Royal Gold, Inc

2007 annual report

   

Corporate Profile

Royal Gold, Inc. is the world's leading publicly-traded precious metals royalty company. Royal Gold owns and manages royalties on precious metals mines, most of which contain gold and silver deposits. The Company's royalty portfolio provides investors with a unique opportunity to capture value in the precious metals sector without incurring the typical capital and operating costs associated with a mining operation, and without many of the risks faced by mine operators. Additionally, Royal Gold's sliding-scale royalties provide investors with upside leverage during periods of gold price appreciation. Conversely, the Company's fixed-rate royalties and floors on the sliding-scale royalties mitigate investor risk in times of decreasing gold prices.

With a successful business model that generates strong cash flow and high margins due to its low cost structure, Royal Gold provides shareholders with a premium precious metals investment vehicle. Royal Gold's management team possesses a broad base of mining industry experience and knowledge from which to make sound business decisions. The Company's royalty portfolio offers direct exposure to precious metals prices and the growth potential of world class ore deposits.

A Denver-based corporation, Royal Gold is traded on the Nasdaq Global Select Market, under the symbol "RGLD," and on the Toronto Stock Exchange, under the symbol "RGL." Management and directors beneficially own about 14% of the shares of Royal Gold.

Business Strategy

Royal Gold collaborates with mine operators, royalty owners and other business partners to acquire royalties and unlock their value. The key elements of our business strategy are to:

1. **Provide lower-risk exposure to gold through royalty ownership.** Royal Gold's business model is based on acquiring royalty interests in precious metals properties rather than engaging in mining operations.
2. **Maintain financial flexibility to compete for royalty acquisitions.** Royal Gold's position of liquidity allows us to compete for royalty acquisitions by means of a purchase or by providing financing in exchange for a royalty.
3. **Further enhance high margins by maintaining low cost structure.** Royal Gold's unique business model allows us to grow our royalty portfolio without adding significant overhead costs.
4. **Apply rigorous and detailed royalty evaluation criteria.** The Company's in-depth, technical evaluation and monitoring procedures provide us with a competitive advantage in acquiring and managing royalties.
5. **Continue to build a diversified portfolio of quality royalty assets.** Royal Gold's approach is to assemble a portfolio of royalty interests in the world's best gold mining districts, managed by quality operators, located in politically secure regions.

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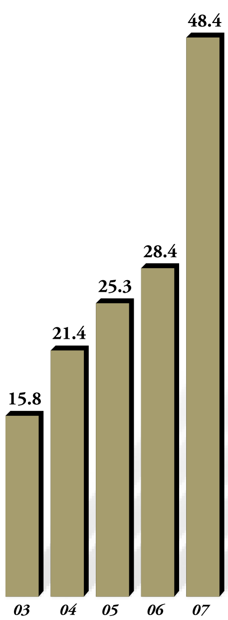
Design: Mark Mock Design Associates Photography of Royal Gold Management Personnel: David Tejada

SELECTED FINANCIAL DATA

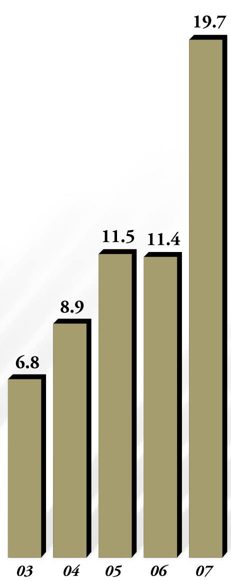
SELECTED STATEMENTS OF OPERATIONS DATA (Amounts in thousands, except per share data)	For the Years Ended June 30, 2007	2006	2005	2004	2003
Royalty revenue	$ 48,357	$ 28,380	$ 25,302	$ 21,353	$ 15,788
Cost of operations	3,265	2,288	1,847	1,513	1,345
General and administrative expense	5,824	5,022	3,695	2,923	1,966
Exploration and business development	2,493	3,397	1,893	1,392	1,233
Depreciation, depletion and amortization	8,269	4,261	3,205	3,314	2,855
Impairment of mining assets	-	-	-	-	166
Current and deferred tax expense	9,548	5,101	4,102	3,654	1,885
Net income	$ 19,720	$ 11,350	$ 11,454	$ 8,872	$ 6,752
Basic earnings per share	$ 0.79	$ 0.50	$ 0.55	$ 0.43	$ 0.34
Diluted earnings per share	$ 0.79	$ 0.49	$ 0.54	$ 0.42	$ 0.33
Dividends declared per share	$ 0.26	$ 0.22	$ 0.20	$ 0.15	$ 0.10

SELECTED BALANCE SHEET DATA (Amounts in thousands)	For the Years Ended June 30, 2007	2006	2005	2004	2003
Total assets	$356,649	$171,765	$102,158	$ 93,215	$ 80,904
Working capital	90,995	81,452	53,330	49,460	34,296
Note payable	15,750	-	-	-	-
Other long-term liabilities	98	98	97	103	113
Net deferred tax liabilities	5,911	6,683	7,426	7,772	3,292

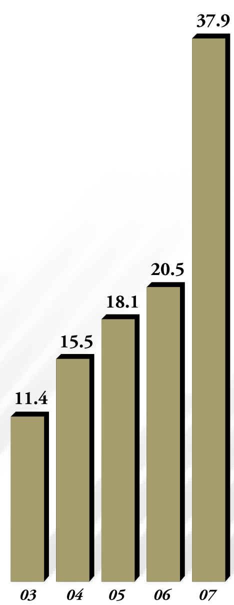
ROYALTY REVENUE
For the Years Ended June 30,
($ Millions)



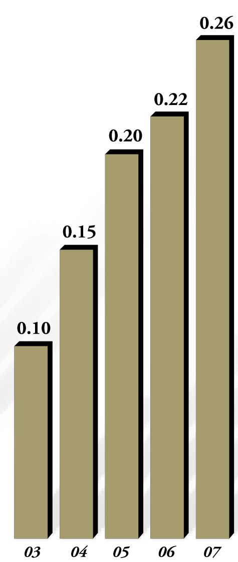
NET INCOME
For the Years Ended June 30,
($ Millions)



FREE CASH FLOW[1]
For the Years Ended June 30,
($ Millions)



CALENDAR YEAR DIVIDENDS
Dollars per Share



[1] *The term "free cash flow" is a non-GAPP financial measure. For a reconciliation of free cash flow to the most directly comparable GAAP financial measure, see Free Cash Flow Reconciliation on page 59.*

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 estimates of timing and levels of production; the adequacy of financial resources; and the reserves and additional mineralization for our royalty properties. 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 our producing royalty properties; unanticipated grade, geological, metallurgical, processing or other problems at our royalty properties; future financial needs; foreign, federal, or state legislation governing us or the operators; the availability of debt or equity financing necessary for acquisitions; risks associated with conducting business in foreign countries, including contract and other disputes, environmental laws and uncertain political and economic environments; as well as other factors described elsewhere in this report and our report on Form 10-K (See Part I, Item 1A, Risk Factors.) The reader is urged to read the Risk Factors in connection with the risks inherent in our forward-looking statements. We disclaim any obligation to update any forward-looking statement made herein. Readers are cautioned not to put undue reliance on forward-looking statements.

Dear Fellow Shareholders,

Fiscal 2007 was an exceptional year for Royal Gold. We achieved record financial performance and delivered on our goal of growing and diversifying the Company. Our strategic acquisitions have resulted in the development of an attractive pipeline of near- and long-term royalty revenue.

Royal Gold's business model of investing in quality royalties without taking on the responsibilities of operating mines has been very rewarding. Over the last five years, our return on invested capital has averaged 16%, our operating income margin has averaged 55% and our net profit margin has averaged 42%. Without question, these financial achievements set us apart from other companies in our industry.

Our financial performance in fiscal 2007 was robust. We increased revenue by 70%, net income by 74% and free cash flow by 85% over the prior fiscal year. This impressive financial performance was driven by eleven royalties on eight properties, with more than 86% of this revenue being derived from the state of Nevada.

Our royalty business model has also proven to be efficient. With only 15 employees, our cash operating expenses, net of taxes, remained relatively flat over the fiscal year rising only 3%. Average operating costs for the seven global, senior producers in the gold mining industry have increased by approximately 21%, over this same period, mainly due to declining ore grade, rising labor rates and increasing power costs. Our cost discipline and increased revenue stream resulted in 78% of revenues reporting to free cash flow.

We were also extremely successful in adding new assets to our portfolio. In December 2006, we purchased the Gold Hill royalty, a satellite deposit to the prolific Round Mountain gold mine in Nevada. In January 2007, we completed one of our largest and most important acquisitions by purchasing a royalty on Goldcorp's Peñasquito deposit in Mexico. In March 2007, we completed the acquisition of a royalty on Barrick Gold's Pascua-Lama project in Chile and, in the same month, we announced an agreement to acquire Battle Mountain Gold Exploration Corp.

Battle Mountain is a precious metals royalty company which owns 13 royalties, with assets predominantly located in North and South America. We anticipate the Battle Mountain royalty will add four producing royalties, plus two near-term development stage royalties on the Dolores project in Mexico.

Our interest in gold and silver reserves increased by 97% and 3,000% respectively, while zinc and lead reserves were also added to the portfolio through the acquisition of the Peñasquito royalty. As of December 31, 2006, reserves subject to our royalties totaled 42 million ounces of gold, 595 million ounces of silver, 2 billion pounds of copper, 8 billion pounds of zinc and 3.7 billion pounds of lead. Reserves increased at Peñasquito in June 2007, resulting in the addition of 3 million ounces of gold, 289 million ounces of silver, 4.8 billion pounds of zinc and 2.2 billion pounds of lead subject to our royalty interests. These reserve increases highlight the substantial growth in our portfolio over the past year and our ability to acquire royalty properties with significant upside potential.

In April, we completed a secondary equity offering to fund new business development activities and pay down debt. We are now well positioned to continue growing through our cash on hand, strong cash flow and available credit line of over $70 million.

As we look ahead to fiscal 2008, our recent acquisitions, coupled with the growth already embedded in the Company, have given Royal Gold an exciting portfolio of developing assets. Newmont's West Leeville mine is continuing to ramp up underground production and is expected to be near full production levels by early calendar year 2008. The Taparko mine started production in July 2007 and our royalties on this asset are expected to provide significant and immediate revenue for fiscal 2008. Assuming completion of the Battle Mountain transaction, the Dolores mine is expected to commence commercial production during the first half of calendar 2008. And we anticipate the first phase of production to commence at Peñasquito in the second half of calendar 2008.

Left to right: Stanley Dempsey, Executive Chairman; Tony A. Jensen, President and Chief Executive Officer

Royal Gold has never been stronger and we look forward to the exciting year ahead. We will remain focused on our growth and diversification strategy and dedicated to high margin results by growing revenues while controlling costs.

We would like to take this opportunity to acknowledge the recent retirement of Mr. Edwin Peiker and the critical role he has played in the development of Royal Gold. Ed, as one of the founders of Royal Gold, was instrumental in building the Company through his roles as a past President and most recently as a Director. We will miss his leadership and appreciate his significant contributions to the Company.

We also welcome Mr. Craig Haase to the Board. Craig's knowledge in mining law and transactions, and his wealth of commercial experience with Franco-Nevada Mining Corporation will be invaluable to both the Company and our shareholders.

In closing, we would like to express our appreciation to our exceptional employees, and to our Board of Directors for their dedication and counsel over the past year. We also want to thank you, our fellow shareholders, for your continued support and confidence in us and the Company.

We look forward to a rewarding year ahead.

Sincerely,

Tony A. Jensen
President and Chief Executive Officer

Stanley Dempsey
Executive Chairman

Left to Right:
Karen Gross, Vice President and Corporate Secretary
Stefan Wenger, Chief Financial Officer and Treasurer
Tony Jensen, President and Chief Executive Officer

Left to Right:
William Heissenbuttel,
Vice President Corporate Development
Bruce Kirchhoff,
Vice President and General Counsel

Left to Right:
Rick Moritz, Technical Manager
Tim Thompson, Manager Corporate Development

Notes:

1. A table summarizing the Company's producing and development stage royalties can be found on pages 18 and 19. This table includes a breakdown of proven and probable reserves and additional mineralization subject to our royalty interests, and the operators' production estimates for calendar year 2007.

2. See glossary on page 23 for royalty and mining terminology definitions.

Pipeline Mining Complex

Lander County, Nevada

Operator: Barrick Gold

Royalties:
- GSR1: 0.40 - 5.0% (sliding-scale)
- GSR2: 0.72 - 9.0% (sliding-scale)
- GSR3: 0.71%
- NVR1: 0.39%

Reserves (12/31/06):
(at a gold price of $475 per oz.)
- GSR1: 2.10M oz. gold
- GSR2: 0.23M oz. gold
- GSR3: 2.33M oz. gold
- NVR1: 1.55M oz. gold

Estimated royalty production CY2007: 491,000 oz. gold

Royal Gold currently holds four gold royalties on the Pipeline Mining Complex. The Complex is owned by the Cortez Joint Venture, a joint venture between Barrick Cortez Inc. (60%), a subsidiary of Barrick Gold Corporation ("Barrick"), and Kennecott Explorations (Australia) Ltd. (40%), a subsidiary of Rio Tinto plc. Royal Gold's royalty interests are as follows:

Pipeline Mining Complex Royalty Interests

- **GSR1:** A sliding-scale gross smelter return ("GSR") royalty for all gold produced from the "Reserve Claims," a block of 52 claims encompassing all of the proven and probable reserves in the Pipeline and South Pipeline deposits as of April 1, 1999. The GSR1 sliding-scale royalty rate is tied to the price of gold (see table to the right).
- **GSR2:** A sliding-scale royalty for all gold produced from the adjacent claim block lying south and east of the Reserve Claims. The GSR2 sliding-scale royalty rate is tied to the price of gold, but it pays out at a rate that is 80% higher than that of GSR1, at all gold prices (see table to the right).
- **GSR3:** A fixed-rate 0.71% royalty for the life of the mine which covers the same cumulative area as is covered by the two sliding-scale GSR royalties, GSR1 and GSR2.

Royal Gold's four royalty positions at the Pipeline Mining Complex.

- **NVR1:** A fixed rate 0.39% net value royalty ("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 determined on the basis of deducting contract-defined processing-related and associated capital costs, but not mining costs.

In fiscal 2007, cumulative royalty payments to Royal Gold from the Pipeline Mining Complex totaled approximately $21.5 million based upon metal sales of 510,273 ounces of gold subject to our royalty interest. This compares with approximately $16.8 million in royalty revenue and metal sales of 598,974 ounces of gold in the previous fiscal year.

Pipeline Mining Complex Royalty Schedule

Price of Gold (per oz.)	GSR1	GSR2
Below $210	0.40%	0.72%
$210 - $229.99	0.50%	0.90%
$230 - $249.99	0.75%	1.35%
$250 - $269.99	1.30%	2.34%
$270 - $309.99	2.25%	4.05%
$310 - $329.99	2.60%	4.68%
$330 - $349.99	3.00%	5.40%
$350 - $369.99	3.40%	6.12%
$370 - $389.99	3.75%	6.75%
$390 - $409.99	4.00%	7.20%
$410 - $429.99	4.25%	7.65%
$430 - $449.99	4.50%	8.10%
$450 - $469.99	4.75%	8.55%
$470 - and above	5.00%	9.00%

Robinson Mine

White Pine County, Nevada

Operator: Quadra Mining

Royalty: 3.0% NSR

Reserves (12/31/06): 1.0M oz. gold; 1.9B lbs. copper
(at a gold price of $500 per oz. and a copper price of $1.15 per lb.)

Estimated royalty production CY2007*: 90,000 oz. gold; 136.3M lbs. copper

Royal Gold holds a 3.0% net smelter return ("NSR") royalty on the Robinson mine operated by a subsidiary of Quadra Mining Ltd. ("Quadra"). The Robinson mine is an open pit copper and gold mine located in eastern Nevada. The mine produces flotation concentrates on site for sale to third party smelters.

In fiscal 2007, Royal Gold received approximately $12.6 million in royalty revenue from the Robinson mine based on metal sales of 80,603 ounces of gold and 116.9 million pounds of copper subject to our royalty interest. In fiscal 2006, the Company received $2.2 million in royalty revenue on metal sales of 13,082 ounces of gold and 27.2 million pounds of copper. Fiscal 2006 revenues reflect partial year metal sales due to the royalty acquisition date.

Tripp-Veteran Pit at the Robinson mine.

** In July 2007, Quadra increased their production estimate for calendar 2007 from 68,000 ounces of gold to 90,000 ounces of gold, due to higher than planned grade and recovery. The production estimate for copper was unchanged.*

SJ Claims - Goldstrike

Eureka County, Nevada

Operator: Barrick Gold

Royalty: 0.9% NSR

Reserves (12/31/06): 8.0M oz. gold
(at a gold price of $475 per oz.)

Estimated royalty production CY2007: 799,000 oz. gold

Royal Gold's 0.9% NSR royalty covers a portion of the Betze-Post mine, known as the SJ Claims. The Betze-Post mine, which is a part of the larger Goldstrike operation, is an open pit gold mine operated by a subsidiary of Barrick. The SJ Claims and the Betze-Post open pit lie approximately 24 miles northwest of Carlin, Nevada.

In fiscal 2007, Royal Gold received approximately $5.5 million in royalty revenue based on production of 950,462 ounces of gold, subject to our royalty interest. This compares with $4.8 million in royalty revenue based upon production of 1.0 million ounces of gold in fiscal 2006.

Aerial view of the Goldstrike mine.

Leeville Mining Complex

Eureka County, Nevada

Operator: Newmont Mining

Royalty: 1.8% NSR

Reserves (12/31/06): 2.3M oz. gold
(at a gold price of $500 per oz.)

Estimated royalty production CY2007: 337,000 oz. gold

Royal Gold holds a 1.8% carried working interest, which calculates as an NSR royalty, covering a majority of the underground Leeville Mining Complex. The Leeville Mining Complex, comprised of the Carlin East and West Leeville mines, is a gold operation owned and operated by a subsidiary of Newmont Mining Corporation.

During fiscal 2007, Royal Gold received approximately $2.7 million in royalty revenue based on metal sales of 230,458 ounces of gold subject to our royalty interest. This compares with revenue of about $768,000 on metal sales of 83,696 ounces of gold for the previous fiscal year. The increase in metal sales for fiscal 2007 was largely due to continued ramp up of operations at the West Leeville mine.

Aerial view of the West Leeville operation.

Bald Mountain

White Pine County, Nevada

Operator: Barrick Gold

Royalty: 1.75 - 3.5% NSR (sliding-scale)

Reserves (12/31/06): 2.0M oz. gold
(at a gold price of $475 per oz.)

Estimated royalty production CY2007: 91,000 oz. gold

Royal Gold holds a 1.75% to 3.5% sliding-scale NSR royalty on a portion of the Bald Mountain mine. For fiscal 2007, the Company's royalty rate was 1.75%. The Bald Mountain mine, owned and operated by a subsidiary of Barrick, is an open pit, heap leach gold mine.

During fiscal 2007, the Bald Mountain mine generated about $1.3 million in royalty revenue based on metal sales of 109,000 ounces of gold subject to our royalty interest. This compares with fiscal 2006 revenue of $1.5 million based on metal sales of 126,317 ounces of gold. The decrease in royalty revenue is related to increased mining outside of the area of our royalty interest.

