

ROYAL GOLD INC
Form 10-K
September 06, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

(Mark One)

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

For the Fiscal Year Ended June 30, 2006

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 or Organization)**

**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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$0.01 par value
(title of class)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this

Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

(Check one): Large accelerated filer Accelerated filer Non-accelerated filer

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

Aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of Royal Gold on December 31, 2005, as reported on the Nasdaq Global Select Market was \$814.5 million. As of August 25, 2006, there were 23,587,416 shares of the registrant's common stock, \$0.01 par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2006 Annual Meeting of Stockholders scheduled to be held on November 8, 2006, and to be filed within 120 days after June 30, 2006, are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K.

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This document (including information incorporated herein by reference) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which involve a degree of risk and uncertainty due to various factors affecting Royal Gold, Inc. and its subsidiaries. For a discussion of some of these factors, see the discussion in Item 1A., Risk Factors and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report.

PART I

ITEM 1. BUSINESS

General

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. Royalties are passive (non-operating) interests in mining projects that provide the right to revenue from the project after deducting specified costs, if any.

We seek to acquire existing royalties or to finance projects that are in production or near production in exchange for royalty interests. We also fund exploration on properties thought to contain precious metals and seek to obtain royalties and other carried ownership interests in such properties through the subsequent transfer of operating interests to other mining companies. Substantially all of our revenues are and will be expected to be derived from royalty interests. We do not conduct mining operations at this time.

As discussed in further detail below, some of our significant developments during fiscal year 2006 were as follows:

- (1) Our royalty revenues increased to \$28.4 million, compared with \$25.3 million during fiscal year 2005;
- (2) We completed the purchase of four royalty interests on the Taparko-Bouroum Project (Taparko Project), located in Burkina Faso, West Africa, and operated by High River Gold Mines Ltd (High River);
- (3) We completed the purchase of two existing royalties held by Kennecott Minerals (Kennecott), which included a 3% net smelter return (NSR) royalty on the Robinson mine and a sliding-scale NSR royalty on the Mulatos mine;
- (4) We entered into two Exploration and Earn-In Agreements with Taranis Resources Inc. (Taranis) with respect to its exploration program in Finland;
- (5) We sold 2,227,912 shares of our common stock in an underwritten public offering, at a price of \$26.00 per share, resulting in net proceeds to us of approximately \$54.7 million; and
- (6) We declared an increase in our annual dividend to \$0.22 per basic share, which is paid in quarterly installments throughout calendar 2006. This represents a 10% increase compared with the dividend paid during calendar year 2005.

We were incorporated under the laws of the State of Delaware on January 5, 1981. Our executive offices are located at 1660 Wynkoop Street, Suite 1000, Denver, Colorado 80202, (303) 573-1660.

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Royalty Interests and Acquisitions

Royalty Interests

During the 2006 fiscal year, 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 principal mineral property interests are set forth below:

- § Pipeline: Four royalty interests at the Pipeline Mining Complex, which includes the Pipeline, South Pipeline, GAP and Crossroads gold deposits. The Pipeline Mining Complex is operated by the Cortez Joint Venture, which is a joint venture between Barrick Gold Corporation (Barrick) (60%), and Kennecott Explorations (Australia) Ltd. (40%), a subsidiary of Rio Tinto plc. Our four royalty interests at the Pipeline Mining Complex are:
 - o GSR1 A sliding-scale gross smelter return (GSR) royalty that covers the current mine footprint which includes the Pipeline and South Pipeline deposits and ranges from 0.4%, at a gold price below \$210 per ounce, to 5.0% at a gold price of \$470 per ounce or above;
 - o GSR2 A sliding-scale GSR royalty that covers areas outside the Pipeline deposit and ranges from 0.72%, at a gold price below \$210 per ounce, to 9.0% at a gold price of \$470 per ounce or above;
 - o GSR3 A 0.71% fixed rate GSR royalty on the production covered by GSR1 and GSR2; and
 - o NVR1 A fixed rate 0.39% net value royalty on all production on the South Pipeline, Crossroads, and some of the GAP deposit, but not covering the Pipeline deposit.
- § Leeville: A 1.8% carried working interest, equal to a 1.8% NSR royalty, on the majority of the Leeville Project, which includes Leeville South and Leeville North underground mines, located in Nevada and operated by Newmont Mining Corporation (Newmont).
- § SJ Claims: A 0.9% NSR royalty on the SJ Claims, which covers a portion of the Betze-Post open pit mine, at the Goldstrike operation, located in Nevada and operated by Barrick.
- § Troy: Two royalty interests in the Troy underground silver and copper mine, which is operated by Revett Silver Company (Revett), located in northwestern Montana:
 - o A production payment equivalent to a 7.0% GSR royalty until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or we receive \$10.5 million in cumulative payments, whichever occurs first; and
 - o A GSR royalty which begins at 6.1% on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper, and steps down to a 2% GSR royalty after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper;

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§ Martha: A 2% NSR royalty on a number of properties in Santa Cruz Province, Argentina, including the Martha silver mine, which is operated by Coeur d'Alene Mines Corporation (Coeur d'Alene); and

§ Bald Mountain: A 1.75% NSR sliding-scale royalty interest on the Bald Mountain mine that increases or decreases with the price of gold, adjusted by the 1986 Producer Price Index. Currently, our royalty rate would increase to 2% at a gold price of approximately \$811 per ounce in today's dollars. Our royalty covers a portion of the Bald Mountain mine, which is located in White Pine County, Nevada, and is operated by Barrick.

During our 2006 fiscal year, we acquired the following royalty interests (see "Royalty Acquisitions" below for further discussion of these royalty acquisitions):

§ Taparko: Four royalty interests on the Taparko Project, located in Burkina Faso and operated by High River.

Our four royalty interests at the Taparko Project are:

o TB-GSR1 A production payment equivalent to a 15% GSR royalty on all gold produced from the Taparko Project until either cumulative production of 804,420 ounces of gold is achieved or until we receive \$35 million in cumulative payments;

o TB-GSR2 A production payment equivalent to a GSR sliding-scale royalty on all gold produced from the Taparko Project. TB-GSR2 remains in force until the termination of TB-GSR1;

o TB-GSR3 A perpetual 2% GSR royalty on all gold contained in and produced from the Taparko Project area. TB-GSR3 will commence upon the termination of the TB-GSR1 and TB-GSR2 royalties; and

o TB-MR1 A 0.75% milling fee royalty on all gold, subject to annual caps, processed through the Taparko Project processing facilities that is mined from any area outside the Taparko Project area;

§ Robinson: A 3% NSR royalty on the Robinson mine, located in eastern Nevada and operated by Quadra Mining Ltd. (Quadra); and

§ Mulatos: A sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico, and operated by Alamos Gold, Inc. (Alamos). The sliding-scale NSR royalty, capped at two million ounces of gold production, ranges from 0.30% payout for gold prices below \$300 per ounce up to a maximum rate of 1.50% for gold prices above \$400 per ounce.

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Estimates received from the mine operators during the first quarter of calendar year 2006 indicated that production, attributable to our royalty interests, for calendar year 2006 is expected to be as follows:

Operators Production Estimate by Royalty for Calendar 2006

Royalty	Operator	Metal	Production
Pipeline GSR1	Barrick	Gold	385,000 oz.
Pipeline GSR3	Barrick	Gold	385,000 oz.
Pipeline NVR1	Barrick	Gold	213,000 oz.
Leeville North	Newmont	Gold	196,000 oz.
Leeville South	Newmont	Gold	29,000 oz.
SJ Claims	Barrick	Gold	903,000 oz.
Bald Mountain	Barrick	Gold	248,000 oz.
Robinson ⁽¹⁾	Quadra	Gold	53,500 oz.
Mulatos ⁽²⁾	Alamos	Gold	110,000 to 120,000 oz.
Troy	Revet	Silver	1.8 million oz.
Martha	Coeur D Alene	Silver	2.5 million oz.
Troy	Revet	Copper	15.6 million lbs.
Robinson ⁽¹⁾	Quadra	Copper	125 to 130 million lbs.
Robinson ⁽¹⁾	Quadra	Molybdenum	0.5 to 1.0 million lbs. ⁽³⁾

(1) Production estimates are for the full calendar year. Receipt of royalty revenue commenced during our fourth quarter of fiscal year 2006.

(2) Production estimates are for the full calendar year. Royalty revenue began accruing to us on April 1, 2006.

(3) In August 2006, Quadra reported that their original molybdenum production estimates will not be met. Quadra was not able to provide

updated
molybdenum
production
estimates at this
time.

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During the first six months of calendar 2006, the mine operators have reported production attributable to our royalty interests as follows:

Operators Production Subject to Our Royalty Interests
Six Months Ended June 30, 2006

Royalty	Operator	Metal	Production
Pipeline GSR1	Barrick	Gold	174,376 oz.
Pipeline GSR3	Barrick	Gold	174,376 oz.
Pipeline NVR1	Barrick	Gold	57,663 oz.
Leeville North	Newmont	Gold	19,875 oz.
Leeville South	Newmont	Gold	18,827 oz.
SJ Claims	Barrick	Gold	503,952 oz.
Bald Mountain	Barrick	Gold	100,598 oz.
Robinson ⁽¹⁾	Quadra	Gold	13,082 oz.
Mulatos ⁽²⁾	Alamos	Gold	23,912 oz.
Troy	Revelt	Silver	449,075 oz.
Martha	Coeur D Alene	Silver	1,176,500 oz.
Troy	Revelt	Copper	3,580,454 lbs.
Robinson ⁽¹⁾	Quadra	Copper	27,214,572 lbs.
Robinson ⁽¹⁾	Quadra	Molybdenum	60,743 lbs.

