
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended December 31, 2017

or

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

For the transition period from to

Commission File Number: 001-13357

Royal Gold, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

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

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

80202
(Zip Code)

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 65,455,293 shares of the Company's common stock, par value \$0.01 per share, outstanding as of February 1, 2018.

INDEX

	<u>PAGE</u>	
<u>PART I</u>	<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements (Unaudited)</u>	
	<u>Consolidated Balance Sheets</u>	3
	<u>Consolidated Statements of Operations and Comprehensive (Loss) Income</u>	4
	<u>Consolidated Statements of Cash Flows</u>	5
	<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	16
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	29
<u>Item 4.</u>	<u>Controls and Procedures</u>	30
<u>PART II</u>	<u>OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	30
<u>Item 1A.</u>	<u>Risk Factors</u>	31
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	31
<u>Item 4.</u>	<u>Mine Safety Disclosure</u>	31
<u>Item 5.</u>	<u>Other Information</u>	31
<u>Item 6.</u>	<u>Exhibits</u>	31
<u>SIGNATURES</u>		32

ITEM 1. FINANCIAL STATEMENTS

ROYAL GOLD, INC.
Consolidated Balance Sheets
(Unaudited, in thousands except share data)

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
ASSETS		
Cash and equivalents	\$ 98,132	\$ 85,847
Royalty receivables	29,285	26,886
Income tax receivable	27,366	22,169
Stream inventory	7,359	7,883
Prepaid expenses and other	3,337	822
Total current assets	<u>165,479</u>	<u>143,607</u>
Stream and royalty interests, net (Note 2)	2,810,616	2,892,256
Other assets	53,305	58,202
Total assets	<u>\$ 3,029,400</u>	<u>\$ 3,094,065</u>
LIABILITIES		
Accounts payable	\$ 2,251	\$ 3,908
Dividends payable	16,363	15,682
Income tax payable	15,097	5,651
Foreign withholding taxes payable	3,451	3,425
Other current liabilities	4,413	5,617
Total current liabilities	<u>41,575</u>	<u>34,283</u>
Debt (Note 3)	493,486	586,170
Deferred tax liabilities	147,548	121,330
Uncertain tax positions	30,187	25,627
Other long-term liabilities	16,787	6,391
Total liabilities	<u>729,583</u>	<u>773,801</u>
Commitments and contingencies (Note 10)		
EQUITY		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; and 0 shares issued	—	—
Common stock, \$.01 par value, 200,000,000 shares authorized; and 65,307,285 and 65,179,527 shares outstanding, respectively	653	652
Additional paid-in capital	2,186,648	2,185,796
Accumulated other comprehensive income	687	879
Accumulated earnings	69,842	88,050
Total Royal Gold stockholders' equity	<u>2,257,830</u>	<u>2,275,377</u>
Non-controlling interests	41,987	44,887
Total equity	<u>2,299,817</u>	<u>2,320,264</u>
Total liabilities and equity	<u>\$ 3,029,400</u>	<u>\$ 3,094,065</u>

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

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

	<u>For The Three Months Ended</u>		<u>For The Six Months Ended</u>	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Revenue	\$ 114,348	\$ 106,961	\$ 226,824	\$ 224,909
Costs and expenses				
Cost of sales	19,863	22,502	40,282	45,163
General and administrative	9,555	7,538	16,455	18,045
Production taxes	602	445	1,145	942
Exploration costs	1,358	2,476	4,561	5,764
Depreciation, depletion and amortization	42,008	39,519	81,701	79,621
Total costs and expenses	<u>73,386</u>	<u>72,480</u>	<u>144,144</u>	<u>149,535</u>
Operating income	40,962	34,481	82,680	75,374
Interest and other income	645	7,488	1,634	9,045
Interest and other expense	(9,034)	(9,823)	(17,651)	(18,128)
Income before income taxes	32,573	32,146	66,663	66,291
Income tax expense	(48,360)	(5,044)	(55,904)	(12,232)
Net (loss) income	(15,787)	27,102	10,759	54,059
Net loss attributable to non-controlling interests	1,022	960	3,105	3,791
Net (loss) income attributable to Royal Gold common stockholders	<u>\$ (14,765)</u>	<u>\$ 28,062</u>	<u>\$ 13,864</u>	<u>\$ 57,850</u>
Net (loss) income	\$ (15,787)	\$ 27,102	\$ 10,759	\$ 54,059
Adjustments to comprehensive (loss) income, net of tax				
Unrealized change in market value of available-for-sale securities	(390)	822	(193)	822
Comprehensive (loss) income	(16,177)	27,924	10,566	54,881
Comprehensive loss attributable to non-controlling interests	1,022	960	3,105	3,791
Comprehensive (loss) income attributable to Royal Gold stockholders	<u>\$ (15,155)</u>	<u>\$ 28,884</u>	<u>\$ 13,671</u>	<u>\$ 58,672</u>
Net (loss) income per share available to Royal Gold common stockholders:				
Basic (loss) earnings per share	\$ (0.23)	\$ 0.43	\$ 0.21	\$ 0.89
Basic weighted average shares outstanding	<u>65,306,766</u>	<u>65,149,518</u>	<u>65,271,131</u>	<u>65,133,102</u>
Diluted (loss) earnings per share	\$ (0.23)	\$ 0.43	\$ 0.21	\$ 0.88
Diluted weighted average shares outstanding	<u>65,306,766</u>	<u>65,253,209</u>	<u>65,460,430</u>	<u>65,264,137</u>
Cash dividends declared per common share	<u>\$ 0.25</u>	<u>\$ 0.24</u>	<u>\$ 0.49</u>	<u>\$ 0.47</u>

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

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

	For The Six Months Ended	
	December 31, 2017	December 31, 2016
Cash flows from operating activities:		
Net income	\$ 10,759	\$ 54,059
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	81,701	79,621
Amortization of debt discount and issuance costs	7,413	6,751
Non-cash employee stock compensation expense	4,395	6,443
Deferred tax expense (benefit)	28,958	(3,211)
Other	(158)	(4,638)
Changes in assets and liabilities:		
Royalty receivables	(2,399)	(7,135)
Stream inventory	524	(689)
Income tax receivable	(5,197)	(52)
Prepaid expenses and other assets	(328)	(835)
Accounts payable	(1,658)	(1,832)
Income tax payable	9,445	(12,120)
Foreign withholding taxes payable	26	1,636
Uncertain tax positions	4,560	6,052
Other liabilities	9,193	822
Net cash provided by operating activities	<u>\$ 147,234</u>	<u>\$ 124,872</u>
Cash flows from investing activities:		
Acquisition of stream and royalty interests	—	(192,818)
Other	(94)	1,774
Net cash used in investing activities	<u>\$ (94)</u>	<u>\$ (191,044)</u>
Cash flows from financing activities:		
Borrowings from revolving credit facility	—	70,000
Repayment of revolving credit facility	(100,000)	—
Net payments from issuance of common stock	(3,541)	(2,320)
Common stock dividends	(31,391)	(30,035)
Purchase of additional royalty interest from non-controlling interest	—	(1,438)
Other	77	(2,680)
Net cash (used in) provided by financing activities	<u>\$ (134,855)</u>	<u>\$ 33,527</u>
Net increase (decrease) in cash and equivalents	12,285	(32,645)
Cash and equivalents at beginning of period	85,847	116,633
Cash and equivalents at end of period	<u>\$ 98,132</u>	<u>\$ 83,988</u>

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

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements
(Unaudited)

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

Royal Gold, Inc. (“Royal Gold”, the “Company”, “we”, “us”, or “our”), together with its subsidiaries, is engaged in the business of acquiring and managing precious metals streams, royalties and similar interests. We seek to acquire existing stream and royalty interests or to finance projects that are in production or in the development stage in exchange for stream or royalty interests. A metal stream is a purchase agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of one or more metals produced from a mine at a price determined for the life of the transaction by the purchase agreement. Royalties are non-operating interests in mining projects that provide the right to revenue or metals produced from the project after deducting specified costs, if any.

Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for a fair presentation of our interim financial statements have been included in this Form 10-Q. Operating results for the three and six months ended December 31, 2017, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2018. These interim unaudited financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2017 filed with the Securities and Exchange Commission on August 10, 2017 (“Fiscal 2017 10-K”).

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

Recently Issued and Adopted Accounting Standards

Recently Issued

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) guidance for the recognition of revenue from contracts with customers. This ASU superseded virtually all of the existing revenue recognition guidance under U.S. GAAP. The core principle of the five step model is that an entity will recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. Entities can choose to apply the standard using either the full retrospective approach or a modified retrospective approach. The standard is effective for the Company’s fiscal year beginning July 1, 2018. Early adoption is permitted.

We plan to implement the new ASU revenue recognition guidance as of July 1, 2018, using the modified retrospective method with the cumulative effect, if any, of initial adoption to be recognized in *Accumulated earnings* at the date of initial application. We are in the initial stages of our evaluation of the impact of the new standard on our accounting policies, processes, and financial reporting. Based on the evaluation performed to-date, we expect to identify similar performance obligations as compared with deliverables and separate units of account previously identified. We will continue to assess the impact of adopting this ASU throughout the remainder of fiscal year 2018.

Recently Adopted

In March 2016, the FASB issued ASU guidance related to stock-based compensation. The new guidance simplifies the accounting for stock-based compensation transactions, including income tax consequences, statement of cash flows presentation, estimating forfeitures when calculating compensation expense, and classification of awards as either equity or liabilities.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

The new standard requires all excess tax benefits and tax deficiencies to be recognized as income tax benefit (expense) in the income statement. The new guidance also requires presentation of excess tax benefits as an operating activity on the statement of cash flows rather than a financing activity and requires presentation of cash paid to a tax authority when shares are withheld to satisfy the employer's statutory income tax withholding obligation as a financing activity. The new guidance also provides for an election to account for forfeitures of stock-based compensation.

The Company adopted the ASU guidance effective July 1, 2017. With respect to the forfeiture election, the Company will continue its current practice of estimating forfeitures when calculating compensation expense. The adoption of this standard did not have a material impact on the Company's consolidated financial statements or related disclosures.

2. STREAM AND ROYALTY INTERESTS, NET

The following tables summarize the Company's stream and royalty interests, net as of December 31, 2017 and June 30, 2017.