Top Pit at the Bald Mountain mine.

Mulatos Mine
Sonora, Mexico

Operator: Alamos Gold

Royalty: 0.30 - 1.5% NSR (sliding-scale)

Reserves (12/31/06): 2.1M oz. gold
(at a gold price of $500 per oz.)

Estimated royalty production CY2007*: See below

Royal Gold holds a 0.3 - 1.5% sliding-scale NSR royalty at the Mulatos project, an open pit, heap leach gold mine owned and operated by a subsidiary of Alamos Gold, Inc. The sliding-scale ranges from 0.30%, at an average quarterly gold price of $299.99 per ounce or below, up to 1.5% when the price of gold averages $400 per ounce or higher. The royalty is capped at two million ounces of production.

During fiscal 2007, the Mulatos mine generated royalty revenue of $1.0 million based on metal sales of 103,000 ounces of gold subject to our royalty interest. In fiscal 2006, the Company received $225,000 in royalty revenue based upon 23,912 ounces of gold metal sales. Fiscal 2006 revenues reflect partial year metal sales due to the royalty acquisition date.

** Original CY2007 production guidance was 150,000 ounces. The operator does not believe it will meet this guidance but has not issued a revised production figure.*

Aerial view of the Mulatos mining operation.

Mulatos Mine Royalty Schedule:

Price of Gold (per oz.)	NSR Royalty Rate
$0.00 - $299.99	0.30%
$300 - $324.99	0.45%
$325 - $349.99	0.60%
$350 - $374.99	0.90%
$375 - $399.99	1.20%
$400 or higher	1.50%

Troy Mine

Lincoln County, Montana

Operator: Revett Minerals

Royalties:
- 7.0% GSR - initial
- 6.1% GSR - interim
- 2.0% GSR - perpetual

Reserves (12/31/06):
(at a silver price of $11 per oz. and a copper price of $2.00 per lb.)
- 7.0% GSR - 10.3M oz. silver; 84.9M lbs. copper
- 6.1% GSR - 2.0M oz. silver; 17.0M lbs. copper
- 2.0% GSR - 1.3M oz. silver; 29.3M lbs. copper

Estimated royalty production CY2007: 2.0M oz. silver; 15.9M lbs. copper

Royal Gold holds a 7.0% GSR royalty that covers the Troy underground mine operated by a subsidiary of Revett Minerals Inc. The 7.0% GSR royalty extends until either cumulative production reaches approximately 9.9 million ounces of silver and 84.6 million pounds of copper, or Royal Gold receives $10.5 million in cumulative payments, whichever occurs first. As of June 30, 2007, the Company has received approximately $5.5 million in cumulative payments from the Troy mine.

Royal Gold also acquired a 6.1% GSR royalty that begins on any production in excess of 11.0 million ounces of silver and 94.1 million pounds of copper. This GSR royalty steps down to a perpetual 2.0% GSR royalty after cumulative production has exceeded 12.7 million ounces of silver and 108.2 million pounds of copper.

For fiscal 2007, the Troy mine generated royalty revenue of approximately $3.1 million based on metal sales of approximately 1.0 million ounces of silver and 9.6 million pounds of copper subject to our royalty interest. This compares with $1.7 million in royalty revenue for fiscal 2006 based on metal sales of 884,528 ounces of silver and 7.1 million pounds of copper. The increase in metal sales for fiscal 2007 was largely due to continued ramp up of operations at the mine.

Loading ore with a front-end loader at the Troy mine.

Martha Mine

Santa Cruz Province, Argentina

Operator: Coeur d'Alene

Royalty: 2.0% NSR

Reserves (06/30/07): 7.6M oz. silver
(at a silver price of $10.00 per oz.)

Estimated royalty production CY2007: 2.7M oz. silver

Royal Gold holds a 2.0% NSR royalty on the Martha mine, operated by a subsidiary of Coeur d'Alene Mines Corporation ("Coeur"). The Martha mine is a high grade underground silver mine located in Argentina. In fiscal 2007, Royal Gold received approximately $714,000 in royalty revenue on metal sales of about 2.9 million ounces of silver subject to our royalty interest. This compares with approximately $402,000 in royalty revenue on approximately 2.3 million ounces of metal sales in fiscal 2006.

In August 2007, Coeur announced an expanded reserve estimate at the Martha mine of 7.6 million ounces of contained silver. This new reserve estimate reflects a 49% increase in silver reserves over their December 31, 2006 reserve update, taking into account calender 2007 first half production. The operator also reported that their new $13.9 million mill facility is expected to be operational by the end of December 2007.

Underground activities at the Martha mine.

Taparko-Bouroum Project

Burkina Faso, West Africa

Operator: High River Gold Mines

Royalties:

- TB-GSR1: 15.0% - initial
- TB-GSR2: 0.0 - 10.0% (sliding-scale) - initial
- TB-GSR3: 2.0% perpetual royalty - subsequent
- TB-MR1: 0.75% milling royalty - subsequent

Reserves (12/31/06): 0.83M oz. gold
(at a gold price of $400 per oz.)

Estimated royalty production CY2007*: 35,000 oz. gold

Royal Gold holds two initial GSR royalties (TB-GSR1 and TB-GSR2) and two subsequent royalties (TB-GSR3 and TB-MR1) at the Taparko-Bouroum project, an open pit gold operation in Burkina Faso, West Africa. The Taparko mine, owned and operated by a subsidiary of High River Gold Mines Ltd., is currently in the early stages of operation. The operator completed its first gold pour in July 2007 and Royal Gold expects to receive initial royalty revenue at the end of the first quarter of fiscal 2008.

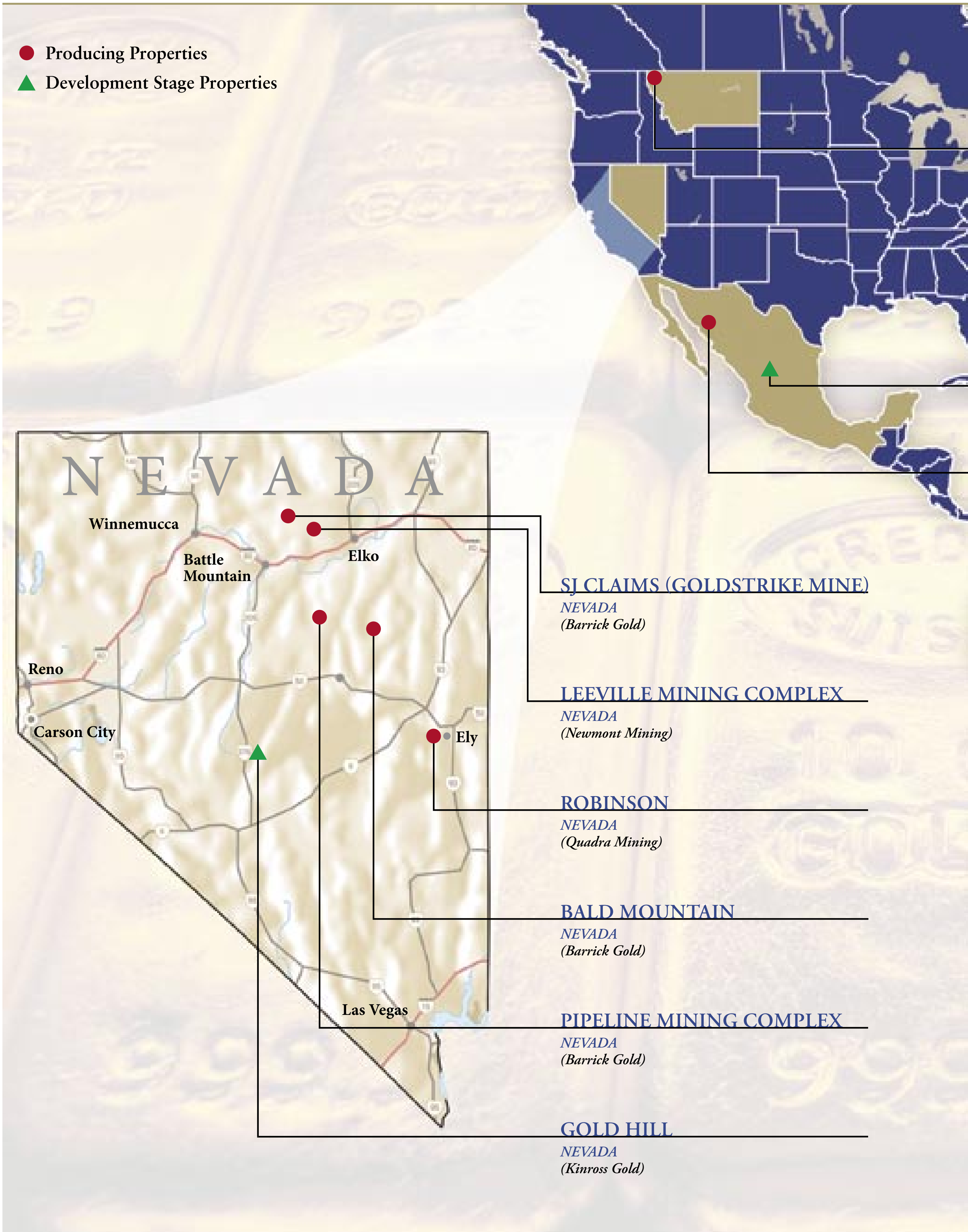
The first GSR royalty ("TB-GSR1") is fixed at a rate of 15.0%. The second GSR royalty ("TB-GSR2") is a sliding-scale royalty that ranges from 0.0 to 10.0% depending upon the price of gold. TB-GSR2 pays out at a rate of 4.3% when the average monthly gold price ranges between $385 and $430 per ounce, and changes to a sliding-scale royalty when the average monthly gold price is outside of this range. Both TB-GSR1 and TB-GSR2 royalties continue until either production reaches 804,420 ounces of gold or payments totaling $35.0 million under the TB-GSR1 royalty are received by Royal Gold, whichever comes first.

Gold pour at the Taparko mill.

The two subsequent royalties consist of a 2.0% GSR perpetual royalty ("TB-GSR3"), applicable to gold production from defined portions of the Taparko-Bouroum Project area, and a 0.75% milling royalty ("TB-MR1"). The TB-MR1 applies to ore that is mined outside of the defined area of the Taparko-Bouroum Project that is processed through the Taparko facilities up to a maximum of 1.1 million tons per year. The TB-MR1 royalty begins once any ore outside of the defined area is processed through the mill. The TB-GSR3 royalty commences once the TB-GSR1 and TB-GSR2 royalties have ceased.

** Original CY2007 production guidance was 62,000 ounces.
In August 2007, the operator revised its production figure to 35,000 oz.*

Map of Properties




TROY
MONTANA
(Revett Minerals)
PEÑASQUITO
MEXICO
(Goldcorp)
MULATOS
MEXICO
(Alamos Gold)
TAPARKO
BURKINA FASO, WEST AFRICA
(High River Gold Mines)
PASCUA-LAMA
CHILE
(Barrick Gold)
MARTHA
ARGENTINA
(Coeur d'Alene)

Peñasquito Project

Zacatecas, Mexico

Operator: Goldcorp

Royalty: 2.0% NSR

Reserves (06/25/07):
(at a gold price of $525 per oz; silver price of $10.00 per oz; zinc price of $0.80 per lb; and a lead price of $0.40 per lb)

- 13.1M oz. gold
- 864.0M oz. silver
- 12.8B lbs. zinc
- 5.9B lbs. lead

Estimated production start-up: late CY2008

Estimated mine life*: 17 years

Royal Gold holds a 2.0% NSR royalty on the Peñasquito project located in Zacatecas, Mexico. The project is under development by a subsidiary of Goldcorp Inc. ("Goldcorp"). In June 2007, Goldcorp announced a 31% and 50% increase in gold and silver reserves, respectively, over its June 2006 reserve update. The operator also announced a 60% increase in both lead and zinc reserves.

** Mine life is under review by the operator.*

Artist's Rendering of the Peñasquito Project Site

Pascua-Lama Project
Argentina/Chile

Operator: Barrick Gold

Royalty:
- 0.16 - 1.08% NSR gold (sliding-scale)
- 0.216% NSR copper (effective after 2017)

Reserves (12/31/06)*: 13.6M oz. gold
(at a gold price of $475 per oz.)

Estimated production start-up: CY2010

Estimated mine life: 24 years

Pascua-Lama Royalty Schedule:

Price of Gold (per oz.)	NSR Royalty Rate**
<$325	0.16%
$350	0.22%
$375	0.27%
$400	0.32%
$500	0.56%
$600	0.73%
$700	0.91%
>$800	1.08%

Aerial view of the Pascua-Lama Project site

Royal Gold holds a 0.16% to 1.08% sliding-scale NSR royalty on the Pascua-Lama project located on the border between Argentina and Chile. The NSR royalty is applicable to all gold production from an area of interest in Chile. Approximately 80% of the reserves are located in Chile. The project is owned by subsidiaries of Barrick. According to Barrick, construction will begin once permits and final tax issues are resolved.

** Royalty applies to Chilean reserves only.*
*** Royalty is interpolated between lower and upper endpoints.*

Gold Hill Deposit
Nye County, Nevada

Operator: Kinross Gold

Royalty: 1.0 - 2.0% NSR (sliding-scale)

Reserves (12/31/05)*: 0.75M oz. gold

Estimated production start-up: CY2010

Royal Gold holds a 1.0% to 2.0% sliding-scale NSR royalty on the Gold Hill deposit. The Gold Hill deposit, located just north of the Round Mountain gold mine in Nevada, is controlled by Round Mountain Gold Corporation ("RMGC"), a joint venture between Kinross Gold Corporation, the operator, and Barrick. Production is expected to commence when permitting is completed and equipment from the Round Mountain pit expansion becomes available.

**RMGC's Gold Hill reserves are not separately detailed in their publicly available financial reports. Barrick stated in a September 2006 presentation, that as of December 31, 2005, there were 375,000 contained ounces in reserves representing their 50% share of the project.*

Exploration at Gold Hill

Taranis Resources, Inc.

In November 2005, Royal Gold entered into a strategic alliance with Taranis Resources Inc. ("Taranis") to obtain a 2.0% NSR royalty and future earn-in rights on Taranis' exploration activities in Finland. The Company also provided funding in exchange for a 2.0% NSR royalty on the Kettukuusikko property in Lapland, Finland. Royal Gold has elected to exercise its option to fund up to an additional $600,000 in the project. If the full $600,000 is funded, Royal Gold will earn a 51% joint venture interest in the Kettukuusikko project, and will release its 2.0% NSR royalty. As of June 30, 2007, the Company has funded $506,404 of the $600,000 commitment. If the $600,000 is not fully funded to earn the joint venture interest, the Company will retain its 2.0% NSR royalty. Royal Gold also has an option to earn an additional 24% joint venture interest (75% joint venture interest in total) by funding 100% of the cost of the Kettukuusikko project through completion of a feasibility study.

During its 2006/2007 winter exploration drilling program, Taranis completed approximately 10,213 feet of diamond drilling in 30 holes and 1,864 feet of trenching at the Kettukuusikko project. In a March 2007 update, Taranis announced the identification of a new copper-gold zone in the Kettukuusikko center zone.

The Svetloye Project

Royal Gold holds a 1.0% NSR royalty on the Svetloye project, located in Eastern Russia, which is being explored by Fortress Minerals Corporation ("Fortress"). Freeport McMoRan Exploration Corporation holds a 49% interest in the project.

In early September 2007, Fortress reported completion of 47 diamond drill holes totaling 24,026 feet during its second drilling season at Svetloye. Results of the initial 25 drill holes included significant assay intercepts at several prospect areas. Once all the data has been compiled, another phase of drilling is scheduled to start in either late 2007 or early 2008. Thus far, Fortress reports that work on the Svetloye project has identified a 7-square kilometer zone of epithermal gold mineralization at the Elena prospect.

Property Interests

Royal Gold also holds direct ownership or exploration agreements on the following properties:

Sparrow Hawk Claims – ownership of a block of 31 unpatented mining claims in Eureka County, Nevada, located southeast of the Pipeline Mining Complex.

Hoosac Project – ownership in 16 unpatented mining claims, and an indirect interest in 192 unpatented claims through leases, all located in Elko County, Nevada.

Dixie Flats Project – exploration agreements on 1,280 acres of patented land adjacent to the Dixie Flats project located in Elko County, Nevada (see chart of Exploration Stage Royalties for related royalty.)

None of the above exploration properties have reserves or mineralized material associated with them.

Exploration Stage Royalties

Royal Gold holds royalty interests on the following exploration properties:

Property[1]	Location	Royalty Rate	Royalty Type	Operator
Santa Cruz Province	Argentina	2.0%	NSR	Hidefield
Long Valley	California	1.0%	NSR	Vista Gold
Kettukuusikko	Finland	2.0%	NSR	Taranis Resources
Nieves	Mexico	2.0%	NSR	Quaterra
San Jeronimo	Mexico	2.0%	NSR	Goldcorp
Rock Creek[2]	Montana	1.0%	NSR	Revett Minerals
Mule Canyon	Nevada	5.0%	NSR	Newmont Mining
Buckhorn South	Nevada	16.5%	NPI	Cortez JV
Ferris/Cooks Creek	Nevada	1.5%	NVR	Cortez JV
Horse Mountain	Nevada	0.25%	NVR	Cortez JV
Simon Creek	Nevada	1.0%	NSR	Barrick Gold
Rye	Nevada	0.50%	NSR	Barrick Gold
BSC	Nevada	2.5%	NSR	Nevada Pacific
ICBM	Nevada	0.75%	NSR	BH Minerals
Long Peak	Nevada	0.75%	NSR	BH Minerals
Dixie Flats	Nevada	0.75%	NSR	BH Minerals
Svetloye	Russia	1.0%	NSR	Fortress Minerals

[1] There are no reserves on any of these properties.

[2] Royal Gold owns 1.3 million shares of Revett Minerals which are convertible into a 1.0% NSR royalty.