(1) Royalty revenue commenced during the second quarter of calendar 2006.

(2) Royalty revenue commenced effective April 1, 2006.

In addition, as of June 30, 2006, we own royalty interests in the following exploration stage projects. None of these exploration stage projects contain proven and probable reserves as of June 30, 2006.

A 5% NSR royalty interest on a portion of the Mule Canyon project, located in Lander County, Nevada;

A 16.5% net profits interest (NPI) royalty on the Buckhorn South project, located in Eureka County, Nevada;

A 1% NSR royalty interest on the Long Valley gold project, located in eastern California;

A 1% NSR royalty, on possible production of precious metals on the Svetloye project in Russia;

A 2% NSR royalty on a number of exploration properties in Santa Cruz Province, Argentina, currently owned by Hidefield Gold PLC (Hidefield);

A 1% NSR royalty interest on the Simon Creek project, located in Eureka County, Nevada;

A 0.25% net value royalty interest on the Horse Mountain project, located in Lander County, Nevada;

A 1.5% net value royalty interest on the Ferris/Cooks Creek project, located in Lander County, Nevada;
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A 0.5% NSR royalty interest on the Rye project, located in Pershing County, Nevada;

A 2.5% NSR royalty interest on the BSC project, located in Elko County, Nevada;

A 0.75% NSR royalty on a 60% interest in the Copper Basin project, located in Lander County, Nevada;

A 0.75% NSR royalty on a 67% interest (approximate) on the ICBM project, located in Lander County and Humboldt County, Nevada;

A 0.75% NSR royalty on the Long Peak project, located in Lander County, Nevada;

A 0.75% NSR royalty on the Dixie Flats project, located in Elko County, Nevada; and

A 2% NSR royalty on the Kettukuusikko property located in Lapland, Finland, which was acquired in November 2005 (see *Royalty Acquisitions* below for further detail) and is being explored by Taranis.

Royalty Acquisitions

High River Gold Taparko Project Financing

On March 1, 2006, we entered into an Amended and Restated Funding Agreement (*Funding Agreement*) with Societe des Mines de Taparko, also known as Somita SA (*Somita*), a 90% owned subsidiary of High River, to acquire two initial production payments equivalent to GSR royalties and two subsequent GSR royalty interests on the Taparko Project in Burkina Faso, West Africa. The Funding Agreement amended and restated the initial Funding Agreement dated December 1, 2005, among Royal Gold, High River and Somita. The Taparko Project is operated by Somita. Our funding of the project will total \$35 million over approximately a one-year period, which will be used for the development and construction of the Taparko Project. Construction of the Taparko Project has been initiated by Somita and is expected to be near completion during the fourth quarter of calendar 2006, with production expected to commence during the first quarter of calendar 2007.

As of June 30, 2006, we have funded approximately \$18.7 million of the \$35 million total funding commitment. As a result of our funding to date, we have obtained the following mineral interests, all related to the Taparko Project:

1. **TB-GSR1** A production payment equivalent to a fifteen percent (15%) GSR royalty on all gold produced from the Taparko Project. TB-GSR1 remains in force until cumulative production of 804,420 ounces of gold is achieved or until cumulative payments of \$35 million have been made to us, whichever is earlier.
2. **TB-GSR2** A production payment equivalent to a GSR sliding-scale royalty on all gold produced from the Taparko Project. TB-GSR2 will be paid concurrently with TB-GSR1, and remains in force until the termination of TB-GSR1. The sliding-scale royalty rate will be determined as follows:
 - a. When the average price of gold is \$430 per ounce or more, the rate will be equal to the average price divided by 100 (e.g., a \$440 gold price divided by 100 = 4.4%).

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- b. When the average gold price is \$385 per ounce or less, the rate will be equal to the average price divided by 90 (e.g., a \$350 gold price divided by 90 = 3.88%).
- c. When the average price is between \$385 and \$430 per ounce, the rate is 4.3%.
- 3. TB-GSR3 A perpetual 2% GSR royalty on all gold produced from the Taparko Project area. Payments under TB-GSR3 will commence upon termination of the TB-GSR1 and TB-GSR2 royalties.
- 4. TB-MR1 A 0.75% milling fee royalty, calculated in the same manner as the TB-GSR1 royalty, on all gold processed through the Taparko Project processing facilities that is mined from any area outside of the Taparko Project area. TB-MR1 royalty is subject to a cap of 1.1 million tons per year (e.g., if in a given year, the Taparko Project processing facility processes 800,000 tons of ore from the Taparko Project area and 500,000 tons of ore from areas outside the Taparko Project area, the 800,000 tons from the Taparko Project area would be subject to TB-GSR1, TB-GSR2, or TB-GSR3 and the TB-MRI would only apply to 300,000 tons of ore).

During July and August of 2006, we funded an additional \$10.8 to the Taparko Project, resulting in total funding by us of \$29.5 as of August 15, 2006. Subsequent funding of the Taparko Project will be made in installments over the remaining construction period. The Funding Agreement outlines the construction milestones that must be met prior to each specific funding installment. The project is expected to meet all construction requirements (as defined in the Funding Agreement) no later than second quarter of calendar 2007. We estimate the \$35 million will be fully funded by the second quarter of calendar 2007, subject to construction milestones.

Under a separate Contribution Agreement, High River is responsible for contributing additional equity contributions for any cost overruns incurred during the construction and construction warranty periods. If High River is unable to make the required equity contributions, we have the right to either (a) provide funding that High River failed to fund, or (b) declare a default under the Funding Agreement. In the event that we elect to provide funding in the amount that High River fails to fund, we may elect to acquire either an equity interest in High River, consisting of units of common shares and warrants of High River or to obtain additional royalty interests in the Taparko Project in an amount that is proportional to the amount of the additional funding compared with our original \$35 million funding commitment. As of August 25, 2006, High River has made all required equity commitments as scheduled under its Contribution Agreement.

In order to secure our investment during the period between funding by us and project completion (as defined in the Funding Agreement), High River has pledged its 90% interest in the equity of Somita. We will maintain our security interest, in the form of the Somita shares, through the construction period. The security interest will be released upon the project meeting project completion (as defined in the Funding Agreement).

In addition to the 90% interest in Somita, we have also obtained as collateral a pledge of shares of two equity investments held by High River. The equity value underlying the pledge of these shares is valued at approximately \$14.9 million as of June 30, 2006, and includes 12,015,000 common shares in the capital stock of Pelangio Mines, Inc. (traded on the Toronto Stock Exchange and valued at approximately \$13.3 million as of June 30, 2006) and 1,790,941 common shares in the capital stock of Intrepid Minerals Corporation (traded on the Toronto Stock exchange and valued at approximately \$1.6 million as of June 30, 2006). The purpose of this collateral is to maintain a construction reserve that can be used to

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remedy any construction defects noted during the construction contract warranty period. These shares can only be used to remedy identified construction defects and cannot be used to repay any of our investment. This security interest will be released by the Company at the end of the construction contract warranty period.

Robinson and Mulatos Royalties

On December 28, 2005, we paid \$25 million to Kennecott in exchange for two existing royalty interests held by Kennecott, including a 3% NSR royalty on the Robinson mine, located in eastern Nevada, and a sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico.

The Robinson mine is an open pit copper mine with significant gold and molybdenum credits. The mine has been owned and operated by Quadra since 2004. Quadra estimates that calendar year 2006 production will be approximately 53,500 ounces of gold and 125 to 130 million pounds of copper. Quadra completed construction of a molybdenum circuit during the first quarter of 2006. During August 2006, Quadra reported that their original molybdenum production estimates (0.5 to 1.0 million pounds) will not be met. Quadra was not able to provide updated molybdenum estimates at this time. We began receiving royalty payments from the Robinson royalty during the fourth quarter of fiscal 2006 after a \$20.0 million reclamation trust account was fully funded by Quadra.

The Mulatos project, owned and operated by Alamos, is an open pit, heap leach gold mine. Commercial production was achieved at the Mulatos mine effective April 1, 2006, at which time royalty payments began to accrue to Royal Gold. Alamos anticipates that once full production is reached, yearly production is expected to average 150,000 ounces of gold. The Mulatos mine sliding-scale royalty, capped at two million ounces of gold production, ranges from 0.30% for gold prices below \$300 up to 1.50% for gold prices above \$400.

Taranis Exploration Alliance

On November 4, 2005, we entered into two Exploration and Earn-In Agreements (the Agreements) with Taranis with respect to its exploration program in Finland. As part of the first Agreement, we will obtain a 2% NSR royalty and future earn-in rights on any new property acquired by Taranis in Finland as a result of its regional exploration program, in exchange for a \$321,638 investment in 937,500 shares of Taranis common stock and 468,750 warrants. On August 21, 2006, we acquired, under a private placement, an additional 100,000 shares of Taranis common stock and warrants exercisable to purchase up to 50,000 Taranis common shares at \$0.49.