As of December 31, 2017 (Amounts in thousands):	Cost	Accumulated Depletion	Net
Production stage stream interests:			
Mount Milligan	\$ 790,635	\$ (129,652)	\$ 660,983
Pueblo Viejo	610,404	(93,202)	517,202
Andacollo	388,182	(51,328)	336,854
Wassa and Prestea	146,475	(34,446)	112,029
Rainy River	175,727	(581)	175,146
Total production stage stream interests	2,111,423	(309,209)	1,802,214
Production stage royalty interests:			
Voisey's Bay	205,724	(85,671)	120,053
Peñasquito	99,172	(36,730)	62,442
Holt	34,612	(20,490)	14,122
Cortez	20,878	(11,094)	9,784
Other	483,795	(350,690)	133,105
Total production stage royalty interests	844,181	(504,675)	339,506
Total production stage stream and royalty interests	2,955,604	(813,884)	2,141,720
Development stage stream interests:			
Other	12,031	—	12,031
Development stage royalty interests:			
Pascua-Lama	380,657	—	380,657
Cortez	59,803	—	59,803
Other	63,811	—	63,811
Total development stage royalty interests	504,271	—	504,271
Total development stage stream and royalty interests	516,302	—	516,302
Total exploration stage royalty interests	152,594	—	152,594
Total stream and royalty interests	<u>\$ 3,624,500</u>	<u>\$ (813,884)</u>	<u>\$ 2,810,616</u>

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

As of June 30, 2017 (Amounts in thousands):	Cost	Accumulated Depletion	Net
Production stage stream interests:			
Mount Milligan	\$ 790,635	\$ (114,327)	\$ 676,308
Pueblo Viejo	610,404	(67,149)	543,255
Andacollo	388,182	(39,404)	348,778
Wassa and Prestea	146,475	(22,715)	123,760
Total production stage stream interests	<u>1,935,696</u>	<u>(243,595)</u>	<u>1,692,101</u>
Production stage royalty interests:			
Voisey's Bay	205,724	(85,671)	120,053
Peñasquito	99,172	(34,713)	64,459
Holt	34,612	(19,669)	14,943
Cortez	20,873	(10,633)	10,240
Other	483,643	(337,958)	145,685
Total production stage royalty interests	<u>844,024</u>	<u>(488,644)</u>	<u>355,380</u>
Total production stage stream and royalty interests	<u>2,779,720</u>	<u>(732,239)</u>	<u>2,047,481</u>
Development stage stream interests:			
Rainy River	175,727	—	175,727
Other	12,031	—	12,031
Total development stage stream interests	<u>187,758</u>	<u>—</u>	<u>187,758</u>
Development stage royalty interests:			
Pascua-Lama	380,657	—	380,657
Cortez	59,803	—	59,803
Other	63,811	—	63,811
Total development stage royalty interests	<u>504,271</u>	<u>—</u>	<u>504,271</u>
Total development stage stream and royalty interests	<u>692,029</u>	<u>—</u>	<u>692,029</u>
Total exploration stage royalty interests	<u>152,746</u>	<u>—</u>	<u>152,746</u>
Total stream and royalty interests	<u>\$ 3,624,495</u>	<u>\$ (732,239)</u>	<u>\$ 2,892,256</u>

3. DEBT

The Company's non-current debt as of December 31, 2017 and June 30, 2017 consists of the following:

	As of December 31, 2017				As of June 30, 2017			
	Principal	Unamortized Discount	Debt Issuance Costs	Total	Principal	Unamortized Discount	Debt Issuance Costs	Total
	(Amounts in thousands)				(Amounts in thousands)			
Convertible notes due 2019	\$ 370,000	\$ (19,110)	\$ (1,986)	\$ 348,904	\$ 370,000	\$ (25,251)	\$ (2,646)	\$ 342,103
Revolving credit facility	150,000	—	(5,418)	144,582	250,000	—	(5,933)	244,067
Total debt	<u>\$ 520,000</u>	<u>\$ (19,110)</u>	<u>\$ (7,404)</u>	<u>\$ 493,486</u>	<u>\$ 620,000</u>	<u>\$ (25,251)</u>	<u>\$ (8,579)</u>	<u>\$ 586,170</u>

Convertible Senior Notes Due 2019

In June 2012, the Company completed an offering of \$370 million aggregate principal amount of 2.875% convertible senior notes due 2019 ("2019 Notes"). The 2019 Notes bear interest at the rate of 2.875% per annum, and the Company is required to make semi-annual interest payments on the outstanding principal balance of the 2019 Notes on June 15 and December 15 of each year, beginning December 15, 2012. The 2019 Notes mature on June 15, 2019. Interest expense recognized on the 2019 Notes for the three and six months ended December 31, 2017, was \$6.1 million and \$12.1 million, respectively, compared to \$5.9 million and \$11.7 million, respectively, for the three and six months ended December 31, 2016, and included the contractual coupon interest, the accretion of the debt discount and amortization of the debt issuance costs.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Revolving credit facility

The Company maintains a \$1 billion revolving credit facility. As of December 31, 2017, the Company had \$150 million outstanding and \$850 million available under the revolving credit facility with an interest rate on borrowings of LIBOR plus 1.75% for an all-in rate of 3.24%. During the three and six months ended December 31, 2017, the Company repaid \$50 million, respectively, of the outstanding borrowings under the revolving credit facility. Royal Gold may repay borrowings under the revolving credit facility at any time without premium or penalty. Interest expense recognized on the revolving credit facility for the three and six months ended December 31, 2017 was \$1.8 million and \$3.6 million, respectively, and \$2.3 million and \$4.3 million for the three and six months ended December 31, 2016, and included interest on the outstanding borrowings and the amortization of the debt issuance costs.

As discussed in Note 5 to the notes to consolidated financial statements in the Company's Fiscal 2017 10-K, the Company has financial covenants associated with its revolving credit facility. As of December 31, 2017, the Company was in compliance with each financial covenant.

4. REVENUE

Revenue is comprised of the following:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	(Amounts in thousands)		(Amounts in thousands)	
Stream interests	\$ 79,287	\$ 74,007	\$ 158,049	\$ 159,511
Royalty interests	35,061	32,954	68,775	65,398
Total revenue	<u>\$ 114,348</u>	<u>\$ 106,961</u>	<u>\$ 226,824</u>	<u>\$ 224,909</u>

5. STOCK-BASED COMPENSATION

The Company recognized stock-based compensation expense as follows:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	(Amounts in thousands)		(Amounts in thousands)	
Stock options	\$ 79	\$ 95	\$ 170	\$ 203
Stock appreciation rights	486	454	974	922
Restricted stock	888	829	2,314	2,203
Performance stock	568	921	937	3,115
Total stock-based compensation expense	<u>\$ 2,021</u>	<u>\$ 2,299</u>	<u>\$ 4,395</u>	<u>\$ 6,443</u>

Stock-based compensation expense is included within *General and administrative* expense in the consolidated statements of operations and comprehensive (loss) income.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

During the three and six months ended December 31, 2017, the Company granted the following stock-based compensation awards:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	(Number of shares)		(Number of shares)	
Stock options	-	-	6,858	7,200
Stock appreciation rights	-	-	71,262	63,340
Restricted stock	-	-	50,380	44,890
Performance stock	-	-	34,010	29,830
Total equity awards granted	-	-	162,510	145,260

As of December 31, 2017, unrecognized compensation expense (expressed in thousands below) and weighted-average vesting period for each of our stock-based compensation awards were as follows:

	<u>Unrecognized</u> <u>compensation</u> <u>expense</u>	<u>Weighted-</u> <u>average vesting</u> <u>period (years)</u>
Stock options	\$ 397	1.8
Stock appreciation rights	3,189	2.1
Restricted stock	6,939	3.2
Performance stock	2,424	2.0

6. EARNINGS PER SHARE (“EPS”)

Basic earnings per common share were computed using the weighted average number of shares of common stock outstanding during the period, considering the effect of participating securities. Unvested stock-based compensation awards that contain non-forfeitable rights to dividends or dividend equivalents are considered participating securities and are included in the computation of earnings per share pursuant to the two-class method. The Company’s unvested restricted stock awards contain non-forfeitable dividend rights and participate equally with common stock with respect to dividends issued or declared. The Company’s unexercised stock options, unexercised SSARs and unvested performance stock do not contain rights to dividends. Under the two-class method, the earnings used to determine basic (loss) earnings per common share are reduced by an amount allocated to participating securities. Use of the two-class method has an immaterial impact on the calculation of basic and diluted (loss) earnings per common share.

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	(in thousands, except per share data)		(in thousands, except per share data)	
Net (loss) income available to Royal Gold common stockholders	\$ (14,765)	\$ 28,062	\$ 13,864	\$ 57,850
Weighted-average shares for basic EPS	65,306,766	65,149,518	65,271,131	65,133,102
Effect of other dilutive securities	-	103,691	189,299	131,035
Weighted-average shares for diluted EPS	65,306,766	65,253,209	65,460,430	65,264,137
Basic (loss) earnings per share	\$ (0.23)	\$ 0.43	\$ 0.21	\$ 0.89
Diluted (loss) earnings per share	\$ (0.23)	\$ 0.43	\$ 0.21	\$ 0.88

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

The calculation of weighted average shares includes all of our outstanding common stock. The Company intends to settle the principal amount of the 2019 Notes in cash. As a result, there will be no impact to diluted earnings per share unless the share price of the Company's common stock exceeds the conversion price of \$102.79.

7. INCOME TAXES

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	<u>(Amounts in thousands, except rate)</u>		<u>(Amounts in thousands, except rate)</u>	
Income tax expense	\$ (48,360)	\$ (5,044)	\$ (55,904)	\$ (12,232)
Effective tax rate	148.5%	15.7%	83.9%	18.5%

The increase in the effective tax rate for the three and six months ended December 31, 2017 is primarily attributable to the effects of recent U.S. tax legislation, as discussed below, and the effects of a non-cash functional currency election (\$15.9 million expense) to file certain Canadian income tax returns in U.S. dollars. Prior to the functional currency election, certain deferred tax liabilities were measured on the difference between adjusted Canadian dollar acquisition cost and Canadian dollar tax basis. These deferred tax liabilities were then marked-to market every quarter, for income tax expense (benefit) purposes, to account for changes in the Canadian dollar to U.S. dollar exchange rate. Post-election, the applicable deferred tax liabilities will be measured on the difference between U.S. GAAP value and U.S. dollar tax basis, and eliminating volatility in the effective tax rate caused by this mark-to-market adjustment.

On December 22, 2017, H.R. 1, originally known as the Tax Cuts and Jobs Act (the "Act"), was enacted and is effective for tax years including January 1, 2018. Certain other aspects of the Act are not effective for fiscal year ending June 30 companies until July 1, 2018.

The Act, among other things, reduced the U.S. corporate income tax rate to 21% starting January 1, 2018. As the Company is a fiscal year tax payer, we applied a blended U.S. federal income tax rate of approximately 28.1% for the fiscal year ending June 30, 2018. The blended percentage was calculated on a pro-rata percentage of the number of days before and after January 1, 2018. The Company's U.S. federal corporate income tax rate will be 21% for the fiscal year commencing on July 1, 2018 and all future years.

ASC 740, *Income Taxes*, requires recognition of the effects of tax law changes in the period of enactment. As a result, the Company recorded a net charge (expense) of \$26.4 million during the three months ended December 31, 2017. This amount, which is included in *Income tax expense* on our consolidated statements of operations and comprehensive (loss) income, consists of three components: (i) a \$11.5 million charge relating to the one-time mandatory tax on the net accumulated post-1986 untaxed earnings and profits of the Company's foreign subsidiaries, which we will elect to pay over an eight-year period, (ii) a \$2.3 million benefit resulting from the re-measurement of the Company's net deferred tax assets and liabilities, and (iii) a \$17.2 million charge related to re-measurement of the U.S. income tax impacts resulting from foreign uncertain tax positions.