Royalty Portfolio

For Calendar 2007

GOLD [1] (at 12/31/06)	Proven Reserves [2]			Probable Reserves [2]			Proven + Probable Reserves [2]			Additional Mineralized Material [3, 4]						
										Measured		Indicated		Inferred		
Operator	Tons of Ore (M)	Ave. Gold Grade (opt)	Gold Contained Ozs [5] (M)	Tons of Ore (M)	Ave. Gold Grade (opt)	Gold Contained Ozs [5] (M)	Tons of Ore (M)	Ave. Gold Grade (opt)	Gold Contained Ozs [5] (M)	Tons of Ore (M)	Ave. Gold Grade (opt)	Tons of Ore (M)	Ave. Gold Grade (opt)	Tons of Ore (M)	Ave. Gold Grade (opt)	Production Estimates [6]
Barrick Goldstrike Mines																
SJ Claims – Goldstrike [7] 0.9% NSR	-	-	-	-	-	-	60.5	0.132	7.977	-	-	-	-	-	-	799,000 oz
Newmont Mining																
Leeville Mining Complex (West Leeville and Carlin East) 1.8% NSR	0.029 [8]	0.310 [8]	0.009 [8]	5.1 [9]	0.454 [9]	2.339 [9]	5.2	0.454	2.348	0.021	0.300	-	-	1.4	0.373	337,000 oz
Barrick Gold U.S.																
Pipeline Mining Complex [10]																
GSR1: 0.40 – 5.0% GSR (sliding-scale)	10.8	0.043	0.466	56.4	0.029	1.632	67.1	0.031	2.097	2.5	0.030	9.6	0.032	2.4	0.018	479,000 oz
GSR2: 0.72 – 9.0% GSR (sliding-scale)	2.3	0.016	0.037	13.2	0.015	0.192	15.5	0.015	0.228	5.7	0.041	15.1	0.043	0.037	0.039	13,000 oz
GSR3: 0.71% GSR	13.1	0.038	0.502	69.5	0.026	1.823	82.7	0.028	2.326	8.1	0.038	24.8	0.038	2.4	0.018	491,000 oz
NVR1: 0.39% NVR	9.6	0.029	0.275	52.7	0.024	1.273	62.3	0.025	1.549	6.4	0.040	19.0	0.040	1.9	0.014	265,000 oz
Bald Mountain [7] 1.75 – 3.5% NSR (sliding-scale)	-	-	-	-	-	-	51.5	0.039	2.024	7.6 / 0.036 (Measured & Indicated)				-	-	91,000 oz
Alamos Gold																
Mulatos [11] 0.30 – 1.5% NSR (sliding-scale)	8.2	0.059	0.483	35.6	0.044	1.574	43.8	0.047	2.057	12.8	0.042 [12]	82.5	0.035 [12]	-	-	- [13]
Quadra Mining																
Robinson [14] 3.0% NSR	129.7	0.008	1.000	5.3	0.006	0.033	134.9	0.008	1.034	-	-	-	-	-	-	90,000 oz (updated 6/07)
Goldcorp [15]																
Peñasquito [16, 17]																
2.0% NSR (oxide)	46.4	0.006	0.283	75.3	0.005	0.367	121.7	0.005	0.650	55.1	0.005	113.5	0.004	45.2	0.004	-
2.0% NSR (sulfide)	470.6	0.017	7.855	419.1	0.011	4.546	889.7	0.014	12.401	579.8	0.015	1,010.8	0.008	1,299.6	0.007	-
Barrick Gold [18]																
Pascua-Lama [16] 0.16 – 1.08% NSR (sliding-scale)	38.2	0.053	2.029	352.8	0.042	14.959	391.0	0.043	16.988 [19]	-	-	-	-	-	-	-
High River Gold																
Taparko-Boroum																
TB-GSR1 15.0% GSR	-	-	-	9.5	0.087	0.830	9.5	0.087	0.830 [20]	-	-	-	-	-	-	35,000 oz (updated 8/07)
TB-GSR2 0.0 – 10.0% GSR (sliding-scale)	-	-	-	9.5	0.087	0.830	9.5	0.087	0.830 [20]	-	-	-	-	-	-	35,000 oz (updated 8/07)
Kinross Gold																
Gold Hill [16] 1.0 – 2.0% NSR (sliding-scale)	-	-	-	-	-	-	-	-	- [21]	-	-	-	-	-	-	-

SILVER [22] (at 12/31/06) Operator	Tons of Ore (M)	Ave. Silver Grade (opt)	Silver Contained Ozs [5] (M)	Tons of Ore (M)	Ave. Silver Grade (opt)	Silver Contained Ozs [5] (M)	Tons of Ore (M)	Ave. Silver Grade (opt)	Silver Contained Ozs [5] (M)	Tons of Ore (M)	Ave. Silver Grade (opt)	Tons of Ore (M)	Ave. Silver Grade (opt)	Tons of Ore (M)	Ave. Silver Grade (opt)	Production Estimates [6]
Revett Minerals																
Troy [14, 23]																
7.0% GSR	-	-	-	-	-	-	9.0	1.14	10.323	-	-	-	-	-	-	2.0M oz
6.1% GSR	-	-	-	-	-	-	1.8	1.14	2.046	-	-	-	-	-	-	
2.0% GSR	-	-	-	-	-	-	1.2	1.14	1.339	35.1	1.46	10.1	0.99	-	-	
Coeur d'Alene Mines [24]																
Martha [14] 2.0% NSR	0.034	78.7	2.646	0.080	61.5	4.930	0.1	66.6	7.576	-	-	-	-	-	-	2.7M oz
Goldcorp [15]																
Peñasquito [16, 17]																
2.0% NSR (oxide)	46.4	0.609	28.244	75.3	0.479	36.061	121.7	0.528	64.305	55.1	0.544	113.5	0.387	45.2	0.379	-
2.0% NSR (sulfide)	470.6	0.992	467.0	419.1	0.794	332.561	889.7	0.899	799.554	579.8	0.928	1,010.8	0.658	1,299.6	0.378	-

COPPER [25] (at 12/31/06) Operator	Tons of Ore (M)	Ave. Copper Grade (%)	Copper Contained Lbs [5] (M)	Tons of Ore (M)	Ave. Copper Grade (%)	Copper Contained Lbs [5] (M)	Tons of Ore (M)	Ave. Copper Grade (%)	Copper Contained Lbs [5] (M)	Tons of Ore (M)	Ave. Copper Grade (%)	Tons of Ore (M)	Ave. Copper Grade (%)	Tons of Ore (M)	Ave. Copper Grade (%)	Production Estimates [6]

Quadra Mining **Robinson** [14] 3.0% NSR	129.7	0.69	1,787	5.3	0.73	77	134.9	0.69	1,863	-	-	-	-	-	-	136.3M lbs
Revett Minerals **Troy** [14, 23]																
7.0% NSR	-	-	-	-	-	-	7.9	0.54	84.914	-	-	-	-	-	-	16.0M lbs
6.1% NSR	-	-	-	-	-	-	1.6	0.54	16.978	-	-	-	-	-	-	
2.0% NSR	-	-	-	-	-	-	2.7	0.54	29.286	35.1	0.72	10.1	0.36	-	-	

ZINC [26] (at 12/31/06) Operator	Tons of Ore (M)	Ave. Zinc Grade (%)	Zinc Contained Lbs [5] (M)	Tons of Ore (M)	Ave. Zinc Grade (%)	Zinc Contained Lbs [5] (M)	Tons of Ore (M)	Ave. Zinc Grade (%)	Zinc Contained Lbs [5] (M)	Tons of Ore (M)	Ave. Zinc Grade (%)	Tons of Ore (M)	Ave. Zinc Grade (%)	Tons of Ore (M)	Ave. Zinc Grade (%)	Production Estimates [6]
Goldcorp [15] **Peñasquito** [16, 17] 2.0% NSR (sulfide)	470.6	0.78	7,363	419.1	0.65	5,445	889.7	0.72	12,809	579.8	0.75	1,010.8	0.59	1,299.6	0.50	-

LEAD [27] (at 12/31/06) Operator	Tons of Ore (M)	Ave. Lead Grade (%)	Lead Contained Lbs [5] (M)	Tons of Ore (M)	Ave. Lead Grade (%)	Lead Contained Lbs [5] (M)	Tons of Ore (M)	Ave. Lead Grade (%)	Lead Contained Lbs [5] (M)	Tons of Ore (M)	Ave. Lead Grade (%)	Tons of Ore (M)	Ave. Lead Grade (%)	Tons of Ore (M)	Ave. Lead Grade (%)	Production Estimates [6]
Goldcorp [15] **Peñasquito** [16, 17] 2.0% NSR (sulfide)	470.6	0.36	3,439	419.1	0.29	2,447	889.7	0.33	5,886	579.8	0.34	1,010.8	0.24	1,299.6	0.07	-

Footnotes:

1 *Gold reserves were calculated by the various operators at the following per ounce price: $400 – Taparko; $475 – Cortez Pipeline and South Pipeline, SJ Claims, Bald Mountain, and Pascua-Lama; $500 – Leeville, Robinson and Mulatos; $525 – Peñasquito; $535 – Cortez Gap.*

2 *Set forth below are the definitions of proven and probable reserves used by the U.S. Securities and Exchange Commission. Some of our royalty operators are Canadian issuers. Their definitions of "mineral reserve," "proven mineral reserve" and "probable mineral reserve" conform to the Canadian Institute of Mining, Metallurgy and Petroleum definitions of these terms as of the effective date of estimation as required by National Instrument 43-101 of the Canadian Securities Administrators. The Canadian definitions of "reserve," "proven (measured) reserves," and "probable (indicated) reserves" are different than those used by the SEC as defined below. "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.*

3 *Mineralized material is that part of a mineral system that has potential economic significance but cannot be included in the proven and probable ore reserve estimates until further drilling and metallurgical work is completed, and until other economic and technical feasibility factors based upon such work have been resolved. The U.S. Securities and Exchange Commission does not recognize this term. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves.*

4 *Some of our royalty operators are Canadian issuers. Their definitions of "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource" conforms to the Canadian Institute of Mining, Metallurgy and Petroleum definitions of those terms as of the effective date of estimation, as required by National Instrument 43-101 of the Canadian Securities Administrators. Mineral resources which are not mineral reserves do not have economic viability. Canadian issuers use the terms "mineral resources" and its subcategories "measured," "indicated" and "inferred" mineral resources. While such terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves.*

5 *"Contained ounces" or "contained pounds" do not take into account losses in processing the ore. The amounts shown are 100% of the reserves subject to our royalty interests.*

6 *Production estimates were provided by the various operators and are in ounces for gold and silver, and pounds for copper, lead and zinc.*

7 *The operator at SJ and Bald Mountain did not provide a breakdown of proven and probable reserves.*

8 *Proven reserves for Carlin East.*

9 *Probable reserves for West Leeville.*

10 *GSR1, GSR2 and NVR1 reserves are a subset of the reserves covered by GSR3.*

11 *The Company's royalty is subject to a 2.0 million ounce cap on gold production.*

12 *Cut-off grade of 0.015 ounces per ton.*

13 *In August 2007, the operator revised its forecast downward from its CY 2007 production estimate of 150,000 ounces, but did not specify a revised production figure.*

14 *Recovered metal is contained in concentrate.*

15 *Reserves and additional mineralization were updated by the operator on June 25, 2007.*

16 *Development stage property.*

17 *Operator reported estimates by deposit types. An oxide deposit is one in which the oxide minerals predominate. A sulfide deposit is one in which the sulfide minerals predominate.*

18 *Campania Minera Nevada Ltd. and Barrick Exploraciones Argentina S.A., subsidiaries of Barrick, are the owners of this property.*

19 *Royalty applies to all gold production from an area of interest in Chile. According to Compania Minera Nevada Ltd.'s and Barrick Exploraciones Argentina S.A.'s technical report dated March 30, 2005, approximately 80% of these reserves are located in Chile.*

20 *TB-GSR1 and TB-GSR2 royalties are subject to the same reserve.*

21 *Round Mountain Gold Corporation's Gold Hill reserves are not separately detailed in their publicly available financial reports. However, Barrick stated in its September 2006 Nevada Mine Tour presentation titled "Barrick in Nevada," posted on their web site, that as of December 31, 2005, there were 375,000 contained ounces in reserves that represent their 50% share of the project.*

22 *Silver reserves were calculated by the operators at $11.00 per ounce for Troy, $10.00 per ounce for Martha and Peñasquito.*

23 *Due to the royalty structure at the Troy mine, reserves cannot be broken down into proven and probable.*

24 *Reserves at June 30, 2007, taking into account first half production. Updated figures for mineralized material subject to our royalty were not reported at that time.*

25 *Copper reserves were calculated by the operators at $2.00 per pound for Troy and $1.15 per pound for Robinson.*

26 *Zinc reserves were calculated by the operator at $0.80 per pound.*

27 *Lead reserves were calculated by the operator at $0.40 per pound.*

NOTE: Mineralized material subject to our royalty interests was not reported by the operators for SJ Claims-Goldstrike, Robinson, Taparko, and Pascua-Lama.

ROYAL GOLD'S FIVE-YEAR GROWTH IN LEVERAGE TO GOLD PRICE

CORPORATE RESPONSIBILITY

Royal Gold is committed to preserve and protect the environment, promote the health and safety of its employees and be an exemplary corporate citizen. The Company's Environmental, Health and Safety Policy specifies that any mineral exploration programs it may conduct are performed in compliance with all the health, safety and environmental laws and regulations in the communities in which the Company operates; that the Company will apply responsible standards and best practices; and that the Company will require its employees and contractors to meet or exceed such performance standards. Likewise, we expect the operators of the properties over which we hold royalties to conduct their activities in a responsible manner.

THE GOLD MARKET*

Trends in Supply and Demand

Demand for gold in 2006 from both consumers and investors rose to a record $65 billion according to figures published by the World Gold Council ("WGC"). This record demand, in dollar terms, reflected positive growth in all three categories of demand – jewelry, industrial and investment. At the same time, supply fell 13% in tonnage terms including a sharp reduction in net selling by central banks. The average price of gold in 2006 was $604 per ounce, rising to an average of $659 per ounce for the first half of calendar 2007. This represents a 36% increase in the year-over-year average gold price from 2005 and a 12% increase over the $591 per ounce gold price average for the first six months of calendar 2006. In September 2007, gold reached a 28-year high of $737 an ounce.

According to Gold Fields Mineral Service ("GFMS"), an independent precious metals research consultancy, the first half of calendar 2007 saw a robust 23% increase in jewelry demand due largely to diminishing gold price volatility. More than 70% of this increased demand came from India while East Asia and the Middle East also reported sizable gains. The first six months of 2007 saw strong producer de-hedging leaving producers' outstanding positions, as of the end of June, at their lowest levels since 1995. On the supply side, global mine production, in the first half of the year, grew by 3.0% with the largest increases coming from Asia, followed by Indonesia and China. Net official sector sales grew modestly in the first half with a 4.0% increase over the comparable period.

United States Gold Production

Nevada remained at the top of the list as the nation's largest gold producer in 2006, contributing 75% of the total U.S. gold production. The state's gold production for calendar 2006 was reported at 6.31 million ounces for a combined value of $3.8 billion. This compares with production of about 6.85 million ounces in 2005 with a total value of $3.05 billion. Other top U.S. gold producing states are Alaska, California, Colorado, New Mexico and Utah. The United States is one of the three largest gold producing countries in the world along with South Africa and Australia.

Central Bank Gold Agreement

The Central Bank Gold Agreement ("CBGA") remains in effect and is seen as a positive development for the long-term future stability of the gold market. Under the terms of the Agreement, participating central banks have agreed to limit their gold sales to a maximum of 551 tons (500 tonnes) per year for a five-year period, or until 2009. At mid-September 2007, annual sales for the third year of the CBGA were 486 tons (441 tonnes), a year-to-date increase of approximately 11.0%. Remaining possible sales through September 26, 2007 (CBGA year end) are 66 tons (60 tonnes).

Other Developments

Gold exchange-traded funds ("ETFs") have attracted large inflows of money over the past several years by investors seeking a less complicated way to engage in gold ownership as well as those investors looking for a hedge against inflation and portfolio diversification. According to the WGC, inflows into gold ETFs and similar products in 2006 totaled 292 tons (265 tonnes), a 27% increase over 2005 levels. At the end of 2006, total gold held in ETFs and similar funds amounted to 719 tons (652.5 tonnes), worth $13.3 billion. These privately-held investments represent one of the world's largest stock of physical gold.

Organizational Involvement

Royal Gold is an active participant in organizations involved in promoting the mining industry and the use of gold. The Company holds memberships and is represented by its Executive Chairman on the board of the World Gold Council, and its President and Chief Executive Officer on the boards of the National Mining Association, Nevada Mining Association and the Colorado Mining Association.

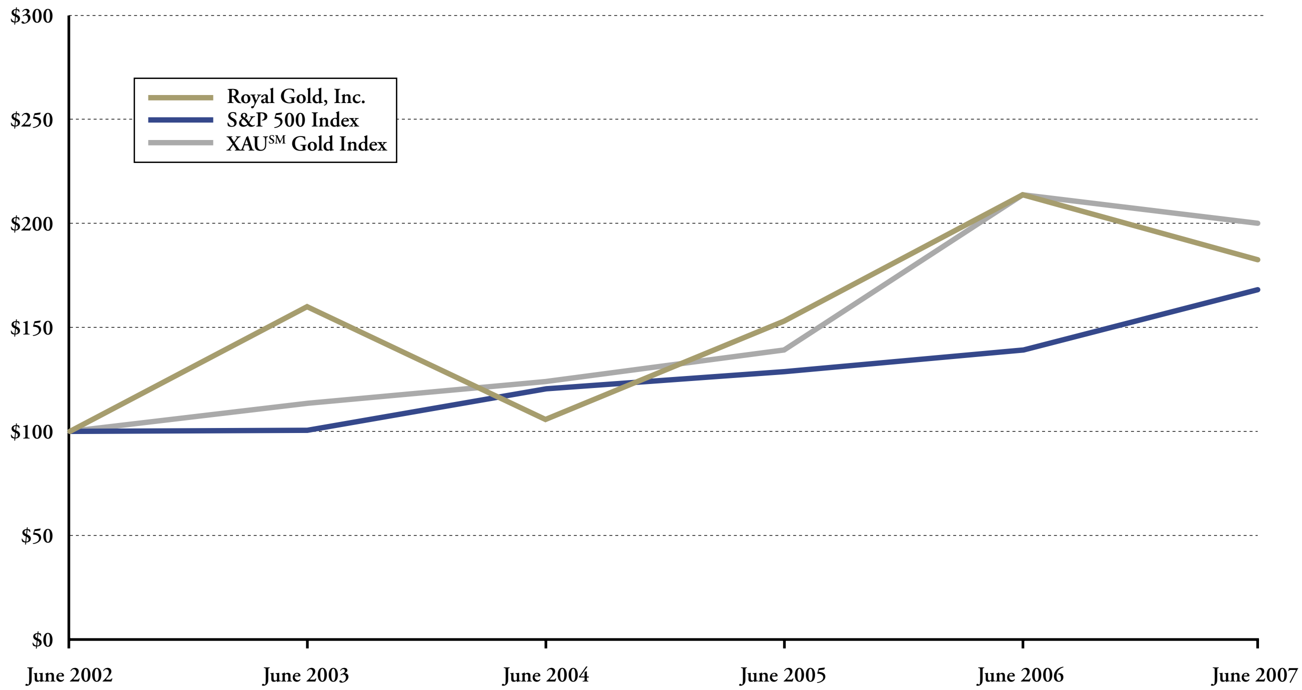
For more information on gold, you can visit the following web sites:

World Gold Council - www.gold.org
National Mining Association - www.nma.org
Nevada Mining Association - www.nevadamining.org
Colorado Mining Association – www.coloradomining.org

**This information is derived from various industry sources and represents the data and opinions of those sources. Royal Gold has not verified this data and presents this information as a representative overview of views on the gold business from gold industry sources. No assurance can be given that this data or these opinions will prove accurate. Investors are urged to reach their own conclusions regarding the gold market.*

Five-Year Shareholder Return Comparison

The following graph compares the cumulative total return on the Company's Common Stock with the cumulative total return of two other stock market indices: Standard and Poor's 500 Index and the PHLX Gold/Silver Sector℠ Index (XAU℠) as of June 30, 2007. The Company believes that the XAU℠ is more representative of the gold mining industry whereas the Standard and Poor's 500 Index reflects only one gold mining company.



