DOLLAR TREE STORES INC
Form DEF 14A
May 17, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant o
Filed by a Party other than the Registrant o
Check the appropriate box:

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

DOLLAR TREE STORES, INC.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(1) Title of each class of securities to which transaction applies:

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DOLLAR TREE STORES, INC.

500 Volvo Parkway

Chesapeake, Virginia 23320

NOTICE OF

ANNUAL MEETING OF SHAREHOLDERS

to be held on

Thursday, June 21, 2007

To Our Shareholders:

We will hold the annual meeting of shareholders of Dollar Tree Stores, Inc. at the Princess Anne Country Club, 3800 Pacific Avenue, Virginia Beach, Virginia on Thursday, June 21, 2007 at 10:00 a.m. local time. Shareholders will consider and vote on the following:

- The election of three directors;
- A shareholder proposal, if properly presented at the meeting; and
- Any other business that may properly come before the meeting.

Shareholders of record at the close of business on April 20, 2007 will receive notice of and be allowed to vote at the meeting.

Your vote is important to us. We encourage you to read the attached proxy statement then sign, date and return your proxy card in the enclosed envelope at your earliest convenience. Sending in your proxy card will not prevent you from voting your shares at the meeting, if you desire to do so.

BY ORDER OF THE BOARD OF DIRECTORS

James A. Gorry, III

Corporate Secretary

Chesapeake, Virginia
May 17, 2007

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Dollar Tree s Board of Directors is soliciting your proxy to vote your shares at the annual meeting of shareholders. This proxy statement summarizes the information you need to know to vote at the meeting.

We began mailing these proxy materials on or about May 17, 2007 to all shareholders entitled to vote. The Dollar Tree 2006 Annual Report, which includes our financial statements, is being sent with this proxy statement.

Date, Time and Place of the Meeting

As shown in the Notice of Annual Meeting, the 2007 annual meeting of shareholders of Dollar Tree Stores, Inc. will be held on Thursday, June 21, 2007, at the Princess Anne Country Club, 3800 Pacific Avenue, Virginia Beach, Virginia at 10:00 a.m. local time.

The principal executive offices of Dollar Tree are located at, and our mailing address is, 500 Volvo Parkway, Chesapeake, Virginia, 23320; telephone: (757) 321-5000.

Shares Entitled to Vote

Shareholders of record have one vote for each share held at the close of business on April 20, 2007. At that time, there were 97,506,898 shares of common stock outstanding. Votes will be tabulated by our transfer agent, National City Bank.

Voting Your Proxy

Whether or not you plan to attend the annual meeting, we urge you to vote. If you vote by proxy, that is, by signing, dating and returning the enclosed proxy card, or by casting your vote via a toll-free number or the Internet, the individuals named on the card (your proxies) will vote your shares in the manner you indicate. If you do not indicate instructions to your proxies, then your shares will be voted as follows:

- FOR re-electing three members of the Board as Class III directors; and
- AGAINST the shareholder proposal.

If any other matter is presented, then your proxies will vote in accordance with their best judgment. At this time, the Board of Directors is unaware of any other business to be brought before the meeting. If you send more than one proxy card, then your shares will be voted in accordance with the proxy card bearing the latest date.

You may revoke your proxy by sending in a signed proxy card with a later date, providing subsequent telephone or Internet voting instructions, providing a written notice of revocation to the Corporate Secretary of Dollar Tree Stores, Inc. prior to the annual meeting or attending the annual meeting to cast your vote in person.

Quorum Requirement and Broker Non-Votes

A quorum is necessary for the transaction of business at the annual meeting. A quorum exists when holders of a majority of the total number of issued and outstanding shares of common stock that are entitled to vote at the annual meeting are present in person or by proxy. At the annual meeting, the inspector of election will determine the presence of a quorum and tabulate the results of the voting by shareholders. The inspector will treat valid proxies marked abstain or proxies required to be treated as broker non-votes as present for purposes of determining whether there is a quorum at the annual meeting. A broker non-vote occurs when a broker or nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the broker or nominee does not have discretionary voting power and has not received instructions from the beneficial owner of the shares. Abstentions with respect to any matter will have the same effect as a vote against that proposal.

Householding

In some cases, only one proxy statement is being delivered to multiple shareholders sharing an address unless

we have received contrary instructions from one or more of the shareholders. Upon written or oral request, we will deliver a separate copy of the proxy statement to a shareholder at a shared address to which a single copy of the proxy statement was delivered. You can notify our Corporate Secretary at our address on page 1 that you wish to receive a separate copy of the proxy statement in the future, or alternatively, that you wish to receive a single copy of the materials instead of multiple copies. Each shareholder will receive voting instructions relative to their individual holdings, regardless of a shared address.

Costs of the Proxy Solicitations

The cost of soliciting proxies will be borne by us. Proxies may be solicited by officers, directors and regular employees of our company or our affiliates, none of whom will receive any additional compensation for their services. Such solicitations may be made personally, or by mail, facsimile, telephone, telegram or messenger. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy material and annual reports to the beneficial owners of shares in accordance with the schedule of charges approved by the National Association of Securities Dealers, Inc. We have retained Georgeson Inc. to assist with the solicitation of proxies for a fee not to exceed $20,000, plus reimbursement for out-of-pocket expenses.

ELECTION OF DIRECTORS

Directors and Nominees

Our Board of Directors is divided into three staggered classes for purposes of election. One class is elected at each annual meeting of shareholders to serve for a three-year term. Our current by-laws provide for eleven directors.

At the 2007 annual meeting of shareholders, the terms of four Class III directors are expiring. One of the Class III directors, John F. Megrue, is retiring from the Board at the end of his term. The Board has not nominated a replacement for his seat on the Board. The remaining three directors whose terms are expiring are H. Ray Compton, Alan L. Wurtzel, and Bob Sasser. The Board proposes to nominate these three individuals to be elected as Class III directors at the 2007 annual meeting of shareholders. If so elected, these Class III directors will hold office for a three-year term expiring at the annual meeting of shareholders held in 2010.

All other directors will continue in office following this annual meeting and their terms will expire in either 2008 (Class I) or 2009 (Class II).

The nominees have indicated their willingness to serve as directors. If a nominee becomes unable to stand for re-election, the persons named in the proxy will vote for any substitute nominee proposed by the Board of Directors.

Vote Required

Our directors are elected by a plurality vote. The three nominees at the 2007 Annual Meeting of Shareholders receiving the greatest number of votes cast will be elected. You may vote for or withhold in the case of each nominee. Shares held by brokers that are not voted in the election of directors will have no effect. In addition, we have adopted a policy of requiring each director-nominee to submit a resignation letter if he or she does not receive a majority of the votes cast. See page 12 for more on this policy.

THE BOARD OF DIRECTORS RECOMMENDS THAT
YOU VOTE FOR EACH OF THE NOMINEES FOR DIRECTOR.

INFORMATION CONCERNING NOMINEES, DIRECTORS AND EXECUTIVE OFFICERS

Nominees

H. Ray Compton
Private investor; corporate director

Mr. Compton, age 64, has been a director since 1986 when he founded Dollar Tree with Mr. Perry and Mr. Brock. Mr. Compton was Executive Vice President from 1998 to 2002 and Chief Financial Officer from 1986 to 1998. He retired in 2004. From 1979 until 1991, he was employed in similar roles with K&K Toys. Prior to 1979, he was associated for 15 years with a manufacturing company in various accounting and management positions.

Class III director

Mr. Compton has been a director of Dollar Tree since 1986.

Bob Sasser
President and Chief Executive Officer
Dollar Tree Stores, Inc.

Mr. Sasser, age 55, has been Chief Executive Officer since 2004 and President since 2001. He had been Dollar Tree s Chief Operating Officer from 1999 to 2001. Previously, from 1997 to 1999, he served as Senior Vice President, Merchandise and Marketing of Roses Stores, Inc. From 1994 to 1996, he was Vice President, General Merchandise Manager for Michaels Stores, Inc. Prior to 1994; he held several positions at Roses Stores, Inc., ranging from Store Manager to Vice President, General Merchandise Manager.

Class III director

Mr. Sasser was elected to our Board in 2004.

Alan L. Wurtzel
Private investor; corporate director

Member of the Audit Committee;
Member of the Nominating and Corporate
Governance Committee

Mr. Wurtzel, age 73, is Chairman Emeritus of Circuit City Stores, Inc., a large consumer electronics retailing chain. From 1986 to 2001, he served as Chairman or Vice Chairman of the Board of Circuit City. Prior to 1986, he served in several other capacities with Circuit City, including Chief Executive Officer from 1973 to 1986. He serves on the boards of several nonpublic companies, the State Council on Higher Education of Virginia and other not-for-profit entities.