As part of the Agreements, we agreed to provide funding totaling \$500,000 to Taranis for exploration work on the Kettukuusikko property in Lapland, Finland, in exchange for a 2% NSR royalty on the property. As of June 30, 2006, we have funded the entire \$500,000 commitment. We also have an option to fund up to an additional \$600,000 for exploration at the Kettukuusikko property. If we fund the entire additional amount, we will earn a 51% joint venture interest in the Kettukuusikko project, and we will release our 2% NSR royalty. We have elected to exercise this option. In the event that we do not fully fund the \$600,000 to earn the joint venture interest, we would retain our 2% NSR royalty.

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Our Operational Information

Financial Results

Our financial results are closely tied to the price of gold and production from our royalty properties. During the 2006 fiscal year, the price of gold averaged \$527 per ounce compared with an average price of \$422 per ounce for the 2005 fiscal year. As a result of the increased gold price, our GSR1 sliding-scale royalty rate at the Pipeline Mining Complex paid out at rates ranging from 4.5% to 5.0% compared rates ranging from 4.0% to 4.5% during the prior period. Lower production at the Pipeline Mining Complex (which was largely offset by rising metal prices and an increase in our GSR1 sliding-scale royalty), an increase in revenues from SJ Claims and Bald Mountain, and payments from the recently acquired Mulatos and Robinson royalties resulted in revenues of \$28,380,143 during the 2006 fiscal year, compared with total revenues of \$25,302,332 during the 2005 fiscal year.

During our fiscal 2006, we derived most of our revenue from royalties from the Pipeline Mining Complex. In fiscal 2006, we generated royalty revenues of \$16,813,059 from the Pipeline Mining Complex, representing 59% of our total revenues. In addition, we generated royalty revenue of \$4,783,896 from the SJ Claims, \$1,693,447 from the Troy mine, \$767,744 from the Leeville mine, \$1,492,659 from Bald Mountain, \$2,202,749 from Robinson, \$225,000 from Mulatos, and \$401,589 from the Martha mine.

Sales Contracts

In fiscal 2006, we received our royalties in cash except for the NVR1 royalty from the Pipeline Mining Complex, which we currently receive in gold. We sold 1,733 ounces of gold bullion in fiscal year 2006, utilizing one metal trading company during the period, at an average realized price of \$524 per ounce. We sold 2,905 ounces of gold bullion in fiscal year 2005, utilizing one metal trading company during the period, at an average realized price of \$417 per ounce. We maintain trading relationships with a number of metal trading companies. We held no gold in inventory as of June 30, 2006.

Company Personnel

On August 25, 2006, we had 13 full-time employees and one part-time employee located in Denver, Colorado. Our employees are not subject to a labor contract or collective bargaining agreement. We consider our employee relations to be good.

Consulting services, relating primarily to geologic and geophysical interpretations and also relating to such metallurgical, engineering, and other technical matters as may be deemed useful in the operation of our business, are primarily provided by independent contractors.

Regulation

Like all mining operations in the United States, the operators of the mines that are subject to our royalties must comply with environmental laws and regulations promulgated by federal, state and local governments including, but not limited to, the National Environmental Policy Act; the Comprehensive Environmental Response, Compensation and Liability Act; the Clean Air Act; the Clean Water Act; the

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Hazardous Materials Transportation Act; and the Toxic Substances Control Act. Mines located on public lands are subject to comprehensive regulation by either the United States Bureau of Land Management (an agency of the United States Department of the Interior) or the United States Forest Service (an agency of the United States Department of Agriculture). The mines also are subject to regulations of the United States Environmental Protection Agency (EPA), the United States Mine Safety and Health Administration and similar state and local agencies. Operators of mines that are subject to our royalties in other countries are obligated to comply with similar laws and regulations in those jurisdictions. Although we are not responsible as a royalty owner for ensuring compliance with these regulations, failure by the operators of the mines on which we have royalties to comply with applicable laws, regulations and permits can result in injunctive action, damages and civil and criminal penalties on the operators which could reduce production from the mines and thereby reduce the royalties we receive and negatively affect our financial condition.

Proposed Legislation Affecting the Mining Industry

Over the last fifteen years, the United States Congress considered a number of proposed amendments to the General Mining Law of 1872, as amended, (the General Mining Law), which governs mining claims and related activities on federal lands. In 1992, a holding fee of US\$100 per claim was imposed upon unpatented mining claims located on federal lands. Beginning in October 1994, a moratorium, on processing of new patent applications was approved. In addition, a variety of legislation has been proposed from time to time, which would, among other things, change the current patenting procedures, limit the rights obtained in a patent, impose royalties on unpatented claims, and enact new reclamation, environmental controls and restoration requirements. The royalty proposal ranges from a two percent royalty on net profits from mining claims to an eight percent royalty on modified gross income/net smelter returns. The extent of any such changes that may be enacted is not presently known, and the potential impact on us as a result of future congressional action is difficult to predict. The majority of our royalties are on public lands. If enacted, the proposed legislation could adversely affect the economics of development of operating mines on federal unpatented mining claims. The GSR1 and GSR2 royalties relating to the Pipeline Mining Complex, operated by the Cortez Joint Venture, authorize the deduction of costs of mining law reform from the revenues to which those royalties apply. The costs of mining law reform is defined as any royalty assessment, production tax or other levy imposed on and measured by production, to the extent that any such charge is imposed in the future by the United States in connection with the reform of the General Mining Law. The GSR3 royalty relating to the Pipeline Mining Complex authorizes the deduction of any royalty payable in the future to the United States with respect to that production. Our financial performance could therefore be materially and adversely affected by passage of all or pertinent parts of the proposed legislation.

Available Information

Royal Gold maintains a web site at www.royalgold.com. Royal Gold makes available, free of charge, through the Investor Relations section of the web site, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. Royal Gold's charters of key committees of its Board of Directors and its Code of Business Conduct and Ethics are also available on the web site. Any of the foregoing information is available in print to any stockholder who requests it by contacting Royal Gold's Investor Relations Department.

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ITEM 1A. RISK FACTORS

Every investor or potential investor in Royal Gold should carefully consider the following risks:

Risks Related to Our Business

Our revenues are largely dependent on a single property.

In fiscal year 2006, approximately 59% of our revenues were derived from royalties from the Pipeline Mining Complex, compared to approximately 85% being derived from the Pipeline Mining Complex in fiscal year 2005. We expect that revenue from our royalties on the Pipeline Mining Complex will continue to be a significant, though less dominant, contributor to our revenue in future periods. Our success has been, and to a lesser degree will continue to be, dependent on the extent to which the Pipeline Mining Complex continues to be a substantial mining operation.

We own passive interests in mining properties, and it is difficult or impossible for us to ensure properties are operated in our best interest.

All of our current revenue is derived from royalties on properties operated by third parties. The holder of a royalty interest typically has no executive authority regarding development or operation of a mineral property. Therefore, we are not in control of basic decisions regarding development or operation of any of the properties in which we hold a royalty interest, and we have limited or no legal rights to influence those decisions.

Our strategy of having others operate properties in which we retain a royalty or other passive interest puts us generally at risk to the decisions of others regarding all basic operating matters, including permitting, feasibility analysis, mine design and operation, processing, plant and equipment matters, and temporary or permanent suspension of operations, among others. These decisions may be motivated by the best interests of the operator rather than to maximize royalties. Although we attempt to secure contractual rights that will permit us to protect our interests, there can be no assurance that such rights will always be available or sufficient, or that our efforts will be successful in achieving timely or favorable results or in affecting the operations of the properties in which we have royalty interests in ways that would be beneficial to our stockholders.

Decreases in prices of gold, silver and copper would reduce our royalty revenues.

The profitability of our royalty interests and exploration properties is directly related to the market price of gold and, to a lesser degree, silver and copper. The market price of each metal fluctuates widely and is affected by numerous factors beyond the control of any mining company. These factors include industrial and jewelry fabrication demand, expectations with respect to the rate of inflation, the relative strength of the U.S dollar and other currencies, interest rates, gold sales and loans by central banks, forward sales by metal producers, global or regional political, economic or banking crises, and a number of other factors. If the market price of gold, silver or copper should drop, our royalty revenues would also drop. Our sliding-scale GSR1 royalty amplifies this. When the gold price falls below the steps in the sliding-scale GSR1 royalty, we receive a lower royalty rate on production. In addition, if the gold, silver or copper price drops dramatically, we might not be able to recover our investment in royalty interests or properties. The selection of a royalty investment or of a property for exploration or development, the determination

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to construct a mine and place it into production, and the dedication of funds necessary to achieve such purposes are decisions that must be made long before the first revenues from production will be received. Price fluctuations between the time that such decisions are made and the commencement of production can have a material adverse effect on the economics of a mine, and can eliminate or have a material adverse impact on the value of royalty interests.

The volatility in gold prices is illustrated by the following table, which sets forth, for the periods indicated (calendar year), the high and low prices in U.S. dollars per ounce of gold, based on the London P.M. fix.

Gold Price Per Ounce (\$)

Year	High	Low
1998	\$313	\$273
1999	326	253
2000	312	263
2001	293	256
2002	349	278
2003	416	320
2004	454	375
2005	537	411
January 1-August 25, 2006	725	525

The volatility in silver prices is illustrated by the following table which sets forth, for the periods indicated (calendar year), the high and low prices in U.S. dollars per ounce of silver, based on the London P.M. fix.