	Base Period	Indexed Returns Years Ending June 30,				
Company Name / Index	2002	2003	2004	2005	2006	2007
Royal Gold, Inc.	100	158.14	105.54	151.05	210.49	181.28
S&P 500 Index	100	100.25	119.41	126.96	137.92	166.31
XAU℠ Gold Index	100	111.61	122.57	137.76	210.62	197.65

The PHLX Gold/Silver Sector℠ (XAU℠) is a capitalization-weighted index composed of the following 16 companies involved in the gold and silver mining industry:

Agnico Eagle Mines Limited
AngloGold Ashanti Limited -ADR
Barrick Gold Corporation
Coeur d'Alene Mines Corporation
Freeport-McMoran Copper & Gold
Gold Fields Limited -ADR
Goldcorp Inc.
Harmony Gold Mining Company Limited -ADR
Kinross Gold Corporation
Meridian Gold Inc.
Newmont Mining Corporation
Pan American Silver Corporation
Randgold Resources Limited -ADR
Royal Gold, Inc.
Silver Standard Res Inc.
Yamana Gold Inc.

Concentrate: The clean product recovered in froth flotation.

Fixed-rate royalty: A royalty rate that stays constant.

Flotation: The method of mineral separation in which a froth created in water by a variety of reagents floats some finely crushed minerals, whereas other minerals sink.

Grade: The metal content of ore. With precious metals, grade is expressed as troy ounces per ton of ore or as grams per tonne of ore. A "troy" ounce is one-twelfth of a pound.

Gross smelter return royalty: A defined percentage of the gross revenue from a resource extraction operation, with no deduction for any costs paid by or charged to the operator.

Heap leach: A method of recovering gold or other metals from ore placed on an impervious pad, whereby a dilute leaching solution is allowed to percolate through the heap, dissolving the metal, which is subsequently captured and recovered.

Milling royalty: A royalty on ore throughput at a mill.

Mineralized material: That part of a mineral system that has potential economic significance but is not included in the proven and probable ore reserve estimates until further drilling and metallurgical work is completed, and until other economic and technical feasibility factors based upon such work have been resolved.

Net smelter return royalty: A defined percentage of the gross revenue from a resource extraction operation, less a proportionate share of incidental transportation, insurance, refining and smelting costs.

Net value royalty: A defined percentage of the gross revenue from a resource extraction operation less certain contract-defined costs.

Probable reserve: Ore reserves for which quantity and grade are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume geological continuity between points of observation.

Proven reserve: Ore reserves for which: (a) the quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, and 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 size, shape, depth and mineral content of reserves are well established.

Refractory: Mineralization whereby metal recovery normally requires a more sophisticated processing technology for extraction such as roasting or use of autoclaves.

Reserve: That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves are categorized as proven or probable reserves (see separate definitions).

Royalty: The right to receive a percentage or other denomination of mineral production from a mining operation.

Ton: A unit of weight equal to 2,000 pounds or 907.2 kilograms.

Tonne: A unit of weight equal to 2,204.6 pounds or 1,000 kilograms.

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This analysis should be read in conjunction with the selected financial data on page 1 and the financial statements beginning on page 36.

The following discussion contains forward-looking statements that involve risks and uncertainties. Royal Gold's actual results could differ materially from those anticipated in these forward-looking statements as a results of various risk factors, including the risks described in the section titled "Risk Factors" within the Company's Fiscal 2007 Annual Report on Form 10-K.

Overview

Royal Gold, together with its subsidiaries, is engaged in the business of acquiring and managing precious metals royalties. Royalties are passive (non-operating) interests in mining projects that provide the right to revenue or production from the project after deducting specified costs, if any.

We seek to acquire existing royalties or to finance projects that are in production or 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 2007 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 primarily tied to the price of gold and other metals, as well as production from our royalty properties. During the 2007 fiscal year, the price of gold averaged $638 per ounce compared with an average price of $527 per ounce for the 2006 fiscal year. Payments received from the recently acquired Robinson and Mulatos royalties, along with an increase in production at the Leeville Mining Complex and the Troy mine contributed to royalty revenue of $48.4 million during the fiscal year ended June 30, 2007, compared to royalty revenue of $28.4 million during the fiscal year ended June 30, 2006.

Royalty Acquisitions

Peñasquito

On January 23, 2007, we acquired a 2.0% NSR royalty interest on the Peñasquito project located in the State of Zacatecas, Mexico, from Kennecott Exploration Company, a Delaware corporation, and Minera Kennecott S.A. de C.V., a company incorporated under the laws of Mexico, for $80 million in cash and 577,434 shares of our common stock. We also obtained the right to acquire any or all of a group of NSR royalties ranging from 1.0% to 2.0% on various other concessions in the same region. On April 27, 2007, we notified Kennecott Exploration Company of our intention to acquire the royalties on certain of these concessions. We expect to complete our acquisition of these royalties for nominal consideration during the first quarter of fiscal 2008. Our right to acquire the royalties not identified in our notice expired on May 1, 2007.

The Peñasquito project is composed of two main deposits called Peñasco and Chile Colorado and is under development by a subsidiary of Goldcorp. The Peñasquito project hosts very large silver, gold and zinc reserves while also containing large lead reserves. The Peñasquito project is currently under construction and the operator expects to commence initial production in mid-calendar 2008, with full production expected in calendar 2012.

Pascua-Lama

On March 9, 2007, we, through Royal Gold Chile Limitada ("RGCL"), a newly-formed, wholly-owned Chilean subsidiary, acquired an NSR sliding-scale royalty on gold which is derived from certain mineral concessions at the Pascua-Lama project located in Chile for $20.5 million. Barrick, through its subsidiaries, owns the Pascua-Lama project, and is targeting production to commence in calendar year 2010. The acquisition also includes an NSR royalty on copper from reserves located in Chile sold after January 1, 2017.

Gold Hill

On December 8, 2006, Royal Gold paid $3.3 million to Nevada Star Resource Corp. in exchange for a sliding-scale NSR royalty and certain unpatented mining claims on the Gold Hill deposit. The Gold Hill deposit, located just north of the Round Mountain gold mine in Nye County, Nevada, is controlled by Round Mountain Gold Corporation ("Round Mountain Gold"), a joint venture between subsidiaries of Kinross, the operator, and Barrick. Production on the Gold Hill deposit is expected to commence once permitting is completed and equipment from the Round Mountain pit becomes available.

Other developments

Please also see the "Liquidity and Capital Resources" section below for discussion of our underwritten offering of common stock and our amended bank loan.

Proposed Acquisition of Battle Mountain Gold Exploration Corp.

On July 30, 2007, we entered into an Amended and Restated Agreement and Plan of Merger (the "Merger Agreement") with Battle Mountain Gold Exploration Corporation ("Battle Mountain") and Royal Battle Mountain, Inc. ("Merger Sub"), a newly-formed and wholly-owned subsidiary of Royal Gold. The Merger Agreement amends and restates the Agreement and Plan of Merger dated as of April 17, 2007 by and among Royal Gold, Battle Mountain and the Merger Sub pursuant to which Merger Sub will be merged into Battle Mountain with Battle Mountain surviving as a wholly-owned subsidiary of Royal Gold (the "Merger").

Under the Merger Agreement, each outstanding share of Battle Mountain common stock will be converted into the right to receive, at the election of each Battle Mountain stockholder, either (i) a number of shares of Royal Gold common stock to be determined at closing ("Stock Election") or (ii) approximately $0.55 in cash ("Cash Election"), in each case assuming 91,563,506 shares of Battle Mountain common stock will be issued and outstanding immediately prior to the effective time of the merger. The per share consideration, if a holder of Battle Mountain common stock makes a Stock Election, will be based on the average price per share of Royal Gold common stock as reported on the NASDAQ Global Select Market for the five trading day period up to and including the second business day preceding (but not including) the closing date of the merger transaction. If the average price is below $29.00, the per share stock consideration will be determined based on an aggregate of 1,634,410 shares of Royal Gold common stock and the holders of shares of Battle Mountain common stock would receive 0.0179 shares of Royal Gold common stock for each share of Battle Mountain common stock. If the average price of Royal Gold common stock is $30.18 or above, the per share stock consideration will be determined based on an aggregate of 1,570,507 shares of Royal Gold common stock and the holders of shares of Battle Mountain common stock would receive 0.0172 shares of Royal Gold common stock for each share of Battle Mountain common stock. If the average price is above or equal to $29.00 but less than $30.18, then the per share consideration for each share of Battle Mountain common stock would be proportionally adjusted based on the average price of Royal Gold common stock, using $47,397,901.26 as the aggregate purchase price. The per share consideration if a holder of Battle Mountain common stock makes a Cash Election will be based on a maximum amount of $50,359,928 as the aggregate purchase price.

The stock consideration and cash consideration payable in the Merger are subject to pro rata adjustment based on the number of issued and outstanding shares of Battle Mountain common stock immediately prior to the effective time of the Merger and a potential reduction or holdback of approximately 0.0006 shares of Royal Gold common stock on a per share basis, in the case of a Stock Election, or $0.017 on a per share basis, in the case of a Cash Election, based on the cost of settling certain Battle Mountain litigation.

Royal Gold, Battle Mountain and Battle Mountain Gold Exploration (Barbados) Corporation (with Battle Mountain, the "Borrowers"), Battle Mountain's wholly-owned subsidiary, entered into the First Amendment to the Bridge Facility Agreement (the "First Amendment"). The First Amendment amends the March 28, 2007, Bridge Facility Agreement by and among Royal Gold and the Borrowers whereby Royal Gold agreed to make available to the Borrowers a bridge finance facility of up to $20 million. In April 2007, the maximum availability under the bridge finance facility was reduced to $15 million. Outstanding principal, interest and expenses under the bridge facility may be converted at Royal Gold's option into Battle Mountain common stock, at a conversion price per share of $0.60 at any time during the term of the bridge facility, provided that Royal Gold notifies Battle Mountain of its election to convert on or before April 4, 2008. The bridge facility will mature on June 6, 2008. Please see Note 7 of the notes to consolidated financial statements for further detail regarding the bridge finance facility.

Internal Review of Stock Option Matters

On December 12, 2006, a *Wall Street Journal* article raised the topic that certain officers of public companies, including the chairman of the Company, may have backdated the exercise of certain of their options based on the frequency of exercises occurring on dates with low trading prices during the month of exercise. Promptly after learning of the story, the chairman of the Company advised the board of directors' audit committee regarding the matter. The audit committee then initiated a voluntary review and retained independent counsel to assist in its review of stock option practices. On February 7, 2007, the independent counsel made its final report to the audit committee of its findings.

The principal findings of that report were as follows:

- The review of stock option exercise information covered the period from 1990 to 2002. The review found no evidence that the Company had a policy or sanctioned practice of permitting backdating of stock option exercise dates.
- Independent counsel was unable to conclude that intentional backdating of stock option exercise dates occurred, or to rule out the possibility that such intentional backdating did occur. Counsel found several instances in which two current officers and several former officers of the Company (and two instances in which a former outside director) exercised stock options on the day or days when the trading price for the Company's common stock during the month of exercise was lowest.
- Independent counsel found that the conduct of the current president and chief executive officer, chief financial officer, general counsel, and controller is not implicated in any way in the issues that were subject of the review.
- The review found no evidence that any current or former officer's conduct involved any effort to mislead investors, to inaccurately improve the financial results of the Company, or to obtain any personal benefit at the expense of the Company.
- Independent counsel also reviewed the Company's stock option grant procedures since 1990. The review found no evidence that the Company's stock option grant dates had been backdated.
- Independent counsel also found historical weaknesses in internal controls with respect to exercise of stock options and the stock option practices generally, but found that such historical weaknesses in internal controls have been remediated. Since 2002, internal controls regarding the Company's stock option practices have been substantially upgraded.

The Company has concluded that there is no tax or financial statement impact resulting from the review of its stock option exercise and grant practices.

Operators' Production Estimates by Royalty for Calendar 2007

The following table shows estimates received from the operators of our producing mines during the first quarter of calendar 2007 indicating the production attributable to our royalty interests for calendar year 2007. The estimates are prepared by the operators of the mining properties. We do not participate in the preparation or verification of the operators' estimates and have not independently assessed or verified the accuracy of such information.

Operators' Production Estimate by Royalty for Calendar 2007 and Reported Production for the period January 1, 2007 through June 30, 2007

Royalty	Operator	Metal	Calendar 2007 Production Estimate	Reported Production through June 30, 2007(2)
Pipeline GSR1	Barrick	Gold	478,543 oz.	238,928 oz.
Pipeline GSR2	Barrick	Gold	12,762 oz.	7,647 oz.
Pipeline GSR3	Barrick	Gold	491,305 oz.	246,575 oz.
Pipeline NVR1	Barrick	Gold	264,843 oz.	149,280 oz.
Robinson(1,3)	Quadra	Gold	90,000 oz.	54,845 oz.
SJ Claims	Barrick	Gold	799,160 oz.	525,194 oz.
Leeville	Newmont	Gold	337,000 oz.	97,360 oz.
Bald Mountain	Barrick	Gold	90,811 oz.	46,104 oz.
Mulatos	Alamos	Gold	150,397 oz.	56,959 oz.
Troy(1)	Revett	Silver	2.0 million oz.	677,746 oz.
Martha(4)	Coeur d'Alene	Silver	2.7 million oz.	1.4 million oz.
Troy(1)	Revett	Copper	15.9 million lbs.	6.5 million lbs.
Robinson(1)	Quadra	Copper	136.3 million lbs.	72.8 million lbs.

(1) Sold metal contained in concentrate.

(2) Reported production relates to the amount of metal sales, subject to our royalty interests, for the period January 1, 2007 through June 30, 2007, as reported to us by the operators of the mines.

(3) In July 2007, Quadra revised its production estimate for calendar 2007 from 68,058 ounces of gold to 90,000 ounces of gold. The reported increase in estimated production was due to higher than planned grade and recovery.

(4) Recovered metal contained in concentrate.

Note: In August 2007, High River announced that they expect to produce approximately 35,000 ounces of gold during the remainder of calendar 2007.

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

Historical Production(1) by Royalty For the Fiscal Years Ended June 30

Royalty	Metal	2007	2006	2005
Pipeline GSR1	Gold	502,626 oz.	598,974 oz.	973,602 oz.
Pipeline GSR2	Gold	7,647 oz.	--	--
Pipeline GSR3	Gold	510,273 oz.	598,974 oz.	973,602 oz.
Pipeline NVR1	Gold	291,963 oz.	263,223 oz.	688,952 oz.
Robinson(2)	Gold	80,603 oz.	13,082 oz.	N/A
SJ Claims	Gold	950,462 oz.	1.0 million oz.	531,342 oz.
Leeville	Gold	230,458 oz.	83,696 oz.	93,180 oz.
Bald Mountain	Gold	109,515 oz.	126,317 oz.	28,037 oz.
Mulatos(3)	Gold	103,262 oz.	23,912 oz.	N/A
Troy	Silver	1.0 million oz.	884,528 oz.	522,145 oz.
Martha(4)	Silver	2.9 million oz.	2.3 million oz.	1.8 million oz.
Troy	Copper	9.6 million lbs.	7.1 million lbs.	4.6 million lbs.
Robinson(2)	Copper	116.9 million lbs.	27.2 million lbs.	N/A

(1) Reported production relates to the amount of metal sales, subject to our royalty interests, through June 30, 2007, as reported to us by the operators of the mines.

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

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

(4) Produced metal contained in concentrate.

Recently Issued Accounting Pronouncements

On July 13, 2006, Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 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 measurement of tax positions taken or expected to be 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 our fiscal year beginning July 1, 2007. The Company is evaluating the impact the adoption of FIN 48 could have on our financial statements; however, the Company does not expect the adoption of FIN 48 to have a material effect on the Company's financial position or results of operations.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*. Statement No. 157 provides guidance for using fair value to measure assets and liabilities. Statement No. 157 applies whenever other accounting standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. Under Statement No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability between participants in the market in which the reporting entity transacts. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. The provisions of Statement No. 157 are effective for our fiscal year beginning July 1, 2008, and interim periods within the fiscal year. The Company is evaluating the impact, if any, the adoption of Statement No. 157 could have on our financial statements.

Also in September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108 ("SAB 108"), *Financial Statements – Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements."* SAB 108 was issued in order to eliminate the diversity in practices surrounding how public companies quantify and evaluate the materiality of financial statement misstatements. SAB 108 provides that once a current year misstatement has been quantified, the guidance in Staff Accounting Bulletin No. 99, *Financial Statements – Materiality*, should be applied to determine whether the misstatement is material and should result in an adjustment to the financial statements. SAB 108 is effective for the first fiscal year ending after November 15, 2006. The Company elected early application of SAB 108 during its third quarter ending March 31, 2007. Please see Note 15 of the notes to consolidated financial statements for the effect of the Company's early application of SAB 108.

In February 2007, the FASB issued Statement No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities,"* which allows entities to choose to measure many financial instruments and certain other items at fair value. Statement No. 159 is effective for the Company's fiscal year beginning July 1, 2008. The Company is evaluating the impact, if any, the adoption of Statement No. 159 could have on our financial statements.

Critical Accounting Policies

Listed below are the accounting policies that the Company believes are critical to its financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported.

Use of Estimates

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 third-party 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.

Royalty Interests in Mineral Properties

As of June 30, 2007, the net carrying value of royalty interests in mineral properties was approximately $215.8 million. 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 FASB's Statement of Financial Accounting 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.*

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 remaining life of the mineral property, 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.

Royalty Revenue

For the fiscal year ended June 30, 2007, we received royalty revenue of approximately $48.4 million. Royalty revenue is recognized pursuant to guidance in Staff Accounting Bulletin No. 104, *Revenue Recognition for Financial Statements.* 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.

Revenue recognized pursuant to the Robinson royalty agreement is based upon three (3) percent of revenue received by the operator of the mine, Quadra, for the sale of minerals from the Robinson mine, reduced by certain costs incurred by Quadra. Quadra's concentrate sales contracts with third-party smelters, in general, provide for an initial payment based upon provisional assays and quoted metal prices at the date of shipment. Final true-up payments are subsequently based upon final assays and market metal prices set on a specified future date, typically one to three months after the date the concentrate arrives at the third-party smelter (which generally occurs three to six months after the shipment date from the Robinson mine).

Royal Gold recognizes revenue under the Robinson royalty agreement based on amounts contractually due pursuant to the calculations above for the underlying sale. As a result of pricing variations in gold, silver and copper over the respective settlement period, royalty revenue recognized on the Robinson royalty could be positively or negatively impacted by any changes in metal prices, between the provisional and final settlement periods.

Liquidity and Capital Resources

Overview

At June 30, 2007, we had current assets of $95.7 million compared to current liabilities of $4.7 million for a current ratio of 20 to 1. This compares to current assets of $84.7 million and current liabilities of $3.3 million at June 30, 2006, resulting in a current ratio of approximately 26 to 1. Our available cash increased during the period primarily due to net proceeds received from the issuance of common stock related to our April 2007 equity offering, discussed below, of approximately $121.9 million as well as proceeds received from the issuance of common stock related to the exercise of stock options of approximately $0.6 million. These increases were partially offset by cash paid for the acquisition of royalty interests in mineral properties, including transaction costs, of approximately $120.8 million during the period. The decrease in the current ratio is due primarily to an increase in our accounts payable. The increase in accounts payable is due to an increase in our Nevada Net Proceeds Tax ("NNPT") payable, which is due to an increase in royalty revenue from our Nevada properties during the first six months of calendar 2007.