The net \$26.4 million charge represents what the Company believes is a reasonable estimate of the impact of the Act. As the net charge is based on currently available information and interpretations, which are continuing to evolve, all amounts should be considered provisional. The Company will continue to analyze additional information and guidance related to the Act as supplemental legislation, regulatory guidance, or evolving technical interpretations become available. The final impacts may differ from the recorded amounts as of December 31, 2017 and the Company will continue to refine such amounts within the measurement period provided by Staff Accounting Bulletin No. 118. The Company expects to complete its analysis no later than the second quarter of fiscal year 2019.

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

8. SEGMENT INFORMATION

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

	As of December 31, 2017			As of June 30, 2017		
	Stream interest	Royalty interest	Total stream and royalty interests, net	Stream interest	Royalty interest	Total stream and royalty interests, net
Canada	\$ 836,129	\$ 218,683	\$ 1,054,812	\$ 852,035	\$ 221,618	\$ 1,073,653
Dominican Republic	517,203	—	517,203	543,256	—	543,256
Chile	336,854	453,369	790,223	348,778	453,369	802,147
Africa	112,029	525	112,554	123,760	572	124,332
Mexico	—	99,769	99,769	—	105,889	105,889
United States	—	166,115	166,115	—	168,378	168,378
Australia	—	35,780	35,780	—	37,409	37,409
Other	12,030	22,130	34,160	12,030	25,162	37,192
Total	\$ 1,814,245	\$ 996,371	\$ 2,810,616	\$ 1,879,859	\$ 1,012,397	\$ 2,892,256

The Company's revenue, cost of sales and net revenue by reportable segment for the three and six months ended December 31, 2017 and 2016, is geographically distributed as shown in the following table:

	Three Months Ended December 31, 2017			Three Months Ended December 31, 2016		
	Revenue	Cost of sales	Net revenue	Revenue	Cost of sales	Net revenue
Streams:						
Canada	\$ 22,702	\$ 6,624	\$ 16,078	\$ 31,664	\$ 11,181	\$ 20,483
Dominican Republic	26,355	8,198	18,157	26,437	8,547	17,890
Chile	21,601	3,297	18,304	10,985	1,746	9,239
Africa	8,629	1,744	6,885	4,921	1,028	3,893
Total streams	\$ 79,287	\$ 19,863	\$ 59,424	\$ 74,007	\$ 22,502	\$ 51,505
Royalties:						
Mexico	\$ 10,854	\$ —	\$ 10,854	\$ 11,530	\$ —	\$ 11,530
United States	12,298	—	12,298	9,407	—	9,407
Canada	5,396	—	5,396	5,682	—	5,682
Australia	3,227	—	3,227	3,230	—	3,230
Africa	585	—	585	764	—	764
Other	2,701	—	2,701	2,341	—	2,341
Total royalties	\$ 35,061	\$ —	\$ 35,061	\$ 32,954	\$ —	\$ 32,954
Total streams and royalties	\$ 114,348	\$ 19,863	\$ 94,485	\$ 106,961	\$ 22,502	\$ 84,459

ROYAL GOLD, INC.
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

	Six Months Ended December 31, 2017			Six Months Ended December 31, 2016		
	Revenue	Cost of sales	Net revenue	Revenue	Cost of sales	Net revenue
Streams:						
Canada	\$ 54,654	\$ 15,847	\$ 38,807	\$ 70,050	\$ 23,758	\$ 46,292
Dominican Republic	51,758	15,785	35,973	47,387	14,443	32,944
Chile	33,938	5,109	28,829	31,154	4,744	26,410
Africa	17,699	3,541	14,158	10,920	2,218	8,702
Total streams	\$ 158,049	\$ 40,282	\$ 117,767	\$ 159,511	\$ 45,163	\$ 114,348
Royalties:						
Mexico	\$ 21,751	\$ —	\$ 21,751	\$ 21,127	\$ —	\$ 21,127
United States	22,727	—	22,727	19,113	—	19,113
Canada	11,488	—	11,488	11,870	—	11,870
Australia	6,548	—	6,548	6,692	—	6,692
Africa	1,047	—	1,047	1,588	—	1,588
Chile	—	—	—	950	—	950
Other	5,214	—	5,214	4,058	—	4,058
Total royalties	\$ 68,775	\$ —	\$ 68,775	\$ 65,398	\$ —	\$ 65,398
Total streams and royalties	\$ 226,824	\$ 40,282	\$ 186,542	\$ 224,909	\$ 45,163	\$ 179,746

9. FAIR VALUE MEASUREMENTS

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

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

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

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

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

	Carrying Amount	As of December 31, 2017			
		Total	Fair Value Level 1	Level 2	Level 3
Assets (In thousands):					
Marketable equity securities ⁽¹⁾	\$ 3,450	\$ 3,450	\$ 3,450	\$ —	\$ —
Total assets		<u>\$ 3,450</u>	<u>\$ 3,450</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities (In thousands):					
Debt ⁽²⁾	\$ 427,890	\$ 401,309	\$ 401,309	\$ —	\$ —
Total liabilities		<u>\$ 401,309</u>	<u>\$ 401,309</u>	<u>\$ —</u>	<u>\$ —</u>

(1) Included in *Other assets* on the Company’s consolidated balance sheets.

(2) Included in the carrying amount is the equity component of our 2019 Notes in the amount of \$77 million, which is included within *Additional paid-in capital* on the Company’s consolidated balance sheets.

ROYAL GOLD, INC.

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

The Company's marketable equity securities classified within Level 1 of the fair value hierarchy are valued using quoted market prices in active markets. The fair value of the Level 1 marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company. The warrants that were part of the term loan funded to a subsidiary of Golden Star Resources Ltd. ("Golden Star") in July 2015 were exercised during the quarter ended September 30, 2017. The warrants had been classified within Level 2 of the fair value hierarchy as of June 30, 2017. The fair value of the Golden Star common shares received by the Company upon exercise of the warrants are classified within Level 1 of the fair value hierarchy as of September 30, 2017. The Company sold all of the common shares of Golden Star received upon exercise of the warrants in October 2017. The Company's debt classified within Level 1 of the fair value hierarchy is valued using quoted prices in an active market. The carrying value of the Company's revolving credit facility (Note 3) approximates fair value as of December 31, 2017.

As of December 31, 2017, 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 stream and royalty interests, intangible assets and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if any of these assets are determined to be impaired. If recognition of these assets at their fair value becomes necessary, such measurements will be determined utilizing Level 3 inputs.

10. COMMITMENTS AND CONTINGENCIES

Ilovica Gold Stream Acquisition

As of December 31, 2017, the Company's conditional funding schedule for \$163.75 million related to its Ilovica gold stream acquisition made in October 2014 remains subject to certain conditions.

Voisey's Bay

The Company indirectly owns a royalty on the Voisey's Bay mine in Newfoundland and Labrador owned by Vale Newfoundland & Labrador Limited ("VNL"). The royalty is directly owned by the Labrador Nickel Royalty Limited Partnership ("LNRLP"), in which the Company's wholly-owned indirect subsidiary, Voisey's Bay Holding Corporation, is the general partner and 90% owner. The remaining 10% interest in LNRLP is owned by Altius Royalty Corporation, a company unrelated to Royal Gold.

On October 6, 2017, LNRLP filed a Fresh as Amended Statement of Claim, amending the original October 16, 2009 Statement of Claim and amendments thereto made in December 2014, in the Supreme Court of Newfoundland and Labrador Trial Division against Vale Inco Limited, now known as Vale Canada Limited, and its wholly-owned subsidiaries, Vale Inco Atlantic Sales Limited and VNL, related to calculation of the NSR on the sale of concentrates, including nickel concentrates, from the Voisey's Bay mine. LNRLP asserts that the defendants have incorrectly calculated the NSR since production at Voisey's Bay began in late 2005, and since defendants began processing Voisey's Bay concentrates at the new Long Harbour processing facility, and that the defendants have breached their contractual duties of good faith in several ways. LNRLP requests an order in respect of the correct calculation of future payments, and unspecified damages for non-payment and underpayment of past royalties to the date of the claim, together with additional damages until the date of trial, interest, costs and other damages. The litigation is in the discovery phase, and trial is expected to commence in the second half of calendar 2018.

11. SUBSEQUENT EVENT

On January 18, 2018 Barrick reported that it is analyzing a revised sanction related to the Pascua-Lama project issued by Chile's Superintendencia del Medio Ambiente ("SMA") on January 17, 2018. The sanction is part of a re-evaluation process ordered by Chile's Environmental Court in 2014 and relates to historical compliance matters at the Pascua-Lama project. According to Barrick, the SMA has not revoked Pascua-Lama's environmental permit, but has ordered the closure of existing facilities on the Chilean side of the project, in addition to certain monitoring activities.

ROYAL GOLD, INC.

Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Barrick also reported that closure of existing surface facilities in Chile is consistent with its plan to advance a prefeasibility study for underground mining operations at Pascua-Lama, which would address a number of community concerns by reducing the overall environmental impact of the project. Barrick reported that it is currently undertaking a number of optimization studies in order to complete the prefeasibility study.

On February 6, 2018, in light of the SMA order to close surface facilities in Chile, and current plans to evaluate an underground mine, Barrick announced it is reclassifying Pascua-Lama's proven and probable gold reserves of approximately 14 million ounces, which are based on an open pit mine plan, as mineralized material. Barrick reported that it will include further details in its year-end results release on February 14, 2018 and an update on the Pascua-Lama project at its February 22, 2018 Investor Day.

The Company owns a 0.78% to 5.45% sliding-scale net smelter return ("NSR") gold royalty and a 1.09% NSR copper royalty on the Pascua-Lama project. Our royalty interests are applicable to all gold and copper production from the portion of the Pascua-Lama project lying on the Chilean side of the border. The Company's carrying value for its royalty interests at Pascua-Lama is approximately \$416.8 million as of December 31, 2017.

The Company routinely assesses whether impairment indicators are present for its long-lived assets. A significant reduction in reserves or mineralized material is an indicator of potential impairment. As part of our fiscal 2018 third quarter procedures, we will be evaluating Barrick's reserves reclassification to assess the recoverability of our carrying value at Pascua-Lama. The Company will also consider further updates from Barrick, including those expected on February 14 and February 22, 2018, as part of our recoverability analysis. Upon completion of our process, the Company may determine an impairment is necessary.

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

General

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. Royal Gold, Inc. ("Royal Gold", the "Company", "we", "us", or "our"), recommends that you read this MD&A in conjunction with our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 filed with the Securities and Exchange Commission (the "SEC") on August 10, 2017.

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," "NVR," "metal stream (or "stream")" and other types of royalty or similar interests throughout this MD&A. These terms are defined in our Fiscal 2017 10-K.

Statement Regarding Third Party Information

Certain information provided in this report, including the Operator's Production Estimates by Stream and Royalty Interest for Calendar 2017 and Property Developments, has been provided to us by the operators of properties where we own interests or is publicly available information filed by these operators with applicable securities regulatory bodies, including the SEC. Royal Gold has not verified, and is not in a position to verify, and expressly disclaims any responsibility for, the accuracy, completeness or fairness of such third-party information and refers the reader to the public reports filed by the operators for information regarding those properties.

