

ROYAL GOLD INC

FORM 10-K (Annual Report)

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Industry	Gold & Silver
Sector	Basic Materials
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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

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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.

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:
 - 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;
 - 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;
 - GSR3 – A 0.71% fixed rate GSR royalty on the production covered by GSR1 and GSR2; and
 - 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:
 - 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
 - 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:
 - 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;
 - 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;
 - 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
 - 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	Revet	Silver	449,075 oz.
Martha	Coeur D' Alene	Silver	1,176,500 oz.
Troy	Revet	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-MR1 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.

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.

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 outturned 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.

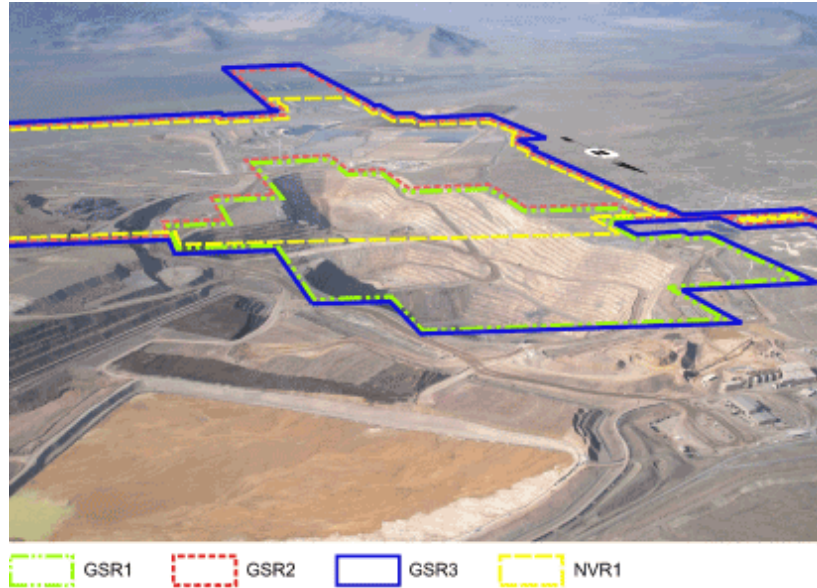
The following shows the current sliding-scale GSR royalty rates under our royalty agreement with Cortez:

	London PM Quarterly Average Price of Gold Per Ounce (\$U.S.)		GSR1 Royalty Percentage	GSR2 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:



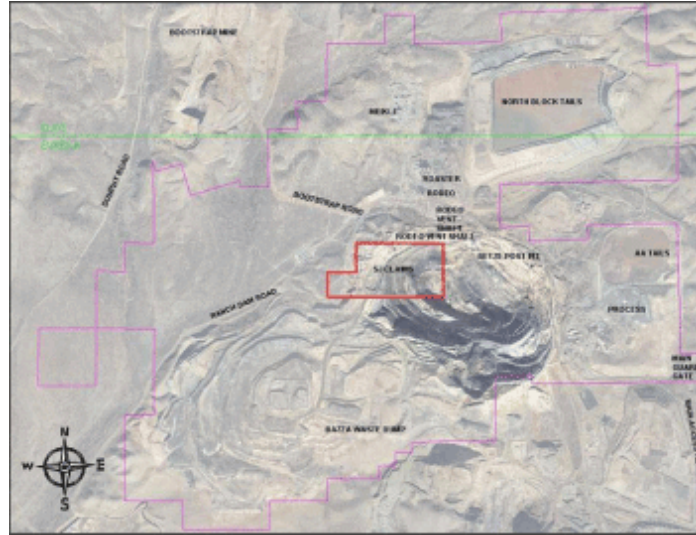
SJ Claims

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

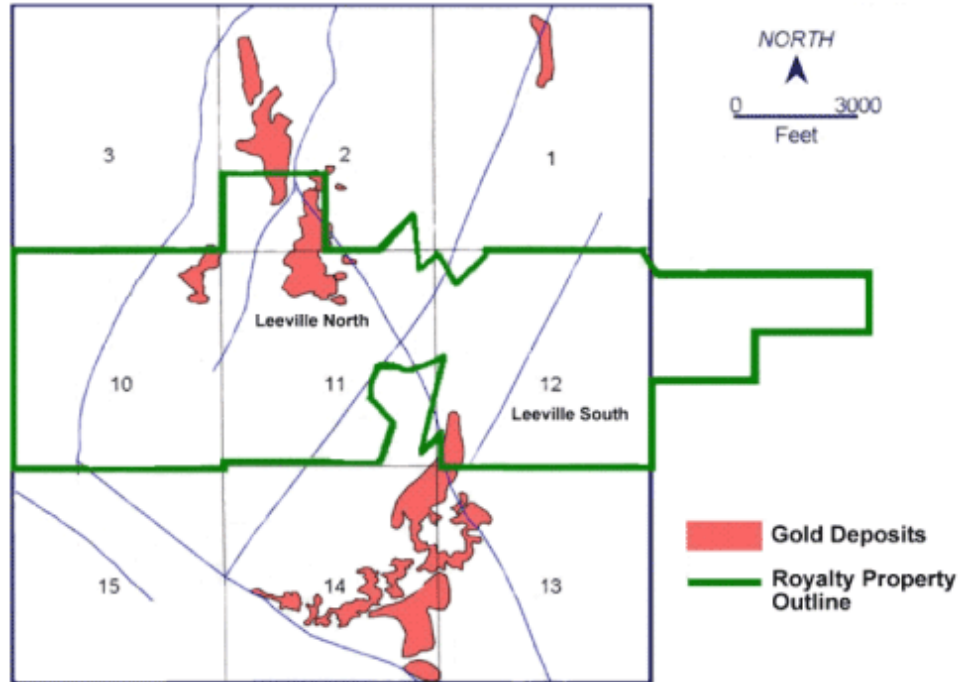
We own a 1.8% carried working interest, equal to a 1.8% NSR royalty, which covers the majority of the Leeville Project, in Eureka County, Nevada. The Leeville Project is approximately 19 air miles northwest of Carlin, Nevada. The property is accessed by driving north from Carlin on State Highway 766 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.

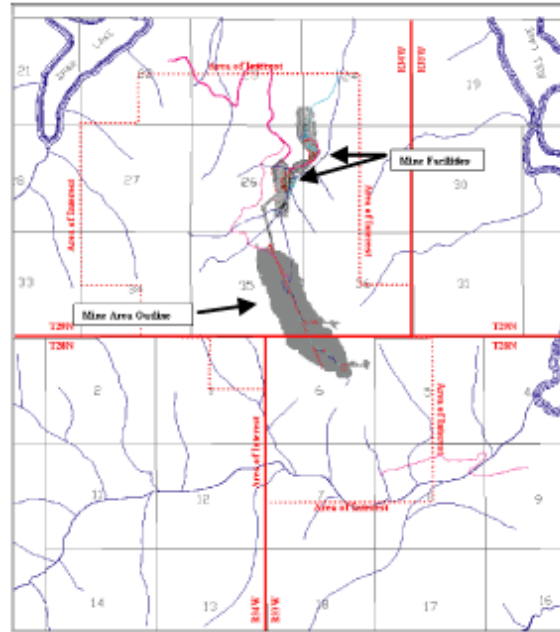
As of December 31, 2005, Revett estimated that at a \$7.00 per ounce silver price, proven and probable reserves related to the Troy mine include 10.4 million tons of ore, at an average grade of 1.41 ounces per ton, containing 16.95 million ounces of silver. In addition, Revett has reported additional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

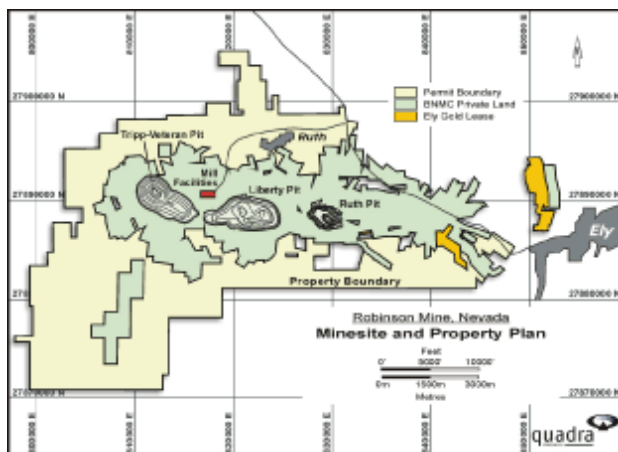
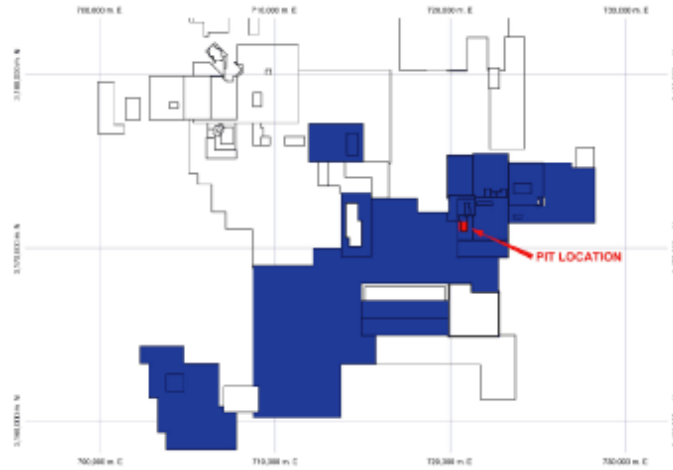


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Mulatos Mine

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 1 (Continued)

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

<u>Royalty</u>	<u>Operator</u>	<u>Category</u> ⁽¹⁶⁾	<u>Tons</u> <u>(millions)</u>	<u>Average Copper</u> <u>Grade</u> <u>(% Cu)</u>	<u>Copper</u> <u>Contained</u> <u>Pounds</u> <u>(millions)</u> ⁽³⁾
Troy ⁽¹⁴⁾	Revet	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.

Footnotes to Table 1

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- (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 Royalties ¹
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 Royalties ¹
As of December 31, 2005

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

Copper Mineralization Subject to Our Royalties ¹
As of December 31, 2005

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

See footnotes to this table on page 30.

Footnotes to Table 2

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- (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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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:

<u>Name</u>	<u>Age</u>	<u>Office</u>
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

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	10,699
Basic earnings per share	\$ 0.50	\$ 0.55	\$ 0.43	\$ 0.34	\$ 0.60
Diluted earnings per share	\$ 0.49	\$ 0.54	\$ 0.42	\$ 0.33	\$ 0.59
Dividends declared per share	\$ 0.22	\$ 0.20	\$ 0.15	\$ 0.10	\$ 0.075

Selected Balance Sheet Data

Amounts in thousands	2006	2005	2004	2003	2002
Total assets	\$172,260	\$102,319	\$93,522	\$86,359	\$29,590
Working capital	81,452	53,330	49,460	34,296	11,990
Long-term obligations	98	97	103	113	121
Deferred tax liabilities	7,179	7,586	8,079	8,747	—

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Royal Gold, Inc., 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. 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 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 with 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 rate), 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.

Our principal mineral property interests are set forth below:

- Pipeline: Four royalty interests at the Pipeline Mining Complex, which includes the Pipeline and 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 (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 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.

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- Leeville: We hold 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;
- SJ Claims: We hold 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, operated by Revett, located in northwestern Montana:
 - 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
 - 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;
- 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; and
- Bald Mountain: A 1.75% NSR sliding-scale royalty interest that increases to 2% at a gold price of approximately \$811 per ounce and covers a portion of the Bald Mountain mine in Nevada, operated by Barrick.

During the 2006 fiscal year, we acquired the following royalty interests:

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

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- **Mulatos:** A sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico, and operated by 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.

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 are expected to be as follows:

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	Revelt	Silver	1.8 million oz.
Martha	Coeur D' Alene	Silver	2.5 million oz.
Troy	Revelt	Copper	15.6 million lbs.
Robinson ⁽²⁾	Quadra	Copper	125 to 130 million lbs.
Robinson ⁽²⁾	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:

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	Revet	Silver	449,075 oz.
Martha	Coeur D' Alene	Silver	1,176,500 oz.
Troy	Revet	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 our fourth quarter of fiscal year 2006. We began receiving revenue from the Robinson royalty as a \$20 million reclamation trust account was fully funded by Quadra during our fourth quarter of fiscal 2006.

⁽²⁾ Royalty revenue commenced effective April 1, 2006. Royalty revenue began accruing to us on April 1, 2006.

Critical Accounting Policies

The preparation of our financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, at the date of the financial statements, as well as the reported amount of revenues and expenses during the reporting period.

Our most critical accounting estimates relate to our assumptions regarding future gold prices and the estimates of reserves and recoveries of mine operators. We rely on reserve estimates reported by the operators on the properties in which we have royalty interests. These estimates and the underlying assumptions affect the potential impairments of long-lived assets and the ability to realize income tax benefits associated with deferred tax assets. These estimates and assumptions also affect the rate at which we charge depreciation and amortization to earnings. On an ongoing basis, management evaluates these estimates and assumptions; however, actual amounts could differ from these estimates and assumptions. The reserves reported by our various operators as of December 31, 2005, were based on a gold price of \$400 per ounce, except Alamos who calculated reserves at \$350 per ounce and Quadra who calculated reserves at \$425 per ounce.

We based our deferred tax asset valuation on a \$425 per ounce gold price, as of June 30, 2006. If the long-term gold price is substantially lower, these estimates would need to change and could result in material write-offs of assets and the need to establish a valuation allowance against the deferred tax asset.

Liquidity and Capital Resources

As of June 30, 2006, we had current assets of \$84.8 million compared to current liabilities of \$3.3 million for a current ratio of 26 to 1. This compares to current assets of \$56.2 million and current liabilities of \$2.9 million at June 30, 2005, resulting in a current ratio of 19 to 1. The increase is due primarily to an increase in our cash and equivalents. We continue to have no long-term debt.

In September 2005, 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 proceeds of approximately \$54.7 million, which is net of the underwriter’s discount of \$2.9 million and transaction costs of approximately \$327,000. The net proceeds from this equity offering have been and will continue to be used to fund the acquisition and financing of additional royalty interests and for general corporate purposes.

During fiscal year 2006, liquidity needs were met from \$28.4 million in royalty revenues, net proceeds from issuance of common stock of approximately \$58.6 million, our available cash resources, and interest and other income of \$3.2 million.

We have a line of credit from HSBC that may be used to acquire producing royalties and for general corporate purposes. During our second quarter, we finalized a line of credit expansion with HSBC to raise the availability under the line of credit from \$10 million to \$30 million. Any loan under the line of credit will be secured by a mortgage on our GSR1, GSR3 and NVR1 royalties at the Pipeline Mining Complex, and by a security interest in the cash proceeds from our royalty interests. The maturity date of our line of credit was extended in July 2006 for one year to December 31, 2009. As of June 30, 2006, no funds have been drawn under the line of credit.

We believe that our current financial resources and funds generated from operations will be adequate to cover anticipated expenditures for general and administrative expense costs, exploration and business development costs, and capital expenditures for the foreseeable future. Our current financial resources are also available for royalty acquisitions and to fund dividends. Our long-term capital requirements are primarily affected by our ongoing business development activities. In the event of a substantial royalty or other acquisition, we may explore debt or equity financing opportunities.

Our contractual obligations as of June 30, 2006, are as follows:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating leases	\$430,989	\$119,067	\$248,196	\$63,726	\$ —
Long-term retirement obligation	97,749	26,400	52,800	18,549	—
Total	\$528,738	\$145,467	\$300,996	\$82,275	\$ —

For information on our contractual obligations, see Note 10 to the Consolidated Financial Statements under Part II, Item 8. “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K. Royal Gold believes it will be able to fund all existing obligations from net cash provided by operating activities.

Results of Operations

Fiscal Year Ended June 30, 2006, Compared with Fiscal Year Ended June 30, 2005

For the fiscal year ended June 30, 2006, we recorded net income of \$11,350,081, or \$0.50 per basic share and \$0.49 per diluted share, as compared to net income of \$11,453,715, or \$0.55 per basic share and \$0.54 per diluted share, for the fiscal year ended June 30, 2005.

For fiscal year 2006, we received total royalty revenue of \$28,380,143, at an average gold price of \$527 per ounce, compared to royalty revenue of \$25,302,332, at an average gold price of \$422 per ounce for fiscal year 2005. Royalty revenue and the corresponding production, attributable to our royalty interests, for fiscal year 2006 compared to fiscal year 2005 is as follows:

**Royalty Revenue and Production Subject to Our Royalty Interests
Fiscal Years Ended June 30, 2006 and 2005**

Royalty	Metal(s)	Fiscal Year 2006 Royalty Revenue	Fiscal Year 2006 Production	Fiscal Year 2005 Royalty Revenue	Fiscal Year 2005 Production
Pipeline	Gold	\$16,813,059	598,974 oz.	\$21,392,636	973,602 oz.
Leeville	Gold	\$ 767,744	83,696 oz.	\$ 763,012	93,180 oz.
SJ Claims	Gold	\$ 4,783,896	1,005,549 oz.	\$ 2,026,052	531,342 oz.
Bald Mountain	Gold	\$ 1,492,659	126,317 oz.	\$ 208,103	28,037 oz.
Robinson ⁽¹⁾		\$ 2,202,749		N/A	
	Gold		13,082 oz.		N/A
	Copper		27,214,572 lbs.		N/A
	Molybdenum		60,743 lbs.		N/A
Mulatos ⁽¹⁾	Gold	\$ 225,000	23,912 oz.	N/A	N/A
Troy		\$ 1,693,447		\$ 749,362	
	Silver		884,528 oz.		522,145 oz.
	Copper		7,091,876 lbs.		4,584,574 lbs.
Martha	Silver	\$ 401,589	2,284,784 oz.	\$ 163,167	1,795,853 oz.

⁽¹⁾ Receipt of royalty revenue commenced during our fourth quarter of fiscal year 2006.

The increase in royalty revenue compared with fiscal year 2005 resulted from a higher GSR sliding-scale royalty rate from the Pipeline Mining Complex due to higher gold prices in fiscal year 2006, an increase in revenues from the SJ Claims and Bald Mountain, and payments from the recently acquired Mulatos and Robinson royalties. These increases were partially offset by a decrease in production at the Pipeline Mining Complex.