During the fiscal year ended June 30, 2007, liquidity needs were met from $48.4 million in royalty revenues (including $1.7 million of minority interest), net proceeds from issuance of common stock related to our April 2007 equity offering of approximately $121.9 million, our available cash resources and interest and other income of $4.3 million. Also during our fiscal year ended June 30, 2007, total assets increased to $356.6 million compared to $171.8 million at June 30, 2006. The increase was primarily attributable to the royalty acquisitions on the Peñasquito and Pascua-Lama projects for $99.1 million in cash and common stock and $20.9 million in cash, respectively.

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 acquisition activities. In the event of a substantial royalty or other acquisition, we may seek additional debt or equity financing opportunities.

Recent Liquidity and Capital Resource Developments

Equity Offering

In April 2007, we sold 4,000,000 shares of our common stock, at a price of $29.25 per share, resulting in proceeds of approximately $110.9 million, which is net of the underwriters' discount of $5.6 million and transaction costs of approximately $650,000. A portion of the net proceeds in this equity offering was used to repay the outstanding balance under our revolving credit facility with HSBC Bank USA, National Association ("HSBC Bank"), as discussed below in "—Recent Liquidity and Capital Resource Developments, *Amendment to HSBC Loan Agreement*," while the remaining net proceeds are intended to be used to fund the acquisition and financing of additional royalty interests and for general corporate purposes.

The underwriters of this equity offering were granted an option to purchase up to 600,000 additional shares of our common stock to cover over-allotments. On May 3, 2007, the underwriters purchased an additional 400,064 shares of our common stock pursuant to their over-allotment option. The additional purchase to cover over-allotments resulted in additional proceeds of approximately $11.0 million, which is net of the underwriters' discount of approximately $656,000.

Chilean Term Loan Agreement

On March 1, 2007, RGCL, a wholly-owned subsidiary of Royal Gold, entered into a $15.75 million term loan facility bearing interest at LIBOR plus 0.25% pursuant to a Term Loan Agreement between RGCL and HSBC Bank. Pursuant to the terms of the Term Loan Agreement, Royal Gold must maintain a restricted interest-bearing securities account (the "Collateral Account") at HSBC Securities (USA) Inc. with a balance equal to or in excess of the outstanding amounts on the $15.75 million term loan. In connection with the Term Loan Agreement, Royal Gold entered into a Guarantee (the "Guarantee") for the benefit of HSBC Bank to guaranty RGCL's obligations under the Term Loan Agreement and a security agreement granting HSBC Bank a security interest in the Collateral Account to secure RGCL's obligations under the Term Loan Agreement and its obligations under the Guarantee. The loan will mature on March 1, 2012. The $15.75 million balance in the Collateral Account as of June 30, 2007, is recorded as *restricted cash-compensating balance* on the Company's consolidated balance sheets.

Amendment to HSBC Loan Agreement

On January 5, 2007, the Company and a wholly-owned subsidiary entered into the Second Amended and Restated Loan Agreement ("Amendment") with HSBC Bank. The Amendment increased our revolving credit facility from $30 million to $80 million and extended the maturity date of the credit facility to December 31, 2010. The facility bears interest at LIBOR plus 1.5% and includes both affirmative and negative covenants, as defined, so long as any portion of the facility is outstanding and unpaid. The key financial covenants, as defined within the affirmative covenants, include tangible net worth, current ratio and a minimum cash balance. The Company's borrowing base will be calculated based on our royalties and will be initially based on its GSR1, GSR3, and NVR1 royalties at the Pipeline Mining Complex and its SJ Claims, Leeville Mining Complex, Bald Mountain and Robinson royalties.

The Company and the wholly-owned subsidiary granted HSBC Bank security interests in the following: the Company's GSR1, GSR3, and NVR1 royalties at the Pipeline Mining Complex; the Company's SJ Claims, Leeville Mining Complex, Bald Mountain and Robinson royalties; and the Company's debt reserve account at HSBC Bank. The initial availability under the borrowing base was the full $80 million under the credit facility. As of April 15, 2007, the total availability under the borrowing base was decreased to $71.4 million, reflecting an updated borrowing base calculation, as defined, based upon the future cash flows from the royalties included in the borrowing base calculation.

During our third fiscal quarter of 2007, we drew $60 million under the revolving credit facility primarily to complete the closing of the Peñasquito and Pascua-Lama royalty acquisitions, as discussed in Note 2 to the consolidated financial statements. During the fourth quarter of fiscal year 2007, we fully paid outstanding amounts under the credit facility, primarily from the proceeds of our equity offering in April 2007.

Inventory – restricted

Please see Note 14 of the notes to consolidated financial statements for further information.

Note Receivable – Battle Mountain Gold Exploration

On March 28, 2007, Royal Gold entered into a Bridge Finance Facility Agreement (as amended on July 30, 2007) with Battle Mountain and its wholly-owned subsidiary BMGX (Barbados) Corporation, as borrowers, whereby Royal Gold made available a bridge facility of up to $20 million. In April 2007, the maximum availability under the bridge facility was reduced to $15 million. Outstanding principal, interest and expenses under the bridge facility may be converted at Royal Gold's option into Battle Mountain common stock, at a conversion price per share of $0.60 at any time during the term of the bridge facility, provided that Royal Gold notifies Battle Mountain of its election to convert on or before April 4, 2008. The bridge facility will mature on June 6, 2008.

As of June 30, 2007, approximately $14.5 million aggregate principal amount has been advanced to Battle Mountain under the bridge facility and is recorded as *Note receivable – Battle Mountain Gold Exploration* on the consolidated balance sheets. Please see Note 7 to the consolidated financial statements and "Recent Developments – Other developments – *Proposed Acquisition of Battle Mountain Gold Exploration Corp."* above for further information.

Dividend Increase

On November 8, 2006, the Company announced that its Board of Directors increased the Company's annual (calendar year) dividend from $0.22 to $0.26 per share of common stock, payable on a quarterly basis. Quarterly dividends of $0.065 per share of common stock were paid on January 19, 2007, April 20, 2007 and July 20, 2007.

Contractual Obligations

Our contractual obligations as of June 30, 2007, are as follows:

Contractual Obligations	Payments Due by Period Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Note payable(1)	$ 19,810,000	$ 870,000	$ 1,740,000	$ 17,200,000	$ -
Operating leases	1,084,157	180,693	581,684	321,780	-
Long-term retirement obligation	98,173	26,400	52,800	18,973	-
Total	**$ 20,992,330**	**$ 1,077,093**	**$ 2,374,484**	**$ 17,540,753**	**$ -**

(1) Amounts represent principal ($15,750,000) and estimated interest payments ($4,060,000) assuming no early extinguishment.

For information on our contractual obligations, see Notes 6 and 13 of the notes to consolidated financial statements. 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, 2007, Compared with Fiscal Year Ended June 30, 2006

For the fiscal year ended June 30, 2007, we recorded net income of $19.7 million, or $0.79 per basic share and diluted share, as compared to net income of $11.4 million, or $0.50 per basic share and $0.49 per diluted share, for the fiscal year ended June 30, 2006.

For fiscal year 2007, we received total royalty revenue of $48.4 million (including $1.7 million of minority interest), at an average gold price of $638 per ounce, compared to royalty revenue of $28.4 million, at an average gold price of $527 per ounce for fiscal year 2006. Royalty revenue and the corresponding production, attributable to our royalty interests, for fiscal year 2007 compared to fiscal year 2006 is as follows:

Royalty Revenue and Production Subject to Our Royalty Interests
Fiscal Years Ended June 30, 2007 and 2006

		Fiscal Year Ended June 30, 2007		Fiscal Year Ended June 30, 2006	
Royalty	Metal(s)	Royalty Revenue	Reported Production(1)	Royalty Revenue	Reported Production(1)
Pipeline	Gold	$ 21,485,765	510,273 oz.	$ 16,813,059	598,974 oz.
Robinson(2)		$ 12,573,373		$ 2,202,749	
	Gold		80,603 oz.		13,082 oz.
	Copper		116.9 million lbs.		27.2 million lbs.
SJ Claims	Gold	$ 5,463,199	950,462 oz.	$ 4,783,896	1.0 million oz.
Troy		$ 3,066,870		$ 1,693,447	
	Silver		1.0 million oz.		884,528 oz.
	Copper		9.6 million lbs.		7.1 million lbs.
Leeville	Gold	$ 2,660,667	230,458 oz.	$ 767,744	83,696 oz.
Bald Mountain	Gold	$ 1,281,219	109,515 oz.	$ 1,492,659	126,317 oz.
Mulatos(2)	Gold	$ 1,012,159	103,262 oz.	$ 225,000	23,912 oz.
Martha	Silver	$ 713,576	2.9 million oz.	$ 401,589	2.3 million oz.
Gold Hill(3)	Gold	$ 100,000	N/A	N/A	N/A
Total Revenue		**$ 48,356,828**		**$ 28,380,143**	

(1) Reported production relates to the amount of metal sales, subject to our royalty interests, for the fiscal years ended June 30, 2007 and June 30, 2006, as reported to us by the operators of the mines.

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

(3) Royalty revenue received represents an annual advance royalty payment per the Assignment and Mining Lease with Option to Purchase between Round Mountain Gold and Royal Gold. The Gold Hill royalty was acquired during our second quarter of fiscal year 2007.

The increase in royalty revenue for the fiscal year ended June 30, 2007, compared with the fiscal year ended June 30, 2006, resulted from an increase in metal prices, increased production at the Leeville Mining Complex, the Troy mine, and a full year of revenue from the Robinson and Mulatos royalties. The consolidation of Crescent Valley Partners, L.P. ("CVP") contributed $1,624,230 to royalty revenue during the fiscal year ended June 30, 2007, $1,521,765 of which is eliminated from income as minority interest in income of consolidated subsidiary. See Note 15 to the consolidated financial statements for further information.

Cost of operations increased to $3.3 million for the fiscal year ended June 30, 2007, compared to $2.3 million for the fiscal year ended June 30, 2006. The increase was mainly due to an increase in the NNPT expense, which resulted primarily from an increase in royalty revenue from the Pipeline Mining Complex, Leeville Mining Complex and the Robinson royalty.

General and administrative expenses increased to $5.8 million for the fiscal year ended June 30, 2007, compared to $5.0 million for the fiscal year ended June 30, 2006. The increase was primarily due to an increase in legal fees of approximately $267,000 and accounting fees of approximately $199,000. These increases were primarily the result of the internal review of stock option matters and other corporate matters during our third and fourth fiscal quarters of 2007.

Exploration and business development expenses decreased to $2.5 million for the fiscal year ended June 30, 2007, compared to $3.4 million for the fiscal year ended June 30, 2006. The decrease was primarily due to a decrease in exploration costs of approximately $151,000, a decrease in non-cash compensation expense allocated to exploration and business development expense of approximately $180,000, and a decrease in consulting services for business development of approximately $350,000, which is the result of the Company completing royalty acquisitions and capitalizing the related acquisition costs.

Depreciation and depletion increased to $8.3 million for the fiscal year ended June 30, 2007, compared to $4.3 million for the fiscal year ended June 30, 2006. The increase was primarily due to additional depletion incurred of approximately of $1.9 million, as a result of the Robinson and Mulatos royalty acquisitions during the fourth quarter of fiscal year 2006. Increased production and an increase in depletion rates for our Leeville Mining Complex and Troy mine royalties resulted in additional depletion of approximately $2.1 million over the prior period.

The Company recorded total non-cash stock compensation expense related to our equity compensation plans of $2.7 million for the fiscal year ended June 30, 2007, compared to $2.8 million for the fiscal year ended June 30, 2006. Our non-cash stock compensation is allocated among cost of operations, general and administrative, and exploration and business development in our consolidated statements of operations and comprehensive income. The total non-cash compensation expense allocated to cost of operations, general and administrative expenses, and exploration and business development expenses for the fiscal year ended June 30, 2007, was $400,977, $1,510,142 and $752,070, respectively, compared with $380,565, $1,465,055 and $932,066, respectively, for the fiscal year ended June 30, 2006.

Interest and other income increased to $4.3 million for the fiscal year ended June 30, 2007, compared to $3.2 million for the fiscal year ended June 30, 2006. The increase is primarily due to higher interest rates, an increase in average funds available for investing over the prior period and interest earned on the Battle Mountain bridge facility.

Interest and other expense increased to $2.0 million for the fiscal year ended June 30, 2007, compared to $165,066 for the period ended June 30, 2006. The increase is due to interest paid during the period for the outstanding revolving credit facility balance during our third fiscal quarter and the RGCL note payable, as discussed in "Liquidity and Capital Resources."

For the fiscal year ended June 30, 2007, we recognized current and deferred tax expense totaling $9.5 million compared with $5.1 million for the fiscal year ended June 30, 2006. This resulted in an effective tax rate of 31.0% in the current and prior periods.

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 $11.4 million, or $0.50 per basic share and $0.49 per diluted share, as compared to net income of $11.5 million, 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 $28.4 million, at an average gold price of $527 per ounce, compared to royalty revenue of $25.3 million, 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

		Fiscal Year Ended June 30, 2006		Fiscal Year Ended June 30, 2005	
Royalty	Metal(s)	Royalty Revenue	Reported Production(1)	Royalty Revenue	Reported Production(1)
Pipeline	Gold	$ 16,813,059	598,974 oz.	$ 21,392,636	973,602 oz.
SJ Claims	Gold	$ 4,783,896	1.0 million oz.	$ 2,026,052	531,342 oz.
Robinson(2)		$ 2,202,749		N/A	
	Gold		13,082 oz.		N/A
	Copper		27.2 million lbs.		N/A
Troy		$ 1,693,447		$ 749,362	
	Silver		884,528 oz.		522,145 oz.
	Copper		7.1 million lbs.		4.6 million lbs.
Bald Mountain	Gold	$ 1,492,659	126,317 oz.	$ 208,103	28,037 oz.
Leeville	Gold	$ 767,744	83,696 oz.	$ 763,012	93,180 oz.
Mulatos(2)	Gold	$ 225,000	23,912 oz.	N/A	N/A
Martha	Silver	$ 401,589	2.3 million oz.	$ 163,167	1.8 million oz.
Total Revenue		**$ 28,380,143**		**$ 25,302,332**	

(1) Reported production relates to the amount of metal sales, subject to our royalty interests, for the fiscal years ended June 30, 2007 and June 30, 2006, as reported to us by the operators of the mines.
(2) 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 $2.3 million for the fiscal year ended June 30, 2006, compared to $1.8 million 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 NNPT 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.

General and administrative expenses increased to $5.0 million for the fiscal year ended June 30, 2006, compared to $3.7 million for the fiscal year ended June 30, 2005. The increase is primarily due to non-cash employee compensation expense of $1.5 million, discussed below.

Exploration and business development expenses increased to $3.4 million for the fiscal year ended June 30, 2006, compared to $1.9 million 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 exploration alliance, as discussed in Note 2 of the notes to consolidated financial statements.

Depreciation and depletion increased to $4.3 million for the fiscal year ended June 30, 2006, compared to $3.2 million for the fiscal year ended June 30, 2005. The increase is primarily due to increased production at our SJ Claims.

The Company 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 $2.8 million 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.

Interest and other income increased to $3.2 million 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 $5.1 million compared with $4.1 million 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.

Quantitative and Qualitative Disclosure about Market Risk

Our earnings and cash flow are significantly impacted by changes in the market price of gold and other metals. Gold and other metal prices can fluctuate significantly and are affected by numerous factors, such as demand, production levels, economic policies of central banks, producer hedging, world political and economic events, and the strength of the U.S. dollar relative to other currencies.

During the fiscal year ended June 30, 2007, we reported royalty revenues of $48.4 million, with an average gold price for the period of $638 per ounce. The GSR1 royalty, on the Pipeline Mining Complex, which produced approximately 34% 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 $977,000, 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 revenue we record from this royalty therefore depends on the price of gold. We sold 875 ounces of gold bullion in fiscal year 2007, at an average realized price of $635 per ounce, and 1,733 ounces of gold bullion in fiscal year 2006, at an average realized price of $524 per ounce.

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, 2007. 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, 2007, our internal control over financial reporting is effective.

Our management, including our President and Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm 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, 2007, as stated in their report, which is included on page 35.

