

ROYAL GOLD INC
Form 10-K
August 09, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the Fiscal Year Ended June 30, 2018

or

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

For the Transition Period From to

Commission File Number 001-13357

Royal Gold, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	84-0835164
(State or Other Jurisdiction of	(I.R.S. Employer
Incorporation or Organization)	Identification No.)
1660 Wynkoop Street, Suite 1000	
Denver, Colorado	80202
(Address of Principal Executive Offices)	(Zip Code)

(303) 573-1660

Registrant's telephone number, including area code:

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

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, \$0.01 par value	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☐

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Aggregate market value of the voting common stock held by non-affiliates of the registrant, based upon the closing sale price of Royal Gold common stock on December 31, 2017, as reported on the NASDAQ Global Select Market was \$5,335,748,560. There were 65,505,110 shares of the Company's common stock, par value \$0.01 per share,

outstanding as of August 1, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2018 Annual Meeting of Stockholders scheduled to be held on November 14, 2018, and to be filed within 120 days after June 30, 2018, are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10 K.

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

Royal Gold does not own, develop, or mine the properties on which it holds stream or royalty interests, except for our interest in the Peak Gold, LLC joint venture (“Peak Gold JV”) as described further in this report. Certain information provided in this Annual Report on Form 10 K, including, without limitation, all reserves, historical production and production estimates, descriptions of properties and developments at properties included herein, has been provided to us by the operators of those properties or is publicly available information filed by these operators with applicable securities regulatory bodies, including the Securities and Exchange Commission (the “SEC”). Royal Gold has not verified, and is not in a position to verify, and expressly disclaims any responsibility for the accuracy, completeness or fairness of, such third party information and refers the reader to the public reports filed by the operators for information regarding those properties.

PART I

ITEM 1. BUSINESS

Overview

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 metal streams, royalties, and similar interests. We seek to acquire existing stream and royalty interests or to finance projects that are in production or in the development stage in exchange for stream or royalty interests.

We manage our business under two segments:

Acquisition and Management of Stream Interests—A metal stream is a purchase agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of one or more metals produced from a mine, at a price determined for the life of the transaction by the purchase agreement. As of June 30, 2018, we owned stream interests on five producing properties and one development stage property. Our stream interests accounted for approximately 71% of our total revenue for the fiscal years ended June 30, 2018 and 2017. We expect stream interests to continue representing a significant proportion of our total revenue.

Acquisition and Management of Royalty Interests—Royalties are non operating interests in mining projects that provide the right to a percentage of revenue or metals produced from the project after deducting specified costs, if any. As of June 30, 2018, we owned royalty interests on 34 producing properties, 21 development stage properties and 130 exploration stage properties, of which we consider 53 to be evaluation stage projects. We use “evaluation stage” to describe exploration stage properties that contain mineralized material and on which operators are engaged in the search for reserves. Royalties accounted for approximately 29% of our total revenue for the fiscal years ended June 30, 2018 and 2017.

We do not conduct mining operations on the properties in which we hold stream and royalty interests, and except for our interest in the Peak Gold, LLC joint venture (“Peak Gold JV”), we are not required to contribute to capital costs, exploration costs, environmental costs or other operating costs on those properties.

In the ordinary course of business, we engage in a continual review of opportunities to acquire existing stream and royalty interests, to establish new streams on operating mines, to create new stream and royalty interests through the financing of mine development or exploration, or to acquire companies that hold stream and royalty interests. We currently, and generally at any time, have acquisition opportunities in various stages of active review, including, for example, our engagement of consultants and advisors to analyze particular opportunities, analysis of technical, financial and other

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confidential information, submission of indications of interest and term sheets, participation in preliminary discussions and negotiations and involvement as a bidder in competitive processes.

As discussed in further detail throughout this report, some significant developments to our business during fiscal year 2018 were as follows:

- (1) Our revenue increased 4.1% to \$459.0 million, compared to \$440.8 million during fiscal year 2017;
- (2) We repaid the remaining \$250 million outstanding under our revolving credit facility and have \$1.0 billion available as of June 30, 2018;
- (3) We increased our calendar year dividend to \$1.00 per basic share, which is paid in quarterly installments throughout calendar year 2018. This represents a 4.2% increase compared with the dividend paid during calendar year 2017.

Certain Definitions

Dollar or “\$”: Unless we have indicated otherwise, or the context otherwise requires, references in this Annual Report on Form 10 K to “\$” or “dollar” are to the currency of the United States. We refer to Canadian dollars as C\$.

Gold equivalent ounces (GEOs): GEOs are calculated as Royal Gold’s revenue divided by the average gold price for the period.

Gross smelter return (GSR) royalty: A defined percentage of the gross revenue from a resource extraction operation, less, if applicable, certain contract defined costs paid by or charged to the operator.

Metal stream: A purchase agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of one or more metals produced from a mine, at a price determined for the life of the transaction by the purchase agreement.

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

Net revenue: Net revenue is calculated as Royal Gold’s Revenue minus Cost of sales.

Net smelter return (NSR) 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 (NVR): A defined percentage of the gross revenue from a resource extraction operation less certain contract defined costs.

Probable reserves: Ore reserves for which the 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 of probable reserves, although lower than that for proven reserves, is high enough to assume geological continuity between points of observation.

Proven reserves: Ore reserves for which (a) the 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 reserves are well established.

Payable metal: Ounces or pounds of metal in concentrate after deduction of a percentage of metal in concentrate by a third party smelter pursuant to smelting contracts.

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Reserve: That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

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.

Fiscal 2018 Business Developments

Please refer to Item 7, MD&A, for discussion on recent liquidity and capital resource developments.

U.S. Tax Legislation

On December 22, 2017, H.R. 1, originally known as the Tax Cuts and Jobs Act (the “Act”), was enacted and is effective for tax years including January 1, 2018. The effects of the Act were recognized in the period of enactment, or the period ending December 31, 2017. Certain other aspects of the Act are not effective for fiscal June 30 companies until July 1, 2018.

The Act, among other things, reduced the U.S. corporate income tax rate to 21% starting January 1, 2018. As a United States domiciled company, we expect that the Act will have a positive long-term impact on Royal Gold’s future financial results through the reduction in the U.S. corporate tax rate from 35% to 21% and by allowing us to efficiently repatriate future earnings from our foreign subsidiaries. As the Company is a fiscal year taxpayer, we applied a blended U.S. federal income tax rate of approximately 28.1% for the fiscal year ending June 30, 2018. The blended percentage was calculated on a pro-rata percentage of the number of days before and after January 1, 2018. The Company’s U.S. statutory federal corporate income tax rate will be 21% for the fiscal year commencing on July 1, 2018 and all future years.

Refer to Note 10 of our notes to consolidated financial statements for further discussion on the income tax accounting considerations for the Act.

Recent Transactions

On June 28, 2018, Royal Gold acquired 682,556 shares of common stock of Contango ORE, Inc. (“CORE”) for consideration of \$26 per share from certain individual stockholders of CORE.

On June 29, 2018, Royal Gold, through a wholly-owned subsidiary, acquired an additional 1.75% NSR royalty interest on Amarillo Gold's Mara Rosa gold project in Goias State, Brazil for \$10.8 million.

On June 29, 2018, a subsidiary of Golden Star repaid its \$20 million term loan facility, plus accrued interest, to Royal Gold.

See Note 3 of the notes to consolidated financial statements for more information regarding these transactions

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Our Operational Information

Reportable Segments, Geographical and Financial Information

The Company manages its business under two reportable segments, consisting of the acquisition and management of stream interests and the acquisition and management of royalty interests. Royal Gold's long lived assets (stream and royalty interests, net) are geographically distributed as shown in the following table:

	As of June 30, 2018				As of June 30, 2017			
	Stream interest	Royalty interest	Impairments	Total stream and royalty interests, net	Stream interest	Royalty interest	Impairments	Total stream and royalty interests, net
Canada	\$ 809,500	\$ 214,562	\$ (284)	\$ 1,023,778	\$ 852,035	\$ 221,618	\$ —	\$ 1,073,653
Dominican Republic	495,460	—	—	495,460	543,256	—	—	543,256
Chile	328,331	453,306	(239,080)	542,557	348,778	453,369	—	802,147
Africa	104,874	502	—	105,376	123,760	572	—	124,332
Mexico	—	93,277	—	93,277	—	105,889	—	105,889
United States	—	165,543	—	165,543	—	168,378	—	168,378
Australia	—	34,254	—	34,254	—	37,409	—	37,409
Other	12,039	28,833	—	40,872	12,030	25,162	—	37,192
Total	\$ 1,750,204	\$ 990,277	\$ (239,364)	\$ 2,501,117	\$ 1,879,859	\$ 1,012,397	\$ —	\$ 2,892,256

The Company's revenue, costs of sales and net revenue by reportable segment for our fiscal years ended June 30, 2018, 2017 and 2016 are geographically distributed as shown in the following table:

	Year Ended June 30, 2018			Year Ended June 30, 2017		
	Revenue	Cost of sales	Net revenue	Revenue	Cost of sales	Net revenue
Streams:						
Canada	\$ 142,244	\$ 40,766	\$ 101,478	\$ 136,736	\$ 45,954	\$ 90,782
Dominican Republic	95,055	28,496	66,559	91,589	27,191	64,398
Chile	57,413	8,614	48,799	60,251	9,037	51,214
Africa	29,804	5,963	23,841	25,435	5,083	20,352
Total streams	\$ 324,516	\$ 83,839	\$ 240,677	\$ 314,011	\$ 87,265	\$ 226,746
Royalties:						
Mexico	\$ 42,959	\$ —	\$ 42,959	\$ 41,945	\$ —	\$ 41,945
United States	39,496	—	39,496	35,282	—	35,282
Canada	24,254	—	24,254	23,208	—	23,208
Australia	13,710	—	13,710	12,943	—	12,943
Africa	2,098	—	2,098	3,131	—	3,131
Chile	473	—	473	1,648	—	1,648
Other	11,536	—	11,536	8,646	—	8,646

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Total royalties	\$ 134,526	\$ —	\$ 134,526	\$ 126,803	\$ —	\$ 126,803
Total streams and royalties	\$ 459,042	\$ 83,839	\$ 375,203	\$ 440,814	\$ 87,265	\$ 353,549

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	Fiscal Year Ended June 30, 2017			Fiscal Year Ended June 30, 2016		
	Revenue	Cost of sales	Net revenue	Revenue	Cost of sales	Net revenue
Streams:						
Canada	\$ 136,736	\$ 45,954	\$ 90,782	\$ 125,755	\$ 47,417	\$ 78,338
Dominican Republic	91,589	27,191	64,398	39,684	11,625	28,059
Chile	60,251	9,037	51,214	49,243	7,280	41,963
Africa	25,435	5,083	20,352	23,346	4,657	18,689
Total streams	\$ 314,011	\$ 87,265	\$ 226,746	\$ 238,028	\$ 70,979	\$ 167,049
Royalties:						
Mexico	\$ 41,945	\$ —	\$ 41,945	\$ 35,267	\$ —	\$ 35,267
United States	35,282	—	35,282	35,483	—	35,483
Canada	23,208	—	23,208	30,676	—	30,676
Australia	12,943	—	12,943	10,462	—	10,462
Africa	3,131	—	3,131	1,868	—	1,868
Chile	1,648	—	1,648	84	—	84
Other	8,646	—	8,646	7,922	—	7,922
Total royalties	\$ 126,803	\$ —	\$ 126,803	\$ 121,762	\$ —	\$ 121,762
Total streams and royalties	\$ 440,814	\$ 87,265	\$ 353,549	\$ 359,790	\$ 70,979	\$ 288,811

Please see “Operations in foreign countries or other sovereign jurisdictions are subject to many risks, which could decrease our revenues,” under Part I, Item 1A, Risk Factors, of this report for a description of the risks attendant to foreign operations.

Our financial results are primarily tied to the price of gold and, to a lesser extent, the price of silver and copper, together with the amounts of production from our producing stage stream and royalty interests. During the fiscal year ended June 30, 2018, Royal Gold derived approximately 86% of its revenue from precious metals (including 77% from gold and 9% from silver), 11% from copper and 3% from other minerals. The price of gold, silver, copper and other metals have fluctuated widely in recent years. The marketability and the price of metals are influenced by numerous factors beyond the control of the Company and significant declines in the price of gold, silver or copper could have a material and adverse effect on the Company’s results of operations and financial condition.

Competition

The mining industry in general and streaming and royalty segments in particular are very competitive. We compete with other streaming and royalty companies, mine operators, and financial buyers in efforts to acquire existing royalty interests, and with the lenders, investors, and streaming and royalty companies providing financing to operators of mineral properties in our efforts to create new streaming and royalty interests. Our competitors may be larger than we are and may have greater resources and access to capital than we have. Key competitive factors in the stream and royalty acquisition and financing business include the ability to identify and evaluate potential opportunities, transaction structure and consideration, and access to capital.

Regulation

Operators of the mines that are subject to our stream and royalty interests must comply with numerous environmental, mine safety, land use, waste disposal, remediation and public health laws and regulations promulgated by federal, state, provincial and local governments in the United States, Canada, Chile, Ghana, Mexico, the Dominican Republic and other countries where we hold interests. Although we are not responsible as a stream or royalty interest owner for ensuring compliance with these laws and regulations, failure by the operators of the mines on which we have stream and royalty interests to comply with applicable laws, regulations and permits can result in injunctive action, orders to suspend or cease operations, damages and civil and criminal penalties on the operators.

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Corporate Information

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

Available Information

Royal Gold maintains a website at www.royalgold.com. Royal Gold makes available, free of charge, through the Investor Relations section of its website, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Our SEC filings are available from the SEC's website at www.sec.gov which contains reports, proxy and information statements and other information regarding issuers that file electronically. These reports, proxy statements and other information may also be inspected and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The charters of Royal Gold's key committees of the Board of Directors and Royal Gold's Code of Business Conduct and Ethics are also available on the Company's website. Any of the foregoing information is available in print to any stockholder who requests it by contacting our Investor Relations Department at (303) 573 1660. The information on the Company's website is not, and shall not be deemed to be, a part hereof or incorporated into this or any of our other filings with the SEC.

Company Personnel

We currently have 23 employees, 17 located in Denver, Colorado and the remainder located in our Zug, Switzerland, Vancouver, Canada, and Toronto, Canada offices. Our employees are not subject to a labor contract or a collective bargaining agreement. We consider our overall employee relations to be good.

We also retain independent contractors to provide consulting services, relating primarily to geologic and geophysical interpretations and also relating to such metallurgical, engineering, environmental, and other technical matters as may be deemed useful in the operation of our business.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below before making an investment decision. Our business, financial condition, results of operations, and cash flows could be materially adversely affected by any of these risks. The market or trading price of our securities could decline due to any of these risks. In addition, please see our note about forward-looking statements included in Part II, Item 7, MD&A of this Annual Report on Form 10-K. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business, operations and stock price.

Risks Related to our Business

Volatility in gold, silver, copper, nickel and other metal prices may have an adverse impact on the value of our stream and royalty interests and may reduce our revenues. Certain contracts governing our stream and royalty interests have features that may amplify the negative effects of a drop in metals prices.

The profitability of our stream and royalty interests is directly related to the market price of gold, silver, copper, nickel and other metals. Our revenue is particularly sensitive to changes in the price of gold, as we derive a majority of our revenue from gold stream and royalty interests. Market prices may fluctuate widely and are affected by numerous factors beyond the control of Royal Gold or any mining company, including metal supply, industrial and jewelry fabrication, investment demand, central banking economic policy, expectations with respect to the rate of inflation, the relative strength of the dollar and other currencies, interest rates, gold purchases, sales and loans by central banks, forward sales by metal producers, global or regional political, economic or banking conditions, and a number of other factors.

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Volatility in gold, silver, copper and nickel prices is demonstrated by the annual high and low prices for those metals over the past decade as reported by, in the case of gold and silver, the London Bullion Market Association, and in the case of copper and nickel, the London Metal Exchange:

Calendar Year	Gold (\$/ounce)		Silver (\$/ounce)		Copper (\$/pound)		Nickel (\$/pound)	
	High	Low	High	Low	High	Low	High	Low
2008 - 2009	\$ 1,213	\$ 713	\$ 20.92	\$ 8.88	\$ 4.08	\$ 1.26	\$ 15.10	\$ 4.00
2010 - 2011	\$ 1,895	\$ 1,058	\$ 48.70	\$ 15.14	\$ 4.60	\$ 2.76	\$ 13.17	\$ 7.68
2012 - 2013	\$ 1,792	\$ 1,192	\$ 37.23	\$ 18.61	\$ 3.93	\$ 3.01	\$ 9.90	\$ 5.97
2014 - 2015	\$ 1,385	\$ 1,049	\$ 22.05	\$ 13.71	\$ 3.37	\$ 2.05	\$ 9.62	\$ 3.70
2016 - 2017	\$ 1,366	\$ 1,077	\$ 20.71	\$ 13.58	\$ 3.27	\$ 1.96	\$ 5.82	\$ 3.50
2018 to-date (August 1, 2018)	\$ 1,355	\$ 1,218	\$ 17.52	\$ 15.26	\$ 3.29	\$ 2.95	\$ 7.14	\$ 5.63

Declines in market prices could cause an operator to reduce, suspend or terminate production from an operating project or construction work at a development project, which may result in a temporary or permanent reduction or cessation of revenue from those projects, and may prevent us from being able to recover the initial investment in our stream and royalty interests. Our streaming agreements provide us the right to purchase metals either at a fixed price per ounce or a specified percentage of the spot price. Our margin between the price at which we can purchase metals pursuant to streaming agreements and the price at which we sell metals in the market will vary as metal prices vary; in the event of metal price declines, we would generate lower cash flow or earnings, or possibly losses. Further, our sliding scale royalties, such as Cortez, Holt, Mulatos and other properties, amplify the effect of declines in market prices for metals because when prices fall below price thresholds specified in a sliding scale royalty, a lower royalty rate will apply. A price decline may result in a material and adverse effect on our business, results of operations and financial condition.

Metal price fluctuations between the time that decisions about development and construction of a mine are made and the commencement of production can have a material adverse effect on the economics of a mine and can eliminate or have a material adverse impact on the value of stream and royalty interests on the property.

Where gold and silver are produced as co-products or by products at the properties where we hold stream and royalty interests, an operator's production decisions and the economic cut off applied to its reporting of gold and silver reserves and resources may be influenced by changes in the commodity prices of the principal metals produced at the mines.

Moreover, certain agreements governing our royalty interests, such as those relating to our royalty interests in the Robinson and Peñasquito properties, are based on the operator's concentrate sales to smelters, which include price adjustments between the operator and the smelter based on metals prices at a later date, typically three to five months after shipment to the smelter. In such cases, our payments from the operator include a component of these later price adjustments, which can result in decreased revenue in later periods if metals prices have fallen.

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

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

Our strategy of acquiring and holding stream and royalty interests on properties operated by third parties puts us generally at risk to the decisions of others regarding all operating matters, including permitting, feasibility analysis, mine design and operation, processing, plant and equipment matters and temporary or permanent suspension of operations, among others. As a result, our revenue is dependent upon the activities of third parties, which creates the risk that at any time those third parties may: (i) have business interests that are inconsistent with ours, (ii) take action contrary to our interests, policies or objectives, or (iii) be unable or unwilling to fulfill their obligations under their agreements with us. At any time, any of the operators of our mining properties may decide to suspend or discontinue operations. Except in limited circumstances,

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we will not be entitled to material compensation if operations are shut down, suspended or discontinued on a temporary or permanent basis. Although we attempt to secure contractual rights when we create new stream or royalty interests, such as audit or access rights, that will permit us to protect our interests to a degree, there can be no assurance that such rights will always be available or sufficient, or that our efforts will be successful in achieving timely or favorable results or in affecting the operation of the properties in which we have a stream or royalty interest in ways that would be beneficial to our stockholders.

Our revenues are subject to operational and other risks faced by operators of our mining properties.

Although we generally are not required to pay capital costs on projects on which we hold stream or royalty interests (except for transactions where we finance mine development or actively fund or participate in exploration), our financial results are indirectly subject to hazards and risks normally associated with developing and operating mining properties where we hold stream and royalty interests. Some of these risks include:

- insufficient ore reserves;
- increases in capital or operating costs incurred by operators or third parties that may impact the amount of reserves available to be mined, cause an operator to delay or curtail mining development and operations, or render mining of ore uneconomical and cause an operator to suspend or close operations;
- declines in the price of gold, silver, copper, nickel and other metals;
- mine operating and ore processing facility problems;
- significant permitting, environmental and other regulatory requirements and restrictions and any changes in those regulations or their enforcement;
- challenges by non mining interests, including by local communities, indigenous populations and non governmental organizations, to existing permits and mining rights, and to applications for permits and mining rights;
- community or civil unrest;
- labor shortage of miners, geologists and mining experts, changes in labor laws, increased labor costs, and labor disputes, strikes or work stoppages at mines;
- unavailability of mining, drilling and related equipment;
- unanticipated geological conditions or metallurgical characteristics;
- unanticipated ground or water conditions, including lack of access to sufficient quantities of water for operations;
- pit wall or tailings dam failures or any underground stability issues;
- fires, explosions and other industrial accidents;
- environmental hazards and natural catastrophes such as droughts, floods, hurricanes or earthquakes;

- injury to persons, property or the environment;
- the ability of operators to maintain or increase production or to replace reserves as properties are mined;
- potential increased operating costs arising from climate change initiatives and their impact on energy and other costs in the U.S. and foreign jurisdictions;
- uncertain domestic and foreign political and economic environments;
- economic downturns and operators' insufficient financing;
- default by an operator on its obligations to us or its other creditors;
- insolvency, bankruptcy or other financial difficulty of the operator; and

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- changes in laws or regulations, including changes implemented by new political administrations.

The occurrence of any of the above mentioned risks or hazards, among others, could result in an interruption, suspension or termination of operations or development work at any of the properties in which we hold a stream or royalty interest and have a material adverse effect on our business, results of operations, cash flows and financial condition.

Many of our stream and royalty interests are important to us and any adverse development related to these properties could adversely affect our revenues and financial condition.

Our investments in the Mount Milligan, Andacollo, Pueblo Viejo, Wassa and Prestea and Peñasquito properties generated approximately \$341.7 million in revenue in fiscal year 2018, or 74% of our revenue for the period. We expect these properties and others to be important to us in fiscal year 2019 and beyond. Any adverse development affecting the operation of or production from any of these properties could have a material adverse effect on our business, results of operations, cash flows and financial condition. Any adverse decision made by the operators, such as changes to mine plans, production schedules, metallurgical processes or royalty calculation methodologies, may materially and adversely impact the timing and amount of revenue that we receive.