Cost of operations increased to \$2,288,347 for the fiscal year ended June 30, 2006, compared to \$1,847,343 for the fiscal year ended June 30, 2005. The increase was primarily due to non-cash employee compensation expense of \$380,565, discussed below, and an increase in Nevada Net Proceeds Tax expenditures due to increased royalty revenues at our SJ Claims and Bald Mountain royalties. These increases were partially offset by a decrease in consulting services.

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General and administrative expenses increased to \$5,022,157 for the fiscal year ended June 30, 2006, compared to \$3,695,098 for the fiscal year ended June 30, 2005. The increase is primarily due to non-cash employee compensation expense of \$1,465,055, discussed below.

Exploration and business development expenses increased to \$3,396,733 for the fiscal year ended June 30, 2006, compared to \$1,892,865 for the fiscal year ended June 30, 2005. The increase is primarily due to non-cash employee compensation expense of \$932,066, discussed below, and an increase in our exploration funding of approximately \$463,000, due to the Taranis Resources exploration alliance, as discussed in Note 2 in the accompanying Notes to Consolidated Financial Statements.

Depreciation and depletion increased to \$4,261,060 for the fiscal year ended June 30, 2006, compared to \$3,204,984 for the fiscal year ended June 30, 2005. The increase is primarily due to increased production at our SJ Claims.

As discussed in Note 3 in the accompanying Notes to Consolidated Financial Statements, the Financial Accounting Standards Board (“FASB”) issued FASB Statement No. 123 (revised 2004), *Share-Based Payment* (“SFAS 123(R)”). SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, restricted stock, and performance shares, to be recognized in the financial statements based on their fair values. The Company has adopted SFAS 123(R) as of July 1, 2005, using the modified prospective application transition method. As a result of the adoption of SFAS 123(R), the Company recorded total non-cash stock compensation expense related to our equity compensation plans of \$2,777,686 for the fiscal year ended June 30, 2006, which is allocated among cost of operations, general and administrative expenses, and exploration and business development expenses in our consolidated statements of operations and comprehensive income. The total non-cash compensation expense allocated to cost of operations, general and administrative, and exploration and business development for the fiscal year ended June 30, 2006, was \$380,565, \$1,465,055 and \$932,066, respectively. The total income tax benefit associated with non-cash stock compensation expense was approximately \$1,011,078 for the fiscal year ended June 30, 2006.

Interest and other income increased to \$3,203,968 for the fiscal year ended June 30, 2006, compared to \$834,136 for the fiscal year ended June 30, 2005. The increase is primarily due to higher interest rates and an increase in funds available for investing over the prior period. The increase in funds available for investing is primarily due to the public offering of our common stock during the first quarter of fiscal year 2006 and cash flow from operations.

For the fiscal year ended June 30, 2006, we recognized current and deferred tax expense totaling \$5,100,667 compared with \$4,102,462 for the fiscal year ended June 30, 2005. This resulted in an effective tax rate of 31.0% in the current period, compared with 26.4% in the prior period. The increase in our effective tax rate is the result of the release of a valuation allowance associated with the sale of available for sale securities of approximately \$320,000 and the recognition of Colorado loss carryforwards totaling approximately \$150,000 during the fiscal year ended June 30, 2005.

Fiscal Year Ended June 30, 2005, Compared with Fiscal Year Ended June 30, 2004

For the fiscal year ended June 30, 2005, we recorded net income of \$11,453,715, or \$0.55 per basic share and \$0.54 per diluted share, as compared to net income of \$8,871,679, or \$0.43 per basic share and \$0.42 per diluted share, for the fiscal year ended June 30, 2004.

For fiscal year 2005, we received total royalty revenue of \$25,302,332, at an average gold price of \$422 per ounce, compared to royalty revenue of \$21,353,071, at an average gold price of \$389 per ounce for fiscal year 2004. Royalty revenue and the corresponding production, attributable to our royalty interests, for fiscal year 2005 compared to fiscal year 2004 is as follows:

Royalty Revenue and Production Subject to Our Royalty Interests Fiscal Years Ended June 30, 2005 and 2004

Royalty	Metal(s)	Fiscal Year 2005 Royalty Revenue	Fiscal Year 2005 Production	Fiscal Year 2004 Royalty Revenue	Fiscal Year 2004 Production
Pipeline	Gold	\$21,392,636	973,602 oz.	\$18,737,676	973,220 oz.
Leeville	Gold	\$ 763,012	93,180 oz.	\$ 729,717	105,505 oz.
SJ Claims	Gold	\$ 2,026,052	531,342 oz.	\$ 1,398,629	401,913 oz.
Bald Mountain	Gold	\$ 208,103	28,037 oz.	\$ 230,713	33,894 oz.
Troy ⁽¹⁾		\$ 749,362		N/A	
	Silver		522,145 oz.		N/A
	Copper		4,584,574 lbs		N/A
Martha ⁽²⁾	Silver	\$ 163,167	1,795,853 oz.	\$ 256,336	N/A

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

(2) We did not receive production data from the Martha mine for our fiscal year 2004.

The increase in royalty revenue compared with fiscal year 2004 resulted from a higher sliding-scale royalty rate from the Pipeline Mining Complex due to a higher gold price in fiscal year 2005, and the addition of revenues from the acquired Troy mine royalties.

Cost of operations increased to \$1,847,343 for the fiscal year ended June 30, 2005, compared to \$1,512,867 for the fiscal year ended June 30, 2004, primarily related to an increase in Nevada Net Proceeds Tax expenditures of approximately \$161,000, which is associated with increased royalty revenues. Nevada net proceeds of mines taxes are paid on all royalties received which are attributed to production in Nevada, at a rate of 5% of gross cash receipts. The increase is also due to an increase in consulting fees, which were related to the Crossroads project at the Cortez Joint Venture.

General and administrative expenses increased to \$3,695,098 for the fiscal year ended June 30, 2005, compared to \$2,923,289 for the fiscal year ended June 30, 2004, primarily due to increased accounting and consulting fees of approximately \$341,000. The increased accounting and consulting fees were the result of Sarbanes-Oxley compliance work. Increases in employee related costs of approximately \$124,000 along with an increase in costs for investor relations of approximately \$99,000 also contributed to the increase in general and administrative expenses.

Exploration and business development expenses increased to \$1,892,865 for the fiscal year ended June 30, 2005, compared to \$1,391,944 for the fiscal year ended June 30, 2004, primarily due to an increase in employee related costs allocated to business development of approximately \$778,000, due to increased business development activities throughout the year. This increase was offset partially by a decrease in consulting services for business development activities of approximately \$353,000.

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Depreciation and depletion decreased to \$3,204,984 for the fiscal year ended June 30, 2005, compared to \$3,313,953 for the fiscal year ended June 30, 2004, primarily due to decreases in depletion rates for our GSR3, NVR1, Bald Mountain, SJ Claims, and Leeville South interests in the current fiscal year, which were due to increases in proven and probable reserves attributable to our royalty interests. These decreases were partially offset by increased production at the Pipeline Mining Complex along with additional depletion for the newly acquired GSR royalty at the Troy mine.

As discussed in Note 3 in the accompanying Notes to Consolidated Financial Statements, we recorded non-cash employee stock compensation expense of \$205,301 for the fiscal year ended 2005, compared to \$0 for the fiscal year ended June 30, 2004. The employee non-cash stock compensation allocated to cost of operations, general and administrative and business development for the fiscal year ended June 30, 2005, was \$16,839, \$154,517 and \$33,945, respectively. The non-cash compensation expense recorded during the period represents amortization, based on the employees' service period, of the fair value of the Restricted Stock issued pursuant to the 2004 Omnibus Long-Term Incentive Plan at the issuance or measurement date.

Interest and other income increased to \$834,136 for the fiscal year ended June 30, 2005, compared to \$442,181 for the fiscal year ended June 30, 2004, primarily due to higher interest rates and an increase in funds available for investing over the prior year.

For the fiscal year ended June 30, 2005, we recognized current and deferred tax expense totaling \$4,102,462 compared with \$3,654,358 for the fiscal year ended June 30, 2004. This resulted in an effective tax rate of 26.4% in the current period, compared with 29.2% in the prior period. The decrease in the effective tax rate resulted from an increase in allowable percentage depletion deductions associated with higher revenue from our GSR1 royalty during the period, and the release of the valuation allowance associated with the sale of available for sale securities of approximately \$320,000 during the period.

Forward-Looking Statements

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

- changes in gold and other metals prices;
- the performance of the Pipeline Mining Complex, Betze-Post mine and facilities, as well as the Leeville North and Robinson mines;
- decisions and activities of the operators of our royalty properties;
- unanticipated grade, geological, metallurgical, processing or other problems at these properties;
- changes in project parameters as plans of the operators are refined;

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- changes in estimates of reserves and mineralization by the operators of our royalty properties;
- the completion of the construction of the Taparko Project in 2007;
- economic and market conditions;
- future financial needs;
- the availability and size of acquisitions; and
- the ultimate additional liability, if any, to the State of California in connection with Casmalia matter;

as well as other factors described elsewhere in this report. Most of these factors are beyond our ability to predict or control. We disclaim any obligation to update any forward-looking statement made herein. Readers are cautioned not to put undue reliance on forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our earnings and cash flow are significantly impacted by changes in the market price of gold. Gold prices can fluctuate widely and are affected by numerous factors, such as demand, production levels, economic policies of central banks, producer hedging, world political and economic events, and the strength of the U.S. dollar relative to other currencies. Please see “Decreases in prices of precious metals would reduce our royalty revenues,” under Part I, Item 1A of this Annual Report on Form 10-K for more information that can affect gold prices. During the last five years, the market price for gold has fluctuated between \$278 per ounce and \$725 per ounce.

During the fiscal year ended June 30, 2006, we reported royalty revenues of \$28,380,143, with an average gold price for the period of \$527 per ounce. The GSR1 royalty, on the Pipeline Mining Complex, which produced the majority of our revenues for the period, is a sliding-scale royalty with variable royalty rate steps based on the average London PM gold price for the period. For the fiscal year, if the price of gold had averaged higher or lower by \$20 per ounce, we would have recorded an increase or decrease in revenues of approximately \$1.0 million, respectively. Due to the set price steps in the GSR1 royalty, it is not possible to extrapolate these effects on a linear basis.

We receive royalties from the NVR1 royalty on the Pipeline Mining Complex in gold, and the value of this royalty therefore depends on the price of gold. We sold 1,733 ounces of gold bullion in fiscal year 2006, at an average realized price of \$524 per ounce, and 2,905 ounces of gold bullion in fiscal year 2005, at an average realized price of \$417 per ounce.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* . Based on our assessment and those criteria, management concluded that, as of June 30, 2006, our internal control over financial reporting is effective.

PricewaterhouseCoopers LLP, the registered public accounting firm that audited the financial statements included in this annual report, has also audited management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of June 30, 2006 and the effectiveness of the Company’s internal control over financial reporting as of June 30, 2006, as stated in their report, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
Royal Gold, Inc.:

We have completed integrated audits of Royal Gold, Inc.'s 2006 and 2005 consolidated financial statements and of its internal control over financial reporting as of June 30, 2006, and an audit of its 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Royal Gold, Inc. and its subsidiaries at June 30, 2006 and 2005, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for share-based compensation and adopted SFAS No. 123(R), *Share-Based Payment*, effective July 1, 2005.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 8, that the Company maintained effective internal control over financial reporting as of June 30, 2006 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating

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effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Denver, Colorado
August 25, 2006

ROYAL GOLD, INC.
Consolidated Balance Sheets
As of June 30,

	2006	2005
Current assets:		
Cash and equivalents	\$ 78,449,383	\$ 48,840,371
Royalty receivables	5,962,053	6,601,329
Deferred tax assets	131,621	452,730
Prepaid expenses and other	232,839	333,883
Total current assets	84,775,896	56,228,313
Royalty interests in mineral properties, net (Note 5)	84,589,569	44,817,242
Available for sale securities (Note 4)	1,988,443	554,812
Deferred tax assets	495,018	160,417
Other assets	410,895	557,771
Total assets	<u>\$172,259,821</u>	<u>\$102,318,555</u>
Current liabilities:		
Accounts payable	\$ 1,075,644	\$ 1,140,509
Income taxes payable	334,767	253,496
Dividend payable	1,300,623	1,050,628
Accrued compensation	375,000	278,500
Other	237,482	175,095
Total current liabilities	3,323,516	2,898,228
Deferred tax liabilities	7,178,907	7,586,402
Other long term liabilities	97,749	96,634
Total Liabilities	<u>10,600,172</u>	<u>10,581,264</u>
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, \$.01 par value, authorized 40,000,000 shares; issued 23,816,640 and 21,258,576 shares, respectively	238,165	212,585
Additional paid-in capital	166,459,671	104,163,515
Accumulated other comprehensive income (loss)	498,462	(284,920)
Deferred compensation	—	(524,659)
Accumulated deficit	(4,439,777)	(10,732,358)
Treasury stock, at cost (229,224 shares)	(1,096,872)	(1,096,872)
Total stockholders' equity	<u>161,659,649</u>	<u>91,737,291</u>
Total liabilities and stockholders' equity	<u>\$172,259,821</u>	<u>\$102,318,555</u>

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

ROYAL GOLD, INC.
Consolidated Statements of Operations and Comprehensive Income
For the Years Ended June 30,

	2006	2005	2004
Royalty revenues	\$28,380,143	\$25,302,332	\$21,353,071
Costs and expenses			
Costs of operations	2,288,347	1,847,343	1,512,867
General and administrative	5,022,157	3,695,098	2,923,289
Exploration and business development	3,396,733	1,892,865	1,391,944
Depreciation, depletion and amortization	4,261,060	3,204,984	3,313,953
Total costs and expenses	<u>14,968,297</u>	<u>10,640,290</u>	<u>9,142,053</u>
Operating income	<u>13,411,846</u>	<u>14,662,042</u>	<u>12,211,018</u>
Interest and other income	3,203,968	834,136	442,181
Gain on sale of available for sale securities	—	163,577	22,778
Interest and other expense	<u>(165,066)</u>	<u>(103,578)</u>	<u>(149,940)</u>
Income before income taxes	16,450,748	15,556,177	12,526,037
Current tax expense (Note 7)	<u>(5,973,878)</u>	<u>(3,047,551)</u>	<u>(882,243)</u>
Deferred tax benefit (expense) (Note 7)	873,211	(1,054,911)	(2,772,115)
Net income	<u>\$11,350,081</u>	<u>\$11,453,715</u>	<u>\$ 8,871,679</u>
Adjustments to other comprehensive income	783,382	(208,328)	(36,866)
Unrealized change in market value of available for sale securities, net of tax	783,382	(208,328)	(36,866)
Realization of the change in market value on sale of available for sale securities, net of tax	—	(104,689)	—
Comprehensive income	<u>\$12,133,463</u>	<u>\$11,140,698</u>	<u>\$ 8,834,813</u>
Basic earnings per share	<u>\$ 0.50</u>	<u>\$ 0.55</u>	<u>\$ 0.43</u>
Basic weighted average shares outstanding	22,863,784	20,875,957	20,760,452
Diluted earnings per share	<u>\$ 0.49</u>	<u>\$ 0.54</u>	<u>\$ 0.42</u>
Diluted weighted average shares outstanding	23,121,862	21,070,797	21,110,521

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

comprehensive income for the year ended June 30, 2006				783,382		11,350,081			12,133,463
Dividends						(5,057,500)			(5,057,500)
Balance at June 30, 2006	<u>23,816,640</u>	<u>\$238,165</u>	<u>\$166,459,671</u>	<u>\$ 498,462</u>	<u>\$ —</u>	<u>\$ (4,439,777)</u>	<u>229,224</u>	<u>\$(1,096,872)</u>	<u>\$161,659,649</u>

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

ROYAL GOLD, INC.
Consolidated Statements of Cash Flows
For the Years Ended June 30,

	2006	2005	2004
Cash flows from operating activities			
Net income	\$ 11,350,081	\$11,453,715	\$ 8,871,679
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	4,261,060	3,204,984	3,313,953
Gain on available for sale securities	—	(163,577)	(22,778)
Deferred tax (benefit) expense	(873,211)	1,054,911	2,772,115
Non-cash employee stock compensation expense	2,777,686	205,301	—
Tax (benefit) expense of share-based compensation exercises	(1,438,399)	387,942	670,953
Other	—	—	26,623
Changes in assets and liabilities:			
Royalty receivables	639,276	(1,380,022)	(2,095,870)
Prepaid expenses and other assets	184,638	(65,889)	(112,955)
Accounts payable	(64,865)	(141,502)	(95,135)
Federal income taxes payable	1,519,670	253,496	—
Accrued liabilities and other current liabilities	165,577	17,388	82,863
Other long term liabilities	1,115	(6,455)	(10,400)
Net cash provided by operating activities	<u>\$ 18,522,628</u>	<u>\$14,820,292</u>	<u>\$13,401,048</u>
Cash flows from investing activities			
Capital expenditures for property and equipment	\$ (38,657)	\$ (126,954)	\$ (271,020)
Acquisition of royalty interests in mineral properties (Note 2)	(43,931,448)	(7,514,947)	—
Purchase of available for sale securities (Notes 2 and 4)	(204,715)	(1,000,000)	—
Proceeds from sale of available for sale securities	—	539,960	38,642
Net cash used in investing activities	<u>\$ (44,174,820)</u>	<u>\$ (8,101,941)</u>	<u>\$ (232,378)</u>
Cash flows from financing activities			
Dividends paid	\$ (4,807,505)	\$ (3,651,893)	\$ (2,591,489)
Tax benefit from share-based compensation exercises	1,438,399	—	—
Net proceeds from issuance of common stock	58,630,310	973,012	738,177
Net cash provided by (used in) financing activities	<u>\$ 55,261,204</u>	<u>\$ (2,678,881)</u>	<u>\$ (1,853,312)</u>
Net increase in cash and equivalents	<u>29,609,012</u>	<u>4,039,470</u>	<u>11,315,358</u>
Cash and equivalents at beginning of year	48,840,371	44,800,901	33,485,543
Cash and equivalents at end of year	<u>\$ 78,449,383</u>	<u>\$48,840,371</u>	<u>\$44,800,901</u>
Supplemental cash flow information:			
Cash paid during the period for:			
Interest	\$ —	\$ —	\$ —
Income taxes	\$ 4,610,911	\$ 2,330,000	\$ 453,000
Non-cash financing activities:			
Deferred compensation (equity offset)	\$ —	\$ 729,960	\$ —
Acquisition of royalty interest in mineral property	\$ —	\$ 55,170	\$ —

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Operations

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.