Silver Price Per Ounce (\$)

Year	High	Low
1998	\$ 7.81	\$4.69
1999	5.75	4.88
2000	5.45	4.57
2001	4.82	4.07
2002	5.10	4.24
2003	5.97	4.37
2004	8.29	5.50
2005	9.23	6.39
January 1-August 25, 2006	14.94	8.83

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The volatility in copper prices is illustrated by the following table, which sets forth, for the periods indicated (calendar year), the high and low prices in U.S. dollars per pound of copper, based on the London Metal Exchange cash settlement price for copper Grade A.

Copper Price Per Pound (\$)

Year	High	Low
1998	\$0.82	\$0.67
1999	0.80	0.63
2000	0.89	0.76
2001	0.81	0.62
2002	0.75	0.67
2003	1.00	0.72
2004	1.43	1.10
2005	2.08	1.44
January 1 – July 31, 2006	3.65	2.15

We depend on the services of our President and Chief Executive Officer, our Executive Chairman and other key employees.

We believe that our success depends on the continued service of our key executive management personnel. Currently, Tony Jensen is serving as President and Chief Executive Officer and Stanley Dempsey is serving as our Executive Chairman. Mr. Jensen has extensive experience in mining operations. Mr. Dempsey's knowledge of the legal and commercial aspects of royalties and his extensive contacts within the mining industry give us an important competitive advantage. Loss of the services of Mr. Jensen, Mr. Dempsey or other key employees could jeopardize our ability to maintain our competitive position in the industry. We currently do not have key person life insurance for any of our officers or directors.

Our revenues are subject to operational risks of the mining industry.

Although we are not required to pay operating costs, our financial results are subject to all of the hazards and risks normally associated with developing and operating mining properties, both for the properties where we are exploring or indirectly for properties operated by others where we hold royalty interests. These risks include:

insufficient ore reserves;

fluctuations in production costs that may make mining of ore uneconomic;

declines in the price of gold, silver or copper;

significant environmental and other regulatory restrictions;

labor disputes;

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geological problems;

pit walls or tailings dam failures;

natural catastrophes such as floods or earthquakes; and

the risk of injury to persons, property or the environment.

Operating cost increases can have a negative effect on the value of and income from our royalty interests, and may cause an operator to curtail, delay or close operations at a mine site.

Estimates of reserves and mineralization by the operators of mines in which we have royalty interests are subject to significant estimates which can change.

There are numerous uncertainties inherent in estimating proven and probable reserves and mineralization, including many factors beyond our control or that of the operators of mineral properties in which we have a royalty interest. Reserve estimates on our royalty interests are prepared by the operators of the mining properties, and we do not participate in the preparation of such reports. The estimation of reserves and of other mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing and production, and the evaluation of mine plans subsequent to the date of any estimate may cause revision of such estimates. The volume and grade of reserves recovered and rates of production may be less than anticipated. Assumptions about prices are subject to great uncertainty and such prices have fluctuated widely in the past. Declines in the market price of gold or other precious metals also may render reserves or mineralization containing relatively lower grades of ore uneconomic to exploit. Changes in operating and capital costs and other factors including short-term operating factors, such as the need for sequential development of ore bodies and the processing of new or different ore grades, may materially and adversely affect reserves.

We may be unable to acquire additional royalty interests.

Our future success depends upon our ability to acquire royalty interests to replace depleting reserves and to diversify our royalty portfolio. We anticipate that most of our revenues will be derived from royalty interests that we acquire or finance, rather than through exploration and development of properties. In addition, we face competition in the acquisition of royalty interests. If we are unable to successfully acquire additional royalties, the reserves on properties currently covered by our royalties will decline as existing reserves are mined.

Anticipated federal legislation could decrease our royalty revenues.

In recent years, the United States Congress has considered a number of proposed major revisions of the General Mining Law, which governs the creation and possession of mining claims and related activities on federal public lands in the United States. It is possible that another bill may be introduced in the Congress and it is possible that a new law could be enacted. If and when a new mining law is enacted, it might impose a royalty upon production of minerals from federal lands and might contain new requirements for mined land reclamation, and similar environmental control and reclamation measures. It remains unclear to what extent new legislation may affect existing mining claims or operations, but it could raise the cost of mining operations, perhaps materially affecting operators and our royalty revenue.

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The effect of any revision of the General Mining Law on royalty interests in the United States cannot be determined conclusively until such revision, if any, is enacted. The majority of our interests are on public lands. If a royalty, assessment, production tax or other levy imposed on and measured by production is charged to the operator at the Pipeline Mining Complex, the amount of that charge would be deducted from gross proceeds for calculation of our GSR1, GSR2 and GSR3 royalties.

The mining industry is subject to significant environmental risks.

Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Laws and regulations in the United States and abroad intended to ensure the protection of the environment are constantly changing and generally are becoming more restrictive and costly. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) is not generally available to the companies within the mining industry, such as the operators of the mines in which we hold a royalty interest, at a reasonable price. If an operator is forced to incur significant costs to comply with environmental regulations or becomes subject to environmental restrictions that limit its ability to continue or expand operations, it could reduce our royalty revenues. To the extent that we become subject to environmental liabilities for the time period during which we were operating properties, the satisfaction of any liabilities would reduce funds otherwise available to us and could have a material adverse effect on our financial condition, results of operations and cash flows.

In September 2002, we settled a claim by the EPA against Royal Gold, along with 92 other potentially responsible parties, known as PRPs. The EPA's allegation was based on the disposal of allegedly hazardous petroleum exploration wastes at the Casmalia Resources Hazardous Waste Site by our predecessor, Royal Resources, Inc., during 1983 and 1984. Although we do not currently expect to incur additional costs in connection with this claim, the State of California has notified us and the other parties who participated in the settlement that it will seek to recover response costs. We do not know and cannot predict the amount of the estimated costs the State would seek to recover but, if we are compelled to pay a large sum, it could materially adversely affect our operations. If the State agrees to a volumetric allocation among the parties, our portion of the liability would be 0.438% of any settlement amount. Please see Part I, Item 3. Legal Proceedings - Casmalia Resources Hazardous Waste Disposal Site, of this Annual Report on Form 10-K.

If title to properties are not properly maintained by the operators, our royalty revenues may be decreased.

The validity of unpatented mining claims, which constitute a significant portion of the properties on which we hold royalties in the United States, is often uncertain and such validity is always subject to contest. Unpatented mining claims are generally considered subject to greater title risk than patented mining claims, or real property interests that are owned in fee simple.

Foreign operations are subject to many risks.

Our foreign activities are subject to the risks normally associated with conducting business in foreign countries. This includes exchange controls and currency fluctuations, limitations on repatriation of earnings, foreign taxation, foreign environmental laws and enforcement, expropriation or nationalization of property, labor practices and disputes, and uncertain political and economic environments. There are also risks of war and civil disturbances, as well as other risks that could cause exploration or development

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difficulties or stoppages, restrict the movement of funds or result in the deprivation or loss of contract rights or the taking of property by nationalization or expropriation, without fair compensation. Exploration licenses granted by some foreign countries do not include the right to mine. Each country has discretion in determining whether to grant a license to mine. If an operator cannot secure a mining license following exploration of a property, the value of our royalty interest would be negatively affected. Foreign operations could also be adversely impacted by laws and policies of the United States affecting foreign trade, investment and taxation. We currently have interests in projects in Argentina, Burkina Faso, Finland, Mexico and Russia. We also pursue precious metal royalty acquisitions or development opportunities in other parts of the world, including Canada, Central America, Europe, Australia, other Republics of the former Soviet Union, Asia, Africa and South America.

We are also subject to the risks of operating in Burkina Faso, West Africa. Countries in the region have historically experienced periods of political uncertainty, exchange rate fluctuations, balance of payments and trade difficulties as well as problems associated with extreme poverty and unemployment. Any of these economic or political risks could adversely affect the Taparko Project.

Our operations in Mexico are subject to risks such as the effects of political developments and local unrest, and communal property issues. In the past, Mexico has experienced prolonged periods of weak economic conditions characterized by exchange rate instability, increased inflation and negative economic growth which could occur again in the future. Any of these risks could adversely affect the Mulatos mine.

We hold a royalty interest in an exploration property that is subject to the risks of operating in Russia. The economy of the Russian Federation continues to display characteristics of an emerging market, including extensive currency controls and potentially high inflation. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments. Russian laws, licenses and permits have been in a state of change and new laws may be given a retroactive effect. It is also not unusual in the context of dispute resolution in Russia for parties to use the uncertainty in the Russian legal environment as leverage in business negotiations.

Our Martha royalty is subject to risks relating to operating in Argentina. Argentina, while currently economically and politically stable, has experienced political instability, currency value fluctuations and changes in banking regulations in recent years. New instability and fluctuations or regulation changes could adversely affect our revenues from the Martha mine.

Risks Related to Our Common Stock

Our stock price may continue to be volatile and could decline.

The market price of our common stock has fluctuated and may decline in the future. The high and low closing sale prices of our common stock were \$24.64 and \$11.34 in fiscal year 2004, \$20.31 and \$13.04 in fiscal year 2005 and \$39.41 and \$18.89 in fiscal year 2006. The fluctuation of the market price of our common stock has been affected by many factors that are beyond our control, including:

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market prices of gold, silver and copper;

interest rates;

expectations regarding inflation;

ability of operators to produce precious metals and develop new reserves;

currency values;

general stock market conditions; and

global and regional political and economic conditions, as well as many other factors.

We may change our dividend policy.