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

We have completed integrated audits of Royal Gold, Inc's consolidated financial statements and of its internal control over financial reporting as of June 30, 2007, 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, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2007 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 on page 34, that the Company maintained effective internal control over financial reporting as of June 30, 2007 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, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the 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 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 22, 2007

CONSOLIDATED BALANCE SHEETS

As of June 30,	2007	2006
Current assets:		
Cash and equivalents	$ 82,841,861	$ 78,449,383
Royalty receivables	12,470,451	5,962,053
Deferred tax assets	154,050	131,621
Prepaid expenses and other	216,857	155,908
Total current assets	95,683,219	84,698,965
Royalty interests in mineral properties, net (Note 3)	215,839,441	84,589,569
Inventory – restricted (Note 14)	10,611,562	-
Restricted cash – compensating balance (Note 6)	15,750,000	-
Available for sale securities (Note 4)	1,995,041	1,988,443
Note receivable – Battle Mountain Gold Exploration (Note 7)	14,493,878	-
Other assets	2,276,049	487,826
Total assets	$ 356,649,190	$ 171,764,803
Current liabilities:		
Accounts payable	$ 2,342,330	$ 1,075,644
Income taxes payable	5,064	334,767
Dividend payable	1,868,594	1,300,623
Accrued compensation	344,500	375,000
Other	128,039	237,482
Total current liabilities	4,688,527	3,323,516
Net deferred tax liabilities	5,910,697	6,683,889
Note payable (Note 6)	15,750,000	-
Other long term liabilities	98,173	97,749
Total Liabilities	26,447,397	10,105,154
Commitments and contingencies (Note 13)		
Minority interest in subsidiary (Note 14)	11,120,797	-
Stockholders' equity		
Common stock, $.01 par value, authorized 40,000,000 shares; issued 28,892,980 and 23,816,640 shares, respectively	288,929	238,165
Additional paid-in capital	310,439,112	166,459,671
Accumulated other comprehensive income	458,298	498,462
Accumulated earnings (deficit)	8,991,529	(4,439,777)
Treasury stock, at cost (229,224 shares)	(1,096,872)	(1,096,872)
Total stockholders' equity	319,080,996	161,659,649
Total liabilities and stockholders' equity	$ 356,649,190	$ 171,764,803

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

For the Years Ended June 30,	2007	2006	2005
Royalty revenues	$ 48,356,828	$ 28,380,143	$ 25,302,332
Costs and expenses			
Costs of operations (exclusive of depreciation, depletion and amortization shown separately below)	3,264,762	2,288,347	1,847,343
General and administrative	5,823,670	5,022,157	3,695,098
Exploration and business development	2,493,452	3,396,733	1,892,865
Depreciation, depletion and amortization	8,268,680	4,261,060	3,204,984
Total costs and expenses	19,850,564	14,968,297	10,640,290
Operating income	28,506,264	13,411,846	14,662,042
Interest and other income	4,257,784	3,203,968	834,136
Gain on sale of available for sale securities	-	-	163,577
Interest and other expense	(1,973,538)	(165,066)	(103,578)
Income before income taxes	30,790,510	16,450,748	15,556,177
Current tax expense (Note 10)	(10,309,558)	(5,973,878)	(3,047,551)
Deferred tax benefit (expense) (Note 10)	761,293	873,211	(1,054,911)
Minority interest in income of consolidated subsidiary	(1,521,765)	-	-
Net income	$ 19,720,480	$ 11,350,081	$ 11,453,715
Adjustments to other comprehensive income			
Unrealized change in market value of available for sale securities, net of tax	(40,164)	783,382	(208,328)
Realization of the change in market value on sale of available for sale securities, net of tax	-	-	(104,689)
Comprehensive income	$ 19,680,316	$ 12,133,463	$ 11,140,698
Basic earnings per share	$ 0.79	$ 0.50	$ 0.55
Basic weighted average shares outstanding	24,827,319	22,863,784	20,875,957
Diluted earnings per share	$ 0.79	$ 0.49	$ 0.54
Diluted weighted average shares outstanding	25,075,086	23,134,034	21,070,797

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

Consolidated Statements of Stockholders' Equity

for the Years Ended June 30, 2007, 2006 and 2005

	Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Accumulated (Deficit) Earnings	Treasury Stock		Total Stockholders' Equity
	Shares	Amount					Shares	Amount	
Balance at June 30, 2004	21,012,583	$ 210,125	$ 102,019,891	$ 28,097	$ -	$ (18,262,929)	229,224	$ (1,096,872)	$ 82,898,312
Issuance of common stock for:									
Acquisition of royalty interest in mineral property	3,000	30	55,140						55,170
Exercise of stock options	200,993	2,010	971,002						973,012
Tax benefit of stock option exercises			387,942						387,942
Issuance of restricted stock	42,000	420	729,540		(729,960)				-
Recognition of compensation expense for restricted stock issuance (Note 8)					205,301				205,301
Net income and comprehensive income for the year ended June 30, 2005				(313,017)		11,453,715			11,140,698
Dividends declared						(3,923,144)			(3,923,144)
Balance at June 30, 2005	21,258,576	$ 212,585	$ 104,163,515	$ (284,920)	$ (524,659)	$ (10,732,358)	229,224	$ (1,096,872)	$ 91,737,291
Issuance of common stock for:									
Equity offering	2,227,912	22,279	54,696,156						54,718,435
Exercise of stock options	276,777	2,768	3,909,107						3,911,875
Vesting of restricted stock	53,375	533	(533)						-
Tax benefit of stock-based compensation exercises			1,438,399						1,438,399
Recognition of non-cash compensation expense for share-based compensation (Note 8)			2,777,686						2,777,686
Reversal of deferred compensation			(524,659)		524,659				-
Net income and comprehensive income for the year ended June 30, 2006				783,382		11,350,081			12,133,463
Dividends declared						(5,057,500)			(5,057,500)
Balance at June 30, 2006	23,816,640	$ 238,165	$ 166,459,671	$ 498,462	$ -	$ (4,439,777)	229,224	$ (1,096,872)	$ 161,659,649
Issuance of common stock for:									
Equity offering	4,400,064	44,001	121,893,903						121,937,904
Peñasquito royalty acquisition	577,434	5,774	18,495,211						18,500,985
Exercise of stock options	46,467	465	581,838						582,303
Vesting of restricted stock	52,375	524	(524)						-
Tax benefit of stock-based compensation exercises			345,824						345,824
Recognition of non-cash compensation expense for stock-based compensation (Note 8)			2,663,189						2,663,189
Net income and comprehensive income for the year ended June 30, 2007					(40,164)	19,720,480			19,680,316
Dividends declared						(6,289,174)			(6,289,174)
Balance at June 30, 2007	28,892,980	$ 288,929	$ 310,439,112	$ 458,298	$ -	$ 8,991,529	229,224	$ (1,096,872)	$ 319,080,996

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

For the Years Ended June 30,	2007	2006	2005
Cash flows from operating activities			
Net income	$ 19,720,480	$ 11,350,081	$ 11,453,715
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	8,268,680	4,261,060	3,204,984
Gain on available for sale securities	-	-	(163,577)
Deferred tax (benefit) expense	(761,293)	(873,211)	1,054,911
Non-cash employee stock compensation expense	2,663,189	2,777,686	205,301
Tax (benefit) expense of stock-based compensation exercises	(345,824)	(1,438,399)	387,942
Changes in assets and liabilities:			
Royalty receivables	(6,508,398)	639,276	(1,380,022)
Prepaid expenses and other assets	414,291	266,495	(65,889)
Accounts payable	1,019,567	(64,865)	(141,502)
Income taxes payable	16,121	1,519,670	253,496
Accrued liabilities and other current liabilities	(139,943)	165,577	17,388
Other long-term liabilities	424	1,115	(6,455)
Net cash provided by operating activities	$ 24,347,295	$ 18,604,485	$ 14,820,292
Cash flows from investing activities			
Capital expenditures for property and equipment	$ (284,930)	$ (38,657)	$ (126,954)
Acquisition of royalty interests in mineral properties	(120,808,163)	(43,931,448)	(7,514,947)
Note receivable – Battle Mountain Gold Exploration	(14,493,878)	-	-
Restricted cash – compensating balance	(15,750,000)	-	-
Purchase of available for sale securities	(81,089)	(204,715)	(1,000,000)
Deferred acquisition costs	(973,247)	-	-
Proceeds from sale of available for sale securities	-	-	539,960
Net cash used in investing activities	$ (152,391,307)	$ (44,174,820)	$ (8,101,941)
Cash flows from financing activities			
Dividends paid	$ (5,721,203)	$ (4,807,505)	$ (3,651,893)
Debt issuance costs	(464,113)	(81,857)	-
Issuance of Note payable	15,750,000	-	-
Tax benefit from stock-based compensation exercises	345,824	1,438,399	-
Net proceeds from issuance of common stock	122,525,982	58,630,310	973,012
Net cash provided by (used in) financing activities	$ 132,436,490	$ 55,179,347	$ (2,678,881)
Net increase in cash and equivalents	4,392,478	29,609,012	4,039,470
Cash and equivalents at beginning of year	78,449,383	48,840,371	44,800,901
Cash and equivalents at end of year	$ 82,841,861	$ 78,449,383	$ 48,840,371
Supplemental cash flow information:			
Cash paid during the period for:			
Interest	$ 801,350	$ -	$ -
Income taxes	$ 10,293,437	$ 4,610,911	$ 2,330,000
Non-cash investing and financing activities:			
Dividends declared	$ 6,289,174	$ 5,057,500	$ 3,923,144
Deferred compensation (equity offset)	$ -	$ -	$ 729,960
Acquisition of royalty interest in mineral property (with common stock)	$ 18,495,211	$ -	$ 55,170

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

NOTE 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 or production from the project after deducting specified costs, if any.

We seek to acquire existing royalties or to finance projects that are in production or 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 2007 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.

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., its wholly-owned subsidiaries and an entity over which control is achieved through means other than voting rights (see Note 15). 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, 2007, cash and cash equivalents were primarily held in uninsured interest bearing cash and money market accounts. As of June 30, 2007, approximately $82.2 million of our total cash and equivalents was held at one financial institution.

Available for Sale Securities:

Investments in securities that management does not have the intent to sell in the near term and 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.

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, 2007 and 2006. 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 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 remaining life of the mineral property, 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 other metals, 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 estimates of gold and other metal 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 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.

Royalty Revenue:

Royalty revenue is recognized pursuant to guidance in Staff Accounting Bulletin ("SAB") No. 104, Revenue Recognition for Financial Statements. Revenue is recognized in accordance with the terms of the underlying royalty agreements subject to (i) the persuasive 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.

Revenue recognized pursuant to the Robinson royalty agreement is based upon 3 percent of revenue received by the operator of the mine, Quadra Mining Ltd. ("Quadra"), for the sale of minerals from the Robinson mine, reduced by certain costs incurred by Quadra. Quadra's concentrate sales contracts with third-party smelters, in general, provide for an initial payment based upon provisional assays and quoted metal prices at the date of shipment. Final true up payments are subsequently based upon final assays and market metal prices set on a specified future dates, typically one to three months after the date the concentrate arrives at the third-party smelter (which generally occurs three to six months after the shipment date from the Robinson mine).

Royal Gold recognizes revenue under the Robinson royalty agreement based on amounts contractually due pursuant to the calculations above for the underlying sale. As a result of pricing variations in gold, silver and copper over the respective settlement period, royalty revenue recognized on the Robinson royalty could be positively or negatively impacted by any changes in metal prices, between the provisional and final settlement periods.

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 8 within these Notes to Consolidated Financial Statements for further discussion on the Company's stock-based compensation.

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 amounts 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

On July 13, 2006, FASB Interpretation No. 48 ("FIN 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 measurement of tax positions taken or expected to be 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 our fiscal year beginning July 1, 2007. The Company is evaluating the impact the adoption of FIN 48 could have on our financial statements; however, the Company does not expect the adoption of FIN 48 to have a material effect on the Company's financial position or results of operations.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*. Statement No. 157 provides guidance for using fair value to measure assets and liabilities. Statement No. 157 applies whenever other accounting standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. Under Statement No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability between participants in the market in which the reporting entity transacts. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. The provisions of Statement No. 157 are effective for our fiscal year beginning July 1, 2008, and interim periods within the fiscal year. The Company is evaluating the impact, if any, the adoption of Statement No. 157 could have on our financial statements.

Also in September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108 ("SAB 108"), "*Financial Statements – Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.*" SAB 108 was issued in order to eliminate the diversity in practices surrounding how public companies quantify and evaluate the materiality of financial statement misstatements. SAB 108 provides that once a current year misstatement has been quantified, the guidance in Staff Accounting Bulletin No. 99, Financial Statements – Materiality, should be applied to determine whether the misstatement is material and should result in an adjustment to the financial statements. SAB 108 is effective for the first fiscal year ending after November 15, 2006. The Company elected early application of SAB 108 during its third quarter ending March 31, 2007. Please see Note 15 for the effect of the Company's early application of SAB 108.

In February 2007, the FASB issued Statement No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities,"* which allows entities to choose to measure many financial instruments and certain other items at fair value. Statement No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company is evaluating the impact, if any, the adoption of Statement No. 159 could have on our financial statements.

NOTE 2: Royalty Acquisitions

Peñasquito

On January 23, 2007, we acquired a 2.0% net smelter return ("NSR") royalty interest on the Peñasquito project located in the State of Zacatecas, Mexico, from Kennecott Exploration Company, a Delaware corporation, and Minera Kennecott S.A. de C.V., a company incorporated under the laws of Mexico for $80 million in cash and 577,434 shares of our common stock. We also obtained the right to acquire any or all of a group of NSR royalties ranging from 1.0% to 2.0% on various other concessions in the same region. On April 27, 2007, we notified Kennecott Exploration Company of our intention to acquire the royalties on certain of these concessions. We expect to complete our acquisition of these royalties for nominal consideration during the first quarter of fiscal 2008. Our right to acquire the royalties not identified in our notice expired on May 1, 2007.

The Peñasquito project is composed of two main deposits called Peñasco and Chile Colorado and is under development by a subsidiary of Goldcorp Inc. ("Goldcorp"). The Peñasquito project hosts one of the world's largest silver, gold and zinc reserves while also containing large lead reserves. The Peñasquito project is currently under construction and is expected to commence initial production in mid-calendar 2008 with full production being reached in calendar 2012.

The Peñasquito royalty acquisition was accounted for as an asset purchase. As such, the total purchase price of $99.1 million, which consisted of $80 million in cash, 577,434 shares of our common stock (valued at $18,500,985) and approximately $640,000 of transaction costs, is recorded as a component of *Royalty interests in mineral properties*, as a development stage royalty, in the consolidated balance sheets.

Pascua-Lama

On March 9, 2007, Royal Gold's wholly-owned subsidiary, Royal Gold Chile Limitada, a Chilean limited liability company ("RGCL"), acquired an NSR sliding-scale royalty on gold which is derived from certain mineral concessions at the Pascua-Lama project located in Chile for $20.5 million. Barrick Gold Corporation ("Barrick") owns the Pascua-Lama project, and is targeting production to commence in calendar year 2010. The acquisition also includes an NSR royalty on copper from reserves located in Chile sold after January 1, 2017.

The NSR sliding-scale royalty ranges from 0.16%, when the average quarterly gold price is $325 per ounce or less, to 1.08%, when the average quarterly gold price is $800 per ounce or more. The acquisition also includes a 0.216% fixed-rate copper royalty that applies to 100% of the Pascua-Lama copper reserves in Chile but does not take effect until after January 1, 2017.

The Pascua-Lama royalty acquisition was accounted for as an asset purchase. As such, the $20.5 million purchase price, plus approximately $354,000 of direct acquisition costs, is recorded as a component of *Royalty interests in mineral properties* in the consolidated balance sheets. We have allocated $20.4 million as a development stage royalty interest and approximately $411,000 as an exploration stage royalty interest.

Gold Hill

On December 8, 2006, Royal Gold paid $3.3 million to Nevada Star Resource Corp. in exchange for an NSR sliding-scale royalty and certain unpatented mining claims on the Gold Hill deposit. The NSR sliding-scale royalty on the Gold Hill deposit will pay 2.0% when the price of gold is above $350 per ounce and 1.0% when the price of gold falls to $350 per ounce or below. The royalty is also subject to a minimum royalty payment of $100,000 per year. The Gold Hill deposit, located just north of the Round Mountain gold mine in Nye County, Nevada, is controlled by Round Mountain Gold Corporation, a joint venture between subsidiaries of Kinross Gold Corporation ("Kinross"), the operator, and Barrick. Production on the Gold Hill deposit is expected to commence once permitting is completed and equipment from the Round Mountain pit becomes available.

The Gold Hill transaction was accounted for as an asset purchase. As such, the $3.3 million acquisition cost, plus approximately $15,000 of acquisition costs, is recorded as a component of *Royalty interests in mineral properties*, as a development stage royalty, on the consolidated balance sheets.

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 2.0% 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 and 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 funded $500,000 to Taranis for exploration work on the Kettukuusikko property in Lapland, Finland, in exchange for a 2.0% NSR royalty on the property. As of June 30, 2006, we 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 2.0% 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 2.0% NSR royalty. As of June 30, 2007, we have funded approximately $506,000 of the additional $600,000 option. Amounts funded to Taranis as part of the $500,000 and $600,000 Kettukuusikko exploration commitments have been expensed as a component of *Exploration and business development* expense on our consolidated statements of operations and comprehensive income.

Taranis is publicly traded and therefore we have recorded our investment in Taranis common stock and warrants as *Available for sale securities* on our consolidated balance sheets at their relative fair values. See Note 4 within these Notes to Consolidated Financial Statements for further detail on our investment in common stock and warrants of Taranis.

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 3.0% 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 a subsidiary of Quadra since 2004. Royal Gold began receiving revenue from the Robinson royalty during our fourth quarter of fiscal year 2006 after a $20.0 million reclamation trust account was fully funded by Quadra.

The Mulatos project, owned and operated by a subsidiary of Alamos Gold, Inc., is an open pit, heap leach gold mine. Commercial production was 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 has totaled $34.6 million of a total $35 million funding commitment and has been used for the development and construction of the Taparko project. Construction of the Taparko project has been largely completed, with production commencing during the third quarter of calendar 2007.

As a result of our funding to date, we 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 2.0% 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.

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 $21.5 million as of June 30, 2007, 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"), 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 $5.5 million through June 30, 2007.

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 2.0% perpetual 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, which was the fair value of Revett common stock on the transaction date. These shares can be converted, under certain circumstances and at the election of the Company, into a 1.0% NSR royalty on the Rock Creek mine, also located in northwestern Montana and owned by Revett.

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, 2007, 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.

NOTE 3: 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, 2007 and June 30, 2006.

AS OF JUNE 30, 2007:	GROSS	ACCUMULATED DEPLETION & AMORTIZATION	NET
Production stage royalty interests:			
Pipeline Mining Complex			
GSR1	$ -	$ -	$ -
GSR2	-	-	-
GSR3	8,105,020	(6,443,575)	1,661,445
NVR1	2,525,107	(1,978,185)	546,922
Bald Mountain	1,978,547	(1,832,865)	145,682
SJ Claims	20,788,444	(7,158,738)	13,629,706
Robinson mine	17,824,776	(2,053,267)	15,771,509
Mulatos mine	7,441,779	(663,287)	6,778,492
Troy mine GSR royalty	7,250,000	(3,035,551)	4,214,449
Troy mine Perpetual royalty	250,000	-	250,000
Leeville South	1,775,809	(1,775,809)	-
Leeville North	15,085,824	(1,472,223)	13,613,601
Martha	172,810	(172,810)	-
	83,198,116	(26,586,310)	56,611,806
Development stage royalty interests:			
Peñasquito	99,171,760	-	99,171,760
Taparko Project			
TB-GSR1	25,680,747	-	25,680,747
TB-GSR2	7,505,516	-	7,505,516
TB-GSR3	1,058,906	-	1,058,906
Pascua-Lama	20,445,480	-	20,445,480
Gold Hill	3,340,384	-	3,340,384
	157,202,793	-	157,202,793
Exploration stage royalty interests:			
Taparko Project			
TB-GSR3	214,765	-	214,765
TB-MR1	140,065	-	140,065
Pascua-Lama	410,643	-	410,643
Leeville North	1,460,439	(271,187)	1,189,252
Buckhorn South	70,117	-	70,117
	2,296,029	(271,187)	2,024,842
Total royalty interests in mineral properties	$ 242,696,938	$ (26,857,497)	$ 215,839,441

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)	-
	81,962,710	(18,142,808)	63,819,902
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
	18,482,866	-	18,482,866
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
	2,557,988	(271,187)	2,286,801
Total royalty interests in mineral properties	$ 103,003,564	$ (18,413,995)	$ 84,589,569

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

Pipeline Mining Complex

We own two GSR sliding-scale royalties (GSR1 ranging from 0.40% to 5.0% and GSR2 ranging from 0.72% to 9.0%), a 0.71% fixed gross smelter return royalty (GSR3), and a 1.25% net value return ("NVR") royalty (NVR1) over the Pipeline Mining Complex that includes the Pipeline, South Pipeline, Gap and Crossroads gold deposits in Lander County, Nevada. The Company owns 31.6% of the 1.25% NVR (or 0.39%) while our consolidated minority interest owns the remaining portion of the 1.25% NVR.

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

Bald Mountain

We own a 1.75% to 3.5% sliding-scale NSR royalty that covers a portion of the Bald Mountain mine, in White Pine County, Nevada. Bald Mountain is an open pit, heap leach mine operated by a subsidiary of Barrick. The sliding-scale royalty increases or decreases with the gold price, adjusted by the 1986 Producer Price Index.

SJ Claims

We own a 0.9% NSR on the SJ Claims that cover a portion of the Betze-Post mine, in Eureka County, Nevada. Betze-Post is an open pit mine operated by a subsidiary of Barrick at its Goldstrike property.

