

ROYAL GOLD INC
Form 10-Q
November 05, 2015
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2015

or

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

For the transition period from to

Commission File Number: 001-13357

Royal Gold, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

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

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

80202
(Zip Code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

There were 65,259,789 shares of the Company's common stock, par value \$0.01 per share, outstanding as of October 28, 2015.

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Consolidated Balance Sheets

(Unaudited, in thousands except share data)

	September 30, 2015	June 30, 2015
ASSETS		
Cash and equivalents	\$ 104,310	\$ 742,849
Royalty receivables	24,539	37,681
Income tax receivable	13,550	6,422
Prepaid expenses and other	9,912	3,798
Total current assets	152,311	790,750
Royalty and stream interests, net (Note 3)	3,012,952	2,083,608
Available-for-sale securities (Note 4)	5,824	6,273
Other assets	57,608	44,801
Total assets	\$ 3,228,695	\$ 2,925,432
LIABILITIES		
Accounts payable	8,383	4,911
Dividends payable	14,357	14,341
Foreign withholding taxes payable		199
Other current liabilities	4,380	5,522
Total current liabilities	27,120	24,973
Debt (Note 5)	674,780	322,110
Deferred tax liabilities	145,256	146,603
Uncertain tax positions (Note 9)	15,207	15,130
Other long-term liabilities	6,510	689
Total liabilities	868,873	509,505
Commitments and contingencies (Note 12)		
EQUITY		
Preferred stock, \$.01 par value, authorized 10,000,000 shares authorized; and 0 shares issued		
Common stock, \$.01 par value, 100,000,000 shares authorized; and 65,065,461 and 65,033,547 shares outstanding, respectively	651	650
Additional paid-in capital	2,174,720	2,170,643
Accumulated other comprehensive loss	(3,741)	(3,292)
Accumulated earnings	125,717	185,121
Total Royal Gold stockholders' equity	2,297,347	2,353,122
Non-controlling interests	62,475	62,805
Total equity	2,359,822	2,415,927
Total liabilities and equity	\$ 3,228,695	\$ 2,925,432

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

Table of Contents**ROYAL GOLD, INC.**

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Unaudited, in thousands except share data)

	For The Three Months Ended	
	September 30,	September 30,
	2015	2014
Revenue	\$ 74,056	\$ 69,026
Costs and expenses		
Cost of sales	11,466	6,674
General and administrative	9,510	7,142
Production taxes	1,592	1,690
Exploration costs	3,156	
Depreciation, depletion and amortization	27,147	22,212
Impairment of royalty and stream interests		1,769
Total costs and expenses	52,871	39,487
Operating income	21,185	29,539
Interest and other income	265	51
Interest and other expense	(7,214)	(6,712)
Income before income taxes	14,236	22,878
Income tax expense	(59,177)	(3,959)
Net (loss) income	(44,941)	18,919
Net income attributable to non-controlling interests	(105)	(239)
Net (loss) income attributable to Royal Gold common stockholders	\$ (45,046)	\$ 18,680
Net (loss) income	\$ (44,941)	\$ 18,919
Adjustments to comprehensive (loss) income, net of tax		
Unrealized change in market value of available-for-sale securities	(449)	(1,340)
Comprehensive (loss) income	(45,390)	17,579
Comprehensive income attributable to non-controlling interests	(105)	(239)
Comprehensive (loss) income attributable to Royal Gold stockholders	\$ (45,495)	\$ 17,340
Net (loss) income per share available to Royal Gold common stockholders:		
Basic (loss) earnings per share	\$ (0.69)	\$ 0.29
Basic weighted average shares outstanding	65,048,439	64,962,883
Diluted (loss) earnings per share	\$ (0.69)	\$ 0.29
Diluted weighted average shares outstanding	65,048,439	65,107,481
Cash dividends declared per common share	\$ 0.22	\$ 0.21

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

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Consolidated Statements of Cash Flows

(Unaudited, in thousands)