Overview

Royal Gold, together with its subsidiaries, is engaged in the business of acquiring and managing metal streams, royalties, and similar interests. We seek to acquire existing stream and royalty interests or to finance projects that are in production or in the development stage in exchange for stream or royalty interests.

We manage our business under two segments:

Acquisition and Management of Stream Interests — A metal stream is a purchase agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of one or more metals produced from a mine, at a price determined for the life of the transaction by the purchase agreement. As of December 31, 2017, we owned stream interests on five producing properties and one development stage property. Stream interests accounted for approximately 69% and 70%, respectively, of our total revenue for the three and six months ended December 31, 2017 and 69% and 71%, respectively, of our total revenue for the three and six months ended December 31, 2016. We expect stream interests to continue representing a significant proportion of our total revenue.

Acquisition and Management of Royalty Interests — Royalties are non-operating interests in mining projects that provide the right to revenue or metals produced from the project after deducting specified costs, if any. As of December 31, 2017, we owned royalty interests on 34 producing properties, 22 development stage properties and 133 exploration stage properties, of which we consider 51 to be evaluation stage projects. We use "evaluation stage" to describe exploration stage properties that contain mineralized material and on which operators are engaged in the search for reserves. Royalties accounted for approximately 31% and 30%, respectively, of our total revenue for the three and six months ended December 31, 2017 and 31% and 29%, respectively, of our total revenue for the three and six months ended December 31, 2016.

We do not conduct mining operations on the properties in which we hold stream and royalty interests, and except for our interest in the Peak Gold, LLC joint venture ("Peak Gold JV"), we generally are not required to contribute to capital costs, exploration costs, environmental costs or other operating costs on those properties.

In the ordinary course of business, we engage in a continual review of opportunities to acquire existing stream and royalty interests, to establish new streams on operating mines, to create new stream and royalty interests through the financing of mine development or exploration, or to acquire companies that hold stream and royalty interests. We currently, and generally at any time, have acquisition opportunities in various stages of active review, including, for example, our engagement of consultants and advisors to analyze particular opportunities, analysis of technical, financial and other confidential information, submission of indications of interest and term sheets, participation in preliminary discussions and negotiations and involvement as a bidder in competitive processes.

Our financial results are primarily tied to the price of gold and, to a lesser extent, the price of silver and copper, together with the amounts of production from our producing stage stream and royalty interests. The price of gold, silver, copper and other metals has fluctuated widely in recent years. The marketability and the price of metals are influenced by numerous factors beyond the control of the Company and significant declines in the price of gold, silver or copper could have a material and adverse effect on the Company's results of operations and financial condition.

For the three and six months ended December 31, 2017 and 2016, gold, silver and copper price averages and percentage of revenue by metal were as follows:

Metal	Three Months Ended				Six Months Ended			
	December 31, 2017		December 31, 2016		December 31, 2017		December 31, 2016	
	Average Price	Percentage of Revenue	Average Price	Percentage of Revenue	Average Price	Percentage of Revenue	Average Price	Percentage of Revenue
Gold (\$/ounce)	\$ 1,275	79%	\$ 1,222	84%	\$ 1,277	78%	\$ 1,280	86%
Silver (\$/ounce)	\$ 16.73	9%	\$ 17.19	11%	\$ 16.78	9%	\$ 18.42	9%
Copper (\$/pound)	\$ 3.09	9%	\$ 2.39	3%	\$ 2.98	9%	\$ 2.28	3%
Other	N/A	3%	N/A	2%	N/A	4%	N/A	2%

Recent Business Developments

U.S. Tax Legislation

On December 22, 2017, H.R. 1, originally known as the Tax Cuts and Jobs Act (the "Act"), was enacted and is effective for tax years including January 1, 2018. The effects of the Act are recognized in the period of enactment, or the period ending December 31, 2017. Certain other aspects of the Act are not effective for fiscal June 30 companies until July 1, 2018.

The Act, among other things, reduced the U.S. corporate income tax rate to 21% starting January 1, 2018. As a United States domiciled company, we expect that the Act will have a positive long-term impact on Royal Gold's future financial results through the reduction in the U.S. corporate tax rate from 35% to 21% and by allowing us to efficiently repatriate future earnings from our foreign subsidiaries. As the Company is a fiscal year tax payer, we applied a blended U.S. federal income tax rate of approximately 28.1% for the fiscal year ending June 30, 2018. The blended percentage was calculated on a pro-rata percentage of the number of days before and after January 1, 2018. The Company's U.S. statutory federal corporate income tax rate will be 21% for the fiscal year commencing on July 1, 2018 and all future years. We estimate that our effective tax rate in the second half of fiscal 2018 will be between 17% and 23%.

As a result of the Act, the Company recorded a net charge (expense) of \$26.4 million during the three months ended December 31, 2017. This amount, which is included in *Income tax expense* on our consolidated statements of operations and comprehensive (loss) income, consists of three components: (i) a \$11.5 million charge relating to the one-time mandatory tax on the net accumulated post-1986 untaxed earnings and profits of the Company's foreign subsidiaries, which we will elect to pay over an eight-year period, (ii) a \$2.3 million benefit resulting from the re-measurement of the Company's net deferred tax assets and liabilities, and (iii) a \$17.2 million charge related to re-measurement of the U.S. income tax impacts resulting from foreign uncertain tax positions. Refer to Note 7 of our notes to consolidated financial statements for further discussion on the income tax accounting considerations for the Act.

Principal Stream and Royalty Interests

The Company considers both historical and future potential revenues in determining which stream and royalty interests in our portfolio are principal to our business. Estimated future potential revenues from both producing and development

[Table of Contents](#)

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

Please refer to our Fiscal 2017 10-K for further discussion of our principal producing and development stream and royalty interests.

Principal Producing Properties

Mine	Location	Operator	Stream or royalty interests (Gold unless otherwise stated)
Andacollo	Region IV, Chile	Compañía Minera Teck Carmen de Andacollo ("Teck")	Gold stream - 100% of gold produced (until 900,000 ounces delivered; 50% thereafter)
Cortez	Nevada, USA	Barrick Gold Corporation ("Barrick")	GSR1: 0.40% to 5.0% sliding-scale GSR GSR2: 0.40% to 5.0% sliding-scale GSR GSR3: 0.71% GSR NVR1: 4.91% NVR; 4.52% NVR (Crossroads)
Mount Milligan	British Columbia, Canada	Centerra Gold Inc. ("Centerra")	Gold stream - 35.00% of payable gold Copper stream - 18.75% of payable copper
Peñasquito	Zacatecas, Mexico	Goldcorp Inc. ("Goldcorp")	2.0% NSR (gold, silver, lead, zinc)
Pueblo Viejo	Sanchez Ramirez, Dominican Republic	Barrick (60%)	Gold stream - 7.5% of gold produced (until 990,000 ounces delivered; 3.75% thereafter) Silver stream - 75% of silver produced (until 50.0 million ounces delivered; 37.5% thereafter)
Rainy River ⁽¹⁾	Ontario, Canada	New Gold, Inc. ("New Gold")	Gold stream - 6.5% of gold produced (until 230,000 ounces delivered; 3.25% thereafter) Silver stream - 60% of silver produced (until 3.1 million ounces delivered; 30% thereafter)
Wassa and Prestea ⁽²⁾	Western Region of Ghana	Golden Star Resources Ltd. ("Golden Star")	Gold stream - 9.25% of gold produced

(1) New Gold announced commercial production at Rainy River in October 2017. The Company reclassified the Rainy River stream interest to production stage from development stage during the three months ended December 31, 2017.

(2) Gold stream percentage increased to 10.5% effective January 1, 2018.

Principal Development Stage Properties

Mine	Location	Operator	Stream or royalty interests (Gold unless otherwise stated)
Pascua-Lama	Region III, Chile	Barrick	0.78% to 5.45% sliding-scale NSR 1.09% fixed rate royalty (copper)

Operators' Production Estimates by Stream and Royalty Interest for Calendar 2017

We received annual production estimates from many of the operators of our producing mines during the first calendar quarter of 2017. The following table shows such production estimates for our principal producing properties for calendar 2017 as well as the actual production reported to us by the various operators through December 31, 2017. 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, and disclaim all responsibility for, the accuracy of such information. Please refer to "Property Developments" below within this MD&A for further discussion on our principal producing and development stage properties.

Operators' Estimated and Actual Production by Stream and Royalty Interest for Calendar 2017
Principal Producing Properties

Stream/Royalty	Calendar 2017 Operator's Production Estimate			Calendar 2017 Operator's Production Actual		
	Gold (oz.)	Silver (oz.)	Base Metals (lbs.)	Gold (oz.)	Silver (oz.)	Base Metals (lbs.)
Stream:						
Andacollo ⁽³⁾	61,600			54,500		
Mount Milligan ⁽⁴⁾	235,000 - 255,000		55 - 65 million	164,000		41.3 million
Pueblo Viejo ⁽⁵⁾	635,000 - 650,000	Not provided		468,000	Not provided	
Wassa and Prestea	255,000 - 280,000			267,600		
Royalty:						
Cortez GSR1	102,200			81,800		
Cortez GSR2	1,600			1,000		
Cortez GSR3	103,800			82,800		
Cortez NVR1	63,900			43,800		
Peñasquito ⁽⁶⁾	410,000	Not provided		393,000	16.0 million	
<i>Lead</i>			125 million			96.8 million
<i>Zinc</i>			325 million			263.2 million

- (1) Production estimates received from our operators are for calendar 2017. Please refer to our cautionary statement regarding third party information at the beginning of this MD&A. There can be no assurance that production estimates received from our operators will be achieved. Please also refer to our cautionary language regarding forward-looking statements following this MD&A, as well as the Risk Factors identified in Part I, Item 1A, of our Fiscal 2017 10-K for information regarding factors that could affect actual results.
- (2) Actual production figures shown are from our operators and cover the period January 1, 2017 through December 31, 2017, unless otherwise noted.
- (3) The estimated and actual production figures shown for Andacollo are contained gold in concentrate.
- (4) The estimated and actual production figures shown for Mount Milligan are payable gold and copper in concentrate. Actual production shown is for the nine months ended September 30, 2017. Full calendar year 2017 information was not available from the operator as of the date of this report.
- (5) The estimated and actual production figures shown for Pueblo Viejo are payable gold in doré and represent Barrick's 60% interest in Pueblo Viejo. The operator did not provide estimated or actual silver production. Actual production shown is for the nine months ended September 30, 2017. Full calendar year 2017 information was not available from the operator as of the date of this report.
- (6) The estimated and actual gold production figures shown for Peñasquito are payable gold in concentrate. The operator did not provide estimated silver production. Actual production shown is for the nine months ended September 30, 2017. Full calendar year 2017 information was not available from the operator as of the date of this report.

Property Developments

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

Stream Interests

Andacollo

Gold stream deliveries from Andacollo were approximately 13,500 ounces of gold for the three months ended December 31, 2017, compared to approximately 9,200 ounces of gold for the three months ended December 31, 2016. The production variability between quarters is typical for Andacollo resulting from concentrate shipment timing.