Class III director

Mr. Wurtzel became a Dollar Tree director in 1995.

Continuing Directors

J. Douglas Perry
Chairman Emeritus
Dollar Tree Stores, Inc.

Mr. Perry, age 59, became Chairman Emeritus of the Board in 2001. He had been Chairman of the Board since 1986 when he founded Dollar Tree with Mr. Brock and Mr. Compton. He also served as Chief Executive Officer from 1986 to 1993. He retired as an employee and officer of the company in 1999. Until 1991, he was an executive officer of K&K Toys, which he, along with Mr. Brock, Mr. Compton and Mr. Perry s father, built from the company s original single store to 136 stores.

Class II director

Mr. Perry has served on our Board since 1986.

Thomas A. Saunders, III
President, Ivor & Co., LLC

Mr. Saunders, age 70, is the President of Ivor & Co., LLC, a private investment company. He was a founder of Saunders Karp & Megrue Partners, L.L.C., (SKM) which controlled

Independent Lead Director; Chairman of the Audit Committee; Chairman of the Nominating and Corporate Governance Committee	the SK Equity Fund, L.P., once a major investor in Dollar Tree. SKM merged with Apax Partners in 2005. Before founding SKM in 1990, he was a Managing Director of Morgan Stanley & Co. from 1974 to 1989.
Class II director	Mr. Saunders has been a Dollar Tree director since 1993. He also serves on the Board of Hibbett Sporting Goods, Inc.

Eileen R. Scott Private investor; corporate director	Ms. Scott, age 54, was Chief Executive Officer of Pathmark Stores, Inc. from 2002 until August 2005. Her employment with Pathmark Stores, Inc. began in 1969. During her years there, she served as Executive Vice President of Store Operations, Executive Vice President of Merchandising and Distribution, Senior Vice President of Non-Foods and Pharmacy, and Vice President of Sales and Advertising.
Chairman of the Compensation Committee	
Class II director	Ms. Scott has been a director of Dollar Tree since 2003.
Macon F. Brock, Jr. Chairman Dollar Tree Stores, Inc.	Mr. Brock, age 65, has been Chairman of the Board since 2001 and a director since 1986. He was Chief Executive Officer from 1993 to 2003. From 1986, when he founded Dollar Tree with Mr. Perry and Mr. Compton, until 2001, he was President. Until 1991, he was an officer and director of K&K Toys.
Class I director	Mr. Brock has served on our Board since 1986.
Mary Anne Citrino Senior Managing Director, Corporate Advisory Services The Blackstone Group	Ms. Citrino, age 48, is a Senior Managing Director in the Corporate Advisory Services group at The Blackstone Group, a global investment and advisory firm. Previously, Ms. Citrino was employed at Morgan Stanley for over 20 years. During her years there, she served as the Global Head of Consumer Products Investment Banking, Co-Head of Health Care Services Investment Banking, and a Mergers and Acquisitions Analyst.
Member of the Compensation Committee	
Class I director	Ms. Citrino was appointed as a director of Dollar Tree in 2005.
Richard G. Lesser Private investor; corporate director Member of the Compensation Committee; Member of the Nominating and Corporate Governance Committee	Mr. Lesser, age 72, was Senior Corporate Adviser of the TJX Companies, Inc. from 2002 until his retirement in January 2005. He was Executive Vice President from 1991 to 2001 and Chief Operating Officer from 1994 to 1999. He was President of its Marmaxx Division (TJ Maxx and Marshalls) from 1995 to 2001. From 1981 to 1993, he held various executive positions within The TJX Companies, Inc.
Class I director	Mr. Lesser has been a Dollar Tree director since 1999. He also serves on the board of The TJX Companies, Inc., and retired from the board of A.C. Moore Arts and Crafts in February 2007.
Thomas E. Whiddon Private Investor; Advisory Director, Berkshire Partners, LLC	Mr. Whiddon, age 54, is an Advisory Director of Berkshire Partners, LLC (a private equity firm), and served as acting Chief Operating Officer of Waterworks, Inc., a Berkshire portfolio company from January 2006 to June 2006. Previously, he was Executive Vice President of Lowe s

Member of the Audit Committee	Companies, Inc. from 1996 until his retirement in 2003. During this time, he served as Executive Vice President of Logistics and Technology from 2000 to 2003 and Executive Vice President, Chief Financial Officer from 1996 to 2000. Prior to his tenure at Lowe s, he held senior financial positions at Zale Corporation and Eckerd Corporation.
Class I director	Mr. Whiddon has been a member of our Board since 2003 and also serves as a director of Sonoco Products Company, Inc. and Carter s Inc.

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Executive Officers

(Other than those listed above)

Kent A. Kleeberger
Chief Financial Officer
Dollar Tree Stores, Inc.

Mr. Kleeberger, age 55, has been Chief Financial Officer since 2004. From 1998 through 2004, following a 10-year tenure with The Limited, Inc., he served in various capacities at Too, Inc., most recently as Executive Vice President Chief Financial Officer, and also including Secretary; Treasurer; Chief Operating Officer; Executive Vice President-Chief Financial Officer, Logistics and Systems; and Vice President and Chief Financial Officer. Mr. Kleeberger was a director at Too, Inc., from 1999 to 2004.

Mr. Kleeberger serves on the board of Shoe Carnival, Inc.

Gary M. Philbin Chief Operating Officer Dollar Tree Stores, Inc.	3,435			
Cortez		10,630	(9,192)	1,438
Other		66,678	(18,437)	48,241
		261,877	(73,544)	188,333
Development stage royalty interests:				
Peñasquito (sulfide circuit)		95,146		95,146
Canadian Malartic		34,031		34,031
Pascua-Lama		20,446		20,446
Other		27,743		27,743
		177,366		177,366
Exploration stage royalty interests		90,267		90,267
Total royalty interests in mineral properties	$	529,510	$ (73,544)	$ 455,966

5. CREDIT FACILITY

The Company maintains a $125 million revolving credit facility with HSBC Bank USA, National Association (HSBC Bank) and Scotiabanc Inc. as lenders. The credit facility has a maturity date of October 30, 2013. Borrowings under the credit facility will bear interest at a floating rate of LIBOR plus a spread ranging from 1.75% to 2.25%, based on the Company s leverage ratio, as defined in the credit facility agreement. As of December 31, 2009, the Company did not have any amounts outstanding under the credit facility. As discussed in Note 2, the Company intends to draw $125 million under this credit facility to partially fund the IRC Transaction.

6. CHILEAN TERM LOAN FACILITY

Royal Gold Chile Limitada (RGCL), a wholly-owned subsidiary of Royal Gold, had a $19.25 million term loan outstanding bearing interest at LIBOR plus 0.25% pursuant to an Amended and Restated Term Loan Agreement (the Amended and Restated Agreement) between RGCL and HSBC Bank. On September 23, 2009, RGCL prepaid the full

$19.25 million outstanding, plus interest, under the Amended and Restated Agreement. In addition to prepaying all outstanding amounts, RGCL notified HSBC Bank of its intention to terminate the Amended and Restated Agreement. Termination of the Amended and Restated Agreement was effective September 24, 2009.

To secure RGCL s obligations under the Amended and Restated Agreement, the Company maintained $19.25 million in a Collateral Account at HSBC Bank. The Collateral Account balance was recorded as *Restricted cash compensating balance* on the Company s consolidated balance sheets. Upon the full prepayment and termination of the Amended and Restated Agreement, the Collateral Account was closed and the $19.25 million was reclassified to *Cash and equivalents* on the Company s consolidated balance sheets.

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7. STOCK-BASED COMPENSATION

The Company recognized stock-based compensation expense as follows:

	For The Three Months Ended (In thousands)		For The Six Months Ended (In thousands)	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Stock options	$ 126	$ 205	$ 261	$ 515
Stock appreciation rights	115	47	192	47
Restricted stock	761	639	1,229	901
Performance stock	935	24	1,405	88
Total stock-based compensation expense	$ 1,937	$ 915	$ 3,087	$ 1,551

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

	For The Three Months Ended (In thousands)		For The Six Months Ended (In thousands)	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Stock-based compensation expense allocation:				
Cost of operations	$ 389	$ 110	$ 659	$ 185
General and administrative	1,097	585	1,663	932
Exploration and business development	451	220	765	434
Total stock-based compensation expense	$ 1,937	$ 915	$ 3,087	$ 1,551

For the three and six months ended December 31, 2009 and 2008, 21,060 and 24,000 stock options, respectively, were granted at an exercise price of $53.00 and $30.96, respectively. As of December 31, 2009, there was $0.8 million of unrecognized compensation expense related to non-vested stock options, which is expected to be recognized over a weighted-average period of 2.09 years.