Problems concerning the existence, validity, enforceability, terms or geographic extent of our stream and royalty interests could adversely affect our business and revenues, and our interests may similarly be materially and adversely impacted by change of control, bankruptcy or the insolvency of operators.

Defects in or disputes relating to the stream and royalty interests we hold or acquire may prevent us from realizing the anticipated benefits from these interests, and could have a material adverse effect on our business, results of operations, cash flows and financial condition. Material changes could also occur that may adversely affect management's estimate of the carrying value of our stream and royalty interests and could result in impairment charges. While we seek to confirm the existence, validity, enforceability, terms and geographic extent of the stream and royalty interests we acquire, there can be no assurance that disputes or other problems concerning these and other matters or other problems will not arise. Confirming these matters is complex and is subject to the application of the laws of each jurisdiction to the particular circumstances of each parcel of mining property and to the documents reflecting the stream or royalty interest. Similarly, stream interests and, in many jurisdictions, royalty interests are contractual in nature, rather than interests in land, and therefore may be subject to change of control, bankruptcy or insolvency of operators, and our stream or royalty interests could be materially restricted or set aside through judicial or administrative proceedings. We often do not have the protection of security interests that could help us recover all or part of our investment in a stream or royalty interest.

We have limited access to data and disclosure regarding the operation of the properties on which we have stream and royalty interests, which may limit our ability to assess the performance of a stream or royalty interest.

Although certain agreements governing our stream and royalty interests require the operators to provide us with production, operating and other information, we do not have the contractual right to receive such information for all of our interests. As a result, we may have limited access to data about the operations and the properties themselves, which could affect our ability to assess the performance of a stream or royalty interest. This could result in delays in, or reductions of, our cash flow from the amounts that we anticipate based on the stage of development of or production from the properties which could have an adverse impact on our business, results of operations, cash flows and financial condition.

Acquired stream and royalty interests, particularly on development stage properties, are subject to the risk that they may not produce anticipated revenues.

The stream and royalty interests we acquire may not produce anticipated revenues. The success of our acquisitions of stream and royalty interests is based on our ability to make accurate assumptions regarding the valuation, timing and amount of revenues to be derived from our stream and royalty interests, the geological, metallurgical and other technical aspects of the project, and, for development projects, the costs, timing and conduct of development. If an operator does not bring a property into production and operate in accordance with feasibility studies, technical or reserve reports or mine and other plans due to lack of capital, inexperience, unexpected problems, delays, or otherwise, then the acquired stream or royalty interest may not yield sufficient revenues to be profitable for us. Furthermore, operators of properties at all

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stages must obtain and maintain all necessary environmental permits and access to adequate supplies of water, power and other raw materials, as well as financing, necessary to begin or sustain development or production, and there can be no assurance that operators will be able to do so.

The failure of any of our principal properties to produce anticipated revenues on schedule or at all would have a material adverse effect on our asset carrying values or the other benefits we expect to realize from the acquisition of stream and royalty interests, and potentially our business, results of operations, cash flows and financial condition.

For example, we experienced an impairment charge of \$239.1 million for the Pascua-Lama mining project during our third quarter of fiscal 2018 after Barrick Gold Corporation (“Barrick”), the owner of the project, reclassified the proven and probable reserves for the Chilean portion of the project, to which our royalty interest relates, and, ultimately, suspended further development of the project, in response to sanctions by the Chilean government. See Note 4 of the notes to consolidated financial statements for more information. Further, as mines on which we have stream and royalty interests mature, we can expect overall declines in production unless operators are able to replace reserves that are mined through mine expansion or successful new exploration. There can be no assurance that the operators of properties where we hold stream and royalty interests will be able to maintain or increase production or replace reserves as they are mined.

Operators may interpret our stream and royalty interests in a manner adverse to us or otherwise may not abide by their contractual obligations, and we could be forced to take legal action to enforce our contractual rights.

Our stream and royalty interests generally are subject to uncertainties and complexities arising from the application of contract and property laws in the jurisdictions where the mining projects are located. Operators and other parties to the agreements governing our stream and royalty interests may interpret our interests in a manner adverse to us or otherwise may not abide by their contractual obligations, and we could be forced to take legal action to enforce our contractual rights. We may or may not be successful in enforcing our contractual rights, and our revenues relating to any challenged stream or royalty interests may be delayed, curtailed or eliminated during the pendency of any such dispute or in the event our position is not upheld, which could have a material adverse effect on our business, results of operations, cash flows and financial condition. Disputes could arise challenging, among other things, methods for calculating the stream or royalty interest, various rights of the operator or third parties in or to the stream or royalty interest or the underlying property, the obligations of a current or former operator to make payments on stream and royalty interests, and various defects or ambiguities in the agreement governing a stream or royalty interest.

For example, on October 6, 2017, the Labrador Nickel Royalty Limited Partnership (“LNRLP”), of which the Company is the indirect majority owner, filed amendments to its original October 2009 statement of claim against Vale and certain subsidiaries of Vale. LNRLP alleges that Vale has been calculating LNRLP’s 3% NSR royalty on nickel, copper and cobalt produced from the Voisey’s Bay mine incorrectly since production began in late 2005, and since Vale began processing Voisey’s Bay concentrates at its new Long Harbour Processing facility, and that Vale has breached its contractual duties of good faith. Royal Gold strongly disagrees with Vale’s position that full operating costs, depreciation and cost of capital are permissible net smelter return deductions pursuant to the royalty agreement and is aggressively pursuing its legal remedies.

Potential litigation affecting the properties that we have stream and royalty interests in could have a material adverse effect on us.

Potential litigation may arise between the operators of properties on which we have stream and royalty interests and third parties. For example, Barrick’s Pascua Lama mining project has been the subject of litigation by local farmers and

indigenous communities alleging that the project's water management system is not in compliance with environmental permits and that the project has damaged glaciers located in the Pascua Lama project area. As a holder of stream and royalty interests, we generally will not have any influence on litigation such as this and generally will not have access to non public information concerning such litigation. Any such litigation that results in the reduction, suspension or termination of a project or production from a property, whether temporary or permanent, could have a material adverse effect on our business, results of operations, cash flows and financial condition.

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We may enter into acquisitions or other material transactions at any time.

In the ordinary course of business, we engage in a continual review of opportunities to acquire existing stream and royalty interests, to establish new streams and royalties on operating mines, to create new stream and royalty interests through financing mine development or exploration, or to acquire companies that hold stream and royalty interests. We currently, and generally at any time, have acquisition opportunities in various stages of active review, including, for example, our engagement of consultants and advisors to analyze particular opportunities, analysis of technical, financial, legal and other confidential information, submission of indications of interest and term sheets, participation in preliminary discussions and negotiations and involvement as a bidder in competitive processes. We also consider obtaining debt commitments for acquisition financing. In the event that we choose to raise debt capital to finance any acquisition, our leverage may be increased. We also could issue common stock to fund our acquisitions. Issuances of common stock could dilute existing stockholders and may reduce some or all of our per share financial measures.

Any such acquisition could be material to us. All transactions include risks associated with our ability to negotiate acceptable terms with counter-parties. In addition, any such acquisition or other transaction may have other transaction specific risks associated with it, including risks related to the completion of the transaction, the project, its operators, or the jurisdictions in which the project is located and other risks discussed in this Annual Report on Form 10-K. There can be no assurance that any acquisitions completed will ultimately benefit the Company.

In addition, we may consider opportunities to restructure our existing stream or royalty interests where we believe such restructuring would provide a long term benefit to the Company, though such restructuring may reduce near term revenues or result in the incurrence of transaction related costs. We could enter into one or more acquisition or restructuring transactions at any time.

We may be unable to successfully acquire additional stream or royalty interests at appropriate valuations.

Our future success largely depends upon our ability to acquire stream and royalty interests at appropriate valuations, including through royalty, stream and corporate acquisitions and other financing transactions. There can be no assurance that we will be able to identify and complete the acquisition of such stream and royalty interests or businesses that own desirable interests, at reasonable prices or on favorable terms, or, if necessary, that we will have or be able to obtain sufficient financing on reasonable terms to complete such acquisitions. Economic volatility, credit crises, or severe declines in market prices for gold, silver, copper, nickel and certain other metals, could adversely affect our ability to obtain debt or equity financing for acquisitions. In addition, changes to tax rules, accounting policies, or the treatment of stream interests by ratings agencies could make royalties, streams or other investments by the Company less attractive to counterparties. Such changes could adversely affect our ability to acquire new stream or royalty interests.

We also have competitors that are engaged in the acquisition of stream and royalty interests and companies holding such interests, including competitors with greater financial resources, and we may not be able to compete successfully against these companies in new acquisitions. If we are unable to successfully acquire additional stream or royalty interests, the reserves subject to our stream and royalty interests may decline as the producing properties on which we have such stream and royalty interests are mined or payment or production caps on certain of our royalty interests are met. We also may experience negative reactions from the financial markets or operators of properties on which we seek stream and royalty interests if we are unable to successfully complete acquisitions of such interests or complete them at satisfactory rates of return. Each of these factors could have a material adverse effect on our business, results of operations, cash flows and financial condition.

We depend on our operators for the calculation of payments of our stream and royalty interests. We may not be able to detect errors and later payment calculations may call for retroactive adjustments.

The deliveries and payments under our stream and royalty interests are calculated by the operators of the properties on which we have stream and royalty interests based on their reported production. Each operator's calculation of deliveries and payments is subject to and dependent upon the adequacy and accuracy of its production and accounting functions, and, given the complex nature of mining and ownership of mining interests, errors may occur from time to time in the allocation of production and the various other calculations made by an operator. Any of these errors may render such

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calculations inaccurate. Certain agreements governing our stream and royalty interests require the operators to provide us with production and operating information that may, depending on the completeness and accuracy of such information, enable us to detect errors in deliveries under metal streams and in the calculation of payments of royalties. We do not, however, have the contractual right to receive production information for all of our royalty interests. As a result, our ability to detect payment errors through our stream and royalty monitoring program and its associated internal controls and procedures is limited, and the possibility exists that we will need to make retroactive revenue adjustments. Some contracts governing our stream and royalty interests provide us the right to audit the operational calculations and production data for the associated stream deliveries and royalty payments; however, such audits may occur many months following our recognition of the revenue and we may be required to adjust our revenue in later periods, which could require us to restate our financial statements.

Development and operation of mines is very capital intensive and any inability of the operators of properties where we hold stream and royalty interests to meet liquidity needs, obtain financing or operate profitably could have material adverse effects on the value of and revenue from our stream and royalty interests.

If operators of properties where we hold stream and royalty interests do not have the financial strength or sufficient credit or other financing capability to cover the costs of developing or operating a mine, the operator may curtail, delay or cease development or operations at a mine site, or enter into bankruptcy proceedings. An operator's ability to raise and service sufficient capital may be affected by, among other things, macroeconomic conditions, future commodity prices of metals to be mined, or further economic volatility in the U.S. and global financial markets. If certain of the operators of the properties on which we have stream and royalty interests suffer these material adverse effects, then our stream and royalty interests, including the value of and revenue from them, and the ability of operators to obtain debt or equity financing for the exploration, development and operation of their properties may be materially adversely affected.

Certain of the agreements governing our stream and royalty interests contain terms that reduce or cap the revenues generated from the interests.

Revenue from some of our stream and royalty interests will stop or decrease after threshold production, delivery or payment milestones are achieved. For example, our gold stream at Pueblo Viejo decreases from 7.5% of Barrick's interest in gold produced at Pueblo Viejo to 3.75% after 990,000 ounces of gold have been delivered. Similarly, our silver stream at Pueblo Viejo decreases from 75% of Barrick's interest in silver produced at Pueblo Viejo to 37.50% after 50.00 million ounces of silver have been delivered. Our stream interests at Wassa and Prestea, Andacollo, and Rainy River and certain of our royalty interests at other properties are subject to similar limitations, and therefore current production and revenue results from our interests may not be indicative of future results.

Estimates of reserves and other mineralized material by the operators of mines in which we have stream and royalty interests are subject to significant revision.

There are numerous uncertainties inherent in estimating proven and probable reserves and mineralized material, including many factors beyond our control and the control of the operators of properties in which we have stream and royalty interests. Reserve estimates for our stream and royalty interests are prepared by the operators of the mining properties. We do not participate in the preparation or verification of such reports and have not independently assessed or verified the accuracy of such information.

The estimation of reserves and of other mineralized material is a subjective process, and the accuracy of any such estimate is a function of the quality of available data and of engineering and geological interpretation and judgment.

Results of drilling, metallurgical testing and production, and the evaluation of mine plans subsequent to the date of any estimate, may cause a revision of such estimate. The volume and grade of reserves recovered and rates of production may be less than anticipated. Assumptions about gold and other precious metal prices are subject to great uncertainty, and such prices have fluctuated widely in the past. Declines in the market price of gold, silver, copper, nickel or other metals also may render reserves or mineralized material containing relatively lower ore grades uneconomical to exploit. Changes in operating costs and other factors including short term operating factors, the processing of new or different ore grades, geotechnical characteristics and metallurgical recovery, may materially and adversely affect reserves.

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Mineral resources as reported by some operators do not constitute mineral reserves and do not have demonstrated economic viability. Due to the uncertainty of mineral resources, there can be no assurance that such resources will be upgraded to proven and probable mineral reserves as a result of continued exploration. It should not be assumed that any part or all of mineral resources on properties where we hold stream and royalty interests constitute or will be converted into mineral reserves.

Estimates of production by the operators of mines in which we have stream and royalty interests are subject to change, and actual production may vary materially from such estimates.

Production estimates are prepared by the operators of mining properties. There are numerous uncertainties inherent in estimating anticipated production attributable to our stream and royalty interests, including many factors beyond our control and the control of the operators of the properties in which we have stream and royalty interests. We do not participate in the preparation or verification of production estimates and have not independently assessed or verified the accuracy of such information. The estimation of anticipated production is a subjective process and the accuracy of any such estimates is a function of the quality of available data, reliability of production history, variability in grade encountered, mechanical or other problems encountered, engineering and geological interpretation and operator judgment. Actual rates of production may be less than expected. Results of drilling, metallurgical testing and production, changes in commodity prices, and the evaluation of mine plans subsequent to the date of any estimate may cause actual production to vary materially from such estimates.

If title to mining claims, concessions, licenses or leases from governments on mine properties is not properly maintained by the operators, or is successfully challenged by third parties, our stream and royalty interests could be found to be invalid.

Our business includes the risk that operators of mining projects and holders of exploration or mining claims, tenements, concessions, licenses or other interests in land and minerals may lose their exploration or mining rights, or have their rights to explore and mine properties contested by private parties or the government. Internationally, exploration and mining tenures are subject to loss for many reasons, including expiration, failure of the holder to meet specific legal qualifications, failure to pay maintenance fees or meet expenditure or work requirements, reduction in geographic extent upon passage of time or upon conversion from an exploration tenure to a mining tenure, failure of title, expropriation and similar risks. If title to exploration or mining tenures subject to our stream and royalty interests have not been properly established or not properly maintained, or are successfully contested, our stream and royalty interests could be adversely affected.

Operations in foreign countries or other sovereign jurisdictions are subject to many risks, which could decrease our revenues.

We derived approximately 91% of our revenues from non-U.S. sources during fiscal year 2018, compared to approximately 92% in fiscal year 2017 and approximately 90% in fiscal year 2016. Our principal producing stream and royalty interests on properties outside of the United States are located in Canada, Chile, the Dominican Republic, Ghana and Mexico. We currently have stream and royalty interests in mines and projects in other countries, including Argentina, Australia, Bolivia, Brazil, Burkina Faso, Guatemala, Honduras, Macedonia, Nicaragua, Peru, Russia, Spain and Tunisia. Various indigenous peoples may be recognized as sovereign entities and may enforce their own laws and regulations within the United States, Canada and other countries. In addition, future acquisitions may expose us to new jurisdictions. Our activities and those of the operators of properties on which we hold stream and royalty interests are subject to the risks normally associated with conducting business in foreign countries or within the jurisdiction of indigenous people that may be recognized as sovereign entities in the United States and elsewhere.

These risks may impact our operations, depending on the jurisdiction, and include such things as:

- expropriation or nationalization of mining property;
- seizure of mineral production;
- exchange and currency controls and fluctuations;
- limitations on foreign exchange and repatriation of earnings;

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- restrictions on mineral production and price controls;
- import and export regulations, including restrictions on the export of gold, silver, copper, nickel or other metals;
- changes in legislation and government policies, including changes related to taxation, government royalties, imports, exports, duties, currency, foreign ownership, foreign trade, foreign investment and other forms of government take, including any such changes as may be made in response to U.S. laws or foreign policies;
- challenges to mining, processing and related permits and licenses, or to applications for permits and licenses, by or on behalf of regulatory authorities, indigenous populations, non governmental organizations or other third parties;
- changes in economic, trade, diplomatic and other relationships between countries, and the effect on global and economic conditions, the stability of global financial markets, and the ability of key market participants to operate in certain financial markets;
- high rates of inflation;
- labor practices and disputes;
- enforcement of unfamiliar or uncertain foreign real estate, mineral tenure, contract, water use, mine safety and environmental laws and policies;
- renegotiation, nullification or forced modification of existing contracts, licenses, permits, approvals, concessions or the like;
- war, crime, terrorism, sabotage, civil unrest and uncertain political and economic environments;
- corruption;
- exposure to liabilities under anti corruption and anti money laundering laws, including the U.S. Foreign Corrupt Practices Act and similar laws and regulations in other jurisdictions to which we, but not necessarily our competitors, may be subject;
- suspension of the enforcement of creditors' rights and stockholders' rights; and
- loss of access to government controlled infrastructure, such as roads, bridges, rails, ports, power sources and water supply.

In addition, many of our operators are organized outside of the United States. Our stream and royalty interests may be subject to the application of foreign laws to our operators, and their stockholders, including laws relating to foreign ownership structures, corporate transactions, creditors' rights, bankruptcy and liquidation. Foreign operations also could be adversely impacted by laws and policies of the United States affecting foreign trade, investment and taxation.

These risks may limit or disrupt operating mines or projects on which we hold stream and royalty interests, restrict the movement of funds, or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation, and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Opposition from indigenous people may delay or suspend development or operations at the properties where we hold stream and royalty interests, which could decrease our revenues.

Various international and national, state and provincial laws, rules, regulations and other practices relate to the rights of indigenous peoples. Some of the properties where we hold stream and royalty interests are located in areas presently or previously inhabited or used by indigenous peoples. Many of these laws impose obligations on governments to respect the rights of indigenous people. Some mandate that governments consult with indigenous people regarding government actions which may affect indigenous people, including actions to approve or grant mining rights or permits. One or more groups of indigenous people may oppose continued operation, further development, or new development of the properties where we hold stream and royalty interests. Such opposition may be directed through legal or administrative proceedings or protests, roadblocks or other forms of public expression, and claims and protests of indigenous peoples may disrupt or

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delay activities of the operators of the properties. For example, the Pascua Lama project has been challenged by Chilean indigenous groups and other third parties. During the fourth calendar quarter of 2013, Barrick suspended construction activities at the Pascua Lama project, except for those activities required for environmental and regulatory compliance. Subsequently, in the first calendar quarter of 2018, Barrick reclassified the proven and probable reserves for the Chilean portion of the project, to which our royalty interest relates, and, ultimately, suspended further development of the project, in response to sanctions by the Chilean government.

Changes in mining taxes and royalties payable to governments could decrease our revenues.

Changes in mining and tax laws in any of the United States, Canada, Chile, the Dominican Republic, Ghana, Mexico or any other country in which we have stream and royalty interests in mines or projects could affect mine development and expansion, significantly increase regulatory obligations and compliance costs with respect to mine development and mine operations, increase the cost of holding mining tenures or impose additional taxes on mining operations, all of which could adversely affect our revenue from such properties. A number of properties where we hold royalty interests are located on U.S. public lands that are subject to federal mining and other public land laws. In recent years, the United States Congress has considered a number of proposed major revisions to the General Mining Law of 1872, and other laws, which govern the creation, maintenance and possession of mining claims and related activities on public lands in the United States. Congress also has recently considered bills, which if enacted, would impose a royalty payable to the government on hardrock production, increase land holding fees, impose federal reclamation fees and financial assurances, impose additional environmental operating standards and afford greater public involvement and regulatory discretion in the mine permitting process. Such legislation, if enacted, or similar legislation in other countries, could adversely affect the development of new mines and the expansion of existing mines, as well as increase the cost of all mining operations, and could materially and adversely affect mine operators and our revenue.

The mining industry is subject to environmental risks in the U.S. and in the foreign jurisdictions where our interests are located, including risk associated with climate change.

Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Laws and regulations in the United States and abroad intended to ensure the protection of the environment are constantly changing and evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. Furthermore, mining may be subject to significant environmental and other permitting requirements regarding the use of raw materials needed for operations, particularly water and power. In addition, concerns with regard to climate change in the United States and abroad have resulted in international, national and local treaties, legislation and initiatives that affect mineral exploration and production, including those intended to reduce industrial emissions and increase energy efficiency. Compliance with all such laws and regulations, treaties and initiatives (“Laws”) could increase permitting requirements, result in stricter standards and enforcement, and require significant increases in capital expenditures and operating costs by operators of properties subject to our interests. Further, breach of a Law may result in the imposition of fines and penalties or other adverse impacts on operators and their properties, which may be material. If an operator is forced to incur significant costs to comply with Laws or becomes subject to related restrictions that limit its ability to continue or expand operations, or if an operator were to lose its right to use or access power, water or other raw materials necessary to operate a mine, or if the costs to comply with Laws materially increased the capital or operating costs on the properties where we hold streams and royalties, our revenues could be reduced, delayed or eliminated. These risks are also salient with regard to our development stage properties where permitting may not be complete and/or where new legislation and regulation could lead to delays, interruptions and significant unexpected cost burdens for mine operators. For example, Argentina passed a federal glacier protection law in 2010 that could restrict mining activities in areas on or near the nation’s

glaciers. We have royalties on the Chilean side of the Pascua Lama project, which straddles the border between Chile and Argentina and the glacier law could impact some aspects of the design, development and operation of the project. Further, to the extent that we become subject to environmental liabilities for any historic period during which we owned or operated properties, or relative to our current ownership interests in the lease and underlying unpatented mining claims acquired at Cortez or the lease, unpatented mining claims and exploration activities associated with the Peak Gold JV, the satisfaction of any liabilities would reduce funds otherwise available to us and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

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We are dependent upon information technology systems, which are subject to cyber threats, disruption, damage and failure.