Teck indicated that they expect grades to continue to gradually decline, which they expect to be offset largely by planned throughput improvements in the mill. The current life of mine for Carmen de Andacollo is expected to continue until 2034. Additional permitting or amendments to existing permits will be required to execute the life of mine plan.

Mount Milligan

Gold stream deliveries from Mount Milligan were approximately 17,600 ounces of gold for the three months ended December 31, 2017, compared to approximately 23,500 ounces of gold for the three months ended December 31, 2016. The decrease during the current quarter is primarily attributable to the reduced stream rate of 35% versus 52.5% in the prior year quarter.

Copper stream deliveries from Mount Milligan were approximately 1,245 tonnes during the three months ended December 31, 2017. Copper stream deliveries began during the June 2017 quarter.

On December 27, 2017, Centerra reported that mill processing operations at Mount Milligan were temporarily suspended due to lack of sufficient water resources, as a result of Mount Milligan experiencing a drier than normal spring and summer in calendar 2017, with lower than average spring snow melt. On February 5, 2018, Centerra reported that it recommenced mill processing operations at partial capacity. During the temporary shutdown, Centerra completed a number of steps to increase the flow of water into the tailings storage facility (“TSF”) from which the Mount Milligan mill draws all of its water requirements to supply milling operations. Such steps included adding pumps to existing water wells, increasing pump sizes to increase the flow rate, and drilling additional wells. Current make-up water sources for the TSF are from normal surface run-off, groundwater wells internal to the TSF, and from base underdrain towers that access process water underlying the TSF.

Centerra expects to resume milling operations at full capacity in April 2018, when additional fresh water becomes available from surface run-off after the spring melt. As a further, longer-term mitigation measure, Centerra received an amendment to Mount Milligan’s Environmental Assessment to allow pumping of water from a nearby lake (Phillip Lake) and has received additional related permits.

Due to the timing of shipments and deliveries of gold and copper, the impact of the temporary shutdown is likely to be reflected in Royal Gold’s mid-calendar 2018 results, as some of the deliveries of gold and copper that were expected in the June through August 2018 period will be deferred to a later date.

Pueblo Viejo

Gold stream deliveries from Pueblo Viejo were approximately 12,600 ounces of gold for the three months ended December 31, 2017, compared to approximately 15,600 ounces of gold for the three months ended December 31, 2016. Barrick reported Pueblo Viejo experienced lower ore grades processed during the 2017 calendar year, partially offset by higher recovery rates during the prior calendar year.

Silver stream deliveries were approximately 260,200 ounces of silver for the three months ended December 31, 2017, compared to approximately 322,500 ounces of silver for the three months ended December 31, 2016. The decrease in deliveries during the three months ended December 31, 2017 was due to the timing of payments from Barrick’s third-party refiners.

Rainy River

On October 19, 2017, New Gold announced that the Rainy River mine achieved commercial production, approximately two weeks ahead of schedule. Mining and milling activities at Rainy River continued to progress well during the December

Table of Contents

2017 quarter. The milling rate for the month of December averaged 21,000 tonnes per day, which is the nameplate capacity for the facility.

RGLD Gold AG (“RGLD Gold”) began receiving gold and silver deliveries during the quarter ended December 31, 2017. Stream deliveries from Rainy River were approximately 1,000 ounces of gold and approximately 11,900 ounces of silver for the three months ended December 31, 2017.

New Gold’s focus for calendar 2018 will be on optimizing throughput at the mill, as well as advancing initiatives to potentially increase production. In calendar 2018, New Gold expects to produce between 310,000 and 350,000 ounces of gold at Rainy River. New Gold estimates that approximately 21,500 ounces of gold and 185,000 ounces of silver will be delivered to RGLD Gold in calendar 2018.

Wassa and Prestea

Gold stream deliveries from Wassa and Prestea were approximately 6,000 ounces of gold for the three months ended December 31, 2017, compared to approximately 4,300 ounces of gold for the three months ended December 31, 2016.

Golden Star expects Wassa to become an underground-only operation by the end of January 2018, although 341,000 tonnes of lower grade, stockpiled ore will continue to be fed to the processing plant during the first nine months of calendar 2018.

Golden Star stated that mining rates at Wassa underground continued to be strong in the December 2017 quarter at approximately 1,900 tonnes per day, which represents a 36% outperformance compared to the planned mining rate for calendar 2017 of 1,400 tonnes per day and head grade delivered to the processing plant increased by 55% in the fourth quarter of calendar 2017 when compared to the third quarter of calendar 2017. The targeted mining rate for Wassa Underground in calendar 2018 is 2,700-3,000 tonnes per day.

The Prestea open pits were expected to complete gold production at the end of calendar 2017 but Golden Star now anticipates that mining will continue until late in the March 2018 quarter and stockpiled ore will continue to be processed until the end of the first half of calendar 2018.

Golden Star reported that the Prestea underground has been delivering a consistent quantity of material to the processing plant throughout December 2017 and early January 2018. From mid-January 2018, the grade is expected to increase significantly as the final draw down of the first stope begins. Golden Star forecasts that ore production will continue to ramp-up.

Under our stream agreement, the gold stream percentage at Wassa and Prestea increased to 10.5%, from 9.25%, effective January 1, 2018. Golden Star expects consolidated calendar 2018 gold production to range between 230,000 and 255,000 ounces.

Royalty Interests

Cortez

Production attributable to our royalty interest at Cortez increased approximately 72% over the prior year quarter. Waste stripping at Crossroads, which is subject to our NVR1 (Crossroads) and GSR2 royalty interests, restarted in October 2016 and is currently ongoing. Barrick expects production from Crossroads to begin in late calendar 2018.

Pascua-Lama

On January 18, 2018 Barrick reported that it is analyzing a revised sanction related to the Pascua-Lama project issued by Chile’s Superintendencia del Medio Ambiente (“SMA”) on January 17, 2018. The sanction is part of a re-evaluation process ordered by Chile’s Environmental Court in 2014 and relates to historical compliance matters at the Pascua-Lama project. According to Barrick, the SMA has not revoked Pascua-Lama’s environmental permit, but has ordered the closure of existing facilities on the Chilean side of the project, in addition to certain monitoring activities.

Barrick also reported that closure of existing surface facilities in Chile is consistent with its plan to advance a prefeasibility study for underground mining operations at Pascua-Lama, which would address a number of community concerns by

reducing the overall environmental impact of the project. Barrick reported that it is currently undertaking a number of optimization studies in order to complete the prefeasibility study.

On February 6, 2018, in light of the SMA order to close surface facilities in Chile, and current plans to evaluate an underground mine, Barrick announced it is reclassifying Pascua-Lama's proven and probable gold reserves of approximately 14 million ounces, which are based on an open pit mine plan, as mineralized material. Barrick reported that it will include further details in its year-end results release on February 14, 2018 and an update on the Pascua-Lama project at its February 22, 2018 Investor Day.

The Company owns a 0.78% to 5.45% sliding-scale net smelter return ("NSR") gold royalty and a 1.09% NSR copper royalty on the Pascua-Lama project. Our royalty interests are applicable to all gold and copper production from the portion of the Pascua-Lama project lying on the Chilean side of the border. The Company's carrying value for its royalty interests at Pascua-Lama is approximately \$416.8 million as of December 31, 2017.

The Company routinely assesses whether impairment indicators are present for its long-lived assets. A significant reduction in reserves or mineralized material is an indicator of potential impairment. As part of our fiscal 2018 third quarter procedures, we will be evaluating Barrick's reserves reclassification to assess the recoverability of our carrying value at Pascua-Lama. The Company will also consider further updates from Barrick, including those expected on February 14 and February 22, 2018, as part of our recoverability analysis. Upon completion of our process, the Company may determine an impairment is necessary.

Peñasquito

Gold production attributable to our royalty interest at Peñasquito decreased approximately 62%, when compared to the prior year quarter, as a higher proportion of lower grade ore and stockpiled material fed the mill during the current quarter. Zinc production increased approximately 34% during the current quarter, while silver and lead production were in line with the prior year quarter.

Goldcorp expects calendar 2018 gold production at Peñasquito to be 310,000 ounces, which is lower compared to calendar 2017 (410,000 ounces), due to the continued processing of low-grade stockpiles. Goldcorp anticipates the feed will then revert to higher grade ore in calendar 2019 when the Phase 6D stripping program exposes higher-grade ore in the Peñasco pit.

On January 17, 2018, Goldcorp stated that the Pyrite Leach Project ("PLP") was 62% complete and is expected to achieve commercial production in the December 2018 quarter, ahead of schedule. Goldcorp expects the PLP to add production of approximately one million ounces of gold and 44 million ounces of silver over the current life of the mine.

Results of Operations

Quarter Ended December 31, 2017, Compared to Quarter Ended December 31, 2016

For the quarter ended December 31, 2017, we recorded net loss attributable to Royal Gold stockholders of \$14.8 million, or (\$0.23) per basic and diluted share, as compared to net income attributable to Royal Gold stockholders of \$28.1 million, or \$0.43 per basic and diluted share, for the quarter ended December 31, 2016. The decrease in our earnings per share was primarily attributable to an increase in our income tax expense due to the impacts of the Act and a non-cash functional currency election at certain of our Canadian subsidiaries. The decrease in our earnings per share for the quarter as result of the increased income tax expense was partially offset by an increase in our revenue, which is discussed below. The effects of the Act and the non-cash functional currency election for income tax purposes was additional income tax expense of approximately \$26.4 million and \$15.9 million, respectively, or \$0.40 and \$0.24 per basic share, respectively. Refer to "Recent Business Developments" above and Note 7 of our notes to consolidated financial statements for further discussion on the Act.

For the quarter ended December 31, 2017, we recognized total revenue of \$114.4 million, which is comprised of stream revenue of \$79.3 million and royalty revenue of \$35.1 million at an average gold price of \$1,275 per ounce, an average silver price of \$16.73 per ounce and an average copper price of \$3.09 per pound. This is compared to total revenue of \$107.0 million for the three months ended December 31, 2016, which was comprised of stream revenue of \$74.0 million and royalty revenue of \$33.0 million, at an average gold price of \$1,222 per ounce, an average silver price of \$17.19 per ounce and an average copper price of \$2.39 per pound for the quarter ended December 31, 2016. Revenue and the

corresponding production attributable to our stream and royalty interests for the quarter ended December 31, 2017 compared to the quarter ended December 31, 2016 are as follows:

Revenue and Reported Production Subject to Our Stream and Royalty Interests
 Quarter Ended December 31, 2017 and 2016
 (In thousands, except reported production ozs. and lbs.)