During the three and six months ended December 31, 2009 and 2008, 51,640 and 50,500 stock settled stock appreciation rights (SSARs), respectively, were granted at an exercise price of $53.00 and $30.96, respectively. As of December 31, 2009, there was $1.4 million of unrecognized compensation expense related to non-vested SSARs, which is expected to be recognized over a weighted-average period of 1.71 years.

During the three and six months ended December 31, 2009 and 2008, 60,000 and 96,500 shares of restricted stock, respectively, were granted at a grant date fair market value of $53.00 and $30.96, respectively. As of December 31, 2009, there was $6.7 million of unrecognized compensation expense related to non-vested restricted stock, which is expected to be recognized over a weighted-average period of 4.51 years.

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During the three and six months ended December 31, 2009 and 2008, 53,000 and 46,500 shares of performance stock, respectively, were granted at a grant date fair market value of $53.00 and $30.96, respectively. During the three and six months ended December 31, 2009 and 2008, 11,500 and 9,000 shares of performance stock, respectively, vested at a grant date fair market value of $29.75 and $28.78, respectively. As of December 31, 2009, there was $3.2 million of unrecognized compensation expense related to non-vested performance stock, which is expected to be recognized over a remaining estimated vesting period of 0.83 years.

8. EARNINGS PER SHARE (EPS)

	For The Three Months Ended December 31, 2009 (In thousands, except share and per-share data)		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 9,615	40,578,426	$ 0.24
Effect of other dilutive securities		383,711	
Diluted EPS	$ 9,615	40,962,137	$ 0.23

	For The Three Months Ended December 31, 2008 (In thousands, except share and per-share data)		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 21,397	33,961,206	$ 0.63
Effect of other dilutive securities		414,182	
Diluted EPS	$ 21,397	34,375,388	$ 0.62

	For The Six Months Ended December 31, 2009 (In thousands, except share and per-share data)		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 16,740	40,540,283	$ 0.41
Effect of other dilutive securities		402,281	
Diluted EPS	$ 16,740	40,942,564	$ 0.41

For The Six Months Ended December 31, 2008

	(In thousands, except share and per-share data)		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 27,146	33,943,851	$ 0.80
Effect of other dilutive securities		399,976	
Diluted EPS	$ 27,146	34,343,827	$ 0.79

For the three and six months ended December 31, 2009, 132,700 stock-based compensation awards, with a grant date price of $53.00, were excluded from the computation of diluted EPS as the result would be anti-dilutive. For the three and six months ended December 31, 2008, all stock-based compensation awards were included in the computation of diluted EPS.

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9. INCOME TAXES

	Three Months Ended December 31, (In thousands)		Six Months Ended December 31, (In thousands)	
	2009	**2008**	**2009**	**2008**
Income tax expense	$ 4,833	$ 11,998	$ 7,864	$ 15,127
Effective tax rate	31.8%	35.6%	28.8%	35.3%

The significant income tax returns the Company files are the U.S. federal income tax return, which has a three year statute of limitations, and the Colorado state income tax return, which has a four year statute of limitations. The U.S. federal return for tax years ended on or after June 30, 2007, and the Colorado State return for tax years ended on or after June 30, 2006, are subject to examination by the relevant taxing authority.

As of December 31, 2009, the Company s total unrecognized tax benefits were $0.7 million for uncertain tax positions. The liability for unrecognized tax benefits is reflected within *Other long-term liabilities* on the Company s consolidated balance sheets.

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

10. SEGMENT INFORMATION

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

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

	Royalty Revenue				Royalty Interests in Mineral Properties, net	
	Three Months Ended December 31,		Six Months Ended December 31,		As of December 31,	As of June 30,
	2009	**2008**	**2009**	**2008**	**2009**	**2009**
United States	48%	51%	47%	67%	12%	13%
Mexico	13%	18%	15%	14%	46%	45%
Canada	2%	2%	2%	1%	24%	19%
Chile	1%		1%		6%	6%
Africa[1]	30%	20%	29%	10%	5%	8%
Other	6%	9%	6%	8%	7%	9%

(1) Consists of royalties on properties in Burkina Faso and Guinea.

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11. FAIR VALUE MEASUREMENTS

FASB 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 FASB 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. The Company s financial liabilities are not within the scope of FASB ASC 820.

	Fair Value at December 31, 2009 (In thousands)			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market investments	$ 289,583	$ 289,583	$	$
Restricted cash				
Marketable equity securities	358	358		
	$ 289,941	$ 289,941	$	$

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

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

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

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12. COMMITMENTS AND CONTINGENCIES

Holt

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

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

Royal Gold and RGLD Gold (collectively Royal Gold) and Barrick were joined as necessary parties to the litigation in January 2009. Trial concerning calculation of the royalty and the party or parties responsible for paying it was held from January 30, 2009 to February 12, 2009. On July 23, 2009, the Court held that Royal Gold is entitled to payment from Newmont Canada of the full amount of the sliding-scale NSR royalty on gold produced from the Holt mine. The Court also held that St Andrew s sole obligation is to reimburse Newmont Canada for payment of the royalty up to a flat rate of 0.013% of the net smelter returns for gold, silver and other metals. On August 21, 2009, Newmont Canada appealed the Court s decision to the Court of Appeal of Ontario and on December 9, 2009, made Royal Gold a party to the appeal.

The Holt royalty is currently classified as a development stage royalty interest and the Company does not currently receive revenue from the royalty.

13. RELATED PARTY

Crescent Valley Partners, L.P. (CVP) was formed as a limited partnership in April 1992. It owns a 1.25% net value royalty (NVR1) on production of minerals from a portion of Cortez. Denver Mining Finance Company (DMFC), our wholly-owned subsidiary, is the general partner and holds a 2.0% interest in CVP. In addition, Royal Gold holds a 29.6% limited partner interest in the partnership, while our Chairman of the Board of Directors, the Chairman of our Audit Committee and one other member of our board of directors hold an aggregate 35.56% limited partner interest. The general partner performs administrative services for CVP in receiving and processing the royalty payments from the operator, including the disbursement of royalty payments and record keeping for in-kind distributions to the limited partners, which includes certain directors and our Chairman.

CVP receives its royalty from the Cortez Joint Venture in-kind. The Company, as well as certain other limited partners, sell their pro-rata shares of such gold immediately and receive distributions in cash, while CVP holds gold for certain other limited partners. Such gold inventories, which totaled 22,425 and 28,090 ounces of gold as of December 31, 2009 and 2008, respectively, are held by a third party refinery in Utah for the account of the limited partners of CVP. The inventories are carried at historical cost and are classified as *Inventory restricted* on the consolidated balance sheets. The carrying value of the gold in inventory was approximately $9.9 million and $10.6 million as of December 31, 2009 and June 30, 2009, respectively, while the fair value of such ounces was approximately $24.4 million and $23.3 million as of December 31, 2009 and June 30, 2009, respectively. None of the gold currently held in inventory as of December 31, 2009 and June 30, 2009, is attributed to Royal Gold, as the gold allocated to Royal Gold s CVP partnership interest is typically sold within five days of receipt.

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ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited)

14. SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after December 31, 2009, through February 5, 2010, the date the Company issued these financial statements. The events that occurred after December 31, 2009, through February 5, 2010, were as follows:

HSBC Bank Term Loan

In connection with the IRC Transaction described in Note 2, on January 21, 2010, we entered into an agreement to obtain a new $100 million term loan from HSBC Bank (the HSBC Term Loan) to partially fund our acquisition of IRC. The HSBC Term Loan will be funded in conjunction with the closing of the IRC Transaction. HSBC Securities (USA) Inc. acted as sole lead arranger for the HSBC Term Loan. The HSBC Term Loan will mature 18-months from the funding date with principal repayments equal to 10% of the funded amount scheduled to occur every three months, beginning three months after funding and interest will accrue at LIBOR plus 2.25%. The HSBC Term Loan is guaranteed by three wholly-owned subsidiaries of Royal Gold (the Guarantors). The obligations under the HSBC Term Loan are secured by certain Canadian assets of Royal Gold that will be replaced with certain Chilean assets of Royal Gold. Funding under the HSBC Term Loan is subject only to delivery of a borrowing notice and certain customary closing certificates by Royal Gold and the Guarantors.