Summary of Significant Accounting Policies

Use of Estimates :

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates.

Basis of Consolidation :

The consolidated financial statements include the accounts of Royal Gold, Inc. and its wholly-owned subsidiaries. Intercompany transactions and account balances have been eliminated in consolidation.

Cash and Cash Equivalents :

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2006, cash and cash equivalents were primarily held in uninsured interest bearing cash and money market accounts.

Available for Sale Securities :

Investments in securities that have readily determinable fair values are classified as available-for-sale investments. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive income as a separate component of stockholders’ equity, except that declines in market value judged to be other than temporary are recognized in determining net income. When investments are sold, the realized gains and losses on these investments, determined using the specific identification method, are included in determining net income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's policy for determining whether declines in fair value of available-for-sale investments are other than temporary includes a quarterly analysis of the investments and a review by management of all investments that are impaired. 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.

Royalty Interests in Mineral Properties :

Royalty interests in mineral properties include acquired royalty interests in production stage, development stage and exploration stage properties. The fair value of acquired royalty interests in mineral properties are capitalized as tangible assets when such interests do not meet the definition of a financial asset under the Financial Accounting Standard Board's ("FASB") Statement of Financial Account Standards ("SFAS") No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a Replacements of FASB Statement No. 125*, or a derivative instrument under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Also, in accordance with FASB Emerging Issues Task Force Issue No., or EITF, 04-02, Working Group Report No.1, *Whether Mineral Rights are Tangible or Intangible Assets and Related Issues*, we recognize our royalty interests as tangible assets as of June 30, 2006 and 2005. We based our conclusion on the following factors:

1. Our royalty interests in mineral properties do not meet the definition of financial assets under FASB Statement No. 140; and
2. Our royalty interests in mineral properties do not meet the definition of derivative instruments under FASB Statement No. 133.

Acquisition costs of production and development stage royalty interests are depleted using the units of production method over the life of the mineral property, which is estimated using proven and probable reserves. Acquisition costs of royalty interests on exploration stage mineral properties, where there are no proven and probable reserves, are not amortized. At such time as the associated exploration stage mineral interests are converted to proven and probable reserves, the cost basis is amortized over the mineral properties remaining life, using proven and probable reserves. The carrying values of exploration stage mineral interests are evaluated for impairment at such time as information becomes available indicating that the production will not occur in the future. Exploration costs are charged to operations when incurred.

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 interests in production and development stage mineral properties is evaluated based upon estimated future undiscounted net cash flows from each royalty interest property using estimates of proven and probable reserves. 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, and whenever new information regarding the mineral properties is obtained from the operator that could affect 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.

Our estimate of gold prices, operator's estimates of proven and probable reserves related to our royalty properties, and operator's estimates of operating, capital and reclamation costs are subject to certain risks

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

and uncertainties which may affect the recoverability of our investment in these royalty interests in mineral properties. Although we have made our best assessment of these factors based on current conditions, it is possible that changes could occur, which could adversely affect the net cash flows expected to be generated from these royalty interests.

Office Furniture, Equipment and Improvements :

We record the acquisition cost of office furniture and equipment and leasehold improvements, less accumulated depreciation and amortization, as a component of other assets in our consolidated balance sheets. We depreciate our office furniture and equipment over estimated useful lives ranging from two to seven years using the straight-line method. Leasehold improvements are amortized over the term of the lease using the straight-line method. The cost of normal maintenance and repairs is expensed as incurred. Significant expenditures, which increase the life of the asset, are capitalized and depreciated over the estimated remaining useful life of the asset. Upon retirement or disposition of office furniture, equipment, or improvements, related gains or losses are recorded in operations.

Revenue :

Royalty revenue is recognized in accordance with the terms of the underlying royalty agreements subject to (i) the pervasive evidence of the existence of the arrangements; (ii) the risks and rewards having been transferred; (iii) the royalty being fixed or determinable; and (iv) the collectibility of the royalty being reasonably assured. For royalty payments received in gold, royalty revenue is recorded at the average spot price of gold for the period in which the royalty was earned.

Income Taxes :

The Company accounts for income taxes under SFAS No. 109, *Accounting for Income Taxes*. Deferred income taxes reflect the impact of temporary differences between the reported amounts of assets and liabilities for financial reporting purposes and such amounts measured by tax laws and regulations. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. A valuation allowance is provided for deferred tax assets when management concludes it is more likely than not that some portion of the deferred tax assets will not be realized.

Stock-Based Compensation :

Effective July 1, 2005, we account for our stock-based compensation in accordance with SFAS No. 123 (revised 2004), *Share-Based Payment*, (“SFAS 123(R)”). SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options and restricted stock, to be recognized in the financial statements based on their fair values. Prior to July 1, 2005, we measured compensation cost as prescribed by Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees*, (“APB 25”). See Note 3 within these Notes to Consolidated Financial Statements for further discussion on the Company’s stock-based compensation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Operating Segments :

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

Comprehensive Income :

In addition to net income, comprehensive income includes changes in equity during a period associated with cumulative unrealized changes in the fair value of marketable securities held for sale, net of tax effects.

Earnings Per Share :

Basic earnings per share is computed by dividing the net income or loss by the weighted average number of common shares outstanding during each year. Diluted earnings per share reflects the effect of all potentially dilutive stock-based compensation awards.

Reclassifications :

Certain accounts in the prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.

Recently Issued Accounting Pronouncements

Effective July 1, 2005, the Company adopted FASB Statement No. 123 (revised 2004), *Share-Based Payment* (“SFAS 123(R)”), which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation* (“SFAS 123”). The Company has adopted SFAS 123(R) using the modified prospective application transition method. SFAS 123(R) supersedes Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees* (“APB 25”), and amends FASB Statement No. 95, *Statement of Cash Flows*. SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

In October 2005, the FASB issued FSP FAS123(R)-2, *Practical Accommodation to the Application of Grant Date as Defined in FASB Statement No. 123(R)*, which provides guidance on the application of grant date as defined in SFAS 123(R). The guidance in the FSP has been applied upon the Company’s initial adoption of SFAS 123(R).

In November 2005, the FASB issued FSP FAS123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*. This FSP requires an entity to follow either the transition guidance for the additional-paid-in-capital pool as prescribed in SFAS 123(R), or the alternative method as described in the FSP. An entity that adopts SFAS 123(R) using the modified prospective application may make a one-time election to adopt the alternative transition method described in this FSP. The Company has elected to adopt the alternative transition method described in the FSP.

On July 13, 2006, FASB Interpretation (“FIN”) No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109*, was issued. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements in accordance with SFAS 109. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

measurement of tax position taken or expected to taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company is evaluating the impact, if any, the adoption of FIN 48 could have on our financial statements.

2. ROYALTY ACQUISITIONS

Taranis Exploration Alliance

On November 4, 2005, Royal Gold entered into two Exploration and Earn-In Agreements (the "Agreements") with Taranis Resources Inc. ("Taranis") with respect to its exploration program in Finland. As part of the first Agreement, the Company will obtain a 2% net smelter return ("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 have funded \$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. The Company has elected to exercise this option. In the event that Royal Gold does not fully fund the \$600,000 to earn the joint venture interest, we would retain our 2% NSR royalty.

Taranis is publicly traded and therefore we have recorded the acquisition of the Taranis common stock and warrants as *Available for sale securities* on our consolidated balance sheets at their relative fair values. Our cost basis in the Taranis common stock and warrants is \$204,715. We have expensed the remaining \$116,923 of the \$321,638 investment, plus approximately \$34,000 in transaction costs, as *Exploration and business development* expense on our consolidated statements of operations and comprehensive income. Finally, amounts funded to Taranis as part of the \$500,000 Kettukuusikko exploration commitment have been expensed as a component of *Exploration and business development* expense on our consolidated statements of operations and comprehensive income.

Robinson and Mulatos Royalties

On December 28, 2005, Royal Gold paid \$25 million to Kennecott Minerals ("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 Mining Ltd. ("Quadra") since 2004. Royal Gold began receiving revenue from the Robinson royalty during our fourth quarter after a \$20.0 million reclamation trust account was fully funded by Quadra.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Mulatos project, owned and operated by Alamos Gold, Inc. (“Alamos”), is an open pit, heap leach gold mine. According to Alamos, commercial production has been achieved effective April 1, 2006. The Mulatos mine sliding-scale royalty, capped at two million ounces of gold production, ranges from 0.30% for gold prices below \$300 per ounce up to 1.50% for gold prices above \$400 per ounce.

The Kennecott transaction has been accounted for as a purchase of assets. As such, the \$25 million acquisition cost, and approximately \$267,000 of our direct legal and other acquisition costs, have been allocated to the two acquired royalties according to their relative fair values, as separate components of *Royalty Interests in Mineral Properties* on our consolidated balance sheets. Accordingly, \$17.8 million has been allocated to the Robinson royalty and \$7.4 million has been allocated to the Mulatos royalty.

Taparko Project Royalties

On March 1, 2006, Royal Gold 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 Gold Mines Ltd. (“High River”), to acquire two initial production payments equivalent to gross smelter return (“GSR”) royalties and two subsequent GSR royalty interests on the Taparko-Bouroum Project (“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. Royal Gold’s 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 largely completed during the fourth quarter of calendar 2006, with production commencing 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, 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%).
 - 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 (as defined in the Funding Agreement). This royalty will commence upon termination of the TB-GSR1 and TB-GSR2 royalties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 (as defined in the Funding Agreement). 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-MR1 would only apply to 300,000 tons of ore.

The Taparko transaction has been accounted for as a purchase of assets. Accordingly, the four components of the transaction noted above have been recorded at their allocated relative fair values as components of *Royalty Interests in Mineral Properties* on our consolidated balance sheets. The remaining funding amounts will be allocated according to their relative fair values as funding occurs.

In order to secure our investment during the period between funding by Royal Gold and project completion (as defined in the funding agreement), High River has pledged its 90% interest in the equity of Somita. Royal Gold will maintain its 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, Royal Gold 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. and 1,790,941 common shares in the capital stock of Intrepid Minerals Corporation. The purpose of this collateral is to maintain a construction reserve that can be used to remedy any construction defects noted during the construction contract warranty period. This collateral can only be used to remedy identified construction defects and cannot be used to repay any of Royal Gold's investment. This security interest will be released by Royal Gold at the end of the construction contract warranty period.

Investment in Revett Silver Company and the Troy Mine

On October 14, 2004, in a three-part transaction, the Company paid \$8.5 million to Revett Silver Company ("Revett") and its wholly-owned subsidiary, Genesis Inc. ("Genesis"), in exchange for two royalty interests in the Troy underground silver and copper mine, located in northwestern Montana, and shares in Revett.

For consideration of \$7.25 million, the Company obtained the right to receive a production payment equivalent to a 7.0% gross smelter return royalty ("GSR royalty") from all metals and products produced and sold from the Troy mine. The GSR royalty will extend until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or the Company receives \$10.5 million in cumulative payments, whichever occurs first. We have received cumulative payments associated with the GSR royalty totaling \$2.4 million through June 30, 2006.

As a second component of the transaction, the Company acquired a perpetual GSR royalty ("perpetual royalty") at the Troy mine for \$250,000. The rate for this perpetual royalty 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% royalty after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper. In the third component of the transaction, the Company purchased approximately 1.3 million shares of Revett common stock for \$1.0 million. These shares can be converted, under certain circumstances and at the election of the Company, into a 1% net smelter return ("NSR") royalty on the Rock Creek mine, also located in northwestern Montana and owned by Revett.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under the terms of the share agreement, the Company has the right, but not the obligation, to cure any default by Revett or Genesis under their obligations pursuant to an existing mortgage payable, secured by a Promissory Note, to Kennecott Montana Company, a third party and prior Joint Venture interest owner of the Troy mine. The principal and accrued interest under the Promissory Note as of June 30, 2006, was approximately \$6.2 million with a maturity date of February 2008.

We have recorded the acquisition of the GSR royalty and the perpetual royalty interests as components of *Royalty Interests in Mineral Properties* on the consolidated balance sheets. The acquisition of the 1.3 million shares of Revett is recorded as an investment in *Available for sale securities* on the consolidated balance sheets. See Note 4 within these Notes to Consolidated Financial Statements for further detail on our investment in Revett.

3. STOCKHOLDER'S EQUITY AND STOCK-BASED COMPENSATION

Preferred Stock

We have 10,000,000 authorized and unissued shares of \$.01 par value Preferred Stock.

Treasury Stock

We have adopted a stock repurchase program, in which the Board of Directors authorized the repurchase of up to \$5 million of our common stock, from time-to-time, in the open market or in privately negotiated transactions. In accordance with this program, we have repurchased 229,224 shares of common stock. Repurchased shares are held in the treasury for general corporate purposes. We have no commitments to purchase our common stock.

Stockholders' Rights Plan

Our board of directors adopted a Stockholders' Rights Plan in which preferred stock purchase rights ("Rights") were distributed as a dividend at the rate of one Right for each share of common stock held as of close of the business on September 11, 1997. The terms of the Stockholders Rights plan provide that if any person or group were to announce an intention to acquire or were to acquire 15 percent or more of our outstanding common stock, then the owners of each share of common stock (other than the acquiring person or group) would become entitled to exercise a right to buy one one-hundredth of a newly issued share of Series A Junior Participating Preferred Stock of Royal Gold, at an exercise price of \$50 per Right.

2004 Omnibus Long-Term Incentive Plan

In November 2004, our shareholders approved and we adopted an Omnibus Long-Term Incentive Plan ("2004 Plan"). The 2004 Plan replaced our Equity Incentive Plan. Under the 2004 Plan, 900,000 shares of common stock are available for future grants to officers, directors, key employees and other persons. The 2004 Plan provides for the grant of stock options, unrestricted stock, restricted stock, dividend equivalent rights, stock appreciation rights, and cash awards. Any of these awards may, but need not, be

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

made as performance incentives. Stock options granted under the 2004 Plan may be non-qualified stock options or incentive stock options.

For the fiscal years ended June 30, 2006 and 2005, we recorded total non-cash stock compensation expense related to our equity compensation plans of \$2,777,686 and \$205,301, respectively. Non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. The total non-cash compensation expense allocated to cost of operations, general and administrative, and exploration and business development for the fiscal year ended June 30, 2006, was \$380,565, \$1,465,055 and \$932,066, respectively. The total non-cash compensation expense allocated to cost of operations, general and administrative, and exploration and business development for the fiscal year ended June 30, 2005, was \$16,839, \$154,517 and \$33,945, respectively. The Company had \$0 of non-cash compensation expense during its fiscal year ended June 30, 2004.

The total income tax benefit associated with non-cash stock compensation expense was approximately \$1,000,000, \$74,000 and \$0 for the fiscal years ended June 30, 2006, 2005, and 2004, respectively. In accordance with SFAS 123(R), the Company reversed \$524,659 of deferred compensation upon adoption of SFAS 123(R).

Stock Options

Stock option awards are granted with an exercise price equal to the closing market price of the Company's stock at the date of grant. Stock option awards granted to officers, key employees and other persons vest based on one to three years of continuous service. Stock option awards granted to directors vest immediately with respect to 50% of the shares granted and after one year with respect to the remaining 50% granted. Stock option awards have 10 year contractual terms.

To determine non-cash stock compensation expense for stock option awards, the fair value of each stock option award is estimated on the date of grant using the Black-Scholes-Merton ("Black-Scholes") option pricing model for all periods presented. The Black-Scholes model requires key assumptions in order to determine fair value and those key assumptions are noted in the following table:

	2006	2005	2004
Weighted average expected volatility	61.20%	69.77%	74.1%
Weighted average expected option term in years	5.4	4.5	4.8
Weighted average dividend yield	1.00%	1.14%	0.86%
Weighted average risk free interest rate	4.5%	3.6%	3.5%
Weighted average grant fair value	\$12.04	\$ 9.23	\$12.17

The Company's expected volatility is based on the historical volatility of the Company's stock over the expected option term. The Company's expected option term is determined by historical exercise patterns along with other known employee or company information at the time of grant. The risk free interest rate is based on the zero-coupon U.S. Treasury bond at the time of grant with a term approximate to the expected option term.

On November 8, 2005, 92,500 stock options under the 2004 Plan were granted to certain employees and officers under the 2004 Plan. These options have an exercise price of \$22.22, which was the closing market price for our common stock on the date of grant. On November 9, 2005, 15,000 stock options, under the 2004 Plan, were granted to the Board of Directors ("Directors") at an exercise price of \$23.61, which was the closing market price of our common stock on the date of grant. The options have vesting terms ranging from one to three years. Directors' options vest 50% upon grant and 50% vest after one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of stock option activity under our equity compensation plans as of June 30, 2006, and changes during the fiscal year then ended is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2005	711,024	\$ 13.53		
Granted	107,500	\$ 22.41		
Exercised	(276,777)	\$ 14.13		
Forfeited and Expired	(13,333)	\$ 19.20		
Outstanding at June 30, 2006	<u>528,414</u>	<u>\$ 14.86</u>	<u>6.4</u>	<u>\$6,844,454</u>
Exercisable at June 30, 2006	<u>396,080</u>	<u>\$ 12.86</u>	<u>4.0</u>	<u>\$5,927,119</u>

The weighted-average grant date fair value of options granted during the fiscal years ended June 30, 2006, 2005 and 2004, was \$12.04, \$9.23 and \$12.17, respectively. The total intrinsic value of options exercised during the fiscal years ended June 30, 2006, 2005 and 2004, were \$5,561,205, \$2,731,940 and \$2,305,345, respectively.

A summary of the status of the Company's non-vested stock options as of June 30, 2006, and changes during the fiscal year ended June 30, 2006, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2005	133,850	\$ 9.26
Granted	107,500	\$ 12.04
Vested	(95,683)	\$ 9.50
Forfeited	(13,333)	\$ 10.30
Non-vested at June 30, 2006	<u>132,334</u>	<u>\$ 11.24</u>

For the fiscal years ended June 30, 2006, 2005 and 2004, we recorded non-cash stock compensation expense associated with stock options of \$1,116,362, \$0 and \$0, respectively. As of June 30, 2006, there was \$790,965 of total unrecognized non-cash stock compensation expense related to non-vested stock options granted under our equity compensation plans, which is expected to be recognized over a weighted-average period of 1.9 years. The total fair value of shares vested during the fiscal years ended June 30, 2006, 2005 and 2004 was \$450,342, \$297,575 and \$986,846 respectively.