Stream/Royalty	Metal(s)	Three Months Ended December 31, 2017		Three Months Ended December 31, 2016	
		Revenue	Reported Production ⁽¹⁾	Revenue	Reported Production ⁽¹⁾
Stream ⁽²⁾:					
Pueblo Viejo		\$ 26,355		\$ 26,437	
	Gold		14,500 oz.		13,700 oz.
	Silver		469,600 oz.		543,300 oz.
Mount Milligan	Gold	\$ 21,632	12,600 oz.	\$ 31,664	25,700 oz.
	Copper		1.8 Mlbs.		N/A
Andacollo	Gold	\$ 21,601	17,000 oz.	\$ 10,985	9,200 oz.
Wassa and Prestea	Gold	\$ 8,629	6,800 oz.	\$ 4,921	4,000 oz.
Rainy River	Gold	\$ 1,070	800 oz.	\$ N/A	N/A
Total stream revenue		\$ 79,287		\$ 74,007	
Royalty ⁽²⁾:					
Peñasquito		\$ 6,190		\$ 7,134	
	Gold		71,100 oz.		185,400 oz.
	Silver		5.1 Moz.		5.0 Moz.
	Lead		33.4 Mlbs.		33.6 Mlbs.
	Zinc		94.4 Mlbs.		70.5 Mlbs.
Cortez	Gold	\$ 2,934	25,000 oz.	\$ 1,834	14,500 oz.
Other ⁽³⁾	Various	\$ 25,937	N/A	\$ 23,986	N/A
Total royalty revenue		\$ 35,061		\$ 32,954	
Total Revenue		\$ 114,348		\$ 106,961	

- (1) Reported production relates to the amount of metal sales, subject to our stream and royalty interests, for the three months ended December 31, 2017 and 2016, and may differ from the operators' public reporting.
- (2) Refer to "Property Developments" above for further discussion on our principal stream and royalty interests.
- (3) Individually, no stream or royalty included within the "Other" category contributed greater than 5% of our total revenue for either period.

The increase in our total revenue for the three months ended December 31, 2017, compared with the three months ended December 31, 2016, resulted primarily from an increase in our stream revenue and an increase in the average gold, silver and copper prices. The increase in our stream revenue was primarily attributable to increased gold production at Andacollo and Wassa and Prestea, and new gold production from our Rainy River stream, partially offset by a production (gold) decrease at Mount Milligan. Silver deliveries from Rainy River began during our December 2017 quarter with silver sales anticipated to begin in the March 2018 quarter. Copper deliveries from Mount Milligan began during our June 2017 quarter.

[Table of Contents](#)

Gold and silver ounces and tonnes of copper purchased and sold during the three months ended December 31, 2017 and 2016, and gold and silver ounces and tonnes of copper in inventory as of December 31, 2017, and June 30, 2017, for our streaming interests were as follows:

	Three Months Ended December 31, 2017		Three Months Ended December 31, 2016		As of December 31, 2017	As of June 30, 2017
	Purchases (oz.)	Sales (oz.)	Purchases (oz.)	Sales (oz.)	Inventory (oz.)	Inventory (oz.)
Gold Stream						
Mount Milligan	17,700	12,700	23,500	25,700	5,200	100
Andacollo	13,500	17,000	9,200	9,200	—	100
Pueblo Viejo	12,600	14,500	15,600	13,700	8,500	12,900
Wassa and Prestea	6,000	6,800	4,300	4,000	500	1,000
Rainy River	1,000	800	—	—	200	—
Total	50,800	51,800	52,600	52,600	14,400	14,100
Silver Stream						
Pueblo Viejo	260,200	469,600	322,500	543,300	260,800	536,800
Rainy River	11,900	—	—	—	11,900	—
Total	272,100	469,600	322,500	543,300	272,700	536,800
Copper Stream						
Mount Milligan	1,245	819	N/A	N/A	426	—

Our royalty revenue increased during the quarter ended December 31, 2017, compared with the quarter ended December 31, 2016, primarily due to an increase in the average gold, silver and copper prices. Please refer to “Property Developments” earlier within this MD&A for further discussion on recent developments regarding properties covered by certain of our stream and royalty interests.

Cost of sales decreased to \$19.9 million for the three months ended December 31, 2017 from \$22.5 million for the three months ended December 31, 2016. The decrease was primarily due to decreased gold sales from Mount Milligan. Cost of sales is specific to our stream agreements and is the result of RGLD Gold’s purchase of gold, silver and copper for a cash payment. The cash payment for gold from Mount Milligan is the lesser of \$435 per ounce or the prevailing market price of gold when purchased, while the cash payment for our other streams is a set contractual percentage of the gold, silver or copper (Mount Milligan) spot price near the date of metal delivery.

General and administrative expenses increased to \$9.6 million for the three months ended December 31, 2017 from \$7.5 million for the three months ended December 31, 2016. The increase during the current quarter was primarily due to an increase in legal and litigation costs of approximately \$1.7 million.

Depreciation, depletion and amortization increased to \$42.0 million for the three months ended December 31, 2017 from \$39.5 million for the three months ended December 31, 2016. The increase was primarily attributable to increased gold sales at Andacollo and Wassa and Prestea, which resulted in additional depletion of approximately \$6.6 million. This increase was partially offset by a decrease in gold sales at Mount Milligan, which resulted in a decrease in depletion of approximately \$3.2 million.

Interest and other income decreased to \$0.6 million for the three months ended December 31, 2017, from \$7.5 million for the three months ended December 31, 2016. The decrease was primarily due to a gain recognized (\$3.4 million) on consideration received as part of the termination of our Phoenix Gold Project streaming interest during the prior period. Refer to our Fiscal 2017 10-K for discussion on the Phoenix Gold Project restructuring. The decrease in interest and other income was also due to consideration received as part of a legal settlement and termination of a non-principal royalty of approximately \$2.8 million during the prior period.

During the three months ended December 31, 2017, we recognized income tax expense totaling \$48.4 million compared with an income tax expense of \$5.0 million during the three months ended December 31, 2016. This resulted in an effective tax rate of 148.5% in the current period, compared with 15.7% in the quarter ended December 31, 2016. The increase in the effective tax rate for the three months ended December 31, 2017 is primarily attributable to the effects of

the Act and a non-cash functional currency election at certain of our Canadian subsidiaries. Refer to “Recent Business Developments” above and Note 7 of our notes to consolidated financial statements for further discussion on the Act.

Six Months Ended December 31, 2017, Compared to Six Months Ended December 31, 2016

For the six months ended December 31, 2017, we recorded net income attributable to Royal Gold stockholders of \$13.9 million, or \$0.21 per basic and diluted share, as compared to net income attributable to Royal Gold stockholders of \$57.9 million, or \$0.89 per basic share and \$0.88 per diluted share, for the six months ended December 31, 2016. The decrease in our earnings per share was primarily attributable to an increase in our income tax expense due to the impacts of the Act and a non-cash functional currency election at certain of our Canadian subsidiaries. The effects of the Act and the non-cash functional currency election for income tax purposes was additional income tax expense of approximately \$26.4 million and \$15.9 million, respectively, or \$0.40 and \$0.24 per basic share, respectively. Refer to “Recent Business Developments” above and Note 7 of our notes to consolidated financial statements for further discussion on the Act.

For the six months ended December 31, 2017, we recognized total revenue of \$226.8 million, which is comprised of stream revenue of \$158.0 million and royalty revenue of \$68.8 million, at an average gold price of \$1,277 per ounce, an average silver price of \$16.78 per ounce and an average copper price of \$2.98 per pound. This is compared to total revenue of \$224.9 million for the six months ended December 31, 2016, which is comprised of stream revenue of \$159.5 million and royalty revenue of \$65.4 million, at an average gold price of \$1,280 per ounce, an average silver price of \$18.42 per ounce and an average copper price of \$2.28 per pound. Revenue and the corresponding production attributable to our stream and royalty interests for the six months ended December 31, 2016 compared to the six months ended December 31, 2016 is as follows:

Revenue and Reported Production Subject to Our Royalty and Stream Interests
Six Months Ended December 31, 2017 and 2016
(In thousands, except reported production ozs. and lbs.)

Stream/Royalty	Metal(s)	Six Months Ended December 31, 2017		Six Months Ended December 31, 2016	
		Revenue	Reported Production ⁽¹⁾	Revenue	Reported Production ⁽¹⁾
Stream ⁽²⁾:					
Mount Milligan		\$ 53,584		\$ 70,050	
	Gold		31,300 oz.		54,600 oz.
	Copper		4.4 Mlbs.		N/A
Pueblo Viejo		\$ 51,758		\$ 47,387	
	Gold		27,400 oz.		24,600 oz.
	Silver		1.0 Moz.		866,600 oz.
Andacollo	Gold	\$ 33,938	26,700 oz.	\$ 31,154	24,400 oz.
Wassa and Prestea	Gold	\$ 17,699	13,900 oz.	\$ 10,920	8,600 oz.
Rainy River	Gold	\$ 1,070	800 oz.	N/A	N/A
Total stream revenue		\$ 158,049		\$ 159,511	
Royalty ⁽²⁾:					
Peñasquito		\$ 13,986		\$ 12,955	
	Gold		205,100 oz.		285,500 oz.
	Silver		11.0 Moz.		10.3 Moz.
	Lead		69.6 Mlbs.		66.6 Mlbs.
	Zinc		186.8 Mlbs.		143.5 Mlbs.
Cortez	Gold	\$ 5,922	54,900 oz.	\$ 3,874	36,300 oz.
Other ⁽³⁾	Various	\$ 48,867	N/A	\$ 48,569	N/A
Total royalty revenue		\$ 68,775		\$ 65,398	
Total revenue		\$ 226,824		\$ 224,909	

⁽¹⁾ Reported production relates to the amount of metal sales, subject to our royalty and stream interests, for the six months ended December 31, 2017 and 2016, and may differ from the operators’ public reporting.

⁽²⁾ Refer to “Property Developments” above for further discussion on our principal stream interests.

⁽³⁾ Individually, no stream or royalty included within the “Other” category contributed greater than 5% of our total revenue for either period.

[Table of Contents](#)

The increase in our total revenue for the six months ended December 31, 2017, compared with the six months ended December 31, 2016, resulted primarily from an increase in our royalty revenue. The increase in our royalty revenue was primarily attributable to increased gold production from our Cortez royalty interests. The slight decrease in our stream revenue was primarily attributable to a decrease in production (gold) at Mount Milligan. This decrease was offset by production increases at Pueblo Viejo, Andacollo and Wassa and Prestea and new gold production from our Rainy River stream interest. Silver deliveries from our Rainy River interest began during the December 2017 quarter with silver sales anticipated to begin in the March 2018 quarter. Copper deliveries from Mount Milligan began during our June 2017 quarter.