Completion of Andacollo Production Interest Acquisition

As discussed in more detail in the Company s Fiscal 2009 10-K, on April 3, 2009, the Company entered into a definitive agreement (Master Agreement) with a Chilean subsidiary of Teck Resources Limited (Teck), Compañía Minera Teck Carmen de Andacollo (CDA), to acquire an interest in the gold produced from the sulfide portion of the Andacollo project in Chile (the Andacollo Production Interest). We refer to this transaction throughout this report as the Teck Transaction. The purchase price for the Andacollo Production Interest consists of $217.9 million in cash and 1,204,136 of the Company s common shares.

On January 25, 2010, the Company completed the Teck Transaction for the consideration mentioned above. The Company expects to account for the Teck Transaction as an asset purchase and will complete the accounting during the quarter ended March 31, 2010.

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

General

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. We recommend that you read this MD&A in conjunction with our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended June 30, 2009 filed with the Securities and Exchange Commission (the SEC) on August 21, 2009 (Fiscal 2009 10-K).

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

We refer to GSR, NSR, and other types of royalty interests throughout this MD&A. These terms are defined in our Fiscal 2009 10-K.

Overview

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

The Company owns royalties on 21 producing properties, 13 development stage properties and over 80 exploration stage properties, of which the Company considers 24 to be evaluation stage projects. The Company uses evaluation stage to describe exploration stage properties that contain mineralized material and on which operators are engaged in the search for reserves. We do not conduct mining operations nor are we required to contribute to capital costs, exploration costs, environment costs or other mining costs on the properties in which we hold royalty interests. During the quarter ended December 31, 2009, we focused on the management of our existing royalty interests, the acquisition of royalty interests, and the creation of royalty interests through financing and strategic exploration alliances.

Our financial results are primarily tied to the prices of gold, silver, copper and other metals, as well as production from our producing stage royalty interests. Royalty revenue for the quarter ended December 31, 2009 was $34.7 million (which includes $0.6 million of non-controlling interest), compared to $14.6 million (which includes $0.3 million of non-controlling interest) for the quarter ended December 31, 2008. For the quarters ended December 31, 2009 and 2008, the price of gold averaged $1,100 and $795 per ounce, respectively, the price of silver averaged $17.57 and $10.21 per ounce, respectively, and the price of copper averaged $3.01 and $1.79 per pound, respectively. For the three months ended December 31, 2009, Royal Gold derived 84% of its total royalty revenue from gold royalties, 2% of its total royalty revenue from silver royalties, 9% of its total royalty revenue from copper royalties and 5% of its total royalty revenue from other metal royalties, compared to 95% of its total royalty revenue from gold royalties, 4% of its total royalty revenue from silver royalties, 0% of its total royalty revenue from copper royalties, and 1% of its total royalty revenue from other metal royalties for the three months ended December 31, 2008.

The increase in royalty revenue for the quarter ended December 31, 2009, compared with the quarter ended December 31, 2008, resulted primarily from an increase in gold and copper prices and an increase in production at Taparko, Cortez, Robinson, Leeville and Mulatos. These increases were partially offset by a decrease in production at Goldstrike. Please refer to Recent Developments, Property Developments below within this MD&A for further discussion on recent developments regarding properties covered by certain of our royalty interests.

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Principal Royalties

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

Please refer to our Fiscal 2009 10-K for further discussion of our principal producing royalty interests.

Mine	Location	Operator	Royalty (Gold unless otherwise stated)
Cortez	Nevada, USA	Barrick Gold Corporation (Barrick)	GSR1: 0.40% to 5.0% sliding-scale GSR GSR2: 0.40% to 5.0% sliding-scale GSR GSR3: 0.71% GSR NVR1: 0.39% NVR
Robinson	Nevada, USA	Quadra Mining Ltd. (Quadra)	3.0% NSR (copper, gold, silver, molybdenum)
Leeville	Nevada, USA	Newmont Mining Corporation (Newmont)	1.8% NSR
Goldstrike	Nevada, USA	Barrick	0.9% NSR
Peñasquito[1]	Zacatecas, Mexico	Goldcorp Inc. (Goldcorp)	2.0% NSR (gold and silver)
Mulatos[2]	Sonora, Mexico	Alamos Gold, Inc. (Alamos)	1.0% to 5.0% sliding-scale NSR
Taparko[3]	Burkina Faso, West Africa	High River Gold Mines Ltd. (High River)	15% GSR (TB-GSR1) and a 0% to 10% sliding-scale GSR (TB-GSR2)
Siguiri[4]	Guinea, West Africa	AngloGold Ashanti (Anglogold)	0.0% to 1.875% sliding-scale NSR
Dolores	Chihuahua, Mexico	Minefinders Corporation, Ltd. (Minefinders)	3.25% NSR; 2.0% NSR (silver)

(1) The Peñasquito project consists of oxide and sulfide portions. The sulfide portion began production during the fourth quarter of

calendar 2009.

(2) The Mulatos royalty is capped at 2.0 million gold ounces of production. Approximately 506,000 cumulative ounces of gold have been produced as of December 31, 2009.

(3) TB-GSR1 will remain in effect until cumulative production of 804,420 ounces of gold is achieved or until cumulative payments of $35 million have been made to Royal Gold, whichever occurs first. TB-GSR2 will remain in effect until the termination of TB-GSR1. As of December 31, 2009, we have recognized approximately $20.1 million in royalty revenue associated with TB-GSR1, which is attributable to cumulative production of approximately 142,000 ounces of gold.

(4) The Siguiri royalty is subject to a dollar cap of approximately $12.0 million. As of December 31, 2009, approximately $4.9 million remains under the cap.

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Our principal development royalties are shown in the following table and are not yet in production. Please refer to our Fiscal 2009 10-K for further discussion of our principal development stage royalty interests.

Mine	Location	Operator	Royalty (Gold unless otherwise stated)
Andacollo[(1)]	Region IV, Chile	Compañia Minera Teck Carmen de Andacollo (CDA)	75% NSR
Pascua-Lama	Region III, Chile	Barrick	0.16% to 1.08% sliding-scale NSR 0.22% fixed rate royalty (copper)
Canadian Malartic[(2)]	Quebec, Canada	Osisko Mining Corporation (Osisko)	2.0% to 3.0% sliding-scale NSR
Holt[(3)]	Ontario, Canada	St Andrew Goldfields Ltd. (St Andrew)	0.00013 x quarterly average gold price NSR

(1) On January 25, 2010, the Company acquired a production interest in the gold produced from the sulfide portion of the Andacollo copper and gold project in Chile (Andacollo Royalty). The Andacollo Royalty entitles the Company to receive 75% of the gold produced from the sulfide portion of the deposit at the Andacollo project until 910,000 payable ounces of gold have been sold, and 50% of the gold produced

in excess of 910,000 payable gold ounces. Refer to Recent Developments, Business Developments below within this MD&A for a further discussion on the Andacollo Royalty acquisition.

(2) The Canadian Malartic royalty is subject to a buy down right, which if exercised by Osisko would lower the sliding-scale NSR royalty to 1.0% to 1.5%.

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

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Operators Production Estimates by Royalty for Calendar 2009

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

Operators Production Estimate by Royalty for Calendar 2009 and Reported Production
Principal Producing Properties
For the period January 1, 2009 through December 31, 2009

	Calendar 2009 Operator s Production Estimate[1]			**Reported Production through December 31, 2009**[2]		
Royalty	**Gold (oz.)**	**Silver (oz.)**	**Copper (lbs.)**	**Gold (oz.)**	**Silver (oz.)**	**Copper (lbs.)**
Cortez GSR1	345,296			352,049		
Cortez GSR2	614			10,014		
Cortez GSR3	345,910			362,063		
Cortez NVR1	232,627			255,342		
Robinson[3]	90,000		120 million	95,735		111.5 million
Leeville	426,212			467,774		
Goldstrike	440,879			437,951		
Peñasquito[4]	70,000	2.3 million		89,012	3.4 million	
Mulatos[5]	170,000			178,413		
Dolores[6]	100,000	2.0 million		74,989	1.0 million	
Taparko	76,000			98,035		
Siguiri	300,000			316,230		

(1) There can be no assurance that production estimates received from our operators will be achieved.

Please refer to our cautionary language regarding forward-looking statements following this MD&A, as well as the Risk Factors identified in Part I, Item 1A, of our Fiscal 2009 10-K for information regarding factors that could affect actual results.

(2) Reported production relates to the amount of metal sales, subject to our royalty interests, for the period January 1, 2009 through December 31, 2009, as reported to us by the operators of the mines.