Prior to July 1, 2005, we measured compensation cost as prescribed by APB 25. No compensation cost related to the granting of stock options has been recognized in the financial statements prior to July 1, 2005, as the exercise price of all option grants was equal to the market price of our common stock at the date of grant. In October 1995, the FASB issued SFAS 123. SFAS 123 defines a "fair value" based method of accounting for employee options or similar equity instruments. Had compensation cost been determined under the provisions of SFAS 123, the following pro forma net income and per share amounts would have been recorded:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	For The Years Ended June 30, 2005	2004
Net income, as reported	\$11,453,715	\$8,871,679
Add: Stock-based compensation expense for restricted stock awards included in reported net income, net of related tax effects	131,393	—
Less: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	<u>(653,221)</u>	<u>(851,971)</u>
Pro forma net income	<u>\$10,931,887</u>	<u>\$8,019,708</u>
Earnings per share:		
Basic, as reported	<u>\$ 0.55</u>	<u>\$ 0.43</u>
Basic, pro forma	<u>\$ 0.52</u>	<u>\$ 0.39</u>
Diluted, as reported	<u>\$ 0.54</u>	<u>\$ 0.42</u>
Diluted, pro forma	<u>\$ 0.52</u>	<u>\$ 0.38</u>

Stock-based Compensation

On November 8, 2005, certain employees and officers were granted 41,000 shares of restricted common stock that can be earned only if either one of two defined multi-year performance goals is met within five years of the date of grant (“Performance Shares”). If the performance goals are not earned by the end of this five year period, the Performance Shares will be forfeited. Vesting of Performance Shares is subject to certain performance measures being met and can be based on an interim earn out of 25%, 50%, 75% or 100%. The defined performance goals are tied to two different performance measures: (1) growth of free cash flow per share on a trailing twelve month basis; and (2) growth of royalty ounces in reserves on an annual basis.

A summary of the status of the Company’s non-vested Performance Shares as of June 30, 2006, and changes during the fiscal year ended June 30, 2006, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2005	58,250	\$ 17.38
Granted	41,000	\$ 22.22
Vested	(49,625)	\$ 19.38
Forfeited	<u>(8,125)</u>	<u>\$ 20.36</u>
Non-vested at June 30, 2006	<u>41,500</u>	<u>\$ 19.19</u>

We measure the fair value of the Performance Shares based upon the market price of our common stock as of the date of grant. In accordance with SFAS 123(R), the measurement date for the Performance Shares will be determined at such time that the performance goals are attained or that it is probable they will be attained. At such time that it is probable that a performance condition will be achieved, compensation expense will be measured by the number of shares that will ultimately be earned based on

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the grant date market price of our common stock. Interim recognition of compensation expense will be made at such time as management can reasonably estimate the number of shares that will be earned. As of June 30, 2006, our estimates indicated that it is probable that 100% of our non-vested Performance Shares will be earned. For the fiscal years ended June 30, 2006, 2005 and 2004, we recorded non-cash stock compensation expense associated with our Performance Shares of \$1,234,129, \$0 and \$0, respectively. As of June 30, 2006, total unrecognized non-cash stock compensation expense related to our Performance Shares is \$523,868, which is expected to be recognized over the next 1.75 years, the period over which it is probable that the performance goals will be attained.

On November 8, 2005, certain employees and officers were granted 56,500 shares of restricted common stock, which vest by continued service alone ("Restricted Stock"). For employees and officers, the vesting period for Restricted Stock begins after a three-year holding period from the date of grant with one-third of the shares vesting in years four, five and six, respectively. On November 9, 2005, our non-executive directors were granted 7,500 shares of Restricted Stock. The non-executive directors' shares of Restricted Stock vest as to 50% immediately and 50% one year after the date of grant. Shares of Restricted Stock represent issued and outstanding shares of common stock, with dividend and voting rights. We measure the fair value of the Restricted Stock based upon the market price of our common stock as of the date of grant. Restricted Stock is amortized over the applicable vesting period using the straight-line method. Unvested shares of Restricted Stock are subject to forfeiture upon termination of employment with the Company.

A summary of the status of the Company's non-vested Restricted Stock as of June 30, 2006, and changes during the fiscal year ended June 30, 2006, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2005	37,625	\$ 17.38
Granted	64,000	\$ 22.38
Vested	(7,500)	\$ 20.50
Forfeited	(16,875)	\$ 20.25
Non-vested at June 30, 2006	<u>77,250</u>	<u>\$ 20.60</u>

For the fiscal years ended June 30, 2006, 2005 and 2004, we recorded non-cash stock compensation expense associated with the Restricted Stock of \$427,195, \$205,301 and \$0, respectively. As of June 30, 2006, total unrecognized non-cash stock compensation expense related to Restricted Stock was \$1,258,606, which is expected to be recognized over the remaining vesting period or 5.25 years.

Stock Issuances

During the fiscal year ended June 30, 2006, options to purchase 276,777 shares were exercised, resulting in proceeds of \$3,911,875. During the fiscal year ended June 30, 2005, options to purchase 200,993 shares were exercised, resulting in proceeds of \$973,012.

In September 2005, 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 proceeds of approximately \$54.7 million, which is net of the underwriters discount of \$2.9 million and estimated transaction costs of approximately \$327,000. The net proceeds in this equity offering have been and will continue to be used to fund the acquisition and financing of additional royalty interests and for general corporate purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. AVAILABLE FOR SALE SECURITIES

Investments in securities that have readily determinable market values are classified as available for sale investments. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive income (net of tax) as a separate component of stockholders' equity. We recorded an unrealized gain (net of tax) of \$783,382 for the fiscal year ended June 30, 2006. We recorded unrealized losses (net of tax) of \$208,328 and \$36,866 during the fiscal years ended June 30, 2005 and 2004, respectively. When investments are sold, the realized gains and losses on the sale of these investments, as determined using the specific identification method, are included in determining net income. We had no sales of available for sale investments during our fiscal year 2006. We recorded a gain on sale of available for sale securities of \$0, \$163,577, and \$22,778 during the fiscal years ended June 30, 2006, 2005 and 2004, respectively.

As explained in Note 2, we hold 1.3 million shares of Revett. The market value for our investment in the shares of Revett was \$1,483,137 as of June 30, 2006. Our cost basis in the Revett shares is \$1.0 million. We also hold 937,500 and 468,750 shares of common stock and warrants, respectively, in Taranis as part of the alliance with Taranis as also explained in Note 2. Our cost basis in the Taranis common stock and warrants is \$204,715. The market value for our investment in Taranis common stock and warrants was \$505,306 as of June 30, 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. ROYALTY INTERESTS IN MINERAL PROPERTIES

The following table summarizes the net book value of each of our royalty interests in mineral properties as of June 30, 2006 and 2005.

As of June 30, 2006:

	Gross	Accumulated Depletion & Amortization	Net
Production stage royalty interests:			
Pipeline Mining Complex			
GSR1	\$ —	\$ —	\$ —
GSR2	—	—	—
GSR3	8,105,020	(5,976,531)	2,128,489
NVR1	2,135,107	(1,548,577)	586,530
Bald Mountain	1,978,547	(1,817,586)	160,961
SJ Claims	20,788,444	(5,122,209)	15,666,235
Robinson mine	17,824,776	(301,460)	17,523,316
Mulatos mine	7,441,779	(128,798)	7,312,981
Troy mine GSR royalty	7,250,000	(1,140,870)	6,109,130
Troy mine Perpetual royalty	250,000	—	250,000
Leeville South	1,775,809	(1,753,588)	22,221
Leeville North	14,240,418	(180,379)	14,060,039
Martha	172,810	(172,810)	—
	<u>81,962,710</u>	<u>(18,142,808)</u>	<u>63,819,902</u>
Development stage royalty interests:			
Taparko Project			
TB-GSR1	13,859,877	—	13,859,877
TB-GSR2	4,053,927	—	4,053,927
TB-GSR3	569,062	—	569,062
	<u>18,482,866</u>	<u>—</u>	<u>18,482,866</u>
Exploration stage royalty interests:			
Taparko Project			
TB-GSR3	110,173	—	110,173
TB-MR1	71,853	—	71,853
Leeville North	2,305,845	(271,187)	2,034,658
Buckhorn South	70,117	—	70,117
	<u>2,557,988</u>	<u>(271,187)</u>	<u>2,286,801</u>
Total royalty interests in mineral properties	<u>\$103,003,564</u>	<u>\$(18,413,995)</u>	<u>\$84,589,569</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2005:

	Gross	Accumulated Depletion & Amortization	Net
Production stage royalty interests:			
Pipeline Mining Complex			
GSR1	\$ —	\$ —	\$ —
GSR2	—	—	—
GSR3	8,105,020	(5,586,436)	2,518,584
NVR1	2,135,107	(1,475,264)	659,843
Bald Mountain	1,978,547	(1,785,945)	192,602
SJ Claims	20,788,444	(2,936,632)	17,851,812
Troy mine GSR royalty	7,250,000	(388,594)	6,861,406
Leeville South	1,775,809	(1,638,007)	137,802
Martha	172,810	(172,810)	—
	<u>42,205,737</u>	<u>(13,983,688)</u>	<u>28,222,049</u>
Development stage royalty interests:			
Leeville North	14,240,418	—	14,240,418
Exploration stage royalty interests:			
Leeville North	2,305,845	(271,187)	2,034,658
Troy mine Perpetual royalty	250,000	—	250,000
Buckhorn South	70,117	—	70,117
	<u>2,625,962</u>	<u>(271,187)</u>	<u>2,354,775</u>
Total royalty interests in mineral properties	<u>\$59,072,117</u>	<u>\$(14,254,875)</u>	<u>\$44,817,242</u>

Discussed below is a status of each of our royalty interests in mineral properties.

Pipeline Mining Complex

We own two sliding-scale gross smelter return royalties (GSR1 ranging from 0.40% to 5.0% and GSR2 ranging from 0.72% to 9.0%), a 0.71% fixed gross smelter royalty (GSR3), and a 0.39% net value royalty (NVR1) over the Pipeline Mining Complex that includes the Pipeline, South Pipeline, GAP and Crossroads gold deposits in Lander County, Nevada.

The Pipeline Mining Complex is owned by the Cortez Joint Venture, a joint venture between Barrick Gold Corporation (“Barrick”) (60%), and Kennecott Explorations (Australia) Ltd. (40%), a subsidiary of Rio Tinto plc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bald Mountain

We own a 1.75% to 3.5% sliding-scale net smelter return, or NSR, royalty that burdens a portion of the Bald Mountain mine, in White Pine County, Nevada. Bald Mountain is an open pit, heap leach mine operated by Barrick. The sliding-scale royalty increases or decreases with the gold price, adjusted by the 1986 Producer Price Index. Our royalty rate is calculated quarterly and would currently increase to 2% at a quarterly average gold price of approximately \$811 per ounce in today's dollars.

SJ Claims

We own a 0.9% NSR 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.

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. Current production from the Leeville Project is derived from Leeville South and Leeville North underground mines, which are operated by Newmont Mining Corporation ("Newmont").

During our first fiscal quarter of 2006, Newmont began mining operations at Leeville North. Accordingly, during our first fiscal quarter of 2006, we reclassified our cost basis in Leeville North as a production stage royalty interest. As such, we began depleting our cost basis using the units of production method during our first fiscal quarter. Prior to our first fiscal quarter of 2006, we carried our interest in the proven and probable reserves at Leeville North as a development stage royalty interest.

We carry our interest in the non-reserve portion of Leeville North as an exploration stage royalty interest, which is not subject to periodic amortization. In the event that future proven and probable reserves are developed at Leeville North associated with our royalty interest, the cost basis of our exploration stage royalty interest will be reclassified as a development stage royalty interest or a production stage royalty interest in future periods, as appropriate. In the event that future circumstances indicate that the non-reserve portion of Leeville North will not be converted into proven and probable reserves, we will evaluate our carrying value in the exploration stage interest for impairment.

Martha Mine

We own a 2% NSR royalty on the Martha mine located in the Santa Cruz Province of Argentina, operated by Coeur d'Alene Mining Corporation.

Troy Mine

We own a production payment equivalent to a 7.0% GSR royalty from all metals and products produced and sold from the Troy mine, located in northeastern Montana and operated by Revett. The GSR royalty will extend until either cumulative production of approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or the Company receives \$10.5 million in cumulative payments, whichever occurs first. As of June 30, 2006, we have received payments associated with the GSR royalty totaling \$2.4 million. We carry our interest in the proven and probable reserves for the GSR royalty as a production stage royalty interest, which is depleted using the units of production method estimated by

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

using proven and probable reserves. Mining operations commenced at the Troy mine during December 2004, with the first shipment of concentrate occurring during January 2005. Amortization of our production stage interest commenced with the first concentrate shipment from the Troy mine during the third quarter of our fiscal year 2005.

We also own a perpetual royalty at the Troy mine. The royalty rate for the perpetual royalty 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. Effective January 1, 2006, we have re-classified our interest in the perpetual royalty from an exploration stage royalty interest to a production stage interest due to an increase in reserves at the Troy mine. We will deplete our interest in the perpetual royalty using the units of production method as production occurs in future periods.

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 carry our interests in TB-GSR1 and TB-GSR2 as development stage royalty interests, which are not currently subject to periodic amortization.

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, which is not subject to periodic amortization at this time. 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, which is also not subject to periodic amortization at this time.

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. TB-MR1 is classified as an exploration stage royalty interest and is not subject to periodic amortization at this time.

Robinson Mine

We own a 3% NSR royalty on the Robinson mine, located in eastern Nevada. The Robinson mine is an open pit copper mine with significant gold and molybdenum production. The mine has been owned and operated by Quadra since 2004.

Mulatos Mine

We own a sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico. The Mulatos mine, owned and operated by Alamos, is an open pit, heap leach gold mine. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Buckhorn South

We hold a 16.5% net profits interest royalty on the Buckhorn South property, located in Eureka County, Nevada. The Buckhorn South interest is classified as an exploration stage royalty interest.

6. EARNINGS PER SHARE (“EPS”) COMPUTATION

	For The Year Ended June 30, 2006		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$11,350,081	22,863,784	\$ 0.50
Effect of potentially dilutive options		258,078	
Diluted EPS	<u>\$11,350,081</u>	<u>23,121,862</u>	<u>\$ 0.49</u>

As of June 30, 2006, all outstanding options were included in the computation of diluted EPS because the exercise price of all the options was less than the average market price of our common shares for the period.

	For The Year Ended June 30, 2005		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$11,453,715	20,875,957	\$ 0.55
Effect of potentially dilutive options		194,840	
Diluted EPS	<u>\$11,453,715</u>	<u>21,070,797</u>	<u>\$ 0.54</u>

Options to purchase 392,580 shares of common stock, at an average purchase price of \$19.40 per share, were outstanding at June 30, 2005, but were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares for the year.

	For The Year Ended June 30, 2004		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$8,871,679	20,760,452	\$ 0.43
Effect of potentially dilutive options		350,069	
Diluted EPS	<u>\$8,871,679</u>	<u>21,110,521</u>	<u>\$ 0.42</u>

Options to purchase 266,940 shares of common stock, at an average purchase price of \$20.10 per share, were outstanding at June 30, 2004, but were not included in the computation of diluted EPS because the exercise price of these options was greater than the average market price of the common shares for the year.

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7. INCOME TAXES

The tax effects of temporary differences and carryforwards, which give rise to our deferred tax assets and liabilities at June 30, 2006 and 2005, are as follows:

	2006	2005
Deferred tax assets:		
AMT credit carryforwards	\$ —	\$ 120,745
Capital loss carrybacks	—	277,215
Non-cash stock-based compensation	495,018	47,052
Other	131,621	168,135
Total deferred tax assets	<u>626,639</u>	<u>613,147</u>
Valuation allowance	—	—
Net deferred tax assets	<u>626,639</u>	<u>613,147</u>
Deferred tax liabilities:		
Mineral property basis	(6,860,016)	(7,574,680)
Other	(318,891)	(18,412)
Total deferred tax liabilities	<u>(7,178,907)</u>	<u>(7,593,092)</u>
Total net deferred taxes	<u>\$(6,552,268)</u>	<u>\$(6,979,945)</u>

At June 30, 2004, we had approximately \$4,300,000 of net operating loss carryforwards which were fully utilized during our fiscal year 2005.

	2006	2005	2004
Current federal tax expense	\$5,973,878	\$3,047,551	\$ 882,243
Deferred tax (benefit) expense	(873,211)	1,375,357	2,890,695
Decrease in deferred tax asset valuation allowance	—	(320,446)	(118,580)
	<u>\$5,100,667</u>	<u>\$4,102,462</u>	<u>\$3,654,358</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The provision for income taxes for the fiscal years ended June 30, 2006, 2005 and 2004, differs from the amount of income tax determined by applying the applicable United States statutory federal income tax rate to pre-tax income from operations as a result of the following differences:

	2006	2005	2004
Total expense computed by applying statutory rate	\$5,757,761	\$5,444,662	\$4,384,113
State income taxes, net of federal benefit	191,856	156,600	130,741
Adjustments of valuation allowance	—	(320,446)	(118,580)
Excess depletion	(922,433)	(952,529)	(836,534)
Other	73,483	(225,825)	94,618
	<u>\$5,100,667</u>	<u>\$4,102,462</u>	<u>\$3,654,358</u>

As of June 30, 2006 and 2005, there was no valuation allowance recorded with respect to our deferred tax assets. As of June 30, 2004, our remaining valuation allowance was associated with the book versus tax basis difference attributed to our available for sale securities. During fiscal year 2005, the related available for sale securities were sold, resulting in the realization of the tax asset associated with those securities. As such, the valuation allowance of \$320,446 was fully reversed during fiscal 2005.

8. MAJOR CUSTOMERS

In each of fiscal years 2006, 2005 and 2004, we received \$23,089,615, \$21,600,739 and \$18,968,389, respectively, of our royalty revenues from the same operator, but not from the same mine.

9. SIMPLIFIED EMPLOYEE PENSION (“SEP”) PLAN

We maintain a Simplified Employee Pension (“SEP Plan”) in which all employees are eligible to participate. We contribute a minimum of 3% of an employee’s compensation to an account set up for the benefit of the employee. If an employee also chooses to contribute to the SEP Plan through salary reduction contributions, we will match such contributions to a maximum of 7% of the employee’s salary. We contributed \$150,683, \$126,390 and \$104,422, in fiscal years 2006, 2005 and 2004, respectively.