Information systems and other technologies, including those related to our financial and operational management, are an integral part of our business activities. Network and information systems related events, such as computer hackings, cyber attacks, ransomware, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination of the foregoing, or power outages, natural disasters, terrorist attacks or other similar events, could result in damage to our property, equipment and data, affect our ability to maintain ongoing operations, and result in significant expenditures to repair or replace the damaged property or information systems, reacquire access to networks and information systems, or to protect them from similar events in the future. In addition, any security breaches, such as misappropriation, misuse, leakage, falsification or accidental release or loss of information maintained in our information technology systems (or those of our third party service providers), including information about our company or our employees, third party information in our possession, and other data, could damage our reputation, expose us to legal liability and require us to expend significant capital and other resources to remedy any such security breach. Despite security measures we have implemented and other measures we may implement in the future, and despite the fact that, to date, the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that these events and security breaches will not occur in the future or not have an adverse effect on our business. Furthermore, new and evolving requirements relating to cybersecurity are applicable or may in the future apply to our business, including requirements relating to protection of personally identifiable information. Compliance with such requirements could result in additional or increased compliance costs and exposure to legal liability.

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

We believe that our success depends on the continued service of our key executive management personnel. Tony Jensen has served as our President and Chief Executive Officer since July 2006. Mr. Jensen's extensive commercial experience, mine operations background and industry contacts give us an important competitive advantage. The loss of the services of Mr. Jensen, other key members of management or other key employees could jeopardize our ability to maintain our competitive position in the industry. From time to time, we may also need to identify and retain additional skilled management and specialized technical personnel to efficiently operate our business. The number of persons skilled in the acquisition, exploration and development of stream and royalty interests is limited and there is competition for such persons. Recruiting and retaining qualified personnel is critical to our success and there can be no assurance of such success. If we are not successful in attracting and retaining qualified personnel, our ability to execute our business model and growth strategy could be affected, which could have a material adverse effect on our business, results of operations, cash flows and financial condition. We currently do not have key person life insurance for any of our officers or directors.

Our disclosure controls and internal control over our financial reporting are subject to inherent limitations.

Management has concluded that as of June 30, 2018, our disclosure controls and procedures and our internal control over financial reporting were effective. Such controls and procedures, however, may not be adequate to prevent or identify existing or future internal control weaknesses due to inherent limitations therein, which may be beyond our control, including, but not limited to, our dependence on operators for the calculation of royalty payments and deliveries of metal streams that translate to our revenues as discussed above in "We depend on our operators for the calculation of payments of our stream and royalty interests. We may not be able to detect errors and later payment calculations may call for retroactive adjustments". Given our dependence on third party calculations, there is a risk that

material misstatements in results of operations and financial condition may not be prevented or detected on a timely basis by our internal controls over financial reporting and may require us to restate our financial statements.

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We have incurred indebtedness in connection with our business and may in the future incur additional indebtedness that could limit cash flow available for our operations, limit our ability to borrow additional funds and, if we were unable to repay our debt when due, would have a material adverse effect on our business, results of operations, cash flows and financial condition.

As of June 30, 2018, we had \$370 million aggregate principal amount of our 2.875% convertible senior notes due 2019 (the “2019 Notes”) outstanding, which we incurred in June 2012. In addition, we may incur additional indebtedness in connection with financing acquisitions, strategic transactions or for other purposes. As of June 30, 2018, there was \$1.0 billion available and no amounts outstanding under our revolving credit facility. We are also subject to the risks normally associated with debt obligations, including the risk that our cash flows may be insufficient to meet required principal and interest payments and the risk that we will be unable to refinance our indebtedness when it becomes due, or that the terms of such refinancing will not be as favorable as the terms of our indebtedness. We may seek additional debt or equity financing in the future.

Indebtedness could have a material adverse effect on our business, results of operations, cash flows and financial condition. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the availability of our cash flow to fund acquisitions of stream and royalty interests, working capital, pay dividends and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from exploiting business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less indebtedness;
- dilute our existing stockholders if we elect to issue common stock instead of paying cash in the event the holders convert the 2019 Notes, or any other convertible securities issued in the future;
- require the consent of our existing lenders to borrow additional funds, as was required in connection with the issuance of the 2019 Notes; and
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general corporate purposes.

In addition, the agreement governing our revolving credit facility contains, and the agreements that may govern any future indebtedness that we may incur may contain, financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long term best interests. Among other restrictions, the agreement governing our revolving credit facility contains covenants limiting our ability to make certain investments, consummate certain mergers, incur certain debt or liens and dispose of certain assets.

If we are unable to maintain cash reserves or generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if we fail to comply with the various covenants and requirements of the 2019 Notes, our revolving credit facility or any indebtedness which we may incur in the future, an event of default could occur that, if not cured or waived, could result in the acceleration of all of our debt. Any default under the 2019 Notes, our revolving credit facility or any indebtedness which we may incur in the future could have a material adverse effect on

our business, results of operations, cash flows and financial condition.

Risks Related to our Common Stock

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

The market price of our common stock has fluctuated and may decline in the future. The high and low sale prices of our common stock on the Nasdaq Global Select Market were \$72.04 and \$24.68 for the fiscal year ended June 30, 2016, \$87.74 and \$60.21 for the fiscal year ended June 30, 2017 and \$94.39 and \$76.15 for the fiscal year ended June 30, 2018. The

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fluctuation of the market price of our common stock has been affected by many factors that are beyond our control, including:

- market prices of gold, silver, copper, nickel and other metals;
- Central bank interest rates;
- expectations regarding inflation;
- ability of operators to service their financial obligations, advance development projects, produce precious metals and develop new reserves;
- currency values;
- credit market conditions;
- general stock market conditions; and
- global and regional political and economic conditions.

Additional issuances of equity securities by us could dilute our existing stockholders, reduce some or all of our per share financial measures, reduce the trading price of our common stock or impede our ability to raise future capital. Substantial sales of shares may negatively impact the market price of our common stock.

We may issue additional equity in the future in connection with acquisitions, strategic transactions or for other purposes. To the extent we issue additional equity securities, our existing stockholders could be diluted and some or all of our per share financial measures could be reduced. In addition, the shares of common stock that we issue in connection with an acquisition may not be subject to resale restrictions. The market price of our common stock could decline if our stockholders sell substantial amounts of our common stock, including shares issued upon the conversion of the outstanding 2019 Notes or are perceived by the market as intending to sell these shares other than in an orderly manner.

Conversion of the 2019 Notes may dilute the ownership interest of existing stockholders.

At our election, we may settle the 2019 Notes tendered for conversion entirely or partly in shares of our common stock. An aggregate of approximately 3.5 million shares of our common stock are issuable upon conversion of the outstanding 2019 Notes at the initial conversion rate of 9.4955 shares of common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$105.31 per share of common stock). In addition, the number of shares of common stock issuable upon conversion of the 2019 Notes, and therefore the dilution of existing common stockholders, could increase under certain circumstances described in the indenture under which the 2019 Notes are governed. We may issue all of these shares without any action or approval by our stockholders. As a result, the conversion of some or all of the 2019 Notes may dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock.

We may change our practice of paying dividends.

We have paid a cash dividend on our common stock for each fiscal year beginning in fiscal year 2000. Our board of directors has discretion in determining whether to declare a dividend based on a number of factors, including prevailing gold and other metal prices, economic market conditions, future earnings, cash flows, financial condition, and funding requirements for future opportunities or operations. In addition, there may be corporate law limitations or future contractual restrictions on our ability to pay dividends. If our board of directors declines or is unable to declare dividends in the future or reduces the current dividend level, our stock price could fall, and the success of an investment in our common stock would depend largely upon any future stock price appreciation. We have increased our dividends in prior years. There can be no assurance, however, that we will continue to do so or that we will pay any dividends at all.

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Certain provisions of Delaware law, our organizational documents, and the indenture governing the 2019 Notes could impede, delay or prevent an otherwise beneficial takeover or takeover attempt of us.

Certain provisions of Delaware law, our organizational documents, and the indenture governing the 2019 Notes could make it more difficult or more expensive for a third party to acquire us, even if a change of control would be beneficial to our stockholders. By default, Delaware law prohibits, subject to certain exceptions, a Delaware corporation from engaging in any business combination with any “interested stockholder,” which is generally defined as a stockholder who becomes a beneficial owner of 15% or more of a Delaware corporation’s voting stock, for a period of three years following the date that the stockholder became an interested stockholder. Additionally, our certificate of incorporation and bylaws contain provisions that could similarly delay, defer or discourage a change in control of us or our management. These provisions could also discourage a proxy contest and make it more difficult for stockholders to elect directors and take other corporate actions. Such provisions provide for the following, among other things: (i) the ability of our board of directors to issue shares of common stock and preferred stock without stockholder approval, (ii) the ability of our board of directors to establish the rights and preferences of authorized and unissued preferred stock, (iii) a board of directors divided into three classes of directors serving staggered three year terms, (iv) permitting only the chairman of the board of directors, chief executive officer, president or board of directors to call a stockholders’ meeting and (v) requiring advance notice of stockholder proposals and related information. In addition, if an acquisition event constitutes a fundamental change, holders of the 2019 Notes will have the right to require us to purchase their 2019 Notes in cash. If an acquisition event constitutes a make whole fundamental change, we may be required to increase the conversion rate for holders who convert their 2019 Notes in connection with such make whole fundamental change. These provisions could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, which may cause the market price of our common stock to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We do not own or operate the properties in which we have stream or royalty interests, except for our interest in the Peak Gold JV, and therefore much of the information disclosed in this Form 10 K regarding these properties is provided to us by the operators. For example, the operators of the various properties provide us information regarding metals production, estimates of mineral reserves and additional mineralized material and production estimates. A list of our producing and development stage streams and royalties, as well their respective reserves, are summarized below in Table 1 within this Item 2. More information is available to the public regarding certain properties in which we have stream or royalty interests, including reports filed with the SEC or with the Canadian securities regulatory agencies available at www.sec.gov or www.sedar.com, respectively.

The Company manages its business under two reportable segments, consisting of the acquisition and management of stream interests and the acquisition and management of royalty interests. The description of our principal streams and royalties set forth below includes the location, operator, stream or royalty rate, access and any material current developments at the property. For any reported production amounts discussed below, the Company considers reported production to relate to the amount of metal sales subject to our stream and royalty interests. Please refer to Item 7, MD&A, for discussion on production estimates, historical production and revenue for our principal properties. The map below illustrates the location of our principal producing stage properties.

Principal Producing Properties

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

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Currently, the Company considers the properties discussed below (listed alphabetically by stream and royalty interest) to be principal to our business.

Stream Interests

Andacollo (Region IV, Chile)

RGLD Gold AG (“RGLD Gold”), a wholly-owned subsidiary of the Company, owns the right to purchase 100% of the gold produced from the Andacollo copper-gold mine until 900,000 ounces of payable gold have been delivered, 50% thereafter. The cash purchase price equals 15% of the monthly average gold price for the month preceding the delivery date for all gold purchased. As of June 30, 2018, approximately 142,000 ounces of payable gold have been delivered to RGLD Gold.

Andacollo is an open-pit mine and milling operation located in central Chile, Region IV in the Coquimbo Province and is operated by Compañía Minera Teck Carmen de Andacollo (“CMCA”), a 90% owned subsidiary of Teck Resources Limited (“Teck”). The Andacollo mine is located in the foothills of the Andes Mountains approximately 1.5 miles southwest of the town of Andacollo. The regional capital of La Serena and the coastal city of Coquimbo are approximately 34 miles northwest of the Andacollo mine by road, and Santiago is approximately 215 miles south by air. Access to the mine is provided by Route 43 (R-43) south from La Serena to El Peñon. From El Peñon, D-51 is followed east and eventually curves to the south to Andacollo. Both R-43 and D-51 are paved roads.

Stream deliveries from Andacollo were approximately 51,700 ounces of gold during the fiscal year ended June 30, 2018, compared to approximately 47,900 ounces for the fiscal year ended June 30, 2017. Teck indicated that they expect gradually declining grades to be offset largely by planned throughput improvements in the mill. The current life of mine

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for Andacollo is expected to continue until 2036. Additional permitting or amendments to existing permits will be required to execute the life of mine plan.

Mount Milligan (British Columbia, Canada)

RGLD Gold owns the right to purchase 35% of the payable gold and 18.75% of the payable copper produced from the Mount Milligan copper-gold project in British Columbia, Canada, which is operated by an indirect subsidiary of Centerra Gold Inc. ("Centerra"). The cash purchase price for gold is equal to the lesser of \$435 per ounce, with no inflation adjustment, or the prevailing market price when purchased. The cash purchase price for copper is 15% of the spot price.

The Mount Milligan project is an open-pit mine and is located within the Omenica Mining Division in North Central British Columbia, approximately 96 miles northwest of Prince George, 53 miles north of Fort St. James, and 59 miles west of Mackenzie. The Mount Milligan project is accessible by commercial air carrier to Prince George, British Columbia, then by vehicle from the east via Mackenzie on the Finlay Philip Forest Service Road and the North Philip Forest Service Road, and from the west via Fort St. James on the North Road and Rainbow Forest Service Road. Road travel to the Mount Milligan property site is 482 miles from Prince Rupert and 158 miles from Prince George.

Gold stream deliveries from Mount Milligan were approximately 78,000 ounces of gold during the fiscal year ended June 30, 2018, compared to approximately 96,000 ounces of gold during the fiscal year ended June 30, 2017. The decrease was primarily due to the change in the gold stream rate from 52.25% to 35%. RGLD Gold began receiving gold deliveries reflecting the lower stream percentage in April 2017.

Copper stream deliveries from Mount Milligan were approximately 10.35 million pounds of copper during the fiscal year ended June 30, 2018, compared to approximately 2.57 million pounds during the fiscal year ended June 30, 2017. Copper stream deliveries began during our June 2017 quarter. The decrease was also partially a result of the mill processing operations at the mine being temporarily suspended for 39 days beginning on December 27, 2017, due to insufficient water. For the June 2018 quarter, mill throughput 47,000 tonnes per calendar day, compared to 52,000 tonnes per calendar day during the June 2017 quarter.

On December 27, 2017, Centerra temporarily suspended mill operations at Mount Milligan due to insufficient fresh water. Centerra provided a further update on May 1, 2018 that Mount Milligan was operating at an average throughput of approximately 40,000 tonnes per day, and that once the spring snow melt is underway, throughput is expected to increase to a targeted average of 55,000 tonnes per day for the second half of the calendar year. Our fourth quarter fiscal year 2018 results were not impacted by the temporary shutdown of the mill processing facility.

Due to the timing of shipments and deliveries of gold and copper, we expect the impact of the temporary shutdown to be reflected in Royal Gold's first fiscal quarter 2019 results, as some of the deliveries of gold and copper that were expected in the June through August 2018 period have been deferred to a later date.

On August 1, 2018, Centerra reported that Mount Milligan continues to face potential limitations due to water supply, a situation exacerbated by minimal inflow from snow melt and less than expected precipitation experienced in

calendar 2018. Centerra announced they filed for an amendment to their environmental assessment certificate to provide additional short-term water sources through 2020, and to initiate the development of a longer term water supply plan for subsequent years.

According to Centerra, if regulatory approvals to access water sources are not received, the Mount Milligan mill would need to operate only one ball mill to conserve water and throughput would be reduced to approximately 30,000 tonnes per day for the December 2018 quarter. In addition to these water matters, throughput in the September 2018 quarter will be reduced as a result of a recent (July 2018) 10-day unscheduled shutdown of the primary crusher for maintenance and a scheduled five-day maintenance shutdown in September 2018. Considering these factors, Centerra reduced their calendar 2018 production guidance at Mount Milligan to 175,000-195,000 payable ounces of gold and 40-47 million payable pounds of copper. If Centerra receives approval to access short-term water sources in the fourth quarter of calendar 2018, second half calendar 2018 throughput could be increased.

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Pueblo Viejo (Sanchez Ramirez, Dominican Republic)

RGLD Gold owns the right to purchase 7.5% of Barrick's interest in the gold produced from the Pueblo Viejo mine until 990,000 ounces of gold have been delivered, and 3.75% thereafter. The cash purchase price for gold is 30% of the spot price of gold per ounce delivered until 550,000 ounces of gold have been delivered, and 60% of the spot price of gold per ounce delivered thereafter. RGLD Gold also owns the right to purchase 75% of Barrick's interest in the silver produced from the Pueblo Viejo mine, subject to a minimum silver recovery of 70%, until 50 million ounces of silver have been delivered, and 37.5% thereafter. The cash purchase price for silver is 30% of the spot price of silver per ounce delivered until 23.1 million ounces of silver have been delivered, and 60% of the spot price of silver per ounce delivered thereafter.

The Pueblo Viejo mine is located in the province of Sanchez Ramirez, Dominican Republic, approximately 60 miles northwest of Santo Domingo, and is owned by a joint venture in which Barrick holds a 60% interest and is responsible for operations, and in which Goldcorp holds a 40% interest. Pueblo Viejo is accessed from Santo Domingo by traveling northwest on Autopista Duarte, Highway #1, approximately 48 miles to Piedra Blanca and proceeding east for approximately 14 miles on Highway #17 to the gatehouse for Pueblo Viejo. Both Highway #1 and Highway #17 are paved.

Gold stream deliveries from Pueblo Viejo were approximately 45,400 ounces of gold during the fiscal year ended June 30, 2018, compared to approximately 52,600 ounces of gold during the fiscal year ended June 30, 2017.

Silver stream deliveries were approximately 1.89 million ounces of silver during the fiscal year ended June 30, 2018, compared to approximately 1.78 million ounces of silver during the fiscal year ended June 30, 2017.

Barrick reported a decrease in production at Pueblo Viejo during the June 2018 quarter due to lower head grade resulting from the expected decline in pit ore grades for the period and delays in transitioning to higher grade ore benches in Moore Pit Phases 5 and 6. Lower throughput during the June 2018 quarter resulted from the first of two-annual planned autoclave and mill shutdowns. Barrick expects production to increase in the September 2018 quarter as Pueblo Viejo transitions to higher grades in Moore Pit Phases 5 and 6. Barrick expects September 2018 quarter throughput to remain in line with the June 2018 quarter as scheduled maintenance of the second autoclave will be completed. Barrick also anticipates higher grades at Pueblo Viejo to persist into the December 2018 quarter, with higher throughput.

Barrick is advancing prefeasibility level studies for a plant expansion at Pueblo Viejo that would increase throughput by 50% to 12 million tonnes per year, allowing the mine to maintain average annual gold production of 800,000 ounces after 2022 (on 100% basis). The project involves the addition of a pre-oxidation heap leach pad with a capacity of eight million tonnes per year, a new mill and flotation concentrator with a capacity of four million tonnes per year, and additional tailings capacity. The project has the potential to convert roughly seven million ounces of mineralized material to proven and probable reserves (on 100% basis). In support of the prefeasibility study, Barrick completed the construction of a pilot pre-oxidation heap leach pad to test metallurgy and recoveries, and is now irrigating ore. Civil works for the pilot flotation circuit have also commenced, and a tender process for structural,

mechanical, and electrical contracts is now underway.

Wassa and Prestea (Western Region, Ghana)

RGLD Gold owns the right to purchase 10.50% of the gold produced from the Wassa and Prestea projects, operated by Golden Star, until an aggregate 240,000 ounces have been delivered. Once the applicable delivery threshold is met, the stream percentage will decrease to 5.5% for the remaining term of the transaction.

The Wassa mine and oxide ore mill are located near the village of Akyempim in the Wassa East District, in the Western Region of Ghana, approximately 50 miles north of Cape Coast and 93 miles west of the capital Accra. The main access to the site is from the east, via the Cape Coast to Twifo Praso road, then over the combined road rail bridge on the Pra River. There is also an access road from Takoradi in the south via Mpohor. An airport at Takoradi is capable of handling jet aircraft and is serviced by several commercial flights each day.

Prestea currently produces from both open pits and an underground operation producing oxide ore located in the Ashanti gold district in the central eastern section of the Western Region of Ghana, approximately 6 miles south of the town of Bogoso. Access to the property is by commercial air carrier to Accra and then by vehicle on a paved and gravel road.

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Stream deliveries from Wassa and Prestea were approximately 25,900 ounces of gold during the fiscal year ended June 30, 2018, compared to approximately 19,900 ounces of gold during the fiscal year ended June 30, 2017. Golden Star reported that the increase in production during the current period was primarily due to improved grade and tonnes at the Wassa underground mine. As of February 1, 2018, Wassa became an underground-only mining operation, however, stock piled ore continued to be processed throughout the current period. At Prestea, Golden Star announced production decreased during the current period primarily due to the planned reduction from the Prestea open-pits and the slower than expected ramp-up at the Prestea underground mine.

Golden Star indicated that they remain on track to achieve their consolidated calendar year 2018 production guidance, and that they expect production to be weighted to the second half of calendar 2018.

Royalty Interests

Cortez (Nevada, USA)

Cortez is a series of large open pit and underground mines, utilizing mill and heap leach processing, which are operated by subsidiaries of Barrick. The operation is located approximately 60 air miles southwest of Elko, Nevada, in Lander County. The site is reached by driving west from Elko on Interstate 80 approximately 46 miles, and proceeding south on State Highway 306 approximately 23 miles. Our royalty interest at Cortez applies to the Pipeline and South Pipeline deposits, part of the Gap pit and the Crossroads deposit.

The royalty interests we hold at Cortez include:

- (a) Reserve Claims (“GSR1”). This is a sliding scale GSR royalty for all products from an area originally known as the “Reserve Claims,” which includes the majority of the Pipeline and South Pipeline deposits. The GSR1 royalty rate is tied to the price of gold and does not include indexing for inflation or deflation. The GSR1 royalty rate is 5.0% at a gold price of \$470 per ounce and higher.
- (b) GAS Claims (“GSR2”). This is a sliding scale GSR royalty for all products from an area outside of the Reserve Claims, originally known as the “GAS Claims,” which encompasses approximately 50% of the Gap deposit and all of the Crossroads deposit. The GSR2 royalty rate is tied to the gold price, without indexing for inflation or deflation. The GSR2 royalty rate is 5.0% at a gold price of \$470 per ounce and higher.
- (c) Reserve and GAS Claims Fixed Royalty (“GSR3”). The GSR3 royalty is a fixed rate GSR royalty of 0.7125% and covers the same cumulative area as is covered by our two sliding scale GSR royalties, GSR1 and GSR2, except mining claims that comprise the undeveloped Crossroads deposit.
- (d) Net Value Royalty (“NVR1”). This is a fixed 4.91% NVR (4.52% with respect to Crossroads) on production from the GAS Claims located on a portion of Cortez that excludes the Pipeline open pit.

