recognized revenues for the nine months ended March 31, 2009, were attributable to gold sales from our gold producing royalty interests, as shown within the MD&A. For the nine months ended March 31, 2009, if the price of gold had averaged higher or lower by \$50 per ounce, we would have recorded an increase or decrease in revenues of approximately \$2.5. Approximately 11% of our total recognized revenues for the nine months ended March 31, 2009, were primarily attributable to copper sales. For the nine months ended March 31, 2009, if the price of copper had averaged higher or lower by \$0.50 per pound, we would have recorded an increase or decrease in revenues of approximately \$1.9 million, respectively.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

As of March 31, 2009, the Company's management, with the participation of the President and Chief Executive Officer and its Chief Financial Officer and Treasurer of the Company, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based on such evaluation, the Company's President and Chief Executive Officer and its Chief Financial Officer and Treasurer have concluded that, as of March 31, 2009, 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 by 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.

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**Changes in Internal Control over Financial Reporting**

There has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2009, that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Not applicable.

**ITEM 1A. RISK FACTORS**

Information regarding risk factors appears in Item 2 MD&A Forward-Looking Statements, and various risks faced by us are also discussed elsewhere in Item 2 MD&A of this Quarterly Report on Form 10-Q. In addition, risk factors are included in Part I, Item 1A of our Amended 10-K and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended December 31, 2008.

The following risk factors have materially changed since such reports:

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

We are engaged in a continual review of opportunities to acquire existing royalties, to create new royalties through the financing of mining projects or to acquire companies that hold royalty assets. We currently, and generally at any time, have acquisition opportunities in various stages of active review, including, for example, our engagement of consultants and advisors to analyze particular opportunities, analysis of technical, financial and other confidential information, submission of indications of interest, obtaining debt commitments for acquisition financing, participation in preliminary discussions, and involvement as a bidder in competitive auctions. Any such acquisition could be material to us and could significantly increase the size and scope of our business. In such event, we could issue substantial amounts of common stock or incur substantial additional indebtedness to fund the acquisition. For example, we will issue 1,204,136 shares of common stock to CDA in connection with the Teck Transaction. This, and other issuances, would dilute the ownership of our existing stockholders and may reduce our earnings per share. In addition, we may consider opportunities to restructure our royalties where we believe such restructuring would provide a long-term benefit to the Company, though such restructuring may reduce near-term revenues. For example, we restructured our royalties at Cortez in connection with the Barrick royalty portfolio acquisition, which reduced our royalty revenue from Cortez during the three and nine months ended March 31, 2009 by approximately \$0.2 million and \$1.0 million, respectively, though we believe such restructuring makes development at the Crossroads deposit, on which we have a royalty interest, more attractive to the operator. We could enter into one or more acquisition or restructuring transactions at any time.

***Anticipated federal legislation could decrease our royalty revenues.***

In recent years, the United States Congress has considered a number of proposed major revisions to the General Mining Law of 1872 (the General Mining Law), which governs the creation, maintenance and possession of mining claims and related activities on federal public lands in the

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United States. Two such proposals are currently pending. Bills H.R. 699 and S. 796 were introduced in the Congress in January and April 2009, respectively. H.R. 699 would, if enacted, impose a royalty payable to the U.S. Government on existing and future production of minerals from unpatented mining claims in the United States, render certain federal lands unavailable for the location of unpatented mining claims, afford greater public involvement and regulatory discretion in the mine permitting process, provide for citizen suits against miners operating on federal lands, and impose new and stringent environmental operating standards and mined land reclamation requirements in addition to those already in effect.

If enacted, S. 796 would, among other things, impose a royalty on production of minerals from unpatented mining claims (except that production from permitted operations producing in commercial quantities on the date of enactment, which would be grandfathered), impose a land use fee on all federal lands included in mining permits, impose an abandoned mine land reclamation fee on all hardrock mining operations, afford greater public involvement and regulatory discretion in the mine permitting process and in determining appropriate financial assurance for completion of reclamation obligations, render certain federal lands unavailable for the location of unpatented mining claims, and impose new mined land reclamation requirements in addition to those already in effect.