We have declared a cash dividend on our common stock for each fiscal year beginning in fiscal year 2000. Our board of directors has discretion in determining whether to declare a dividend based on a number of factors, including prevailing gold prices, economic market conditions and funding requirements for future opportunities or operations. If our board of directors declines to declare dividends in the future, or reduces the current dividend level, our stock price could fall, and the success of an investment in our common stock would depend solely upon any future stock price appreciation in value.

Certain anti-takeover provisions could delay or prevent a third party from acquiring us.

Provisions in our Certificate of Incorporation may make it more difficult for third parties to acquire control of us or to remove our management. Some of these provisions are:

Permit our board of directors to issue preferred stock that has rights senior to the common stock without shareholder approval; and

Provide for three classes of directors serving staggered, three-year terms.

We are also subject to the business combination provisions of Delaware law that could delay, deter or prevent a change in control. In addition, we have adopted a Stockholder's Rights Plan that imposes significant penalties upon a person or group that acquires 15% or more of our outstanding common stock without the approval of the board of directors. Any of these measures could prevent a third party from pursuing an acquisition of our Company, even if shareholders believe the acquisition is in their best interests.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Royalties on Producing Properties

Recent activities at each of the significant producing properties in which we have a royalty interest are described in the following pages. Please also see Note 5 to the Consolidated Financial Statements included in Part II, Item 8.

Financial Statements and Supplementary Data of this Annual Report on Form 10-K for more information on the history of these properties.

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We do not operate the properties in which we have royalty interests and therefore much of the information disclosed in this Form 10-K regarding these properties is provided to us by the operators. For example, the operators of the various properties provide us information regarding metals production, estimates of mineral reserves and additional mineralization. There is more information available to the public from the operators of the properties in which we have royalties, including reports filed by Newmont, Coeur d'Alene, and Barrick with the Securities and Exchange Commission. For risks associated with reserve estimates, please see Risk Factors - Estimates of reserves and mineralization by the operators of mines in which we have royalty interests are subject to significant estimates which can change.

Pipeline Mining Complex

The Pipeline Mining Complex is a large open pit, mill and heap leach operation located approximately 60 air miles southwest of Elko, Nevada, in Lander County. The site is reached by driving west from Elko on Interstate 80 approximately 46 miles, and proceeding south on State Highway 306 approximately 23 miles. The Pipeline Mining Complex includes both the Pipeline and the South Pipeline deposits and is operated by the Cortez Joint Venture.

The royalty interests we hold at the Pipeline Mining Complex include:

- (a) **Reserve Claims (GSR1)**. This is a sliding-scale GSR royalty for all gold produced from the Reserve Claims, which includes 52 claims that encompass all of the proven and probable reserves in the Pipeline and South Pipeline deposits as of April 1, 1999. As defined in our royalty agreement with Cortez, our GSR royalty applies to revenues attributed to products mined and removed, with no deduction for any costs paid by or charged to Cortez, except for deductions of Mining Law reform costs. Mining Law reform costs includes all amounts paid by or charged to Cortez for any royalty, assessment, production tax or other levy imposed on and measured by production, to the extent that any such levy is hereafter imposed by the United States, in connection with reform of the General Mining Law or otherwise. The revenues attributed to Cortez are determined on a deemed market value basis of total production for each calendar quarter returned to Cortez's account at the refiner. The GSR royalty rate on the Reserve Claims is tied to the gold price, without indexing for inflation or deflation as shown in the table below.
- (b) **GAS Claims (GSR2)**. This is a sliding-scale GSR royalty for all gold produced from the 288 claims outside of the Reserve Claims. The GAS Claims include 310 lode mining claims, but production from 22 of the GAS Claims that encompass the South Pipeline reserve as of April 1, 1999, are subject to the Reserve Claims GSR royalty. The GSR royalty rate on the GAS Claims is tied to the gold price, without indexing for inflation or deflation, and applies to revenues attributed to products mined and removed, with no deduction of costs, except for Mining Law reform costs.
- (c) **Reserve and GAS Claims Fixed Royalty (GSR3)**. The GSR3 royalty is a fixed rate GSR royalty of 0.7125% for the life of the mine and covers the same cumulative area as is covered by our two sliding-scale GSR royalties, GSR1 and GSR2.

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- (d) **Net Value Royalty (NVR1)**. This is a fixed 0.39% NVR on production from the GAS Claims located on a portion of the Pipeline Mining Complex that excludes the Pipeline open pit. This NVR1 royalty is calculated by deducting contract defined processing-related and associated capital costs, but not mining costs from the revenue received by the operator from the claims covered by the royalty.
- (e) **The Silver GSR**. This is a 7% GSR royalty on all silver produced from any of the Reserve Claims or the GAS claims.
- (f) **The Other Products NSR**. This is a 3% NSR royalty on all products, other than gold or silver, produced from any of the Reserve Claims or GAS claims, commencing July 1, 1999. This NSR is defined as the actual price received by Cortez for the sale of products other than gold and silver prior to delivery to any customer, refinery or upgrading facility and after deductions for any Mining Law reform costs, the costs of insuring, marketing, freight or transportation and, if applicable, refining and treatment costs, for such products. There is no current production attributed to this royalty interest.

The following shows the current sliding-scale GSR royalty rates under our royalty agreement with Cortez:

London PM Quarterly Average		GSR1	GSR2
Price of Gold Per Ounce (\$U.S.)		Royalty Percentage	Royalty Percentage
Below	\$210.00	0.40%	0.72%
\$210.00	\$229.99	0.50%	0.90%
\$230.00	\$249.99	0.75%	1.35%
\$250.00	\$269.99	1.30%	2.34%
\$270.00	\$309.99	2.25%	4.05%
\$310.00	\$329.99	2.60%	4.68%
\$330.00	\$349.99	3.00%	5.40%
\$350.00	\$369.99	3.40%	6.12%
\$370.00	\$389.99	3.75%	6.75%
\$390.00	\$409.99	4.00%	7.20%
\$410.00	\$429.99	4.25%	7.65%
\$430.00	\$449.99	4.50%	8.10%
\$450.00	\$469.99	4.75%	8.55%
\$470.00	and above	5.00%	9.00%

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Under certain circumstances we would be entitled to delayed production payments (i.e., payments not recoupable by Cortez) of \$400,000 per year.

The following illustration depicts the area subject to our royalty interests at the Pipeline Mining Complex:

SJ Claims

We own a 0.9% NSR royalty on the SJ Claims that covers a portion of the Betze-Post mine, in Eureka County, Nevada. Betze-Post is an open pit mine operated by Barrick, at its Goldstrike property. The SJ Claims and the Betze-Post open pit lie approximately 24 air miles northwest of Carlin, Nevada. The property is accessed by driving north from Carlin on State Highway 766 for 19 miles and then on an improved gravel road for two miles.

Barrick estimated that at a \$400 gold price, proven and probable reserves related to our royalty interest at the SJ Claims includes 64.9 million tons of ore, at an average grade of 0.137 ounces per ton, containing approximately 8.9 million ounces of gold as of December 31, 2005. Barrick does not provide us with additional mineralized material on the SJ Claims that is related to our royalty interest.

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The following map depicts the area subject to our royalty interest at the SJ Claims:

Leeville Project

We own a 1.8% carried working interest, equal to a 1.8% NSR royalty, which covers the majority of the Leeville Project, in Eureka County, Nevada. The Leeville Project is approximately 19 air miles northwest of Carlin, Nevada. The property is accessed by driving north from Carlin on State Highway 766 for 19 miles and then on an improved gravel road for two miles. Leeville North is an underground mine currently under production ramp up by Newmont. Newmont has announced that it intends to be at full production at Leeville North by the end of calendar 2007. Currently, we derive royalty revenue from underground operations on a portion of the Leeville South and North mines, which are operated by Newmont. Production from the Leeville South mine is expected to continue into calendar 2007.

As of December 31, 2005, Newmont estimated that at a \$400 gold price, proven and probable reserves related to the Leeville South mine includes 0.086 million tons of ore, at an average grade of 0.371 ounces per ton, containing 32,000 ounces of gold. In addition, Newmont has reported additional mineralized material at Leeville South totaling 21,000 tons of ore, at an average grade of 0.300 ounces per ton.

At the Leeville North mine, proven and probable reserves include 5.1 million tons of ore, at an average grade of 0.465 ounces per ton, containing 2.381 million ounces of gold. In addition, Newmont has reported additional mineralized material totaling 1.4 million tons of ore, at an average grade of 0.435 ounces per ton, at Leeville North.

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The following map depicts the area subject to our royalty interest at the Leeville Project:

Troy Mine

In the second quarter of fiscal year 2005, we purchased two royalty interests in the Troy underground silver and copper mine, operated by Revett, located in Lincoln County, Montana. The Troy mine is approximately 15 miles south of the town of Troy, Montana, and access is via a paved road connected to State Highway 56.

The first royalty interest we acquired in the Troy mine is a production payment equivalent to a 7.0% GSR royalty from all metals and products produced and sold from the Troy mine. The 7.0% GSR royalty will extend until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or we receive \$10.5 million in cumulative payments, whichever occurs first. The second royalty interest we acquired in the Troy Mine is a perpetual royalty, which begins at 6.1% on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper, and steps down to a perpetual 2% after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper.

As of December 31, 2005, Revett estimated that at a \$7.00 per ounce silver price, proven and probable reserves related to the Troy mine include 10.4 million tons of ore, at an average grade of 1.41 ounces per ton, containing 16.95 million ounces of silver. In addition, Revett has reported additional mineralized material at the Troy mine totaling 46.3 million tons of ore, at an average grade of 1.54 ounces per ton of silver.