We also own three other royalties in the Cortez area where there is currently no production and no reserves attributed to these royalty interests.

Production attributable to our royalty interest at Cortez increased approximately 21% when compared to the fiscal year ended June 30, 2017. Waste stripping at Crossroads, which is subject to our NVR1 (Crossroads) and GSR2

royalty interests is currently ongoing. Production from Crossroads, which contains 3.2 million ounces of gold, is expected to begin in late calendar 2018.

Peñasquito (Zacatecas, Mexico)

We own a production payment equivalent to a 2.0% NSR royalty on all metal production from the Peñasquito open pit mine, located in the State of Zacatecas, Mexico, and operated by a subsidiary of Goldcorp Inc. (“Goldcorp”). The

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Peñasquito project is located approximately 17 miles west of the town of Concepción del Oro, Zacatecas, Mexico. The project, composed of two main deposits called Peñasco and Chile Colorado, hosts large gold, silver, zinc and lead reserves. The deposits contain both oxide and sulfide material, resulting in heap leach and mill processing. There are two access routes to the site. The first is via a turnoff from Highway 54 onto the State La Pardita road, then onto the Mazapil to Cedros State road. The second access is via the Salaverna by pass road from Highway 54 approximately 16 miles south of Concepción del Oro. There is a private airport on site and commercial airports in the cities of Saltillo, Zacatecas and Monterrey.

Gold production attributable to our royalty interest at Peñasquito decreased approximately 32% when compared to the fiscal year ended June 30, 2017, as a result of Goldcorp's planned transition from the higher-grade area of the Peñasco pit to lower grade ore and stockpiled material during the current period. Zinc production attributable to our royalty interest increased approximately 10% when compared to the fiscal year ended June 30, 2017, while silver and lead production were in line with the prior year.

Goldcorp indicated that gold production during the current period was lower as a result of the planned transition from high-grade ore in Phase 5D at the bottom of the Peñasco pit, to lower grade ore from stockpiles and the remnants of Phase 5D. Production in Phase 5D was completed during the June 2018 quarter, and equipment was refocused on accelerating stripping activities in Phase 6D and in the Chile Colorado pit.

Goldcorp reported the Peñasquito Pyrite Leach project ("PLP") completed construction with commissioning further accelerated to the September 2018 quarter, and that the first gold is expected in the December 2018 quarter, two quarters ahead of schedule. Goldcorp further reported at the end of the June 2018 quarter that pre-commissioning activities were 45% complete, and water testing was ongoing on an area and systems basis. During the June 2018 quarter, construction of the Carbon Pre-flotation component of the PLP was completed. This will allow Peñasquito to process ore previously considered uneconomic, including significant amounts already in stockpiles.

With the commissioning schedule of the PLP accelerated into the September 2018 quarter, Goldcorp modified the production plan for the September 2018 quarter with lower than planned mill throughput and low mill head grades, exclusively from the surface stockpile, to accommodate the commissioning of a new major circuit, which is the preferred material to be processing during the commissioning phase where lower recoveries are expected. A resequencing to higher grades and mill tonnage in the December 2018 quarter, subsequent to the commissioning, is expected to allow the mine to meet its full year gold production objectives. Mining activities will transition to the newly developed Chile Colorado pit in late calendar 2018 and into the higher-grade ore in Phase 6D in calendar 2019 in the Peñasco pit.

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Reserve Information

Table 1 below summarizes proven and probable reserves for gold, silver, copper, nickel, zinc, lead, cobalt and molybdenum that are subject to our stream and royalty interests as of December 31, 2017, as reported to us by the operators of the mines. Properties are currently in production unless noted as development (“DEV”) within the table. The exploration royalties we own do not contain proven and probable reserves as of December 31, 2017. Please refer to pages 27-29 for the footnotes to Table 1.

Operators’ Estimated Proven and Probable Gold Reserves

As of December 31, 2017(1)

Gold(2)

PROPERTY	ROYALTY 1.75% - 2.5%	OPERATOR	LOCATION	PROVEN + PROBABLE	Average Gold Grade (opt)	RESERVES(3)(4) Gold Contained Ozs(6) (M)
				Tons of Ore (M)		
Bald Mountain Cortez (Pipeline)	NSR(7)	Kinross	United States	18.950	0.023	0.436
GSR1 Cortez (Pipeline)	0.40 - 5.0% GSR(8)	Barrick	United States	46.224	0.016	0.737
GSR2 Cortez (Pipeline)	0.40 - 5.0% GSR(8)	Barrick	United States	107.757	0.032	3.444
GSR3 Cortez (Pipeline)	0.71% GSR	Barrick	United States	64.480	0.016	1.008
NVR1 Cortez (Pipeline)	4.91% NVR	Barrick	United States	50.256	0.015	0.733
NVR1C	4.52% NVR	Barrick	United States	89.441	0.035	3.173
Gold Hill(9)	1.0 - 2.0% NSR(10) 0.6 - 0.9% NSR(11)	Kinross	United States	4.897	0.016	0.080
Goldstrike (SJ Claims)	0.9% NSR	Barrick	United States	32.600	0.087	2.828
Hasbrouck (DEV)	1.5% NSR	West Kirkland/Clover	United States	35.616	0.017	0.588

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Leeville	1.8% NSR	Nevada Newmont	United States	3.193	0.253	0.809
Marigold	2.0% NSR	SSR Mining	United States	150.465	0.012	1.790
		Waterton Precious Metals Fund	United States	7.557	0.064	0.483
Pinson (DEV)	3.0% NSR(12) 2.94% NSR(13)					
Robinson	3.0% NSR	KGHM	United States	84.310	0.005	0.413
		Waterton Precious Metals Fund	United States	1.726	0.014	0.024
Ruby Hill	3.0% NSR	Newmont	United States	0.991	0.053	0.052
Twin Creeks	2.0% GPR 0.0 - 2.0% GSR(14)					
Wharf		Coeur	United States	33.298	0.025	0.842
Back River - Goose Lake (DEV)	1.95% GSR(15)	Sabina Gold & Silver	Canada	13.623	0.184	2.503
Canadian	1.0 - 1.5%	Agnico				
Malartic	NSR(16) 0.00013 × quarterly avg. gold price	Eagle/Yamana	Canada	73.208	0.030	2.191
Holt		Kirkland Lake	Canada	4.354	0.131	0.570
Kutcho Creek (DEV)	2.0% NSR	Kutcho Copper Corp	Canada	11.509	0.011	0.124
La Ronde Zone 5 (DEV)	2.0% NSR 35.0% of gold produced(17)	Agnico Eagle	Canada	6.873	0.058	0.401
Mount Milligan		Centerra Gold	Canada	522.282	0.010	5.216
Pine Cove (DEV)	7.5% NPI 6.5% of gold produced(18)	Anaconda Mining	Canada	0.979	0.037	0.036
Rainy River		New Gold	Canada	131.964	0.033	4.418
Schaft Creek (DEV)	3.5% NPI	Copper				
Williams	0.97% NSR	Fox/Teck	Canada	1,037.054	0.006	5.775
Dolores	3.25% NSR 1.0 - 5.0%	Barrick	Canada	18.017	0.059	1.068
		Pan American	Mexico	56.218	0.025	1.401
Mulatos	NSR(19) 2.0% NSR -	Alamos	Mexico	54.962	0.034	1.888
Peñasquito(20)	Sulfide and Oxide 100% of gold produced(21)	Goldcorp	Mexico	578.438	0.016	8.950
Andacollo	0.0 - 3.0% NSR(22)	Teck	Chile	366.739	0.003	1.212
El Toqui		Laguna Gold	Chile	2.326	0.045	0.105
La Fortuna (DEV)	1.4% NSR(23)	Goldcorp	Chile	198.103	0.013	2.674
Don Mario	3.0% NSR	Orvana	Bolivia	0.941	0.078	0.074
		Compañía Inversora en Minas	Argentina	1.327	0.148	0.196
Don Nicolas (DEV)	2.0% NSR 7.5% of gold produced(24)		Dominican Republic	89.683	0.081	7.224
Pueblo Viejo		Barrick (60%)				

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El Limon	3.0% NSR	B2Gold	Nicaragua	0.904	0.122	0.110
La India (DEV)	3.0% NSR	Condor Gold	Nicaragua	7.606	0.089	0.675
Mara Rosa	1.0% NSR and					
(DEV)	1.75% NSR	Amarillo Gold	Brazil	20.955	0.048	0.998
Balcooma		Consolidated				
(DEV)	1.5% NSR	Tin	Australia	0.762	0.002	0.001
Gwalia Deeps	1.5% NSR	St . Barbara	Australia	12.267	0.199	2.439
Jaguar Nickel						
(DEV)	1.5% NSR	CopperChem	Australia	1.323	0.008	0.010
Kundip (DEV)	1.0 - 1.5% GV(25)	ACH Minerals	Australia	3.097	0.099	0.307
Meekatharra		Westgold				
(Nannine)	1.5% NSR	Resources	Australia	0.047	0.047	0.002
Meekatharra		Westgold				
(Paddy's Flat)	1.5% NSR	Resources	Australia	4.445	0.092	0.409
	A\$10 per gold					
	ounce					
	produced(26)					
Meekatharra	1.5%. 1.5 - 2.5%.	Westgold				
(Reedys)	1% NSR(27)	Resources	Australia	0.641	0.091	0.058
Meekatharra		Westgold				
(Yaloginda)	0.45% NSR	Resources	Australia	4.415	0.024	0.105
Red Dam		Evolution				
(DEV)	2.5% NSR	Mining	Australia	1.764	0.063	0.111
South Laverton	1.5% NSR	Saracen	Australia	16.303	0.074	1.210
		Shandong				
Southern Cross	1.5% NSR	Tianye	Australia	9.639	0.099	0.959
		Genesis				
Ulysses (DEV)	1.5% NSR	Minerals	Australia	0.082	0.119	0.010
Inata	2.5% GSR	Balaji Group	Burkina Faso	6.352	0.540	0.340
Taparko(28)	2.0% GSR	Nord Gold	Burkina Faso	6.504	0.074	0.483
Wassa and	10.5% of gold	Golden Star				
Prestea	produced(29)	Resources	Ghana	22.783	0.074	1.693

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Operators' Estimated Proven and Probable Silver Reserves

As of December 31, 2017(1)

Silver(30)

PROPERTY	ROYALTY	OPERATOR	LOCATION	PROVEN + PROBABLE		RESERVES
				Tons of Ore (M)	Average Silver Grade (opt)	(3)(4)(5) Silver Contained Ozs(6) (M)
Gold Hill	1.0 - 2.0% NSR(10) 0.6 - 0.9% NSR(11)	Kinross	United States	4.897	0.251	1.230
Hasbrouck (DEV)	1.5% NSR	West Kirkland/Clover Nevada	United States	35.616	0.297	10.569
Kutcho Creek (DEV)	2.0% NSR 60% of silver produced	Kutcho Copper Corp	Canada	11.509	1.009	11.618
Rainy River Schaft Creek (DEV)	3.5% NPI	New Gold	Canada	131.964	0.097	12.775
Dolores	2.0% NSR	Copper Fox/Teck	Canada	1,037.054	0.050	51.895
Peñasquito(21)	2.0% NSR - Sulfide and Oxide 0.0 - 3.0% NSR(22)	Pan American	Mexico	56.218	0.820	46.100
El Toqui	2.0% NSR	Goldcorp	Mexico	578.438	0.094	545.560
Don Mario	3.0% NSR	Laguna Gold	Chile	2.326	0.588	1.367
Don Nicolas (DEV)	2.0% NSR 75% of silver produced(24)	Orvana	Bolivia	0.941	0.079	0.075
Pueblo Viejo	3.0% NSR	Compañía Inversora en Minas	Argentina	1.327	0.302	0.401
La India (DEV)	1.5% NSR	Barrick (60%)	Dominican Republic	89.683	0.508	45.521
Balcooma (DEV)	1.5% NSR	Condor Gold	Nicaragua	7.606	0.156	1.185
Jaguar Nickel (DEV)	1.5% NSR	Consolidated Tin	Australia	0.762	0.498	0.380
		CopperChem	Australia	1.323	2.268	3.000

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Operators' Estimated Proven and Probable Base Metal Reserves

As of December 31, 2017(1)

Copper(31)

PROPERTY	ROYALTY	OPERATOR	LOCATION	PROVEN + PROBABLE		RESERVES(3)(4)(5)
				Tons of Ore (M)	Average Base Metal Grade (%)	Base Metal Contained Lbs(6) (M)
Robinson	3.0% NSR	KGHM	United States	84.310	0.411%	692.343
Kutcho Creek (DEV)	2.0% NSR 18.75% of copper produced(18)	Kutcho Copper Corp	Canada	11.509	2.010%	462.678
Mount Milligan		Centerra Gold	Canada	522.282	0.187%	1,955.000
Schaft Creek (DEV)	3.5% NPI	Fox/Teck	Canada	1,037.054	0.271%	5,630.715
Voisey's Bay	2.7% NSR	Vale	Canada	35.715	0.963%	688.195
Don Mario	3.0% NSR	Orvana	Bolivia	0.941	0.199%	3.745
La Fortuna (DEV)	1.4% NSR(23)	Goldcorp	Chile	198.103	0.494%	1,959.099
Balcooma (DEV)	1.5% NSR	Consolidated Tin	Australia	0.762	2.130%	32.466
Jaguar Nickel (DEV)	1.5% NSR	CopperChem	Australia	1.323	0.417%	11.023
Las Cruces	1.5% NSR	First Quantum	Spain	4.740	4.549%	431.202

Lead(32)

PROPERTY	ROYALTY	OPERATOR	LOCATION	PROVEN + PROBABLE		RESERVES(3)(4)(5)
				Tons of Ore (M)	Average Base Metal Grade (%)	Base Metal Contained Lbs(6) (M)
Peñasquito(20)	2.0% NSR - Sulfide 0.0 - 3.0%	Goldcorp	Mexico	567.712	0.315%	3,560.010
El Toqui	NSR(23)	Laguna Gold	Chile	2.326	0.594%	27.635
Balcooma (DEV)	1.5% NSR	Consolidated Tin	Australia	0.762	0.517%	7.879

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Zinc(33)

PROPERTY	ROYALTY	OPERATOR	LOCATION	PROVEN + PROBABLE	RESERVES(3)(4)(5)	
				Tons of Ore (M)	Average Base Metal Grade (%)	Base Metal Contained Lbs(6) (M)
Kutcho Creek (DEV)	2.0% NSR	Kutcho Copper Corp	Canada	11.509	3.190%	734.300
Peñasquito(20)	2.0% NSR - Sulfide	Goldcorp	Mexico	567.712	0.674%	7,710.370
El Toqui	0.0 - 3.0% NSR(22)	Laguna Gold Consolidated	Chile	2.326	7.233%	336.480
Balcooma (DEV)	1.5% NSR	Tin	Australia	0.762	1.921%	29.274
Jaguar Nickel (DEV)	1.5% NSR	CopperChem	Australia	1.323	6.250%	165.347

Nickel(34)

PROPERTY	ROYALTY	OPERATOR	LOCATION	PROVEN + PROBABLE	RESERVES(3)(4)(5)	
				Tons of Ore (M)	Average Base Metal Grade (%)	Base Metal Contained Lbs(6) (M)
Voisey's Bay	2.7% NSR	Vale	Canada	35.715	2.130%	1,521.586

COBALT(35)

PROPERTY	ROYALTY	OPERATOR	LOCATION	PROVEN + PROBABLE	RESERVES(3)(4)(5)	
				Tons of Ore (M)	Average Base Metal Grade (%)	Base Metal Contained Lbs(6) (M)
Voisey's Bay	2.7% NSR	Vale	Canada	35.715	0.130%	92.859

MOLYBDENUM(36)

PROPERTY	ROYALTY	OPERATOR	LOCATION	PROVEN + PROBABLE		RESERVES(3)(4)(5)
				Tons of Ore (M)	Average Base Metal Grade (%)	Base Metal Contained Lbs(6) (M)
Schaft Creek (DEV)	3.5% NPI	Copper Fox/Teck	Canada	1,037.054	0.018%	373.34

- ¹. Reserves have been reported by the operators of record as of December 31, 2017, with the exception of the following properties: South Laverton – June 30, 2018; Don Mario – September 30, 2017; Gwalia Deeps, Jaguar Nickel, Meekatharra (Nannine, Paddy's Flat, Reedys and Yaloginda), Peñasquito – June 30, 2017; Mara Rosa - March 7, 2017; Bald Mountain, Gold Hill, Holt, Inata, Robinson and Southern Cross - December 31, 2016; Ulysses - August 30, 2016; El Toqui, Red Dam - December 31, 2015; Back River - August 15, 2015; Hasbrouck Mountain – June 3, 2015; La Fortuna, La India, Pinson and Ruby Hill – December 31, 2014; Kundip - June 30, 2014; Schaft Creek – December 31, 2012; Don Nicolas – December 31, 2011; Balcooma – June 30, 2011; Kutcho Creek – February 15, 2011.
- ². Gold reserves were calculated by the operators at the following per ounce prices: A\$1,600 - Southern Cross, South Laverton and Ulysses; A\$1,550 – Meekatharra (Nannine, Paddy's Flat, Reedys and Yaloginda); C\$1,600 – Pine Cove; \$1,450 – Kundip; \$1,366 – Schaft Creek; A\$1,350 – Gwalia; A\$1,310 – Red Dam; \$1,300 – Dolores, La Fortuna and Pinson; \$1,275 - Rainy River; \$1,250 – Andacollo, Back River, Don Mario, El Limon, Holt, Inata, La India, Marigold, Mount Milligan, Mulatos, Robinson, Taparko, Wassa and Prestea and Wharf; \$1,225 - Hasbrouck Mountain; \$1,200 – Bald Mountain, Canadian Malartic, Cortez El Toqui, Gold Hill, Goldstrike, Leeville, Mara Rosa, Peñasquito, Pueblo Viejo, Twin Creek and Williams; and \$1,100 – Don Nicolas, La Ronde Zone 5 and Ruby Hill. No gold price was reported for Balcooma, Jaguar Nickel or Kutcho Creek.
- ³. Set forth below are the definitions of proven and probable reserves used by the U.S. Securities and Exchange Commission. “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

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(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.

4. Royal Gold has disclosed a number of reserve estimates that are provided by operators that are foreign issuers and are not based on the U.S. Securities and Exchange Commission's definitions for proven and probable reserves. For Canadian issuers, 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. For Australian issuers, definitions of "mineral reserve," "proven mineral reserve," and "probable mineral reserve" conform with the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, as amended ("JORC Code"). Royal Gold does not reconcile the reserve estimates provided by the operators with definitions of reserves used by the U.S. Securities and Exchange Commission.
5. The reserves reported are either estimates received from the various operators or are based on documentation material provided to Royal Gold or which is derived from recent publicly available information from the operators of the various properties or various recent National Instrument 43-101 or JORC Code reports filed by operators. Accordingly, Royal Gold is not able to reconcile the reserve estimates prepared in reliance on National Instrument 43-101 or JORC Code with definitions of the U.S. Securities and Exchange Commission.
6. "Contained ounces" or "contained pounds" do not take into account recovery losses in mining and processing the ore.
7. NSR sliding-scale schedule (price of gold per ounce – royalty rate): Below \$375 – 1.75%; >\$375 to \$400 – 2.0%; >\$400 to \$425 – 2.25%; >\$425 – 2.5%. All price points are stated in 1986 dollars and are subject to adjustment in accordance with a blended index comprised of labor, diesel fuel, industrial commodities and mining machinery.
8. GSR sliding-scale schedule (price of gold per ounce – royalty rate): Below \$210 – 0.40%; \$210 to \$229.99 – 0.50%; \$230 to \$249.99 – 0.75%; \$250 to \$269.99 – 1.30%; \$270 to \$309.99 – 2.25%; \$310 to \$329.99 – 2.60%; \$330 to \$349.99 – 3.00%; \$350 to \$369.99 – 3.40%; \$370 to \$389.99 – 3.75%; \$390 to \$409.99 – 4.0%; \$410 to \$429.99 – 4.25%; \$430 to \$449.99 – 4.50%; \$450 to \$469.99 – 4.75%; \$470 and higher – 5.00%.
9. The royalty is capped at \$10 million. As of June 30, 2018, royalty payments of approximately \$6.4 million have been received.
10. The 1.0% to 2.0% sliding-scale NSR royalty 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 0.6% to 0.9% NSR sliding-scale schedule (price of gold per ounce – royalty rate): Below \$300 – 0.6%; \$300 to \$350 – 0.7%; > \$350 to \$400 – 0.8%; > \$400 – 0.9%. The silver royalty rate is based on the price of gold.
11. The 0.6% to 0.9% sliding-scale NSR applies to the M-ACE claims. The operator did not break out reserves or resources subject to the M-ACE claims royalty.
12. Royalty only applies to Section 29 which currently holds about 95% of the reserves reported for the property. An additional Cordilleran royalty applies to a portion of Section 28.
13. Additional Rayrock royalties apply to Sections 28, 32 and 33; these royalty rates vary depending on pre-existing royalties. The Rayrock royalties take effect once 200,000 ounces of gold have been produced from open pit mines on the property. As of June 30, 2018, approximately 103,000 ounces have been produced.
14. GSR sliding-scale schedule (price of gold per ounce – royalty rate): \$0.00 to under \$350 – 0.0%; \$350 to under \$400 – 0.5%; \$400 to under \$500 – 1.0%; \$500 or higher – 2.0%.
15. Goose Lake royalty applies to production above 400,000 ounces.
16. NSR sliding-scale schedule (price of gold per ounce – royalty rate): \$0.00 to \$350 – 1.0%; above \$350 – 1.5%.