	For The Three Months Ended	
	September 30,	September 30,
	2015	2014
Cash flows from operating activities:		
Net (loss) income	\$ (44,941)	\$ 18,919
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation, depletion and amortization	27,147	22,212
Non-cash employee stock compensation expense	4,227	2,449
Amortization of debt discount	2,670	2,473
Impairment of royalty and stream interests		1,769
Tax benefit of stock-based compensation exercises	150	303
Deferred tax expense (benefit)	11,767	(5,374)
Other	(390)	
Changes in assets and liabilities:		
Royalty receivables	13,142	3,427
Prepaid expenses and other assets	(4,136)	2,147
Accounts payable	3,266	(1,570)
Foreign withholding taxes payable	(199)	(1,320)
Income taxes receivable	(17,192)	5,373
Uncertain tax positions	77	483
Other liabilities	6,903	1,167
Net cash provided by operating activities	\$ 2,491	\$ 52,458
Cash flows from investing activities:		
Acquisition of royalty and stream interests	(1,300,881)	(6,209)
Andacollo royalty sale	345,000	
Golden Star term loan	(20,000)	
Other	(228)	(127)
Net cash used in investing activities	\$ (976,109)	\$ (6,336)
Cash flows from financing activities:		
Borrowings from revolving credit facility	350,000	
Net proceeds from issuance of common stock		199
Common stock dividends	(14,341)	(13,678)
Distribution to non-controlling interests	(422)	(465)
Tax expense of stock-based compensation exercises	(150)	(303)
Other	(8)	
Net cash provided by (used in) financing activities	\$ 335,079	\$ (14,247)
Net (decrease) increase in cash and equivalents	(638,539)	31,875
Cash and equivalents at beginning of period	742,849	659,536
Cash and equivalents at end of period	\$ 104,310	\$ 691,411

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

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ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited)

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Summary of Significant Accounting Policies

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

Asset Impairment

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

Estimates of gold, silver, copper, nickel and other metal prices, operators' estimates of proven and probable reserves related to our royalty or streaming properties, and operators' estimates of operating and capital costs are subject to certain risks and uncertainties which may affect the

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recoverability of our investment in these royalty and stream interests in mineral properties. It is possible that changes could occur to these estimates, which could adversely affect the net cash flows expected to be generated from these royalty and stream interests.

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ROYAL GOLD, INC.

Notes to Consolidated Financial Statements

(Unaudited)

2. ACQUISITIONS

Acquisition of Gold and Silver Stream at Pueblo Viejo

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

BGC will deliver gold to RGLD Gold in amounts equal to 7.50% of Barrick 's interest in the gold produced at the Pueblo Viejo mine from July 1, 2015 until 990,000 ounces of gold have been delivered, and 3.75% of Barrick 's interest in gold produced thereafter. RGLD Gold will pay BGC 30% of the spot price per ounce of gold delivered until 550,000 ounces of gold have been delivered, and 60% of the spot price per ounce delivered thereafter.

BGC will deliver silver to RGLD Gold in amounts equal to 75% of Barrick 's interest in the silver produced at the Pueblo Viejo mine beginning on January 1, 2016 until 50 million ounces of silver have been delivered, and 37.50% of Barrick 's interest in silver produced thereafter. RGLD Gold will pay BGC 30% of the spot price per ounce of silver delivered until 23.10 million ounces of silver have been delivered, and 60% of the spot price per ounce of silver delivered thereafter.

The Pueblo Viejo gold and silver stream acquisition has been accounted for as an asset acquisition. The advance payment of \$610 million, plus direct transaction costs, have been recorded as a production stage stream interest within *Royalty and stream interests, net* on our consolidated balance sheets.

Acquisition of Gold Stream on Wassa, Bogoso and Prestea

On July 28, 2015, RGLD Gold closed its previously announced \$130 million gold stream transaction with a wholly-owned subsidiary of Golden Star Resources Ltd. (together Golden Star), pursuant to which RGLD Gold will advance financing to Golden Star, subject to certain conditions, for development projects at certain mines in Ghana,

and in return for which Golden Star will sell and deliver gold to RGLD Gold.

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

Pursuant to the stream transaction and subject to certain conditions, RGLD Gold will make \$130 million in advance payments to Golden Star in stages, including the \$40 million upfront payment made in connection with closing, \$15 million paid in September 2015, and the balance on a pro rata basis with spending on the Wassa and Prestea underground projects, which RGLD Gold expects to make in four quarterly payments as follows: (i) \$30 million on December 1, 2015, and (ii) \$15 million on each of March 1, 2016, June 1, 2016 and September 1, 2016. Golden Star will deliver to RGLD Gold 8.5% of gold produced from the Wassa, Bogoso and Prestea projects, until 185,000 ounces have been delivered, 5.0% until an additional 22,500 ounces have been delivered, and 3.0% thereafter. RGLD Gold will pay

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Notes to Consolidated Financial Statements

(Unaudited)

Golden Star a cash price equal to 20% of the spot price for each ounce delivered at the time of delivery until 207,500 ounces have been delivered, which cash price shall increase to 30% of the spot price for each ounce delivered thereafter.