Robinson Mine

We own a 3.0% NSR royalty on the Robinson mine, located in eastern Nevada. The Robinson mine is an open pit copper mine with significant gold production. The mine is owned and operated by a subsidiary of Quadra.

Mulatos Mine

We own a sliding-scale NSR royalty on the Mulatos mine, located in Sonora, Mexico. The Mulatos mine, owned and operated by a subsidiary of Alamos Gold, Inc., 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 per ounce.

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 northwestern 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, 2007, we have received payments associated with the GSR royalty totaling $5.5 million, which is attributable to cumulative production of approximately 2.6 million ounces of silver and approximately 21.3 million pounds of copper.

We also own 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 perpetual 2.0% 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 royalty interest due to an increase in reserves at the Troy mine.

Leeville Mining Complex

We own a 1.8% carried working interest, equal to a 1.8% NSR royalty, which covers the Leeville South and the majority of the Leeville North underground mines ("Leeville Mining Complex"), in Eureka County, Nevada. The Leeville Mining Complex is operated by a subsidiary of 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 of 2006.

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. During our third fiscal quarter of 2007, Newmont communicated to us that additional proven and probable reserves were developed at Leeville North. As such, we re-classified approximately $845,000 of our Leeville North exploration stage royalty interest cost basis to Leeville North production stage royalty interest. 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 2.0% NSR royalty on the Martha mine located in the Santa Cruz Province of Argentina, operated by a subsidiary of Coeur d'Alene Mines Corporation. The Martha mine is a high grade underground silver mine.

Peñasquito

We hold a 2.0% NSR royalty interest on the Peñasquito project located in the State of Zacatecas, Mexico. The Peñasquito project is under development by a subsidiary of Goldcorp Inc. and hosts one of the world's largest silver, gold and zinc reserves while also containing large lead reserves. We carry our interest in the proven and probable reserves at the Peñasquito project as a development stage royalty interest, which is not currently subject to amortization.

Taparko Mine

We hold 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 Societe des Mines de Taparko ("Somita"), a subsidiary of High River Gold Mines Ltd. ("High River"). TB-GSR1 will remain 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 hold a production payment equivalent to a GSR sliding-scale royalty (TB-GSR2 ranging from 0% to 10%) on all gold produced from the Taparko project. TB-GSR2 is effective concurrently with TB-GSR1, and will remain in force from completion of the funding commitment 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 amortization.

We also hold a perpetual 2.0% GSR royalty (TB-GSR3) on all gold produced from the Taparko project area. TB-GSR3 will commence upon termination of the 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 amortization at this time.

In addition, we hold 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 amortization at this time.

The royalty documents for the foregoing royalties have been signed and we are holding them pending completion of our $35 million funding commitment (of which we have funded $34.6 million as of June 30, 2007) to Somita. Upon completion of our funding commitment, the royalty documents will be released and recorded and be legally effective. See Note 13 below for more information about the Amended and Restated Funding Agreement.

Pascua-Lama

We hold a sliding-scale NSR royalty on gold which is derived from certain mineral concessions at the Pascua-Lama project, operated by a subsidiary of Barrick, in Chile. The sliding-scale NSR royalty ranges from 0.16%, when the average quarterly gold price is $325 per ounce or less, to 1.08%, when the average quarterly gold price is $800 per ounce or more. We also hold a 0.22% fixed rate copper royalty that applies to 100% of the Pascua-Lama copper reserves in Chile but does not take effect until after January 1, 2017. We carry our interest in the proven and probable reserves at the Pascua-Lama project as a development stage royalty interest, which is not currently subject to amortization.

We carry our interest in the non-reserve portion of Pascua-Lama project 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 the Pascua-Lama project 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 the Pascua-Lama project will not be converted into proven and probable reserves, we will evaluate our carrying value in the exploration stage interest for impairment.

Gold Hill

We hold a sliding-scale NSR royalty on the Gold Hill deposit, located just north of the Round Mountain gold mine in Nye County, Nevada. The sliding-scale NSR royalty on the Gold Hill deposit will pay 2.0% when the price of gold is above $350 per ounce and 1.0% when the price of gold falls to $350 per ounce or below. The Gold Hill deposit is controlled by Round Mountain Gold Corporation, a joint venture between subsidiaries of Kinross, the operator, and Barrick. We carry our interest in the Gold Hill deposit as a development stage royalty interest, which is not currently subject to periodic amortization.

Buckhorn South

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

NOTE 4: Available For Sale Securities

We hold 1.3 million shares of Revett common stock that are recorded as an investment in available for sale securities on the consolidated balance sheets. The market value for our investment in the shares of Revett was $1,490,177 and $1,483,137 as of June 30, 2007 and 2006, respectively. Our cost basis in the Revett shares is $1.0 million.

We hold 1,037,500, 518,750, and 100,000 shares of common stock, warrants and stock options, respectively, in Taranis. The market value for our investment in Taranis' common stock, warrants and stock options was $504,820 and $505,306 as of June 30, 2007 and 2006, respectively. Our cost basis in the Taranis common stock, warrants and stock options is $285,761.

NOTE 5: Revolving Credit Facility Payable

On January 5, 2007, the Company and a wholly-owned subsidiary entered into the Second Amended and Restated Loan Agreement ("Amendment") with HSBC Bank USA, National Association ("HSBC Bank"). The Amendment increased our current revolving credit facility from $30 million to $80 million and extended the maturity date of the credit facility to December 31, 2010. The facility bears interest at LIBOR plus 1.5% and includes both affirmative and negative covenants, as defined, so long any portion of the facility is outstanding and unpaid. The Company's borrowing base will be calculated based on our royalties and will be initially based on its GSR1, GSR3, and NVR1 royalties at the Pipeline Mining Complex and its SJ Claims, Leeville, Bald Mountain and Robinson royalties.

The Company and the wholly-owned subsidiary granted HSBC Bank security interests in the following: the Company's GSR1, GSR3, and NVR1 royalties at the Pipeline Mining Complex; the Company's SJ Claims, Leeville Mining Complex, Bald Mountain and Robinson royalties; and the Company's debt reserve account at HSBC Bank. The initial availability under the borrowing base was the full $80 million under the credit facility. As of April 15, 2007, the total availability under the borrowing base was decreased to $71.4 million, reflecting an updated borrowing base calculation, as defined, based upon the future cash flows from the royalties included in the borrowing base calculation. Per the Amendment, the borrowing base calculation will be recalculated October 15, 2007.

During our third fiscal quarter of 2007, we drew $60 million under the revolving credit facility primarily to complete the closing of the Peñasquito and Pascua-Lama royalty acquisitions, as discussed in Note 2. During the fourth quarter of fiscal year 2007, we fully paid amounts under the credit facility primarily from the proceeds of our equity offering in April 2007, as discussed further in Note 8. The Company paid approximately $801,000 in interest associated with the outstanding credit facility during fiscal year 2007.

NOTE 6: Note Payable

On March 1, 2007, RGCL, a wholly-owned subsidiary of Royal Gold, entered into a $15.75 million term loan facility bearing interest at LIBOR plus 0.25% pursuant to a Term Loan Agreement between RGCL and HSBC Bank. Pursuant to the terms of the Term Loan Agreement, Royal Gold must maintain a restricted interest-bearing securities account (the "Collateral Account") on deposit at HSBC Securities (USA) Inc. with a balance equal to or in excess of the outstanding amounts on the $15.75 million term loan. In connection with the Term Loan Agreement, Royal Gold entered into a Guarantee (the "Guarantee") for the life of the Term Loan, for the benefit of HSBC Bank to guaranty RGCL's obligations under the Term Loan Agreement and a security agreement granting HSBC Bank a security interest in the Collateral Account to secure RGCL's obligations under the Term Loan Agreement and its obligations under the Guarantee. The loan will mature on March 1, 2012.

The $15.75 million balance in the Collateral Account as of June 30, 2007, is recorded as *Restricted cash – compensating balance* on the Company's consolidated balance sheets. RGCL's $15.75 million principal obligation under the Term Loan Agreement is recorded as *Note payable* on the Company's consolidated balance sheets.

NOTE 7: Note Receivable

As discussed further in Note 16, in connection with the proposed merger with Battle Mountain Gold Exploration ("Battle Mountain"), on March 28, 2007, Royal Gold entered into a Bridge Finance Facility Agreement (as amended) with Battle Mountain and its wholly-owned subsidiary BMGX (Barbados) Corporation, as borrowers, whereby Royal Gold has agreed to make available to the borrowers a bridge facility of up to $20 million. In April 2007, the maximum availability under the bridge facility was reduced to $15 million. Outstanding principal, interest and expenses under the bridge facility may be converted at Royal Gold's option into Battle Mountain common stock, at a conversion price per share of $0.60 at any time during the term of the bridge facility, provided that Royal Gold notifies Battle Mountain of its election to convert on or before April 4, 2008. The bridge facility will mature on June 6, 2008.

The conversion option has been accounted for as an embedded derivative instrument with the conversion option bifurcated from the host contract, the bridge facility, and recorded as a separate asset on the balance sheet. The conversion option asset is marked to market each period with a charge or credit to interest expense and other in the consolidated statement of operations. The corresponding discount to the carrying value of the bridge facility note receivable is being accreted to face value as additional interest income and other each reporting period.

As of June 30, 2007, approximately $14.5 million aggregate principal amount has been advanced to Battle Mountain under the bridge facility and is recorded as *Note receivable – Battle Mountain Gold Exploration* on the consolidated balance sheets. Interest on advances under the bridge facility will accrue at the LIBOR Rate plus 3% per annum. Accrued interest on the $14.5 million aggregate advanced under the bridge facility is recorded within *Note receivable—Battle Mountain Gold Exploration* on the consolidated balance sheets as of June 30, 2007.

NOTE 8: Stockholders' Equity And Stock-based Compensation

The Company accounts for its stock-based compensation in accordance with 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"). SFAS 123(R) requires all stock-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

2004 Omnibus Long-Term Incentive Plan

In November 2004, the Company adopted the Omnibus Long-Term Incentive Plan ("2004 Plan"). The 2004 Plan replaces the Company's 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 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 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, 2007, 2006 and 2005, we recorded total non-cash stock compensation expense related to our equity compensation plans of $2,663,189 $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 as summarized below:

	For the Fiscal Years Ended June 30,		
	2007	2006	2005
Non-cash compensation allocation:			
Cost of operations	$ 400,977	$ 380,565	$ 16,839
General and administrative	1,510,142	1,465,055	154,517
Exploration and business development	752,070	932,066	33,945
Total non-cash compensation expense	$ 2,663,189	$ 2,777,686	$ 205,301

The total income tax benefit associated with non-cash stock compensation expense was approximately $958,000, $1,000,000, and $74,000 for the fiscal years ended June 30, 2007, 2006, and 2005, respectively.

As of June 30, 2007, there are 314,692 shares of common stock reserved for future issuance under our 2004 Plan.

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. Those key assumptions during our fiscal year 2007, 2006 and 2005 grants are noted in the following table:

	2007	2006	2005
Weighted average expected volatility	52.88%	61.20%	69.77%
Weighted average expected option term in years	5.1	5.4	4.5
Weighted average dividend yield	0.93%	1.00%	1.14%
Weighted average risk free interest rate	4.6%	4.5%	3.6%

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 February 15, 2007, 1,600 stock options under the 2004 Plan were granted to an officer of the Company with an exercise price of $32.40, which was the closing market price for our common stock on the date of grant. On November 7, 2006, 91,500 stock options under the 2004 Plan were granted to officers and certain employees under the 2004 Plan. These options have an exercise price of $28.78, which was the closing market price for our common stock on the date of grant. On November 8, 2006, 15,000 stock options under the 2004 Plan were granted to the Board of Directors at an exercise price of $29.20, which was the closing market price of our common stock on the date of grant.

A summary of stock option activity under our equity compensation plans for the fiscal year ended June 30, 2007, is presented below.

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2006	528,414	$ 14.86		
Granted	108,100	28.89		
Exercised	(46,467)	12.53		
Forfeited and Expired	(10,833)	20.36		
Outstanding at June 30, 2007	579,214	$ 17.57	6.4	$ 3,591,535
Exercisable at June 30, 2007	440,780	$ 14.76	4.1	$ 4,010,387

The weighted-average grant date fair value of options granted during the fiscal years ended June 30, 2007, 2006 and 2005, was $13.79, $12.04, and $9.23, respectively. The total intrinsic value of options exercised during the fiscal years ended June 30, 2007, 2006 and 2005, were $767,181, $5,561,205, and $2,731,940, respectively.

A summary of the status of the Company's non-vested stock options for the fiscal year ended June 30, 2007, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2006	132,334	$ 11.24
Granted	108,100	$ 13.79
Vested	(91,167)	$ 11.62
Forfeited	(10,833)	$ 10.93
Non-vested at June 30, 2007	138,434	$ 13.00

For the fiscal years ended June 30, 2007, 2006 and 2005, we recorded non-cash stock compensation expense associated with stock options of $1,153,420, $1,116,362 and $0, respectively. As of June 30, 2007, there was $961,415 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 2.1 years. The total fair value of shares vested during the fiscal years ended June 30, 2007, 2006 and 2005 was $1,059,748, $450,342 and $297,575, 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:

	For The Fiscal Year Ended June 30, 2005
Net income, as reported	$ 11,453,715
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	(653,221)
Pro forma net income	$ 10,931,887
Earnings per share:	
Basic, as reported	$ 0.55
Basic, pro forma	$ 0.52
Diluted, as reported	$ 0.54
Diluted, pro forma	$ 0.52

Other Stock-based Compensation

On November 7, 2006 and November 8, 2005, officers and certain employees were granted 36,000 and 41,000 shares of restricted common stock, respectively, 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 reserve on an annual basis.

A summary of the status of the Company's non-vested Performance Shares for the fiscal year ended June 30, 2007, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2006	41,500	$ 19.19
Granted	36,000	$ 28.78
Vested	(44,875)	$ 21.07
Forfeited	(5,625)	$ 19.53
Non-vested at June 30, 2007	27,000	$ 28.78

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 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, 2007, our estimates indicated that it is probable that 100% of our non-vested Performance Shares will be earned by June 30, 2008. For the fiscal years ended June 30, 2007, 2006 and 2005, we recorded non-cash stock compensation expense associated with our Performance Shares of $1,070,196, $1,234,129 and $0, respectively. As of June 30, 2007, total unrecognized non-cash stock compensation expense related to our Performance Shares is $259,020, which is expected to be recognized over the next fiscal year, the period over which it is probable that the performance goals will be attained.

On November 7, 2006 and November 8, 2005, officers and certain employees were granted 56,000 and 56,500 shares of restricted common stock, respectively, which vest by continued service alone ("Restricted Stock"). Restricted Stock awards granted to officers and certain employees vest over three years beginning 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 8, 2006 and 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 for fiscal year ended June 30, 2007, is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at July 1, 2006	77,250	$ 20.60
Granted	63,500	$ 28.83
Vested	(7,500)	$ 26.41
Forfeited	(16,250)	$ 20.36
Non-vested at June 30, 2007	117,000	$ 24.73

For the fiscal years ended June 30, 2007, 2006 and 2005, we recorded non-cash stock compensation expense associated with the Restricted Stock of $439,573, $427,195, and $205,301, respectively. As of June 30, 2007, total unrecognized non-cash stock compensation expense related to Restricted Stock was $2,259,435, which is expected to be recognized over the remaining weighted average vesting period of 2.3 years.

Stock Issuances

During the fiscal year ended June 30, 2007, options to purchase 46,467 shares were exercised, resulting in proceeds of $582,303. During the fiscal year ended June 30, 2006, options to purchase 276,777 shares were exercised, resulting in proceeds of $3,911,875.

As discussed in Note 2, on January 24, 2007, we issued 577,434 shares of our common stock as part of the Peñasquito royalty acquisition.

In April 2007, we sold 4,400,064 shares of our common stock, at a price of $29.25 per share, resulting in proceeds of approximately $121.9 million, which is net of the underwriter's discount of approximately $6.3 million and transaction costs of approximately $650,000. A portion of the net proceeds in this equity offering were used to repay the outstanding balance under our revolving credit facility with HSBC Bank, as discussed in Note 5, while the remaining net proceeds are intended to be used to fund the acquisition and financing of additional royalty interests and for general corporate purposes.

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 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.

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 repurchase 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.

NOTE 9: Earnings Per Share ("EPS") Computation

	For The Year Ended June 30, 2007		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$ 19,720,480	24,827,319	$ 0.79
Effect of potentially dilutive options		247,767	
Diluted EPS	$ 19,720,480	25,075,086	$ 0.79

Options to purchase 1,600 shares of common stock, at a purchase price of $32.40 per share, were outstanding at June 30, 2007, 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 period.

	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		270,250	
Diluted EPS	$ 11,350,081	23,134,034	$ 0.49

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	$ 11,453,715	21,070,797	$ 0.54

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.

NOTE 10: *Income Taxes*

	2007	2006	2005
Current federal tax expense	$ 10,309,558	$ 5,973,878	$ 3,047,551
Deferred tax (benefit) expense	(813,051)	(873,211)	1,375,357
Increase (decrease) in deferred tax asset valuation allowance	51,758	-	(320,446)
	$ 9,548,265	$ 5,100,667	$ 4,102,462

The provision for income taxes for the fiscal years ended June 30, 2007, 2006 and 2005, differs from the amount of income tax determined by applying the applicable United States statutory federal income tax rate to pre-tax income (net of minority interest in income of consolidated subsidiary) from operations as a result of the following differences:

	2007	2006	2005
Total expense computed by applying federal rates	$ 10,244,060	$ 5,757,761	$ 5,444,662
State income taxes, net of federal benefit	84,094	191,856	156,600
Adjustments of valuation allowance	51,758	-	(320,446)
Excess depletion	(956,075)	(922,433)	(952,529)
Other	124,428	73,483	(225,825)
	$ 9,548,265	$ 5,100,667	$ 4,102,462

The tax effects of temporary differences and carryforwards, which give rise to our deferred tax assets and liabilities at June 30, 2007 and 2006, are as follows:

	2007	2006
Deferred tax assets:		
Non-cash stock-based compensation	$ 926,660	$ 495,018
Other	205,808	131,621
Total deferred tax assets	1,132,468	626,639
Valuation allowance	(51,758)	-
Net deferred tax assets	1,080,710	626,639
Deferred tax liabilities:		
Mineral property basis	(6,535,809)	(6,860,016)
Other	(301,548)	(318,891)
Total deferred tax liabilities	(6,837,357)	(7,178,907)
Total net deferred taxes	$ (5,756,647)	$ (6,552,268)

As of June 30, 2007, our valuation allowance was associated with foreign net operating loss carryforwards. As of June 30, 2006 and 2005, there was no valuation allowance recorded with respect to our deferred tax assets. The net operating loss associated with RGCL is approximately $304,000. There is an unlimited carryback and carryforward period to use such losses.

NOTE 11: *Major Customers*

In each of fiscal years 2007, 2006 and 2005, we received $28,230,183, $23,089,615 and $21,600,739, respectively, of our royalty revenues from the same operator, but not from the same mine.

NOTE 12: Simplified Employee Pension ("SEP") Plan

We maintain a Simplified Employee Pension Plan ("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 chooses to make additional contributions to the SEP Plan through salary withholdings, we will match such contributions to a maximum of 7% of the employee's salary. We contributed $147,139, $150,683 and $126,390 in fiscal years 2007, 2006 and 2005, respectively.