17. Centerra Gold will deliver 35% of gold produced and 18.75% of copper produced. The purchase price for gold is equal to the lesser of \$435 per ounce delivered or the prevailing spot price and the purchase price for copper is 15% of the spot price per metric tonne delivered.
18. New Gold will deliver: (a) gold in amounts equal to 6.50% of gold produced until 230,000 ounces have been delivered, and 3.25% of gold produced thereafter, and (b) silver in amounts equal to 60% of silver produced until 3.10 million ounces have been delivered, and 30% of silver produced thereafter, in each case at a purchase price equal to 25% of the spot price per ounce delivered.
19. The royalty is subject to a 2.0 million ounce cap on gold production. There have been approximately 1.88 million ounces of cumulative production as of June 30, 2018. NSR sliding-scale schedule (price of gold per ounce – royalty rate): \$0.00 to \$299.99 – 1.0%; \$300 to \$324.99 – 1.50%; \$325 to \$349.99 – 2.0%; \$350 to \$374.99 – 3.0%; \$375 to \$399.99 – 4.0%; \$400 or higher – 5.0%.
20. Operator reports reserves by material type. The sulfide material will be processed by milling. The oxide material will be processed by heap leaching.

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21. Teck will deliver gold in amounts equal to 100% of payable gold until 900,000 ounces have been delivered, and 50% of payable gold thereafter, subject to a fixed payable percentage of 89%, at a purchase price equal to 15% of the monthly average gold price for the month preceding the delivery date for each ounce delivered.
22. All metals are paid based on zinc prices. NSR sliding-scale schedule (price of zinc per pound – royalty rate): Below \$0.50 – 0.0%; \$0.50 to below \$0.55 – 1.0%; \$0.55 to below \$0.60 – 2.0%; \$0.60 or higher – 3.0%.
23. The royalty covers approximately 30% of the La Fortuna deposit. Reserves attributable to Royal Gold's royalty represent 3/7 of Goldcorp's reporting of 70% of the total reserve.
24. Barrick will deliver: (a) gold in amounts equal to 7.50% of Barrick's 60% interest in gold produced until 990,000 ounces have been delivered, and 3.75% of Barrick's 60% interest in gold produced thereafter, at a purchase price equal to 30% of the spot price per ounce delivered until 550,000 ounces have been delivered, and 60% of the spot price per ounce delivered thereafter; and (b) silver in amounts equal to 75% of Barrick's 60% interest in silver produced, subject to a minimum silver recovery of 70%, until 50 million ounces have been delivered, and 37.50% of Barrick's 60% interest in silver produced thereafter, at a purchase price equal to 30% of the spot price per ounce delivered until 23.10 million ounces of silver have been delivered, and 60% of the spot price per ounce delivered thereafter.
25. Royalty pays 1.0% for the first 250,000 ounces of production and then 1.5% for production above 250,000 ounces.
26. The A\$10 per ounce royalty applies on production above 50,000 ounces.
27. The 1.5% to 2.5% NSR sliding-scale royalty pays at a rate of 1.5% for the first 75,000 ounces produced in any 12 month period and at a rate of 2.5% on production above 75,000 ounces during that 12 month period. The 1.0% NSR royalty applies to the Rand area only.
28. There is a 0.75% GSR milling royalty that 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.
29. As of January 1, 2018, Golden Star will deliver 10.5% of gold produced. The purchase price for gold ounces delivered is 20% of the spot price until 240,000 ounces have been delivered, and thereafter the stream percentage decreases to 5.5% of gold produced at a purchase price equal to 30% of the spot price.
30. Silver reserves were calculated by the operators at the following prices per ounce: \$25.96 – Schaft Creek; \$25.00 – Don Nicolas; \$20.00 – Gold Hill; \$18.50 – Dolores; \$18.00 – El Toqui and Peñasquito; \$17.50 – Hasbrouck Mountain; \$17.00 – Don Mario and Rainy River; and \$16.50 – Pueblo Viejo. No silver price was reported for Balcooma, Jaguar Nickel or Kutcho Creek.
31. Copper reserves were calculated by the operators at the following prices per pound: \$3.52 – Schaft Creek; \$3.00 – Andacollo, La Fortuna and Mount Milligan; \$2.95 – Robinson; \$2.76 – Voisey's Bay; \$2.75 – Las Cruces; and \$2.50 – Don Mario. No copper reserve price was reported for Balcooma, Jaguar Nickel or Kutcho Creek.
32. Lead reserves were calculated by the operators at the following prices per pound: \$0.91 – El Toqui; and \$0.90 – Peñasquito. No lead reserve price was reported for Balcooma.
33. Zinc reserves were calculated by the operators at the following prices per pound: \$1.05 – Peñasquito; and \$0.95 – El Toqui. No zinc reserve price was reported for Balcooma, Jaguar Nickel or Kutcho Creek.
34. Nickel reserve price was calculated by the operator at the following price per pound: \$5.31 – Voisey's Bay.
35. Cobalt reserve price was calculated by the operator at the following price per pound: \$18.37 – Voisey's Bay.
36. Molybdenum reserve price was calculated by the operator at the following price per pound: \$15.30 – Schaft Creek.

ITEM 3. LEGAL PROCEEDINGS

Refer to Note 14 of the notes to consolidated financial statements for a discussion on litigation associated with our Voisey's Bay royalty.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Current Stockholders

Our common stock is traded on the Nasdaq Global Select Market ("Nasdaq") under the symbol "RGLD". 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 our common stock on Nasdaq for each quarter since July 1, 2016.

As of August 1, 2018, there were 762 stockholders of record of our common stock.

Fiscal Year:		Sales Prices	
		High	Low
2018	First Quarter (July, Aug., Sept.—2017)	\$ 94.39	\$ 76.15
	Second Quarter (Oct., Nov., Dec.—2017)	\$ 90.13	\$ 78.25
	Third Quarter (Jan., Feb., Mar.—2018)	\$ 90.51	\$ 78.78
	Fourth Quarter (April, May, June—2018)	\$ 93.50	\$ 85.15
2017	First Quarter (July, Aug., Sept.—2016)	\$ 87.74	\$ 71.67
	Second Quarter (Oct., Nov., Dec.—2016)	\$ 79.50	\$ 60.21
	Third Quarter (Jan., Feb., Mar.—2017)	\$ 73.16	\$ 61.00
	Fourth Quarter (April, May, June—2017)	\$ 81.29	\$ 67.10

Dividends

We have paid a cash dividend on our common stock for each 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 and other metal prices, economic market conditions and funding requirements for future opportunities or operations.

For calendar year 2018, our annual dividend is \$1.00 per share of common stock. We paid the first payment of \$0.25 per share on January 19, 2018, to common stockholders of record at the close of business on January 5, 2018. We paid the second payment of \$0.25 per share on April 30, 2018, to common stockholders of record at the close of business on April 6, 2018. We paid the third payment of \$0.25 per share on July 20, 2018, to common stockholders of record at the close of business on July 6, 2018. Subject to board approval, we anticipate paying the fourth payment of \$0.25 per share on October 19, 2018, to common shareholders of record at the close of business on October 6, 2018.

For calendar year 2017, our annual dividend was \$0.96 per share of common stock, paid on a quarterly basis of \$0.24 per share. For calendar year 2016, our annual dividend was \$0.92 per share of common stock, paid on a quarterly basis of \$0.23 per share.

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ITEM 6. SELECTED FINANCIAL DATA

	Fiscal Year Ended June 30,				
	2018	2017	2016	2015	2014
	(Amounts in thousands, except per share data)				
Revenue(1)	\$ 459,042	\$ 440,814	\$ 359,790	\$ 278,019	\$ 237,162
Operating (loss) income(2)	\$ (74,535)	\$ 145,942	\$ 4,816	\$ 87,235	\$ 108,720
Net (loss) income	\$ (119,351)	\$ 92,425	\$ (82,438)	\$ 52,678	\$ 63,472
Net (loss) income available to Royal Gold common stockholders	\$ (113,134)	\$ 101,530	\$ (77,149)	\$ 51,965	\$ 62,641
Net (loss) income per share available to Royal Gold common stockholders:					
Basic	\$ (1.73)	\$ 1.55	\$ (1.18)	\$ 0.80	\$ 0.96
Diluted	\$ (1.73)	\$ 1.55	\$ (1.18)	\$ 0.80	\$ 0.96
Dividends declared per common share(3)	\$ 0.99	\$ 0.95	\$ 0.91	\$ 0.87	\$ 0.83

	As of June 30,				
	2018	2017	2016	2015	2014
	(Amounts in thousands)				
Stream and royalty interests, net	\$ 2,501,117	\$ 2,892,256	\$ 2,848,087	\$ 2,083,608	\$ 2,109,067
Total assets	\$ 2,682,016	\$ 3,094,065	\$ 3,069,729	\$ 2,914,474	\$ 2,882,316
Debt	\$ 351,027	\$ 586,170	\$ 600,685	\$ 313,869	\$ 302,632
Total liabilities	\$ 540,747	\$ 773,801	\$ 783,844	\$ 503,981	\$ 509,759
Total Royal Gold stockholders' equity	\$ 2,102,167	\$ 2,275,377	\$ 2,229,016	\$ 2,353,122	\$ 2,354,725

(1) Please refer to Item 7, MD&A, of this report for a discussion of recent developments that contributed to our 4% increase in revenue during fiscal year 2018 when compared to fiscal year 2017 and the 23% increase in revenue during fiscal year 2017 when compared to fiscal year 2016.

(2) Please refer to Note 4 of the notes to consolidated financial statements for discussion on the impairment recognized at Pascua-Lama, which was attributable for the operating loss during our fiscal year 2018.

(3) The 2018, 2017, 2016, 2015 and 2014 calendar year dividends were \$1.00, \$0.96, \$0.92, \$0.88 and \$0.84, respectively, as approved by our board of directors. Please refer to Item 5 of this report for further information on our dividends.

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

Overview

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 metal streams, royalties, and similar interests. We seek to acquire existing stream and royalty interests or to finance projects that are in production or in the development stage in exchange for stream or

royalty interests.

We manage our business under two segments:

Acquisition and Management of Stream Interests— A metal stream is a purchase agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of one or more metals produced from a mine, at a price determined for the life of the transaction by the purchase agreement. As of June 30, 2018, we owned stream interests on five producing properties and one development stage property. Our stream interests accounted for approximately 71% of our total revenue for the fiscal years ended June 30, 2018 and 2017. We expect stream interests to continue representing a significant proportion of our total revenue.

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Acquisition and Management of Royalty Interests—Royalties are non-operating interests in mining projects that provide the right to revenue or metals produced from the project after deducting specified costs, if any. As of June 30, 2018, we owned royalty interests on 34 producing properties, 21 development stage properties and 130 exploration stage properties, of which we consider 53 to be evaluation stage projects. We use “evaluation stage” to describe exploration stage properties that contain mineralized material and on which operators are engaged in the search for reserves. Royalties accounted for approximately 29% of our total revenue for the fiscal years ended June 30, 2018 and 2017.

We do not conduct mining operations on the properties in which we hold stream and royalty interests, and except for our interest in the Peak Gold JV, we are not required to contribute to capital costs, exploration costs, environmental costs or other operating costs on those properties. Refer to Note 2 of our notes to consolidated financial statements for further discussion on the Peak Gold JV.

In the ordinary course of business, we engage in a continual review of opportunities to acquire existing stream and royalty interests, to establish new streams on operating mines, to create new stream and royalty interests through the financing of mine development or exploration, or to acquire companies that hold stream and royalty interests. We currently, and generally at any time, have acquisition opportunities in various stages of active review, including, for example, our engagement of consultants and advisors to analyze particular opportunities, analysis of technical, financial and other confidential information, submission of indications of interest and term sheets, participation in preliminary discussions and negotiations and involvement as a bidder in competitive processes.

Our financial results are primarily tied to the price of gold and, to a lesser extent, the price of silver and copper, together with the amounts of production from our producing stage stream and royalty interests. For the fiscal years ended June 30, 2018, 2017 and 2016, gold, silver, and copper price averages and percentage of revenue by metal were as follows:

Metal	Fiscal Year ended June 30, 2018		June 30, 2017		June 30, 2016	
	Average Price	Percentage of Revenue	Average Price	Percentage of Revenue	Average Price	Percentage of Revenue
Gold (\$/ounce)	\$ 1,297	77%	\$ 1,259	85%	\$ 1,168	88%
Silver (\$/ounce)	\$ 16.72	9%	\$ 17.88	8%	\$ 15.32	3%
Copper (\$/pound)	\$ 3.06	11%	\$ 2.44	5%	\$ 2.22	4%
Other	N/A	3%	N/A	2%	N/A	5%

Operators’ Production Estimates by Stream and Royalty Interest for Calendar 2018

We received annual production estimates from many of the operators of our producing mines during the first calendar quarter of 2018. The following table shows such production estimates for our principal producing properties for calendar 2018 as well as the actual production reported to us by the various operators through June 30, 2018. The estimates and production reports are prepared by the operators of the mining properties. We do not participate in the preparation or calculation of the operators’ estimates or production reports and have not independently assessed or verified, and disclaim all responsibility for, the accuracy of such information. Please refer to Part I, Item 2, Properties, of this report for further discussion on any updates at our principal producing and development properties.

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Operators' Estimated and Actual Production by Stream and Royalty Interest for Calendar 2018

Principal Producing Properties

Stream/Royalty	Calendar 2018 Operator's Production Estimate			Calendar 2018 Operator's Production Actual(2)		
	Estimate(1) Gold (oz.)	Silver (oz.)	Base Metals (lbs.)	Gold (oz.)	Silver (oz.)	Base Metals (lbs.)
Stream:						
Andacollo(3)	66,700			27,100		
Mount Milligan(4)	175,000 - 195,000			75,900		
Copper			40 - 47 million			22.6 million
		Not			Not	
Pueblo Viejo(5)	585,000 - 615,000	provided		264,000	provided	
Wassa and Prestea	230,000 - 255,000			118,800		
Royalty:						
Cortez GSR1	48,300			22,200		
Cortez GSR2	2,200			600		
Cortez GSR3	50,500			22,800		
Cortez NVR1	31,600			13,500		
		Not				
Peñasquito(6)	310,000	provided		171,000	9.6 million	
Lead			160 million			53.8 million
Zinc			300 million			166.2 million

(1) Production estimates received from our operators are for calendar 2018. There can be no assurance that production estimates received from our operators will be achieved. Please refer to our cautionary language regarding forward looking statements following this MD&A, as well as the Risk Factors identified in Part I, Item 1A, of this report for information regarding factors that could affect actual results.

(2) Actual production figures shown are from our operators and cover the period January 1, 2018 through June 30, 2018, unless otherwise noted.

(3) The estimated and actual production figures shown for Andacollo are contained gold in concentrate.

(4) The estimated and actual production figures shown for Mount Milligan are payable gold in concentrate.

(5) The estimated and actual production figures shown are payable gold in doré and represent Barrick's 60% interest in Pueblo Viejo. The operator did not provide estimated and actual silver production.

(6) The estimated and actual gold production figures shown for Peñasquito are payable gold in concentrate. The operator did not provide estimated annual silver production.

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Historical Production

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

Historical Production⁽¹⁾ by Stream and Royalty Interest

Principal Producing Properties

For the Fiscal Years Ended June 30, 2018, 2017 and 2016

Stream/Royalty Stream:	Metal	2018		2017		2016	
Mount Milligan	Gold	77,700	oz.	103,400	oz.	108,800	oz.
	Copper	10.35	Mlbs.	2.57	Mlbs.	N/A	
Andacollo	Gold	44,400	oz.	47,800	oz.	41,600	oz.
Pueblo Viejo	Gold	49,200	oz.	50,700	oz.	31,200	oz.
	Silver	1.88	Moz.	1.56	Moz.	208,900	oz.
Wassa and Prestea	Gold	23,000	oz.	20,300	oz.	20,100	oz.
Royalty:							
Peñasquito	Gold	375,800	oz.	556,300	oz.	584,000	oz.
	Silver	20.89	Moz.	20.71	Moz.	21.38	Moz.
	Lead	122.15	Mlbs.	125.21	Mlbs.	134.21	Mlbs.
	Zinc	348.48	Mlbs.	317.77	Mlbs.	332.98	Mlbs.
Cortez GSR1	Gold	76,300	oz.	62,900	oz.	62,600	oz.
Cortez GSR2	Gold	1,400	oz.	1,300	oz.	11,400	oz.
Cortez GSR3	Gold	77,700	oz.	64,200	oz.	74,000	oz.
Cortez NVR1	Gold	42,100	oz.	32,600	oz.	52,100	oz.

⁽¹⁾ Historical production relates to the amount of metal sales, subject to our stream and royalty interests for each fiscal year presented, as reported to us by the operators of the mines, and may differ from stream deliveries discussed in Item 2, Properties, or from the operators' public reporting.

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. Please also refer to Note 2 of the notes to consolidated financial statements for a discussion on recently issued and adopted accounting pronouncements.

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 amounts of revenues and expenses during the reporting period.

Our most critical accounting estimates relate to our assumptions regarding future gold, silver, copper, and other metal prices and the estimates of reserves, production and recoveries of third party mine operators. We rely on reserve estimates reported by the operators on the properties in which we have stream and 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 recognize revenue or charge depreciation, depletion and amortization to earnings. On an ongoing basis, management evaluates these estimates and assumptions; however, actual amounts could differ from these estimates and assumptions. Differences between estimates and actual amounts are adjusted and recorded in the period that the actual amounts are known.

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Stream and Royalty Interests

Stream and royalty interests include acquired stream and royalty interests in production, development and exploration stage properties. The costs of acquired stream and royalty interests are capitalized as tangible assets as such interests do not meet the definition of a financial asset under the Accounting Standards Codification (“ASC”) guidance.

Acquisition costs of production stage stream and royalty interests are depleted using the units of production method over the life of the mineral property (as stream sales occur or royalty payments are recognized), which are estimated using proven and probable reserves as provided by the operator. Acquisition costs of stream and royalty interests on development stage mineral properties, which are not yet in production, are not depleted until the property begins production. Acquisition costs of stream or royalty interests on exploration stage mineral properties, where there are no proven and probable reserves, are not depleted. At such time as the associated exploration stage mineral interests are converted to proven and probable reserves, the cost basis is depleted over the remaining life of the mineral property, using proven and probable reserves. Exploration costs are expensed 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 stream and royalty interests in production and development stage mineral properties is evaluated based upon estimated future undiscounted net cash flows from each stream and royalty interest using estimates of proven and probable reserves and other relevant information received from the operators. We evaluate the recoverability of the carrying value of royalty interests in exploration stage mineral properties in the event of significant decreases in the price of gold, silver, copper and other metals, and whenever new information regarding the mineral properties is obtained from the operator indicating that production will not likely occur or may be reduced in the future, thus potentially affecting the future recoverability of our stream or royalty interests. Impairments in the carrying value of each property are measured and recorded to the extent that the carrying value in each property exceeds its estimated fair value, which is generally calculated using estimated future discounted cash flows.

Estimates of gold, silver, copper, and other metal prices, operators’ estimates of proven and probable reserves or mineralized material related to our stream or royalty properties, and operators’ estimates of operating and capital costs are subject to certain risks and uncertainties which may affect the recoverability of our investment in these stream and royalty interests in mineral properties. It is possible that changes could occur to these estimates, which could adversely affect the net cash flows expected to be generated from these stream and royalty interests. Refer to Note 4 of the notes to consolidated financial statements for discussion and the results of our impairment assessments for the fiscal years ended June 30, 2018, 2017 and 2016.

Revenue

Revenue is recognized pursuant to guidance in ASC 605 and based upon amounts contractually due pursuant to the underlying streaming or royalty agreement. Specifically, revenue is recognized in accordance with the terms of the underlying stream or royalty agreements subject to (i) the pervasive evidence of the existence of the arrangements; (ii) the risks and rewards having been transferred; (iii) the stream or royalty being fixed or determinable; and (iv) the collectability being reasonably assured. For our streaming agreements, we recognize revenue when the metal is sold.

Refer to Note 2 of the notes to consolidated financial statements for discussion on recently issued Accounting Standards Update (“ASU”) guidance for the recognition of revenue from contracts with customers effective for the

Company's fiscal year beginning July 1, 2018.

Metal Sales

Gold, silver and copper received under our metal streaming agreements are taken into inventory, and then sold primarily using average spot rate gold, silver and copper forward contracts. The sales price for these average spot rate forward contracts is determined by the average daily gold, silver or copper spot prices during the term of the contract, typically a

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consecutive number of trading days between 10 days and three months (depending on the frequency of deliveries under the respective streaming agreement and our sales policy in effect at the time) commencing shortly after receipt and purchase of the metal. Temporary modifications may be made to our metal sales policy from time to time as required to meet the needs of the Company. Revenue from gold, silver and copper sales is recognized on the date of the settlement, which is also the date that title to the metal passes to the purchaser.

Cost of Sales

Cost of sales is specific to our stream agreements and is the result of our purchase of gold, silver and copper for a cash payment. The cash payment for gold from Mount Milligan is the lesser of \$435 per ounce or the prevailing market price of gold when purchased, while the cash payment for our other streams is a set contractual percentage of the gold, silver or copper spot price near the date of metal delivery.

Exploration Costs

Exploration costs are specific to our Peak Gold JV for exploration and advancement of the Peak Gold project as discussed further in Note 2 of our notes to consolidated financial statements. Exploration costs associated with the exploration and advancement of Peak Gold are expensed when incurred.

Income Taxes

The Company accounts for income taxes in accordance with the guidance of ASC 740. The Company's annual tax rate is based on income, statutory tax rates in effect and tax planning opportunities available to us in the various jurisdictions in which the Company operates. Significant judgment is required in determining the annual tax expense, current tax assets and liabilities, deferred tax assets and liabilities, and our future taxable income, both as a whole and in various tax jurisdictions, for purposes of assessing our ability to realize future benefit from our deferred tax assets. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate or unpredicted results from the final determination of each year's liability by taxing authorities.

The Company's 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. In evaluating the realizability of the deferred tax assets, management considers both positive and negative evidence that may exist, such as earnings history, reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies in each tax jurisdiction. A valuation allowance may be established to reduce our deferred tax assets to the amount that is considered more likely than not to be realized through the generation of future taxable income and other tax planning strategies.