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As of December 31, 2005, Revett estimated that at a \$1.60 per pound copper price, proven and probable reserves related to the Troy mine includes 10.4 million tons of ore, at an average grade of 0.60 percent, containing 145.1 million pounds of copper. In addition, Revett has reported additional mineralized material at the Troy mine totaling 46.3 million tons of ore, at an average grade of 0.74 percent of copper.

Revett recently announced the planned production for the Troy mine is expected to produce approximately 1.8 million ounces of silver and 15.6 million pounds of copper in calendar 2006. This is a reduction in estimated production numbers reported to us as of December 31, 2005, of 2.9 million ounces of silver and 24.2 million pounds of copper for calendar year 2006.

The following map depicts the area subject to our royalty interests at the Troy mine:

Bald Mountain Mine

We own a 1.75% to 3.5% sliding-scale NSR royalty on a portion of the Bald Mountain mine. The Bald Mountain mine is an open pit, heap leach mine operated by Barrick. The Bald Mountain mine is located in White Pine County, approximately 65 miles south of Elko, Nevada. The Bald Mountain mine is approximately midway between Elko and Ely, Nevada. From Elko, the mine is reached by driving on paved State Highway 46 south for approximately 45 miles, then for 30 miles on an improved gravel road to the mine site. From Ely, the drive is 30 miles west on paved United States Highway 50, then 55 miles north on the improved gravel Ruby Marshes Road.

As of December 31, 2005, Barrick informed us that the portion of the mine covered by our royalty interest contained proven and probable reserves of 45.4 million tons of ore, at an average grade of 0.039 ounces per ton, containing approximately 1.78 million ounces of gold. These reserves are based on a gold price of \$400 per ounce. In addition, Barrick has reported that the property covered by our royalty interest contains an additional 20.6 million tons of mineralized material, at an average grade of 0.027 ounces per ton of gold.

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The following map depicts the area subject to our royalty interests at the Bald Mountain mine:

Robinson Mine

We own a 3% NSR royalty on all mineral production from the Robinson Mine operated by Quadra Mining Ltd. The Robinson Mine produces two flotation concentrates for sale to third party smelters. One concentrate contains copper, gold and silver. The second is a molybdenum concentrate. Access to the property is via a paved highway 6 1/2 miles west of Ely, Nevada in White Pine County.

For the year ending December 31, 2005, Quadra informed us that the copper and gold reserves were 160.4 million tons, at an average grade of 0.007 ounces per ton of gold containing 1.16 million ounces of gold and a copper grade of 0.69% equating to 2,213 million pounds of copper. The reserves were calculated at \$425 per ounce for gold and \$1.15 per pound of copper. Silver and molybdenum reserves were not reported but are produced and sold as a byproduct.

The following map depicts the area subject to our royalty interests at the Robinson mine:

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Mulatos Mine

We own a 0.3 to 1.5% sliding-scale NSR royalty on the Mulatos Mine in southeastern Sonora, Mexico approximately 137 miles east of the city of Hermosillo and 186 miles south of the border with the United States. Commercial production at the Mulatos mine began on April 1, 2006. Operation of the gold heap leach mine is by Alamos. As of December 31, 2005, based upon a gold price of \$350 per ounce, Alamos has reported proven and probable reserves of 40.6 million tons, at an average grade of 0.047 ounces per ton, containing 1.892 million ounces of gold. Additional mineralized material, based upon a \$350 gold price, is reported as 153.2 million tons of ore at 0.026 ounces per ton. The following map depicts the area subject to our royalty interests at the Mulatos mine:

Martha Mine

We own a 2% NSR royalty on mineral production from certain properties in Santa Cruz Province, Argentina, including the underground Martha silver mine operated by Coeur d'Alene. The Martha mine is located in remote southern Argentina. The property is accessed by driving west-northwest from the coastal town of Puerto San Julian, which is approximately 1,300 miles south of Buenos Aires. From Puerto San Julian the mine is reached by driving 95 miles on public highways (the last 25 of which are unpaved roads) and then five miles on a local road, which is also unpaved.

As of December 31, 2005, Coeur d'Alene informed us that, at a \$6.50 per ounce silver price, estimated proven and probable reserves associated with our Martha mine royalty includes approximately 67,000 tons of ore, at an average grade of 60.3 ounces per ton, containing approximately 4.05 million ounces of silver. In addition, Coeur d'Alene has reported an additional 134,000 tons of mineralized material, at an average grade of 45.4 ounces per ton of silver.

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Table 1 below summarizes proven and probable reserves for gold, silver and copper that have been reported to us by the operators of our royalty interests as of December 31, 2005:

TABLE 1
Summary of Proven and Probable Gold Reserves Subject to Our Royalties⁽¹⁾
As of December 31, 2005

Royalty	Operator	Category ⁽²⁾	Tons (millions)	Average Gold Grade (ounces per ton)	Gold Contained Ounces (millions) ⁽³⁾
Pipeline GSR1 ⁽⁴⁾	Barrick	Proven	29.5	0.034	1.016
		Probable	72.7	0.028	2.024
Pipeline GSR2 ⁽⁵⁾	Barrick	Proven	12.4	0.026	0.323
		Probable	35.8	0.030	1.057
Pipeline GSR3 ⁽⁶⁾	Barrick	Proven	41.8	0.032	1.339
		Probable	108.5	0.028	3.081
Pipeline NVR1 ⁽⁷⁾	Barrick	Proven	31.9	0.029	0.937
		Probable	84.7	0.028	2.344
SJ Claims ⁽⁸⁾	Barrick	Reserve	64.9	0.137	8.898
Leeville North ⁽⁹⁾	Newmont	Proven			
		Probable	5.1	0.465	2.381
Leeville South ⁽⁹⁾	Newmont	Proven	0.086	0.371	0.032
		Probable			
Bald Mountain ⁽¹⁰⁾	Barrick	Reserve	45.4	0.039	1.778
Robinson ⁽¹¹⁾	Quadra	Proven	154.8	0.007	1.124
		Probable	5.6	0.006	0.036
Mulatos ⁽¹²⁾	Alamos	Proven	8.1	0.047	0.378
		Probable	32.4	0.047	1.513

Summary of Proven and Probable Silver Reserves Subject to Our Royalties⁽¹⁾
As of December 31, 2005

Royalty	Operator	Category ⁽¹³⁾	Tons (millions)	Average Silver Grade (ounces per ton)	Silver Contained Ounces (millions) ⁽³⁾
Troy ⁽¹⁴⁾	Revett	Reserve	10.4	1.41	14.651
Martha ⁽¹⁵⁾	Coeur d Alene	Proven	0.025	58.69	1.488
		Probable	0.042	61.26	2.566

See footnotes to Table 1 on page 28.

Table of Contents**TABLE 1 (Continued)**

Summary of Proven and Probable Copper Reserves Subject to Our Royalties⁽¹⁾
As of December 31, 2005

				Average Copper Grade (% Cu)	Copper Contained Pounds (millions) ⁽³⁾
Royalty	Operator	Category ⁽¹⁶⁾	Tons (millions)		
Troy ⁽¹⁴⁾	Revett	Reserve	10.4	0.60	124.854
Robinson ⁽¹¹⁾	Quadra	Proven	154.8	0.69	2,131
		Probable	5.6	0.73	82.0

See footnotes to Table 1 on page 28.

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Footnotes to Table 1

- (1) Reserve is that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

Proven (Measured) Reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, and the grade is computed from the results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that the size, shape, depth and mineral content of the reserves are well established.

Probable (Indicated) Reserves are reserves for which the quantity and grade are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less

adequately spaced.
The degree of
assurance of
probable
(indicated) reserves,
although lower than
that for proven
(measured) reserves,
is high enough to
assume geological
continuity between
points of
observation.

Amounts shown
represent 100% of
the reserves subject
to our royalty
interest and do not
take into account
losses in processing
the ore.

- (2) Gold reserves were calculated by the various operators at \$400 per ounce except for the Robinson mine where Quadra calculated reserves at \$425 per ounce, and the Mulatos mine where Alamos calculated reserves at \$350 per ounce.
- (3) Contained ounces or contained pounds shown have an allowance for dilution of ore in the mining process and do not take into account losses in processing the ore.
- (4) GSR1 is a sliding-scale royalty that covers the Reserve Claims.

- (5) GSR2 is a sliding-scale royalty that covers an area outside of the Reserve Claims.
- (6) GSR3 is a 0.71% fixed rate royalty that covers the same area as GSR1 and GSR2.
- (7) NVR1 is a 0.39% net value royalty that covers production from the majority of the GAS Claims, which covers a portion of the Pipeline Mining Complex that excludes the Pipeline pit. NVR1 is calculated by deducting contract defined processing-related and associated capital costs but not mining costs from revenue received by the operator.
- (8) We own a 0.9% NSR royalty on the SJ Claims. SJ Claims did not provide a breakdown of proven and probable reserves.
- (9) We own a 1.8% carried working interest, equal to a 1.8% NSR royalty, on the Leeville Project.
- (10) We own a 1.75 to 3.5% sliding-scale

NSR royalty on a portion of the Bald Mountain mine. Bald Mountain mine did not provide a breakdown of proven and probable reserves.