The Wassa, Bogoso and Prestea gold stream acquisition has been accounted for as an asset acquisition. The \$55 million paid as part of the aggregate advance payments of \$130 million, plus direct acquisition costs, has been recorded as separate components of *Royalty and stream interests, net* on our consolidated balance sheets. Accordingly, approximately \$46.1 million and \$10.1 million was allocated to production stage and exploration stage stream interest, respectively, as of September 30, 2015. Future advance payments, plus any direct acquisition costs incurred, will be recorded as a production stage or an exploration stream interest accordingly. The acquisition costs of the production stage stream interest will be depleted using the units of production method, which is estimated using aggregate proven and probable reserves for Wassa, Bogoso and Prestea, as provided by Golden Star.

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

Acquisition of Gold and Silver Stream at Rainy River

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

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

Acquisition of an Additional Gold Royalty Interest at Pascua-Lama

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On July 10, 2015, the Company entered into an assignment of rights agreement with a private Chilean citizen whereby Royal Gold acquired an additional 0.22% net smelter return (NSR) sliding-scale royalty interest on the Pascua-Lama project, which is owned and operated by Barrick and located on the border between Argentina and Chile. The Company paid \$8.0 million for the additional interest at closing and will pay an additional \$2.0 million if the project comes into production by the end of calendar 2018 or an additional \$1.0 million if the project enters production in calendar 2019. Upon the July 10, 2015 closing, Royal Gold's total gold NSR royalty interest in the Pascua-Lama project increased to 5.45% at gold prices above \$800 per ounce, while the additional gold equivalent royalty on proceeds from copper produced from the Chilean portion of the project, increased to 1.09%.

The additional gold royalty interest acquired on Pascua-Lama has been accounted for as an asset

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Notes to Consolidated Financial Statements

(Unaudited)

acquisition. The \$8.0 million paid for the additional interest at closing, plus direct transaction costs, have been recorded as development stage royalty interest within *Royalty and stream interests, net* on our consolidated balance sheets.

Acquisition of Gold Stream at Carmen de Andacollo

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

The transaction will encompass certain of CMCA's presently owned mining concessions on the Andacollo mine, as well as any other mining concessions presently owned or acquired by CMCA or any of its affiliates within a 1.5 kilometer area of interest, and certain other mining concessions that CMCA or its affiliates may acquire. The Andacollo Stream Agreement is effective July 1, 2015, and applies to all final settlements of gold received on or after that date. Deliveries to RGLD Gold will be made monthly, and RGLD Gold began receiving gold deliveries during the quarter ended September 30, 2015.

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

Termination of Royalty Interest at Carmen de Andacollo

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

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Notes to Consolidated Financial Statements

(Unaudited)

3. ROYALTY AND STREAM INTERESTS

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

As of September 30, 2015 (Amounts in thousands):	Cost	Accumulated Depletion	Net
Production stage royalty interests:			
Voisey's Bay	\$ 150,138	\$ (79,989)	\$ 70,149
Peñasquito	99,172	(26,579)	72,593
Holt	34,612	(14,837)	19,775
Cortez	10,630	(9,955)	675
Other	531,734	(314,405)	217,329
Total production stage royalty interests	826,286	(445,765)	380,521
Production stage stream interests:			
Mount Milligan	783,046	(42,498)	740,548
Pueblo Viejo	610,367		610,367
Andacollo	388,181	(4,215)	383,966
Wassa/Bogoso/Prestea	46,069	(990)	45,079
Other	75,853	(26)	75,827
Total production stage stream interests	1,903,516	(47,729)	1,855,787
Production stage royalty and stream interests	2,729,802	(493,494)	2,236,308
Development stage royalty interests:			
Pascua-Lama	380,657		380,657
Other	66,414		66,414
Total development stage royalty interests	447,071		447,071
Development stage stream interests:			
Rainy River	100,673		100,673
Other	8,203		8,203
Total development stage stream interests	108,876		108,876
Development stage royalty and stream interests	555,947		555,947
Exploration stage royalty interests	210,584		210,584
Exploration stage stream interests	10,113		10,113
Total royalty and stream interests	\$ 3,506,446	\$ (493,494)	\$ 3,012,952

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Notes to Consolidated Financial Statements

(Unaudited)

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

4. AVAILABLE-FOR-SALE SECURITIES

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

	As of September 30, 2015 (Amounts in thousands)			
	Cost Basis	Gain	Loss	Fair Value
Non-current:				
Seabridge	\$ 9,565		(3,741)	\$ 5,824
	\$ 9,565	\$	\$ (3,741)	\$ 5,824