Gold and silver ounces and tonnes of copper purchased and sold during the six months ended December 31, 2017 and 2016, gold and silver ounces and tonnes of copper in inventory as of December 31, 2017, and June 30, 2017, for our streaming interests were as follows:

Gold Stream	Six Months Ended December 31, 2017		Six Months Ended December 31, 2016		As of December 31, 2017	As of June 30, 2017
	Purchases (oz.)	Sales (oz.)	Purchases (oz.)	Sales (oz.)	Inventory (oz.)	Inventory (oz.)
Mount Milligan	36,400	31,300	53,400	54,600	5,200	100
Andacollo	26,500	26,700	24,500	24,400	—	100
Pueblo Viejo	23,100	27,400	29,200	24,600	8,500	12,900
Wassa and Prestea	13,400	13,900	8,900	8,600	500	1,000
Rainy River	1,000	800	—	-	200	—
Total	100,400	100,100	116,000	112,200	14,400	14,100

Silver Stream	Six Months Ended December 31, 2017		Six Months Ended December 31, 2016		As of December 31, 2017	As of June 30, 2017
	Purchases (Moz.)	Sales (Moz.)	Purchases (oz.)	Sales (oz.)	Inventory (oz.)	Inventory (oz.)
Pueblo Viejo	730,200	1,006,200	865,800	866,600	260,800	536,800
Rainy River	11,900	-	—	—	11,900	—
Total	742,100	1,006,200	865,800	866,600	272,700	536,800

Copper Stream	Six Months Ended December 31, 2017		Six Months Ended December 31, 2016		As of December 31, 2017	As of June 30, 2017
	Purchases (tonnes)	Sales (tonnes)	Purchases (tonnes)	Sales (tonnes)	Inventory (tonnes)	Inventory (tonnes)
Mount Milligan	2,414	1,988	N/A	N/A	426	—

Cost of sales decreased to \$40.3 million for the six months ended December 31, 2017, compared to \$45.2 million for the six months ended December 31, 2016. The decrease was primarily due to decreased gold sales from Mount Milligan. Cost of sales is specific to our stream agreements and is the result of RGLD Gold's purchase of gold, silver and copper for a cash payment. The cash payment for gold from Mount Milligan is the lesser of \$435 per ounce or the prevailing market price of gold when purchased, while the cash payment for our other streams is a set contractual percentage of the gold, silver or copper (Mount Milligan) spot price near the date of metal delivery.

General and administrative expenses decreased to \$16.5 million for the six months ended December 31, 2017, from \$18.0 million for the six months ended December 31, 2016. The decrease during the current period was primarily due to a decrease in non-cash stock based compensation.

Depreciation, depletion and amortization increased to \$81.7 million for the six months ended December 31, 2017, from \$79.6 million for the six months ended December 31, 2016. The increase was primarily attributable to increased gold sales at Andacollo, Pueblo Viejo and Wassa and Prestea, which resulted in additional depletion of approximately \$11.4 million. This increase was partially offset by a decrease in gold sales at Mount Milligan, which resulted in a decrease in depletion of approximately \$4.8 million.

Interest and other income decreased to \$1.6 million for the six months ended December 31, 2017, from \$9.0 million for the six months ended December 31, 2016. The decrease was primarily due to a gain recognized (\$3.4 million) on consideration received as part of the termination of our Phoenix Gold Project streaming interest during the prior period. Refer to our Fiscal 2017 10-K for discussion on the Phoenix Gold Project restructuring. The decrease in interest and other income was also due to consideration received as part of a legal settlement and termination of a non-principal royalty of approximately \$2.8 million during the prior period.

[Table of Contents](#)

During the six months ended December 31, 2017, we recognized income tax expense totaling \$55.9 million compared with \$12.2 million during the six months ended December 31, 2016. This resulted in an effective tax rate of 83.9% in the current period, compared with 18.5% during the six months ended December 31, 2016. The increase in the effective tax rate for the six months ended December 31, 2017 is primarily attributable to the effects of the Act and a non-cash functional currency election at certain of our Canadian subsidiaries. Refer to “Recent Business Developments” above and Note 7 of our notes to consolidated financial statements for further discussion on the Act.

Liquidity and Capital Resources

Overview

At December 31, 2017, we had current assets of \$165.5 million compared to current liabilities of \$41.6 million resulting in working capital of \$123.9 million and a current ratio of 4 to 1. This compares to current assets of \$143.6 million and current liabilities of \$34.3 million at June 30, 2017, resulting in working capital of \$109.3 million and a current ratio of approximately 4 to 1.

During the quarter ended December 31, 2017, liquidity needs were met from \$94.5 million in net revenue and our available cash resources. During the three months ended December 31, 2017, the Company repaid \$50.0 million of the outstanding borrowings under the revolving credit facility. As of December 31, 2017, the Company had \$850 million available and \$150 million outstanding under its revolving credit facility. Working capital, combined with the Company’s undrawn revolving credit facility, resulted in approximately \$970 million of total available liquidity as of December 31, 2017. The Company was in compliance with each financial covenant under the revolving credit facility as of December 31, 2017. Refer to Note 3 of our notes to consolidated financial statements for further discussion on our debt.

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

Please refer to our risk factors included in Part 1, Item 1A of our Fiscal 2017 10-K and in Part II, Item 1A of this Quarterly Report on Form 10-Q for a discussion of certain risks that may impact the Company’s liquidity and capital resources.

Summary of Cash Flows

Operating Activities

Net cash provided by operating activities totaled \$147.2 million for the six months ended December 31, 2017, compared to \$124.9 million for the six months ended December 31, 2016. The increase was primarily due to a decrease in income taxes paid at certain foreign subsidiaries of approximately \$14.0 million and an increase in proceeds received from our stream and royalty interests, net of production taxes and cost of sales, of approximately \$11.2 million.

Investing Activities

Net cash used in investing activities totaled \$0.1 million for the six months ended December 31, 2017, compared to cash used in investing activities of \$191.0 million for the six months ended December 31, 2016. The decrease in cash used in investing activities is primarily due to a decrease in acquisitions of stream and royalty interests in mineral properties compared to the prior year period.

Financing Activities

Net cash used in financing activities totaled \$134.9 million for the six months ended December 31, 2017, compared to cash provided by financing activities of \$33.5 million for the six months ended December 31, 2016. The decrease in cash provided by financing activities is primarily due to the Company’s \$70 million borrowing under its revolving credit facility to fund a royalty acquisition during the prior year period. During the six months ended December 31, 2017, the Company repaid \$100 million of the outstanding borrowings under the revolving credit facility.

Recently Issued or Adopted Accounting Standards and Critical Accounting Policies

Refer to Note 1 of our notes to consolidated financial statements for further discussion on any recently issued or adopted accounting standards. Refer to our Fiscal 2017 10-K for discussion on our critical accounting policies.

Forward-Looking Statements

Cautionary “Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: With the exception of historical matters, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projections or estimates contained herein. Such forward-looking statements include, without limitation, statements regarding projected production estimates and estimates pertaining to timing and commencement of production from the operators of properties where we hold stream and royalty interests; statements related to ongoing developments and expected developments at properties where we hold stream and royalty interests; effective tax rate estimates, including the effect of recently enacted tax reform; the adequacy of financial resources and funds to cover anticipated expenditures for debt service and general and administrative expenses as well as costs associated with exploration and business development and capital expenditures, expected delivery dates of gold, silver, copper and other metals, and our expectation that substantially all our revenues will be derived from stream and royalty interests. Words such as “may,” “could,” “should,” “would,” “believe,” “estimate,” “expect,” “anticipate,” “plan,” “forecast,” “potential,” “intend,” “continue,” “project,” and variations of these words, comparable words and similar expressions generally indicate forward-looking statements, which speak only as of the date the statement is made. Do not unduly rely on forward-looking statements. Actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, among others:

- a low price environment for gold and other metal prices on which our stream and royalty interests are paid or a low price environment for the primary metals mined at properties where we hold stream and royalty interests;
- the production at or performance of properties where we hold stream and royalty interests, and variation of actual performance from the production estimates and forecasts made by the operators of these properties;
- the ability of operators to bring projects into production on schedule or operate in accordance with feasibility studies, including development stage mining properties, mine and mill expansion project and other development and construction projects;
- acquisition and maintenance of permits and authorizations, completion of construction and commencement and continuation of production at the properties where we hold stream and royalty interests;
- challenges to mining, processing and related permits and licenses, or to applications for permits and licenses, by or on behalf of indigenous populations, non-governmental organizations or other third parties;
- liquidity or other problems our operators may encounter, including shortfalls in the financing required to complete construction and bring a mine into production;
- decisions and activities of the operators of properties where we hold stream and royalty interests;
- hazards and risks at the properties where we hold stream and royalty interests that are normally associated with developing and mining properties, including unanticipated grade, continuity and geological, metallurgical, processing or other problems, mine operating and ore processing facility problems, pit wall or tailings dam failures, industrial accidents, environmental hazards and natural catastrophes such as drought, floods or earthquakes and access to sufficient raw materials, water and power;
- changes in operators’ mining, processing and treatment techniques, which may change the production of minerals subject to our stream and royalty interests;
- changes in the methodology employed by our operators to calculate our stream and royalty interests in accordance with the agreements that govern them;

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

as well as other factors described elsewhere in this report and our other reports filed with the SEC, including our Fiscal 2017 10-K. Most of these factors are beyond our ability to predict or control. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements. Forward-looking statements speak only as of the date on which they are made. We disclaim any obligation to update any forward-looking statements made herein, except as required by law. Readers are cautioned not to put undue reliance on forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our earnings and cash flows are significantly impacted by changes in the market price of gold and other metals. Gold, silver, copper, nickel and other metal prices can fluctuate significantly and are affected by numerous factors, such as demand, production levels, economic policies of central banks, producer hedging, world political and economic events and the strength of the U.S. dollar relative to other currencies. Please see “*Volatility in gold, silver, copper, nickel and other metal prices may have an adverse impact on the value of our stream and royalty interests and may reduce our revenues. Certain contracts governing our royalty stream interests have features that may amplify the negative effects of a drop in metals prices,*” under Part I, Item 1A of our Fiscal 2017 10-K, for more information that can affect gold, silver, copper, nickel and other metal prices as well as historical gold, silver, copper and nickel prices.

[Table of Contents](#)

During the six months ended December 31, 2017, we reported revenue of \$226.8 million, with an average gold price for the period of \$1,277 per ounce, an average silver price of \$16.78 per ounce and an average copper price of \$2.98 per pound. Approximately 78% of our total reported revenues for the six months ended December 31, 2017 were attributable to gold sales from our gold producing stream and royalty interests, as shown within the MD&A. For the six months ended December 31, 2017, if the price of gold had averaged 10% higher or lower per ounce, we would have recorded an increase or decrease in revenue of approximately \$18.2 million.

Approximately 9% of our total reported revenues for the six months ended December 31, 2017 were attributable to silver sales from our silver producing stream and royalty interests. For the six months ended December 31, 2017, if the price of silver had averaged 10% higher or lower per ounce, we would have recorded an increase or decrease in revenue of approximately \$2.1 million.

Approximately 9% of our total reported revenues for the six months ended December 31, 2017 were attributable to copper sales from our copper producing stream and royalty interests. For the six months ended December 31, 2017, if the price of copper had averaged 10% higher or lower per pound, we would have recorded an increase or decrease in revenue of approximately \$2.2 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2017, the Company's management, with the participation of the President and Chief Executive Officer (the principal executive officer) and Chief Financial Officer and Treasurer (the principal financial and accounting officer) of the Company, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on such evaluation, the Company's President and Chief Executive Officer and its Chief Financial Officer and Treasurer have concluded that, as of December 31, 2017, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods and that such information is accumulated and communicated to the Company's management, including the President and Chief Executive Officer and the Chief Financial Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure.

