

ROYAL GOLD INC  
Form 10-Q  
February 08, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

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

For the Quarterly Period Ended 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

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Royal Gold, Inc.

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(Exact Name of Registrant as Specified in Its Charter)

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|   |   |
|---|---|
| Delaware<br>(State or Other Jurisdiction of<br>Incorporation)                                   | 84-0835164<br>(I.R.S. Employer<br>Identification No.) |
| 1660 Wynkoop Street, Suite 1000<br>Denver, Colorado<br>(Address of Principal Executive Offices) | 80202<br>(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.



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## ITEM 1. FINANCIAL STATEMENTS

## ROYAL GOLD, INC.

## Consolidated Balance Sheets

(Unaudited, in thousands except share data)

|  | December 31, 2017 | June 30, 2017 |
|--|-------------------|---------------|
| <b>ASSETS</b>  |                   |               |
| 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   | 165,479           | 143,607       |
| Stream and royalty interests, net (Note 2)   | 2,810,616         | 2,892,256     |
| Other assets   | 53,305            | 58,202        |
| Total assets   | \$ 3,029,400      | \$ 3,094,065  |
| <b>LIABILITIES</b>   |                   |               |
| 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  | 41,575            | 34,283        |
| 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  | 729,583           | 773,801       |
| Commitments and contingencies (Note 10)  |                   |               |
| <b>EQUITY</b>  |                   |               |
| 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  | 2,257,830         | 2,275,377     |
| Non-controlling interests  | 41,987            | 44,887        |
| Total equity   | 2,299,817         | 2,320,264     |
| Total liabilities and equity   | \$ 3,029,400      | \$ 3,094,065  |

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

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## ROYAL GOLD, INC.

## Consolidated Statements of Operations and Comprehensive (Loss) Income

(Unaudited, in thousands except share data)

|  | For The Three Months Ended |                      | For The Six Months Ended |                      |
|--|----------------------------|----------------------|--------------------------|----------------------|
|  | December 31,<br>2017       | December 31,<br>2016 | December 31,<br>2017     | December 31,<br>2016 |
| 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   | 73,386                     | 72,480               | 144,144                  | 149,535              |
| 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         | \$ (14,765)                | \$ 28,062            | \$ 13,864                | \$ 57,850            |
| 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      | \$ (15,155)                | \$ 28,884            | \$ 13,671                | \$ 58,672            |
| Net (loss) income per share available to Royal Gold common stockholders: |                            |                      |                          |                      |
| Basic (loss) earnings per share  | \$ (0.23)                  | \$ 0.43              | \$ 0.21                  | \$ 0.89              |

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|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Basic weighted average shares outstanding      | 65,306,766 | 65,149,518 | 65,271,131 | 65,133,102 |
| Diluted (loss) earnings per share              | \$ (0.23)  | \$ 0.43    | \$ 0.21    | \$ 0.88    |
| Diluted weighted average shares<br>outstanding | 65,306,766 | 65,253,209 | 65,460,430 | 65,264,137 |
| Cash dividends declared per common share       | \$ 0.25    | \$ 0.24    | \$ 0.49    | \$ 0.47    |

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



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## ROYAL GOLD, INC.

## Consolidated Statements of Cash Flows

(Unaudited, in thousands)

|   | For The Six Months Ended |                      |
|---|--------------------------|----------------------|
|   | December 31,<br>2017     | December 31,<br>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   | \$ 147,234               | \$ 124,872           |
| Cash flows from investing activities:   |                          |                      |
| Acquisition of stream and royalty interests                                       | —                        | (192,818)            |
| Other   | (94)                     | 1,774                |
| Net cash used in investing activities   | \$ (94)                  | \$ (191,044)         |
| 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                               | \$ (134,855)             | \$ 33,527            |
| 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   | \$ 98,132                | \$ 83,988            |

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

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ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited)

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

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## 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<br>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  |

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|  |              |              |              |
|--|--------------|--------------|--------------|
| 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                   | \$ 3,624,500 | \$ (813,884) | \$ 2,810,616 |

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ROYAL GOLD, INC.

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

| As of June 30, 2017 (Amounts in thousands):          | Cost         | Accumulated<br>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              | 1,935,696    | (243,595)                | 1,692,101    |
| 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             | 844,024      | (488,644)                | 355,380      |
| Total production stage stream and royalty interests  | 2,779,720    | (732,239)                | 2,047,481    |
| Development stage stream interests:                  |              |                          |              |
| Rainy River  | 175,727      | —                        | 175,727      |
| Other  | 12,031       | —                        | 12,031       |
| Total development stage stream interests             | 187,758      | —                        | 187,758      |
| 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 | 692,029      | —                        | 692,029      |
| Total exploration stage royalty interests            | 152,746      | —                        | 152,746      |
| Total stream and royalty interests                   | \$ 3,624,495 | \$ (732,239)             | \$ 2,892,256 |

## 3. DEBT

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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<br>Discount | Debt<br>Issuance<br>Costs | Total      | Principal           | Unamortized<br>Discount | Debt<br>Issuance<br>Costs | Total      |
|                            |                         |                         |                           |            |                     |                         |                           |            |
| 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                 | \$ 520,000              | \$ (19,110)             | \$ (7,404)                | \$ 493,486 | \$ 620,000          | \$ (25,251)             | \$ (8,579)                | \$ 586,170 |

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.