(3) Quadra announced that annual production guidance for copper has been reduced to 120 million pounds of copper from 140 million pounds of copper due to its limited access to hypogene ore in the Veteran pit, which adversely

affected blending capabilities. Gold production guidance was reduced to 90,000 ounces from 100,000 ounces.

(4) The operator s production estimate relates to the oxide circuit. The sulfide circuit began production during the fourth quarter of calendar 2009.

(5) In August 2009, Alamos announced that estimated annual gold production has been increased to between 160,000 and 170,000 ounces from between 145,000 and 160,000 ounces. The increase in reported production was the result of higher than planned recoveries, which was due to operational improvements.

(6) The reported production shown was estimated by the Company based

on previous
information
received from
the operator.

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Recent Developments

Business Developments

Entry into Arrangement Agreement with International Royalty Corporation

On December 17, 2009, Royal Gold and its wholly-owned Canadian subsidiary, RG Exchangeco Inc. (formerly 7296355 Canada Ltd.) (Exchangeco), entered into an Arrangement Agreement (the Agreement) with International Royalty Corporation (IRC), a global mineral royalty company based in Englewood, Colorado, to undertake a Plan of Arrangement (the Plan of Arrangement) whereby Royal Gold, through Exchangeco, will acquire all of the issued and outstanding common shares of IRC (the IRC Transaction).

At the election of each IRC shareholder, each common share of IRC will be exchanged for either C$7.45 in cash (based on Royal Gold s share price and the currency exchange rate on December 14, 2009) or 0.1385 common shares of Royal Gold or a combination thereof, subject to a maximum of $350 million in cash and a maximum of 7.75 million common shares of Royal Gold to be issued to IRC shareholders. If IRC shareholders elect to receive more than approximately $314 million in cash, the number of Royal Gold common shares issued will be reduced on a pro-rated basis until such cash election reaches a maximum of $350 million. Assuming the maximum share election, this offer consists of 0.0771 shares of Royal Gold plus $3.12 in cash for each fully diluted share of IRC, implying 56% stock consideration. Assuming the maximum cash election, this offer consists of 0.0700 shares of Royal Gold plus $3.48 in cash for each fully diluted share of IRC, implying 51% stock consideration.

IRC shareholders who are resident in Canada for Canadian federal income tax purposes will have the option to elect to receive up to 0.1385 exchangeable shares of Exchangeco in lieu of electing Royal Gold common shares. Each exchangeable share can be redeemed for one common share of Royal Gold at the election of the shareholder. No more than 7.75 million Royal Gold common shares and exchangeable shares will be issued in the aggregate.

IRC s board of directors has unanimously determined that the IRC Transaction is in the best interest of IRC and its shareholders and has recommended that IRC shareholders vote in favor of the transaction. All of the directors and senior officers of IRC, and certain significant IRC shareholders have entered into voting agreements in which, subject to the terms thereof, they have agreed to vote their shares in support of the IRC Transaction. Together, the IRC shareholders subject to the voting agreements represent a combined ownership of approximately 34% of IRC s fully diluted shares outstanding.

The closing of the IRC Transaction is not subject to due diligence, Royal Gold shareholder approval or financing contingencies. The cash required for the acquisition will be sourced from available and unrestricted cash, together with committed credit facilities totaling $225 million, including the HSBC Term Loan as discussed below within this MD&A under Liquidity and Capital Resources. The closing of the IRC Transaction is subject to, among other things, receipt of court approval and the affirmative vote of at least 66 2/3 percent of the votes cast by IRC shareholders and option holders at a special meeting of the IRC shareholders. In December 2009, Franco-Nevada Corporation, of Toronto, Canada (Franco-Nevada), made an unsolicited offer of C$6.75 per share in cash for any and all of IRC s outstanding common shares. Franco-Nevada amended its offer on January 19, 2010, by extending the expiration date of the offer to February 19, 2010. In light of this outstanding offer, and depending upon satisfaction of the closing conditions for the IRC Transaction, we can provide no assurance that the IRC Transaction will close.

Pursuant to the terms of the Agreement, IRC is subject to customary non-solicitation covenants. In the event a superior proposal is made, Royal Gold has the right to match such proposal, and in the event IRC s board of directors changes its recommendation or terminates the Agreement in certain circumstances, IRC has agreed to pay Royal Gold a termination fee of $32 million. In certain other circumstances where the IRC Transaction is not completed, IRC is obligated to reimburse Royal Gold s expenses up to a maximum of $5 million.

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Acquisition of Andacollo Production Interest

On April 3, 2009, the Company entered into a definitive agreement (Master Agreement) with a Chilean subsidiary of Teck Resources Limited (Teck), Compañía Minera Teck Carmen de Andacollo (CDA), to acquire an interest in the gold produced from the sulfide portion of the Andacollo project in Chile. The purchase price for the Andacollo Royalty consists of $217.9 million in cash and 1,204,136 of the Company s common shares. On January 25, 2010, the Company completed its acquisition of the Andacollo Royalty.

The Andacollo Royalty will equal 75% of the gold produced from the sulfide portion of the deposit at the Andacollo mine until 910,000 payable ounces of gold have been sold, and 50% of the gold produced in excess of 910,000 payable ounces of gold. The mine, located about 34 miles southeast of the city of La Serena, Chile, produces copper from the oxide portion of the deposit and Teck is currently commissioning facilities to produce both copper and gold from the sulfide portion of the deposit. The Andacollo Royalty will not cover copper production.

Proven and probable reserves, as estimated by the operator as of December 31, 2008, for the sulfide portion are 393.5 million tonnes (433.7 million tons) with a grade of 0.39% copper and 0.13 g/t (0.004 ozs/ton) gold. This equates to 1.6 million contained ounces of gold. Reserves were estimated using a copper price of $1.50 per pound and a gold price of $480 per ounce. Gold will be produced as a by-product of copper production, with a gold recovery rate estimated by the operator to be approximately 61%.

Once the mine is in full production, the operator expects the mill to have a capacity of 55,000 tonnes (60,630 tons) per day. The operator estimates that the mine will produce on average approximately 53,000 ounces of gold and 76,000 tonnes (83,775 tons) of copper in concentrate annually for the first ten years of commercial production, with an estimated mine life of 20 years. Ore has been introduced to the mill and shipment of copper concentrate is expected to commence in April 2010. Full commercial production is expected to be reached in the first half of calendar 2010.

Please also see Part I, Item 1A, Risk Factors *Additional risks that Royal Gold may face as a result of the Teck Transaction are set forth below,* in our Fiscal 2009 10-K for further discussion on potential risks associated with the Teck Transaction.

Property Developments

Taparko

The Taparko mine commenced gold production in August 2007 and has contributed approximately $32.8 million in royalty revenue (from TB-GSR1 and TB-GSR2) since production commenced. Gold sales at Taparko for the three months ended December 31, 2009, and December 31, 2008 were approximately 32,202 ounces and 7,505 ounces, respectively. The increase in gold sales during the period was attributable to improved mill throughput, mill availability, and recoveries.

Somita SA (Somita), a 90% owned subsidiary of High River and the operator of Taparko, is in breach of certain obligations under the Amended and Restated Funding Agreement dated February 22, 2006 (the Funding Agreement) between Royal Gold, Inc. and Somita. Royal Gold has invested $35 million for the development of the Taparko mine under the Funding Agreement. As security for the Company s investment in Somita, two of High River s subsidiaries have pledged their equity interests in Somita and High River (West Africa) Ltd., the corporate parent of Somita. This pledge will remain in effect until

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certain production and performance standards have been attained at the Taparko mine, sufficient to satisfy the Completion Test, as defined in the Funding Agreement. High River has notified the Company that Somita is attempting to satisfy the Completion Test. The Completion Test commenced on December 1, 2009, and will continue for 90 days. If Somita satisfies the requirements of the Completion Test, the pledge of the equity interests in Somita and its corporate parent (High River (West Africa) Ltd.) will terminate and this security will be released.

In addition, Royal Gold obtained as collateral a pledge of shares of certain equity investments in public companies held by High River. The market value of the pledged shares is approximately $59.5 million as of December 31, 2009. The Company s carrying value of its royalty interests at Taparko was approximately $15.3 million as of December 31, 2009. The pledge of High River s equity investments will remain in effect until the satisfaction of certain requirements as provided in the construction contract between Somita and its construction contractor, so long as there are no outstanding claims by the Company against the pledged securities.

Royal Gold has not agreed to forbear pursuing any of its remedies under the Funding Agreement or other agreements with High River and its affiliates.