10. COMMITMENTS AND CONTINGENCIES

Taparko Project

As discussed in Note 2, on March 1, 2006, Royal Gold entered into a Funding Agreement with Somita related to the Taparko Project in Burkina Faso, West Africa. As part of the \$35 million funding commitment, we have funded approximately \$18.7 million as of June 30, 2006. During July and August of 2006, we funded an additional \$10.8 million to the Taparko Project, resulting in total funding by us of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

\$29.5 million as of August 25, 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 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 as defined, or to obtain additional royalty interests in the Taparko Project in an amount in proportion 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.

Taranis

As discussed in Note 2, on November 4, 2005, we entered into an agreement for exploration of the Taranis Kettukuusikko project in Finland with Taranis. We have funded exploration totaling \$500,000 in return for a 2% NSR royalty. 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. The Company has elected to exercise this option. In the event that Royal Gold does not fully fund the \$600,000 to earn the joint venture interest, we would retain our 2% NSR royalty.

Revett

Under the terms of the Revett purchase agreement, the Company has the right, but not the obligation, to cure any default by Revett under their obligations pursuant to an existing mortgage payable, secured by a promissory note, to Kennecott Montana Company, a third party and prior joint venture interest owner of the Troy mine. If the Company elects to exercise its right, it would have the subsequent right to reimbursement from Revett for any amounts disbursed in curing such defaults. The principal and accrued interest under the promissory note as of June 30, 2006, was approximately \$6.2 million with a maturity date of February 2008.

Casmalia

On March 24, 2000, the United States Environmental Protection Agency (“EPA”) notified Royal Gold and 92 other entities that they were considered potentially responsible parties (“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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 and the other PRPs for additional clean-up costs if the United States of America total clean-up costs at the Site significantly exceed the expected cost of approximately \$272 million. We believe our potential liability with the United States of America to be a remote possibility.

The Partial Consent Decree does not resolve Royal Gold's potential liability to the State of California ("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.

Operating Lease

We lease office space under a lease agreement, which expires December 31, 2009. Future minimum cash rental payments are \$119,067, \$122,421, \$125,775 and \$63,726 for fiscal years ending June 30, 2007, 2008, 2009, and 2010, respectively. Rent expense charged to operations for the years ended June 30, 2006, 2005 and 2004, amounted to \$115,206, \$111,089 and \$122,507, respectively.

Employment Agreements

We have one-year employment agreements with some of our officers which, under certain circumstances, require total minimum future compensation, at June 30, 2006, of \$682,000. The terms of each of these agreements automatically extend annually, for one additional year, unless terminated by Royal Gold or the officer, according to the terms of the agreements.

Line of Credit Commitment Fees

We have a line of credit from HSBC that may be used to acquire producing royalties and for general corporate purposes. During our second quarter, we finalized a line of credit expansion with HSBC to raise the availability under the line of credit from \$10 million to \$30 million. Costs associated with the line of credit expansion were approximately \$78,000. These costs were capitalized as a component of other assets on the consolidated balance sheets and will be amortized over the life of the credit facility. Any loan under the line of credit will be secured by a mortgage on our GSR1, GSR3 and NVR1 royalties at the Pipeline Mining Complex, and by a security interest in the cash proceeds from our royalty interests. The maturity date of our line of credit is December 31, 2009. As of June 30, 2006, no funds have been drawn under the line of credit. During fiscal years 2006, 2005 and 2004, we paid commitment fees of \$157,500, \$76,042 and \$76,510, respectively, to HSBC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	Royalty Revenues	Operating Income	Net Income	Earnings Per Share of Common Stock	Earnings Per Share of Common Stock Assuming Dilution
Fiscal Year 2006 Quarter Ended:					
September 30	\$ 6,827,619	\$ 4,045,678	\$ 3,057,431	\$ 0.14	\$ 0.14
December 31	7,575,307	3,252,818	2,907,295	0.12	0.12
March 31	5,760,750	1,742,577	1,819,139	0.08	0.08
June 30	8,216,467	4,370,773	3,566,216	0.15	0.15
	<u>\$28,380,143</u>	<u>\$13,411,846</u>	<u>\$11,350,081</u>	<u>\$ 0.50</u>	<u>\$ 0.49</u>
Fiscal Year 2005 Quarter Ended:					
September 30	\$ 5,924,091	\$ 3,333,143	\$ 2,498,426	\$ 0.12	\$ 0.12
December 31	6,031,833	2,952,042	2,618,318	0.13	0.12
March 31	5,868,538	3,440,586	2,726,089	0.13	0.13
June 30	7,477,870	4,936,271	3,610,882	0.17	0.17
	<u>\$25,302,332</u>	<u>\$14,662,042</u>	<u>\$11,453,715</u>	<u>\$ 0.55</u>	<u>\$ 0.54</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During the fiscal year ended June 30, 2006, there were no changes in or disagreements with our Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP, over accounting and financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusions Regarding Disclosure Controls and Procedures

The Securities and Exchange Commission defines the term “disclosure controls and procedures” to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Our President and Chief Executive Officer and our Chief Financial Officer, based on their evaluation of our disclosure controls and procedures as of June 30, 2006, concluded that our disclosure controls and procedures were effective for this purpose.

Management’s Report on Internal Control over Financial Reporting

Our management’s report on internal control over financial reporting is set forth in Item 8 of this Annual Report on Form 10-K and is incorporated by reference herein.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) during our fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item appears under the captions “Directors and Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance” included in the Company’s Proxy Statement for its 2006 Annual Stockholders Meeting to be filed with the Securities and Exchange commission within 120 days after June 30, 2006, and is incorporated by reference in this Annual Report on Form 10-K.

The Company’s Code of Business Conduct and Ethics is available on the Company’s website at www.royalgold.com and in print to any stockholder who requests a copy. Requests for copies should be directed to Royal Gold, Inc., Attention Karen Gross, 1660 Wynkoop Street, Suite 1000, Denver, Colorado, 80202. The Company intends to disclose any amendments to the Code of Business Conduct and Ethics on the Company’s website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item appears under the caption “Compensation of Directors and Officers” included in the Company’s Proxy Statement for its 2006 Annual Stockholders Meeting to be filed with the Securities and Exchange Commission within 120 days after June 30, 2006, and is incorporated by reference in this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item appears under the caption “Security Ownership of Certain Beneficial Owners and Management” included in the Company’s Proxy Statement for its 2006 Annual Stockholders Meeting to be filed with the Securities and Exchange Commission within 120 days after June 30, 2006, and is incorporated by reference in this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item appears under the caption “Certain Relationships and Related Transactions” included in the Company’s Proxy Statement for its 2006 Annual Stockholders Meeting to be filed with the Securities and Exchange Commission within 120 days after June 30, 2006, and is incorporated by reference in this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item appears under the caption “Ratification of Appointment of Independent Certified Public Accountants” included in the Company’s Proxy Statement for its 2006 Annual Stockholders Meeting to be filed with the Securities and Exchange Commission within 120 days after June 30, 2006, and is incorporated by reference in this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following is a list of documents filed as part of this report and are included herewith (*) or have been filed previously:

(1) Financial Statements included in Item 8.

- Consolidated Balance Sheets
- Consolidated Statements of Operations and Comprehensive Income
- Consolidated Statements of Stockholders' Equity
- Consolidated Statements of Cash Flow
- Notes to Consolidated Financial Statements

(2) Financial Statement schedules: All Schedules are omitted because the information called for is not applicable, is not required, or because the required information is set forth in the financial statements or notes thereto.

(3) Exhibits:

<u>Exhibit Number</u>	<u>Description</u>
2.1	Certificate of Ownership and Merger of High Desert Merger Sub Inc. into High Desert Mineral Resources, Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 23, 2002 and incorporated herein by reference)
3.1	Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on September 21, 2005 and incorporated herein by reference)
3.2	Amended and Restated Bylaws (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on November 14, 2005 and incorporated herein by reference)
3.3	Certificate of Designations (filed as Exhibit 20.4.3 to the Company's Registration Statement on Form S-3 on December 27, 1996 and incorporated herein by reference)
4.1	Shareholders' Rights Agreement (filed as Exhibit 4.1 to the Company's Form 8-A (File No. 000-56647) on September 12, 1997 and incorporated herein by reference)

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<u>Exhibit Number</u>	<u>Description</u>
10.1**	Equity Incentive Plan (filed as part of the Company's proxy statement for its 1996 Annual Meeting of Stockholders on November 25, 1996 (File No. 000-56647) and incorporated herein by reference)
10.2	Private Agreement between Rakov Pty. Ltd., Silver and Baryte Ores Mining Co., S.A., and Royal Gold, Inc., dated effective March 30, 1998 (filed as Exhibit 10(s) to the Company's Annual Report on Form 10-K (File No. 001-13357) on September 28, 1998 and incorporated herein by reference)
10.3	Private Agreement between Rakov Pty. Ltd. and Royal Gold, Inc. dated effective March 28, 1998 (filed as Exhibit 10(t) to the Company's Annual Report on Form 10-K (File No. 001-13357) on September 28, 1998 and incorporated herein by reference)
10.4	Exploration and Development Option Agreement between Placer Dome United States, Inc. and Royal Gold, Inc. dated effective July 1, 1998 (filed as Exhibit 10(v) to the Company's Annual Report on Form 10-K (File No. 001-13357) on September 28, 1998 and incorporated herein by reference)
10.5	Royalty Agreement between Royal Gold, Inc. and the Cortez Joint Venture dated April 1, 1999 (filed as part of Item 5 of the Company's Current Report on Form 8-K (File No. 001-13357) on April 12, 1999 and incorporated herein by reference)
10.6	Firm offer to purchase royalty interest of "Idaho Group" between Royal Gold, Inc. and Idaho Group dated July 22, 1999 (filed as Attachment A to the Company's Current Report on Form 8-K (File No. 001-13357) on September 2, 1999 and incorporated herein by reference)
10.7**	Amendment to Equity Incentive Plan (filed as Appendix A to the Company's proxy statement (File No. 001-13357) on October 15, 1999 and incorporated herein by reference)
10.8	Loan agreement between Royal Gold Inc. and HSBC Bank USA dated December 18, 2000 (filed as Exhibit 6 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on February 8, 2001 and incorporated herein by reference)
10.9	Share Exchange Agreement, dated November 9, 2002, by and between P. Lee Halavais and Royal Gold, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K (File No. 001-13357) on December 23, 2002 and incorporated herein by reference)
10.10	Amendment to Share Exchange Agreement, dated November 22, 2002 (filed as Exhibit 10.1.a to the Company's Current Report on Form 8-K (File No. 001-13357) on December 23, 2002 and incorporated herein by reference)

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<u>Exhibit Number</u>	<u>Description</u>
10.11	Second Amendment to Share Exchange Agreement, dated November 29, 2002 (filed as Exhibit 10.1.b to the Company's Current Report on Form 8-K (File No. 001-13357) on December 23, 2002 and incorporated herein by reference)
10.12	Assignment and Assumption Agreement, dated December 6, 2002 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 23, 2002 and incorporated herein by reference)
10.13	Production Payment Agreement between Genesis Inc. and Royal Gold, Inc. dated October 13, 2004 (filed as Exhibit 10.1(a) to the Company's Current Report on Form 8-K (File No. 001-13357) on October 18, 2004 and incorporated herein by reference)
10.14	Royalty Deed between Genesis Inc. and Royal Gold, Inc. dated October 13, 2004 (filed as Exhibit 10.1(b) to the Company's Current Report on Form 8-K (File No. 001-13357) on October 18, 2004 and incorporated herein by reference)
10.15	Agreement between Genesis Inc. and Royal Gold, Inc. dated October 13, 2004 (filed as Exhibit 10.1(c) to the Company's Current Report on Form 8-K (File No. 001-13357) on October 18, 2004 and incorporated herein by reference)
10.16**	Form of Incentive Stock Option Agreement (filed as Exhibit 10.01 to the Company's Current Report on Form 8-K (File No. 001-13357) on February 25, 2005 and incorporated herein by reference)
10.17**	Form of Nonqualified Stock Option Agreement (filed as Exhibit 10.02 to the Company's Current Report on Form 8-K (File No. 001-13357) on February 25, 2005 and incorporated herein by reference)
10.18**	Form of Restricted Stock Agreement (filed as Exhibit 10.03 to the Company's Current Report on Form 8-K (File No. 001-13357) on February 25, 2005 and incorporated herein by reference)
10.19**	Agreement dated February 18, 2005, by and between Royal Gold, Inc. and Stefan Wenger (filed as Exhibit 10.05 to the Company's Current Report on Form 8-K (File No. 001-13357) on February 25, 2005 and incorporated herein by reference)
10.20**	Royal Gold, Inc. 2004 Omnibus Long-Term Incentive Plan (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 001-13357) on September 21, 2005 and incorporated herein by reference)

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<u>Exhibit Number</u>	<u>Description</u>
10.21**	Form of Employment Contract (together with Schedule of Certain Executive Officers Parties Thereto) (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K (File No. 001-13357) on September 22, 2005 and incorporated herein by reference)
10.22	Royalty Assignment and Agreement, effective as of December 26, 2002, between High Desert Mineral Resources, Inc. and High Desert Gold Corporation (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K (File No. 001-13357) on September 22, 2005 and incorporated herein by reference)
10.23	Royalty Assignment, Confirmation, Amendment, and Restatement of Royalty, and Agreement, dated as of November 30, 1995, among Barrick Bullfrog Inc., Barrick Goldstrike Mines Inc. and Royal Hal Co. (filed as Exhibit 99.5 to the Company's Current Report on Form 8-K (File No. 001-13357) on September 22, 2005 and incorporated herein by reference)
10.24	Amendment to Royalty Assignment, Confirmation, Amendment, and Restatement of Royalty, and Agreement, effective as of October 1, 2004, among Barrick Bullfrog Inc., Barrick Goldstrike Mines Inc. and Royal Hal Co. (filed as Exhibit 99.6 to the Company's Current Report on Form 8-K (File No. 001-13357) on September 22, 2005 and incorporated herein by reference)
10.25	Amended and Restated Loan Agreement Between Royal Gold, Inc. and HSBC Bank USA, National Association (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 20, 2005 and incorporated herein by reference)
10.26	Amended and Restated Promissory Note (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 20, 2005 and incorporated herein by reference. Entered into pursuant to the Amended and Restated Loan Agreement between Royal Gold Inc. and HSBC Bank USA, National Association, filed as Exhibit 10.25)
10.27	Proceeds Agreement with HSBC Bank USA (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 20, 2005 and incorporated herein by reference. Entered into pursuant to the Amended and Restated Loan Agreement between Royal Gold Inc. and HSBC Bank USA, National Association, filed as Exhibit 10.25)
10.28	Purchase Agreement, dated December 22, 2005 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 29, 2005 and incorporated herein by reference)
10.29	Funding Agreement, dated as of December 1, 2005, by and between Societe des Mines de Taparko, also known as Somita SA, and Royal Gold, Inc. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on February 8, 2006 and incorporated herein by reference)

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<u>Exhibit Number</u>	<u>Description</u>
10.30	Form of Guarantee Agreement, dated as of December 1, 2005, by High River Gold Mines, Ltd. in favor of Royal Gold, Inc. (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on February 8, 2006 and incorporated herein by reference)
10.31	Form of Initial Pledge Agreement, dated as of December 1, 2005, by High River Gold Mines, Ltd. in favor of Royal Gold, Inc. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on February 8, 2006 and incorporated herein by reference)
10.32	Amended and Restated Funding Agreement dated as of February 22, 2006, between Société des Mines de Taparko, also known as Somita, SA, and Royal Gold, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on March 7, 2006 and incorporated herein by reference)
10.33	Conveyance of Tail Royalty and Grant of Milling Fee dated as of February 22, 2006, between Société des Mines de Taparko, also known as Somita, SA, and Royal Gold, Inc. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-13357) on March 7, 2006 and incorporated herein by reference)
10.34	Conveyance of Production Payment dated as of February 22, 2006, between Société des Mines de Taparko, also known as Somita, SA, and Royal Gold, Inc. (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-13357) on March 7, 2006 and incorporated herein by reference)
10.35	Guaranty and Agreement in Support of Somita Funding Agreement dated as of February 22, 2006, from High River Gold Mine Ltd. to and for the benefit of Royal Gold Inc. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)
10.36	Pledge Agreement dated as of February 22, 2006, between High River Gold Mines (International) Ltd., High River Gold Mines (West Africa) Ltd. and Royal Gold, Inc. (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)
10.37	Guarantee Agreement dated as of February 22, 2006, by High River Gold Mines Ltd. in favor of Royal Gold, Inc. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)

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<u>Exhibit Number</u>	<u>Description</u>
10.38	Pledge of Securities dated as of February 22, 2006, by High River Gold Mines Ltd. in favor of Royal Gold, Inc. (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)
10.39	Contribution Agreement in Support of Somita Funding Agreement dated as of February 22, 2006, from High River Gold Mine Ltd. to and for the benefit of Royal Gold Inc. (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)
10.40**	Form of Performance Share Agreement. (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)
10.41*	Amended and Restated Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement between Royal Gold, Inc. and HSBC USA, National Association, dated as of December 14, 2005, (entered into pursuant to the Amended and Restated Loan Agreement between Royal Gold, Inc. and HSBC Bank USA, National Association, filed as Exhibit 10.25)
14.1	Code of Business Conduct and Ethics (filed under Exhibit 99.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on November 14, 2005 and incorporated herein by reference)
21.1*	Royal Gold and Its Subsidiaries
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification of President and Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Written Statement of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Written Statement of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.

** Identifies each management contract or compensation plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROYAL GOLD, INC.