The Company's operations may involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, state, and international tax audits. The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. The Company adjusts these reserves in light of changing facts and circumstances, such as the progress of a tax audit; however, due to the complexity of some of these uncertainties, the ultimate resolution could result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period which they are determined. The Company recognizes

interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Liquidity and Capital Resources

Overview

At June 30, 2018, we had current assets of \$125.8 million compared to current liabilities of \$51.4 million resulting in a working capital of \$74.4 million and a current ratio of 2 to 1. This compares to current assets of \$143.6 million and

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current liabilities of \$34.3 million at June 30, 2017, resulting in a working capital of \$109.3 million and a current ratio of approximately 4 to 1. The decrease in our current ratio primarily resulted from a decrease in our income tax receivable due to a tax refund received from a foreign taxing authority of approximately \$21 million during the current year.

During the fiscal year ended June 30, 2018, liquidity needs were met from \$375.2 million in net revenue and our available cash resources. During our fiscal year ended June 30, 2018, the Company repaid the remaining \$250 million outstanding under the revolving credit facility. As of June 30, 2018, the Company had the full \$1.0 billion available under its revolving credit facility. Working capital, combined with the Company's undrawn revolving credit facility, resulted in approximately \$1.1 billion of total liquidity at June 30, 2018. Refer to Note 5 of our notes to consolidated financial statements for further discussion on our debt.

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

Please refer to our risk factors included in Part I, Item 1A of this report for a discussion of certain risks that may impact the Company's liquidity and capital resources.

Recent Liquidity and Capital Resource Development

Dividend Increase

On November 15, 2017, we announced an increase in our annual dividend for calendar 2018 from \$0.96 to \$1.00, payable on a quarterly basis of \$0.25 per share. The newly declared dividend is 4.2% higher than the dividend paid during calendar 2017. Royal Gold has steadily increased its annual dividend since calendar 2001.

Summary of Cash Flows

Operating Activities

Net cash provided by operating activities totaled \$328.8 million for the fiscal year ended June 30, 2018, compared to \$266.9 million for the fiscal year ended June 30, 2017. The increase was primarily due to an increase in proceeds received from our stream and royalty interests, net of production taxes and cost of sales, of approximately \$23.0 million and a tax refund received from a foreign taxing authority of approximately \$21 million.

Net cash provided by operating activities totaled \$266.9 million for the fiscal year ended June 30, 2017, compared to \$169.3 million for the fiscal year ended June 30, 2016. The increase was primarily due to an increase in proceeds received from our stream and royalty interests, net of production taxes and cost of sales, of approximately \$56.5 million. The increase was also due to a decrease in income taxes paid of approximately \$49.2 million, which resulted from \$47.7 million of cash taxes paid for the termination of the Andacollo royalty during fiscal year 2016, partially offset by \$9.7 million of cash taxes paid to taxing authorities, as a condition for appealing an assessment, during the fiscal year ended June 30, 2017.

Investing Activities

Net cash used in investing activities totaled \$10.6 million for the fiscal year ended June 30, 2018, compared to cash used in investing activities of \$200.1 million for the fiscal year ended June 30, 2017. The decrease in cash used in investing

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activities is due to a decrease in acquisitions of stream and royalty interests in mineral properties when compared to the prior fiscal year.

Net cash used in investing activities totaled \$200.1 million for the fiscal year ended June 30, 2017, compared to \$1.0 billion for the fiscal year ended June 30, 2016. The decrease in cash used in investing activities is primarily due to a decrease in acquisitions of stream and royalty interests in mineral properties compared to fiscal year ended June 30, 2016 (primarily the Pueblo Viejo and Andacollo stream acquisitions).

Financing Activities

Net cash used in financing activities totaled \$315.3 million for the fiscal year ended June 30, 2018, compared to cash used in financing activities of \$97.5 million for the fiscal year ended June 30, 2017. The increase in cash used in financing activities is primarily due to increased repayment of amounts outstanding under our revolving credit facility when compared to the prior fiscal year.

Net cash used in financing activities totaled \$97.5 million for the fiscal year ended June 30, 2017, compared to cash provided by financing activities of \$214.0 million for the fiscal year ended June 30, 2016. The decrease in cash provided by financing activities is primarily due to the Company's \$350 million borrowing under its revolving credit facility to fund stream acquisitions during fiscal year 2016. During the fiscal year ended June 30, 2017, the Company repaid \$95.0 million of the outstanding borrowings under the revolving credit facility.

Contractual Obligations

Our contractual obligations as of June 30, 2018, are as follows:

Contractual Obligations	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
2019 Notes(1)	\$ 380,638	\$ 380,638	\$ —	\$ —	\$ —

(1) Amounts represent principal (\$370 million) and estimated interest payments (\$10.6 million) assuming no early extinguishment.

For information on our contractual obligations, see Note 5 of the notes to consolidated financial statements. The above table does not include stream commitments as discussed in Note 14 of the notes to consolidated financial statements. The Company believes it will be able to fund all current obligations from net cash provided by operating activities.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements.

Results of Operations

Fiscal Year Ended June 30, 2018, Compared with Fiscal Year Ended June 30, 2017

For the fiscal year ended June 30, 2018, we recorded a net loss attributable to Royal Gold stockholders of \$113.1 million, or \$1.73 per basic share and diluted share, as compared to net income attributable to Royal Gold stockholders of \$101.5 million, or \$1.55 per basic and diluted share, for the fiscal year ended June 30, 2017. The decrease in our earnings per share was attributable to impairment charges of approximately \$239.4 million primarily on our royalty interest at Pascua-Lama, as discussed further in Note 4 of our notes to consolidated financial statements, during the three months ended March 31, 2018. This decrease was partially offset by an increase in our revenue, which is discussed below. The effect of the impairment charges during the current year, was \$2.68 per basic share, after taxes. The decrease in our earnings per share was also attributable to an increase in our income tax expense due to the impacts of the Act and a non-cash functional currency election at certain of our Canadian subsidiaries. The combined effect of the Act and the non-cash functional currency election for income tax purposes was additional income tax expense of approximately \$30.7 million

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and \$18.3 million, respectively, or \$0.47 and \$0.25 per basic share, respectively, during the current period. Refer to “Item 1, Recent Business Developments” and Note 7 of our notes to consolidated financial statements for further discussion on the Act.

For the fiscal year ended June 30, 2018, we recognized total revenue of \$459.0 million, which is comprised of stream revenue of \$324.5 million and royalty revenue of \$134.5 million, at an average gold price of \$1,297 per ounce, an average silver price of \$16.72 per ounce and an average copper price of \$3.06 per pound, compared to total revenue of \$440.8 million, which is comprised of stream revenue of \$314.0 million and royalty revenue of \$126.8 million, at an average gold price of \$1,259 per ounce, an average silver price of \$17.88 per ounce and an average copper price of \$2.44 per pound, for the fiscal year ended June 30, 2017.

Revenue and the corresponding production, attributable to our stream and royalty interests, for the fiscal year ended June 30, 2018 compared to the fiscal year ended June 30, 2017 is as follows:

Revenue and Reported Production Subject to our Stream and Royalty Interests

Fiscal Years Ended June 30, 2018 and 2017

(In thousands, except reported production in ozs. and lbs.)

Stream/Royalty Stream(2):	Metal(s)	Year Ended June 30, 2018	Reported		Year Ended June 30, 2017	Reported	
		Revenue	Production(1)		Revenue	Production(1)	
Mount Milligan		\$ 133,534			\$ 136,736		
	Gold		77,700	oz.		103,400	oz.
	Copper		10.35	Mlbs.		2.57	Mlbs.
Pueblo Viejo		\$ 95,055			\$ 91,589		
	Gold		49,200	oz.		50,700	oz.
	Silver		1.88	Moz.		1.56	Moz.
Andacollo	Gold	\$ 57,413	44,400	oz.	\$ 60,251	47,800	oz.
Wassa and Prestea	Gold	\$ 29,804	23,000	oz.	\$ 25,435	20,300	oz.
Other(4)	Various	\$ 8,710	N/A		\$ N/A	N/A	
Total stream revenue		\$ 324,516			\$ 314,011		
Royalty(2):							
Peñasquito		\$ 25,886			\$ 26,687		
	Gold		375,800	oz.		556,300	oz.
	Silver		20.89	Moz.		20.71	Moz.
	Lead		122.15	Mlbs.		125.21	Mlbs.
	Zinc		348.48	Mlbs.		317.77	Mlbs.
Cortez	Gold	\$ 8,155	77,700	oz.	\$ 6,504	64,200	oz.
Other(4)	Various	\$ 100,485	N/A		\$ 93,612	N/A	
Total royalty revenue		\$ 134,526			\$ 126,803		
Total revenue		\$ 459,042			\$ 440,814		

- (1) Reported production relates to the amount of metal sales, subject to our stream and royalty interests, for the twelve months ended June 30, 2018 and 2017, and may differ from the operators' public reporting.
- (2) Refer to Item 2, Properties, for further discussion on our principal stream and royalty interests.
- (3) The first gold and silver stream deliveries began during the December 2017 quarter.
- (4) Individually, no stream or royalty included within the "Other" category contributed greater than 5% of our total revenue for either period.

The increase in our total revenue for the fiscal year ended June 30, 2018, compared with the fiscal year ended June 30, 2017, resulted primarily from an increase in our stream revenue and an increase in the average gold and copper prices. The increase in our stream revenue was primarily attributable to new gold and silver production from our Rainy River

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stream, an increase in gold sales at Wassa and Prestea and increased copper sales at Mount Milligan, partially offset by lower gold sales at Mount Milligan and Andacollo. Silver deliveries from Rainy River began during our December 2017 quarter with silver sales beginning in the March 2018 quarter. Copper deliveries from Mount Milligan began during our June 2017 quarter.

Gold and silver ounces and copper pounds purchased and sold during the fiscal years ended June 30, 2018 and 2017, as well as gold, silver and copper in inventory as of June 30, 2018 and 2017, for our streaming interests were as follows:

	Year Ended June 30, 2018		Year Ended June 30, 2017		As of June 30, 2018	As of June 30, 2017
	Purchases (oz.)	Sales (oz.)	Purchases (oz.)	Sales (oz.)	Inventory (oz.)	Inventory (oz.)
Gold Stream						
Mount Milligan	78,000	77,700	96,000	103,400	300	100
Andacollo	51,700	44,400	47,900	47,800	7,400	100
Ablo Viejo	45,400	49,200	52,600	50,700	9,200	12,900
Wassa and Prestea	25,900	23,000	19,900	20,300	3,900	1,000
Rainy River	6,800	5,900	—	—	800	—
Total	207,800	200,200	216,400	222,200	21,600	14,100
	Year Ended June 30, 2018		Year Ended June 30, 2017		As of June 30, 2018	As of June 30, 2017
	Purchases (Moz.)	Sales (Moz.)	Purchases (Moz.)	Sales (Moz.)	Inventory (oz.)	Inventory (oz.)
Silver Stream						
Ablo Viejo	1.89	1.88	1.78	1.56	540,200	536,800
Rainy River	0.08	0.06	—	—	32,300	—
Total	1.97	1.94	1.78	1.56	572,500	536,800
	Year Ended June 30, 2018		Year Ended June 30, 2017		As of June 30, 2018	As of June 30, 2017
	Purchases (Mlbs.)	Sales (Mlbs.)	Purchases (Mlbs.)	Sales (Mlbs.)	Inventory (Mlbs.)	Inventory (Mlbs.)
Copper Stream						
Mount Milligan	10.35	10.35	2.57	2.57	—	—

Our royalty revenue increased during the fiscal year ended June 30, 2018, compared with the fiscal year ended June 30, 2017, primarily due to an increase in the average gold and copper prices and increased gold production at Cortez. Refer to Part I, Item 2, Properties, for discussion and any updates on our principal producing properties.

Cost of sales were approximately \$83.8 million for the fiscal year ended June 30, 2018, compared to \$87.3 million for the fiscal year ended June 30, 2017. The decrease was primarily due to decreased gold sales from Mount Milligan and Andacollo. Cost of sales is specific to our stream agreements and is the result of RGLD Gold's purchase of gold, silver and copper for a cash payment. The cash payment for gold from Mount Milligan is the lesser of \$435 per ounce or the prevailing market price of gold when purchased, while the cash payment for our other streams is a set contractual percentage of the gold, silver or copper spot price near the date of metal delivery.

General and administrative expenses increased to \$35.5 million for the fiscal year ended June 30, 2018, from \$33.4 million for the fiscal year ended June 30, 2017. The increase during the current period was primarily due to an increase in legal and litigation costs.

Exploration costs decreased to \$8.9 million for the fiscal year ended June 30, 2018, from \$12.9 million for the fiscal year ended June 30, 2017. Exploration costs are specific to the exploration and advancement of the Peak Gold JV, as discussed further in Note 2 of the notes to consolidated financial statements.

Depreciation, depletion and amortization expense increased to \$163.7 million for the fiscal year ended June 30, 2018, from \$159.6 million for the fiscal year ended June 30, 2017. The increase was primarily attributable to increased gold sales from our Wassa and Prestea gold stream.

Impairment of royalty and stream interests was \$239.4 million for the fiscal year ended June 30, 2018. The impairment of royalty interests was the result of our regular impairment analysis conducted during the three months ended March 31, 2018, and was primarily due to the presence of impairment indicators on our royalty interest at Pascua-Lama. Refer to Note 4 of our notes to consolidated financial statements for further discussion on our impairment analysis and results.

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Interest and other income decreased to \$4.2 million for the fiscal year ended June 30, 2018, from \$9.3 million for the fiscal year ended June 30, 2017. The decrease was primarily due to a gain recognized (\$3.4 million) on consideration received as part of the termination of our Phoenix Gold Project streaming interest during the prior period. Refer to Note 4 of our notes to consolidated financial statements for discussion on the Phoenix Gold Project restructuring during the prior period. The decrease in interest and other income was also due to consideration received as part of a legal settlement and termination of a non-principal royalty of approximately \$2.8 million during the prior period.

Interest and other expense decreased to \$34.2 million for the fiscal year ended June 30, 2018, from \$36.4 million for the fiscal year ended June 30, 2017. The decrease was primarily attributable to lower interest expense as a result of a decrease in amounts outstanding under our revolving credit facility. The Company repaid the remaining \$250 million outstanding under the revolving credit facility during fiscal year 2018.

During the fiscal year ended June 30, 2018, we recognized income tax expense totaling \$14.8 million compared with \$26.4 million during the fiscal year ended June 30, 2017. This resulted in an effective tax rate of (14.1%) during the current period, compared with 22.2% in the prior period. The increase in the effective tax rate for the fiscal year ended June 30, 2018 is primarily attributable to the effects of the Act and a non-cash functional currency election at certain of our Canadian subsidiaries. Refer to “Item 1, Recent Business Developments” and Note 10 of our notes to consolidated financial statements for further discussion on the Act.

Fiscal Year Ended June 30, 2017, Compared with Fiscal Year Ended June 30, 2016

For the fiscal year ended June 30, 2017, we recorded net income attributable to Royal Gold stockholders of \$101.5 million, or \$1.55 per basic and diluted share, as compared to a net loss attributable to Royal Gold stockholders of \$77.1 million, or \$1.18 per basic and diluted share, for the fiscal year ended June 30, 2016. The increase in our earnings per share was primarily attributable to an increase in our revenue during fiscal 2017, as discussed below, impairment charges of approximately \$99.0 million (including a royalty receivable write down of approximately \$2.9 million) on our stream interest at the Phoenix Gold Project and certain other non-principal royalty interests during fiscal 2016, and the impact of \$56 million of additional tax expense in fiscal year 2016 related to the termination of the Andacollo royalty interest and the liquidation of our Chilean subsidiary. The effect of the impairment charges during the fiscal year ended June 30, 2016, was \$1.33 per basic share, after taxes. The effect of the tax expense attributable to the termination of the Andacollo royalty interest during the fiscal year ended June 30, 2016, was \$0.86 per share.

For the fiscal year ended June 30, 2017, we recognized total revenue of \$440.8 million, which is comprised of stream revenue of \$314.0 million and royalty revenue of \$126.8 million, at an average gold price of \$1,259 per ounce, an average silver price of \$17.88 per ounce and an average copper price of \$2.40 per pound, compared to total revenue of \$359.8 million, which is comprised of stream revenue of \$238.0 million and royalty revenue of \$121.8 million, at an average gold price of \$1,168 per ounce, an average silver price of \$15.32 per ounce and an average copper price of \$2.22 per pound, for the fiscal year ended June 30, 2016. Revenue and the corresponding production, attributable to our stream and royalty interests, for the fiscal year ended June 30, 2017 compared to the fiscal year ended June 30, 2016 is as follows:

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Revenue and Reported Production Subject to our Stream and Royalty Interests

Fiscal Years Ended June 30, 2017 and 2016

(In thousands, except reported production in ozs. and lbs.)

Stream/Royalty Stream (2):	Metal(s)	Fiscal Year ended June 30, 2017		Fiscal Year ended June 30, 2016	
		Revenue	Reported Production(1)	Revenue	Reported Production(1)
Mount Milligan		\$ 136,736		\$ 125,438	
	Gold		103,400 oz.		108,800
	Copper		2.57 Mlbs.		N/A
Pueblo Viejo(3)		\$ 91,589		\$ 39,683	
	Gold		50,700 oz.		31,200
	Silver		1.56 Moz.		208,900
Andacollo	Gold	\$ 60,251	47,800 oz.	\$ 49,243	41,600
Wassa and Prestea	Gold	\$ 25,435	20,300 oz.	\$ 23,346	20,100
Other(4)	Gold	\$ N/A	N/A	\$ 318	300
Total stream revenue		\$ 314,011		\$ 238,028	
Royalty:					
Peñasquito		\$ 26,687		\$ 22,760	
	Gold		556,300 oz.		584,000
	Silver		20.71 Moz.		21.38
	Lead		125.21 Mlbs.		134.21
	Zinc		317.77 Mlbs.		332.98
Cortez	Gold	\$ 6,504	64,200 oz.	\$ 6,107	74,000
Other(4)	Various	\$ 93,612	N/A	\$ 92,895	N/A
Total royalty revenue		\$ 126,803		\$ 121,762	
Total revenue		\$ 440,814		\$ 359,790	

(1) Reported production relates to the amount of metal sales, subject to our stream and royalty interests, for the twelve months ended June 30, 2017 and 2016, and may differ from the operators' public reporting.

(2) Refer to Item 2, Properties, for further discussion on our principal stream and royalty interests. Our streams at Andacollo, Pueblo Viejo and Wassa and Prestea were acquired during the quarter ended September 30, 2015.

(3) The first gold and silver stream deliveries were in December 2015 and March 2016, respectively.

(4) Individually, no stream or royalty included within the "Other" category contributed greater than 5% of our total revenue for either period.

The increase in our total revenue for the fiscal year ended June 30, 2017, compared with the fiscal year ended June 30, 2016, resulted primarily from an increase in our stream revenue, and an increase in the average gold and silver prices. The increase in our stream revenue was primarily attributable to increased gold production at our Pueblo Viejo and Andacollo gold streams and new silver production from our Pueblo Viejo silver stream. Our first silver stream delivery from Pueblo Viejo was in March 2016, and the first revenue from Pueblo Viejo silver sales was recognized in the June 2016 quarter.

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Gold and silver ounces purchased and sold during the fiscal year ended June 30, 2017 and 2016, as well as gold, silver and copper in inventory as of June 30, 2017 and 2016, for our streaming interests were as follows:

	Fiscal Year Ended June 30, 2017		Fiscal Year Ended June 30, 2016		As of June 30, 2017	As of June 30, 2016
	Purchases (oz.)	Sales (oz.)	Purchases (oz.)	Sales (oz.)	Inventory (oz.)	Inventory (oz.)
Gold Stream						
Mount Milligan	96,000	103,400	111,000	108,800	100	7,500
Pueblo Viejo	52,600	50,700	42,200	31,200	12,900	11,000
Andacollo	47,900	47,800	41,700	41,600	100	—
Wassa and Prestea	19,900	20,300	21,400	20,100	1,000	1,300
Phoenix Gold	—	—	300	300	—	—
Total	216,400	222,200	216,600	202,000	14,100	19,800
	Fiscal Year Ended June 30, 2017		Fiscal Year Ended June 30, 2016		As of June 30, 2017	As of June 30, 2016
	Purchases (Moz.)	Sales (Moz.)	Purchases (oz.)	Sales (oz.)	Inventory (oz.)	Inventory (oz.)
Silver Stream						
Pueblo Viejo	1.78	1.56	532,600	208,900	536,800	323,000
	Fiscal Year Ended June 30, 2017		Fiscal Year Ended June 30, 2016		As of June 30, 2017	As of June 30, 2016
	Purchases (Mlbs.)	Sales (Mlbs.)	Purchases (Mlbs.)	Sales (Mlbs.)	Inventory (Mlbs.)	Inventory (Mlbs.)
Copper Stream						
Mount Milligan	2.57	2.57	N/A	N/A	—	N/A

Our royalty revenue increased during the fiscal year ended June 30, 2017, compared with the fiscal year ended June 30, 2016, primarily due to an increase in the average metal prices. Refer to Part I, Item 2, Properties, for discussion and any updates on our principal producing properties.

Cost of sales were approximately \$87.3 million for the fiscal year ended June 30, 2017, compared to \$71.0 million for the fiscal year ended June 30, 2016. The increase is primarily attributable to an increase in gold production and new silver stream production at Pueblo Viejo, which resulted in additional cost of sales of approximately \$15.6 million. Cost of sales is specific to our stream agreements and is the result of RGLD Gold's purchase of gold, silver and copper for a cash payment. The cash payment for gold from Mount Milligan is the lesser of \$435 per ounce or the prevailing market price of gold when purchased, while the cash payment for our other streams is a set contractual percentage of the gold, silver or copper spot price near the date of metal delivery.

General and administrative expenses increased to \$33.4 million for the fiscal year ended June 30, 2017, from \$31.7 million for the fiscal year ended June 30, 2016. The increase during fiscal year 2017 was primarily due to an increase in legal and litigation costs.

Exploration costs increased to \$12.9 million for the fiscal year ended June 30, 2017, from \$8.6 million for the fiscal year ended June 30, 2016. Exploration costs are specific to the exploration and advancement of the Peak Gold JV, as discussed further in Note 2 of the notes to consolidated financial statements.

Depreciation, depletion and amortization expense increased to \$159.6 million for the fiscal year ended June 30, 2017, from \$141.1 million for the fiscal year ended June 30, 2016. The increase was primarily attributable to increased gold sales and new silver sales from our gold and silver streams at Pueblo Viejo, which resulted in additional depletion of approximately \$23.3 million during fiscal year 2017. This increase was partially offset by a decrease in depletion expense on our Voisey's Bay royalty of approximately \$9.5 million, due to the ongoing dispute related to the calculation of the NSR royalty (see Note 14 of our notes to consolidated financial statements).