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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:

|                   | Three Months Ended     |              | Six Months Ended       |              |
|-------------------|------------------------|--------------|------------------------|--------------|
|                   | December 31,           | December 31, | December 31,           | December 31, |
|                   | 2017                   | 2016         | 2017                   | 2016         |
|                   | (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     | \$ 114,348             | \$ 106,961   | \$ 226,824             | \$ 224,909   |

## 5. STOCK-BASED COMPENSATION

The Company recognized stock-based compensation expense as follows:

|  | Three Months Ended     |                      | Six Months Ended       |                      |
|--|------------------------|----------------------|------------------------|----------------------|
|  | December 31,<br>2017   | December 31,<br>2016 | December 31,<br>2017   | December 31,<br>2016 |
|  | (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 | \$ 2,021               | \$ 2,299             | \$ 4,395               | \$ 6,443             |

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

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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:

|                             | Three Months Ended                         |                      | Six Months Ended                           |                      |
|-----------------------------|--|----------------------|--|----------------------|
|                             | December 31,<br>2017<br>(Number of shares) | December 31,<br>2016 | December 31,<br>2017<br>(Number of shares) | December 31,<br>2016 |
| 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:

|                           | Unrecognized<br>compensation<br>expense | Weighted-<br>average vesting<br>period (years) |
|---------------------------|---|--|
| 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:

|  | Three Months Ended                    |                      | Six Months Ended                      |                      |
|--|---------------------------------------|----------------------|---------------------------------------|----------------------|
|  | December 31,<br>2017                  | December 31,<br>2016 | December 31,<br>2017                  | December 31,<br>2016 |
|  | (in thousands, except per share data) |                      | (in thousands, except per share data) |                      |
| Net (loss) income available to<br>Royal Gold common stockholders | \$ (14,765)                           | \$ 28,062            | \$ 13,864                             | \$ 57,850            |
| Weighted-average shares for basic<br>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<br>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              |

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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

|                    | Three Months Ended                  |                      | Six Months Ended                    |                      |
|--------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|
|                    | December 31,<br>2017                | December 31,<br>2016 | December 31,<br>2017                | December 31,<br>2016 |
|                    | (Amounts in thousands, except rate) |                      | (Amounts in thousands, except rate) |                      |
| 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 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.

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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:

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|                             |            |           |           |            |           |           |
|-----------------------------|------------|-----------|-----------|------------|-----------|-----------|
| 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 |



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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 |
| <b>Streams:</b>             |                                    |               |             |                                    |               |             |
| 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  |
| <b>Royalties:</b>           |                                    |               |             |                                    |               |             |
| 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.

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

(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.

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ROYAL GOLD, INC.

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(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

### Ilovoica Gold Stream Acquisition

As of December 31, 2017, the Company's conditional funding schedule for \$163.75 million related to its Ilovoica 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.

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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.

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

General

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

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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<br>December 31, 2017 |                             | December 31, 2016 |                          | Six Months Ended<br>December 31, 2017 |                             | December 31, 2016 |                          |
|----------------------|---|-----------------------------|-------------------|--------------------------|---------------------------------------|-----------------------------|-------------------|--------------------------|
|                      | Average<br>Price                        | Percentage<br>of<br>Revenue | Average<br>Price  | Percentage<br>of Revenue | Average<br>Price                      | Percentage<br>of<br>Revenue | Average<br>Price  | Percentage<br>of Revenue |
| Gold<br>(\$/ounce)   | \$ 1,275                                | 79%                         | \$ 1,222          | 84%                      | \$ 1,277                              | 78%                         | \$ 1,280          | 86%                      |
| Silver<br>(\$/ounce) | \$ 16.73                                | 9%                          | \$ 17.19          | 11%                      | \$ 16.78                              | 9%                          | \$ 18.42          | 9%                       |
| Copper<br>(\$/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