Date: September 6, 2006

By: /s/ Tony Jensen
Tony Jensen
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: September 6, 2006

By: /s/ Tony Jensen
Tony Jensen
President and Chief Executive Officer

Date: September 6, 2006

By: /s/ Stefan L. Wenger
Stefan L. Wenger
Chief Financial Officer

Date: September 6, 2006

By: /s/ Stanley Dempsey
Stanley Dempsey
Executive Chairman

Date: September 6, 2006

By: /s/ S. Oden Howell, Jr.
S. Oden Howell, Jr.
Director

Date: September 6, 2006

By: /s/ John W. Goth
John W. Goth
Director

Date: September 6, 2006

By: /s/ Merritt E. Marcus
Merritt E. Marcus
Director

Date: September 6, 2006

By: /s/ Edwin W. Peiker, Jr.
Edwin W. Peiker, Jr.
Director

Date: September 6, 2006

By: /s/ James W. Stuckert
James W. Stuckert
Director

Date: September 6, 2006

By: /s/ Donald J. Worth
Donald J. Worth

Exhibit Index

Exhibit Number	Description
2.1	Certificate of Ownership and Merger of High Desert Merger Sub Inc. into High Desert Mineral Resources, Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 23, 2002 and incorporated herein by reference)
3.1	Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on September 21, 2005 and incorporated herein by reference)
3.2	Amended and Restated Bylaws (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on November 14, 2005 and incorporated herein by reference)
3.3	Certificate of Designations (filed as Exhibit 20.4.3 to the Company's Registration Statement on Form S-3 on December 27, 1996 and incorporated herein by reference)
4.1	Shareholders' Rights Agreement (filed as Exhibit 4.1 to the Company's Form 8-A (File No. 000-56647) on September 12, 1997 and incorporated herein by reference)
10.1**	Equity Incentive Plan (filed as part of the Company's proxy statement for its 1996 Annual Meeting of Stockholders on November 25, 1996 (File No. 000-56647) and incorporated herein by reference)
10.2	Private Agreement between Rakov Pty. Ltd., Silver and Baryte Ores Mining Co., S.A., and Royal Gold, Inc., dated effective March 30, 1998 (filed as Exhibit 10(s) to the Company's Annual Report on Form 10-K (File No. 001-13357) on September 28, 1998 and incorporated herein by reference)
10.3	Private Agreement between Rakov Pty. Ltd. and Royal Gold, Inc. dated effective March 28, 1998 (filed as Exhibit 10(t) to the Company's Annual Report on Form 10-K (File No. 001-13357) on September 28, 1998 and incorporated herein by reference)
10.4	Exploration and Development Option Agreement between Placer Dome United States, Inc. and Royal Gold, Inc. dated effective July 1, 1998 (filed as Exhibit 10(v) to the Company's Annual Report on Form 10-K (File No. 001-13357) on September 28, 1998 and incorporated herein by reference)
10.5	Royalty Agreement between Royal Gold, Inc. and the Cortez Joint Venture dated April 1, 1999 (filed as part of Item 5 of the Company's Current Report on Form 8-K (File No. 001-13357) on April 12, 1999 and incorporated herein by reference)

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<u>Exhibit Number</u>	<u>Description</u>
10.6	Firm offer to purchase royalty interest of “Idaho Group” between Royal Gold, Inc. and Idaho Group dated July 22, 1999 (filed as Attachment A to the Company’s Current Report on Form 8-K (File No. 001-13357) on September 2, 1999 and incorporated herein by reference)
10.7**	Amendment to Equity Incentive Plan (filed as Appendix A to the Company’s proxy statement (File No. 001-13357) on October 15, 1999 and incorporated herein by reference)
10.8	Loan agreement between Royal Gold Inc. and HSBC Bank USA dated December 18, 2000 (filed as Exhibit 6 to the Company’s Quarterly Report on Form 10-Q (File No. 001-13357) on February 8, 2001 and incorporated herein by reference)
10.9	Share Exchange Agreement, dated November 9, 2002, by and between P. Lee Halavais and Royal Gold, Inc. (filed as Exhibit 10.1 to the Company’s Form 8-K (File No. 001-13357) on December 23, 2002 and incorporated herein by reference)
10.10	Amendment to Share Exchange Agreement, dated November 22, 2002 (filed as Exhibit 10.1.a to the Company’s Current Report on Form 8-K (File No. 001-13357) on December 23, 2002 and incorporated herein by reference)
10.11	Second Amendment to Share Exchange Agreement, dated November 29, 2002 (filed as Exhibit 10.1.b to the Company’s Current Report on Form 8-K (File No. 001-13357) on December 23, 2002 and incorporated herein by reference)
10.12	Assignment and Assumption Agreement, dated December 6, 2002 (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K (File No. 001-13357) on December 23, 2002 and incorporated herein by reference)
10.13	Production Payment Agreement between Genesis Inc. and Royal Gold, Inc. dated October 13, 2004 (filed as Exhibit 10.1(a) to the Company’s Current Report on Form 8-K (File No. 001-13357) on October 18, 2004 and incorporated herein by reference)
10.14	Royalty Deed between Genesis Inc. and Royal Gold, Inc. dated October 13, 2004 (filed as Exhibit 10.1(b) to the Company’s Current Report on Form 8-K (File No. 001-13357) on October 18, 2004 and incorporated herein by reference)
10.15	Agreement between Genesis Inc. and Royal Gold, Inc. dated October 13, 2004 (filed as Exhibit 10.1(c) to the Company’s Current Report on Form 8-K (File No. 001-13357) on October 18, 2004 and incorporated herein by reference)

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<u>Exhibit Number</u>	<u>Description</u>
10.16**	Form of Incentive Stock Option Agreement (filed as Exhibit 10.01 to the Company's Current Report on Form 8-K (File No. 001-13357) on February 25, 2005 and incorporated herein by reference)
10.17**	Form of Nonqualified Stock Option Agreement (filed as Exhibit 10.02 to the Company's Current Report on Form 8-K (File No. 001-13357) on February 25, 2005 and incorporated herein by reference)
10.18**	Form of Restricted Stock Agreement (filed as Exhibit 10.03 to the Company's Current Report on Form 8-K (File No. 001-13357) on February 25, 2005 and incorporated herein by reference)
10.19**	Agreement dated February 18, 2005, by and between Royal Gold, Inc. and Stefan Wenger (filed as Exhibit 10.05 to the Company's Current Report on Form 8-K (File No. 001-13357) on February 25, 2005 and incorporated herein by reference)
10.20**	Royal Gold, Inc. 2004 Omnibus Long-Term Incentive Plan (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 001-13357) on September 21, 2005 and incorporated herein by reference)
10.21**	Form of Employment Contract (together with Schedule of Certain Executive Officers Parties Thereto) (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K (File No. 001-13357) on September 22, 2005 and incorporated herein by reference)
10.22	Royalty Assignment and Agreement, effective as of December 26, 2002, between High Desert Mineral Resources, Inc. and High Desert Gold Corporation (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K (File No. 001-13357) on September 22, 2005 and incorporated herein by reference)
10.23	Royalty Assignment, Confirmation, Amendment, and Restatement of Royalty, and Agreement, dated as of November 30, 1995, among Barrick Bullfrog Inc., Barrick Goldstrike Mines Inc. and Royal Hal Co. (filed as Exhibit 99.5 to the Company's Current Report on Form 8-K (File No. 001-13357) on September 22, 2005 and incorporated herein by reference)
10.24	Amendment to Royalty Assignment, Confirmation, Amendment, and Restatement of Royalty, and Agreement, effective as of October 1, 2004, among Barrick Bullfrog Inc., Barrick Goldstrike Mines Inc. and Royal Hal Co. (filed as Exhibit 99.6 to the Company's Current Report on Form 8-K (File No. 001-13357) on September 22, 2005 and incorporated herein by reference)
10.25	Amended and Restated Loan Agreement Between Royal Gold, Inc. and HSBC Bank USA, National Association (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 20, 2005 and incorporated herein by reference)

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<u>Exhibit Number</u>	<u>Description</u>
10.26	Amended and Restated Promissory Note (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 20, 2005 and incorporated herein by reference. Entered into pursuant to the Amended and Restated Loan Agreement between Royal Gold Inc. and HSBC Bank USA, National Association, filed as Exhibit 10.25)
10.27	Proceeds Agreement with HSBC Bank USA (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 20, 2005 and incorporated herein by reference. Entered into pursuant to the Amended and Restated Loan Agreement between Royal Gold Inc. and HSBC Bank USA, National Association, filed as Exhibit 10.25)
10.28	Purchase Agreement, dated December 22, 2005 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on December 29, 2005 and incorporated herein by reference)
10.29	Funding Agreement, dated as of December 1, 2005, by and between Societe des Mines de Taparko, also know as Somita SA, and Royal Gold, Inc. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on February 8, 2006 and incorporated herein by reference)
10.30	Form of Guarantee Agreement, dated as of December 1, 2005, by High River Gold Mines, Ltd. in favor of Royal Gold, Inc. (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on February 8, 2006 and incorporated herein by reference)
10.31	Form of Initial Pledge Agreement, dated as of December 1, 2005, by High River Gold Mines, Ltd. in favor of Royal Gold, Inc. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on February 8, 2006 and incorporated herein by reference)
10.32	Amended and Restated Funding Agreement dated as of February 22, 2006, between Société des Mines de Taparko, also known as Somita, SA, and Royal Gold, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on March 7, 2006 and incorporated herein by reference)
10.33	Conveyance of Tail Royalty and Grant of Milling Fee dated as of February 22, 2006, between Société des Mines de Taparko, also known as Somita, SA, and Royal Gold, Inc. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-13357) on March 7, 2006 and incorporated herein by reference)
10.34	Conveyance of Production Payment dated as of February 22, 2006, between Société des Mines de Taparko, also known as Somita, SA, and Royal Gold, Inc. (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-13357) on March 7, 2006 and incorporated herein by reference)
10.35	Guaranty and Agreement in Support of Somita Funding Agreement dated as of February 22, 2006, from High River Gold Mine Ltd. to and for the benefit of Royal Gold Inc. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)

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<u>Exhibit Number</u>	<u>Description</u>
10.36	Pledge Agreement dated as of February 22, 2006, between High River Gold Mines (International) Ltd., High River Gold Mines (West Africa) Ltd. and Royal Gold, Inc. (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)
10.37	Guarantee Agreement dated as of February 22, 2006, by High River Gold Mines Ltd. in favor of Royal Gold, Inc. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)
10.38	Pledge of Securities dated as of February 22, 2006, by High River Gold Mines Ltd. in favor of Royal Gold, Inc. (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)
10.39	Contribution Agreement in Support of Somita Funding Agreement dated as of February 22, 2006, from High River Gold Mine Ltd. to and for the benefit of Royal Gold Inc. (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)
10.40**	Form of Performance Share Agreement. (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q (File No. 001-13357) on May 9, 2006 and incorporated herein by reference)
10.41*	Amended and Restated Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement between Royal Gold, Inc. and HSBC USA, National Association, dated as of December 14, 2005, (entered into pursuant to the Amended and Restated Loan Agreement between Royal Gold, Inc. and HSBC Bank USA, National Association, filed as Exhibit 10.25)
14.1	Code of Business Conduct and Ethics (filed under Exhibit 99.1 to the Company's Current Report on Form 8-K (File No. 001-13357) on November 14, 2005 and incorporated herein by reference)
21.1*	Royal Gold and Its Subsidiaries
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification of President and Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Written Statement of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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<u>Exhibit Number</u>	<u>Description</u>
32.2*	Written Statement of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.

** Identifies each management contract or compensation plan or arrangement.

**AMENDED AND RESTATED
MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT,
PLEDGE AND FINANCING STATEMENT**

FROM

ROYAL GOLD, INC., as Trustor

TO

STEWART TITLE OF NORTHEASTERN NEVADA, as Trustee

AND

HSBC BANK USA, National Association, as Beneficiary

DATED AS OF DECEMBER 14, 2005

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT SECURES FUTURE ADVANCES.

THIS DOCUMENT WAS PREPARED BY
AND WHEN RECORDED AND/OR FILED
SHOULD BE RETURNED TO:

Joel O. Benson, Esq.
Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado 80202

**AMENDED AND RESTATED
MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT,
PLEDGE AND FINANCING STATEMENT**

This Amended and Restated Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement (the “Mortgage”) is entered into by and among Royal Gold, Inc., a Delaware corporation, whose address is 1660 Wynkoop Street, Suite 1000, Denver, Colorado 80202-1132 (herein called “Trustor”), Stewart Title of Northeastern Nevada, (herein called “Trustee”), and HSBC Bank USA, National Association (herein called “Beneficiary”), a bank organized under the laws of the State of New York, whose address is 452 Fifth Avenue, New York, New York 10018.

RECITALS

A. The Trustor, Trustee and Beneficiary entered into that certain Mortgage, Deed of Trust, Security Agreement, Pledge and Financing Statement, effective as of December 18, 2000 which was recorded with the Office of the County Clerk and Recorder, Lander County, Nevada on January 10, 2001, number 218220 in Book 485, Pages 131 to 154 (as amended and modified prior to the date hereof, the “Existing Mortgage”). As a result of and as contemplated in that certain Amended and Restated Loan Agreement dated as of December 14, 2005, between Trustor, as borrower, and Beneficiary, as lender (the “Loan Agreement”), the Trustor, Trustee and Beneficiary desire to amend, restate, modify and continue the Existing Mortgage as provided herein.

B. This Mortgage secures the Trustor’s prompt and complete payment and performance of all Obligations under, and as defined in, the Loan Agreement. It is a condition precedent to the Beneficiary making “Loans” to the Trustor under, and as defined in, the Loan Agreement that the Trustor shall have granted and perfected the liens and security interests contemplated by this Mortgage.

C. The Existing Mortgage is hereby amended, continued and restated in its entirety as set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1 — DEFINITIONS

Section 1.1 Defined Terms. For the purposes of this instrument:

“Collateral” includes Personalty Collateral and Realty Collateral as hereinafter defined.

“Debt Service Reserve Account” means a demand deposit account of Trustor at the offices of the Beneficiary in New York, New York, Account Number 66C-003556, and all other accounts which may be maintained from time to time by Trustor in accordance with the Loan Agreement.

“Dollars” mean lawful money of the United States of America.

“Effective Date” means December 14, 2005.

“Obligations” means the aggregate of:

(i) all amounts payable pursuant to an amended and restated promissory note, dated December 14, 2005, payable in full on or before December 31, 2008, executed by Trustor, payable to the order of the Beneficiary, in the principal face amount of Thirty Million Dollars (\$30,000,000) (referred to herein as the “Note”), executed and delivered pursuant to the Loan Agreement;

(ii) any and all other or additional indebtedness or liabilities for which Trustor is now or may become liable to Beneficiary in any manner, whether under this instrument, the Loan Agreement or any other Loan Document (as defined in the Loan Agreement), either primarily or secondarily, absolutely or contingently, directly or indirectly, jointly, severally, or jointly and severally, and whether matured or unmatured, and whether or not created after payment in full of the Obligations if this instrument shall not have been released of record by Beneficiary;

(iii) all sums advanced and costs and expenses incurred by the Trustee or the Beneficiary, including without limitation all legal, accounting, engineering, management, consulting or like fees, made and incurred in connection with the Obligations described in paragraphs (i) and (ii) above or any part thereof, any renewal, extension or modification of, or substitution for, the foregoing Obligations or any part thereof, or the acquisition, perfection or maintenance and preservation of the security therefor, whether such advances, costs or expenses shall have been made and incurred at the request of Trustee, Beneficiary or Trustor; and

(iv) any and all extensions and renewals of, substitutions for, or modifications or amendments of any of the foregoing Obligations or any part thereof.

“Personalty Collateral” means all of Trustor’s interest now owned or hereafter acquired in and to: (i) all Products attributable to the Royalty Interests, (ii) all Production Sales Contracts, (iii) all Royalty Agreements, (iv) all Refinery Accounts, (v) the Debt Service Reserve Account, and (vi) all accounts, contract rights and general intangibles now existing or hereafter arising in connection with the exploration for, production, processing, treatment, storage, transportation, manufacture or sale of Products attributable to the Royalty Interests.

“Proceeds” includes whatever is received upon the sale, exchange, collection or other disposition of the Collateral and insurance payable or damages or other payments by reason of loss or damage to the Collateral, and all additions thereto, substitutions and replacements thereof or accessions thereto.

“Production Sales Contract” means each contract now in effect or hereafter entered into by Trustor or Trustor’s predecessors in title for the sale, purchase, exchange or processing of Products attributable to the Royalty Interests.

“Products” means without limitation all ore, minerals, concentrate, doré, bar, and refined gold, silver or other metals.

“Realty Collateral” means all of Trustor’s interest in and to the Royalty Interests, including, but not limited to, the interests of Trustor described or specified in Parts I, II and III of Exhibit A hereto.

“Refinery Accounts” means accounts, and the credit balances in Dollars or Products therein, of Trustor at any refinery or processing facility to which Products attributable to the Royalty Interests are delivered, expressly including all accounts of Trustor presently in effect at Johnson Matthey in Salt Lake City, Utah.

“Royalty Agreements” means the agreements identified in Part IV of Exhibit A which create, define or otherwise pertain to the Royalty Interests, as of the Effective Date, and all other agreements to which Trustor is a party which pertain to the Royalty Interests.

“Royalty Interests” means the royalty interests and estates and other interests of Trustor identified in Part I of Exhibit A attached hereto and made a part hereof, in the lands described in Parts II and III of Exhibit A, whether now owned or hereafter acquired, or any other Royalty Interest acquired with the proceeds of the Loan, by operation of law or otherwise, together with all of Trustor’s interests of any nature whatsoever now or hereafter incident or appurtenant thereto, including, but not limited to, fee mineral and surface interests in said lands, all unsevered and unextracted Products in, under or attributable to Trustor’s interests in the royalty interest and estates and other interests of Trustor identified in Part I of Exhibit A hereto, in the lands described in Parts II and III of Exhibit A and in any other royalty interests, estates and other interests in lands acquired with the proceeds of Loans, and all rights of way, surface leases, and easements affecting the foregoing interests of Trustor or useful or appropriate in exploring and/or producing, processing, treating, handling, storing, transporting or marketing Products therefrom.

ARTICLE 2 — CREATION OF SECURITY

Section 2.1 Grant. In consideration of the Beneficiary’s advancing or extending the funds or credit constituting the Obligations, and in consideration of the mutual covenants contained herein, and for the purpose of securing payment of the Obligations, Trustor hereby grants, bargains, sells, warrants, mortgages, assigns, transfers and conveys the Realty Collateral to the Trustee, with power of sale subject to the terms thereof, for the benefit of Beneficiary; to have and to hold the Realty Collateral, together with all and singular the rights, privileges, contracts, and appurtenances now or hereafter at any time before the foreclosure or release hereof, in any way appertaining or belonging thereto, unto the Trustee and to its substitutes or successors, forever, in trust, upon the terms and conditions herein set forth; and Trustor hereby binds and obligates itself and its successors and assigns, to warrant and to defend, all and singular, title to the Collateral unto the Trustee, its substitutes or successors, forever, against the claims of any and all persons whomsoever claiming any part thereof.