Peñasquito

Goldcorp reported that ore throughput rates for the first sulfide processing line have reached operational production levels and construction of the second sulfide processing line is on schedule for completion in the third calendar quarter of 2010. Goldcorp also stated that production of both lead and zinc concentrates has ramped-up consistent with expectations and that achievement of commercial production of the sulfide Line 1 and Line 2 remains on track for the third calendar quarter of 2010.

Holt

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

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

Royal Gold and RGLD Gold (collectively Royal Gold) and Barrick were joined as necessary parties to the litigation in January 2009. Trial concerning calculation of the royalty and the party or parties responsible for paying it was held from January 30, 2009 to February 12, 2009. On July 23, 2009, the Court held that Royal Gold is entitled to payment from Newmont Canada of the full amount of the sliding-scale NSR royalty on gold produced from the Holt mine. The Court also held that St Andrew s sole obligation is to reimburse Newmont Canada for payment of the royalty up to a flat rate of 0.013% of the net smelter returns for gold, silver and other metals. On August 21, 2009, Newmont Canada appealed the Court s decision to the Court of Appeal of Ontario and on December 9, 2009, made Royal Gold a party to the appeal.

The Holt royalty is classified as a development stage royalty interest and the Company does not currently receive revenue from the royalty.

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Troy

On October 13, 2009, the Company and Genesis Inc. (Genesis), a wholly-owned subsidiary of Revett Silver Company and the operator of the Troy mine, finalized a restructuring of the Company s 6.1% and 2.0% GSR royalties at the Troy mine into one perpetual 3.0% royalty. The restructured 3.0% perpetual royalty will commence on July 1, 2010, and applies to all production from the Troy mine in addition to an expanded area of interest in the vicinity of the mine. The Company paid Genesis approximately $1.5 million in consideration for the restructured royalty.

Also on October 13, 2009, Genesis satisfied its outstanding $1.5 million obligation due to the Company pursuant to our 7.0% GSR production payment royalty at the Troy mine. The 7.0% GSR production payment royalty was subject to a $10.5 million cap, which was met as of June 30, 2009. Upon receipt of payment of the $1.5 million obligation, the 7.0% GSR production payment royalty terminated.

Results of Operations

Quarter Ended December 31, 2009, Compared to Quarter Ended December 31, 2008

For the quarter ended December 31, 2009, we recorded net income attributable to Royal Gold stockholders of $9.6 million, or $0.24 per basic share and $0.23 per diluted share, as compared to net income attributable to Royal Gold stockholders of $21.4 million, or $0.63 per basic share and $0.62 per diluted share, for the quarter ended December 31, 2008. The decrease in our earnings per share during the period was due to the one-time royalty restructuring gain of $31.5 million during the quarter ended December 31, 2008, as part of the Barrick royalty acquisition. The effect of the one-time royalty restructuring gain during the quarter ended December 31, 2008, was $0.60 per basic share, after taxes.

For the quarter ended December 31, 2009, we recognized total royalty revenue of $34.7 million (which includes $0.6 million of non-controlling interest), at an average gold price of $1,100 per ounce and an average copper price of $3.01 per pound, compared to royalty revenue of $14.6 million (which includes $0.3 million of non-controlling interest), at an average gold price of $795 per ounce and an average copper price of $1.79 per pound for the quarter ended December 31, 2008. Royalty revenue and the corresponding production, attributable to our royalty interests, for the quarter ended December 31, 2009 compared to the quarter ended December 31, 2008 is as follows:

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

		Three Months Ended December 31, 2009		Three Months Ended December 31, 2008	
Royalty	**Metal(s)**	**Royalty Revenue**	**Reported Production[1]**	**Royalty Revenue**	**Reported Production[1]**
Cortez	Gold	$ 8,870	124,973 oz.	$ 3,477	65,425 oz.
Taparko[2]	Gold	$ 8,864	32,202 oz.	$ 1,375	7,505 oz.
Robinson		$ 3,644		$ (1,319)	
	Gold		24,057 oz.		22,844 oz.
	Copper		31.7 million lbs.		29.2 million lbs.
Leeville	Gold	$ 2,955	150,328 oz.	$ 1,957	138,669 oz.
Mulatos	Gold	$ 2,443	43,928 oz.	$ 1,538	38,741 oz.
Siguiri	Gold	$ 1,588	77,042 oz.	$ 1,213	81,431 oz.
Peñasquito[2]		$ 1,100		$ 359	
	Gold		28,120 oz.		10,057 oz.
	Silver		1.2 million oz.		935,784 oz.
Goldstrike	Gold	$ 646	64,420 oz.	$ 1,771	257,207 oz.
Dolores[3]		$ 396		$ 22	
	Gold		19,305 oz.		2,440 oz.
	Silver		349,248 oz.		N/A
Other[4]	Various	$ 4,234	N/A	$ 4,229	N/A
Total Royalty Revenue		**$ 34,740**		**$ 14,622**	

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

(2) Refer to Recent Developments, Property Developments

earlier within this MD&A for further discussion of recent developments at the property.

(3) The reported production shown was estimated by the Company based on previous information received from the operator.

(4) Other includes all of the Company s non-principal producing royalties as of December 31, 2009 and 2008. Individually, no royalty included within the Other category contributed greater than 5% of our total royalty revenue for either period.

The increase in royalty revenue for the quarter ended December 31, 2009, compared with the quarter ended December 31, 2008, resulted primarily from an increase in gold and copper prices, an increase in production at Taparko, Cortez, Robinson, Leeville and Mulatos, and commencement of production from the sulfide circuit at Peñasquito. These increases were partially offset by a decrease in production at Goldstrike. Please refer to Recent Developments, Property Developments earlier within this MD&A for further discussion of recent developments regarding properties covered by certain of our royalty interests.

Cost of operations increased to $1.6 million for the quarter ended December 31, 2009, compared to $0.6 million for the quarter ended December 31, 2008. The increase was primarily due to an increase in the Nevada Net Proceeds Tax expense of approximately $0.5 million, which resulted from an increase in royalty revenue from Cortez and Robinson. An increase in non-cash stock compensation allocated to cost of operations of approximately $0.3 million also contributed to the overall increase.

General and administrative expenses increased to $3.0 million for the quarter ended December 31, 2009, from $2.1 million for the quarter ended December 31, 2008. The increase was primarily due to an increase in the non-cash stock compensation allocated to general and administrative expense of approximately $0.5 million and an increase in accounting and tax services of approximately $0.3 million.

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Exploration and business development expenses increased to $2.8 million for the quarter ended December 31, 2009, from $1.0 million for the quarter ended December 31, 2008. The increase was primarily due to an increase in legal, tax, financial advisory and accounting fees associated with the IRC Transaction, as discussed above, of approximately $2.1 million.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of $1.9 million for the quarter ended December 31, 2009, compared to $0.9 million for the quarter ended December 31, 2008. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. Please refer to Note 7 of the notes to consolidated financial statements for further discussion of the allocation of non-cash stock compensation for the quarters ended December 31, 2009 and 2008.

Depreciation, depletion and amortization increased to $12.1 million for the quarter ended December 31, 2009, from $8.5 million for the quarter ended December 31, 2008. Increased production at Taparko resulted in additional depletion of approximately $4.2 million during the period. This increase was partially offset by a decrease in depletion at Revett of approximately $0.5 million due to the cap being met on the GSR royalty during the fourth quarter of fiscal 2009. The increase was also offset by a decrease in depletion rates at Leeville, which resulted in a decrease of depletion expense of approximately $0.2 million during the period.

During the quarter ended December 31, 2009, we recognized income tax expense totaling $4.8 million compared with $12.0 million during the quarter ended December 31, 2008. This resulted in an effective tax rate of 31.8% in the current period, compared with 35.6% in the quarter ended December 31, 2008. The decrease in our effective tax rate is the result of the one-time royalty restructuring gain as part of the Barrick royalty portfolio acquisition during the quarter ended December 31, 2008. This decrease was partially offset by an increase in the amount of foreign losses for which no tax benefit is currently recognized.

Six Months Ended December 31, 2009, Compared to Six Months Ended December 31, 2008

For the six months ended December 31, 2009, we recorded net income attributable to Royal Gold stockholders of $16.7 million, or $0.41 per basic share and diluted share, as compared to net income attributable to Royal Gold stockholders of $27.1 million, or $0.80 per basic share and $0.79 per diluted share, for the six months ended December 31, 2008. The decrease in our earnings per share during the period was due to the one-time royalty restructuring gain of $31.5 million during the quarter ended December 31, 2008, as part of the Barrick royalty acquisition. The effect of the one-time royalty restructuring gain was $0.60 per basic share, after taxes.