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

Our only available-for-sale security is the investment in Seabridge Gold, Inc. (Seabridge) common stock, acquired in June 2011. The Company s policy for determining whether declines in fair value of

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Notes to Consolidated Financial Statements

(Unaudited)

available-for-sale securities are other than temporary includes a quarterly analysis of the investments and a review by management of all investments for which the cost exceeds the fair value. Any temporary declines in fair value are recorded as a charge to other comprehensive income. If such impairment is determined by the Company to be other than temporary, the investment's cost basis is written down to fair value and recorded in net income during the period the Company determines such impairment to be other than temporary. Based on the Company's quarterly analysis of its investments and our ability and intent to hold these investments for a reasonable period of time, there were no write downs on our available-for-sale securities during the three months ended September 30, 2015. The Company will continue to evaluate its investment in Seabridge common stock considering additional facts and circumstances as they arise, including, but not limited to, the progress of development of Seabridge's KSM project.

5. DEBT

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

	As of September 30, 2015 Non-current	As of June 30, 2015 Non-current
	(Amounts in thousands)	
Convertible notes due 2019, net	\$ 324,780	\$ 322,110
Revolving credit facility	350,000	
Total debt	\$ 674,780	\$ 322,110

Convertible Senior Notes Due 2019

In June 2012, the Company completed an offering of \$370 million aggregate principal amount of 2.875% convertible senior notes due 2019 (2019 Notes). The 2019 Notes bear interest at the rate of 2.875% per annum, and the Company is required to make semi-annual interest payments on the outstanding principal balance of the 2019 Notes on June 15 and December 15 of each year, beginning December 15, 2012. The 2019 Notes mature on June 15, 2019. Interest expense recognized on the 2019 Notes for the three months ended September 30, 2015, was \$5.6 million compared to \$5.4 million for the three months ended September 30, 2014, and included the contractual coupon interest, the accretion of the debt discount and amortization of the debt issuance costs.

Revolving credit facility

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The Company maintains a \$650 million revolving credit facility. As of September 30, 2015, the Company had \$350.0 million outstanding and \$300.0 million available under the revolving credit facility. Borrowings under the revolving credit facility bear interest at a floating rate of LIBOR plus a margin of 1.25% to 3.00%, based on Royal Gold's defined leverage ratio. As of September 30, 2015, the interest rate on borrowings under the revolving credit facility was LIBOR plus 1.25% for an all-in rate of 1.46%. Royal Gold may repay borrowings under the revolving credit facility at any time without premium or penalty.

As discussed in Note 6 to the notes to consolidated financial statements in the Company's Fiscal 2015 10-K, the Company has financial covenants associated with its revolving credit facility. At September 30, 2015, the Company was in compliance with each financial covenant.

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Notes to Consolidated Financial Statements

(Unaudited)

6. REVENUE

Revenue is comprised of the following:

	For The Three Months Ended	
	September 30, 2015	September 30, 2014
	(Amounts in thousands)	
Stream interests	\$ 37,857	\$ 19,657
Royalty interests	36,199	49,369
Total revenue	\$ 74,056	\$ 69,026

7. STOCK-BASED COMPENSATION

The Company recognized stock-based compensation expense as follows:

	For The Three Months Ended	
	September 30, 2015	September 30, 2014
	(Amounts in thousands)	
Stock options	\$ 109	\$ 112
Stock appreciation rights	392	355
Restricted stock	1,370	1,170
Performance stock	2,356	812
Total stock-based compensation expense	\$ 4,227	\$ 2,449

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

During the three months ended September 30, 2015 and 2014, the Company granted the following stock-based compensation awards:

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For The Three Months Ended
September 30, **September 30,**
2015 **2014**

(Number of shares)

Stock options	24,312	19,760
Stock appreciation rights	97,817	87,890
Restricted stock	72,062	55,589
Performance stock	47,297	46,800
Total equity awards granted	241,488	210,039

As of September 30, 2015, unrecognized compensation expense (expressed in thousands below) and weighted-average vesting period for each of our stock-based compensation awards was as follows:

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Notes to Consolidated Financial Statements

(Unaudited)

	Unrecognized compensation expense	Weighted- average vesting period (years)
Stock options	\$ 831	2.2
Stock appreciation rights	3,085	2.2
Restricted stock	7,450	3.4
Performance stock	4,707	1.3

8. EARNINGS PER SHARE (EPS)

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

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

For The Three Months Ended	
September 30,	September 30,
2015	2014