Section 2.2 Creation of Security Interest. In addition to the grant contained in Section 2.1, and for the same consideration and purpose, Trustor hereby grants to the Beneficiary, a first and prior security interest in all Personalty Collateral, now owned or hereafter acquired by Trustor, and in all Proceeds. Trustor, without limiting the foregoing provisions of this Section 2.2, stipulates that the grant made by this Section 2.2 includes a grant of a security interest in Products extracted from or attributable to the Royalty Interests and in the Proceeds resulting from sale of such Products, such security interest to attach to such Products as extracted and to the accounts resulting from such sales.

Section 2.3 Pledge. Trustor hereby makes a common law pledge to the Beneficiary of the Debt Service Reserve Account and the Refinery Accounts, and the credit balances therein from time to time.

Section 2.4 Proceeds. The security interest of Beneficiary hereunder in the Proceeds shall not be construed to mean that Beneficiary consents to the sale or other disposition of any part of the Collateral other than Products extracted from or attributable to the Royalty Interests and sold in the ordinary course of business.

Section 2.5 Substitution of Beneficiary for Trustor. This instrument shall be effective, at the Beneficiary's option and as allowed by applicable law, as a mortgage as well as a deed of trust, and every grant herein to the Trustee of interests, powers, rights and remedies shall likewise be a grant of the same interests, powers, rights and remedies to the Beneficiary, as mortgagee. Subject to applicable law, Beneficiary shall in all instances, and in its sole discretion, elect whether this instrument shall be effective as a mortgage or as a deed of trust.

Section 2.6 Continuing Status of Lien, Security Interest and Pledge.

(a) The Loan Agreement and the Note provide for a revolving loan or loans from the Beneficiary to the Trustor pursuant to which, for the period specified in the Loan Agreement and in the Note, and subject to the terms and conditions of the Loan Agreement, the Trustor may borrow, repay and reborrow funds from the Beneficiary. So long as the commitment of the Beneficiary under the Loan Agreement to advance funds to the Trustor remains in effect, the lien on the Realty Collateral and the security interest in and pledge relating to the Personalty Collateral created hereby shall remain in effect with the priority date established by the recording or filing hereof, notwithstanding the fact that from time to time the outstanding balance of the loans to the Trustor under the Loan Agreement may be zero.

(b) This Mortgage amends, restates and continues the Existing Mortgage and nothing contained herein shall be deemed or construed to be a repayment, satisfaction or novation of the Obligations or to release, terminate, novate or in any way limit or impair any lien, security interest or encumbrance granted or given under the Existing Mortgage or otherwise to secure the Obligations.

ARTICLE 3 — ASSIGNMENT OF PRODUCTION PROCEEDS

Section 3.1 Assignment. As further security for the payment of the Obligations, the Trustor hereby assigns to the Beneficiary, effective upon an Event of Default, all Products (and the Proceeds therefrom) which are extracted from or attributable to the Royalty Interests and, effective automatically upon an Event of Default, the Trustor hereby transfers, assigns, warrants and conveys to Beneficiary all Products (and the Proceeds therefrom) which are extracted from or attributable to the Royalty Interests. Upon the occurrence of an Event of Default, all persons producing, purchasing and receiving such Products or the Proceeds therefrom are authorized and directed to treat Beneficiary as the person entitled in Trustor's place and stead to receive the same; and further, those persons will be fully protected in so treating Beneficiary and will be under no obligation to see to the application by Beneficiary of any Proceeds received by it. Trustor agrees that, if, after the occurrence of an Event of Default, any Proceeds from such Products are paid to Trustor, such proceeds shall constitute trust funds in the hands of Trustor, shall be segregated from all other funds of Trustor and separately held by Trustor, and shall be forthwith paid over by Trustor to Beneficiary in accordance with the Loan Agreement. Upon the occurrence of an Event of Default, Trustor shall, if and when requested by Beneficiary, execute and file with any production purchaser a transfer order or other instrument declaring Beneficiary to be entitled to the Proceeds of severed Products and instructing such purchaser to pay such Proceeds to Beneficiary. After the occurrence of an Event of Default, should any purchaser fail to make payment promptly to Beneficiary of the proceeds derived from the sale thereof, Beneficiary shall have the right, subject only to any contractual rights of such purchaser or any operator, to designate another purchaser to purchase and take such Products, without liability of any kind on Beneficiary in making such selection so long as ordinary care is used in respect thereof.

Section 3.2 Trustor's Payment Duties. Nothing contained herein will limit Trustor's duty to make payment on the Obligations when the Proceeds received by Beneficiary pursuant to this Article 3 are insufficient to pay the costs, interest, principal and any other portion of the Obligations then owing, and the receipt of Proceeds by Beneficiary will be in addition to all other security now or hereafter existing to secure payment of the Obligations.

Section 3.3 Liability of Beneficiary. Beneficiary has no obligation to enforce collection of any Proceeds and is hereby released from all responsibility in connection therewith, except the responsibility to account to Trustor for Proceeds actually received.

Section 3.4 Indemnification. Trustor agrees to indemnify Beneficiary against and hold Beneficiary harmless from all claims, actions, liabilities, losses, judgments, attorneys' fees, costs and expenses and other charges of any description whatsoever (all of which are hereafter referred to in this Section 3.4 as "Claims") made against or sustained or incurred by Beneficiary as a consequence of the assertion, either before or after the payment in full of the Obligations, that Beneficiary received Products or Proceeds pursuant to this instrument. Beneficiary will have the right to employ attorneys and to defend against any Claims and unless furnished with satisfactory indemnity, after notice to Trustor, Beneficiary will have the right to pay or compromise and adjust all Claims in its sole reasonable discretion. Trustor shall indemnify and pay to Beneficiary all amounts paid by Beneficiary in compromise or adjustment of any of the Claims or amounts adjudged against Beneficiary in respect of any of the Claims. The liabilities of Trustor as set forth in this Section 3.4 will constitute Obligations and will survive the termination of this instrument.

ARTICLE 4 — TRUSTOR'S WARRANTIES AND COVENANTS

Section 4.1 Payment of Obligations. Trustor covenants that it will pay all Obligations when due and otherwise faithfully and strictly perform all obligations of Trustor under the Note, the Loan Agreement and any other instrument or document executed and delivered in connection with the Obligations. If any part of the Obligations is not evidenced by a writing specifying a due date, Trustor agrees to pay the same upon demand. All Obligations are payable to Beneficiary as provided in the Loan Agreement.

Section 4.2 Warranties and Covenants.

(a) Trustor warrants and covenants that:

(i) no approval or consent of any regulatory or administrative commission or authority or of any other governmental body or any other party is necessary to authorize the execution and delivery of this instrument or of any other written instrument constituting or evidencing the Obligations, or to authorize the observance or performance by Trustor of the covenants contained in the instruments constituting or evidencing the Obligations, or to authorize the observance or performance by Trustor of the covenants contained in this instrument or in the other written instruments constituting or evidencing the Obligations or to enable the Beneficiary to exercise its rights hereunder;

(ii) Trustor is not obligated, by virtue of a prepayment arrangement under any Production Sales Contract containing a "take or pay" clause or any other prepayment arrangement, to deliver Products produced from the Royalty Interests at some future time without then or thereafter receiving full payment therefor; and Trustor, without Beneficiary's prior written consent, shall not hereafter make any such prepayment arrangements, other than by a customary "take or pay" clause contained in a Production Sales Contract; and

(iii) it has not (since 1987) used any corporate name or done business under a name other than Royal Gold, Inc., and that it will not do so, or relocate its chief executive office outside of the State of Colorado without at least thirty days' prior notice to the Beneficiary.

(b) Trustor warrants and shall forever defend the Collateral against every person whomsoever lawfully claiming the same or any part thereof, and Trustor shall maintain and preserve the lien and security interest herein created until this instrument has been terminated as provided herein.

Section 4.3 Operation of Property Burdened with Royalty Interests. As long as this instrument has not been terminated, Trustor shall, at Trustor's own expense, use commercially reasonable efforts, consistent with its status as a non-executory, royalty interest holder and

consistent with Trustor's rights and obligations under the Royalty Agreements, to cause the operator(s) of the properties subject to the Royalty Interests to:

(a) comply fully with all of the terms and conditions of all leases and other instruments of title and all rights-of-way, easements and privileges necessary for the proper operation of such leases and instruments, and otherwise do all things necessary to keep Trustor's rights and Beneficiary's interest in the Collateral unimpaired;

(b) not abandon any property which is producing or capable of commercial production or forfeit, surrender or release any lease, sublease, operating agreement or other agreement or instrument comprising or affecting the Royalty Interests without Beneficiary's prior written consent, which consent shall not be withheld unreasonably;

(c) cause the properties subject to the Royalty Interests to be maintained, developed and operated in a good and workmanlike manner as a prudent operator would in accordance with generally accepted practices, applicable operating agreements and all applicable federal, state and local laws, rules, regulations and orders; and

(d) promptly pay or cause to be paid when due and owing all rentals and royalties payable in respect of the properties subject to the Royalty Interests; all expenses incurred in or arising from the operation or development of such properties; and all taxes, assessments and governmental charges imposed upon such properties.

Section 4.4 Recording and Filing. Trustor shall pay all costs of filing, registering and recording this and every other instrument in addition or supplemental hereto and all financing statements Beneficiary may require, in such offices and places and at such times and as often as may be, in the judgment of Beneficiary, necessary to preserve, protect and renew the lien and security interest herein created as a first lien and prior security interest on and in the Collateral and otherwise do and perform all matters or things necessary or expedient to be done or observed by reason of any law or regulation of any State or of the United States or of any other competent authority for the purpose of effectively creating, maintaining and preserving the lien and security interest created herein and on the Collateral and the priority thereof. Trustor shall also pay the costs of obtaining reports from appropriate filing officers concerning financing statement filings in respect of any of the Collateral in which a security interest is granted herein.

Section 4.5 Trustee's or Beneficiary's Right to Perform Trustor's Obligations. Trustor agrees that, if Trustor fails to perform any act which Trustor is required to perform under this instrument, Beneficiary or the Trustee or any receiver appointed hereunder may, but shall not be obligated to, perform or cause to be performed such act, and any expense incurred by Beneficiary or the Trustee in so doing shall be a demand obligation owing by Trustor to Beneficiary, shall bear interest at an annual rate equal to the maximum interest rate provided in the Note until paid and shall be a part of the Obligations, and Beneficiary, the Trustee or any receiver shall be subrogated to all of the rights of the party receiving the benefit of such performance. The undertaking of such performance by Beneficiary, the Trustee or any receiver as aforesaid shall not obligate such person to continue such performance or to engage in such performance or performance of any other act in the future, shall not relieve Trustor from the observance or performance of any covenant, warranty or agreement contained in this instrument

or constitute a waiver of default hereunder and shall not affect the right of Beneficiary to accelerate the payment of all indebtedness and other sums secured hereby or to resort to any other of its rights or remedies hereunder or under applicable law. In the event the Beneficiary, the Trustee or any receiver appointed hereunder undertakes any such action, no such party shall have any liability to the Trustor in the absence of a showing of gross negligence or willful misconduct of such party, and in all events no party other than the acting party shall be liable to Trustor.

ARTICLE 5 — DEFAULT

Section 5.1 Events of Default. The term “Event of Default” shall have the meaning given thereto in the Loan Agreement, but shall also include the occurrence or the existence of any of the following conditions:

(a) failure by Trustor to keep, punctually perform or observe any of the covenants, obligations or prohibitions contained herein, in any other written instrument evidencing any of the Obligations or in any other agreement with Beneficiary (whether now existing or entered into hereafter) following notice, if required, and the expiration of applicable cure periods, if any; or

(b) the assertion (except by the owner of an encumbrance expressly excepted from Trustor’s warranty of title herein) of any claim of priority over this instrument, by title, lien or otherwise, unless Trustor within 30 days after such assertion either causes the assertion to be withdrawn or provides Beneficiary with such security as Beneficiary may require to protect Beneficiary against all loss, damage, or expense, including attorneys’ fees, which Beneficiary may incur in the event such assertion is upheld.

Section 5.2 Acceleration Upon Default. Upon the occurrence of any Event of Default, or at any time thereafter, Beneficiary may, at its option, by notice to Trustor, declare the entire unpaid principal of and the interest accrued on the Obligations to be due and payable forthwith without any further notice, presentment or demand of any kind, all of which are hereby expressly waived.

Section 5.3 Possession and Operation of Property. Upon the occurrence of any Event of Default, or at any time thereafter, and in addition to all other rights therein conferred on the Trustee or the Beneficiary, the Trustee, the Beneficiary or any person, firm or corporation designated by Beneficiary, will have the right and power, but will not be obligated, to have an audit performed, at Trustor’s expense, of the books and records of Trustor, and to enter upon and take possession of all or any part of the Collateral, to exclude Trustor therefrom, and to hold, use, administer and manage the same to the extent that Trustor could do so. The Trustee, the Beneficiary or any person, firm or corporation designated by the Beneficiary, may manage the Collateral, or any portion thereof, without any liability to Trustor in connection with such management except with respect to gross negligence or willful misconduct; and the Trustee, the Beneficiary or any person, firm or corporation designated by Beneficiary will have the right to collect, receive and receipt for all Products produced and sold from the Royalty Interests, and to exercise every power, right and privilege of Trustor with respect to the Collateral. Providing there has been no foreclosure sale, when and if the expenses of the management of the Collateral have been paid and the Obligations paid in full, the remaining Collateral shall be returned to the Trustor.

Section 5.4 Ancillary Rights. Upon the occurrence of an Event of Default, or at any time thereafter, and in addition to all other rights of Beneficiary hereunder, Beneficiary may, without notice, demand or declaration of default, all of which are hereby expressly waived by Trustor, proceed by a suit or suits in equity or at law (i) for the seizure and sale of the Collateral or any part thereof, (ii) for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, (iii) for the foreclosure or sale of the Collateral or any part thereof under the judgment or decree of any court of competent jurisdiction, (iv) without regard to the solvency or insolvency of any person, and without regard to the value of the Collateral, and without notice to Trustor (notice being hereby expressly waived), for the ex parte appointment of a receiver to serve without bond pending any foreclosure or sale hereunder, or (v) for the enforcement of any other appropriate legal or equitable remedy.

ARTICLE 6 — BENEFICIARY’S RIGHTS AS TO REALTY COLLATERAL UPON DEFAULT

Section 6.1 Judicial Foreclosure. This instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of an Event of Default, or at any time thereafter, in lieu of the exercise of the non-judicial power of sale hereafter given, Beneficiary may, subject to any mandatory requirement of applicable law, proceed by suit to foreclose its lien hereunder and to sell or have sold the Realty Collateral or any part thereof at one or more sales, as an entirety or in parcels, at such place or places and otherwise, in such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as Beneficiary may deem appropriate, and Beneficiary shall thereafter make or cause to be made a conveyance to the purchaser or purchasers thereof. Beneficiary may postpone the sale of the real property included in the Collateral or any part thereof by public announcement at the time and place of such sale, and from time to time thereafter may further postpone such sale by public announcement made at the time of sale fixed by the preceding postponement. Sale of a part of the real property included in the Collateral will not exhaust the power of sale, and sales may be made from time to time until all such property is sold or the Obligations are paid in full.

Section 6.2 Non-Judicial Foreclosure. If the Note or other Obligations are not paid when due, whether by acceleration or otherwise, the Trustee is hereby authorized and empowered, and it shall be its duty, upon request of Beneficiary, and to the extent permitted by applicable law, to sell any part of the Realty Collateral at one or more sales, as an entirety or in parcels, at such place or places and otherwise in such manner and upon such notice as may be required by applicable law, or in the absence of any such requirement, as Trustee and/or Beneficiary may deem appropriate, and to make conveyance to the purchaser or purchasers thereof. Any sale shall be made to the highest bidder for cash at the door of the county courthouse of, or in such other place as may be required or permitted by applicable law in, the county in the state where the Realty Collateral or any part thereof is situated; provided that and if the Realty Collateral lies in more than one county, such part of the Realty Collateral may be sold

at the courthouse door of any one of such counties, and the notice so posted shall designate in which county such property shall be sold. Any such sale shall be made at public outcry, on the day of any month, during the hours of such day and after such written notices thereof have been publicly posted in such places and for such time periods and after all persons entitled to notice thereof have been sent such notice, all as required by applicable law in effect at the time of such sale. The affidavit of any person having knowledge of the facts to the effect that such a service was completed shall be prima facie evidence of the fact of service. The Trustor agrees that no notice of any sale, other than as required by applicable law, need be given by the Trustor, the Beneficiary or any other person. The Trustor hereby designates as its address for the purposes of such notice the address set out on page two hereof; and agrees that such address shall be changed only by depositing notice of such change enclosed in a postpaid wrapper in a post office or official depository under the care and custody of the United States Postal Service, certified mail, postage prepaid, return receipt requested, addressed to the Beneficiary or other holder of the Obligations at the address for the Beneficiary set out herein (or to such other address as the Beneficiary or other holder of the Obligations may have designated by notice given as above provided to the Trustor and such other debtors). Any such notice or change of address of the Trustor or other debtors or of the Beneficiary or of other holder of the Obligations shall be effective upon receipt. The Trustor authorizes and empowers the Trustee to sell the Realty Collateral in lots or parcels or in its entirety as the Trustee shall deem expedient; and to execute and deliver to the purchaser or purchasers thereof good and sufficient deeds of conveyance thereto by fee simple title, with evidence of general warranty by the Trustee, and the title of such purchaser or purchasers when so made by the Trustee, the Trustor binds itself to warrant and forever defend. Where portions of the Realty Collateral lie in different counties, sales in such counties may be conducted in any order that the Trustee may deem expedient; and one or more such sales may be conducted in the same month, or in successive or different months as the Trustor may deem expedient.

ARTICLE 7 — BENEFICIARY’S RIGHTS AS TO PERSONALTY AND FIXTURE COLLATERAL UPON DEFAULT

Section 7.1 Personalty Collateral. Upon the occurrence of an Event of Default, or at any time thereafter, Beneficiary may, without notice to Trustor, exercise its rights to declare all of the Obligations to be immediately due and payable, in which case Beneficiary will have all rights and remedies granted by law, and particularly by the Uniform Commercial Code, including, but not limited to, the right to take possession of the Personalty Collateral, and for this purpose Beneficiary may enter upon any premises on which any or all of the Personalty Collateral is situated and take possession of and operate the Personalty Collateral or remove it therefrom. Beneficiary may require Trustor to assemble the Personalty Collateral and make it available to Beneficiary or the Trustee at a place to be designated by Beneficiary which is reasonably convenient to all parties. Unless the Personalty Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Beneficiary will give Trustor reasonable notice of the time and place of any public sale or of the time after which any private sale or other disposition of the Personalty Collateral is to be made. This requirement of sending reasonable notice will be met if the notice is mailed, postage prepaid, to Trustor at the address designated above at least five days before the time of the sale or disposition.