- (11) We own a 3.0% NSR royalty on the Robinson mine.
- (12) We own a 0.03 to 1.5% sliding-scale NSR royalty on the Mulatos mine.
- (13) Silver reserves were calculated by the operators at \$7.00 per ounce for Troy and \$6.50 per ounce for Martha mine.
- (14) We own a 7.0% GSR, a 6.1% GSR royalty and a 2% perpetual royalty in the Troy mine, subject to certain production thresholds. The Troy mine did not provide a breakdown of proven and probable reserves.
- (15) We own a 2% NSR royalty on the Martha mine.
- (16) Copper reserves were calculated by the operators at \$1.60 per pound for Troy and \$1.15 per pound for Robinson.

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Table 2 below summarizes mineralization for gold, silver and copper which have been reported to us by the operators of our royalty interests as of December 31, 2005:

TABLE 2
Gold Mineralization Subject to Our Royalties¹
As of December 31, 2005

Royalty	Operator	Category	Tons (millions)	Average Gold Grade (ounces per ton)
Pipeline GSR1 ⁽²⁾	Barrick	Mineralization	75.2	0.022
Pipeline GSR2 ⁽³⁾	Barrick	Mineralization	60.8	0.032
Pipeline GSR3 ⁽⁴⁾	Barrick	Mineralization	136.0	0.026
Pipeline NVR1 ⁽⁵⁾	Barrick	Mineralization	96.4	0.028
Leeville North ⁽⁶⁾	Newmont	Mineralization	1.4	0.435
Leeville South ⁽⁶⁾	Newmont	Mineralization	0.021	0.300
Bald Mountain ⁽⁷⁾	Barrick	Mineralization	20.6	0.027
Mulatos ⁽⁸⁾	Alamos	Mineralization	153.2	0.026

Silver Mineralization Subject to Our Royalties¹
As of December 31, 2005

Royalty	Operator	Category	Tons (millions)	Average Silver Grade (ounces per ton)
Troy ⁽⁹⁾	Revelt	Mineralization	46.3	1.54
Martha ⁽¹⁰⁾	Coeur d Alene	Mineralization	0.134	45.4

Copper Mineralization Subject to Our Royalties¹
As of December 31, 2005

Royalty	Operator	Category	Tons (millions)	Average Copper Grade (%)
Troy ⁽⁹⁾	Revelt	Mineralization	46.3	0.74

See footnotes to this table on page 30.

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Footnotes to Table 2

- (1) Mineralization has not been included in the proven and probable ore reserve estimates because even though drilling indicates a sufficient quantity and grade to warrant further exploration or development expenditures, these deposits do not qualify as commercially mineable ore bodies until further drilling and metallurgical work are completed, and until other economic and technical feasibility factors based upon such work are resolved.
- (2) GSR1 is a sliding-scale royalty that covers the Reserve Claims.
- (3) GSR2 is a sliding-scale royalty that covers an area outside of the Reserve Claims.
- (4) GSR3 is a 0.71% fixed rate royalty that covers the same area as GSR1 and GSR2.

- (5) NVR1 is a 0.39% net value royalty that covers production from the GAS Claims, which covers a portion of the Pipeline Mining Complex that excludes the Pipeline pit. NVR1 is calculated by deducting contract defined processing-related and associated capital costs but not mining costs from revenue received by the operator.
- (6) We own a carried working interest, equal to a 1.8% NSR royalty, on a majority of the Leeville Project.
- (7) We own a 1.75 to 3.5% sliding-scale NSR royalty on a portion of the Bald Mountain mine.
- (8) We own a 0.03 to 1.5% sliding-scale NSR royalty on the Mulatos mine.
- (9) We own a 7.0% GSR royalty, a 6.1% GSR royalty and a 2% perpetual royalty in the Troy mine, subject to certain production thresholds.

(10) We own a 2%
NSR royalty on
the Martha mine.

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Table of Contents**Historical Production**

The following table discloses historical production for the properties that are subject to our royalty interests as reported by the operators of the mines, for the past three fiscal years:

Historical Production in Ounces (Pounds for Copper) by Property
For the Fiscal Years Ended June 30,

	2006	2005	2004
Pipeline Mining Complex (gold)	598,974	973,602	973,220
Bald Mountain (gold)	126,317	28,037	33,894
SJ Claims (gold)	1,005,549	531,342	401,913
Leeville North ⁽¹⁾ (gold)	28,938	N/A	N/A
Leeville South (gold)	54,758	93,180	105,505
Robinson mine ⁽²⁾ (gold)	13,082	N/A	N/A
Robinson mine ⁽²⁾ (copper)	27,214,572	N/A	N/A
Mulatos mine ⁽³⁾ (gold)	23,912	N/A	N/A
Troy mine (silver) ⁽⁴⁾	884,528	522,145	N/A
Troy mine (copper) ⁽⁴⁾	7,091,876	4,584,574	N/A
Martha mine (silver) ⁽⁵⁾	2,284,784	1,795,853	N/A

(1) Production at Leeville North began in the third calendar quarter of 2005.

(2) The Robinson royalty was acquired during our fiscal year 2006.

(3) The Mulatos royalty was acquired during our fiscal year 2006.

(4) The Troy mine began production during our fiscal year 2005.

(5) We did not receive historical production for fiscal year 2004.

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Royalties on Development Stage Properties

The following is a description of our interests in royalties on development stage properties. There are proven and probable reserves associated with these properties at this time.

Taparko Mine

We own a production payment equivalent to a 15.0% GSR (TB-GSR1) royalty on all gold produced from the Taparko Project, located in Burkina Faso and operated by Somita. TB-GSR1 remains in-force 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 is earlier. We also own a production payment equivalent to a GSR sliding-scale royalty (TB-GSR2) on all gold produced from the Taparko Project. TB-GSR2 is effective concurrently with TB-GSR1, and remains in-force until the termination of TB-GSR1.

We also own a perpetual 2% GSR royalty (TB-GSR3) royalty on all gold produced from the Taparko Project area. TB-GSR3 will commence upon termination of TB-GSR1 and TB-GSR2 royalties. A portion of the TB-GSR3 royalty is associated with existing proven and probable reserves and has been classified as a development stage royalty interest. The remaining portion of the TB-GSR3 royalty, which is not currently associated with proven and probable reserves, is classified as an exploration stage royalty interest.

Royalties on Exploration Stage Properties

The following are descriptions of our interests in royalties on exploration stage properties. There are no proven and probable reserves associated with these properties at this time.

Mule Canyon

We own a 5.0% NSR royalty on a portion of the Mule Canyon property located in Lander County, Nevada, approximately 12 miles southeast of Battle Mountain, Nevada. This property is controlled by Newmont.

Buckhorn South Project

We own a 16.5% NPI royalty on the Buckhorn South Project. The Buckhorn South project is approximately 5,000 acres and is located in Eureka County, Nevada, approximately 50 miles southwest of Elko, Nevada and approximately two miles south of Buckhorn mine. The property consists of 265 unpatented mining claims. Of the 265 claims that comprise Buckhorn South, we leased 131 claims and staked the balance of the project area. The leased claims are burdened by cumulative third party royalties equal to a 4% NSR royalty; the remaining claims are subject to another third party 1% NSR royalty.

Long Valley

We own a 1.0% NSR royalty on the Long Valley gold project 10 miles east of Mammoth Lakes, California. The project is a claim group consisting of 95 claims. The project is controlled and under evaluation by Vista Gold Corporation.

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RG Russia

On June 20, 2003, through a newly formed wholly-owned subsidiary, RG Russia, Inc., we entered into an agreement for exploration in Russia with a subsidiary of Phelps Dodge Exploration Corporation, who holds an exploration license granted by the Russian government. As part of the exploration agreement, we provided exploration funding totaling \$1.3 million to vest in a 1% NSR royalty interest. On May 3, 2005, the subsidiary of Phelps Dodge Exploration Corporation entered into an agreement with Fortress Minerals Corporation (Fortress), whereby Fortress acquired a 51% indirect interest in the Svetloye project, with an option to earn an additional 29% indirect interest by completion of certain work requirements. Our 1% NSR royalty remains in effect as to 100% of the project. Fortress is actively exploring the property.

Taparko Mine

We own a perpetual 2% GSR royalty (TB-GSR3) royalty on all gold produced from the Taparko Project area. TB-GSR3 will commence upon termination of TB-GSR1 and TB-GSR2 (development stage) royalties. A portion of the TB-GSR3 royalty is associated with existing proven and probable reserves and has been classified as a development stage royalty interest. The remaining portion of the TB-GSR3 royalty, which is not currently associated with proven and probable reserves, is classified as an exploration stage royalty interest.

In addition, we own a 0.75% milling fee royalty (TB-MR1) on all gold processed through the Taparko Project processing facilities that is mined from any area outside of the Taparko Project area, subject to a cap of 1.1 million tons per year.

Taranis Resources Inc.

On November 4, 2005, we entered into two Exploration and Earn-In Agreements (the Agreements) with Taranis with respect to its exploration program in Finland. As part of the first Agreement, we will obtain a 2% NSR royalty and future earn-in rights on any new property acquired by Taranis in Finland as a result of its regional exploration program.

As part of the Agreements, we agreed to provide funding totaling \$500,000 to Taranis for exploration work on the Kettukuusikko property in Lapland, Finland, in exchange for a 2% NSR royalty on the property. As of June 30, 2006, we have funded the entire \$500,000 commitment. We also have an option to fund up to an additional \$600,000. If we fund the entire additional amount, we will earn a 51% joint venture interest in the Kettukuusikko project, and we will release our 2% NSR royalty. We have elected to exercise this option. In the event that we do not fully fund the \$600,000 to earn the joint venture interest, we would retain our 2% NSR royalty.