NOTE 13: Commitments And Contingencies

Taparko Project

On March 1, 2006, Royal Gold entered into an Amended and Restated Funding Agreement with Somita related to the Taparko project in Burkina Faso, West Africa. We have a $35 million funding commitment pursuant to the Amended and Restated Funding Agreement, of which we had funded approximately $34.6 million as of June 30, 2007. Our final funding of the Taparko project, in the amount of $400,000, will be made upon project completion, as defined in the Amended and Restated Funding Agreement. Our royalties are subject to completion of our funding commitment.

Under a separate Contribution Agreement, High River is responsible for contributing additional equity contributions for any cost overruns incurred during the construction of the Taparko project 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 a proportional amount to any additional funding compared with our original $35 million funding commitment. As of August 15, 2007, High River has made all required equity commitments as scheduled, under its Contribution Agreement.

Taranis

On November 4, 2005, we entered into a strategic alliance with Taranis for exploration on the Kettukuusikko project located in Finland. During our fiscal year 2006, we funded exploration totaling $500,000 in return for a 2.0% NSR royalty. We also have an option to fund up to an additional $600,000. The Company elected to exercise this option in April 2006. If we fund the entire additional amount, we will earn a 51% joint venture interest in the Kettukuusikko project, and we will release our 2.0% NSR royalty. In the event that Royal Gold does not fully fund the $600,000 to earn the joint venture interest, we would retain our 2.0% NSR royalty. As of June 30, 2007, we had funded $506,404 of the additional $600,000 option.

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 owed to Kennecott Montana Company as of June 30, 2007, 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.

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.

At present, Royal Gold is considering entering into a de minimis settlement with the State of California. This settlement offer must be accepted on or before September 14, 2007, unless an extension is sought and granted. Such settlement will result in a final conclusion regarding the Company's responsibility to address the Casmalia Site matter.

Contractual Obligations

Our long-term contractual obligations as of June 30, 2007, are as follows:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Note payable(1)	$ 19,810,000	$ 870,000	$ 1,740,000	$ 17,200,000	$ -
Operating leases(2)	1,084,157	180,693	581,684	321,780	-
Long-term retirement obligation	98,173	26,400	52,800	18,973	-
Total	$ 20,992,330	$ 1,077,093	$ 2,374,484	$ 17,540,753	$ -

(1) Amounts represent principal ($15,750,000) and estimated interest payments ($4,060,000) assuming no early extinguishment. See Note 6 for further detail.

(2) We lease office space under a lease agreement, which expires October 31, 2012.

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, 2007, of $526,500. 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.

Revolving Credit Facility Commitment Fees

We have a line of credit from HSBC that may be used to acquire producing royalties and for general corporate purposes. As discussed in Note 5, during our third quarter, we increased our current revolving credit facility from $30 million to $80 million. During fiscal years 2007, 2006 and 2005, we paid commitment fees of $229,236, $157,500 and $76,042, respectively, to HSBC for the revolving credit facility. As of June 30, 2007, no funds are outstanding under the revolving credit facility.

NOTE 14: Related Party

Crescent Valley Partners, L.P. ("CVP") was formed as a limited partnership in April 1992. It owns a 1.25% net value royalty on production of minerals from a portion of the Pipeline Mining Complex. Denver Mining Finance Company, our wholly-owned subsidiary, is the general partner and holds a 2.0% interest in CVP. In addition, Royal Gold holds a 29.6% limited partner interest in the partnership, while our Executive Chairman, the Chairman of our Audit Committee and two other members of our board of directors hold an aggregate 41.69% limited partner interest. The general partner performs administrative services for CVP in receiving and processing the royalty payments received from the operator including the disbursement of royalty payments and record keeping for in-kind distributions to the limited partners, including our directors and Executive Chairman.

CVP receives its royalty from the Cortez Joint Venture in-kind. The Company, as well as certain other limited partners, sell their pro-rata shares of such gold immediately and receive distributions in cash, while CVP holds gold for certain other limited partners. Such gold inventories, which totaled 27,465 ounces of gold as of June 30, 2007, are held by a third party refinery in Utah for the account of the limited partners of CVP. The inventories are carried at historical cost and are classified as *Inventory – restricted* on the consolidated balance sheets. The carrying value of the gold in inventory was $10,611,562 as of June 30, 2007, while the fair value of such ounces was $17,865,983 as of June 30, 2007. None of the gold currently held in inventory as of June 30, 2007, is attributed to Royal Gold, as the gold allocated to Royal Gold is typically sold within five days of receipt.

NOTE 15: Staff Accounting Bulletin No. 108

In September 2006, the SEC issued SAB 108. The Company elected early application of SAB 108 during its third quarter of fiscal year 2007, with effect from July 1, 2006. Prior to SAB 108, there have been two widely-recognized methods for quantifying the effects of financial statement misstatements: the "roll-over" method and the "iron curtain" method. The roll-over method focuses primarily on the impact of a misstatement on the income statement – including the reversing effect of prior year misstatements – but its use can lead to the accumulation of misstatements in the balance sheet. The iron-curtain method, on the other hand, focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior year misstatements on the income statement. Prior to our application of the guidance in SAB 108, we used the roll-over method for quantifying financial statement misstatements.

SAB 108 permits existing public companies to initially apply its provisions by either (i) restating prior financial statements as if the "dual approach" had always been applied, or (ii) recording the cumulative effect of initially applying the "dual approach" as adjustments to the carrying value of assets and liabilities with an offsetting adjustment to the opening balance of retained earnings. The Company has elected to record the effects of applying SAB 108 as an adjustment to the carrying value of assets and liabilities, however, due to the nature of such adjustments (described below), no offsetting adjustment was necessary to the Company's beginning of the year retained earnings.

Using its pre-SAB 108 methodology for assessing misstatements, the Company has determined that the effect of such error on any previously issued financial statement was not material.

Consolidation of CVP

CVP was formed as a limited partnership in April of 1992. It owns a 1.25% net value royalty on production of minerals from a portion of the Pipeline Mining Complex. Denver Mining Finance Company, our wholly-owned subsidiary, is the general partner and holds a 2.0% interest in the partnership. In addition, we hold a 29.6% limited partner interest in the partnership, while our Executive Chairman, the Chairman of our Audit Committee and two other members of our board of directors hold an aggregate 41.69% limited partner interest.

Historically, the Company recorded its proportional interest (31.6%) in CVP's assets, liabilities, revenues and expenses pursuant to Emerging Issues Task Force 00-1: *Investor Balance Sheet and Income Statement under the Equity Method for Investments in Certain Partnerships and Other Ventures.*

In connection with the preparation of its financial statements for the quarter ended March 31, 2007, the Company determined that due to the legal structure of CVP and certain related factors, CVP should have been fully consolidated, effective December 31, 2003, pursuant to the guidance of FASB Interpretation No. 46 *Consolidation of Variable Interest Entities*, (as revised, "FIN 46R"), rather than consolidated based on the Company's proportional interest in CVP. On a fully consolidated basis, all of the assets, liabilities, revenues and expenses of CVP would have been reflected in the Company's consolidated financial statements, including a minority interest equivalent to the net assets of CVP representing the ownership share of royalty interests in mineral properties and inventory held for others. Fully consolidating CVP would not have changed the Company's proportionate share of earnings from CVP, nor would it have changed the Company's consolidated earnings or shareholders' equity for any previous periods.

As indicated above, the Company determined that the effect of proportionately, rather than fully, consolidating CVP was not material to any previously issued financial statements based on the Company's pre-SAB 108 methodology. However, the cumulative effect of correcting the error in the quarter ended March 31, 2007, would be material to that quarter as well as to the estimated results of operations for fiscal 2007. As such, the Company has elected to apply the transition provisions of SAB 108 by adjusting the opening carrying value of the following assets and liabilities for fiscal 2007:

	June 30,2006 Reported Balance	SAB 108 Adjustment	Adjusted July 1, 2006 Balance
Royalty interests in mineral properties, net	$ 84,589,569	$ 97,599	$ 84,687,168
Inventory – restricted (Note 14)	$ -	$ 9,373,881	$ 9,373,881
Total assets	$ 172,259,821	$ 9,471,480	$ 181,731,301
Total liabilities	$ 10,600,172	$ -	$ 10,600,172
Minority interest in subsidiary	$ -	$ 9,471,480	$ 9,471,480
Total stockholders' equity	$ 161,659,649	$ -	$ 161,659,649
Total liabilities and stockholders' equity	$ 172,259,821	$ 9,471,480	$ 181,731,301

As indicated above, the adoption of SAB 108 had no impact on the Company's retained earnings. Accordingly, no adjustment was necessary to record the cumulative effect on the opening balance of retained earnings at July 1, 2006.

The Company does not believe, based on its pre-SAB 108 methodology, that the effect of proportionately, rather than fully, consolidating CVP was material in any of the periods since December 31, 2003, the effective date of FIN 46R to the Company. In reaching that determination, the Company considered the following incremental adjustments to our reported annual financial statements, for fiscal years 2005 and 2006.

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2006
Royalty revenue	$ 2,550,249	$ 1,507,098
Cost of operations	$ 124,315	$ 59,274
Depreciation, depletion and amortization	$ 53,939	$ 20,606
Income before income taxes and minority interest	$ 2,371,995	$ 1,427,218
Minority interest in income of consolidated subsidiaries	$ (2,371,995)	$ (1,427,218)
Net income	$ -	$ -

NOTE 16: Subsequent Event

On July 30, 2007, we entered into an Amended and Restated Agreement and Plan of Merger (the "Merger Agreement") with Battle Mountain Battle Mountain and Royal Battle Mountain, Inc. ("Merger Sub"), a newly-formed and wholly-owned subsidiary of Royal Gold. The Merger Agreement amends and restates the Agreement and Plan of Merger dated as of April 17, 2007 by and among Royal Gold, Battle Mountain and the Merger Sub pursuant to which Merger Sub will be merged into Battle Mountain with Battle Mountain surviving as a wholly-owned subsidiary of Royal Gold (the "Merger").

Under the Merger Agreement, each outstanding share of Battle Mountain common stock will be converted into the right to receive, at the election of each Battle Mountain stockholder, either (i) a number of shares of Royal Gold common stock to be determined at closing ("Stock Election") or (ii) approximately $0.55 in cash ("Cash Election"), in each case assuming 91,563,506 shares of Battle Mountain common stock will be issued and outstanding immediately prior to the effective time of the merger. The per share consideration, if a holder of Battle Mountain common stock makes a Stock Election, will be based on the average price per share of Royal Gold common stock as reported on the NASDAQ Global Select Market for the five trading day period up to and including the second business day preceding (but not including) the closing date of the merger transaction. If the average price is below $29.00, the per share stock consideration will be determined based on an aggregate of 1,634,410 shares of Royal Gold common stock and the holders of shares of Battle Mountain common stock would receive 0.0179 shares of Royal Gold common stock for each share of Battle Mountain common stock. If the average price of Royal Gold common stock is $30.18 or above, the per share stock consideration will be determined based on an aggregate of 1,570,507 shares of Royal Gold common stock and the holders of shares of Battle Mountain common stock would receive 0.0172 shares of Royal Gold common stock for each share of Battle Mountain common stock. If the average price is above or equal to $29.00 but less than $30.18, then the per share consideration for each share of Battle Mountain common stock would be proportionally adjusted based on the average price of Royal Gold common stock, using $47,397,901.26 as the aggregate purchase price. The per share consideration if a holder of Battle Mountain common stock makes a Cash Election will be based on a maximum amount of $50,359,928 as the aggregate purchase price. The stock consideration and cash consideration payable in the Merger are subject to pro rata adjustment based on the number of issued and outstanding shares of Battle Mountain common stock immediately prior to the effective time of the Merger and a potential reduction or holdback of approximately 0.0006 shares of Royal Gold common stock on a per share basis, in the case of a Stock Election, or $0.017 on a per share basis, in the case of a Cash Election, based on the cost of settling certain Battle Mountain litigation.

Royal Gold, Battle Mountain and BMGX (Barbados) Corporation (with Battle Mountain, the "Borrowers"), Battle Mountain's wholly-owned subsidiary, entered into the First Amendment to the Bridge Facility Agreement (the "First Amendment"). The First Amendment amends the March 28, 2007, Bridge Facility Agreement by and among Royal Gold and the Borrowers whereby Royal Gold agreed to make available to the Borrowers a bridge finance facility of up to $20 million. In April 2007, the maximum availability under the bridge finance facility was reduced to $15 million. Outstanding principal, interest and expenses under the bridge facility may be converted at Royal Gold's option into Battle Mountain common stock, at a conversion price per share of $0.60 at any time during the term of the bridge facility, provided that Royal Gold notifies Battle Mountain of its election to convert on or before April 4, 2008. The bridge facility will mature on June 6, 2008. Please see Note 7 for further detail regarding the bridge finance facility.

NOTE 17: Quarterly Results Of Operations (Unaudited)

	Royalty Revenues	Operating Income	Net Income	Basic Earnings Per Share	Diluted Earnings Per Share
Fiscal Year 2007 Quarter Ended:					
September 30	$ 9,928,642	$ 6,633,874	$ 4,960,137	$ 0.21	$ 0.21
December 31	12,855,289	7,835,982	5,635,652	0.24	0.24
March 31	11,208,556	5,690,715	3,438,615	0.14	0.14
June 30	14,364,341	8,345,693	5,686,076	0.20	0.20
	$ 48,356,828	$ 28,506,264	$ 19,720,480	$ 0.79	$ 0.79
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	0.16	0.15
	$ 28,380,143	$ 13,411,846	$ 11,350,081	$ 0.50	$ 0.49

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 sets forth, for each of the quarterly periods indicated, the range of high and low sales prices, in U.S. dollars, for the Common Stock on NASDAQ, for each quarter since July 1, 2004.

	Sales Prices	
	High	Low
Fiscal Year:		
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
2007		
First Quarter (July, Aug., Sept. – 2006)	$ 31.82	$ 25.67
Second Quarter (Oct., Nov., Dec. – 2006)	$ 37.50	$ 24.12
Third Quarter (Jan., Feb., March – 2007)	$ 36.50	$ 29.31
Fourth Quarter (April, May, June – 2007)	$ 30.87	$ 23.25

As of September 25, 2007, there were 720 shareholders of record of our common stock.

Dividends

We have paid a cash dividend on our common stock for each calendar year beginning in calendar 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.

For calendar year 2007, we announced an annual dividend of $0.26 per share of common stock, payable in four quarterly payments of $0.065 each. The first payment of $0.065 per share was made on January 19, 2007, to shareholders of record at close of business on January 5, 2007. The second payment of $0.065 per share was made on April 20, 2007, to shareholders of record at the close of business on April 5, 2007. The third payment of $0.065 per share was made on July 20, 2007, to shareholders of record at the close of business on July 6, 2007. We anticipate paying the fourth payment of $0.065 per share on October 19, 2007, to shareholders of record at the close of business on October 5, 2007.

For calendar year 2006, we paid 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 per share on July 28, 2006 to shareholders of record at the close of business on July 7, 2006. We paid the fourth payment of $0.055 per share on October 20, 2006, to shareholders of record at the close of business on October 6, 2006.

For calendar year 2005, we paid 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 per share on July 22, 2005 to shareholders of record at the close of business on July 8, 2005. We paid the fourth payment of $0.05 per share on October 21, 2005, to shareholders of record at the close of business on October 7, 2005.

We currently plan 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, 2007.

Non-GAAP Financial Measures

The Company computes and discloses free cash flow and free cash flow as a percentage of revenues. Free cash flow is a non-GAAP financial measure. Free cash flow is defined by the Company as operating income plus depreciation, depletion and amortization, non-cash charges, and any impairment of mining assets. Management believes that free cash flow and free cash flow as a percentage of revenues are useful measures of performance of our royalty portfolio. Free cash flow identifies the cash generated in a given period that will be available to fund the Company's future operations, growth opportunities, and shareholder dividends. Free cash flow, as defined, is most directly comparable to operating income in the Statements of Operations. Below is reconciliation to operating income:

For The Fiscal Years Ended June 30,	2007	2006	2005
Operating income	$ 28,506,264	$ 13,411,846	$ 14,662,042
Depreciation, depletion and amortization	8,268,680	4,261,060	3,204,984
Non-cash employee stock compensation expense	2,663,189	2,777,686	205,301
Minority interest in income of consolidated subsidiary	(1,521,765)	-	-
Free cash flow	$ 37,916,368	$ 20,450,592	$ 18,072,327

Annual Meeting

Wednesday, November 7, 2007
9:30 a.m. MST
Oxford Hotel, Sage Room
1600 Seventeenth Street
Denver, CO 80202

Board of Directors

Stanley Dempsey
Executive Chairman
Royal Gold, Inc.

Tony Jensen
President and Chief Executive Officer
Royal Gold, Inc.

John W. Goth
Retired Mining Executive

M. Craig Haase
Retired Mining Executive

S. Oden Howell, Jr.
President
Howell & Howell Contractors

Merritt E. Marcus
Former President
Marcus Paint Company

James W. Stuckert
Senior Executive
Hilliard, Lyons, Inc.

Donald Worth
Corporate Director

Officers

Stanley Dempsey
Executive Chairman

Tony Jensen
President and Chief Executive Officer

Stefan Wenger
Chief Financial Officer and Treasurer

Karen Gross
Vice President and Corporate Secretary

Bruce C. Kirchhoff
Vice President and General Counsel

William Heissenbuttel
Vice President Corporate Development

Corporate Headquarters

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E-mail: info@royalgold.com

Website

Please visit the Company's web site at www.royalgold.com for additional information about Royal Gold.

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Hogan & Hartson L.L.P.
Denver, Colorado

Auditors

PricewaterhouseCoopers LLP
Denver, Colorado

Transfer Agent/Registrar

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Web site: www.computershare.com

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(888) 453-0330 (fax)
Web site: www.computershare.com

Stock Exchange Listings

Nasdaq Global Select Market
(Symbol: RGLD)
Toronto Stock Exchange
(Symbol: RGL)

Investor Relations

Copies of Royal Gold's Annual Report on Form 10-K for the year ended June 30, 2007, are available at no charge.
Please direct requests and investor relations questions to:

Karen Gross
Vice President and Corporate Secretary
(303) 575-6504
E-mail: kgross@royalgold.com

Shareholder Information

It is important for our shareholders to get timely information about Royal Gold.
All shareholders are encouraged to visit our Company website at www.royalgold.com for the latest Company news or to sign up for our e-mail and fax lists.

Seated Left to Right: **Merritt E. Marcus, Stanley Dempsey,** Executive Chairman, **Tony Jensen,** President and Chief Executive Officer, **S. Oden Howell, Jr.** *Standing Left to Right:* **M. Craig Haase, Donald Worth, James W. Stuckert, John W. Goth**

Edwin W. Peiker, Jr.

Mr. Edwin Peiker retired on July 31, 2007, after serving as a director on Royal Gold's board for 20 years. He was a co-founder of the Company and served as President and Chief Operating Officer from 1988 to 1992 and Vice President of Engineering from 1987 to 1988. The Board of Directors would like to express their appreciation for Mr. Peiker's many contributions to Royal Gold and thank him for his support, counsel and dedicated service to the Company.

Royal Gold, Inc

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