Section 7.2 Sale with Realty Collateral. In the event of foreclosure, whether judicial or non-judicial, at Beneficiary's option it may proceed under the Uniform Commercial Code as to the Personalty Collateral or it may proceed as to both Realty Collateral and Personalty Collateral in accordance with its rights and remedies in respect of the Realty Collateral.

Section 7.3 Private Sale. If Beneficiary in good faith believes that the Securities Act of 1933 or any other State or Federal law prohibits or restricts the customary manner of sale or distribution of any of the Personalty Collateral, or if Beneficiary determines that there is any other restraint or restriction limiting the timely sale or distribution of any such property in accordance with the customary manner of sale or distribution, Beneficiary may sell or may cause the Trustee to sell such property privately or in any other manner it deems advisable at such price or prices as it determines in its sole discretion and without any liability whatsoever to Trustor in connection therewith. Trustor recognizes and agrees that such prohibition or restriction may cause such property to have less value than it otherwise would have and that, consequently, such sale or disposition by Beneficiary may result in a lower sales price than if the sale were otherwise held.

ARTICLE 8 — OTHER PROVISIONS CONCERNING FORECLOSURE

Section 8.1 Possession and Delivery of Collateral. It shall not be necessary for Beneficiary or the Trustee to have physically present or constructively in its possession any of the Collateral at any foreclosure sale, and Trustor shall deliver to the purchasers at such sale on the date of sale the Collateral purchased by such purchasers at such sale, and if it should be impossible or impracticable for any of such purchasers to take actual delivery of the Collateral, then the title and right of possession to the Collateral shall pass to the purchaser at such sale as completely as if the same had been actually present and delivered.

Section 8.2 Beneficiary as Purchaser. Beneficiary will have the right to become the purchaser at any foreclosure sale, and it will have the right to credit upon the amount of the bid the amount payable to it out of the net proceeds of sale.

Section 8.3 Recitals Conclusive; Warranty Deed; Ratification. Recitals contained in any conveyance to any purchaser at any sale made hereunder will conclusively establish the truth and accuracy of the matters therein stated, including, without limiting the generality of the foregoing, nonpayment of the unpaid principal sum of, and the interest accrued on, the written instruments constituting part or all of the Obligations after the same have become due and payable, nonpayment of any other of the Obligations or advertisement and conduct of the sale in the manner provided herein, and appointment of any successor Trustee hereunder. Trustor ratifies and confirms all legal acts that Beneficiary and/or Trustee may do in carrying out the provisions of this instrument.

Section 8.4 Effect of Sale. Any sale or sales of the Collateral or any part thereof will operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of Trustor in and to the premises and the property sold, and will be a perpetual bar, both at law and in equity, against Trustor, Trustor's successors or assigns and against any and all persons claiming or who shall thereafter claim all or any of the property sold from, through or under

Trustor, or Trustor's successors or assigns. Subject to applicable rights of redemption under applicable law, the purchaser or purchasers at the foreclosure sale will receive immediate possession of the property purchased; and if Trustor retains possession of the Realty Collateral, or any part thereof, subsequent to sale, Trustor will be considered a tenant at sufferance of the purchaser or purchasers, and if Trustor remains in such possession after demand of the purchaser or purchasers to remove, Trustor will be guilty of forcible detainer and will be subject to eviction and removal, forcible or otherwise, with or without process of law, and without any right to damages arising out of such removal.

Section 8.5 Application of Proceeds. The proceeds of any sale of the Collateral or any part thereof will be applied as follows:

(a) first, to the payment of all expenses incurred by the Trustee and Beneficiary in connection therewith, including, without limiting the generality of the foregoing, court costs, legal fees and expenses, fees of accountants, engineers, consultants, agents or managers and expenses of any entry or taking of possession, holding, valuing, preparing for sale, advertising, selling and conveying;

(b) second, to the payment of the Obligations; and

(c) third, any surplus thereafter remaining to Trustor or Trustor's successors or assigns, as their interests may be established to Beneficiary's reasonable satisfaction.

Section 8.6 Deficiency. Trustor will remain liable for any deficiency owing to Beneficiary after application of the net proceeds of any foreclosure sale.

Section 8.7 Trustor's Waiver of Appraisal, Marshaling, Etc. Trustor agrees that Trustor will not at any time insist upon or plead or in any manner whatsoever claim the benefit of any appraisal, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this instrument, the absolute sale of the Collateral or the possession thereof by any purchaser at any sale made pursuant to this instrument or pursuant to the decree of any court of competent jurisdiction. Trustor, for Trustor and all who may claim through or under Trustor, hereby waives the benefit of all such laws and to the extent that Trustor may lawfully do so under applicable state law, waives any and all right to have the Realty Collateral marshaled upon any foreclosure of the lien hereof or sold in inverse order of alienation and, Trustor agrees that the Trustor may sell the Realty Collateral as an entirety.

ARTICLE 9 — MISCELLANEOUS

Section 9.1 Discharge of Purchaser. Upon any sale made under the powers of sale herein granted and conferred, the receipt of Beneficiary will be sufficient discharge to the purchaser or purchasers at any sale for the purchase money, and such purchaser or purchasers and the heirs, devisees, personal representatives, successors and assigns thereof will not, after paying such purchase money and receiving such receipt of Beneficiary, be obliged to see to the application thereof or be in anywise answerable for any loss, misapplication or nonapplication thereof.

Section 9.2 Indebtedness of Obligations Absolute. Nothing herein contained shall be construed as limiting Beneficiary to the collection of any indebtedness of Trustor to Beneficiary only out of the income, revenue, rents, issues and profits from the Collateral or as obligating Beneficiary to delay or withhold action upon any default which may be occasioned by failure of such income or revenue to be sufficient to retire the principal or interest when due on the indebtedness secured hereby. It is expressly understood between Beneficiary and Trustor that any indebtedness of Trustor to Beneficiary secured hereby shall constitute an absolute, unconditional obligation of Trustor to pay as provided herein or therein in accordance with the terms of the instrument evidencing such indebtedness in the amount therein specified at the maturity date or at the respective maturity dates of the installments thereof, whether by acceleration or otherwise.

Section 9.3 Defense of Claims. Trustee will promptly notify the Trustor and Beneficiary in writing of the commencement of any legal proceedings affecting Beneficiary's interest in the Collateral, or any part thereof, and shall take such action, employing attorneys acceptable to Beneficiary, as may be necessary to preserve Trustor's, the Trustee's and Beneficiary's rights affected thereby; and should Trustor fail or refuse to take any such action, the Trustee or Beneficiary may take the action on behalf of and in the name of Trustor and at Trustor's expense. Moreover, Beneficiary or the Trustee on behalf of Beneficiary may take independent action in connection therewith as they may in their discretion deem proper, and Trustor hereby agrees to make reimbursement for all sums advanced and all expenses incurred in such actions plus interest at a rate equal to the maximum interest rate provided in the Loan Agreement.

Section 9.4 Termination. If all the Obligations are paid in full and the covenants herein contained are well and truly performed, and if Trustor and Beneficiary intend at such time that this instrument not secure any obligation of Trustor thereafter arising, then the Beneficiary shall, upon the request of Trustor and at Trustor's cost and expense, deliver to Trustor proper instruments executed by the Beneficiary evidencing the release of this instrument. Until such delivery, this instrument shall remain and continue in full force and effect.

Section 9.5 Renewals, Amendments and Other Security. Renewals and extensions of the Obligations may be given at any time, amendments may be made to the agreements with third parties relating to any part of the Obligations or the Collateral, and Beneficiary may take or hold other security for the Obligations without notice to or consent of Trustor. The Trustor or Beneficiary may resort first to other security or any part thereof, or first to the security herein given or any part thereof, or from time to time to either or both, even to the partial or complete abandonment of either security, and such action will not be a waiver of any rights conferred by this instrument.

Section 9.6 Successor Trustees. The Trustee may resign in writing addressed to Beneficiary or be removed at any time with or without cause by an instrument in writing duly executed by Beneficiary. In case of the resignation or removal of the Trustee, a successor Trustee may be appointed by Beneficiary by instrument of substitution complying with any applicable requirements of law, and in the absence of any such requirement, without other formality than an appointment and designation in writing. Any appointment and designation will be full evidence of the right and authority to make the same and of all facts therein recited. Upon

the making of any appointment and designation, all the estate and title of the Trustee in all of the Realty Collateral will vest in the named successor Trustee, and the successor will thereupon succeed to all the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee. All references herein to the Trustee will be deemed to refer to the Trustee from time to time acting hereunder.

Section 9.7 Limitations on Interest. No provision of the Note, Loan Agreement or other instrument constituting or evidencing any of the Obligations or any other agreement between the parties shall require the payment or permit the collection of interest in excess of the maximum non-usurious rate which Trustor may agree to pay under applicable laws. The intention of the parties being to conform strictly to applicable usury laws now in force, the interest on the principal amount of the Note and the interest on other amounts due under and/or secured by this instrument shall be held to be subject to reduction to the amount allowed under said applicable usury laws as now or hereafter construed by the courts having jurisdiction, and any excess interest paid shall be credited to Trustor.

Section 9.8 Effect of Instrument. This instrument shall be deemed and construed to be, and may be enforced as, an assignment, chattel mortgage or security agreement, common law pledge, contract, deed of trust, financing statement, real estate mortgage, and as any one or more of them if appropriate under applicable state law. This instrument shall be effective as a financing statement covering minerals or the like and accounts subject to Section 9-103(5) (or corresponding provision) of the Uniform Commercial Code as enacted in the appropriate jurisdiction and is to be filed for record in the Office of the County Clerk or other appropriate office of each county where any part of the collateral is situated. A carbon, photographic, or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as a financing statement.

Section 9.9 Unenforceable or Inapplicable Provisions. If any provision hereof or of any of the written instruments constituting part or all of the Obligations is invalid or unenforceable in any jurisdiction, whether with respect to all parties hereto or with respect to less than all of such parties, the other provisions hereof and of the written instruments will remain in full force and effect in that jurisdiction with respect to the parties as to which such provision is valid and enforceable, and the remaining provisions hereof will be liberally construed in favor of Beneficiary in order to carry out the provisions hereof. The invalidity of any provision of this instrument in any jurisdiction will not affect the validity or enforceability of any provision in any other jurisdiction.

Section 9.10 Rights Cumulative. Each and every right, power and remedy given to Beneficiary herein or in any other written instrument relating to the Obligations will be cumulative and not exclusive; and each and every right, power and remedy whether specifically given herein or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by Beneficiary, and the exercise, or the beginning of the exercise, of any such right, power or remedy will not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power or remedy. A waiver by Beneficiary of any right or remedy hereunder or under applicable law on any occasion will not be a bar to the exercise of any right or remedy on any subsequent occasion.

Section 9.11 Non-Waiver. No act, delay, omission or course of dealing between Beneficiary and Trustor will be a waiver of any of Beneficiary's rights or remedies hereunder or under applicable law. No waiver, change or modification in whole or in part of this instrument or any other written instrument will be effective unless in a writing signed by Beneficiary.

Section 9.12 Beneficiary's Expenses. Trustor agrees to pay in full all expenses and reasonable attorneys' fees of Beneficiary which may have been or may be incurred by Beneficiary in connection with the collection of the Obligations and the enforcement of any of Trustor's obligations hereunder and under any documents executed in connection with the Obligations.

Section 9.13 Indemnification. Trustor shall indemnify Beneficiary and the Trustee and hold each of them harmless against, and neither Beneficiary nor the Trustee shall be liable for, any loss, cost or damage, including without limitation attorneys', consultants' or management fees, resulting from exercise by Beneficiary or the Trustee of any right, power or remedy conferred upon it by this instrument or any other instrument pertaining hereto, or from the attempt or failure of Beneficiary or the Trustee to exercise any such right, power or remedy; and notwithstanding any provision hereof to the contrary, the foregoing indemnity shall in all respects continue and remain in full force and effect even though all indebtedness and other sums secured hereby may be fully paid and the lien of this instrument released.

Section 9.14 Partial Releases. In the event Trustor sells for monetary consideration or otherwise any portion of the Royalty Interests, as permitted by the Loan Agreement, Beneficiary and Trustee shall release the lien of this instrument with respect to the portion sold, at the request of Trustor. No release from the lien of this instrument of any part of the Collateral by Beneficiary shall in anywise alter, vary or diminish the force, effect or lien of this instrument on the balance or remainder of the Collateral.

Section 9.15 Subrogation. This instrument is made with full substitution and subrogation of Beneficiary and Trustee in and to all covenants and warranties by others heretofore given or made in respect of the Collateral or any part thereof.

Section 9.16 Notice. All notices and deliveries of information hereunder shall be deemed to have been duly given if actually delivered or mailed by registered or certified mail, postage prepaid, addressed to the parties hereto at the addresses set forth above on page 1; if by mail, then as of the date of such mailing. Each party may, by written notice so delivered to the others, change the address to which delivery shall thereafter be made.

Section 9.17 Successors. This instrument shall bind and inure to the benefit of the respective successors and assigns of the parties.

Section 9.18 Interpretation.

(a) Article and section headings used in this instrument are intended for convenience only and shall be given no significance whatever in interpreting and construing the provisions of this instrument.

(b) As used in this instrument, “Beneficiary” and “Trustee” include their respective successors and assigns. Unless context otherwise requires, words in the singular number include the plural and in the plural number include the singular. Words of the masculine gender include the feminine and neuter gender and words of the neuter gender may refer to any gender.

Section 9.19 Inconsistencies with Related Documents . To the extent, if any, the provisions hereof are inconsistent with the provisions of the Loan Agreement, such inconsistencies shall be resolved by giving controlling effect to the Loan Agreement.

Section 9.20 Counterparts . This instrument may be executed in any number of counterparts, each of which will for all purposes be deemed to be an original, and all of which are identical except that to facilitate recordation, in particular counterparts hereof, portions of Exhibit A hereto which describe properties situated in counties other than the county in which the counterpart is to be recorded have been omitted.

Section 9.21 Governing Law . This Mortgage, insofar as it pertains to Royalty Interests and Personalty Collateral located in the State of Nevada shall be governed by the laws of Nevada. This Mortgage, insofar as it constitutes a common law pledge with respect to the Debt Service Reserve Account, shall be governed by the laws of New York. With respect to all other Collateral, this Mortgage shall be governed by the laws of the state in which the collateral is located.

Executed as of the Effective Date.

TRUSTOR:

ROYAL GOLD, INC.

By: /s/ Tony Jensen

Name: Tony Jensen

Title: President & CEO

A-16

ATTEST:

[Corporate Seal]

/s/ Karen Gross

Karen Gross, Vice President & Corporate Secretary
(Name and Title)

STATE OF COLORADO)
 CITY AND) ss.
COUNTY OF DENVER)

On August 30, 2006 personally appeared before me, a notary public, Tony Jensen, the President & CEO of Royal Gold, Inc., a Delaware corporation, who acknowledged that he executed the above instrument.

Witness my hand and official seal.

My commission expires 04/24/2008.

Randy Parcel
Notary Public

[Seal]

HSBC BANK USA,
NATIONAL ASSOCIATION

By: /s/ P.E. Kavanagh
Name: P.E. Kavanagh
Title: Senior Vice President

STATE OF NEW YORK)
CITY AND) ss.
COUNTY OF NEW YORK)

On September 6, 2006 personally appeared before me, a notary public, P.E. Kavanagh a Senior Vice President, of HSBC Bank USA, National Association, who acknowledged that he executed the above

Witness my hand and official seal.

My commission expires 9/19/2010.

/s/ Lourdes R. Smart
Notary Public

[Seal]

EXHIBIT 21.1

Royal Gold, Inc. and Its Subsidiaries

Denver Mining Finance Company ⁽¹⁾

Royal Trading Company ⁽¹⁾

Calgom Mining, Inc. ⁽¹⁾⁽⁴⁾

Mono County Mining Company ⁽¹⁾

Royal Camp Bird, Inc. ⁽¹⁾

Royal Crescent Valley, Inc. ⁽¹⁾

Royal Kanaka Creek Corporation ⁽¹⁾

Environmental Strategies, Inc. ⁽²⁾

Greek American Exploration Ltd. ⁽³⁾

Sofia Minerals Ltd. ⁽⁵⁾

Royal Gold Pty, Ltd.

RG Russia, Inc. ⁽¹⁾

High Desert Mineral Resources, Inc. ⁽¹⁾

⁽¹⁾ Owned 100% by Royal Gold, Inc.

⁽²⁾ Owned 100% by Denver Mining Finance Company

⁽³⁾ Owned 50% by Royal Gold, Inc.

⁽⁴⁾ Owns a 100% interest in the Goldstripe Project.

⁽⁵⁾ Owned 25% by Royal Gold, Inc.

EXHIBIT 23.1**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-111490), Form S-4 (No. 333-111590) and on Form S-8 (No. 333-122877) of Royal Gold, Inc. of our report dated August 25, 2006, relating to the consolidated financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Denver, Colorado
August 31, 2006

EXHIBIT 31.1

I, Tony Jensen, certify that:

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

September 6, 2006

/s/ Tony Jensen

Tony Jensen
President and Chief Executive Officer

EXHIBIT 31.2

I, Stefan Wenger, certify that:

- (1) I have reviewed this Annual Report on Form 10-K of Royal Gold, Inc.;
- (2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact nor omits to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- (3) Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this annual report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-a5(f), for the registrant and have:
 - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - (d) Disclosed in this annual report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I, have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

September 6, 2006

/s/ Stefan Wenger

Stefan Wenger
Chief Financial Officer

EXHIBIT 32.1

In connection with the Annual Report on Form 10-K of Royal Gold, Inc. (the "Company"), for the year ending June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tony Jensen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

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

September 6, 2006

/s/ Tony Jensen

Tony Jensen
President and Chief Executive Officer

EXHIBIT 32.2

In connection with the Annual Report on Form 10-K of Royal Gold, Inc. (the "Company"), for the year ending June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stefan Wenger, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

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

September 6, 2006

/s/ Stefan Wenger

Stefan Wenger
Chief Financial Officer