For the six months ended December 31, 2009, we recognized total royalty revenue of $60.9 million (including $1.0 million in non-controlling interest), at an average gold price of $1,028 per ounce and an average copper price of $2.83 per pound, compared to total royalty revenue of $30.7 million (including $0.6 million in non-controlling interest), at an average gold price of $834 per ounce and an average copper price of $2.64 per pound for the six months ended December 31, 2008. Royalty revenue and the corresponding production, attributable to our royalty interests, for the six months ended December 31, 2009 compared to the six months ended December 31, 2008 is as follows:

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

		Six Months Ended December 31, 2009		Six Months Ended December 31, 2008	
Royalty	**Metal(s)**	**Royalty Revenue**	**Reported Production[1]**	**Royalty Revenue**	**Reported Production[1]**
Taparko[2]	Gold	$ 14,829	57,552 oz.	$ 1,398	7,622 oz.
Cortez	Gold	$ 14,697	219,837 oz.	$ 8,012	126,101 oz.
Robinson		$ 5,500		$ 3,514	
	Gold		42,326 oz.		60,331 oz.
	Copper		52.8 million lbs.		69.6 million lbs.
Leeville	Gold	$ 5,272	284,150 oz.	$ 3,628	245,497 oz.
Mulatos[3]	Gold	$ 4,668	90,368 oz.	$ 2,075	79,861 oz.
Siguiri[4]	Gold	$ 3,007	155,843 oz.	$ 1,213	81,431 oz.
Peñasquito[2]		$ 1,727		$ 478	
	Gold		51,020 oz.		14,940 oz.
	Silver		1.9 million oz.		1.1 million oz.
Goldstrike	Gold	$ 1,603	174,149 oz.	$ 3,413	472,713 oz.
Dolores[5]		$ 1,508		$ 22	
	Gold		38,610 oz.		2,440 oz.
	Silver		698,496 oz.		N/A
Other	Various	$ 8,042	N/A	$ 6,948	N/A
Total Royalty Revenue		**$ 60,853**		**$ 30,701**	

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

(2) Refer to Recent Developments, Property

Developments earlier within this MD&A for a further discussion on recent developments at the property.

(3) Effective October 1, 2008, the sliding-scale royalty rate increased to 5.0% from 1.5%, at current gold prices.

(4) Royalty acquired on October 1, 2008.

(5) The reported production shown was estimated by the Company based on previous information received by the operator.

The increase in royalty revenue for the six months ended December 31, 2009, compared with the six months ended December 31, 2008, resulted primarily from an increase in the average gold and copper prices, an increase in production at Taparko, Cortez, Leeville and Mulatos mines and production from the recently acquired Barrick royalty portfolio. These increases were partially offset by a decrease in production at Goldstrike during the six months ended December 31, 2009. Please refer to Recent Developments, Property Developments earlier within this MD&A for a further discussion on recent developments regarding properties covered by certain of our royalty interests.

Cost of operations increased to $2.8 million for the six months ended December 31, 2009, compared to $1.5 million for the six months ended December 31, 2008. The increase was primarily due to an increase in non-cash compensation allocated to cost of operations of approximately $0.5 million, an increase in the Nevada Net Proceeds Tax expense of approximately $0.4 million, which resulted primarily from an increase in royalty revenue from Cortez and Robinson, and an increase in legal fees associated with our royalty interests of approximately $0.2 million.

General and administrative expenses increased to $5.2 million for the six months ended December 31, 2009, from $3.8 million for the six months ended December 31, 2008. The increase was primarily due to an increase in non-cash compensation allocated to general and administrative expense of approximately $0.7 million and an increase in accounting and tax expenses of approximately $0.3 million during the six months ended December 31, 2009.

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Exploration and business development expenses increased to $3.7 million for the six months ended December 31, 2009, from $1.6 million for the six months ended December 31, 2008. The increase was due to an increase in legal, tax, financial advisory and accounting fees associated with the IRC transaction, as discussed above, of approximately $2.2 million.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of $3.1 million for the six months ended December 31, 2009, compared to $1.6 million for the six months ended December 31, 2008. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. Please refer to Note 7 of the notes to consolidated financial statements for further discussion of the allocation of non-cash stock compensation for the six months ended December 31, 2009 and 2008.

Depreciation, depletion and amortization increased to $23.2 million for the six months ended December 31, 2009, from $13.0 million for the six months ended December 31, 2008. Increased production at Taparko and Mulatos resulted in additional depletion of approximately $7.7 million and $1.4 million, respectively, during the period. Also, an increase in the depletion rate at Siguiri during the period resulted in additional depletion of approximately $1.7 million.

Interest and other income increased to $1.9 million for the six months ended December 31, 2009, from $1.0 million for the six months ended December 31, 2008. The increase was primarily due to a $1.7 million gain on distributions of *Inventory restricted* attributable to non-controlling interest holders. The increase was partially offset by a decrease in interest rates associated with our invested cash.

During the six months ended December 31, 2009, we recognized income tax expense totaling $7.9 million compared with $15.1 million during the six months ended December 31, 2008. This resulted in an effective tax rate of 28.8% in the current period, compared with 35.3% during the six months ended December 31, 2008. The decrease in our effective tax rate is the result of the one-time royalty restructuring gain as part of the Barrick royalty portfolio acquisition during the quarter ended December 31, 2008. This decrease was partially offset by an increase in the amount of foreign losses for which no tax benefit is currently recognized.

Liquidity and Capital Resources

Overview

At December 31, 2009, we had current assets of $354.4 million compared to current liabilities of $7.8 million for a current ratio of 45 to 1. This compares to current assets of $318.7 million and current liabilities of $6.2 million at June 30, 2009, resulting in a current ratio of approximately 51 to 1.

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

As further discussed earlier within this MD&A under Recent Developments, Business Developments, the Company entered into a Master Agreement with CDA, a Chilean subsidiary of Teck, to acquire the Andacollo Royalty. The purchase price for the Andacollo Royalty consists of $217.9 million in cash and 1,204,136 shares of the Company s Common Stock. On January 25, 2010, the Company completed the Andacollo Royalty acquisition. The cash portion of the purchase price was funded using cash on hand.

Also as discussed earlier within this MD&A under Recent Developments, Business Developments, the Company entered into a Plan of Arrangement whereby Royal Gold, through its wholly-owned Canadian subsidiary, Exchangeco, and with the unanimous support of IRC s board of directors, will acquire all of

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the issued and outstanding common shares of IRC. The cash required for the acquisition will be sourced from available and unrestricted cash, together with committed credit facilities totaling $225 million, including the HSBC Term Loan as discussed below.

During the six months ended December 31, 2009, liquidity needs were met from $60.9 million in royalty revenues (including $1.0 million of non-controlling interest) and our available cash resources.

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

Please refer to our risk factors included in Part I, Item 1A of our Fiscal Year 2009 10-K for a discussion on certain risks that may impact the Company s liquidity and capital resources in light of the recent economic downturn.

Recent Liquidity and Capital Resource Developments

HSBC Bank Term Loan

In connection with the IRC Transaction described earlier in this MD&A under Recent Developments, Business Developments, on January 21, 2010, we entered into an agreement to obtain a new $100 million term loan from HSBC Bank USA, National Association (the HSBC Term Loan) to partially fund our acquisition of IRC. The HSBC Term Loan will be funded in conjunction with the closing of the IRC Transaction. HSBC Securities (USA) Inc. acted as sole lead arranger for the HSBC Term Loan. The HSBC Term Loan will mature 18-months from the funding date with principal repayments equal to 10% of the funded amount scheduled to occur every three months, beginning three months after funding and interest will accrue at LIBOR plus 2.25%. The HSBC Term Loan is guaranteed by three wholly-owned subsidiaries of Royal Gold (the Guarantors). The obligations under the HSBC Term Loan are secured by certain Canadian assets of Royal Gold that will be replaced with certain Chilean assets of Royal Gold. Funding under the HSBC Term Loan is subject only to delivery of a borrowing notice and certain customary closing certificates by Royal Gold and the Guarantors.

Prepayment and Termination of Chilean Term Loan Facility

Royal Gold Chile Limitada (RGCL), a wholly-owned subsidiary of Royal Gold, had a $19.25 million term loan outstanding bearing interest at LIBOR plus 0.25% pursuant to an Amended and Restated Term Loan Agreement (Amended and Restated Agreement) between RGCL and HSBC Bank. On September 23, 2009, RGCL prepaid the full $19.25 million outstanding, plus interest, under the Amended and Restated Agreement. In addition to prepaying all outstanding amounts, RGCL notified HSBC Bank of its intention to terminate the Amended and Restated Agreement. Termination of the Amended and Restated Agreement was effective September 24, 2009.