Interest and other income increased to \$9.3 million for the fiscal year ended June 30, 2017, from \$3.7 million for the fiscal year ended June 30, 2016. The increase was primarily due to a gain recognized on consideration received as part of the termination of our Phoenix Gold Project streaming interest. In exchange for the termination of the Phoenix Gold Project streaming interest, the Company received approximately three million common shares of Rubicon Minerals Corporation ("Rubicon"), the operator of the Phoenix Gold Project. The fair value of the Rubicon common shares, and corresponding gain, received upon exchange was approximately \$3.4 million. The increase in interest and other income was also due to

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consideration received as part of a legal settlement and termination of a non-principal royalty of approximately \$2.6 million.

During the fiscal year ended June 30, 2017, we recognized income tax expense totaling \$26.4 million compared with \$60.7 million during the fiscal year ended June 30, 2016. This resulted in an effective tax rate of 22.2% during fiscal year 2017, compared with (278.9%) during fiscal year 2016. The decrease in the effective tax rate for the fiscal year ending June 30, 2017 is primarily related to the discrete tax impacts attributable to the Company's Andacollo transactions and the liquidation of our Chilean subsidiary during the fiscal year ended June 30, 2016.

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 Annual Report on Form 10-K 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, without limitation, statements regarding projected production estimates and estimates pertaining to timing and commencement of production from the operators of properties where we hold stream and royalty interests; statements related to ongoing developments and expected developments at properties where we hold stream and royalty interests; effective tax rate estimates, including the effect of recently enacted tax reform; the adequacy of financial resources and funds to cover anticipated expenditures for debt service and general and administrative expenses as well as costs associated with exploration and business development and capital expenditures, expected delivery dates of gold, silver, copper and other metals, and our expectation that substantially all our revenues will be derived from stream and royalty interests. Words such as "may," "could," "should," "would," "believe," "estimate," "expect," "anticipate," "plan," "forecast," "potential," "intend," "continue," variations of these words, comparable words and similar expressions generally indicate forward-looking statements, which speak only as of the date the statement is made. Do not unduly rely on forward-looking statements. Actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, among others:

- a low price environment for gold and other metal prices on which our stream and royalty interests are paid or a low price environment for the primary metals mined at properties where we hold stream and royalty interests;
- the production at or performance of properties where we hold stream and royalty interests, and variation of actual performance from the production estimates and forecasts made by the operators of these properties;
- the ability of operators to bring projects into production on schedule or operate in accordance with feasibility studies, including development stage mining properties, mine and mill expansion projects and other development and construction projects;
- acquisition and maintenance of permits and authorizations, completion of construction and commencement and continuation of production at the properties where we hold stream and royalty interests;

- challenges to mining, processing and related permits and licenses, or to applications for permits and licenses, by or on behalf of indigenous populations, non-governmental organizations or other third parties;
- liquidity or other problems our operators may encounter, including shortfalls in the financing required to complete construction and bring a mine into production;
- decisions and activities of the operators of properties where we hold stream and royalty interests;
- hazards and risks at the properties where we hold stream and royalty interests that are normally associated with developing and mining properties, including unanticipated grade, continuity and geological, metallurgical, processing or other problems, mine operating and ore processing facility problems, pit wall or tailings dam failures, industrial accidents, environmental hazards and natural catastrophes such as drought, floods, hurricanes or earthquakes and access to sufficient raw materials, water and power;

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- changes in operators' mining, processing and treatment techniques, which may change the production of minerals subject to our stream and royalty interests;
- changes in the methodology employed by our operators to calculate our stream and royalty interests, or failure to make such calculations in accordance with the agreements that govern them;
- changes in project parameters as plans of the operators of properties where we hold stream and royalty interests are refined;
- accuracy of and decreases in estimates of reserves and mineralization by the operators of properties where we hold stream and royalty interests;
- contests to our stream and royalty interests and title and other defects in the properties where we hold stream and royalty interests;
- adverse effects on market demand for commodities, the availability of financing, and other effects from adverse economic and market conditions;
- future financial needs of the Company and the operators of properties where we hold stream or royalty interests;
- federal, state and foreign legislation governing us or the operators of properties where we hold stream and royalty interests;
- the availability of stream and royalty interests for acquisition or other acquisition opportunities and the availability of debt or equity financing necessary to complete such acquisitions;
- our ability to make accurate assumptions regarding the valuation, timing and amount of revenue to be derived from our stream and royalty interests when evaluating acquisitions;
- risks associated with conducting business in foreign countries, including application of foreign laws to contract and other disputes, validity of security interests, governmental consents for granting interests in exploration and exploitation licenses, application and enforcement of real estate, mineral tenure, contract, safety, environmental and permitting laws, currency fluctuations, expropriation of property, repatriation of earnings, taxation, price controls, inflation, import and export regulations, community unrest and labor disputes, endemic health issues, corruption, enforcement and uncertain political and economic environments;

- changes in laws governing us, the properties where we hold stream and royalty interests or the operators of such properties;
- risks associated with issuances of additional common stock or incurrence of indebtedness in connection with acquisitions or otherwise including risks associated with the issuance and conversion of convertible notes;
- changes in management and key employees; and
- failure to complete future acquisitions;

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

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

During the fiscal year ended June 30, 2018, we reported revenue of \$459.0 million, with an average gold price for the period of \$1,297 per ounce, an average silver price for the period of \$16.72 per ounce and an average copper price of \$3.06 per pound. Approximately 77% of our total recognized revenues for the fiscal year ended June 30, 2018 were attributable to gold sales from our gold producing interests, as shown within the MD&A. For the fiscal year ended June 30, 2018, if the price of gold had averaged 10% higher or lower per ounce, we would have recorded an increase or decrease in revenue of approximately \$37.0 million.

Approximately 11% of our total reported revenue for the fiscal year ended June 30, 2018 was attributable to copper sales from our copper producing interests. For the fiscal year ended June 30, 2018, if the price of copper had averaged 10% higher or lower per pound, we would have recorded an increase or decrease in revenues of approximately \$5.2 million.

Approximately 9% of our total reported revenue for the fiscal year ended June 30, 2018 was attributable to silver sales from our silver producing interests. For the fiscal year ended June 30, 2018, if the price of silver had averaged 10% higher or lower per ounce, we would have recorded an increase or decrease in revenues of approximately \$4.1 million.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Royal Gold, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Royal Gold, Inc. (the Company) as of June 30, 2018 and 2017, the related consolidated statements of operations and comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended June 30, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 9, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2010.

Denver, Colorado

August 9, 2018

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ROYAL GOLD, INC.

Consolidated Balance Sheets

As of June 30,

(In thousands except share data)

	2018	2017
ASSETS		
Cash and equivalents	\$ 88,750	\$ 85,847
Royalty receivables	26,356	26,886
Income tax receivable	40	22,169
Stream inventory	9,311	7,883
Prepaid expenses and other	1,350	822
Total current assets	125,807	143,607
Stream and royalty interests, net (Note 4)	2,501,117	2,892,256
Other assets	55,092	58,202
Total assets	\$ 2,682,016	\$ 3,094,065
LIABILITIES		
Accounts payable	\$ 9,090	\$ 3,908
Dividends payable	16,375	15,682
Income tax payable	18,253	5,651
Withholding taxes payable	3,254	3,425
Other current liabilities	4,411	5,617
Total current liabilities	51,383	34,283
Debt (Note 5)	351,027	586,170
Deferred tax liabilities	91,147	121,330
Uncertain tax positions	33,394	25,627
Other long-term liabilities	13,796	6,391
Total liabilities	540,747	773,801
Commitments and contingencies (Note 10)		
EQUITY		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; and 0 shares issued	—	—
Common stock, \$.01 par value, 200,000,000 shares authorized; and 65,360,041 and 65,179,527 shares outstanding, respectively	654	652
Additional paid-in capital	2,192,612	2,185,796
Accumulated other comprehensive (loss) income	(1,201)	879
Accumulated (losses) earnings	(89,898)	88,050
Total Royal Gold stockholders' equity	2,102,167	2,275,377
Non-controlling interests	39,102	44,887
Total equity	2,141,269	2,320,264
Total liabilities and equity	\$ 2,682,016	\$ 3,094,065

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

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ROYAL GOLD, INC.

Consolidated Statements of Operations and Comprehensive (Loss) Income

For the Years Ended June 30,

(In thousands except share data)

	2018	2017	2016
Revenue	\$ 459,042	\$ 440,814	\$ 359,790
Costs and expenses			
Cost of sales	83,839	87,265	70,979
General and administrative	35,464	33,350	31,720
Production taxes	2,268	1,760	3,978
Exploration costs	8,946	12,861	8,601
Depreciation, depletion and amortization	163,696	159,636	141,108
Impairment of stream and royalty interests and royalty receivables	239,364	-	98,588
Total costs and expenses	533,577	294,872	354,974
Operating (loss) income	(74,535)	145,942	4,816
Gain on available-for-sale securities	-	-	2,340
Interest and other income	4,170	9,302	3,711
Interest and other expense	(34,214)	(36,378)	(32,625)
(Loss) income before income taxes	(104,579)	118,866	(21,758)
Income tax expense	(14,772)	(26,441)	(60,680)
Net (loss) income	(119,351)	92,425	(82,438)
Net loss attributable to non-controlling interests	6,217	9,105	5,289
Net (loss) income attributable to Royal Gold common stockholders	\$ (113,134)	\$ 101,530	\$ (77,149)
Net (loss) income	\$ (119,351)	\$ 92,425	\$ (82,438)
Adjustments to comprehensive (loss) income, net of tax			
Unrealized change in market value of available-for-sale securities	(2,080)	879	5,632
Reclassification adjustment for gains included in net income	-	-	(2,340)
Comprehensive (loss) income	(121,431)	93,304	(79,146)
Comprehensive loss attributable to non-controlling interests	6,217	9,105	5,289
Comprehensive (loss) income attributable to Royal Gold stockholders	\$ (115,214)	\$ 102,409	\$ (73,857)

Net (loss) income per share available to Royal Gold common stockholders:

Basic (loss) earnings per share	\$ (1.73)	\$ 1.55	\$ (1.18)
Basic weighted average shares outstanding	65,291,855	65,152,782	65,074,455
Diluted (loss) earnings per share	\$ (1.73)	\$ 1.55	\$ (1.18)
Diluted weighted average shares outstanding	65,291,855	65,277,953	65,074,455
Cash dividends declared per common share	\$ 0.99	\$ 0.95	\$ 0.91

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

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ROYAL GOLD, INC.

Consolidated Statements of Changes in Equity

For the Years Ended June 30, 2018, 2017 and 2016

(In thousands except share data)

	Royal Gold Stockholders			Accumulated		Non-controlling interests	Total Equity
	Common Shares		Additional Paid-In	Other Comprehensive Income (Loss)	Accumulated (Losses) Earnings		
	Shares	Amount	Capital				
Balance at June 30, 2015	65,033,547	\$ 650	\$ 2,170,643	\$ (3,292)	\$ 185,121	\$ 62,805	\$ 2,415,927
Stock-based compensation and related share issuances	60,403	1	9,138	—	—	—	9,139
Net loss	—	—	—	—	(77,149)	(5,289)	(82,438)
Other comprehensive income	—	—	—	3,292	—	—	3,292
Distributions to non-controlling interests	—	—	—	—	—	(647)	(647)
Dividends declared	—	—	—	—	(59,388)	—	(59,388)
Balance at June 30, 2016	65,093,950	\$ 651	\$ 2,179,781	\$ —	\$ 48,584	\$ 56,869	\$ 2,285,885
Stock-based compensation and related share issuances	85,577	1	8,533	—	—	—	8,534
Non-controlling interest assignment	—	—	(2,518)	—	—	—	(2,518)
Net income (loss)	—	—	—	—	101,530	(9,105)	92,425
Other comprehensive income	—	—	—	879	—	—	879
Distributions to non-controlling interests	—	—	—	—	—	(2,877)	(2,877)
Dividends declared	—	—	—	—	(62,064)	—	(62,064)
Balance at June 30, 2017	65,179,527	\$ 652	\$ 2,185,796	\$ 879	\$ 88,050	\$ 44,887	\$ 2,320,264

Stock-based compensation and related share issuances	180,514	2	4,236	—	—	—	4,238
Contributions from non-controlling interests	—	—	2,580	—	—	432	3,012
Net loss	—	—	—	—	(113,134)	(6,217)	(119,351)
Other comprehensive loss	—	—	—	(2,080)	—	—	(2,080)
Dividends declared	—	—	—	—	(64,814)	—	(64,814)
Balance at June 30, 2018	65,360,041	\$ 654	\$ 2,192,612	\$ (1,201)	\$ (89,898)	\$ 39,102	\$ 2,141,269

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

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ROYAL GOLD, INC.

Consolidated Statements of Cash Flows

For the Years Ended June 30,

(In thousands)

	2018	2017	2016
Cash flows from operating activities:			
Net (loss) income	\$ (119,351)	\$ 92,425	\$ (82,438)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation, depletion and amortization	163,696	159,636	141,108
Amortization of debt discount and issuance costs	15,046	13,825	12,985
Non-cash employee stock compensation expense	8,279	9,983	10,039
Impairment of stream and royalty interests	239,364	—	98,588
Gain on available-for-sale securities	—	—	(2,340)
Deferred tax benefit	(32,843)	1,556	(4,983)
Other	(197)	(4,874)	(390)
Changes in assets and liabilities:			
Royalty receivables	530	(6,883)	19,508
Stream inventory	(1,428)	1,606	(7,203)
Income tax receivable	22,130	(13,056)	(14,637)
Prepaid expenses and other assets	2,813	(1,691)	(153)
Accounts payable	5,173	(206)	(849)
Income tax payable	12,601	2,475	460
Withholding taxes payable	(171)	1,411	(2,486)
Uncertain tax positions	7,767	8,631	1,867
Other liabilities	5,415	2,015	235
Net cash provided by operating activities	\$ 328,824	\$ 266,853	\$ 169,311
Cash flows from investing activities:			
Acquisition of stream and royalty interests	(11,812)	(203,721)	(1,346,109)
Repayment of Golden Star term loan	20,000	—	—
Purchase of available-for-sale securities	(17,869)	—	—
Andacollo royalty termination	—	—	345,000
Golden Star term loan	—	—	(20,000)
Sale of available-for-sale securities	—	—	11,905
Other	(909)	3,605	(309)
Net cash used in investing activities	\$ (10,590)	\$ (200,116)	\$ (1,009,513)
Cash flows from financing activities:			
Repayment of revolving credit facility	(250,000)	(95,000)	(75,000)

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Net payments from issuance of common stock	(4,042)	(2,426)	(353)
Common stock dividends	(64,118)	(61,396)	(58,720)
Debt issuance costs	(180)	(3,340)	(1,111)
Borrowings from revolving credit facility	—	70,000	350,000
Purchase of additional royalty interest from non-controlling interest	—	(2,518)	—
Other	3,009	(2,843)	(830)
Net cash (used in) provided by financing activities	\$ (315,331)	\$ (97,523)	\$ 213,986
Net increase (decrease) in cash and equivalents	2,903	(30,786)	(626,216)
Cash and equivalents at beginning of period	85,847	116,633	742,849
Cash and equivalents at end of period	\$ 88,750	\$ 85,847	\$ 116,633

See Note 11 for supplemental cash flow information.

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

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

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 streams, royalties and similar interests. We seek to acquire existing stream and royalty interests or to finance projects that are in production or in the development stage in exchange for stream or royalty interests. A metal stream is a purchase agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of one or more metals produced from a mine at a price determined for the life of the transaction by the purchase agreement. Royalties are non-operating interests in mining projects that provide the right to revenue or metals produced from the project after deducting specified costs, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENTLY ISSUED AND RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

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 the Company 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.

Our most critical accounting estimates relate to our assumptions regarding future gold, silver, copper, and other metal prices and the estimates of reserves, production and recoveries of third party mine operators. We rely on reserve estimates reported by the operators on the properties in which we have stream and 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 recognize revenue or charge depreciation, depletion and amortization to earnings. On an ongoing basis, management evaluates these estimates and assumptions; however, actual amounts could differ from these estimates and assumptions. Differences between estimates and actual amounts could differ significantly and are recorded in the period that the actual amounts are known.

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. All intercompany accounts, transactions, income and expenses, and profits or losses have been eliminated on consolidation. The Company follows the Accounting Standards Codification (“ASC”) guidance for identification and reporting for entities over which

control is achieved through means other than voting rights. The guidance defines such entities as Variable Interest Entities (“VIEs”).

Peak Gold JV

Royal Gold, through its wholly owned subsidiary, Royal Alaska, LLC (“Royal Alaska”), and Contango ORE, Inc., through its wholly owned subsidiary CORE Alaska, LLC (together, “Contango”), entered into a limited liability company agreement for the Peak Gold JV, a joint venture for exploration and advancement of the Peak Gold Project located near Tok, Alaska. The Company has identified the Peak Gold JV as a VIE, with Royal Alaska as the primary beneficiary, due to the legal structure and certain related factors of the limited liability company agreement for the Peak Gold JV. The Company determined that the Peak Gold JV should be fully consolidated at fair value initially. The fair value of the Company’s non controlling interest is \$45.7 million and is based on the underlying value of the mineral property assigned

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

to the Peak Gold JV, which is recorded as an exploration stage property within Stream and royalty interests, net on our consolidated balance sheets

Royal Alaska has the right to obtain up to 40% of the membership interest in the Peak Gold JV by making contributions of up to \$30.0 million in cash to the Peak Gold JV by October 31, 2018. As of June 30, 2018 and 2017, Royal Alaska has contributed \$30.0 million and \$18.0 million, respectively, and obtained a 40% and 29.5%, respectively, membership interest in the Peak Gold JV.

Royal Alaska will act as the manager of the Peak Gold JV and will be responsible for managing, directing and controlling the overall operations unless Royal Alaska is unanimously removed or resigns that position in the manner provided in the Peak Gold JV limited liability company agreement.

Cash and Equivalents

Cash and equivalents consist of all cash balances and highly liquid investments with an original maturity of three months or less. Cash and equivalents were primarily held in cash deposit accounts as of June 30, 2018 and 2017.

Stream and Royalty Interests

Stream and royalty interests include acquired stream and royalty interests in production, development and exploration stage properties. The costs of acquired stream and royalty interests are capitalized as tangible assets as such interests do not meet the definition of a financial asset under the ASC guidance.

Acquisition costs of production stage stream and royalty interests are depleted using the units of production method over the life of the mineral property (as sales occur under stream interests or royalty payments are recognized), which are estimated using proven and probable reserves as provided by the operator. Acquisition costs of stream and royalty interests on development stage mineral properties, which are not yet in production, are not depleted until the property begins production. Acquisition costs of stream or royalty interests on exploration stage mineral properties, where there are no proven and probable reserves, are not depleted. When the associated exploration stage mineral interests are converted to proven and probable reserves, the cost basis is depleted 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 when information becomes available indicating that the production will not occur in the future. Exploration costs are expensed when incurred.

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 securities. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive (loss) 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 securities are other than temporary includes a quarterly analysis of the investments and a review by management of all investments for which the cost exceeds the fair value. Any temporary declines in fair value are recorded as a charge to other comprehensive (loss) income. This evaluation considers a number of factors including, but not limited to, the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and management's ability and intent to hold the securities until fair value recovers. 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. The new cost basis is not changed for subsequent recoveries in fair value. The carrying value of the Company's available-for-sale securities as of June 30, 2018

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and 2017 was \$19.1 million and \$3.7 million respectively, and is included in Other assets on our consolidated balance sheets. The Company realized a gain of approximately \$2.3 million on its available-for-sale securities during the fiscal year ended June 30, 2016.

As discussed further below under Recently Issued and Recently Adopted Accounting Standards, new Accounting Standards Update (“ASU”) guidance effective for the Company’s fiscal year beginning July 1, 2018 will change how the Company recognizes changes in fair value for its securities classified as available-for-sale securities under current guidance.

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

Estimates of gold, silver, copper, and other metal prices, operators’ estimates of proven and probable reserves or mineralized material related to our stream or royalty properties, and operators’ estimates of operating and capital costs are subject to certain risks and uncertainties which may affect the recoverability of our investment in these stream and royalty interests in mineral properties. It is possible that changes could occur to these estimates, which could adversely affect the net cash flows expected to be generated from these stream and royalty interests. Refer to Note 4 for discussion and the results of our impairment assessments for the fiscal years ended June 30, 2018, 2017 and 2016.

Revenue Recognition

Revenue is recognized pursuant to guidance in ASC 605 and based upon amounts contractually due pursuant to the underlying streaming or royalty agreement. Specifically, revenue is recognized in accordance with the terms of the underlying stream or royalty agreements subject to (i) the pervasive evidence of the existence of the arrangements; (ii) the risks and rewards having been transferred; (iii) the stream or royalty being fixed or determinable; and (iv) the collectability being reasonably assured. For our streaming agreements, we recognize revenue when the metal is sold.

Refer below under Recently Issued and Recently Adopted Accounting Standards for discussion on recently issued ASU guidance for the recognition of revenue from contracts with customers effective for the Company's fiscal year beginning July 1, 2018.

Metal Sales

Gold, silver and copper received under our metal streaming agreements are taken into inventory, and then sold primarily using average spot rate gold, silver and copper forward contracts. The sales price for these average spot rate forward contracts is determined by the average daily gold, silver or copper spot prices during the term of the contract, typically a consecutive number of trading days between 10 days and three months (depending on the frequency of deliveries under the respective streaming agreement and our sales policy in effect at the time) commencing shortly after receipt and purchase of the metal. Revenue from gold, silver and copper sales is recognized on the date of the settlement, which is also the date that title to the metal passes to the purchaser.

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cost of Sales

Cost of sales is specific to our stream agreements and is the result of our purchase of gold, silver and copper for a cash payment. The cash payment for gold from Mount Milligan is the lesser of \$435 per ounce or the prevailing market price of gold when purchased, while the cash payment for our other streams is a set contractual percentage of the gold, silver or copper spot price near the date of metal delivery.

Production taxes

Certain royalty payments are subject to production taxes (or mining proceeds taxes), which are recognized at the time of revenue recognition. Production taxes are not income taxes and are included within the costs and expenses section in the Company's consolidated statements of operations and comprehensive (loss) income.