Argentine Royalties

Hidefield controls properties located in the eastern part of the Santa Cruz Province, Argentina, which are not in production. We own a 2% NSR royalty on these properties, which have been actively explored during our fiscal year 2006.

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Simon Creek

We own a 1.0% NSR royalty on the Simon Creek property. The Simon Creek property is located in Eureka County, Nevada, and is operated by Barrick.

Horse Mountain

We own a 0.25% in the Horse Mountain property. The Horse Mountain property is located in Lander County, Nevada, and is operated by Barrick.

Ferris/Cooks Creek

We own a 1.50% net value royalty interest on net revenues derived from the Ferris/Cooks Creek property, which is located in Lander County, Nevada, and is operated by Barrick.

Rye

We own a 0.5% NSR royalty on the Rye property. The Rye property is located in Pershing County, Nevada, and is operated by Barrick.

BSC

We own a 2.5% NSR royalty on the BSC property. The BSC property is located in Elko County, Nevada, and is operated by Nevada Pacific Gold.

Copper Basin

We own a 0.75% NSR royalty on a 60% non-vested interest in the Copper Basin project, located in Lander County, Nevada.

ICBM

We own a 0.75% NSR royalty on a vested 67% interest (approximate) on the ICBM project, located in Lander County and Humboldt County, Nevada. The ICBM project is currently under exploration lease to Staccato Gold (Staccato).

Long Peak

We own a 0.75% NSR royalty on the Long Peak project, located in Lander County, Nevada. The Long Peak project is currently under exploration lease to Staccato.

Dixie Flats

We own a 0.75% NSR royalty on the Dixie Flats project, located in Elko County, Nevada. We continue to hold 1,280 acres of patented land through an exploration agreement at the Dixie Flats project. The Dixie Flats project is currently under exploration lease to Staccato.

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Exploration Properties

Sparrow Hawk Claims

We continue to hold 31 unpatented mining claims from Quicksilver Phenomenon, LLC on lands located southeast of the Cortez Joint Venture area, Eureka County, Nevada. There are no reserves or resources identified on this project as of June 30, 2006.

Hoosac Project

We continue to hold a direct ownership in 16 unpatented claims and an indirect interest in 192 unpatented claims through leases in the Hoosac Project. The Hoosac Project is located in Eureka County, Nevada. The Hoosac Project is not currently under exploration lease.

Bulgarian Exploration

We own a 50% interest in Greek American Exploration Ltd., a Bulgarian private limited company that has an agreement with the Bulgarian Committee of Geology and Mineral Resources to conduct geological research and exploration on a license in Bulgaria.

Greek American Exploration joined with Phelps Dodge Exploration Corporation to form a Bulgarian company named Sofia Minerals Ltd. Sofia Minerals is held equally by Greek American Exploration and Phelps Dodge Exploration. There was no exploration activity during fiscal year 2006 and Sofia Minerals does not currently hold any concession agreements with the Bulgarian Committee of Geology and Mineral Resources. There were no expenses incurred in fiscal year 2006. We are currently in discussions with the other owners of the companies to determine appropriate actions to dissolve the Bulgarian companies.

ITEM 3. LEGAL PROCEEDINGS

Casmalia Resources Hazardous Waste Disposal Site

On March 24, 2000, the EPA notified Royal Gold and 92 other entities that they were considered PRPs under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (Superfund), at the Casmalia Resources Hazardous Waste Disposal Site (the Site) in Santa Barbara County, California. EPA s allegation that Royal Gold was a PRP was based on the disposal of allegedly hazardous petroleum exploration wastes at the Site by Royal Gold s predecessor, Royal Resources, Inc., during 1983 and 1984.

After extensive negotiations, on September 23, 2002, Royal Gold, along with 35 members of the PRP group targeted by EPA, entered into a Partial Consent Decree with the United States of America intending to settle their liability for the United States of America s past and future clean-up costs incurred at the Site. Based on the minimal volume of allegedly hazardous waste that Royal Resources, Inc. disposed of at the Site, our share of the \$25.3 million settlement amount was \$107,858, which we deposited into the escrow account that the PRP group set up for that purpose in January 2002. The funds were paid to the United States of America on May 9, 2003. The United States of America may only pursue Royal Gold

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and the other PRPs for additional clean-up costs if the United States of America's total clean-up costs at the Site significantly exceed the expected cost of approximately \$272 million. We believe this to be a remote possibility; therefore, we consider our potential liability to the United States of America to be resolved.

The Partial Consent Decree does not resolve Royal Gold's potential liability to the State of California (the State) for its response costs or for natural resource damages arising from the Site. The State has not expressed any interest in pursuing natural resource damages. However, on October 1, 2002, the State notified Royal Gold and the rest of the PRP group that participated in the settlement with the United States of America that the State would be seeking response costs totaling approximately \$12.5 million from them. It is not known what portion of these costs the State expects to recover from this PRP group in settlement. If the State agrees to a volumetric allocation, we will be liable for 0.438% of any settlement amount. However, we expect that our share of liability will be completely covered by a \$15 million, zero-deductible insurance policy that the PRP group purchased specifically to protect itself from claims such as that brought by the State. No notices or any other forms of actions with respect to Royal Gold have been made by the State since its October 1, 2002 notice.

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

No matters were submitted to a vote of our security holders during the quarter ended June 30, 2006. Results from our annual meeting will be described in Part II, Item 4 of our report that will be filed on Form 10-Q for the quarter ending December 31, 2006.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Royal Gold's executive officers as of August 25, 2006 were as follows:

Name	Age	Office
Stanley Dempsey	67	Executive Chairman
Tony Jensen	44	President and Chief Executive Officer
Karen P. Gross	52	Vice President and Corporate Secretary
Randy L. Parcel	61	Vice President and General Counsel
Stefan L. Wenger	33	Chief Financial Officer

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information and Current Stockholders**

Our common stock is traded on the Nasdaq Global Select Market (Nasdaq) under the symbol RGLD and on the Toronto Stock Exchange under the symbol RGL. The following table shows the high and low sales prices, in U.S. dollars, for the common stock on Nasdaq, for each quarter since July 1, 2004.

Fiscal Year:		Sales Prices	
		High	Low
2005	First Quarter (July, Aug., Sept. 2004)	\$ 17.11	\$ 12.30
	Second Quarter (Oct., Nov., Dec. 2004)	\$ 19.03	\$ 14.95
	Third Quarter (Jan., Feb., March 2005)	\$ 19.95	\$ 15.35
	Fourth Quarter (April, May, June 2005)	\$ 20.50	\$ 15.99
2006	First Quarter (July, Aug., Sept. 2005)	\$ 30.20	\$ 18.74
	Second Quarter (Oct., Nov., Dec. 2005)	\$ 35.69	\$ 20.95
	Third Quarter (Jan., Feb., March 2006)	\$ 41.66	\$ 27.01
	Fourth Quarter (April, May, June 2006)	\$ 37.50	\$ 23.00

As of August 25, 2006, there were approximately 765 shareholders of record of our common stock.

Dividends

For calendar year 2006, we declared an annual dividend of \$0.22 per share of common stock, in four quarterly payments of \$0.055 each. We paid the first payment of \$0.055 per share on January 20, 2006, to shareholders of record at the close of business on January 6, 2006. We paid the second payment of \$0.055 per share on April 21, 2006, to shareholders of record at the close of business on April 7, 2006. We paid the third payment of \$0.055 on July 28, 2006 to shareholders of record at the close of business on July 7, 2006. We anticipate paying the fourth payment of \$0.055 on October 20, 2006, to shareholders of record at the close of business on October 6, 2006.

For calendar year 2005, we declared an annual dividend of \$0.20 per share of common stock, in four quarterly payments of \$0.05 each. We paid the first payment of \$0.05 per share on January 21, 2005, to shareholders of record at the close of business on January 7, 2005. We paid the second payment of \$0.05 per share on April 22, 2005, to shareholders of record at the close of business on April 8, 2005. We paid the third payment of \$0.05 on July 22, 2005 to shareholders of record at the close of business on

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July 8, 2005. We paid the fourth payment of \$0.05 on October 21, 2005, to shareholders of record at the close of business on October 7, 2005.

We currently plan to continue to pay dividends on a calendar year basis, subject to the discretion of our board of directors. However, our board of directors may determine not to declare a dividend based on a number of factors including the gold price, economic and market conditions, and the financial needs of opportunities that might arise in the future.

Sales of Unregistered Securities

We did not make any unregistered sales of our securities during the fiscal year ended June 30, 2006.

ITEM 6. SELECTED FINANCIAL DATA**Selected Statements of Operations Data**

Amounts in thousands, except per share data	For The Years Ended June 30,				
	2006	2005	2004	2003	2002
Royalty revenue	\$28,380	\$25,302	\$21,353	\$15,788	\$12,323
Exploration and business development	3,397	1,893	1,392	1,233	618
General and administrative expense	5,022	3,695	2,923	1,966	1,875
Depreciation and depletion	4,261	3,205	3,314	2,855	2,289
Impairment of mining assets				166	
Current and deferred tax expense (benefit)	5,101	4,102	3,654	1,885	(6,771)
Net income	11,350	11,454	8,872	6,752	