If enacted, legislation such as H.R. 699 and S. 796 could adversely affect the development of new mines and the expansion of existing mines, as well as increase the cost of all mining operations on federal lands, perhaps materially and adversely affecting mine operators and, therefore, our royalty revenue.

The effect of any revision of the General Mining Law on our royalty interests in the United States cannot be determined conclusively until such revision, if any, is enacted and challenges to the legislation, if any, have been finally resolved. In addition, a number of the properties on which we have royalties are located on U.S. federal lands that are subject to federal mining and other public land laws. Changes in such laws or regulations promulgated under such laws could affect mine development and expansion and significantly increase regulatory obligations and compliance costs with respect to mine development and mine operations, which could adversely affect our royalty revenue from such properties. By way of example, if a royalty, assessment, production tax, or other levy imposed on and measured by production is charged to the operator at Cortez, which is largely located on U.S. federal lands, the amount of that charge would be deducted from gross proceeds for calculation of our GSR1, GSR2 and GSR3 royalties, which would reduce our royalty revenues from these royalty interests.

Additional risks that Royal Gold may face as a result of the Teck Transaction are set forth below.

***The closing of the Teck Transaction is subject to closing conditions, and there can be no assurance the closing conditions will be met.***

There is no assurance that the Teck Transaction will be completed. The closing of the Teck Transaction is subject to satisfaction or waiver of certain conditions, including the condition that the operator, CDA, enter into certain concentrate marketing of its production from the Andacollo project and a condition in both Royal Gold's and CDA's favor that CDA's material governmental approvals are not withdrawn or challenged (or such action threatened). CDA will be precluded from exercising the condition regarding governmental approvals if Royal Gold waives the condition and waives its rights to indemnification from CDA with respect to such governmental approvals. Either party may terminate the definitive agreement if closing conditions are not satisfied or waived by October 30, 2009.

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***Even if the Teck Transaction is completed, the Andacollo Production Interest may not produce the anticipated royalty revenue.***

Even if the Teck Transaction is completed, there can be no assurance that the production interest we acquire on the Andacollo project will produce the anticipated royalty revenue. The success of the Andacollo project depends upon, among other factors, the ability of the operator to complete the construction of the mine and mill facilities for the sulfide portion of the deposit at the project, the ability of the operator to bring the project into production, the price of copper, the availability of resources necessary to construct and operate the project, including adequate water supply and rights of way, and receipt and maintenance of necessary environmental and other permits to operate the project. While we understand that the required air, water and other environmental permits are currently held by CDA, there are proceedings involving CDA's permitting matters that CDA expects to be resolved in its favor. There can be no assurance that developments in the political or regulatory environment will not require CDA to take further action, and incur additional costs, to maintain its permits or obtain other permits in order to complete development or to operate the project. The failure to maintain or obtain such permits could materially and adversely affect the anticipated benefits of the Teck Transaction.

The Andacollo project is a copper mine with gold produced as a by-product. Our production interest, once acquired, will cover only the gold produced from the sulfide portion of the Andacollo project. Consequently, if the price of copper drops, the operator may curtail or delay construction of the sulfide portion or may close operations at the mine site. Copper prices have declined significantly during 2008 and the first calendar quarter 2009 and have been volatile as a result of the current economic downturn.

If the Teck Transaction is completed, the failure of the Andacollo project to produce anticipated royalty revenues may materially and adversely affect our financial condition, results of operations, cash flows and the other benefits we expect to achieve from the Teck Transaction.

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

Not applicable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

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

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

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**ITEM 6. EXHIBITS**

**Exhibit**

**Number Description**

- |      |  |
|------|--|
| 10.1 | Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.01 to the Company's Current Report on Form 8-K on November 13, 2006) entered into by Royal Gold, Inc. and William Zisch on March 26, 2009. |
| 31.1 | Certification of President and Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 31.2 | Certification of Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 32.1 | Written Statement of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| 32.2 | Written Statement of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |

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**SIGNATURES**

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

**ROYAL GOLD, INC.**

Date: May 11, 2009

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

Date: May 11, 2009

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

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