To secure RGCL s obligations under the Amended and Restated Agreement, the Company maintained $19.25 million in a Collateral Account at HSBC Bank. The Collateral Account balance was recorded as *Restricted cash compensating balance* on the Company s consolidated balance sheets. Upon the full prepayment and termination of the Amended and Restated Agreement, the Collateral Account was closed and the $19.25 million was reclassified to *Cash and equivalents* on the Company s consolidated balance sheets.

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Recently Adopted and Issued Accounting Standards

Please refer to Note 1 of the Notes to Consolidated Financial Statements for a discussion on recently adopted and issued accounting standards.

Forward-Looking Statements

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

- changes in gold and other metals prices on which our royalties are paid or prices associated with the primary metal mined at our royalty properties;
- the production at or performance of our producing royalty properties;
- decisions and activities of the operators of our royalty properties;
- the ability of operators to bring projects into production and operate in accordance with feasibility studies;
- liquidity or other problems our operators may encounter;
- unanticipated grade and geological, metallurgical, processing or other problems at the royalty properties;
- mine operating and ore processing facility problems, pit wall or tailings dam failures, natural catastrophes such as floods or earthquakes and access to raw materials, water and power;
- changes in project parameters as plans of the operators are refined;
- changes in estimates of reserves and mineralization by the operators of our royalty properties;
- economic and market conditions;
- future financial needs;
- federal, state and foreign legislation governing us or the operators of our royalty properties;
- the availability of royalties for acquisition or other acquisition opportunities and the availability of debt or equity financing necessary to complete such acquisitions;
- our ability to make accurate assumptions regarding the valuation, timing and amount of royalty payments when making acquisitions;
- risks associated with conducting business in foreign countries, including application of foreign laws to contract and other disputes, environmental and permitting laws, community unrest and labor disputes, and enforcement and uncertain political and economic environments;

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

acquisition and maintenance of permits and authorizations, completion of construction and commencement and continuation of production at the royalty properties;

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changes to management and key employees; and

failure to complete future acquisitions, including the IRC Transaction;

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our earnings and cash flow are significantly impacted by changes in the market price of gold, silver, copper and other metals. Gold, silver, copper and other metal prices can fluctuate significantly and are affected by numerous factors, such as demand, production levels, economic policies of central banks, producer hedging, world political and economic events, and the strength of the U.S. dollar relative to other currencies. Please see *Volatility in gold, copper and other metal prices may have an adverse impact on the value of our royalty interests and reduce our royalty revenues*, under Part I, Item 1A of our Fiscal 2009 10-K, for more information that can affect gold and other prices as well as historical gold, silver and copper prices.

During the six month period ended December 31, 2009, we reported royalty revenues of $60.9 million, with an average gold price for the period of $1,028 per ounce and an average copper price of $2.83 per pound. Approximately 85% of our total recognized revenues for the six months ended December 31, 2009, were attributable to gold sales from our gold producing royalty interests, as shown within the MD&A. For the six months ended December 31, 2009, if the price of gold had averaged higher or lower by $50 per ounce, we would have recorded an increase in revenue of approximately $2.9 million or a decrease in revenue of approximately $2.5 million. Approximately 8% of our total recognized revenues for the six months ended December 31, 2009, were attributable to copper sales from our copper producing royalty interests. For the six months ended December 31, 2009, if the price of copper had averaged higher or lower by $0.50 per pound, we would have recorded an increase or decrease in revenues of approximately $0.9 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2009, the Company s management, with the participation of the President and Chief Executive Officer and its Chief Financial Officer and Treasurer, 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, 2009, the Company s disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods and that such information is accumulated and communicated to the Company s management, including the President and Chief Executive Officer and its Chief Financial Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure.

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

Changes in Internal Controls

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Holt

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

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

Royal Gold and RGLD Gold (collectively Royal Gold) and Barrick were joined as necessary parties to the litigation in January 2009. Trial concerning calculation of the royalty and the party or parties responsible for paying it was held from January 30, 2009 to February 12, 2009. On July 23, 2009, the Court held that Royal Gold is entitled to payment from Newmont Canada of the full amount of the sliding-scale NSR royalty on gold produced from the Holt mine. The Court also held that St Andrew s sole obligation is to reimburse Newmont Canada for payment of the royalty up to a flat rate of 0.013% of the net smelter returns for gold, silver and other metals. On August 21, 2009, Newmont Canada appealed the Court s decision to the Court of Appeal of Ontario and on December 9, 2009, made Royal Gold a party to the appeal.

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ITEM 1A. RISK FACTORS

Information regarding risk factors appears in Item 2 MD&A Forward-Looking Statements, and various risks faced by us are also discussed elsewhere in Item 2 MD&A of this Quarterly Report on Form 10-Q. In addition, risk factors are included in Part I, Item 1A of our Fiscal 2009 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. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On November 18, 2009, we held our 2009 Annual Meeting of Stockholders. The matters voted upon at the meeting, for shareholders of record as of September 29, 2009, and the vote with respect to each matter is set forth below:

1. To elect two Class I Directors of Royal Gold, Inc. to serve until the 2012 Annual Meeting of Stockholders:

	For	Against	Withheld
Stanley Dempsey	35,053,281	225,890	46,714
Tony Jensen	35,164,943	114,470	46,472

2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accountants of the Company for the fiscal year ending June 30, 2010:

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The exhibits to this report are listed in the Exhibit Index.

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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 5, 2010	By: */s/ Tony Jensen* Tony Jensen President and Chief Executive Officer
Date: February 5, 2010	By: */s/ Stefan Wenger* Stefan Wenger Chief Financial Officer and Treasurer

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ROYAL GOLD, INC.
EXHIBIT INDEX

Exhibit Number	Description
2.1	Amended and Restated Arrangement Agreement, dated January 15, 2010, among Royal Gold, Inc., RG Exchangeco Inc. (formerly, 7296355 Canada Ltd.) and International Royalty Corporation (filed as Exhibit 2.1 to the Company s Current Report of Form 8-K on January 22, 2010).
3.1	Restated Certificate of Incorporation, as amended (filed as Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q on February 8, 2008 and incorporated herein by reference).
3.2	Amended and Restated Bylaws, as amended (filed as Exhibit 3.1 to the Company s Current Report on Form 8-K on November 23, 2009 and incorporated herein by reference).
3.3	Amended and Restated Certificate of Designations of Series A Junior Participating Preferred Stock of Royal Gold, Inc. (filed as Exhibit 3.1 to the Company s Current Report on Form 8-K on September 10, 2007 and incorporated herein by reference).
4.1	Amendment No. 1 to the Stockholder Agreement, dated January 12, 2010 (filed as Exhibit 4.1 to the Company s Current Report on Form 8-K on January 15, 2010).
10.1	Amended and Restated Master Agreement by and between Royal Gold, Inc. and Compañía Minera Teck Carmen de Andacollo, dated as of January 12, 2010, along with the related Form of Royalty Agreement attached thereto as Exhibit C (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K on January 15, 2010).
10.2	Term Loan Facility Agreement, dated as of January 20, 2010, among Royal Gold, Inc., as a Borrower, Royal Gold Chile Limitada, as a Guarantor, RGLD Gold Canada, Inc., as a Guarantor, High Desert Mineral Resources, Inc., as a Guarantor, the other Guarantors from time to time party thereto, HSBC Bank USA, National Association, as Administrative Agent and a Lender, and HSBC Securities (USA) Inc., as Sole Lead Arranger (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K on January 22, 2010).
10.3	Pledge, Security and Subordination Agreement, dated as of January 20, 2010, by Royal Gold, Inc. in favor of HSBC Bank USA, National Association (filed as Exhibit 10.2 to the Company s Current Report on Form 8-K on January 22, 2010).
10.4	General Security Agreement, dated as of January 20, 2010, by RGLD Gold Canada, Inc. in favor of HSBC Bank USA, National Association (filed as Exhibit 10.3 to the Company s Current Report on Form 8-K on January 22, 2010).
10.5	Promissory Note, dated January 20, 2010 by Royal Gold, Inc. to HSBC Bank USA, National Association (filed as Exhibit 10.4 to the Company s Current Report on Form 8-K on January 22, 2010).
31.1	Certification of President and Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.

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Exhibit Number	**Description**
31.2	Certification of Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Written Statement of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Written Statement of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.