Exploration Costs

Exploration costs are specific to the Peak Gold JV for the exploration and advancement of the Peak Gold Project, as discussed further above under Basis of Consolidation. Costs associated with the Peak Gold JV for the exploration and advancement of the Peak Gold Project are expensed when incurred.

Stock Based Compensation

The Company accounts for stock based compensation in accordance with the guidance of ASC 718. The Company recognizes all share based payments to employees, including grants of employee stock options, stock settled stock appreciation rights ("SSARs"), restricted stock and performance shares, in its financial statements based upon their fair values.

Reportable Segments and Geographical Information

The Company manages its business under two reportable segments, consisting of the acquisition and management of stream interests and the acquisition and management of royalty interests. Royal Gold's long lived assets (stream and royalty interests, net) as of June 30, 2018 and 2017 are geographically distributed as shown in the following table:

	As of June 30, 2018				As of June 30, 2017			
	Stream interest	Royalty interest	Impairments	Total stream and royalty interests, net	Stream interest	Royalty interest	Impairments	Total stream and royalty interests, net
Canada	\$ 809,500	\$ 214,562	\$ (284)	\$ 1,023,778	\$ 852,035	\$ 221,618	\$ —	\$ 1,073,653
Dominican Republic	495,460	—	—	495,460	543,256	—	—	543,256
Chile	328,331	453,306	(239,080)	542,557	348,778	453,369	—	802,147
Africa	104,874	502	—	105,376	123,760	572	—	124,332
Mexico	—	93,277	—	93,277	—	105,889	—	105,889

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United States	—	165,543	—	165,543	—	168,378	—	168,378
Australia	—	34,254	—	34,254	—	37,409	—	37,409
Other	12,039	28,833	—	40,872	12,030	25,162	—	37,192
Total	\$ 1,750,204	\$ 990,277	\$ (239,364)	\$ 2,501,117	\$ 1,879,859	\$ 1,012,397	\$ —	\$ 2,892,256

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's revenue, cost of sales and net revenue by reportable segment for our fiscal years ended June 30, 2018, 2017 and 2016 are geographically distributed as show in the following tables:

	Year Ended June 30, 2018			Year Ended June 30, 2017		
	Revenue	Cost of sales	Net revenue	Revenue	Cost of sales	Net revenue
Streams:						
Canada	\$ 142,244	\$ 40,766	\$ 101,478	\$ 136,736	\$ 45,954	\$ 90,782
Dominican Republic	95,055	28,496	66,559	91,589	27,191	64,398
Chile	57,413	8,614	48,799	60,251	9,037	51,214
Africa	29,804	5,963	23,841	25,435	5,083	20,352
Total streams	\$ 324,516	\$ 83,839	\$ 240,677	\$ 314,011	\$ 87,265	\$ 226,746
Royalties:						
Mexico	\$ 42,959	\$ —	\$ 42,959	\$ 41,945	\$ —	\$ 41,945
United States	39,496	—	39,496	35,282	—	35,282
Canada	24,254	—	24,254	23,208	—	23,208
Australia	13,710	—	13,710	12,943	—	12,943
Africa	2,098	—	2,098	3,131	—	3,131
Chile	473	—	473	1,648	—	1,648
Other	11,536	—	11,536	8,646	—	8,646
Total royalties	\$ 134,526	\$ —	\$ 134,526	\$ 126,803	\$ —	\$ 126,803
Total streams and royalties	\$ 459,042	\$ 83,839	\$ 375,203	\$ 440,814	\$ 87,265	\$ 353,549

	Fiscal Year Ended June 30, 2017			Fiscal Year Ended June 30, 2016		
	Revenue	Cost of sales	Net revenue	Revenue	Cost of sales	Net revenue
Streams:						
Canada	\$ 136,736	\$ 45,954	\$ 90,782	\$ 125,755	\$ 47,417	\$ 78,338
Dominican Republic	91,589	27,191	64,398	39,684	11,625	28,059
Chile	60,251	9,037	51,214	49,243	7,280	41,963
Africa	25,435	5,083	20,352	23,346	4,657	18,689
Total streams	\$ 314,011	\$ 87,265	\$ 226,746	\$ 238,028	\$ 70,979	\$ 167,049
Royalties:						
Mexico	\$ 41,945	\$ —	\$ 41,945	\$ 35,267	\$ —	\$ 35,267
United States	35,282	—	35,282	35,483	—	35,483
Canada	23,208	—	23,208	30,676	—	30,676
Australia	12,943	—	12,943	10,462	—	10,462
Africa	3,131	—	3,131	1,868	—	1,868
Chile	1,648	—	1,648	84	—	84
Other	8,646	—	8,646	7,922	—	7,922

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Total royalties	\$ 126,803	\$ —	\$ 126,803	\$ 121,762	\$ —	\$ 121,762
Total streams and royalties	\$ 440,814	\$ 87,265	\$ 353,549	\$ 359,790	\$ 70,979	\$ 288,811

Income Taxes

The Company accounts for income taxes in accordance with the guidance of ASC 740. The Company's annual tax rate is based on income, statutory tax rates in effect, and tax planning opportunities available to us in the various jurisdictions in which the Company operates. Significant judgment is required in determining the annual tax expense, current tax assets and liabilities, deferred tax assets and liabilities, and our future taxable income, both as a whole and in various tax jurisdictions, for purposes of assessing our ability to realize future benefit from our deferred tax assets. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate or unpredicted results from the final determination of each year's liability by taxing authorities.

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's 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. In evaluating the realizability of the deferred tax assets, management considers both positive and negative evidence that may exist, such as earnings history, reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies in each tax jurisdiction. A valuation allowance may be established to reduce our deferred tax assets to the amount that is considered more likely than not to be realized through the generation of future taxable income and other tax planning strategies.

The Company's operations may involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, state, and international tax audits. The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. The Company adjusts these reserves in light of changing facts and circumstances, such as the progress of a tax audit; however, due to the complexity of some of these uncertainties, the ultimate resolution could result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period which they are determined. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Comprehensive (Loss) Income

In addition to net income, comprehensive (loss) 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 (loss) earnings per share is computed by dividing net (loss) income available to Royal Gold common stockholders by the weighted average number of outstanding common shares for the period, considering the effect of participating securities. Diluted (loss) earnings per share reflect the potential dilution that could occur if securities or other contracts that may require issuance of common shares were converted. Diluted (loss) earnings per share is computed by dividing net (loss) income available to common stockholders by the diluted weighted average number of common shares outstanding during each fiscal year.

Reclassifications

Certain income tax amounts in the prior period consolidated balance sheet and consolidated statement of cash flows have been reclassified to conform with the presentation in the current period consolidated balance sheet and consolidated statement of cash flows. The reclassifications had no effect on reported net (loss) income.

Recently Issued and Recently Adopted Accounting Standards

Recently Issued

In January 2017, the Financial Accounting Standards Board (“FASB”) issued ASU guidance clarifying the definition of a business and providing additional guidance for determining whether transactions should be accounted for as acquisitions of assets or businesses. The new guidance is effective for the Company’s fiscal year beginning July 1, 2018 and early adoption is permitted. The new guidance is required to be applied on a prospective basis. The Company is evaluating the new guidance.

In January 2016, the FASB issued ASU guidance on the recognition and measurement of financial instruments. The amended guidance requires, among other things that equity securities classified as available-for-sale be measured at fair value with changes in fair value recognized in net income rather than other comprehensive (loss) income as required under

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

previous guidance. The new guidance is effective for the Company's fiscal year beginning July 1, 2018. The Company will record a cumulative-effect adjustment in Accumulated (losses) earnings as of adoption.

In February 2016, the FASB issued ASU guidance which changes the accounting for leases. The new guidance is effective for the Company's fiscal year beginning July 1, 2019, and early adoption is permitted. We are currently evaluating the impact, if any, this guidance will have on our consolidated financial statements and footnote disclosures.

In May 2014, the FASB issued ASU guidance for the recognition of revenue from contracts with customers. This ASU superseded virtually all of the existing revenue recognition guidance under U.S. GAAP. The core principle of the five step model is that an entity will recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. Entities can choose to apply the standard using either the full retrospective approach or a modified retrospective approach. The standard is effective for the Company's fiscal year beginning July 1, 2018.

We plan to implement the new ASU revenue recognition guidance as of July 1, 2018, using the modified retrospective method with the cumulative effect, if any, of initial adoption to be recognized in Accumulated (losses) earnings at the date of initial application. Through the implementation process, we have reviewed a sample of contracts that is representative of the composition of our material revenue streams and royalties. Based on the evaluation performed to-date, we do not anticipate that the adoption of the new ASU revenue recognition guidance will have a material impact, if any, to our consolidated financial statements. We continue to evaluate the new disclosure requirements, and we expect that our disclosures surrounding revenue recognition will be more robust upon adoption of the new revenue recognition guidance.

Recently Adopted

In March 2016, the FASB issued ASU guidance related to stock-based compensation. The new guidance simplifies the accounting for stock-based compensation transactions, including income tax consequences, statement of cash flows presentation, estimating forfeitures when calculating compensation expense, and classification of awards as either equity or liabilities.

The new standard requires all excess tax benefits and tax deficiencies to be recognized as income tax benefit (expense) in the income statement. The new guidance also requires presentation of excess tax benefits as an operating activity on the statement of cash flows rather than a financing activity and requires presentation of cash paid to a tax authority when shares are withheld to satisfy the employer's statutory income tax withholding obligation as a financing activity. The new guidance also provides for an election to account for forfeitures of stock-based compensation.

The Company adopted the guidance effective July 1, 2017. With respect to the forfeiture election, the Company will continue its current practice of estimating forfeitures when calculating compensation expense. The adoption of this standard did not have a material impact on the Company's consolidated financial statements or related disclosures.

3. ACQUISITIONS

Acquisition of Additional Royalty Interest on Mara Rosa

On June 29, 2018, Royal Gold, through its wholly-owned subsidiary RG Royalties, LLC, entered into an agreement to purchase a 1.75% Net Smelter Return ("NSR") royalty on Amarillo Gold's Mara Rosa gold project in Goias State, Brazil for \$10.8 million. The acquisition is in addition to the 1.00% NRS royalty on the Mara Rosa project previously acquired by International Royalty Corporation, another wholly-owned subsidiary of Royal Gold. The new Mara Rosa royalty agreement includes a right of first refusal on future financing opportunities based on production from the project.

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The acquisition of the additional royalty interest on Mara Rosa has been accounted for as an asset acquisition. The total purchase price of \$10.8 million, plus direct transaction costs, has been recorded as an exploration stage royalty interest within Stream and royalty interests, net on our consolidated balance sheets.

Acquisition of Contango ORE, Inc. Common Stock

On June 28, 2018, Royal Gold acquired 682,556 shares of common stock of Contango ORE, Inc. ("CORE") for consideration of \$26 per share pursuant to a Stock Purchase Agreement ("SPA") entered into on April 5, 2018 between Royal Gold and certain individual stockholders of CORE. Royal Gold expects to acquire a second and final tranche of 127,188 shares of CORE common stock pursuant to the SPA during our first or second quarter of fiscal year 2019.

The Company has accounted for the CORE common stock as an investment in available-for-sale securities (Note 1), which are included in Other Assets on our consolidated balance sheets. The Company recorded an unrealized loss on the CORE shares of approximately \$1.5 million during fiscal year 2018.

Acquisition of Additional Royalty Interests at Cortez

On September 19, 2016, Royal Gold, through its wholly-owned subsidiary, Denver Mining Finance Company, Inc., acquired a 3.75% Net Value Royalty ("NVR") covering a significant area of Barrick Gold Corporation's ("Barrick") Cortez mine, including the Crossroads deposit, from a private party seller for total consideration of \$70 million. Giving effect to this acquisition, Royal Gold's interests at Cortez Crossroads comprise a 4.52% NVR and a 5% sliding-scale Gross Smelter Return ("GSR") royalty at current gold prices. Royal Gold's interests on production from the Pipeline and South Pipeline deposits as well as portions of the Gap deposit are comprised of a 4.91% NVR and a 5.71% GSR royalty at current gold prices.

The acquisition of the additional royalty interests at Cortez has been accounted for as an asset acquisition. The portion of the acquisition, plus direct transaction costs, attributable to the Pipeline and South Pipeline deposits as well as portions of the Gap deposit (\$10.2 million) has been recorded as a production stage royalty interest while the portion of the acquisition attributable to the Crossroads deposit (\$59.8 million) has been recorded as a development stage royalty interest. Both are included within Stream and royalty interests, net, on our consolidated balance sheets.

Acquisition of Gold and Silver Stream at Pueblo Viejo

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

BGC will deliver gold to RGLD Gold in amounts equal to 7.50% of Barrick’s interest in the gold produced at the Pueblo Viejo mine until 990,000 ounces of gold have been delivered, and 3.75% of Barrick’s interest in gold produced thereafter. RGLD Gold will pay BGC 30% of the spot price per ounce of gold delivered until 550,000 ounces of gold have been delivered, and 60% of the spot price per ounce delivered thereafter. RGLD Gold began receiving gold deliveries during the quarter ended December 31, 2015.

BGC will deliver silver to RGLD Gold in amounts equal to 75% of Barrick’s interest in the silver produced at the Pueblo Viejo mine, subject to a minimum silver recovery of 70%, until 50 million ounces of silver have been delivered, and 37.50% of Barrick’s interest in silver produced thereafter. RGLD Gold will pay BGC 30% of the spot price per ounce of silver delivered until 23.10 million ounces of silver have been delivered, and 60% of the spot price per ounce of silver delivered thereafter. RGLD Gold began receiving silver deliveries during the quarter ended March 31, 2016.

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Pueblo Viejo gold and silver stream acquisition has been accounted for as an asset acquisition. The advance payment of \$610 million, plus direct transaction costs, have been recorded as a production stage stream interest within Stream and royalty interests, net on our consolidated balance sheets. The acquisition cost of the Pueblo Viejo gold and silver stream interest will be depleted using the units of production method, which is estimated using aggregate proven and probable reserves, as provided by Barrick.

Acquisition and Amendment of Gold Stream on Wassa and Prestea

On July 28, 2015, RGLD Gold closed a \$130 million gold stream transaction with a wholly owned subsidiary of Golden Star Resources Ltd. (together “Golden Star”). On December 30, 2015, the parties executed an amendment providing for an additional \$15 million investment (for a total investment of \$145 million) by RGLD Gold. The Company has no remaining upfront deposit payments associated with the Wassa and Prestea gold stream.

Under the terms of the stream transaction, Golden Star will deliver to RGLD Gold 9.25% of gold produced from the Wassa and Prestea mines, until the earlier of (i) December 31, 2017 or (ii) the date at which the Wassa and Prestea underground projects achieve commercial production. Effective January 1, 2018, the stream percentage increased to 10.5% of gold produced from the Wassa and Prestea projects until an aggregate 240,000 ounces have been delivered. Once the applicable delivery threshold is met, the stream percentage will decrease to 5.5% for the remaining life of the mines.

RGLD Gold will pay Golden Star a cash price equal to 20% of the spot price for each ounce of gold delivered at the time of delivery until the applicable delivery threshold is met, and 30% of the spot price for each ounce of gold delivered thereafter.

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

On June 29, 2018, a subsidiary of Golden Star repaid its \$20 million term loan facility, plus accrued interest, to Royal Gold. Prior to payoff, the term loan was recorded within Other assets on our consolidated balance sheets as of June 30, 2017. The warrants that were part of the term loan were exercised during the quarter ended September 30, 2017. The Company sold all of the common shares of Golden Star received upon exercise of the warrants in October 2017.

The Wassa and Prestea gold stream acquisition has been accounted for as an asset acquisition. The aggregate advance payments of \$145 million, plus direct acquisition costs, have been recorded as a production stage stream interest within Stream and royalty interests, net on our consolidated balance sheets. The acquisition cost of the Wassa and

Prestea gold stream interest will be depleted using the units of production method, which is estimated using aggregate proven and probable reserves, as provided by Golden Star.

Acquisition of Gold and Silver Stream at Rainy River

On July 20, 2015, RGLD Gold entered into a \$175 million Purchase and Sale Agreement with New Gold, Inc. (“New Gold”), for a percentage of the gold and silver production from the Rainy River Project located in Ontario, Canada (“Rainy River”). Pursuant to the Purchase and Sale Agreement, RGLD Gold made an advance payment to New Gold, consisting of \$100 million on July 20, 2015, and made the final scheduled payment of \$75 million in November 2016. The Company has no further upfront deposit payments associated with the Rainy River gold and silver stream.

Under the Purchase and Sale Agreement, New Gold will deliver to RGLD Gold 6.50% of the gold produced at Rainy River until 230,000 gold ounces have been delivered, and 3.25% thereafter. New Gold also will deliver to RGLD Gold 60% of the silver produced at Rainy River until 3.10 million silver ounces have been delivered, and 30% thereafter. RGLD Gold will pay New Gold 25% of the spot price per ounce of gold and silver at the time of delivery.

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Rainy River gold and silver stream acquisition has been accounted for as an asset acquisition. The aggregate advance payments of \$175 million, plus direct transaction costs, have been recorded as a development stage stream interest within Stream and royalty interests, net on our consolidated balance sheets as of June 30, 2017. New Gold announced commercial production at Rainy River in October 2017. The Company reclassified the Rainy River stream interest to production stage from development stage during the three months ended December 31, 2017.

Acquisition of Gold Stream and Termination of Royalty Interest at Carmen de Andacollo

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

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

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

In accordance with relevant guidance from the ASC, the Company determined it should account for the Andacollo Stream Agreement and the Royalty Termination Agreement as a single transaction because both transactions closed on the same date, both transactions were with the same counterparty, and the same mineral interest (gold) was part of both transactions. As the Company accounted for the Andacollo Stream Agreement and Royalty Termination Agreement as a single transaction, it was further determined, based on the relevant ASC guidance, that no gain will be recognized as part of the transactions.

The Company accounted for the acquisition of the gold stream interest at Andacollo as an asset acquisition. For US GAAP financial reporting purposes on the date of acquisition, the Company’s new consolidated carrying value in its stream interest at Andacollo was approximately \$388.2 million, which included direct acquisition costs, and has been recorded as a production stage stream interest within Stream and royalty interests, net on our consolidated balance

sheets. The Andacollo gold stream interest will be depleted using the units of production method, which is estimated using aggregate proven and probable reserves, as provided by Teck.

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. STREAM AND ROYALTY INTERESTS, NET

The following summarizes the Company's stream and royalty interests as of June 30, 2018 and 2017:

As of June 30, 2018 (Amounts in thousands):	Cost	Accumulated Depletion	Impairments	Net
Production stage stream interests:				
Mount Milligan	\$ 790,635	\$ (152,833)	\$ —	\$ 637,802
Pueblo Viejo	610,404	(114,944)	—	495,460
Andacollo	388,182	(59,851)	—	328,331
Wassa and Prestea	146,475	(41,601)	—	104,874
Rainy River	175,727	(4,028)	—	171,699
Total production stage stream interests	2,111,423	(373,257)	—	1,738,166
Production stage royalty interests:				
Voisey's Bay	205,724	(86,933)	—	118,791
Peñasquito	99,172	(38,426)	—	60,746
Holt	34,612	(21,173)	—	13,439
Cortez	20,878	(11,241)	—	9,637
Other	483,795	(364,795)	—	119,000
Total production stage royalty interests	844,181	(522,568)	—	321,613
Total production stage stream and royalty interests	2,955,604	(895,825)	—	2,059,779
Development stage stream interests:				
Other	12,038	—	—	12,038
Development stage royalty interests:				
Cortez	59,803	—	—	59,803
Other	74,610	—	(284)	74,326
Total development stage royalty interests	134,413	—	(284)	134,129
Total development stage stream and royalty interests	146,451	—	(284)	146,167
Exploration stage royalty interests:				
Pascua-Lama	416,770	—	(239,080)	177,690
Other	117,481	—	-	117,481
Total exploration stage royalty interests	534,251	—	(239,080)	295,171
Total stream and royalty interests, net	\$ 3,636,306	\$ (895,825)	\$ (239,364)	\$ 2,501,117

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ROYAL GOLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of June 30, 2017 (Amounts in thousands):	Cost	Accumulated Depletion	Impairments	Net
Production stage stream interests:				
Mount Milligan	\$ 790,635	\$ (114,327)	\$ —	\$ 676,308
Pueblo Viejo	610,404	(67,149)	—	543,255
Andacollo	388,182	(39,404)	—	348,778
Wassa and Prestea	146,475	(22,715)	—	123,760
Total production stage stream interests	1,935,696	(243,595)	—	1,692,101
Production stage royalty interests:				
Voisey's Bay	205,724	(85,671)	—	120,053
Peñasquito	99,172	(34,713)	—	64,459
Holt	34,612	(19,669)	—	14,943
Cortez	20,873	(10,633)	—	10,240
Other	483,643	(337,958)	—	145,685
Total production stage royalty interests	844,024	(488,644)	—	355,380
Total production stage stream and royalty interests	2,779,720	(732,239)	—	2,047,481
Development stage stream interests:				
Rainy River	175,727	—	—	175,727
Other	12,031	—	—	12,031
Total development stage stream interests	187,758	—	—	187,758
Development stage royalty interests:				
Pascua-Lama	380,657	—	—	380,657
Cortez	59,803	—	—	59,803
Other	63,811	—	—	63,811
Total development stage royalty interests	504,271	—	—	504,271
Total development stage stream and royalty interests	692,029	—	—	692,029
Total exploration stage royalty interests	152,746	—	—	152,746
Total stream and royalty interests, net	\$ 3,624,495	\$ (732,239)	\$ —	\$ 2,892,256

Impairment of stream and royalty interests and royalty receivables

In accordance with our impairment accounting policy discussed in Note 1, impairments in the carrying value of each stream or royalty interest are measured and recorded to the extent that the carrying value in each stream or royalty interest exceeds its estimated fair value, which is generally calculated using estimated future discounted cash flows. As part of the Company's regular asset impairment analysis, the Company determined the presence of impairment indicators and recorded impairment charges for the fiscal years ended June 30, 2018 and 2016 as summarized in the following table and discussed in detail below:

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Fiscal Year Ended June 30,
2018 2017 2016
(Amounts in thousands)

Stream:			
Phoenix Gold	\$ —	\$ —	\$ 75,702
Royalty:			
Pascua-Lama	239,080	—	—
Inata	—	—	11,982
Wolverine	—	—	5,307
Other	284	—	3,127
Total impairment of stream and royalty interests	\$ 239,364	\$ —	\$