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

Changes in Internal Controls

There has been no change in the Company's internal control over financial reporting during the three months ended December 31, 2017 that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Voisey's Bay

Refer to Note 10 of our notes to consolidated financial statements for a discussion of the litigation associated with our Voisey's Bay royalty.

ITEM 1A. RISK FACTORS

Information regarding risk factors appears in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements,” and various risks faced by us are also discussed elsewhere in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q. In addition, risk factors are included in Part I, Item 1A of our Fiscal 2017 10-K.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit Number	Description
101.*	Form of First Amendment to Employment Agreement made and entered into as of the 15th day of December, 2017, by and between Royal Gold, Inc. and each of the following: Karli Anderson, William Heissenbuttel, Mark Isto, Tony Jensen, Bruce Kirchhoff and Stefan Wenger.
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1‡	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2‡	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

‡ Furnished herewith.

SIGNATURES

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

ROYAL GOLD, INC.

Date: February 8, 2018

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

Date: February 8, 2018

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

**FIRST AMENDMENT TO
EMPLOYMENT AGREEMENT**

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (this “*First Amendment*”) is made and entered into as of the 15th day of December, 2017, by and between Royal Gold, Inc., a Delaware corporation (the “*Company*”), and [•] (the “*Executive*”).

Recitals

- A. Company and Executive made and entered into that certain Employment Agreement as of the 1st day of July, 2016 (the “*Employment Agreement*”); and
- B. Each party desires to amend the Employment Agreement as set forth in this First Amendment.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations contained herein and in the Employment Agreement, and for other good and valuable consideration, the receipt and adequacy of which the Company and Executive hereby acknowledge, the Company and Executive hereby agree as follows:

Agreement

1. Amendments.

1.1 The Company and Executive agree that Section 1(d) of the Employment Agreement is deleted in its entirety and replaced with the following:

(d) Nothing herein shall preclude Executive from (i) serving as a member of the board of directors of an outside public company provided that the Executive shall have received Compensation, Nominating and Governance Committee approval before accepting such position; (ii) serving as a member of the board of directors of such other affiliated or non-affiliated entities at the request of the Board; (iii) engaging in charitable and community activities; (iv) participating in industry and trade organization activities; and (v) managing his and his family’s personal investments and affairs; *provided*, that such activities do not (x) materially interfere with the regular performance of his duties and responsibilities under this Agreement or (y) constitute activities that compete with the business of Company and/or that violate Executive’s obligations under Sections 8 and/or 9 of this Agreement.

1.2 The Company and Executive agree that Section 3(b) of the Employment Agreement is deleted in its entirety and replaced with the following:

(b) **Bonus Opportunities.** For each fiscal year during the Term, Executive shall be eligible to be considered to receive discretionary incentive compensation (an “*Annual Bonus*”) from the Company in an amount, if any, determined by the Board or the Compensation Committee and in accordance with the Company’s compensation policies and practices as in effect from time to time. To be eligible for an Annual Bonus, the Executive must be actively employed by the Company on the last day of the fiscal year. Any Annual Bonus earned shall be paid no later than March 15 of the year following the fiscal year of performance.

1.3 The Company and Executive agree that Sections 5(c), 5(d) and 5(g) of the Employment Agreement are deleted in their entirety and replaced with the following:

(c) Death. If Executive's employment is terminated by reason of Executive's death, then this Agreement shall terminate without further obligations by the Company to Executive's legal representatives under this Agreement other than those obligations under the terms of a Company plan or program that take effect at the date of Executive's death, and, the Company shall pay Executive's estate, and Executive's estate shall be entitled to receive, (i) the Accrued Obligations, plus, upon valid execution of a Release Document by an authorized executor of Executive's estate, (ii) one (1) times the average of the Annual Bonuses paid to Executive for the three (3) full fiscal years ending immediately prior to the date of termination of Executive's employment, pro-rated from the first day of the fiscal year through the effective date of the termination of Executive's employment, payable within sixty (60) business days of the date of termination of Executive's employment, with the exact timing of payment determined in the Company's sole discretion, provided that if the Executive is terminated within sixty (60) days prior to the end of a calendar year, payment of the amounts set forth in (ii) will be made in the subsequent calendar year.

(d) Disability. If Executive's employment is terminated by reason of Executive's Disability, then this Agreement shall terminate without further obligations by the Company to Executive under this Agreement except for obligations which expressly continue after termination of employment due to Disability, and, the Company shall pay Executive, and Executive shall be entitled to receive, (i) the Accrued Obligations, plus, upon valid execution of a Release Document, (ii) one (1) times the average of the Annual Bonuses paid to Executive for the three (3) full fiscal years ending immediately prior to the date of termination of Executive's employment, pro-rated from the first day of the fiscal year through the effective date of the termination of Executive's employment, payable within sixty (60) business days of the date of termination of Executive's employment, with the exact timing of payment determined in the Company's sole discretion, provided that if the Executive is terminated within sixty (60) days prior to the end of a calendar year, payment of the amounts set forth in (ii) will be made in the subsequent calendar year. In addition, Executive shall be entitled to receive any disability benefits payable in accordance with the Company's plans, programs and policies as in effect from time to time.

(g) Release. Notwithstanding any other provision in this Agreement to the contrary, as a condition precedent to receiving any Severance Payment or Change of Control Severance Payment, Executive agrees to execute (and not revoke) the Release Document on or before the sixtieth (60th) business day following the date of termination of Executive's employment so that all revocation periods will have expired on or before the sixtieth (60th) day following the date of termination of Executive's employment. If Executive fails to timely execute and deliver the Release Document, or revokes the Release Document, Executive agrees that he shall not be entitled to receive the Severance Payment or Change of Control Severance Payment, as applicable.

1.4 The Company and Executive agree that Section 8(b) of the Employment Agreement is deleted in its entirety and replaced with the following:

(b) Executive acknowledges that the Company's business is highly competitive and that the Company has developed and owns valuable information which is confidential, unique and specific to the Company and its affiliates ("**Proprietary and Confidential Information**") and which includes, without limitation, financial information; geological, metallurgical, and other technical data and information, including operations, reserve information and exploration data; marketing plans; business and implementation plans; engineering plans and processes; models and templates; prospect lists; technical information concerning products, services and processes; names and other information (such as credit and financial data) concerning customers and business affiliates; and other trade secrets, concepts,

ideas, plans, strategies, analyses, surveys and proprietary information related to the past, present or anticipated business of the Company and its affiliates. Executive further acknowledges that protection of such Proprietary and Confidential Information against unauthorized disclosure and use is of critical importance to the Company and its affiliates in maintaining their competitive position. Executive hereby agrees that he shall not, at any time during or after his employment by the Company, disclose to others, permit to be disclosed, use, permit to be used, copy or permit to be copied, any such Proprietary and Confidential Information (whether or not developed by Executive and whether or not received as an employee) without the prior written consent of the General Counsel of the Company. Executive further agrees to maintain in confidence any proprietary and confidential information of third parties received or of which he has knowledge as a result of his employment. The prohibitions of this Section 8(b) shall not apply, however, to information in the public domain (but only if the same becomes part of the public domain through means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which Executive's legal rights and obligations as an employee or under this Agreement are at issue; *provided, however*, that Executive shall, to the extent practicable and lawful in any such events, give prior notice to the Company of his intent to disclose any such Proprietary and Confidential Information in such context so as to allow the Company or its affiliates an opportunity (which Executive shall not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Notwithstanding the foregoing, nothing in this Agreement or any other agreement that Executive may have with the Company restricts or prohibits Executive from initiating communications directly with, responding to any inquiries from, providing testimony before, reporting possible violations of law or regulation to, filing a claim with or assisting with an investigation by a government agency or entity, including but not limited to the U.S. Securities and Exchange Commission and the federal Occupational Safety and Health Administration, or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation, and Executive does not need the Company's prior authorization to engage in such conduct.

1.5 The Company and Executive agree that Section 9(a) of the Employment Agreement is deleted in its entirety and replaced with the following:

(a) Other than the performance of his responsibilities pursuant to this Agreement carried out in the best interests of the Company, during his employment and for a period of twelve (12) months after the date of termination of employment, for any reason, whether by Executive or the Company, Executive shall restrict his activities as follows:

(i) Executive shall not, directly or indirectly, for himself or others, own, manage, operate, control, be employed by (whether in an executive, managerial, supervisory or other capacity), consult with, assist or otherwise engage or participate in or allow his skill, knowledge, experience or reputation to be used in connection with, the ownership, management, operation or control of, any company or other business enterprise engaged in the Subject Business (as defined below) within any of the Subject Areas (as defined below); *provided, however*, that nothing contained herein shall prohibit Executive from making passive investments as long as Executive does not beneficially own more than one percent (1%) of the equity interests of a business enterprise listed on a national securities exchange or publicly traded on a nationally recognized over-the-counter market engaged in the Subject Business within any of the Subject Areas. For purposes of this paragraph, "beneficially own" shall have the same meaning ascribed to that term in Rule 13d-3 under the Securities Exchange Act of 1934, as amended;

(ii) Executive shall not solicit, divert or entice away the business of any current counterparty of the Company or its affiliates, or any prospective counterparty who on the date of termination of Executive's employment is engaged in discussions or negotiations to enter into a business

relationship with the Company or its affiliates, or otherwise disrupt any previously established relationship existing between such person or entity and the Company or its affiliates;

(iii) Executive shall not solicit, induce, influence or attempt to influence any supplier, lessor, lessee, licensor, partner, joint venturer, potential acquiree or any other person who has a business relationship with the Company or its affiliates, or who on the date of termination of Executive's employment is engaged in discussions or negotiations to enter into a business relationship with the Company or its affiliates, to discontinue or reduce or limit the extent of or refrain from entering into a relationship with the Company or its affiliates; and

(iv) Without the consent of the Company, Executive shall not make contact with any of the employees or consultants of the Company or its affiliates with whom he had contact during the course of his employment with the Company for the purpose of soliciting such employee or consultant for hire, whether as an employee or independent contractor, or otherwise disrupting such employee's or consultant's relationship with the Company or its affiliates.

For purpose of this Agreement, (x) "**Subject Areas**" mean the continents of North America, Central and South America, Africa, Europe and Australia, and (y) "**Subject Business**" means the business of creating, financing, acquiring, investing in and managing precious metals royalties, precious metals streams and similar interests involving mineral properties.

2. Ratification.

The Company and Executive agree that, except as set forth in this First Amendment, the Employment Agreement is and shall remain in full force and effect.

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement, effective as of the day and year first above written.

ROYAL GOLD, INC.

By: _____
Name: [•]
Title: [•]

Name: [•]

CERTIFICATION

I, Tony Jensen, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Royal Gold, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 8, 2018

/s/Tony Jensen

Tony Jensen
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Stefan Wenger, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Royal Gold, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present, in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 8, 2018

/s/Stefan Wenger

Stefan Wenger

Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Royal Gold, Inc. (the "Company"), for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tony Jensen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

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

February 8, 2018

/s/Tony Jensen

Tony Jensen

President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Royal Gold, Inc. (the "Company"), for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stefan Wenger, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

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

February 8, 2018

/s/ Stefan Wenger

Stefan Wenger
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)