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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<br>(Gold unless otherwise stated)   |
|----------------------------|---|---|---|
| Andacollo                  | Region IV, Chile  | Compañía Minera Teck<br>Carmen de Andacollo<br>("Teck") | Gold stream - 100% of gold produced (until 900,000 ounces delivered; 50% thereafter)  |
| Cortez                     | Nevada, USA   | Barrick Gold Corporation<br>("Barrick")                 | GSR1: 0.40% to 5.0% sliding-scale GSR<br><br>GSR2: 0.40% to 5.0% sliding-scale GSR<br>GSR3: 0.71% GSR<br>NVR1: 4.91% NVR; 4.52% NVR<br>(Crossroads)   |
| Mount Milligan             | British Columbia, Canada                                    | Centerra Gold Inc.<br>("Centerra")                      | Gold stream - 35.00% of payable gold<br><br>Copper stream - 18.75% of payable copper  |
| Peñasquito<br>Pueblo Viejo | Zacatecas, Mexico<br>Sanchez Ramirez,<br>Dominican Republic | Goldcorp Inc. ("Goldcorp")<br>Barrick (60%)             | 2.0% NSR (gold, silver, lead, zinc)<br>Gold stream - 7.5% of gold produced (until 990,000 ounces delivered; 3.75% thereafter)<br>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)<br>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<br>(Gold unless otherwise stated)         |
|-------------|-------------------|----------|---|
| Pascua-Lama | Region III, Chile | Barrick  | 0.78% to 5.45% sliding-scale NSR<br>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

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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 Estimate(1) |              |                    | Calendar 2017 Operator's Production Actual(2) |              |                    |
|-------------------|--|--------------|--------------------|---|--------------|--------------------|
|                   | 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 |                    |
| Lead              |  |              | 125 million        |   |              | 96.8 million       |
| Zinc              |  |              | 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.

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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

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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

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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

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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 Stream(2): | Metal(s) | Three Months Ended December 31, 2017 |                        | Three Months Ended December 31, 2016 |                        |
|---------------------------|----------|--------------------------------------|------------------------|--------------------------------------|------------------------|
|                           |          | Revenue                              | Reported Production(1) | Revenue                              | Reported Production(1) |
| 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.

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

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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.)

|  | Metal(s) | Six Months Ended<br>December 31, 2017 |                           | Six Months Ended<br>December 31, 2016 |                           |
|--|----------|---------------------------------------|---------------------------|---------------------------------------|---------------------------|
|  |          | Revenue                               | Reported<br>Production(1) | Revenue                               | Reported<br>Production(1) |
| Stream/Royalty<br>Stream(2):<br>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.                |



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|                       |         |            |         |       |            |         |       |
|-----------------------|---------|------------|---------|-------|------------|---------|-------|
| 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.

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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:

|  | Six Months Ended<br>December 31, 2017 |                | Six Months Ended<br>December 31, 2016 |                | As of<br>December 31, 2017 | As of<br>June 30, 2017 |
|--|---------------------------------------|----------------|---------------------------------------|----------------|----------------------------|------------------------|
|  | Purchases (oz.)                       | Sales (oz.)    | Purchases (oz.)                       | Sales (oz.)    | Inventory (oz.)            | Inventory (oz.)        |
| Stream<br>Milligan                             | 36,400                                | 31,300         | 53,400                                | 54,600         | 5,200                      | 100                    |
| Andacollo                                      | 26,500                                | 26,700         | 24,500                                | 24,400         | —                          | 100                    |
| Pueblo Viejo<br>and<br>Wassa<br>and<br>Prestea | 23,100                                | 27,400         | 29,200                                | 24,600         | 8,500                      | 12,900                 |
| Rainy<br>River                                 | 13,400                                | 13,900         | 8,900                                 | 8,600          | 500                        | 1,000                  |
|  | 1,000                                 | 800            | —                                     | -              | 200                        | —                      |
|  | 100,400                               | 100,100        | 116,000                               | 112,200        | 14,400                     | 14,100                 |
|  | Six Months Ended<br>December 31, 2017 |                | Six Months Ended<br>December 31, 2016 |                | As of<br>December 31, 2017 | As of<br>June 30, 2017 |
|  | Purchases (Moz.)                      | Sales (Moz.)   | Purchases (oz.)                       | Sales (oz.)    | Inventory (oz.)            | Inventory (oz.)        |
| Stream<br>Pueblo Viejo                         | 730,200                               | 1,006,200      | 865,800                               | 866,600        | 260,800                    | 536,800                |
| Rainy<br>River                                 | 11,900                                | -              | —                                     | —              | 11,900                     | —                      |
|  | 742,100                               | 1,006,200      | 865,800                               | 866,600        | 272,700                    | 536,800                |
|  | Six Months Ended<br>December 31, 2017 |                | Six Months Ended<br>December 31, 2016 |                | As of<br>December 31, 2017 | As of<br>June 30, 2017 |
|  | Purchases (tonnes)                    | Sales (tonnes) | Purchases (tonnes)                    | Sales (tonnes) | Inventory (tonnes)         | Inventory (tonnes)     |
| Stream<br>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.

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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.

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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,” 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;

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- 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.

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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.

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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<br>Number | Description |
|-------------------|-------------|
|-------------------|-------------|

- 10.1\* 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.
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\* Filed herewith.

‡ Furnished herewith.

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SIGNATURES

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

ROYAL GOLD, INC.

Date: 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)